



Reforming the Child Support Agency: Liberal Democrat Proposals

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Introduction

The Child Support Agency has been in crisis ever since it was established, by a Conservative Government, back in 1993.

In 1998, Tony Blair admitted that the CSA had “lost the confidence of the public”. He described it as a “mess”, in need of “urgent reform”.

But, 7 years on, the CSA is still in a mess.

The recent cross-party report from the Commons Work and Pensions Committee was scathing. It described the CSA as:

“...a failing organization which is currently in crisis” (January 2005).

So bad were its problems that the Committee recommended that “...consideration be given to the option of winding up the Child Support Agency.”

In a devastating indictment it concluded that:

“It is difficult to exaggerate the Agency’s already low reputation...” (page 61); *“the Committee recommends that consideration be given to the option of winding up the Child Support Agency and plans made for an alternative set of policies...”*.

In the House of Commons, on 16 November 2005, the Prime Minister was forced to acknowledge that the CSA is still deeply flawed:

“...I make no defence of the current situation. The CSA is in an extremely difficult position....it is the investigating agency, then it is the adjudicating agency, then it is the enforcement agency....The basic problem remains...It is extremely difficult to make this operation cost effective when the agency is the investigating, adjudicating and enforcing authority....The truth is that the agency is not properly suited to carry out that task” (Hansard, 16/11/05, col 964).

We are now expecting yet another announcement from the Government about the future of the CSA, but the omens are not good for those who want to see fundamental reform.

Ministers talk about “...dealing with the problems in the agency so that we can get it on a stable footing” (James Plaskitt, Hansard, 9/1/2006), which does not make it sound as if fundamental reform will be forthcoming.

Alternative Proposals

In advance of the results of the Government's own strategic review into the CSA, we are publishing the attached proposals as a fundamental alternative to the current system, which seeks to deal with each of the basic design flaws in the current system.

Almost nobody believes that Blairite gimmicks such as tagging absent fathers will deal with the fundamental problems that have dogged the CSA over nearly 13 years. The CSA already has tough enforcement powers such as the ability to remove driving licences – but it rarely uses them.

The National Association for Child Support Action recently wrote to the Secretary of State (9/1/2006) and commented that as far as Government proposals to tag non-payers of child maintenance are concerned:

“...it is difficult to see what benefits this...might bring, in view of all the enforcement powers already available...”

The letter continues:

“It is anticipated that current attempts [to fix the agency] will be much like the others and produce ghosts from the past to haunt the future.....The current move to add more powers to the list can only be viewed as indicative of the Agency's desperation and panic.”

We believe that the Government has to look beyond superficial solutions, which attract short-term publicity about “tough” enforcement action, but which do not address the difficult long-term issues which need resolving.

This paper sets out the latest figures showing the failures of the CSA; goes on to describe the fundamental problems which leave hundreds of thousands of separated families failed by the CSA; and then sets out the possible solutions to these problems.

The Latest Manifestations of the CSA's failure

The CSA was set up in 1993 with the aim of ensuring that parents honour their responsibility to maintain their own children whenever they can afford to do so. The CSA was also designed to claw back money for the Treasury - as 29% of parents with care and their children rely on out of work benefits.

However, despite numerous changes and reforms, it has failed to achieve its stated objectives and has been dogged by the burden of taking on back cases. Its performance has been appalling, and it has failed to deliver promised improvements.

The latest figures, obtained by the Liberal Democrats, emphasise exactly why the cross-party Work and Pensions Select Committee concluded that: "it is clear that at present the two sectors of the public [the CSA] is intended to serve treat it either with despair or contempt".¹

1. The CSA collects just £1.85p in maintenance for every £1 it spends on its own administration. This figure is down from a ratio of £1: £2 in 2000/01. This is very poor by international standards – in Australia, the ratio between collection and administration costs rose from 1: 6.78 in 2001/02 to 1: 8.49 in 2003/04 ("Child Support Scheme, Facts and Figures, 2003-04", October 2004). The CSA seems to have one of the worst ratios of collection/administration costs of any country in the developed world.
2. The amount of the uncollected child maintenance has tripled under Labour, from £1.1bn in 1997 to £3.3 billion in 2004/05. Most of this money (£2.0bn) has been written off by the Agency's accountants as "probably uncollectable", because the absent parents have now become long-term unemployed, left the country or died [PQ 21438]. The Agency's Client Fund accounts have been qualified by the National Audit Office every year since the Agency's inception.
3. The CSA has been given a low rating in comparative international studies in relation to its effect on child poverty. This is due to poor compliance and the historic absence of financial gain in low income households due to benefit offsets.
4. The CSA's backlog of unprocessed cases now stands at 333,000 [PQ 21444]. In 73,000 of these cases, the original application was made before March 2003 – meaning that cases have been outstanding for well over 2 ½ years! Overall, the average clearance time for new scheme cases which have been processed is 180 days. Of the third of new scheme cases which have not yet been processed, the average age of cases waiting was 448 days! The CSA abandoned its original target for the new scheme, of clearing applications in 6 weeks. For all new scheme cases, the average clearance time is close to 6 months.
5. Accuracy: Full Assessment Accuracy declined over the last year from around 79.5% in 2003/04 to around 72% in 2004/05.

