



December 2006

## A new system of child maintenance: Regulatory Impact Assessment

# A new system of child maintenance: Regulatory Impact Assessment

## Structure and contents

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1. This document provides an impact assessment for the child maintenance reform package as a whole.
2. It is published alongside the Government's White Paper, ***A new system of child maintenance***.

## Purpose and intended effect

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### Objective

3. The proposals have been developed in the context of the four guiding principles that have been established for the reform of the child maintenance system. These are to:
  - **help tackle child poverty** by ensuring that more parents take responsibility for paying for their children and that more children benefit from this;
  - **promote parental responsibility** by encouraging and empowering parents to make their own maintenance arrangements wherever possible, but taking firm action – **through a tough and effective enforcement regime** – to enforce payment where necessary;
  - **provide a cost-effective and professional service** that gets money flowing between parents in the most efficient way for the taxpayer; and
  - **be simple and transparent**, providing an accessible, reliable and responsive service that is understood and accepted by parents and their advisers and is capable of being administered by staff.
4. The proposals set out in the White Paper reflect discussions with stakeholders and partners, other government departments and the devolved administrations.

## Background

5. The Child Support Agency administers child maintenance in the UK. Around 625,000 children benefit from maintenance collected by the Child Support Agency or money arranged through it, which is then paid direct by one parent to the other.
6. Despite changes and refinements to the policy and delivery framework, many of the expected improvements in performance have not occurred. Compliance with the system is relatively low with only seven out of ten families that should receive maintenance actually doing so. As of September 2006, there were around 250,000 uncleared applications and headline debt stood at £3.5 billion.
7. In February 2006, the Government announced a two-stage approach to the reform of the child maintenance system. An Operational Improvement Plan was to be implemented to stabilise and improve the short-term performance of the Child Support Agency which would help 200,000 more children to benefit from maintenance payments and lift 30,000 to 40,000 more children out of poverty by August 2010.
8. The second stage was to ask Sir David Henshaw to develop proposals for a fundamental redesign of the child maintenance system. Sir David published his report on 24 July 2006.<sup>1</sup> On the same day, the Government published its response which accepted the vast majority of his recommendations.<sup>2</sup>

## Rationale for Government intervention

9. The Government is committed to ensuring that children have the best possible start in life and that parents fulfil their responsibilities towards their children. One of these responsibilities is the payment of child maintenance – the money that a non-resident parent pays towards the cost of bringing up their children.
10. Parents might find themselves unable to reach agreement over maintenance arrangements. Others may choose to deliberately evade fulfilling their responsibilities. It is the children who suffer from these actions.
11. In the absence of any form of Government intervention, many families and their children would fail to benefit from maintenance. Child maintenance currently helps to lift 100,000 children out of poverty, and some of these children may, in the absence of a framework to ensure that they receive these payments, then fall back below the poverty threshold.

<sup>1</sup> Henshaw D, 2006, *Recovering child support: routes to responsibility*, Cm 6894.

<sup>2</sup> Department for Work and Pensions, 2006, *A fresh start: child support redesign – the Government's response to Sir David Henshaw*, Cm 6895.

## Consultation

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12. The measures set out in the White Paper have been developed in close consultation with stakeholders.
13. In making his recommendations, Sir David Henshaw drew on the contributions from, and the expertise of, a wide range of stakeholders. Sir David invited contributions from external interest groups, clients of the Child Support Agency and members of the public. Details are set out in Annex 3 of his report.
14. The Government's response to Sir David Henshaw's report set out that it agreed with the vast majority of the recommendations. This response asked a number of questions for stakeholders based around the broad principles of the system. The Department for Work and Pensions received almost 300 responses, which are summarised in Annex A of the White Paper.
15. The Government has worked closely with a wide range of stakeholders in developing these proposals and participated in seminars arranged by One Parent Families for academics, key stakeholder groups and lone parents. There has been ongoing dialogue with stakeholders throughout the policy development process through bilateral meetings at both official and Ministerial level.
16. The White Paper sets out a further series of questions for stakeholders to inform the policy development process. These are summarised in Chapter 6 of the White Paper.

