Annual Report and Accounts 2010/11

Child Maintenance
and Enforcement
Commission

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Contents

Foreword by the Chair and Commissioner

2010/11 was a year of significant change and steady performance for the Child Maintenance and Enforcement Commission. A new vision for the future of child maintenance was set out by the Coalition Government. As well as working to support this new vision and taking stock of how our plans needed to change to implement it, the Commission made steady progress to deliver on its three core functions and increased the number of child maintenance arrangements in place. Noel Shanahan took over from Stephen Geraghty as the Commission's accounting officer on 9 May 2011.

The Government's proposals for the future of child maintenance were published in a Green Paper in January 2011. The main focus for the years ahead will be to develop and implement the vision set out in the Paper, which is for a child maintenance 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 need it. The Commission began work to support this vision in 2010/11 and amended its corporate strategy accordingly to support these reforms. This included a refocusing of the work of the Child Maintenance Options service and a revision of the plan for a new statutory scheme of child maintenance.

The new policy direction will help to move away from a situation where only around half of children in separated families are supported by a child maintenance arrangement and a system which entrenches conflict. The proposed changes to the child maintenance system are intended to benefit all children in separated families as well as providing better value for the taxpayer. Key to the changes will be encouraging parents to make collaborative family-based arrangements, which are generally better for families and children.

The Green Paper also reiterated the commitment to launch a new statutory scheme (known as the new scheme) of child maintenance. The limitations of the current IT systems and the way the schemes operate continue to impact adversely both on our clients and our employees every day and the costs inherent in operating them grow day by day. The new scheme, planned for launch from 2012, will bring a simpler and improved service to clients as well as a step change in efficiencies. Excellent progress was made during the year in the design, build and testing of the new scheme.

As well as refocusing our plans during the year, the Commission made good progress against its three core functions of promoting the responsibility that parents have for their children; providing an information and support service; and operating the current statutory child maintenance schemes.

To promote parental responsibility more widely in society, the Commission continued to engage with other government departments and professional associations during the course of the year to ensure that awareness of child maintenance issues is increased amongst the frontline professionals who provide universal services to parents and children, including those who work with the most vulnerable groups in society. The Commission also began work to explore how child maintenance can be integrated into existing support services provided within local communities.

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. Use of the service continued to grow during 2010/11, and led to even more parents making arrangements; it is estimated that as at 31 March 2011 105,000 children were benefiting from an effective family-based arrangement made following contact with the Child Maintenance Options service, up from 60,000 at 31 March 2010. The service is also helping more men than when it started, with 23% of current callers to the service being men. It was pleasing to see the performance of the service and its supplier Ventura recognised when they won the Contact Centre Association Global Service Excellence Award for ‘Best Outsourcing Partnership’.

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. £1,150m was collected or arranged over the year and 78% of those non-resident parents with a liability to pay maintenance are now paying. Over 860,000 children were benefiting from statutory child maintenance as at 31 March 2011, meaning that more than 970,000 children are now benefiting as a result of the Commission’s work or following contact with the Commission.

We would like to record our thanks to colleagues across the Commission. Their collective efforts and willingness to embrace the new challenges set out in the Green Paper 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.

Dame Janet Paraskeva
Chair of the Commission

Noel Shanahan
Child Maintenance Commissioner and Chief Executive

Annual Report 2010/11 – Executive Summary

This Annual Report covers the activity and performance of the Child Maintenance and Enforcement Commission in 2010/11, 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.

2010/11 was a year of significant change for the Commission. 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.

During 2010/11, the Commission revised its corporate plan to ensure that it fits with the Coalition Government's objectives for supporting families and the vision set out in the Green Paper. This included a refocusing of the work of the Child Maintenance Options information and support service and a revision of the plan for the new statutory scheme of child maintenance.

In addition:

- As part of its programme to support parental responsibility, the Commission undertook a range of initiatives with other government departments and professional associations as well as exploring how child maintenance can be integrated into support services provided within local communities.
- More parents were helped by the Child Maintenance Options service; the service reached the significant milestones of 600,000 telephone contacts handled and over a million unique hits to its website. An estimated 105,000 children are now benefiting from a family-based arrangement made following contact with the service.
- The Commission made significant progress with design and 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, exceeding all of its principal ministerial targets, although it 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 rest of this report sets out how the Commission performed during 2010/11 against its core functions and the targets set by the previous government.

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 Child Support Agency (CSA) division of the Commission continues to operate the statutory child maintenance schemes under the CSA brand, to ensure continuity of client service. The Commission has a wider remit than the former CSA, which had only one function: to provide the statutory maintenance service.

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 the existing statutory maintenance schemes. 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; and
3. Provide an efficient statutory maintenance service, with effective enforcement.

The Commission has two delivery mechanisms; Child Maintenance Options, which provides the information and support service, and the CSA, which administers the two current statutory schemes.

The Commission is seeking to ensure that all parents who live apart put in place effective arrangements to maintain their children. It seeks to do this across the estimated 2.5 million separated families, not just the 1.1 million families who are clients of the CSA.

The vision – 'Supporting separated families; securing children's futures'

The Commission's vision, developed with involvement from client representative groups, is to 'support separated families' in understanding the range of child maintenance options available and to help them navigate the issues they face in putting an effective arrangement in place; and in establishing an effective arrangement, the Commission can help 'secure children's futures' by facilitating the financial support they need.

The Commission wants to create a future where parents who live apart from their children should expect, want and be able to make effective maintenance arrangements, where payment becomes the norm and non-payment is no longer socially acceptable.

The Commission's people

At the end of March 2011, the Commission employed 8,251 (full-time equivalent) people (2009/10, 8,924), 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. However, the Coalition Government has outlined its desire for greater ministerial accountability for public bodies and the Public Bodies Bill, which is currently passing through Parliament, provides for the functions of the Commission to 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 sets the strategy and policy for the whole of the organisation. It is responsible for ensuring that effective arrangements are 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 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 governs the committees that ensure that the Commission runs with propriety; is effective in delivering public service; and demonstrates good value for money for the taxpayer. These committees include a Non-Executive Functions Committee, which governs the Commission's Remuneration and Audit Committees.

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
Maeve Sherlock	Non-Executive Director	10 June 2008 (to 31 July 2010)
Alan Hardy	Executive Director	1 July 2008
Susan Park	Executive Director	1 July 2008
Ian Wright	Executive Director	1 February 2011
Stephen Leonard	Executive Director	1 June 2009 (to 28 May 2010)
Keith Woodhouse	Executive Director	1 August 2008 (to 11 March 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 2010/11

Priorities of the new Coalition Government

In January 2011, the Government published its Green Paper *Strengthening families, promoting parental responsibility: the future of child maintenance*. The central premise of the Green Paper is that the existing child maintenance system is not working because it fails to provide support for parents to work collaboratively. As a result currently approximately 50% of children in separated families do not 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. The Government's vision is to rebalance the system so that the best interests of children are placed at the heart of our approach to child maintenance and parents are 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 both accessible and heavily subsidised, but focused on those parents who need it because they cannot make family-based arrangements.

The Coalition 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 have decided that it is imperative to continue 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 significant efficiencies for the taxpayer.

The Commission's priority for 2010/11 has been to refocus its plans to ensure that they fit with the new Government's objectives. As part of this refocusing, the Commission has worked closely with the Department for Work and Pensions (DWP), the Department for Education, the Ministry of Justice and the voluntary sector to explore how support services for separated and separating parents can be better integrated.

There have been enhancements to the Child Maintenance Options service to ensure that it provides better support to parents to make family-based arrangements. These included a discussion guide to help separated parents start basic conversations about child maintenance and offering estimated maintenance calculations over the telephone to help parents decide on the right amount of maintenance. To help parents make collaborative arrangements and put them in writing, an improved family-based arrangement pack was introduced.

The plans for the new scheme were revised with a new planned launch date of 2012. The plans encompassed additional design work to incorporate three new policies contained in both the

Green Paper and the Welfare Reform Bill, which began its passage through Parliament at the end of the financial year, namely:

- The introduction of a 'gateway' type service. Parents will be required to engage with this service before making an application to the new scheme;
- A calculation service will be offered to parents looking to make a family-based arrangement; and
- Non-resident parents will be allowed to choose to pay child maintenance directly to the other parent (known as 'maintenance direct') where they have a case under the new scheme.

Maximising effective arrangements

The primary objective of the Commission continues to be 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 970,000 children benefiting, against a target of 950,000, but still 50% of children in separated families are not benefiting from an effective arrangement. The targets for maintenance collected and the percentage of cases with positive outcomes were also exceeded. More information can be found on pages 12 to 14.

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 payment of child maintenance becomes the norm, with non-payment no longer considered to be acceptable. To achieve this goal, the Commission embarked on a number of activities in the past year.

To promote parental responsibility more widely in society, the Commission continued to engage with other government departments and professional associations during the course of the year. It worked with the Department of Health to explore how child maintenance issues can be included in the training provided to health visitors and family nurses and liaised with professional associations representing social workers, midwives, health visitors and also bank employees. Through these activities, the Commission is seeking to ensure that awareness of child maintenance issues is increased amongst the frontline professionals who provide universal 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.

The Commission also began work to explore how child maintenance can be integrated into existing support services provided within local communities. Its first such initiative has been in Ashington in Northumberland. In partnership with Action for Children, at a children's centre where a range of health and children's services are provided, the Commission has worked with professionals to help them understand why child maintenance is important and how they can point parents in the right direction, as well as offering face-to-face clinics to separated parents.

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. It is available by phone, via a website and, for those in most need of personalised help, through a face-to-face service. In 2010/11 the priorities were to continue to develop the service based on feedback and on the vision for child maintenance set out in the Green Paper.

As well as the enhancements to provide better help to parents to make a family-based arrangement listed above, a new relationship was developed with HM Revenue and Customs, whereby people on tax credits who report a change of circumstances are referred to the Child Maintenance Options service, to help them put an arrangement in place. In addition, face-to-face consultants began an outreach programme to promote awareness of child maintenance and the information and support available to key organisations across Britain, including citizens advice bureaux, local authority family information services and children's centres.

The Child Maintenance Options service received recognition for its high levels of customer service during the year. In November 2010 the service and its supplier Ventura were awarded the Contact Centre Association Global Service Excellence Award for 'Best Outsourcing Partnership'. The service was also one of three that were shortlisted for a 'Best Public Service' award.

Usage of the service continued to grow during 2010/11. Over 600,000 calls have now been handled since its launch in 2008 and more than one million unique visits have been made to the Child Maintenance Options website. This has led to even more parents making arrangements; it is estimated that as at 31 March 2011, 105,000 children were benefiting from a family-based arrangement made following contact with the Child Maintenance Options service, up from 60,000 at 31 March 2010.

