



**child support agency**

Child Support Agency report on handover to the  
Child Maintenance and Enforcement Commission

Presented to Stephen Geraghty  
by the Child Support Agency Board  
December 2008

# Foreword

On behalf of the Board I am glad to present the Agency Accounting Officer with this 'handover' document. The aim of this report is to show the 'legacy' which the Commission inherits from the Child Support Agency. We hope that this will provide a clear statement to you as outgoing CSA Accounting Officer and useful information for the Commission.

I am grateful to my colleague, Bill Griffiths, and other members of the CSA Audit Committee, for driving forward the Handover Report on the basis of much detailed work by CSA people. This report was approved by the CSA Non-Executive Directors on 3 December 2008.

**Richard Arthur**

3 December 2008

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# Non-Executive commentary

## CSA's legacy

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There has been very substantial progress over the last three-and-a-half years to October 2008, and we concur with the comments of James Plaskitt MP: *"The fact that they have hit all the targets set - a first for the Agency - shows that we are at an historic turning point in the Agency's progress."*

Our report notes that the Operational Improvement Plan is acknowledged to have driven up performance and made the CSA a more businesslike organisation. We have been very impressed with the drive and focus of the management team. This is reflected in a wide range of statistics, notably un-cleared applications drastically reduced, and, most important of all, much more money going to many more children

However, it would be wrong to suggest we are fully satisfied with the present situation. The historic performance was poor, and many of the problems arising still remain to be fully resolved.

We welcome the changes made by Parliament. We believe that the statutory improvements, taken together with the momentum of improvement within CSA underpin our optimism that the Commission can deliver an effective and well regarded service to parents.

## Lessons learned

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The report also gives us the chance to draw lessons from the CSA experience, which we hope will be of value for the Commission in the coming years. Indeed, there may even be lessons for other parts of Government.

We divide these lessons into five categories: efficiency, people, IT, client relations and satisfaction, and public perception.

## Efficiency

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As well as deficiencies in the original vision for the CSA, the situation was further undermined by various factors: a 'policy' desire to show fairness to all; administrative imperatives of the CSA's parent Department; and poor management within CSA.

#### For example:

- a large part of the Agency's daily work involved moving relatively small sums of money from one poor household to another (the average weekly collection / arrangement on a New Scheme case was some £29). In addition the schemes made the amounts to be transferred complex to calculate, and subject to frequent revision as personal circumstances changed. Many parents hoping for support found that it was offset by benefits reduction, which meant that they had no incentive to cooperate with the Agency. As a result, it cost the Agency more than 50p to collect every £1 of maintenance. In our opinion, the root cause of this was the legislative/policy design which, in trying to be totally fair in all circumstances, became far too complex;
- Secretary of State targets emphasised processes rather than outcomes; changing this has proved to be an important factor in making improvements;
- the original organisational design (of a Head Office plus six processing centres) never came into being. At transfer to the Commission, there were 34 CSA offices plus a major out-sourced centre;
- the IT system was poorly specified and delivered (see below); and
- the scale of improvement over the last three years, within a scheme largely unchanged, and prior to the major IT upgrade (eventually delivered in September 2008), clearly means that there were considerable management failures in the prior period.

## People

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Agency employees have played a key role in recent improvements, with considerable changes in systems and organisation being demanded of them. Change and improvement will be a continuing challenge, and attention to performance management, training and morale will continue to be key management tasks.

In our early walkabouts at Agency locations we found employees wanting to do their best for the clients. However, this was combined with a reluctance to proactively manage or phone clients, a tendency to pass the problems on, and a general lack of urgency. This impacted on performance, and was undoubtedly a causative factor in the high number of complaints received. This culture arose from a number of causes, including lack of confidence in the IT system. In addition, the lack of function of the IT system meant that individual and team effort was difficult to measure sensibly, which made effective performance management very difficult.

The improvements in performance have been brought about by reorganising to reflect the work flow, separating out difficult cases and giving them to experienced people and extensive training to provide individuals with confidence. There has also been clear communication about "what good performance looks like" and the new processes make it very difficult to sit on or pass on problems.

The challenge remains to change some deep-seated behaviours to ensure that the organisation is there to serve the client first. Unless the culture change, as reflected in the desired values and

behaviours, can be embedded, fully, then it is unlikely that the benefits of the organisational change, and process and IT improvements will be fully realised.

## IT

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By common consent, IT problems were a major issue for the CSA. These problems are well documented, and of course we also cover them in our report (pages 53 et seq).

#### Two major issues here are:

- the complexity and poor design of the 'CS2' system created to deliver the changes resulting from the 2000 Act; and
- the inability of the primary IT supplier to deliver commitments in agreed timeframes.