## Research

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17. The Government and the Department for Work and Pensions are committed to developing a comprehensive evidence base to inform our child maintenance strategy and its delivery. Information is collected and interpreted on a regular basis, including administrative statistics and survey data such as the Family Resources Survey and the Families and Children Study.
18. This is complemented by the Department for Work and Pensions' economic and social research programme, which enables it to examine a wide range of issues that are important to the formulation of a successful child maintenance policy. This includes capturing the knowledge and perceptions of clients; finding out the views of the people who administer the child maintenance system; and assessing the implementation and delivery of policies.

19. This has enabled a more rounded picture of child maintenance arrangements in the UK to be created and provides a firm basis on which to develop the child maintenance system that is most appropriate for clients.
20. To inform the policy approach and ensure that these proposals are developed on the basis of authoritative research and evidence, the Department for Work and Pensions commissioned further research which looked at the attitudes of parents to the future policy reforms.<sup>3</sup> Further details of this research, and other previously published research commissioned by the Department for Work and Pensions that is directly related to child maintenance, are provided in Annex A of this document.

## Options

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21. Sir David Henshaw considered a range of options for the way a future child maintenance system could look. His work looked at child maintenance systems internationally and their relative merits.
22. The Government believes that in order to give children the best possible start in life and help parents to fulfil their responsibilities, some kind of child maintenance structure needs to be in place. Such a framework exists in all developed countries. The following options were considered:
  - i. **'Do nothing' i.e. continue with the current policy framework and implement the Operational Improvement Plan:** While the investment through the Operational Improvement Plan will improve the short-term performance of the Child Support Agency, this is not a long-term solution. The current policy relies on the co-operation of parents; but if the parent with care is claiming benefit, there is little or no incentive to co-operate as in many cases not all of the maintenance paid benefits their children. The Child Support Agency has not delivered anywhere near what was expected of it and continues to be weighed down by the legacy of the past and the rules it has had to operate within.
  - ii. **A guaranteed maintenance system:** This was considered as part of Sir David's redesign. Guaranteed maintenance operates with the State paying maintenance to all parents with care and reclaiming it from non-resident parents. While this system could be effective in terms of the number of children it could help to lift out of child poverty, it would not achieve this in a way that is well balanced against the interests of the taxpayer and would not promote parental responsibility. Furthermore, research shows that some parents with care would not want maintenance to be paid in such a way.<sup>4</sup>

<sup>3</sup> Atkinson A, McKay S and Dominy N, 2006, *Future policy options for child support: The views of parents*, Department for Work and Pensions Research Report No 380.

<sup>4</sup> Ibid.

- iii. **Universal system:** This would mean a similar approach to that taken in Australia. Everyone would be obliged to register some form of maintenance agreement with the State, be it through the administrative organisation, a voluntary agreement or a court-based agreement. Australia uses its tax and benefit system as a trigger. Sir David considered that the UK does not have a mechanism that could capture a large enough proportion of the population. In addition, the introduction of such a system would force all parents with care to register with the administrative organisation, even if they would prefer to settle their own arrangements privately.
- iv. **Implement and build on the broad model proposed by Sir David Henshaw:** The model proposed by Sir David in his redesign will have significant benefits for families and their children. Empowering parents to make their own maintenance arrangements, with the State stepping in if parents cannot agree, will:
- see more children lifted out of poverty by allowing parents with care to keep more of the maintenance paid before their benefits are affected, contributing towards the Government’s target of eradicating child poverty by 2020;
  - see more non-resident parents supporting their children and fulfilling their financial responsibilities by removing the disincentives to comply and providing stronger collection and enforcement procedures; and
  - provide a more cost-effective service for taxpayers and a more efficient service for parents. The redesigned system will provide improvements in the administration of child maintenance, helping to ensure that children benefit from child maintenance faster than they currently do. No longer forcing all benefit claimants to use the administrative organisation every time they move onto benefit will realise administrative benefits.

## Costs and benefits of the proposed package

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23. Ensuring that parents fulfil their responsibility to pay child maintenance will benefit not only the children concerned, but also their family, community and society more generally.
24. **In addition, the third sector, other government departments and the devolved administrations will be affected by the proposals.**

### Individuals

25. For individuals, the new child maintenance system will provide a more effective service. Empowering and encouraging people to make their own arrangements, while offering a holistic network of support and a more efficient administrative service will benefit individuals, and see more parents receiving maintenance. More effective enforcement methods will increase the likelihood that maintenance is paid.