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. In 2010/11 the cost of delivering the two statutory schemes was £450m.

2010/11 was a year of stable performance and increasing efficiency, delivering money for children at the same time as a significant reduction in costs.

Record numbers of children benefited from statutory maintenance during the year, with the number exceeding 850,000 for the first time ever in September and reaching 867,800 by year-end. The total amount of maintenance collected or arranged was the highest in the history of the statutory maintenance schemes at £1,150m, exceeding the target by £15m.

The percentage of cases with maintenance flowing rose slightly to 78%, ahead of the target of 76%. New application performance also continued to improve with 89% of applications received in December 2010 cleared within 12 weeks, and uncleared applications down from 39,000 in March 2009 to around 14,900 in March 2011. The telephony service response provided to clients also remains high, with over 98% of calls answered within 60 seconds. More detailed information on performance can be found on pages 12 to 14.

Whilst the CSA division has maintained performance over the past year, the IT systems underpinning the current statutory schemes still have significant underlying flaws and the number of cases managed off these systems continues to grow. Cases managed off the main IT systems cost significantly more to manage (around 71% more per annum for each case) than cases on the systems. The launch of the new statutory scheme from 2012 is the only means of cost-effectively resolving these problems.

Building the new statutory scheme of child maintenance

Steady progress has been made in the last year to design and develop the new scheme and new IT system. As well as the work to adapt plans to the Coalition Government's agenda, work continued with other government departments, notably HM Revenue and Customs and Jobcentre Plus on the interfaces that allow the new IT system to work with the tax and benefits systems.

Progress has also been made in developing the regulations which will define how child maintenance will be calculated under the new scheme and a consultation on these regulations will be launched later in the year.

Performance against Secretary of State targets

The previous government set a number of performance targets against which the Commission's performance would be measured in 2010/11. Performance against these targets is shown below. A new approach to measuring performance will be taken for the 2011/12 financial year, more information can be found on page 14.

Children benefiting

Target:
By 31 March 2011 maintenance will be collected or arranged on behalf of 950,000 children. This target includes arrangements made through the CSA division and Child Maintenance Options service.

Outcome:
The total number of children benefiting from the activity of the Commission was an estimated 972,800.

Maintenance was collected or arranged on behalf of around 867,800 children through the statutory schemes. Based on available management information the Commission estimates that a further 105,000 children benefited from a family-based arrangement made following contact with the Child Maintenance Options service.

Maintenance collected or arranged through the statutory schemes

Target:
Collect or have arranged £1,135m in child maintenance between 1 April 2010 and 31 March 2011.

Outcome:
£1,150m was collected or arranged in the year to March 2011.

Maintenance outcomes of the statutory schemes

Target:
By 31 March 2011, in 76% of cases across both the old and current schemes in which a liability to pay maintenance exists, the non-resident parent has either made a payment via the collection service or a Maintenance Direct arrangement is in place.

Outcome:
The percentage of non-resident parents paying maintenance at 31 March 2011 rose to 78%.

Five year performance trends

The following tables show 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) were continued by the Commission in 2009/10 and 2010/11. Over the past five years:

- Annual child maintenance payments have increased by 28 per cent; £1,150m was collected or arranged through the statutory service in the year to March 2011.
- An additional 184,500 children are benefiting from statutory maintenance payments, an increase of 27%.
- The percentage of non-resident parents paying maintenance has increased to 78% from 65% in 2007.
- Uncleared current scheme cases have been reduced by over 132,000 to fewer than 15,000, with 89% of cases now cleared within 12 weeks of application.
- Calls are now answered more promptly, with an average waiting time of just 9 seconds, down from 25 seconds in 2007.

Client service: five-year performance trends						
		March 2007 **Actual**	**March 2008** **Actual**	**March 2009** **Actual**	**March 2010** **Actual**	**March 2011** **Actual**
Percentage of new scheme applications cleared within:	12 weeks (Dec intake)	61%	77%	82%	86%	89%
	18 weeks (Oct intake)	64%	83%	81%	93%	93%
	26 weeks (Sep intake)	79%	89%	90%	95%	97%
Uncleared new scheme applications		147,100	101,400	39,000	18,400	14,900
Telephony Average answer time from queue		25 seconds	20 seconds	13 seconds	8 seconds	9 seconds
Percentage of lost calls in a year		3%	2%	1%	1%	1%

Maintenance outcomes : five-year performance trends					
	March 2007 **Actual**	**March 2008** **Actual**	**March 2009** **Actual**	**March 2010** **Actual**	**March 2011** **Actual**
Children benefiting (total)	683,300	749,300	810,500#	905,700*	972,800~
Statutory schemes only	683,300	749,300	780,500	845,700	867,800
Cases in receipt of maintenance	504,400	561,400	593,500	647,700	668,600
Maintenance outcomes Percentage of cases with a current liability receiving maintenance	65%	67%	71%	77%	78%
Maintenance collected or arranged	£898m	£1,010m	£1,132m	£1,141m	£1,150m

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 arrangements supported by Child Maintenance Options
* of which 60,000 (estimated) through arrangements supported by Child Maintenance Options
~ of which 105,000 (estimated) through arrangements supported by Child Maintenance Options

Future developments

The Commission has set out its plans for 2011/12 in its Delivery Plan. The main focus will be on developing and implementing the vision set out in the Green Paper.

In 2011/12 the key priorities for the Commission are:

- Continuing to work with the Department for Work and Pensions and other government departments to explore how support services can be better integrated
- Developing the range of services provided by the Child Maintenance Options service and using it as a test bed to trial different models for the type of integrated support services envisaged in the Green Paper
- Continuing to develop the policies required to implement the vision set out in the Green Paper
- Completing the test and design of the new statutory scheme, including adding the functionality required to meet new policy priorities, prior to launch later in 2012
- Maintaining existing levels of performance on the existing statutory schemes and through the Child Maintenance Options service
- Promoting financial responsibility in local communities and through intermediaries
- Delivering value for money in all the Commission's activities.

The Commission also has specific priorities for each of its three functions, namely: promoting financial responsibility; providing information and support; and providing the statutory schemes. These can be found in the Delivery Plan for 2011/12, which is available on the Commission's website, www.childmaintenance.org.

Costs

The Commission incurs costs in discharging each of its functions. The existing statutory service is managed by the CSA division of the Commission and cost £450m to deliver in 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 the new legislation;
- Developing, building and launching 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:

	2009/10 Actual £'m	2010/11 Actual £'m
Existing statutory service		
Investment	19	3
Delivery	503	450
New services (1)		
Investment	40	36
Delivery	13	24
Total	**575**	**513**

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

Headcount

During 2010/11 the average number of staff (full-time equivalent) was 8,251, down from 8,924 in 2009/10.

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. Maeve Sherlock resigned as a Non-Executive Director and Chair of the Committee part way through the year on 20 July 2010 and Deborah Absalom was appointed on 20 July as her replacement.

The Committee met on 22 June 2010 and on 20 July 2010. Its work included:

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

- Reviewing the work of the Audit Committee;

- Update on succession planning;

- A value for money review of the Non-Executive Committees of the Commission.

The Remuneration Committee was established to consider the matters referred to in paragraphs (a) to (c), and 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.

The Non-Executive Functions Committee delegated the function referred to in paragraph (d) to the Audit Committee. This Committee is chaired by Bill Griffiths. Maeve Sherlock was a Non-Executive Director member until 20 July 2010 when she resigned and was replaced by Heather Jackson. Dawn Johnson and Peter Conway are co-opted members.

Remuneration Committee

Activity during the year

The Committee met five times on 10 May 2010, 7 June 2010, 8 July 2010, 9 September 2010 and 3 March 2011.

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

- Review and agreement of the Committee's Terms of Reference;
- Recommendations made on remuneration for the Commissioner and SCS pay band 2 members including those who are not Executive Directors on the Commission Board;
- Consideration of non-consolidated remuneration for the Commissioner and SCS pay band 2 members;
- Evaluation and refinement of remuneration processes for the coming year 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 – Co-opted 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 who replaced Maeve Sherlock from December 2010 – and two external members – Dawn Johnson and Peter Conway. The Committee was supported by officials from the Commission and the Department for Work and Pensions (DWP) sponsorship team, DWP Risk Assurance Division and NAO.

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

Activity during the year

The Audit Committee met seven times during the year, on 14 June 2010, 5 July 2010, 9 July 2010, 6 September 2010, 6 December 2010, 24 January 2011, and 7 March 2011. 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 Fund Accounts.** The Committee discussed the issues that had delayed the publication of the Client Fund Accounts for 2008/09 and 2009/10;

- **Administration Accounts.** The Committee discussed the implications that the International Financial Reporting Standards would have.

Foreword to the Accounts

Statutory background

The Child Maintenance and Enforcement Commission (the Commission) was established in July 2008 as a Crown Non-Departmental Public Body of the Department for Work and Pensions (DWP) to take responsibility for the child maintenance system in Great Britain. The DWP transferred the functions of the Child Support Agency (CSA) to the Commission on 1 November 2008.

The Commission presents its accounts for the financial year ended 31 March 2011. 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 privately, 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 targets for 2010/2011 were agreed with the Secretary of State and set out in the Commission's Business Plan, published in March 2010.

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 2010 to 31 March 2011, 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 2010/11 were £513m: 2009/10 restated operating costs were £575m. The Commission's net liabilities at 31 March 2011 were £39m; net liabilities at 31 March 2010 were £51m.

Going concern

On 14 October 2010 the government announced its intention to introduce a bill to reform public bodies. As part of this bill, it is proposed to transfer all of the Commission's functions to the Department for Work and Pensions. This bill is intended to pass into law later in 2011.

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. Due to uncertainty over the timing of the Public Bodies Reform Bill and over its implementation, there is material 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 Bill 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 Resource Account 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 Business Plan for 2010/11 which was published in March 2010.

Employment of disabled people

Disabled people, as defined in the Disability Discrimination Act 1995, are employed across all parts of the Child Maintenance and Enforcement Commission. The Commission has adopted the DWP guidance and has now, in its own right, obtained 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

70,149 days were lost due to sickness absence during the year (2009/10 86,334 days). This is equivalent to an average of 8.50 days per person (full-time equivalent). This is an improvement on days lost in 2009/10, which stood at an average of 9.92 days per person.

Personal data related incidents

There were no incidents reported to the Information Commissioner’s Office in 2010/11 (2009/10 nil).