¹ House of Commons Work and Pensions Committee *The Performance of the Child Support Agency Second Report of Session 2004–05* Volume I, p.61

6. The CSA is deeply frustrating for its customers to deal with. One in three calls to the national helpline were engaged or abandoned between April 2003 and September 2005.
7. In spite of the ongoing chaos at the CSA, staff numbers continue to be cut. 1 in 8 jobs will have gone at the CSA between March 2004 and March 2006. Staff numbers fell from 10,779 to 9,784 between March 2004 and March 2005, and are planned to hit 9,400 by March 2006 [PQ 23393]. This is even though the Work and Pensions Select Committee warned:

“Cutting the work force at this critical time is the major concern of the Committee. It’s a massive breach of trust for the thousands of staff who’ve worked hard to improve the service. It makes no sense to implement job cuts when the Agency is already struggling.”

This is also surprising given that Ministers have promised not to cut frontline CSA jobs until the agency is back on course. In the Government’s response to the Select Committee Report (23 March 2005), it says that:

“The Secretary of State....announced on 26th January that there would be no further reductions in front line staffing until the new computer system is working effectively.... The Agency is now recruiting staff to meet current and anticipated needs.”

Elsewhere in its response (page 17) the Government talks of no “major reductions in front line staffing until the new computer system is working effectively”.

This clearly implies that staff numbers are static or rising, when they have in fact continued to fall.

8. Of the 1,449,000 cases with the CSA, only 297,000 NRPs (1 in 5) had made one or more payments towards the upkeep of their children in the three months to end September 2005.
9. Less than half of the Non Resident Parents who made a payment in the last quarter are paying the full amount they owe. And nearly a third of those with an assessed liability are paying nothing at all! Compliance is actually worse in the new scheme than in the old scheme.
10. The CSA compliance rate is still very poor, and is below target. Overall case compliance is just 70% as at September 2005, and the new scheme compliance is worse than the old scheme (66% versus 72%). [PQ 21436].
11. The CSA is also continuing to fail to recover money for lone parents on benefits. Part of the reason for the Agency’s existence is to claw back money spent on benefits to support lone parents. In nearly a third² of all cases the mother receives out of work benefits, but maintenance is only received for

^{2[1]} table 6.2, May 05 CSA stats http://www.dwp.gov.uk/asd/asd1/child_support/csa_may05_tables.xls

25% of these cases, down from 28% when Labour came to power [PQ 21957] and is no better than in 1989 before the Agency was set up [*Children First – A new approach to child support*, p12, para 22]. This is despite a Public Service Agreement target to raise level to 60% by March 2006.

12. The CSA is failing to get extra money to children. In 1990, under the old courts system, the typical maintenance award was £20 per week. Fifteen years later, it is £21 per week, despite a considerable rise in the cost of bringing up children.
13. There are 46,000 cases on the old scheme where the father cannot be traced [PQ 34143]. And amazingly, there is no obligation on fathers to tell the Agency when they move address or change job [PQ 28421].
14. There have been well publicized problems with the CSA's IT system. For months on end, no proper management information was available about the operation of the CSA.
15. Enforcement powers are rarely used. The Enforcement unit retrieved just £8 million last year but cost £12 million to operate. Only 5 driving licences were removed in 2004/05, compared to 1 in 2003-04.

Principles for Reforming the Child Support Agency

We need to reflect upon the principles which should underpin any system of child support.

In our view, these are:

1. Parents have a moral responsibility to maintain their own children whenever they can afford to do so. The well-being of the child is paramount. The principal objective of the Child Support Agency should be to get more financial support to children.
2. Families have the right to determine their own level of support where they are fully informed and the interests of the tax payer are not affected.
3. The organisation responsible for arranging and enforcing child support must command respect. Parents must believe that it functions primarily to protect the rights of children to be maintained by their parents.
4. The assessment of maintenance liabilities must be administratively straightforward, efficient, transparent and relatively predictable.
5. Compliance must become the norm.
6. Enforcement measures ought only to be necessary in a minority of cases. Enforcement action must be timely and effective, and – where necessary – tough.
7. Where individuals believe that justice has not been done because of exceptional individual circumstances, a process of arbitration must be able to look at the case and come to a judgement that is swift, fair and final.
8. A truly child-centred policy must look beyond merely enforcing the financial obligations of non-resident parents, and do more to encourage the involvement of both parents in the upbringing of their children.