26. Changes to the new system will be accompanied by a holistic information and guidance service to ensure that individuals are fully aware of the changes and the opportunity to make a child maintenance arrangement.
27. These proposals mean that parents will have options over whether to make an agreement directly between themselves, make no agreement or to use the Child Maintenance and Enforcement Commission (C-MEC). This will increase the level of choice available to parents.

## Impact on particular groups

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28. Our proposals form the basis of a change to the entire child maintenance system and will therefore impact on all eligible parents.

### Gender impact

29. Due to the nature of the child maintenance system, all changes will impact on both the parent with care and the non-resident parent.
30. Our proposals to increase the disregard of maintenance in benefits are likely to disproportionately affect more females than males. Some 94 per cent of parents with care are female and it is these parents and their families that are likely to benefit from being able to keep more of their child maintenance. In setting the level of the disregard, we will need to consider the impact on incentives to work alongside the impact on administrative burdens and the potential contributions of different rates to addressing poverty directly.
31. For the usually male non-resident parent, improvements to the collection process, the assessment procedure, and the availability of an information and guidance service will make it easier for them to fulfil their responsibilities. Through the increased benefit disregards, non-resident parents who pay maintenance will see their children benefit from more of the maintenance that they pay and will therefore be incentivised to comply with the system.

### Race impact

32. Research shows that lone parents from black and minority ethnic groups are likely to have low awareness about the role of the Child Support Agency. The poor perceptions and expectations towards the Child Support Agency mean that people from black and minority ethnic groups are less likely to seek maintenance through the Child Support Agency. These families may not benefit from the maintenance that they are entitled to.<sup>5</sup>

<sup>5</sup> Pettigrew N, 2003, *Experiences of lone parents from minority ethnic communities*, Department for Work and Pensions Research Report No 187.

33. Increased support in the form of an information and guidance service, a more effective administrative organisation and improved collection and enforcement measures are expected to result in more people, including those of black and minority ethnic origin, receiving maintenance. The increased disregard of maintenance in benefits would also encourage more parents with care to seek maintenance from the non-resident parent and encourage the non-resident parent to pay maintenance.

### Disability impact

34. One parent with care in twenty claims a Disability Premium within Income Support.<sup>6</sup> Many of these people will benefit from the proposal to increase the disregard in benefits as they are able to keep more of the maintenance paid.
35. Improved provision of information and guidance services will help to ensure that these disabled parents with care are informed about how to make effective maintenance arrangements.

### Impact on the public sector

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36. The other government departments directly affected by these proposals are HM Revenue & Customs, the Department for Constitutional Affairs, the Department for Education and Skills, the Office for National Statistics, and the Department for Communities and Local Government, in addition to the devolved administrations.

### HM Revenue & Customs

37. There will be increased reliance on information from HM Revenue & Customs. The extent of the changes includes the use of data already shared for other purposes by the Department for Work and Pensions and HM Revenue & Customs to support the proposal to use gross income as the basis for the maintenance assessment.
38. There are considerable operational benefits to basing the calculation of income on data originating in HM Revenue & Customs. These benefits should lead to much improved customer service compared with that under both schemes provided by the Child Support Agency. The Department for Work and Pensions will ensure that the costs of this initiative are kept to a minimum; all costs will be met by the Department.
39. Currently, arrears may accrue if the maintenance liability is not put in place until sufficient information is collected. The proposal to base the maintenance assessment on the gross income of the non-resident parent will make it easier to collect the necessary information. This should reduce the likelihood of arrears accruing on the case.

<sup>6</sup> Department for Work and Pensions internal analysis using administrative data.

## Department for Education and Skills

40. Arranging maintenance can be a difficult process for both parents with care and non-resident parents, and there is a significant and important need for information. This information is often sought at difficult times. The demand for information is, therefore, a crucial issue where both the Department for Education and Skills, through its existing information and guidance schemes, and the third sector, have significant expertise.
41. To encourage parents to make maintenance agreements between themselves, a network of support needs to be provided. Working alongside the third sector, the Department for Education and Skills provides information and guidance services to separating families each year. The Department for Work and Pensions has consulted fully with the Department for Education and Skills throughout the development of these proposals.
42. The Department for Education and Skills has an overall objective to ensure an improvement in the life outcomes of children.<sup>7</sup> Increased provision of information and guidance could contribute towards this objective as parents become better informed about their financial and non-financial obligations towards their children.