Summary of other protected personal data related incidents in 2010/11

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	Nature of incident	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 worked to further implement information security requirements to ensure compliance with Cabinet Office recommendations and those advised by Internal Audit. The Senior Information Risk Officer and Information Asset Owner are confident of their roles and responsibilities for protecting information. The Security and Information Governance Forum meets monthly to address information risk and where necessary ensure controls are implemented to minimise risks. The information asset inventory is being rolled out throughout the Commission with senior level support and accountability for assets. Substantial activities have been undertaken which have improved the maturity of our information assurance including a 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.

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 DWP's strategy and policy for Sustainable Development and the achievement of its targets for Sustainable Operations on the Government Estate (SOGE), Carbon Reduction Plan and Central Government energy efficiency. Although the Commission is a Crown Non-Departmental Public Body, it shares much of its estate and procurement processes with DWP.

The Commission contributes to the Department's targets to reduce carbon emissions from both offices and vehicles, reduce the waste that goes into landfill and increase the percentage of waste recycled.

Various activities have supported the Commission's contribution over the past year including:

- The implementation of two departmental energy saving initiatives. 'Delivering the 10% Carbon challenge' promotes more energy efficient workplaces and working arrangements whilst 'Avoid Waste and Reduce Energy' continues to encourage all staff members to take responsibility for reducing waste and conserving energy.
- The introduction of energy champions to ensure the success of the energy saving initiatives.
- The attainment of the first stages of the Department's sustainable procurement flexible framework. The framework will embed sustainability throughout the Commission's procurement processes.
- The introduction of sustainability appraisals for estate changes to ensure sustainability is given proper consideration in any office move.
- The on-going rollout of the Sustainable Print Service, which will achieve significant environmental benefits within the Commissions printing, photocopying and faxing services.
- The continued recycling of all the Commission's paper waste.
- The introduction of 100% recycled paper in all the Commission's office and bulk reprographic photocopiers and desktop printers.

The current Sustainable Development on Government Estate targets expired in 2010 and are replaced by key outcomes from the new Greening Government Commitments for delivering sustainable operations and procurement.

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 2010/11 the Commission paid 97% of relevant invoices within the ten-day period. In 2009/10, 96% 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 2010/11, no interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998 (2009/10, 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 42 to 43.

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. The Accounts reflect the conditions that existed at the reporting date.

Signed

Noel Shanahan
Accounting officer
12 July 2011

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 Senior Civil Service pay arrangements.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be 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 on 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 where 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.civilservicecommissioners.org.

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 appointments 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 appointments of the Non-Executive Directors were made on merit 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 month's 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.

In reaching its recommendations the Remuneration Committee, taking account of the conclusions of the Review Body on Senior Salaries following their work on senior civil servants' pay, has regard 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 cover 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 contributions 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 or 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 (audited)

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. These have been subject to audit.

Salary

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 duties but which are not subject to UK taxation, are disclosed quarterly on the Commission website www.childmaintenance.org.

Non-Executive Directors

	Total fees 2010/11	Taxable expenses classified as benefits in kind 2010/11, to nearest £100	Total remuneration 2010/11 £’000	Total fees 2009/10	Taxable expenses classified as benefits in kind 2009/10, to nearest £100	Total remuneration 2009/10
	£'000	£	£'000	£'000	£	£'000
Dame Janet Paraskeva Chair	95-100	-	95-100	95-100	-	95-100
Deborah Absalom	20-25	2,300	20-25	20-25	4,000	20-25
Rosemary Carter	20-25	4,800	25-30	20-25	7,000	25-30
Bill Griffiths	20-25	3,700	20-25	20-25	6,200	25-30
Maeve Sherlock (to 31/07/10)	5-10 (full-year equivalent 20 – 25)	200	5-10	20-25	5,500	25-30
Heather Jackson	20-25	1,500	20-25	20-25	4,800	20-25

Executive Directors

	Salary 2010/11	Bonuses 2010/11	Taxable expenses classified as benefits in kind 2010/11, to nearest £100	Total remune-ration 2010/11	Salary 2009/10	Bonuses 2009/10	Taxable expenses classified as benefits in kind 2009/10, to nearest £100	Total remuner-ation 2009/10
	£'000	£'000	£	£'000	£'000	£'000	£	£'000
Stephen Geraghty Commissio-ner (to 06/05/11)	210-215	10-15	23,400	240-245	215-220	10-15	11,700	245-250
Alan Hardy Finance & Assurance	150-155	5-10	18,900	180-185	140-145	5-10	23,500	175-180
Susan Park Corporate Affairs	120-125	5-10	100	130-135	120-125	10-15	-	135-140
Keith Woodhouse Change (to 11/03/11)	120-125 (full-year equivalent 125-130)	-	-	120-125	125-130	5-10	200	135-140
Stephen Leonard Customer & Commissio-ning (to 28/05/10)	25-30 (full-year equivalent 150-155)	-	1,900	25-30	135-140	-	17,800	155-160
Ian Wright Change (from 1/02/11)	15-20 (full-year equivalent 115-120)	-	3,800	20-25	-	-	-	-

Other Senior Officials

	Salary 2010/11	Bonuses 2010/11	Taxable expenses classified as benefits in kind 2010/11, to nearest £100	Total remune-ration 2010/11	Salary 2009/10	Bonuses 2009/10	Taxable expenses classified as benefits in kind 2009/10, to nearest £100	Total remuner-ation 2009/10
	£'000	£'000	£	£'000	£'000	£'000	£	£'000
Simon McKinnon Information & Technology	145-150	5-10	8,000	160-165	125-130	0-5	36,400	170-175
Mark Grimshaw CSA Managing Director (to 16/01/11) (Note 1)	125-130 (full-year equivalent 160-165)	5-10	10,900	145-150	160-165	10-15	33,000	205-210
Ian Pavey Human Resources	120-125	-	26,700	145-150	120-125	5-10	25,500	155-160
Ian Wright Corporate Services (to 1/02/11)	90-95 (full-year equivalent 105-110)	5-10	-	95-100	105-110	0-5	-	110-115
Christine Forster Operations (from 01/02/11)	10-15 (full-year equivalent 85-90)	-	-	10-15	-	-	-	-
Angela MacDonald Customer (from 01/02/11)	15-20 (full-year equivalent 95-100)	-	-	15-20	-	-	-	-

Note 1:
Mark Grimshaw's salary costs were met by the Commission until 28 February 2011, at which point the Rural Payments Agency (RPA) assumed responsibility for his salary payments. The amount disclosed in this report is the salary corresponding to the period from 1 April 2010 to 16 January 2011, whilst he was an official of the Commission; the salary paid for the remainder of the year is disclosed in the RPA's 2010/11 accounts. The salary costs borne by the Commission in relation to his role at the RPA will be reimbursed by the RPA to the Commission.

Taxable expenses classified as benefits in kind

Taxable expenses 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 2010/11 financial year this consists of costs 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 also included within benefits in kind. In some cases, the tax and national insurance are paid by employees and reimbursed by the Commission, and these amounts of tax and national insurance are included within salary.

Compensation to former senior managers

During the year Keith Woodhouse applied to leave the Commission as part of an approved voluntary severance exercise run for head office staff. His application was accepted and total payments were made of £48,000. The Commission did not make any awards to former senior managers in 2009/10.

Payments for loss of office

The Commission did not make any payments for loss of office in 2010/11. The equivalent value for 2009/10 was nil.

Civil Service pensions

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 annually 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 the 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 the rate of 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 for service from October 2002 calculated as the Premium scheme. In Nuvos a member builds up a pension based on their pensionable earnings during their 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 in 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/my-civil-service/pensions.

The Cash Equivalent Transfer Value (CETV)

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 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 pension 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 (audited)

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

	Accrued pension at pension age as at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 31 March 2010 restated	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Geraghty Commissioner	25-30	2.5-5	470	389	41	-
Alan Hardy Finance & Assurance	10-15	0-2.5	117	89	16	-
Susan Park Corporate Affairs	45-50 plus 147.5-150 lump sum	0-2.5 plus 0-2.5 lump sum	818	751	-	-
Keith Woodhouse Change (to 01/02/11)	5-10	0-2.5	163	126	24	-
Stephen Leonard Customer & Commissioning (to 28/05/10)	0-5	0-2.5	30	25	4	-
Simon McKinnon Information & Technology	5-10	2.5-5	84	49	28	-
Mark Grimshaw CSA Managing Director (to 16/01/11)	10-15 plus 40-42.5 lump sum	0-2.5 plus 2.5-5 lump sum	223	191	14	-
Ian Pavey Human Resources	5-10	0-2.5	150	114	23	-
Ian Wright Change	5-10	0-2.5	86	54	24	-
Christine Forster Operations	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	500	491	7	-
Angela MacDonald Customer	0-5	0-2.5	29	26	2	-

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

Dame Janet Paraskeva and 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
12 July 2011

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.

Statement on Internal Control

1. Scope of responsibility

For 2010/11 reporting year, Stephen Geraghty had responsibility as Accounting Officer for the Child Maintenance and Enforcement Commission (the Commission). As Accounting Officer, Stephen Geraghty had responsibility for maintaining a sound system of internal control that supported the achievement of the Commission's policies, aims and objectives, while safeguarding public funds and its assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money.

I was appointed Accounting Officer with effect from 9 May 2011. There was a full handover of Accounting Officer responsibilities from Stephen Geraghty to me. The handover took place over a series of meetings in the run-up to 9 May. Under the Commission's Framework Document (paragraph 3.4.2), which sets out the respective responsibilities and delegations of the Commission and Accounting Officer agreed with the Department for Work and Pensions (DWP), I am responsible to Parliament for signing a Statement on Internal Control, which sets out the key control challenges facing the Commission.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Commission policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Commission throughout 2010/11, and the system accords with HM Treasury guidance, except for the matters noted below.

3. Capacity to handle risk

The Commission's Board and Executive Team have a broad range of skills and experience from the public and private sectors, and recognise the importance of risk management of which each of its members has relevant practical experience. The team has actively managed the risks that have emerged during the year and demonstrated leadership through a series of measures. These included conducting regular risk workshops; setting a risk-based forward meeting agenda; and holding regular programme board meetings specifically addressing risks to the successful delivery of major programmes.

The Commission has a number of tools including a risk management framework, standardised guidance, templates, desk aids and a risk management intranet site. These tools continued to be used to drive up the quality of risk management during the year through a programme of awareness sessions and risk workshops. The Commission's overall risk management approach involves a series of risk registers, maintained to a consistent standard. There is an overarching risk register for each directorate within the Commission that provides a portfolio of risk for that directorate and subsequently the Commission overall.

