



DfC

Department
for Communities

www.communities-ni.gov.uk



The Northern Ireland Child Maintenance Compliance and Arrears Strategy

March 2019

Contents

1.	Introduction	4
2.	Consultation	5
3.	Objectives of the Strategy	6
4.	Encouraging collaboration between parents, and the role of the CMS	7
5.	Compliance measures.....	9
	5.1 Improving calculation compliance.....	9
	5.2 Deductions from benefit.....	9
	5.3 Deduction from joint and business accounts of sole traders and partnerships without limited liability	10
6.	Handling of arrears built up on 1993 and 2003 scheme cases.....	12
	6.1 Arrears owed to receiving parents	12
	6.2 Arrears owed to the Department	13
7.	Summary.....	14
8.	Annex 1 – Glossary.....	15

1. Introduction

There is clear evidence that children in separated families benefit from good quality relationships between their parents. Most separated parents want to take financial responsibility for their children and many parents are able to make their own arrangements.

The reformed child maintenance system, which has been in place since 2012, provides much stronger incentives for parents to work together following separation, and where possible make family-based arrangements for child maintenance. The Department for Communities (Child Maintenance Service) is there for families unable to make a private arrangement. Following careful, staged implementation, this service is working well and avoiding the problems which beset the previous statutory child maintenance schemes. However, there is always room for improvement, and changes have been introduced to further enhance the Child Maintenance Service's ability

to ensure that parents take financial responsibility for their children.

Following the introduction of the 2012 child maintenance scheme, the Department has been working with parents to close all cases on the previous 1993 and 2003 schemes. Whilst the ending of ongoing liabilities on all 1993 and 2003 schemes cases is now complete, a number of cases remain with arrears often dating back many years. These arrears are deemed for the most part unreliable and uncollectable. In many of these cases the children are now adults themselves; the debt amounts are often small; and in some cases, when asked, parents have moved on with their lives and are not interested in pursuing this debt.

The impact this has had on the families concerned is regrettable, which is why the Department is taking action which will give certainty to these families over how these arrears will be treated.

2. Consultation

A UK wide consultation entitled “Child Maintenance: A New Compliance and Arrears Strategy” was conducted between 14 December 2017 and 8 February 2018. This public consultation put forward a range of proposals. These proposals intended to further improve compliance (that is, the number of cases paying in respect of the 2012 child maintenance scheme), as well as tackling historic arrears built up under the 1993 and 2003 schemes. The response to the public consultation can be viewed here: www.gov.uk/government/consultations/child-maintenance-a-new-compliance-and-arrears-strategy

Broad endorsement was received for the key objectives which now underpin the new Compliance and Arrears Strategy. This document sets out how the Department intends to achieve these key objectives (as set out in Section 3 of this document), having given due consideration to the responses to the public consultation on the proposals. The Department’s chosen approach is one that will allow the Child Maintenance Service (CMS) to continue to support separated families, and tackle the historic 1993 and 2003 scheme arrears, in a way that strikes the right balance between the needs of those families and the tax payer.



3. Objectives of the Strategy

The objectives of the Compliance and Arrears Strategy are to:

- Continue to prioritise resources to benefit children of today
- Continue to encourage parents to collaborate over their child maintenance arrangements where possible, as this is in the best interests of their children
- Continue to minimise the amount of unpaid maintenance in the Child Maintenance Service
- Further improve compliance through changes to child maintenance calculations for parents with complex income, such as people who are self-employed and/ or company directors
- Strengthen collection powers
- Address the historic arrears that built up under the 1993 and 2003 schemes
- Avoid taxpayers funding activity which will not result in more money going to children



4. Encouraging collaboration between parents, and the role of the CMS

Evidence indicates that good quality relationships between parents, whether they are together or separated, are linked to positive outcomes for children.

Before parents can make an application to the Child Maintenance Service they must have a mandatory conversation with Child Maintenance Choices, which is a free service that provides information and signposts parents to specialist support. Child Maintenance Choices can help parents to consider the different kinds of maintenance arrangements available to them, including family-based arrangements.

The Department recognises that conflict between parents can impact their ability to make a family-based arrangement. Most parents want to do the right thing for their children and the reformed child maintenance system supports them to do this.

Although one of the key objectives of the Compliance and Arrears Strategy is to continue to encourage parents to collaborate over their child maintenance arrangements, it is recognised that this is not always possible. Therefore, the CMS continues to offer a statutory scheme for parents who are unable to make a family-based arrangement. Parents can use

the more collaborative “direct pay” service, where they receive a formal calculation and payment schedule from the CMS and then arrange to make the payments between themselves. Alternatively, they can use “collect and pay” where, in addition to providing the calculation and payment schedule, the CMS collects money due from the paying parent and pays it to the receiving parent. There are charges attached to the “collect and pay” service which were introduced to incentivise parents to collaborate on providing financial support for their children.