## Department for Constitutional Affairs

43. There is currently an interaction between the administrative system and the judicial system. Under current arrangements, where either parent chooses to apply for a child maintenance calculation, the Child Support Agency can overturn a Consent Order – an order made by the court with the written agreement of both parties (in Scotland the agreements are commonly made through Minutes of Agreement registered in the Books of Council and Session) – of more than 12 months' duration.
44. Sir David Henshaw recommended that Consent Orders should no longer be overturned after 12 months. It has, however, been decided to remain with the current rules. The decision has been the result of ongoing consultation with the Department for Constitutional Affairs and the Scottish Executive.
45. Removing the requirement for benefit claimants to use the Child Support Agency could see more cases using the legal system or staying in the system for longer, which would have an impact on the workload and costs of the legal system.
46. The enforcement proposals mean that C-MEC will have an increased role in enforcement and this could be expected to reduce the workload of the Department for Constitutional Affairs and the Scottish Executive. Going forward, the proposals will look to improve the way that the legal system and C-MEC work together.
47. The proposals in the White Paper may have an impact on the Tribunal Service in the Department for Constitutional Affairs if there is a change in child maintenance appeal volumes and an increased requirement for training tribunal members.

<sup>7</sup> Department for Education and Skills Objective 1 – Safeguard children and young people, improve their life outcomes and general well-being, and break cycles of deprivation.

## Office for National Statistics and Department for Communities and Local Government

48. The proposal that legislation should be changed to require both parents' names to be registered following the birth of a child in most cases (subject to further consultation) can be expected to affect both the Office for National Statistics and the Department for Communities and Local Government, for England, Wales and Northern Ireland only. Scotland will continue to support the voluntary registration of joint births.
49. The Office for National Statistics manages the employment of registrars who administer the registration of births, marriages and deaths. By making it the default position that both parents register, the proposals are likely to have an impact on the work of these registrars.
50. The Department for Communities and Local Government provides the funding for these registrars through the Revenue Support Grant payable to Local Authorities. Any additional net costs for Local Authorities as a result of any new policy will be met. Funding arrangements will be considered as part of the policy development process.

## Devolved administrations

51. The proposals raise a number of issues that are devolved to Scotland, such as policies relating to the joint registration of births, where Scotland will continue to support voluntary joint birth registration, and the provision of information and guidance. It will be for Scottish Ministers and the Scottish Parliament to determine how to respond to these matters.
52. There has also been continuous consultation with officials in Northern Ireland during the development of these proposals. The provision of child maintenance in Northern Ireland is governed by the long-established and widely accepted principle of parity with Great Britain, and this will remain the basis of future provision in Northern Ireland.
53. Although this is not a devolved matter for Wales, the Welsh Assembly Government and its officials have been involved in the development of the proposals.

## Impact on business

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### The key proposals that will have an impact on business are:

- the use of gross, rather than net, weekly income as the basis for calculating maintenance liabilities;
- bringing forward legislation to pilot the use of Deduction from Earnings Orders as the first means of collecting maintenance;
- to explore, in consultation with the financial services sector, options for collecting maintenance from the financial assets of the non-resident parent, including legislation to authorise financial institutions to pay maintenance from accounts;

- to explore options, in consultation with the financial services sector, to enable details to be collected of a non-resident parent's bank accounts and other main financial commitments;
- enabling information on a non-resident parent's liabilities and compliance record to be made available to credit reference agencies; and
- providing access to the data held by credit reference agencies on the bank account details of the non-resident parents and their regular financial commitments.