An external risk management benchmarking exercise was performed during the 2009/10 year by Internal Audit, with Deloitte, to highlight where the Commission can make improvements in its risk management methodology. The conclusion drawn was that the Commission's risk management processes were mature and comparable with other government departments, but that risk controls were operating inconsistently across the Commission and that the true risk portfolio should be more visible. The recommendations of the exercise were that the Board should ensure that risks are visible across the organisation, driven by a well-documented and understood risk policy and a defined appetite for risk in each business area. Work continues to move from a risk aware to risk intelligent culture. There is greater consistency of approach and visibility of risk at senior forums. During 2011/12 the plan is to embed a more dynamic approach to risk management, which is better integrated into broader decision making and more streamlined reporting.

4. The risk and control framework

The Commission operates within a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks.

Information risk remained an important area of focus during 2010/11. 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.

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

- Development of key security policies, including the Commission's Information Security and Risk Management Policy and Data Protection Policy;
- Continued focus on security awareness with ongoing programmes of communications and presentations to middle and senior management, supported by security e-learning across the Commission (of which 99.9% compliance was achieved).

At the end of 2010/11, directors provided letters of assurance confirming that they had complied with the Commission's risk procedures. Specific concerns raised have been reflected as appropriate within Section 6 of this statement.

In April 2011, the 'Protecting Client Information' security awareness initiative was launched.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In 2010/11 my review was informed by the work of our internal auditors, the Audit Committee, executive managers across the organisation with responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The paragraphs below set out the Commission's main governance structure, which was in place throughout the year to 31 March 2011.

The Commission Board. The Commission Board is required to satisfy itself that effective arrangements are in place to secure assurance on risk management, governance and internal control. The Commission Board met eleven times in 2010/11.

Non-Executive Functions Committee. This body comprises all the Commission Board Non-Executive Directors. It is established under Schedule 1 paragraph 20 of the Child Maintenance and Other Payments Act 2008. The Non-Executive Functions Committee oversees the work of the principal non-executive committees, the Audit Committee and the Remuneration Committee, and met twice in 2010/11.

Audit Committee. The Audit Committee had four full meetings in the year to 31 March 2011, in addition to three ad hoc meetings to discuss specific issues relating to client funds accounting. In line with HM Treasury guidance, the Audit Committee comprises non-executive members. During the year, one Audit Committee member left the Commission and was replaced by a new non-executive member (an existing Board member) in December 2010.

Remuneration Committee. The Remuneration Committee met five times in 2010/11. The body's primary function is to determine the pay of Executive Directors and advise on remuneration for other senior appointments as requested.

The Commission's executive governance comprises the following bodies:

- Executive Team. In 2010/11 this met on average every two weeks until December 2010 when from then on, it met weekly. This body is the primary operational decision-making forum for the Commission. It consists of the Commissioner, the executive members of the Commission Board, the Customer Director and the directors of Planning, Information and Technology, Human Resources and CSA Operations.

- Strategy and Policy Forum. The role of the Commission's Strategy and Policy Forum is to recommend policy decisions to the Commission Board and provide assurance that decisions made are being implemented as intended across the full organisation. The Forum also oversees the Commission's legislative programme. The Strategy and Policy Forum met on a monthly basis in 2010/11.

- Change Programme Board. All major programmes are managed through Change Programme Board. In 2010/11 the Change Programme Board met monthly and was supported by various programme sub-committees which met on a weekly or two-weekly basis as necessary.

- Management forums. The above forums are complemented by a set of management forums as laid out in a comprehensive Corporate Governance Handbook, which is available to all Commission employees via the intranet.

The majority of the 2010/11 internal audit recommendations have been implemented during the year and in the opening months of 2011/12.

There were many sources of assurance available to the Commission during 2010/11, including periodic and ad-hoc management monitoring, externally commissioned reviews and an independent, risk-based internal audit programme. The findings from internal audit work have continued to reflect the improving trend in governance, risk management and control, with audits completed throughout the year achieving 'reasonable' or 'strong assurance'. However, internal audit opinion overall remains at 'limited' due largely to legacy IT problems inherited from the Child Support Agency and the complexities of business processes, with some significant internal control issues, continuing to impact the overall adequacy and effectiveness of the risk and control framework. This reflects the inherently challenging risk management agenda for the Commission and the planning and implementation of the complex programmes of change to deliver better child maintenance outcomes.

6. Significant internal control challenges

The 2010/11 year has seen a continued improvement in our control environment, however from the various assurances available to the Commission, the significant control challenges, some of which were inherited from the CSA, were identified as follows:

Client Funds Accounts. In November 2008 the Commission inherited responsibility from the DWP 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.

During preparation of the 2008/09 Client Funds Accounts, a number of weaknesses with the information available from the Child Maintenance Systems were discovered. To address these weaknesses, a suite of reports were developed to produce arrears listings. We intend to use these listings as a basis for Note 6 of the 2010/11 Client Funds Accounts.

The Client Funds Accounts for 2008/09 and 2009/10 were laid before Parliament on 28 April 2011. The accounts carried an adverse opinion on the arrears note to each account, arising from estimated errors in the underlying arrears, alongside the long-standing regularity qualification arising from estimated errors in maintenance assessments.

Stuck and off-system cases. The Commission operates two principal child maintenance computer systems: CSCS, implemented in 1993, and CS2, implemented in 2003. A major historical problem with the CS2 system was that cases became unprogressable or 'stuck' on the system due to data issues, software defects or both. These cases became invisible to caseworkers unless and until clients complained about the lack of progress on their cases at which point they would be referred for off-system or 'clerical' management. The September 2008 upgrade to CS2 fixed some known software defects and introduced for the first time a system of validation and error trapping so that cases experiencing problems have since then been systematically identified and either rectified by caseworkers or referred to an 'initially stuck' queue for technical fixes. At this point problems are either fixed and the cases transferred back to caseworkers for normal progression or, where that is not possible, referred onwards for processing either wholly or partially off the main computer systems.

The term "clerical" is not strictly accurate as such cases are managed using a number of small systems; however, these systems are very limited in their functionality compared to CS2 and the manual effort required and the cost of managing them is higher than fully on-system cases, by around 70%. There were some 100,000 cases managed wholly off the main computer systems and a further 48,000 cases partially managed off the main systems as at March 2011 compared with 86,000 and 45,000 respectively at March 2010.

As at March 2011 some 2,600 cases per week enter the 'initially stuck' queue. Initially stuck cases are those which require remedial action in order to progress them on the system. Not all initially stuck cases enter the long-term stuck queue, which are managed clerically. This is a reduction of some 1,400 cases per week since April 2010. Approximately 25% of these cases cannot be returned to business as usual and require some degree of clerical processing. The key initiative during 2010/11 was to focus operational management by establishing a specific directorate for the end to end process for stuck and clerical cases. Internal controls have also been strengthened and the Commission has successfully implemented a further upgrade to the CS2 system. These additional controls have helped reduce the stock of new cases entering the 'initially stuck' queue and those becoming long-term stuck, and hence requiring clerical intervention. Since April 2010 the flow of cases into the long-term stuck queue has reduced from 500 cases per week to 200 cases per week at March 2011.

Nevertheless, the permanent solution for the problems on stuck and off system cases is the new scheme IT system due to launch in 2012, however, in the meantime the Commission remains committed to reducing the number of cases requiring clerical intervention and improving the management of such cases.

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.

The Commission does however continue to drive up accuracy. There has been a sustained campaign to improve accuracy this year, including increased education and management focus. As a result, Cash Value Accuracy increased from 92% in 2006/07 (under the previous Child Support Agency) to 97.4% in 2010/11 (including a 0.9% improvement on the 2009/10 performance). We will continue this campaign in 2011/12, and will ensure lessons are learned for the new scheme.

Cash value accuracy is a monetary measure of the accuracy of the Commission’s maintenance assessments. Based on a sample of cases the Commission calculates, for each pound of maintenance assessed, how much was accurate.

Adjustments to assessments and arrears. It was estimated in 2009/10 that up to £83 million of arrears were incorrectly adjusted downwards on the CS2 system rather than suspended, which has occurred over the combined eighteen-year lifetime of the Commission and the Child Support Agency. This means that some arrears balances, relating to cases on which arrears are not actively pursued and which are classed as uncollectable, may be understated.

As CSCS suspended arrears are not actively chased, we estimate that the impact on collections is minimal; collections are driven by current maintenance collection schedules. The Commission believes that the impact of the incorrect adjustments on payments to parents with care will be minimal.

The Commission addressed this matter by introducing clearer guidelines and education for caseworkers. The improved guidance will reduce the level of technical adjustment errors in the future, however the accumulated historical errors remain.

Refunds made to clients. The Commission refunded £8.5m to clients during 2010/11 due to short term timing differences in confirming changes of circumstances. These refunds are financed by, and recorded as a loss in, these accounts. The amount refunded is £1.2m lower than in 2009/10 because of initiatives taken forward by the Commission, which included additional internal controls around payment authorisation and checking. However an internal audit review on mandatory checking of refunds found an absence of robust management information on the volume and value of refunds and reimbursements made. The Commission accepted the findings of the audit and has already implemented three of the seven recommendations; the remainder will be completed in the opening months of 2011/12. There will be continued focus during 2011/12 to reduce the need to make client refunds, primarily by strengthening internal procedures and processes.

Change programme. The Commission is leading a major change programme to deliver a new statutory maintenance scheme underpinned by a new IT system. In 2010, the Government undertook a radical review of all major projects, including this one, to assess strategic alignment, and confidence in both the business case and programme delivery. The new scheme successfully passed this review, with a strong endorsement for the business case and approach in delivery. In January 2011 DWP also completed a further review to assess the approach to the transition from an old to a new IT system, and to ensure lessons have been learned from the past. The new scheme system is founded on good design concepts but is facing significant implementation challenges. At this point, as a result of increased levels of scrutiny, the programme was assessed as lacking an agreed verified delivery plan supported by the necessary funding approvals. Ministerial decisions since then have enabled the rebaselining of the plan which has been agreed by the Commission Board; a review by the Major Projects Authority will take place during July and August 2011.

The Government are committed to the overwhelming case for change and have continued to review the detailed design. As a result, in the consultation paper on 'Strengthening Families, promoting parental responsibility' published January 2011 they announced a new gateway service supporting family-based arrangements, and a new statutory maintenance calculation and enforcement service. This will be supported by a two phase approach to launching the new scheme, with the scheme being launched for new applicants in 2012.

The development of the new scheme is expected to be complete by 2012. Funding settlements have been agreed up to and including 31 March 2012; the settlement for the following three years is currently being negotiated with DWP.

Information security. In recent years there has been continuing public and media focus on information security. The Cabinet Office requirements are set out in Data Handling Procedures in Government, published in June 2008, in addition to the HM Government Security Policy Framework, revised in February 2011.