The CMS 2012 scheme is simpler and more efficient than the 1993 and 2003 schemes. For example:

- The calculation process is quicker. Unlike the 1993 and 2003 schemes, no large application backlogs have developed on the CMS 2012 scheme, and the CMS 2012 scheme also uses income information received directly from Her Majesty’s Revenue and Customs (HMRC) rather than relying on clients to provide these details
- Calculations are reviewed annually to ensure that they remain up-to-date

- The CMS 2012 IT system has increased levels of automation, which is more efficient, speeds up processes so clients experience a better service, and increases accuracy and consistency.

When ending liabilities on 1993 and 2003 scheme cases, families were offered the opportunity to make new maintenance arrangements – either private family-based arrangements or through the CMS statutory scheme.

Now that the liabilities have been ended on all 1993 and 2003 scheme cases, there is a pressing need to address the issue of arrears from these schemes. Taking action now to address these historic arrears will allow the Department to draw a final line under the problems of the previous child support systems and focus on building on the success of the new child maintenance service, with the aim of promoting the financial responsibility of parents for their children.



5. Compliance measures

The new compliance measures outlined in this section will assist CMS in meeting the following key objectives:

- Continuing to minimise the amount of unpaid maintenance in the Child Maintenance Service
- Further improving compliance through changes to child maintenance calculations for parents with complex income
- Strengthening collection powers

5.1 Improving calculation compliance

Access to information reported by HMRC allows the CMS to obtain a wider range of income information that was not available on the 1993 and 2003 schemes. This allows CMS to calculate liabilities more quickly and accurately, with less potential for conflict than occurred previously. Whilst this system works well for the majority of clients, the CMS is aware of cases where the paying parent's income is more complex and may not have been adequately addressed by existing legislation and processes.

The Department has therefore introduced a power to allow the CMS to calculate a notional income from assets held by a paying parent. This will reduce the scope for some parents to organise their financial affairs to minimise their financial liability for their children. This will be particularly appropriate in situations where an individual has an affluent lifestyle, and a

source of income cannot be identified but ownership of significant assets can.

The minimum aggregate value of assets for the purposes of assessing notional income has been set at £31,250. This figure allows the CMS to derive an income that will have a meaningful impact on the calculation, without being punitive.

The types of asset that can be considered for the purposes of the calculation of notional income include:

- money, whether in cash or deposit
- gold, silver or platinum bullion bars or coins
- virtual currency
- property
- stocks, shares and gilt edged securities.

Certain assets will not be considered for the purposes of this calculation, for example, the paying parent's primary residence or assets used in their business.

5.2 Deductions from benefit

It is right that parents on benefits contribute financially for their children, which is why the CMS already have powers to deduct ongoing maintenance from many benefits.

These powers will be extended to those in receipt of Universal Credit with earnings who are liable to pay flat rate maintenance. The Department also intends extending these powers so that the CMS can continue to deduct from benefits to collect arrears of unpaid maintenance. It is planned to change legislation during 2019 to allow CMS to continue deducting at the flat rate amount of £8.40 per week when liability ends and there are arrears remaining on a case.

The Department plans to take deductions for arrears of unpaid maintenance from these benefits:

- Carer's Allowance
- State Pension
- Contribution based Employment and Support Allowance
- Contribution based Jobseeker's Allowance
- Industrial Injuries Disablement Benefit
- Widowed Parent's Allowance
- Widow's pension
- War Widow's payments
- Maternity Allowance
- Severe Disablement Allowance

The deductions will also extend to income related benefits including:

- Income Related Employment and Support Allowance (ESA)
- Income Based Jobseeker's Allowance (JSA IB)
- Income Support (IS)

- Pension Credit (PC)
- Universal Credit (UC)

Deductions will apply if the paying parent or their partner is in receipt of an income related benefit.

5.3 Deductions from joint and business accounts of sole traders and partnerships without limited liability

The Department can now make deductions from joint accounts and unlimited partnership business accounts. This should improve compliance amongst the small group of paying parents who try to avoid paying maintenance by moving income into accounts that we were previously unable to deduct from.

The Department always tries to make child maintenance deductions from a paying parent's individual account first. If there is not enough money in their individual account, the Department will try to make deductions from their joint account if they have one.

If there is not enough money in the paying parent's individual account or joint account, the Department will try to make deductions from their business account if they have one. Deductions from business accounts will always be a last resort.

To make sure the Department protects other people who may also have access to the unlimited partnership business account, appropriate safeguards have been established. All of the account holders have the right to ask

the Department to review a decision about deductions from the joint or unlimited partnership business account. They must provide information about the amount each person contributes to the account and if applicable, how the business uses the account. In addition, the Department will not make deductions if the account balance is less than £2,000.

If it is not clear how much of the account funds belong to the paying parent, the amount will be split by the number of account holders. For example, if there are 2 account holders including the paying parent, the Department will make the deduction based on a 50% share of the income.