### **The use of gross weekly income as the basis for calculating maintenance liabilities**

54. Under current legislation, the Child Support Agency may need to collect information from a number of sources in order for a maintenance calculation to be made. This means the parent with care, the non-resident parent and often the employer of the non-resident parent need to provide income information.
55. The proposal is to use gross income data obtained from HM Revenue & Customs rather than net income. This will lessen the need to contact the employer of the non-resident parent, thus reducing the administrative burden on business.
56. The Department for Work and Pensions has worked closely with HM Revenue & Customs in developing this proposal and considers that the benefits flowing from this decision outweigh any costs. This proposal will enable maintenance to flow to families faster than is currently the case. Early estimates suggest that this could cost £1–£2 million in initial set-up costs and running costs of well below £1 million each year.

### **Bring forward legislation to pilot the use of Deduction from Earnings Orders as the first means of collecting maintenance**

57. A Deduction from Earnings Order is a way of collecting child maintenance directly from the income of a non-resident parent. The Order is a request to the employer (which the employer is legally obliged to comply with) where:
  - the amount shown is deducted from the employee's earnings (provided that the employee earns more than their 'Protected Earnings' limit);
  - the deducted amount is sent with the appropriate paperwork to the Child Support Agency each month; and
  - any deductions that cannot be made in one month due to temporary low income are carried over to the next month.

58. An employer is able to take up to £1 towards administration costs for each deduction, in addition to the Deduction from Earnings Order.
59. As of September 2006, there are around 165,000 of these Orders in place in the Child Support Agency. Deduction from Earnings Orders are an effective way of ensuring that maintenance is paid to their families with compliance rates of around 75 per cent.
60. As part of its Operational Improvement Plan, the Child Support Agency is already making use of Deduction from Earnings Orders far more quickly than in the past, and will continue to work with employers to help them make effective use of such Orders.
61. It is envisaged that these orders will be used more often than at present, as the methods of collection that offer the most reliable and cost-effective way of collecting maintenance will be used.
62. Some North American states treat Deduction from Earnings Orders as the automatic method of collection. Evidence suggests that this has helped to increase the extent to which non-resident parents comply with their maintenance obligations.
63. It is intended to test whether, in a UK context, this approach could improve compliance levels. Evaluation of any pilot would include consideration of the impact that the policy has on employers alongside the effect that it has on maintenance collection rates. The Department for Work and Pensions will ensure that business has the opportunity to feed into the development of any pilot.

### **Explore the scope for collecting maintenance from the financial assets of the non-resident parent, including legislation to authorise financial institutions to pay maintenance from accounts**

64. Deductions from Earnings Orders are not always effective, and cannot be used where the non-resident parent is self-employed.
65. It is proposed to analyse, in consultation with the financial services sector, options for collecting maintenance from the financial assets of the non-resident parent, including legislation to authorise financial institutions to pay maintenance from accounts.

### **Explore options to enable details to be collected of a non-resident parent's bank accounts and other main financial commitments**

66. It is proposed to explore, in consultation with the financial services sector, options for gathering information about non-compliant, non-resident parents' bank accounts from financial institutions. This would provide information to enable swift enforcement to take place, for example administratively deducting the money from the account of the non-resident parent.

### **Enabling information on a non-resident parent's liabilities and compliance record to be made available to credit reference agencies**

67. It is proposed that when non-resident parents do not fulfil their responsibility to pay maintenance, this should affect their ability to obtain credit. Conversely, it is proposed that compliant non-resident parents should benefit from improved creditworthiness. This will be achieved by electronically uploading the relevant information about the non-resident parents to the credit reference agency from the client database.
68. It is also proposed that access should be given to information held by credit reference agencies on the bank accounts of non-resident parents and on their regular and ongoing financial commitments. This will support the administrative deduction of maintenance from financial institutions as well as more robust debt repayment negotiations with those non-resident parents who have built up arrears.
69. This proposal will mean an increased role for the credit reference agencies. These proposals will benefit credit reference agencies and lenders as they will gain a more accurate picture of the financial obligations of their client base. There has been ongoing consultation with the credit reference industry throughout the development of these proposals.

### **Providing access to the data held by credit reference agencies on the bank account details of non-resident parents and their regular financial commitments**

70. This proposal will increase the information that is available. Bank account information will be used to help to implement third-party debt orders (and support new legislation to allow money to be deducted administratively from a non-resident parent's bank account) more efficiently, enabling faster and more effective enforcement than is currently the case. Details of the non-resident parents regular financial commitments will assist in the negotiation of arrears repayments, as it will indicate how much the non-resident parent can afford to pay in addition to their regular maintenance payments.