The Commission holds a wide range of personal data relating to its clients. The 2010/11 Information Assurance Maturity Model (IAMM) analysed the approach to information risk management across the Commission. The model incorporates the requirements of the HM Government's Security Policy Framework and the 2008 Data Handling Review and is aligned with the International Standard for Information Security (ISO27001). For a relatively new organisation, the overall maturity was assessed as 'established'. This shows that information assurance processes are institutionalised and business critical information systems and the information assurance status of all such systems have been identified. Good progress has also been made to show that information assurance is considered as 'business enabling', and that all critical areas of the business, including information systems, are subject to a robust information assurance regime. Action plans have been identified and agreed with senior management, and a major security awareness initiative was launched in April 2010 entitled 'Protecting Client Information'.

Of the Commission's two main operating systems: CS2 gained full security re-accreditation during 2010/11; CSCS has always had stronger security features than CS2 and following a formal risk assessment carried out by the Child Support Agency in 2008 the Department for Work and Pensions' executive team made a decision not to pursue full security accreditation for CSCS. Stephen Geraghty was sighted on this decision in his capacity as senior responsible owner of CSCS. The same decision applied to similar legacy mainframe systems used by the Department for Work and Pensions. Consequently, the Commission is no longer required to seek full security accreditation for CSCS.

Notwithstanding the work undertaken by the Commission, recognised through the IAMM and the 'reasonable' opinion of the 2010-11 Information Risk Management internal audit, the overall RAD opinion of information risk is 'limited'. This is because of the Commission's dependency on DWP for some elements of our security of information. DWP has some significant control challenges and working with them, we will continue to address these information security issues, whilst striving for continuous improvement.

Management information. Robust management information had long been an issue for the Child Support Agency and continues to be for the Commission. Action has been taken by the Commission to improve the ability of managers to drive performance improvement, which in 2010/11 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 over:

- Complaints information. This remains an area for improvement for the Commission, particularly the reliability of Management Information. The computer system used to manage complaints was upgraded in 2009/10 which partially addressed performance issues, however following a 2010/11 Internal Audit review key governance and controls are now being enhanced;
- 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). Tallyman is currently bedding down within the Commission, and the MI it produces is still somewhat flawed. The main issue is user error - notably a failure to use the Tallyman features fully.
- Stability of MI production. 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 Directorate (IfD). Plans are in place to address this but the runs remain unstable pending work with IfD to improve the situation.
- The child maintenance computer systems lack the functionality to age CSCS arrears. The cost of remedying this issue would be punitive; the design of the new scheme allows for the production of ageing debt.

Manual payments. Weaknesses were identified in the end to end process for making manual payments via DWP Shared Services outside the RM system. (RM is the Oracle resource management system which the Commission uses to account for expenditure and manage payments). The Commission has resolved this control issue by revising internal processes through the year.

7. Conclusion

The Commission continues to operate in an inherently challenging environment. Real and lasting benefits in performance and control have been delivered, but serious insolvable underlying system problems many of which were accumulated over the 18-year life of the Child Support Agency were inherited by the Commission following transfer of child support functions in November 2008. The Commission is continuing to design and build a new child maintenance scheme, planned for launch in 2012, which should not be burdened with the historical problems of the Child Support Agency.

Despite these inherent challenges, during 2010/11, the Commission collected or arranged over £1,150m in child maintenance, the highest since the inception of the Child Support Agency in 1993. The Commission also met or exceeded its principal ministerial targets and has met all key Client Service Standards. The improvements made to the child maintenance systems in 2009/10 have been built upon during 2010/11, with continued underlying IT development and maintenance of legacy systems. A necessary upgrade to the clerical case database has been tabled for 2011/12.

The Commission has no expectation that the inherent weaknesses in the existing statutory scheme systems can be completely fixed, but the Commission will continue to improve the existing systems in the meantime. Any further key areas for improvement identified will be regularly monitored by the Commission during the coming year to ensure that progress continues to be made.

Signed

Noel Shanahan
Accounting Officer
12 July 2011

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 (the Commission) for the year ended 31 March 2011 under the Child Maintenance and Other Payments Act 2008. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2011 and of its net expenditure 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

Without qualifying my opinion, I draw attention to the disclosures made in note 1.1 to the financial statements concerning the application of the going concern principle. The Government has announced its intention to abolish the Commission and transfer its functions to the Department for Work and Pensions. This is subject to legislation and therefore uncertain. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Commission to continue to operate in its current form.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State directions issued 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
14 July 2011

Statement of comprehensive net expenditure

	Notes	2010/11 £'000	2009/10 Restated £'000
Administration Costs			
Staff costs	3	235,867	240,379
Other administration costs	4	280,724	337,399
Gross administration costs		516,591	577,778
Operating income	5	(3,411)	(3,179)
Net Operating Cost		**513,180**	**574,599**
Other Comprehensive Expenditure			
Net (loss)/gain on revaluation of intangibles		(1,656)	3,408
Other Comprehensive Expenditure		**(1,656)**	**3,408**
Total Comprehensive Expenditure for the year		**511,524**	**578,007**

All income and expenditure are derived from continuing operations.

The notes on pages 50 to 97 form part of these accounts.

Statement of financial position

	Note	As at 31 March 2011 £'000	As at 31 March 2010 (Restated) £'000	As at 1 April 2009 (Restated) £'000
Non-current assets:				
Intangible assets	6	26,817	25,831	6,453
Property, plant and equipment	7	30	235	5,570
Trade and other receivables	9	39	49	66
Total non-current assets		**26,886**	**26,115**	**12,089**
Current assets:				
Trade and other receivables	9	6,275	6,211	8,494
Cash and cash equivalents	10	218	504	1,993
Total current assets		**6,493**	**6,715**	**10,487**
Total assets		**33,379**	**32,830**	**22,576**
Current liabilities				
Trade and other payables	11	(70,279)	(76,473)	(62,579)
Non-current assets less net current liabilities		**(36,900)**	**(43,643)**	**(40,003)**
Non-current liabilities				
Provisions	12	(1,767)	(6,892)	(10,132)
Total non-current liabilities		**(1,767)**	**(6,892)**	**(10,132)**
Assets less liabilities		**(38,667)**	**(50,535)**	**(50,135)**
Taxpayers' Equity				
General Fund		(39,544)	(53,347)	(50,157)
Revaluation Reserve		877	2,812	22
Total Taxpayers' Equity		**(38,667)**	**(50,535)**	**(50,135)**

Signed

Noel Shanahan

Accounting Officer

12 July 2011

The notes on pages 50 to 97 form part of these accounts.

Statement of cash flows

	Note	2010/11 £'000	2009/10 £'000
Net cash outflow from operating activities	13(a)	(515,447)	(554,759)
Net cash outflow from investing activities	13(b)	(11,295)	(22,848)
Net cash inflow from financing activities	13(c)	526,456	576,118
Net cash outflow for the year		**(286)**	**(1,489)**
Cash and cash equivalents at the beginning of the period	**10**	**504**	**1,993**
Cash and cash equivalents at the end of the period	**10**	**218**	**504**

The notes on pages 50 to 97 form part of these accounts.

Statement of changes in Taxpayers' Equity

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2009	**21**	**(50,159)**	**44**	**(50,115)**
Changes in accounting policy		2	(22)	(20)
Restated Balance at 1 April 2009		**(50,157)**	**22**	**(50,135)**
Changes in Taxpayers' Equity for 2009/10				
Net Parliamentary Funding	13(c)	576,521	-	576,521
CFERs payable to the Consolidated Fund	5	(480)	-	(480)
Net Operating Cost		(574,599)		(574,599)
Non-cash adjustments:				
Asset transfer to DWP	7	(5,250)	-	(5,250)
Movements in reserves:				
Recognised in Statement of Comprehensive Net Expenditure	8		3,408	3,408
Transfers between reserves		618	(618)	-
Restated Balance at 1 April 2010		**(53,347)**	**2,812**	**(50,535)**
Changes in Taxpayers' Equity for 2010/11				
Net Parliamentary Funding	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	1.10(a)	279	(279)	-
Adjustment to Asset transfer to DWP		498	-	498
Balance at 31 March 2011		**(39,544)**	**877**	**(38,667)**

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.

c. Cost of capital has been removed to reflect a change in accounting policy as required by the *FReM*. Accordingly, 2009/10 figures have been restated, affecting both non-cash charges – cost of capital and comprehensive expenditure for the year (see Note 21). There is no impact on the opening 2009/10 General Fund position.

The notes on pages 50 to 97 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 2010/11 *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 Commission has prepared these financial statements on a going concern basis. The Commission receives its funding from the Department for Work and Pensions (DWP) as part of the Government's Spending Review 2010. The funding settlement for the Commission provides funding through to 2014/15.

On 14 October 2010 the government announced its intention to introduce a bill to reform public bodies. As part of this bill, it is proposed to transfer all of the Commission's functions to the Department for Work and Pensions. This bill is intended to pass into law later in 2011.

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. Due to uncertainty over the timing of the Public Bodies Reform Bill and over its implementation, there is material 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 Bill will not affect future funding approvals and therefore a going concern basis has been adopted for the preparation of these financial statements.

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 2011, 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 2010:

IFRS 5 Non-current Assets Held For Sale and Discontinued Operations (effective for periods beginning on or after 1 January 2010) – disclosures for non-current assets classified as held for sale and discontinued operations are now specified within IFRS 5. The disclosure requirements of other IFRSs only apply to such items if they require specific disclosures or relate to items not within the measurement scope of IFRS 5.

IAS 7 Statement of Cash Flows (effective for periods beginning on or after 1 January 2010) – This requires that only expenditure which results in a recognised asset in the Statement of Financial Position can be classified within investing activities. The Commission is compliant with IAS 7 in that the only recognised investing activities are the purchase of property, plant and equipment and intangible assets within the Statement of Financial Position.

IAS 17 Leases (effective for periods beginning on or after 1 January 2010) – Prior to this amendment, land leases were generally classified as operating leases. The amendment requires that land leases are classified as either finance leases or operating leases in accordance with the principles of IAS 17. This is significant where property is held under long term leases which are, in effect, little different to property purchase. The Commission has undertaken a review of its land leases and has determined that there is no impact. Land leases held by the Commission therefore remain classified as operating leases.

The following amendments to the *FReM* have been made and are effective from 1st April 2010.

The HM Treasury Clear Line of Sight project aims to align budgets, estimates and accounts. As a result of amendments to the budgetary regime, cost of capital charges have been removed from financial statements with effect from 1 April 2010 in line with corresponding changes to budgets and estimates. The impact of this is shown in Note 21.