6. Handling of arrears built up on 1993 and 2003 scheme cases

This section sets out how the CMS will deal with the following key objectives:

- Continuing to prioritise resources to benefit children of today
- Addressing the historic arrears that built up under the 1993 and 2003 schemes
- Avoiding taxpayers funding activity which won't result in more money going to children

6.1 Arrears owed to receiving parents

The costs associated with attempting collection of these historic arrears are high, and the majority of the debt is now considered uncollectable. Much of the debt is old (many of the children involved are now adults) and operational experience is that neither CMS nor the receiving parent have access to current contact details for the paying parent in many of these cases. Maintaining information about these cases also has a cost, and in many cases taking action will not recover any money. In order to make the most effective use of taxpayers' money, and focus resources where they will make the most difference, the Department is now addressing these historic arrears.

The CMS will write to receiving parents advising them to contact us (via a formal representation)

if they still want us to pursue the arrears owed to them. If the receiving parent does not respond to their initial letter the CMS will send a reminder letter 21 days after the first letter was sent.

If a receiving parent responds stating they want the CMS to attempt action on their arrears, a number of checks will be performed to establish whether there is a realistic chance of collection. If there is, the CMS will decide what activity is reasonable. Where either the receiving parent does not respond to the CMS letters within 60 days of the first letter, or the case is deemed as having little chance of successful collection the debt will be written off.

This approach will be adopted for non-paying cases with 1993 and 2003 scheme debt over £500 if the case is less than ten years old, and with debt over £1,000 if the case is ten or more years old.

Further guidance is available on NI Direct for receiving parents who wish the CMS to attempt to collect the debt. This guidance can be viewed here:

www.nidirect.gov.uk/articles/collecting-child-maintenance-owed-1993-or-2003-schemes

It is not cost effective to attempt to collect or continue to maintain debt less than £500 (or debt less than £1,000 on cases that are ten or more years old). The Department will send a letter to the receiving parent and the other parent to explain that it will automatically write the debt off if it is:

- £500 or less and the case is less than 10 years old; or
- £1,000 or less and the case is 10 or more years old.

If the debt is less than £65 it will be written off and the Department will not write to the receiving parent.

6.2 Arrears owed to the Department

These arrears built up under a Departmental policy that has now ended. This policy required the paying parent to pay back the Department for some of the benefits paid to support their children. Collecting this debt will not benefit families and is not a good use of Departmental funds, as it is not cost effective to collect or continue to maintain this debt. The Department will write off all non-paying debt owed to it which had accrued under the 1993 and 2003 schemes.



7. Summary

This document sets out how the Department will address historic arrears built up under the 1993 and 2003 child maintenance schemes. It also sets out how the Department aims to improve compliance in respect of the 2012 scheme through changes to the child maintenance calculations of parents with complex income and by the strengthening of collection powers. The Department's chosen approach is one that will allow the Child

Maintenance Service to continue to support separated families and tackle the historic 1993 and 2003 scheme arrears in a way that strikes the right balance between the needs of those families and the tax payer. The Department plans to make further changes to legislation to enable the extension of 'deduction from benefits' powers during 2019.



Annex 1 - Glossary

Arrears	The unpaid maintenance on a child maintenance case.
Collect and Pay	Service type offered by the CMS, whereby the CMS calculates the maintenance liability, and provides a payment schedule, and facilitates transmission of payments between the clients. A collection fee is incurred by both clients. A 20% fee for the paying parent is added to the liability as it accrues, and a 4% fee is deducted from any money paid out to the receiving parent. Cases will only be placed in the collect and pay service if both clients in a case request this, or if the receiving parent requests collect and pay and the CMS deems the paying parent to be unlikely to pay. Charges are not applicable to arrears accrued under the CSA scheme.
Department for Communities	A devolved Northern Ireland government department which aims to tackle disadvantage and build sustainable communities.
Direct Pay	Service type offered by the CMS, whereby the CMS calculates the maintenance liability, and provides a payment schedule, and parents arrange transmission of payments between themselves. No collection fees are incurred by either client. Either client can opt to make the case direct pay, regardless of the wishes of the other. The only exception is where the receiving parent requests collect and pay, and the CMS deems the paying parent to be unlikely to pay, based on evidence of their behavior as part of their CMS case.
Family-based arrangement	A child maintenance arrangement which parents agree between themselves, without the involvement of the Child Maintenance Service. A family-based arrangement can involve financial and/or non-financial support.
Liability	Amount of child maintenance to be paid.
Paying Parent	The parent who does not have the main day-to-day care of the qualifying children and is responsible for the payment of child maintenance. Previously termed the Non Resident Parent.

Receiving Parent	The parent who has the main day-to-day care of the qualifying children and should receive child maintenance. Previously termed the Parent With Care.
1993 Scheme CSCS	Cases opened prior to 3 March 2003 were managed on the Child Support computer system.
2003 Scheme CS2	Cases opened after 3 March 2003 up to 24 November 2013 (not including those on the new 2012 system) were managed on the Child Support 2 system.
2012 Scheme	Initially opened on 10 December 2012 for cases with four or more children and extended to cases with two or more children in July 2013. The Scheme was fully open to all new applications from 25 November 2013, with cases managed on the CMS2012 computer system.



Available in alternative formats.

© Crown Copyright 2019