### **Small firms impact test**

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71. Due to their size and the lack of economies of scale that small businesses have, additional burdens can have a disproportionate impact on them. However, the opposite is also true – measures that help to reduce the burden on business will help small businesses more than they help larger corporations.

### **The use of gross weekly income as the basis for calculating maintenance liabilities**

72. Small firms often have fewer resources available to deliver the day-to-day running of their operations. Therefore, requests for information from the Child Support Agency on the income details of employees can create a larger burden on small business.
73. The proposal to use HM Revenue & Customs data on gross income as the basis for the maintenance assessment can be expected to benefit small employers considerably.

### **Bring forward legislation to pilot the use of Deduction from Earnings Orders as the first means of collecting maintenance**

74. It is expected that there will be an impact on small firms through the Deduction from Earnings Orders measures. Small businesses account for around 37 per cent of all employees and are therefore likely to have a significant number of Deduction from Earnings Orders in use. Administration of those orders can have a significant effect on small businesses as they have fewer resources available to deal with regulations.
75. An employer can take up to £1 towards administration costs for each deduction. After taking this into account, it is estimated that it costs a small business £92 a year to administer each Deduction from Earnings Order. This cost is around 2.2 times higher than for a medium or large enterprise.
76. It is intended to test the use of Deduction of Earnings Orders as the first means of collecting maintenance, in order to assess whether such a policy could have a positive impact on compliance rates.
77. It is important that there is an evaluation of any pilot. In this evaluation, a key criterion will have to be the impact that the policy would have on small businesses and this effect must be carefully managed. There will be close consultation with business in the development of the pilot and the evidence gathered from the evaluation will inform future policy in the area.

### **Explore the scope for collecting maintenance from the financial assets of the non-resident parent, including legislation to authorise financial institutions to pay maintenance from accounts**

78. The banking sector is predominantly made up of larger firms and institutions. A significant burden is therefore unlikely to be imposed on small business from this proposal.

### **Explore options to enable details to be collected of a non-resident parent's bank accounts and other main financial commitments**

79. As with the proposal above, the banking sector is predominantly made up of larger firms and institutions and therefore a significant burden is unlikely to be placed on small business.

### **Enabling information on a non-resident parent's liabilities and compliance record to be made available to credit reference agencies**

80. Having increased access to information in order to assess the creditworthiness of people is likely to benefit credit reference agencies and the lenders that use this information.
81. Increased information on creditworthiness will enable their lending strategies to be more accurate than is currently the case. Small lenders are less likely to be able to deal with bad debts than larger lenders. Enabling these small lenders to make more accurate decisions could reduce the amount of bad debt that they accrue.
82. This proposal is expected to provide a further incentive for non-resident parents to fulfil their responsibilities, as failure to do so may affect their ability to obtain credit.

### **Providing access to the data held by credit reference agencies on the bank account details of non-resident parents and their regular financial commitments**

83. Help from the credit reference agencies will be needed for this proposal. However, the provision of this access to information is not expected to have a significant impact on small business.

### **Consultation with small business**

84. The Department for Work and Pensions has consulted with the Small Business Service and they were content with the proposals. The Department for Work and Pensions will now consult directly with small businesses and their representative groups.

## **Third sector**

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85. To support parents in arranging their own maintenance, there will be an increased role for information and guidance services. By removing the compulsory engagement of benefit clients with the administrative organisation it will create a series of choices for many parents, and information and guidance services are needed to help support that choice.

86. The third sector already has a significant level of expertise in the facilitation and organisation of information and guidance services. Working with and enabling the third sector will help the Government to utilise this expertise and ensure that services are properly joined up, enabling an effective service to be offered to clients.
87. While it will be the responsibility of C-MEC to commission information and guidance services, it is envisaged that there will be an increased role for the third sector as both a provider and signposter of information and guidance.
88. This provision of information and guidance will mean that the services offered would take on a wider role in terms of signposting and information mechanisms. The service will also help to ensure that parents are aware of both their financial and their non-financial obligations towards their children. It is important that the increased range of enforcement measures is accompanied by measures to increase the awareness of parental obligations.