An amendment to the *FReM* has been made in respect of IAS 36 *Impairment of Assets*. This requires impairments of non-current assets that arise from a clear consumption of economic benefits to be taken direct to the Statement of Comprehensive Net Expenditure, rather than to the Revaluation Reserve.

(ii) Effective for future Financial Years

The following IFRSs and IFRIC Interpretations and Amendments applicable to the Commission, have been issued but are not yet effective and have not been adopted early by the Commission.

IFRS 7 Financial Instruments: Disclosures (effective for periods beginning on or after 1 January 2011) - The amendment clarifies requirements in respect of quantitative disclosures and exposure to credit risk. The Commission will undertake an assessment in respect of the amendments in order to provide those additional disclosures required for the 2011/12 financial statements.

IFRS 7 Financial Instruments: Disclosures (effective for periods beginning on or after 1 July 2011) – Detailed disclosures are required for financial assets transferred to another entity but not derecognised in their entirety and financial assets derecognised in their entirety but in which the reporting entity has an involvement. The Commission does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

IAS 24 *Related Party Transactions* (effective for periods beginning on or after 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the *FReM*. IAS 24 also clarifies the definition of a related party.

IFRS 9 *Financial Instruments: Classification and Measurement* (effective for periods beginning on or after 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. Further proposals were introduced in October 2010 in respect of the derecognition of financial assets and liabilities. IFRS 9 is due to be expanded further in June 2011 with regard to the impairment of financial assets measured at amortised cost. The Commission will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

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 DWP transferred the functions of the Child Support Agency 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 refunds 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 convention modified for the revaluation of property, plant and equipment and intangible assets at fair value, as determined by the relevant International Accounting Standards, International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretations.

1.5 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 separately.

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 1.12. Development costs 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.

IAS 38 requires directly attributable staff costs to be capitalised. The Commission capitalises staff costs that are deemed to be directly attributable to the development of software assets.

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 Web Site Costs, and the specific criteria as determined by IAS 38 Intangible Assets. Costs are categorised as research or development costs and accounted for accordingly (see Note 1.12).

1.6 Amortisation

Amortisation is calculated on intangible assets with a finite life 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.

Estimated useful asset lives are normally in the following ranges:

Software licences	shorter of licence period and 5 years

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 following acquisition. No amortisation is charged in the month of disposal.

Assets in the course of construction and indefinite life intangible assets are not amortised but instead subject to impairment reviews.

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

1.7 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, motor vehicles, plant and machinery, furniture and fittings. The treatment of property assets is detailed in Note 1.8.

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.

1.8 Land and buildings

Land and buildings are measured initially at cost, restated to current value using external professional valuations in accordance with IAS 16 at least every five years and in the intervening years by use of published indices appropriate to the type of land or building.

Land and buildings are valued on an existing use basis which has been included at depreciated replacement cost.

Expenditure in respect of major refurbishment and improvement of properties is capitalised and reported as land and buildings or leasehold improvements, depending on its nature. This is appropriate because the expenditure provides a long-term continuing benefit for the Commission.

1.9 Depreciation

Depreciation is charged on property, plant and equipment 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. No depreciation is provided on freehold land.

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 following 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.

Estimated useful asset lives are normally in the following ranges:

Freehold buildings	50 years or remaining life as assessed by the valuers
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.

1.10 Revaluation and Impairment of Non-Current Assets

a. Revaluations

Gains on revaluation are credited to the revaluation reserve. Losses on revaluation 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. Other impairment losses are debited to the revaluation reserve up to the level of depreciated historic cost, with any excess being taken to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a previously 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 annually for impairment. 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.

1.11 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.

1.12 Research and Development expenditure

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred. 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.

1.13 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).

1.14 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.gov.uk/my-civil-service/pensions).

1.15 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 2.9% (2009/10, 1.8%) in real terms.

From 22 December 2010, new Civil Service compensation terms have been introduced for early departure schemes. All exit costs falling to be paid by the Commission under the new terms consist of lump sum payments only which are recognised in the financial statements.

1.16 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% (2009/10, 2.2%). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Statement of Comprehensive Net Expenditure.

1.17 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.

1.18 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.

1.19 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 DWP, the assets are recognised on the DWP's Statement of Financial Position and any related payments or charges are recorded as an expense.

1.20 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 DWP 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).

1.21 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 IAS 39 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 counterparty'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.

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.

1.22 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.

1.23 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 Northern Ireland are reimbursed by the Commission and are included in the Statement of Comprehensive Net Expenditure.

1.24 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 measured reliably. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.14.

1.25 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 Board.

1.26 Estimation techniques

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.

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 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 2011. 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% 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. The Commission had been relying on a planned system upgrade to collect data for each employee that would calculate the respective employee leave accrual figures at a specific point in time. Delays to the implementation of the upgrade have resulted in the Commission developing an interim proxy measure using a sampling approach for calculating the accrual at 31 March 2009, 31 March 2010 and 31 March 2011.

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, in line with the Department, has opted to use the final February related indices. This 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 the valuation of software licences as a result of this change is negligible.

The index viewed by management as most appropriate in achieving the requirement of IAS 38 and the *FReM* to establish a suitable proxy for fair value is JV5(a) for computers and peripheral equipment as this adequately reflects the movements in the costs of licences during changing market conditions experienced over the reporting period. Index MM 17: Price Index Numbers for Current Cost Accounting - Indices PQEK Computers & other information processing equipment which was used previously by the Commission has been discontinued from October 2010 in a move towards new industry standard classifications.

At 31 March 2011 the Commission had no internally developed software that had been brought into use.

1.27 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.

2. Analysis of Net Operating Cost by 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 launching 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:

	2010/11 £'000	2009/10 Restated £'000
Existing statutory service		
Investment	2,500	18,966
Delivery	450,092	502,582
New services (1)		
Investment	36,273	40,020
Delivery	24,315	13,031
Total	**513,180**	**574,599**

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

3. Staff numbers and related costs

a) Staff costs consist of:

	2010/11 Total £'000	2010/11 Permanently employed staff £'000	2010/11 Other £'000	2009/10 Total £'000
Wages and salaries	187,470	185,068	2,402	195,866
Employer' National Insurance	12,319	12,160	159	12,140
Superannuation and pension costs	31,530	31,498	32	32,273
Lump sum exit costs	4,548	4,548	-	100
Total Net Costs	**235,867**	**233,274**	**2,593**	**240,379**

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/my-civil-service/pensions).

For 2010/11, employer's contributions of £31.4 million were payable to the PCSPS (2009/10 £32.2 million) at one of four rates in the range 16.7% to 24.3% (2009/10, 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 2010/11 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 (2009/10, £3.1 million) were payable to the Civil Superannuation Vote at 31 March 2011 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 £102,043 (2009/10, £121,932) 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 £6,974 (2009/10 £7,908), 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 £9,877 (2009/10 £8,541). Contributions prepaid at that date were £nil (2009/10 £nil).

During the year 11 people (2009/10, 9 people) retired on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £13,712 (2009/10, £12,790). These liabilities are the responsibility of the Commission but are to be paid by the Civil Superannuation Vote.

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:

	2010/11	2009/10
Directly employed permanent staff	8,145	8,753
Other	106	171
Total	**8,251**	**8,924**

c) Exit Packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed		Total number of exit packages by cost band	
	2010/11 and 2009/10	2010/11	2009/10	2010/11	2009/10
< £10,000	-	68	62	68	62
£10,000 - £25,000	-	47	15	47	15
£25,000 - £50,000	-	40	10	40	10
£50,000 - £100,000	-	32	1	32	1
£100,000 - 150,000	-	5	-	5	-
£150,000 - 200,000	-	-	-	-	-
£200,000 >	-	1	-	1	-
Total number of exit packages by type	**-**	**193**	**88**	**193**	**88**

Exit package cost band	Cost of compulsory redundancies £'000	Cost of other departures agreed £'000		Total cost of exit packages by cost band £'000	
	2010/11 and 2009/10	2010/11	2009/10	2010/11	2009/10
< £10,000	-	158	248	158	248
£10,000 - £25,000	-	730	219	730	219
£25,000 - £50,000	-	1,549	343	1,549	343
£50,000 - £100,000	-	2,175	72	2,175	72
£100,000 - £150,000	-	629	-	629	-
£150,000 - £200,000	-	-	-	-	-
£200,000 >	-	214	-	214	-
Total resource cost		**5,455**	**882**	**5,455**	**882**

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 in the year of departure. 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 administration costs

	Notes	2010/11 £'000	2009/10 Restated £'000
Computer systems costs and IT service charges	4b/4c	120,096	151,235
Hire of plant and machinery		285	193
Other operating leases	4a	12,996	13,068
Special payments	4d/19	2,276	3,765
Accommodation costs	4a	22,359	23,001
Contracted out services		35,623	36,021
General office expenses		594	2,139
Consultancy		3,053	8,615
Printing, postage, publicity and stationery		2,931	8,121
Professional fees		6,931	9,025
Staff expenses and other related staff costs		4,610	9,527
Reimbursement and deferred debt payment		8,507	9,718
Bad debts written off		2,049	2,120
Impairment charges - receivables		(328)	983
Impairment charges – non-current assets	8	347	-
Services provided by Northern Ireland Child Maintenance and Enforcement Division	4e	25,772	25,627
Corporate charges		24,662	26,583
Depreciation and amortisation	6/7	5,010	4,062
Other		2,344	2,697
Revaluation loss/(gain) on Intangible Assets		598	(20)
Movement in provisions in the period	12d	(617)	282
Auditor's remuneration	4f	626	637
		280,724	**337,399**
The above totals comprise of:			
Cash items – directly charged		273,665	329,972
Non-cash items – provided without the transfer of cash:			
Other		7,059	7,427
		280,724	**337,399**

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 Corporate Centre 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 Corporate centre.

c. DWP has a contract with BT Syntegra for it's 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 £1.579m (2009/10, £2.615m), advance payments of maintenance £0.392m (2009/10, £0.753m), special payments to staff/contractors/public £97 thousand (2009/10, £6 thousand) and interest payable at £0.208m (2009/10, £0.391m) 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, 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 £0.171m (2009/10, £0.202m) and for the Client Funds Account were £0.385m (incl. VAT) (2009/10, £0.435m (incl. VAT)). In addition, £70 thousand was charged in respect of work relating to prior year Client Funds Account audits.

5. Operating income

	2010/11			2009/10		
	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000
Operating income						
Fees and charges to clients	(882)	-	(882)	(860)	-	(860)
Fees and charges to other government departments	(1,734)	-	(1,734)	(1,839)	-	(1,839)
Consolidated Fund Extra Receipts	-	(795)	(795)	-	(480)	(480)
	(2,616)	**(795)**	**(3,411)**	**(2,699)**	**(480)**	**(3,179)**

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes and not for the purposes of IFRS 8.