The Fundamental Problems with the Current System

We need to consider the problems with the existing Child Support Agency in the United Kingdom.

1. There is no respect for the CSA. It is seen as a failing agency, which is not taken seriously by parents.
2. The CSA caseload is very heavy, and includes many highly complex cases. Staffing resources and internal efficiency have never been sufficient to get on top of the caseload.
3. Even though the CSA spends the vast majority of the time doing assessments, it cannot cope with its workload. Too many complex cases that could be dealt with by the courts block the system. The ability of the Agency to access information about a NRP's income from other organisations and Government bodies is wholly inadequate, and progress on a case is unnecessarily delayed. There is a poor and ineffective interface between the CSA and the Inland Revenue. Families have to wait months at best before an assessment is made and a maintenance liability is established. This is even the case where both parents are cooperating fully. In this time, large arrears may have built up.
4. In addition, non resident parents have no duty to notify changes of job or address, and this can hamper assessment and collection. Some NRPs refuse to give information about their true incomes, or use steps to avoid receiving income in a manner in which the CSA can take it into account in making assessments.
5. The Agency places far too little emphasis on compliance and too rarely uses middle-order steps to ensure regular payments. Maintenance tends to be paid on a voluntary basis. There is little confidence that the CSA will pursue non-compliant parents. If maintenance isn't being paid, it requires numerous complaints from the Parent with Care, and even then the Agency may not deliver effective enforcement action. Only 19% of cases have a Deduction of Earnings Order in place.
6. There is so much detailed regulation that families often end up lost in it and non-resident parents have become adept at ruthlessly exploiting the appeal system to evade payment.
7. Though the Agency possesses tough enforcement powers and non-payment can lead to the loss of your driving licence, or even imprisonment, these measures are rarely used and non-resident parents know that they can evade payment with little risk that any action will be taken against them.

Proposed Solutions

1. We believe that the existing agency should be scrapped, and its functions transferred to HM Revenue and Customs. There will need to be a transitional period. During the transitional period, automatic access to information on families with children and income details for all taxpayers held by the Revenue must be made available to the existing CSA. The Government must make clear that the main aim of the CSA is to get extra financial help to children.
2. The CSA must retain a simple, tax like, formula for assessing maintenance. Simplicity is vital if maintenance calculations are to be made quickly and reliably.
3. The ability to make orders in line with the child support formula should be returned to the courts where they are already making other orders, for example in relation to the family home, pensions, savings or spousal maintenance. This could reduce the need for the CSA to get involved in complex cases, which are already being looked at by the courts.
4. Information gathering powers for the new organisation must be improved so that access to information held by other arms of Government and other organisations, such as banks and credit agencies, can be made easier.
5. There should be a new statutory requirement on non-resident parents to report a change of address or change of job, as recommended by the Select Committee. It is absurd that this is not already the case. Deduction made directly from earnings should automatically transfer to new employers, as recommended by the Select Committee.
6. Payments of maintenance at the determined rate must commence within, say, 28 days. For those who miss the maintenance payment deadlines, or who miss more than one payment, maintenance will be deducted at source from income – in the same way as for PAYE. Deduction from earnings at source is likely to be far more widely used under this new regime. HMRC should also look at whether new powers are needed to secure maintenance which is owed – including interception of income tax refunds and collection of monies held in savings accounts. There will continue to need to be close cooperation with Jobcentre Plus to ensure that Parents With Care on income support receive the £10 maintenance premium, and to liaise about child maintenance deductions from the benefit of NRPs.
7. Staff numbers must not be cut while the agency is in such a state of crisis.
8. An effective enforcement arm should be established which begins action by first discussing the debts with both parents and negotiating an affordable payment arrangement, before appropriate enforcement action is taken. The new organization needs a much stronger culture of enforcement.
9. There should be a new Child Support Arbitrator, able to bring together different generations of application and impose a solution that reflects the

particular circumstances of the family and so bring complex and long-running cases to a close. This arbitrator would not, however, be allowed to cut across the standard formula, introducing excessive complexity into the system. Compensation should be paid by the CSA when its actions have been negligent, and this should be proportionate to the losses incurred.

10. New Legislation on the CSA and/or its successor must be carefully scrutinized both by Parliament and by an expert Child Support Advisory Committee.