## Impact on competition

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89. A significant change in the level of competition within markets is not considered to be likely. There will be an increased role for the voluntary sector in working with the Government to provide information and guidance to parents.
90. For the delivery of child maintenance services in the future, it is proposed to introduce a new Non-Departmental Public Body to replace the current Child Support Agency. This will be known as the Child Maintenance and Enforcement Commission (C-MEC).
91. It is proposed that C-MEC will have the power to use best practice from the public, private and third sectors in order to deliver its services. This will give the private sector the opportunity to provide child maintenance services if it can provide an effective service to customers. Through the Operational Improvement Plan, there is already an increased role for the private sector in terms of debt collection. However, in the new model, a possible role for private sector firms elsewhere in the child maintenance process is envisaged.

## Effect on the wider economy

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92. The changes that the Government proposes will make those parents with care who are on benefit better off, bringing long-term benefits to the economy and helping to lift children out of poverty. By improving their lives when they are young, children will then have better opportunities to achieve their full potential in later life.

## Summary and recommendation

Option	Total benefit per annum	Total cost per annum
1. Continue with the current policy framework and implement the Operational Improvement Plan.	While the Operational Improvement Plan will see improvements through in the short-term performance of the Child Support Agency, it is not expected to provide the long-term benefits that will arise from changing the overall policy framework.	The long-term cost of persisting with the current policy would mean that families and their children continue to miss out on the child maintenance that they are entitled to.
2. A guaranteed maintenance system.	A guaranteed maintenance system would ensure that all of the 2.5 million eligible families will benefit from child maintenance if they wish to do so.	The cost, depending on the rate of compliance with the system, could be significant. Evidence from international systems suggests that there is a significant degree of variation in the level of compliance, which poses a high risk for the affordability of the system. Research suggests that people do not believe that the responsibility for the provision of child maintenance should rest solely with the Government, and only 1 per cent of respondents believe that it should. <sup>8</sup>
3. A universal system.	A universal system would, if it could reach the same proportion of people as the Australian system, see more families receiving maintenance.	The UK does not have a trigger to capture the eligible population. The introduction of such a system would force all parents with care to register with the administrative service, even if they would prefer to settle their arrangements privately.
4. Implement and build on the broad model proposed by Sir David Henshaw.	This system would see more children benefit from an increased disregard of child maintenance in benefits.	This system is cost-effective when compared with the other options presented.

<sup>8</sup> Peacey V and Rainford L, 2004, *Attitudes towards child support and knowledge of the Child Support Agency, 2004*, Department for Work and Pensions Research Report No 226.

## Annex A: Research commissioned by the Department for Work and Pensions

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The following research has been used by the Department for Work and Pensions to ensure that the policy proposals are supported by a body of good quality research:

- **Future policy options for child support: The views of parents**  
Research Report No 380  
By Adele Atkinson, Stephen McKay and Nicola Dominy  
July 2006  
ISBN 1 84712 085 7
- **Families with children in Britain: Findings from the 2004 Families and Children Study (FACS)**  
Research Report No 340  
By Nick Lyon, Matt Barnes and Daniel Sweiry  
July 2006  
ISBN 1 84123 995
- **An investigation of CSA Maintenance Direct Payments: Qualitative study**  
Research Report No 327  
By Alice Bell, Anne Kazimirski, Ivana La Valle  
March 2006  
ISBN 1 84123 977 1
- **Investigating the compliance of Child Support Agency clients**  
Research Report No 285  
By Adele Atkinson and Stephen McKay  
October 2005  
ISBN 1 84123 889 9
- **Child Support Reform: The views and experiences of CSA staff and new clients**  
Research Report No 232  
By Adele Atkinson and Stephen McKay  
March 2005  
ISBN 1 84123 789 2

- **Attitudes towards child support and knowledge of the Child Support Agency, 2004**  
Research Report No 226  
By Victoria Peacey and Laura Rainford  
November 2004  
ISBN 1 84123 755 8
- **National survey of Child Support Agency clients**  
Research Report No 152  
By Nick Wikeley, Sarah Barnett, James Brown, Gwynn Davis, Ian Diamond, Teresa Draper and Patten Smith  
October 2001  
ISBN 1 84123 398 6

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