	2010/11			2009/10		
	Income £'000	Full cost £'000	Surplus /Deficit £'000	Income £'000	Full cost £'000	Surplus /Deficit £'000
Sundry income	(882)	882	-	(860)	860	-
Income from other government departments	(1,734)	1,734	-	(1,839)	1,839	-
	(2,616)	**2,616**	**-**	**(2,699)**	**2,699**	**-**

Fees and Charges to Clients – Recovery of charges from Commission clients for ex-gratia items, principally charges for DNA tests. The Commission sets the level of the charges to achieve full recovery of the costs incurred by the Commission through its DNA testing contract.

Fees and Charges to other government departments – This represents the recovery of IT service charges for the administration of Northern Ireland legislative cases on the Child Support Great Britain Mainframe and Telephony Systems. The Commission's target was to recover the full cost of the Department for Social Development's (Northern Ireland) use of its systems. This target was achieved in 2010/11 with a full recovery.

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 2010 - restated		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 - restated		4,624	-	4,624
Charged in year		4,954	-	4,954
Revaluation	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 - restated		**23,823**	**2,008**	**25,831**

	Notes	Software Licences £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
As at 1 April 2009 - restated		6,994	-	6,994
Additions		17,918	2,008	19,926
Revaluation in year	6a	3,535	-	3,535
As at 31 March 2010 - restated		**28,447**	**2,008**	**30,455**
Amortisation				
As at 1 April 2009 - restated		541	-	541
Charged in year		3,976	-	3,976
Revaluation in year		107	-	107
As at 31 March 2010 - restated		4,624	-	4,624
Net book value as at 31 March 2010 - restated		**23,823**	**2,008**	**25,831**
Net book value as at 31 March 2009 - restated		**6,453**	**-**	**6,453**

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

Cash flow reconciliation

	Notes	2010/11 £'000	2009/10 £'000
Capital accruals as at 1 April	11	3,358	6,279
Capital additions		8,384	19,926
Capital accruals as at 31 March	11	(455)	(3,358)
	13	**11,287**	**22,847**

a) Software licences have been revalued at 31 March 2011 using the JV5A Computer and Peripheral Index. Had revaluation not taken place, software licences as at 31 March 2011 under amortised historic cost would have been valued at £16.955m (2009/10 £21.033m).

7. Property, plant and equipment

	Notes	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Buildings £'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**

	Notes	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Buildings £'000	Total £'000
Cost or valuation						
As at 1 April 2009		3,482	463	682	5,274	9,901
Additions		-	-	1	-	1
Transfers out		(1)	-	-	-	(1)
Transfers to DWP		-	-	-	(5,274)	(5,274)
As at 31 March 2010		3,481	463	683	-	4,627
Depreciation						
As at 1 April 2009		3,470	452	385	24	4,331
Charged in year		9	4	73	-	86
Transfers out		(1)	-	-	-	(1)
Transfers to DWP		-	-	-	(24)	(24)
As at 31 March 2010		**3,478**	**456**	**458**	**-**	**4,392**
Net book value as at 31 March 2010		**3**	**7**	**225**	**-**	**235**
Net book value as at 1 April 2009		**12**	**11**	**297**	**5,250**	**5,570**

a. During the year, 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.

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 ten properties over which the Commission holds a legal mortgage, has consequently not been disclosed in the balance sheet.

Cash flow reconciliation	**Note**	**2010/11 £'000**	**2009/10 £'000**
Purchases of property, plant and equipment		8	1
Capital expenditure accruals as at 31 March		-	-
	13	**8**	**1**

8. Non-Current Assets: Impairment

	Note	2010/11 £000	2009/10 £000
Net impairment in year:			
Intangible assets impairment	8a	190	-
Property, plant and equipment impairment	8b	157	-
Total – charged/(credited) to Statement of Comprehensive Net Expenditure	**4**	**347**	**-**

a. Net impairment of £0.190m comprises costs of £0.238m and amortisation of £0.048m. (See Note 6).
b. Net impairment of £0.157m comprises costs of £0.687m and depreciation of £0.530m. (See Note 7).

9. Trade and other receivables

(a) Analysis by type

	Notes	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 1 April 2009 £'000
Amounts falling due within one year				
Trade receivables		8	103	689
Deposits and advances	9a	117	145	289
Amounts due from Other Government Departments		727	975	-
Other receivables		14,336	15,150	16,987
Gross trade receivables		**15,188**	**16,373**	**17,965**
Less: provision for impairment	9b/9c	(13,746)	(14,074)	(13,091)
Net trade receivables		**1,442**	**2,299**	**4,874**
Value Added Tax		4,228	3,700	3,620
Prepayments and accrued income		605	212	-
		6,275	**6,211**	**8,494**
Amounts falling due after more than one year				
Deposits and advances	9a	39	49	66
		6,314	**6,260**	**8,560**

a. Deposits and advances include £48,350 (2009/10, £59,791) of house purchase advances due from 9 employees (2009/10, 11 employees).

b. An impairment provision was made in earlier years, reflecting non-payment of fees. There has been no change on this provision in the period.

	Receivables £'000	Provision £'000	Net £'000
Balance as at 1 April 2010	12,350	(12,350)	-
Net movement during the period	-	-	-
Balance as at 31 March 2011	**12,350**	**(12,350)**	**-**

c. An impairment review has been carried out for all debts recoverable from clients and ex-employees. At 31 March 2011 the impairment provision was £1.396m (2009/10 £1.724m).

(b) Intra-Government Balances

The following table analyses total trade and other receivable balances across the categories shown:

	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 1 April 2009 £'000
Amounts falling due within one year:			
Balances with other central government bodies	4,955	4,675	7,687
Balances with bodies external to government	1,320	1,536	807
	6,275	**6,211**	**8,494**
Amounts falling due after one year:			
Balances with other central government bodies	-	-	-
Balances with bodies external to government	39	49	66
	39	**49**	**66**
Total:			
Balances with other central government bodies	4,955	4,675	7,687
Balances with bodies external to government	1,359	1,585	873
	6,314	**6,260**	**8,560**

10. Cash and cash equivalents

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	504	1,993	-
Net change in cash and cash equivalents balances	(286)	(1,489)	1,993
Balance as at 31 March	**218**	**504**	**1,993**

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
The following balances at 31 March were held at:			
Government Banking Services	51	-	-
Office of HM Paymaster General	-	222	1,964
Commercial Banks	167	282	29
	218	**504**	**1,993**

The Commission holds its own bank accounts with Government Banking Services (Citibank and Royal Bank of Scotland) and HSBC and these are reported above. The Commission changed banking arrangements from the Office of HM Paymaster General to Government Banking Services during the financial year.

11. Trade and other payables

(a) Analysis by type

	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 1 April 2009 £'000
Amounts falling due within one year:			
Taxation and National Insurance	4,287	4,296	4,303
Superannuation	2,907	3,050	3,168
Trade payables	2,099	1,512	1,923
Other payables	26,833	32,732	11,863
Accruals and deferred income – non capital	33,317	31,392	34,987
Accruals and deferred income – capital	455	3,358	6,279
CFERs due to be paid to the Consolidated Fund – received	381	133	56
	70,279	**76,473**	**62,579**

(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 2011 £'000	As at 31 March 2010 £'000	As at 1 April 2009 £'000
Balances with other central government bodies	34,087	40,081	27,525
Balances with bodies external to government	36,192	36,392	35,054
	70,279	**76,473**	**62,579**

12. Provision for liabilities and charges

(a) Administration provisions

	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
	£'000	£'000	£'000
Early departure and pension provision	436	133	72
Other provisions	1,331	6,759	10,060
	1,767	**6,892**	**10,132**

Early departure and pension provision

	2010/11
	Gross Provision £'000
Balance as at 1 April 2010	133
Amounts utilised in period	(72)
Increase in provisions:	
New entrants	374
Movement	(2)
Uplift	3
	436
Balance as at 31 March 2011	**436**

	2009/10
	Gross Provision £'000
Balance as at 1 April 2009	72
Amounts utilised in period	(40)
Increase in provisions:	
New entrants	96
Movement	(1)
Uplift	3
	130
Unwinding of discount	3
Balance as at 31 March 2010	**133**

Where departures are funded by the Commission, there is a requirement to provide for the estimated future early departure costs of employees, discounted at the HM Treasury discount rate, in these accounts. The discount rate used is 2.9% (2009/10, 1.8%).

Other Provisions

	Parklands Remedial Work £'000 Note (a)	Contractual Provisions £'000 Note (b)	Office closure costs £'000 Note (c)	Total other Provisions £'000
Balance as at 1 April 2010	969	2,006	3,784	6,759
Increase in provisions				
New provision	-	40	100	140
	969	**2,046**	**3,884**	**6,899**
Amounts utilised in the period	(460)	(611)	(3,365)	(4,436)
Amounts released in the period	(509)	(204)	(419)	(1,132)
Balance as at 31 March 2011	**-**	**1,231**	**100**	**1,331**
Balance as at 1 April 2009	3,456	4,263	2,341	10,060
Increase in provisions				
New provision	-	833	1,443	2,276
	3,456	**5,096**	**3,784**	**12,336**
Amounts utilised in the period	(2,487)	(995)	-	(3,482)
Amounts released in the period	-	(2,095)	-	(2,095)
Balance as at 31 March 2010	**969**	**2,006**	**3,784**	**6,759**

a. In 1998 the Department (formally the Department of Social Security) entered into a sale and leaseback agreement with Telereal Trillium for the Departmental estate. At that point the Department committed to make good known defects at the Falkirk Parklands site. All remedial work in relation to this site was completed in the 2010/11 financial year.

b. Contractual provisions represent principally the termination costs payable by the Commission on the contract with Vertex Data Science Ltd for the administration of off-system maintenance cases and some minor provisions relating to employment tribunals. The timing and value of these remain uncertain and the estimate included of £1.231 million represents management's best estimate of the amounts eventually due.

c. The provision for office closure costs relates to the Commission's plans to vacate one building. The cost relates to rectification costs to restore the building to its original state. Notice was given in-year and all costs will be incurred before October 2011. During the 2010/11 financial year, four sites were vacated with all costs charged to the provision created in the prior period.

d. The total new provisions created in 2010/11 were £0.375m early departure provision (2009/10 £0.101m) and £0.140m other provisions (2009/10 £2.276m), totalling £0.515m (2009/10 £2.374m). In addition, £1.132m of provisions created in prior periods were released (2009/10 £2.095m). This led to a net credit to the Statement of Comprehensive Net Expenditure of £0.617m (2009/10 net charge: £0.282m).

(b) Analysis of expected timing of discounted flows:

	Early Departure Costs £'000	Parklands Remedial Work £'000	Contractual Provisions £'000	Office Closure Costs £'000	Total £'000
Not later than one year	116	-	1,231	100	1,447
Later than one year and not later than five years	240	-	-	-	240
Later than five years	80	-	-	-	80
Balance as at 31 March 2011	**436**	**-**	**1,231**	**100**	**1,767**

13. Notes to the Statement of Cash Flows

	Note	2010/11 £'000	2009/10 (Restated) £'000
a) Cash flows from operating activities			
Net operating cost		(513,180)	(574,599)
Depreciation	7	56	86
Amortisation	6	4,954	3,976
Non-current asset impairment	4/8	945	(20)
(Increase)/decrease in trade and other receivables	9	(54)	2,300
(Decrease)/increase in trade payables	11	(3,043)	16,738
Decrease in provisions		(5,125)	(3,240)
Net cash outflow from operating activities		**(515,447)**	**(554,759)**
b) Cash flows from investing activities			
Purchase of property, plant and equipment	7	(8)	(1)
Purchase of intangible assets	6	(11,287)	(22,847)
Net cash outflow from investing activities		**(11,295)**	**(22,848)**
c) Cash flows from financing activities			
Net Parliamentary funding		527,001	576,521
Payments of amounts due to Consolidated Fund		(545)	(403)
Net financing		**526,456**	**576,118**
d) Net decrease in cash and cash equivalents in the period		**(286)**	**(1,489)**
Cash and cash equivalents at the beginning of the period	10	504	1,993
Cash at bank and in hand at the end of the period	10	**218**	**504**

14. Capital commitments

No capital commitments existed at 31 March 2011 (31 March 2010 – Nil)

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 2011			31 March 2010		
	Land £'000	Buildings £'000	Other £'000	Land £'000	Buildings £'000	Other £'000
Due within one year	4,188	7,946	778	4,673	7,445	576
Due after one year but not more than five years	8,376	15,765	1,077	-	1,037	833
Due thereafter	-	-	-	-	_	-
	12,564	**23,711**	**1,855**	**4,673**	**8,482**	**1,409**

Restated 1 April 2009

	1 April 2009		
	Land £'000	Buildings £'000	Other £'000
Due within one year	4,269	7,242	442
Due after one year but not more than five years	4,269	7,242	441
Due thereafter			
	8,538	**14,484**	**883**

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 reflect this commitment for the 3 year period.

Newcastle Estates accommodation

The Department entered into an arrangement 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 Corporate Centre 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 reflect this commitment for the 3 year period.

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.

Photocopiers

The Commission has an arrangement in place with Ricoh UK Ltd, via a departmental contract, for the use and maintenance of photocopiers over a three year rental period. Throughout 2010-11, photocopiers have been replaced with multi-function devices on a rolling basis within the Sustainable Print Services (SPS) project. The contract with Ricoh was temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate. The SPS rollout is due to be completed by early May 2011 with the project completion date scheduled for the end of May 2011. It is anticipated that all remaining costs associated with the Ricoh contract will be submitted by June 2011 and brought to account by July 2011.

Sustainable Print Services Project

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

Other

The Commission has an operating lease contract for the lease of the 6th floor of Stockley House, London until December 2013.

16. Financial instruments

(a) Financial instruments by category

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 1 April 2009 £000
Financial assets – Loans and Receivables			
Deposits and advances	156	194	355
Balances with DWP	15	14	493
Other government departments	712	961	2,201
Trade receivables	8	103	689
Other receivables	590	1,076	1,202
Cash and cash equivalents	218	504	1,993
Total	**1,699**	**2,852**	**6,933**

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 1 April 2009 £'000
Financial liabilities at amortised cost			
Superannuation	2,907	3,050	3,168
Trade payables	2,099	1,512	1,923
Other payables	351	223	645
Other government departments	26,512	32,509	943
Accruals	33,742	34,750	41,266
Balances with DWP	-	-	10,275
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund - received	381	133	56
Total	**65,992**	**72,177**	**58,276**

(b) Fair value of financial instruments

The book values of the Commission's financial assets and liabilities at 31 March 2011 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. Financial instruments that relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements expose the Commission to little credit, liquidity or market risk.

Credit risk

Credit risks arise from cash and cash equivalents, and 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's exposure to credit risk is limited due to the majority of administrative related debt being with other government departments. No credit risk is considered appropriate in respect of unpaid fees of £12.350m (See Note 9) as these have been fully impaired.

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 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	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**
Trade Receivables	-	-	-	37	2	-	39
Amounts due from Other Government Departments	438	6	-	1	1	-	446
Other receivables	120	48	4	25	7	-	204
As at 31 March 2010	**558**	**54**	**4**	**63**	**10**	**-**	**689**

17. Contingent liabilities disclosed under IAS 37

The Commission had no contingent liabilities at 31 March 2011. At 31 March 2010, the Commission had a single contingent liability of £1.6m in relation to the exit from an operational site. The full costs of this closure were charged in the 2010/11 financial year.

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 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Client funds	**16,832**	**16,255**	**17,432**

19. Losses and special payments

	2010/11		2009/10	
	£'000	Number of cases	£'000	Number of cases
Losses	10,556	20,003	11,838	18,706
Special payments	2,276	8,008	3,765	12,265
	12,832	**28,011**	**15,603**	**30,971**

Losses

Losses consist of salary-related losses and overpayments of maintenance to clients, and refund payments as described below.

Salary related losses totalled 288 cases amounting to £26,701 (2009/10, 312 cases amounting to £86,643) and relate to monies the Commission is unable to recover from former employees. Non-salary related losses totalled 3,180 cases amounting to £2.022m (2009/10, 1,294 cases amounting to £2.034m) and 16,535 cases, amounting to £8.507m, where maintenance was overpaid to the correct parent with care, refunded to the non-resident parent and subsequently written off (2009/10, 17,100 cases amounting to £9.718m).

Reimbursement payments arise where a non-resident parent has a change in circumstances which has 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

There were no losses reported over £250,000 (2009/10 nil).

Special payments

	2010/11		2009/10	
	£'000	Number of Cases	£'000	Number of Cases
Compensation payments	1,579	7,286	2,615	10,740
Advance payments of maintenance	392	120	753	190
Special Payments to staff/contractors/public	97	9	6	5
Interest	208	593	391	1,330
	2,276	**8,008**	**3,765**	**12,265**

Details of Special payments over £250,000

There are no individual cases over £250,000 (2009/10, £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' Consolidated Resource 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.

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. Restatements

Restatement of Statement of Financial Position at 31 March 2010 and 1 April 2009 and Statement of Comprehensive Net Expenditure at 31 March 2010.

Statement of Financial Position	**Published accounts as at 31 March 2010 £000**	**Change of Accounting Policy (a) £000**	**Other (b) £'000**	**Restated at 31 March 2010 £000**
Non-current assets:				
Intangible assets	25,959	-	(128)	25,831
Property, plant and equipment	235	-	-	235
Trade and other receivables due after more than one year	49	-	-	49
Total non-current assets	**26,243**	**-**	**(128)**	**26,115**
Current assets:				
Trade and other receivables	6,211	-	-	6,211
Cash and cash equivalents	504	-	-	504
Total current assets	**6,715**	**-**	**-**	**6,715**
Total assets	**32,958**	**-**	**(128)**	**32,830**
Current liabilities				
Trade and other payables	(76,473)	-	-	(76,473)
Non-current assets less net current liabilities	**(43,515)**	**-**	**(128)**	**(43,643)**
Non-current liabilities				
Provisions	(6,892)	-	-	(6,892)
Total non-current liabilities	(6,892)	-	-	(6,892)
Assets less liabilities	**(50,407)**	**-**	**(128)**	**(50,535)**
Taxpayers' Equity				
General Fund	(53,369)	-	22	(53,347)
Revaluation Reserve	2,962	-	(150)	2,812
Total Taxpayers' Equity	**(50,407)**	**-**	**(128)**	**(50,535)**

Statement of Financial Position	Published accounts as at 31 March 2009 £000	Change of Accounting Policy (a) £000	Other (b) £'000	Restated at 1 April 2009 £000
Non-current assets:				
Intangible assets	6,473	-	(20)	6,453
Property, plant and equipment	5,570	-	-	5,570
Trade and other receivables due after more than one year	66	-	-	66
Total non-current assets	**12,109**	**-**	**(20)**	**12,089**
Current assets:				
Trade and other receivables	8,494	-	-	8,494
Cash and cash equivalents	1,993	-	-	1,993
Total current assets	**10,487**	**-**	**-**	**10,487**
Total assets	**22,596**	**-**	**(20)**	**22,576**
Current liabilities				
Trade and other payables	(62,579)	-	-	(62,579)
Non-current assets less net current liabilities	**(39,983)**	**-**	**(20)**	**(40,003)**
Non-current liabilities				
Provisions	(10,132)	-	-	(10,132)
Total non-current liabilities	(10,132)	-	-	(10,132)
Assets less liabilities	**(50,115)**	**-**	**(20)**	**(50,135)**
Taxpayers' Equity				
General Fund	(50,159)	-	2	(50,157)
Revaluation Reserve	44	-	(22)	22
Total Taxpayers' Equity	**(50,115)**	**-**	**(20)**	**(50,135)**

Statement of Comprehensive Net Expenditure

	Published accounts as at 31 March 2010 £'000	Change of Accounting Policy (a) £'000-	Other (b) £'000	Restated at 31 March 2010 £'000
Administration Costs				
Staff costs	240,379	-	-	240,379
Other administration costs	334,726	2,692	(19)	337,399
Gross administration costs	575,105	2,692	(19)	577,778
Operating income	(3,179)	-	-	(3,179)
Net Operating Cost	**571,926**	**2,692**	**(19)**	**574,599**

(a) The HM Treasury Clear Line of Sight project aims to align budgets, estimates and accounts. As A result of amendments to the budgetary regime and resulting changes to *FReM* requirements, cost of capital charges have been removed from financial statements in line with corresponding changes to budgets and estimates (Note 1.2). The impact of restatement affects the non-cash charges in the Statement of Comprehensive Net Expenditure. There is no overall impact on the General Fund or on the Statement of Financial Position.

(b) IAS38 requires that intangible asset revaluation increases are recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. A prior year restatement has been made to ensure compliance with IAS 38 and includes a movement between the revaluation reserve and the general fund.

22. 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 2010/11, £nil of interest (2009/10 £nil) was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

23. Events after the reporting date

There have been no events which affect these accounts since the reporting date.

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 14 July 2011.

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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