The Agency faced a difficult situation with the major 'PR1' IT release, designed to remedy many previous deficiencies of the system, and to support the delivery of Operational Improvement Programme outcomes. This fell behind schedule, but it is to the credit of current Agency management that they persevered, and refused to go live with PR1 until they were fully satisfied with system testing. We fully endorsed this stance at the time, and the eventual successful implementation of PR1 proved it to be correct.

This was a fundamentally different approach to that taken with the introduction of the CS2 system, which management believed was rushed in its introduction, partly because the practical problems of implementation were given insufficient weight when there were understandable pressures to implement the new system speedily.

Historically, the IT system has been geared to generating 'tasks' to be completed. This meant that there was a lack of clear personal or managerial responsibility for progressing cases, which was a cause of frustration to employees and clients alike. We believe that PR1 has considerable potential to change the way cases are progressed and clients' concerns are addressed.

We also believe that the more arm's-length 'NDPB' framework, with policy decisions and the preparation of statutory regulations owned within the Commission, can only help in ensuring sound alignment of policy with practical implementation in realistic timeframes.

A fundamental matter to consider is whether the IT model adopted is the best system going forward. At the moment, a single supplier provides the software for a bespoke system covering the most significant Agency activities including collections, payments, record keeping, financial accounts etc. Major costs and difficulties have arisen. In addition, recent experience shows that updating and improving such a complex system is itself a costly and difficult process. We believe that this must lead to the Commission giving serious consideration to alternative and less monolithic arrangements, while ensuring that existing clients do not suffer from any changes.

## Client relations and client satisfaction

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We made frequent visits to CSA offices, where we could speak to operatives and listen to telephone calls with clients. In addition, we asked for and obtained snapshot readings of customer satisfaction and the experiences of different categories of new and existing clients on a regular basis by use of sampling techniques. This was in contrast to major surveys every two years or so, which had existed previously. We recommend that the Commission Board continue with these initiatives, which we found of great value in understanding the problems and progress of the Agency. The surveys also assisted management in understanding key deficiencies and in decision making.

As an example, it became clear that one major frustration with the CSA was that many clients had great difficulty in discovering where they stood in terms of how much they were due, how much they owed and how these sums had been calculated. The weaknesses in the IT system meant that, in many cases, an answer could not be given over the phone. Instead a promise was given for a later call-back. The surveys suggested that frequently this did not happen, yet clients always expected such basic commitments to be met. We hope that PR1 (plus further planned IT upgrades) will help reduce these problems. In due course, it would seem reasonable to expect a web-based system which would allow individuals password based access to their account details.

## Public perception

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Pages 57 et seq of our report comment that stakeholder management was relatively neglected in the period 2003-2006. This was understandably a product of the problems the CSA was suffering at the time, but it must also have exacerbated those problems.

It is a common observation that public perception lags behind the reality of performance. Historically, the media 'story' about the CSA has been of failure and problems. In addition, the report cites examples of misconceptions about the Agency - Debt for instance. When a non-resident parent fails to make a payment, the non-payment is classified as a 'debt'. Frequently the cumulative value of these debts was laid at the door of the CSA by the press, as an evaluation of the Agency's failure.

For the future, there may be merit in changing the description from 'debt' to 'parental debt' or 'unpaid maintenance' or a similar description, which would clarify what is involved and who is ultimately responsible. More fundamentally, there may be merit in reviewing whether payments need to be made via the Commission at all, or could be made directly from one parent to another as a matter of course. This is in the context that the recovery of benefits by the Commission will cease from 2010.

Failures to pay may result from administrative error, but it is clear from case files that a failure to accept financial responsibility, or indeed a desire to avoid responsibility, applies in many cases. Some may even be encouraged in such a path by a belief in the Agency's inefficiency.

A poor public image of efficiency also reduces the credibility of a 'rights and responsibilities' campaign, as the public's response would be that the Agency should first put its own house in order.

We believe that a major task for the Commission will be to improve public image in line with the improvements in performance. We hope that, in future, the media 'story' will be less about the organisation, and more about the successes and failures of individuals in meeting their obligations.

A change of image will be assisted by the change in role. The statutory changes alter the emphasis towards personal responsibility, with the Commission encouraging voluntary arrangements between parties, with enforcement in the event of these failing.

There has been an improvement in focus on media/stakeholders in recent times, and we would urge that this is intensified by the Commission, assisted both by improvements in performance and a shift to a more enabling role.

## Conclusion

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The history of the CSA has not been a happy one, but we hand over at a time when management and employees have made very considerable progress in improving performance. Many more children are benefiting from much more money being transferred.

We have been pleased to contribute on this journey and offer our best wishes that more children can be even better served under the new arrangements.

**Richard Arthur, John Cross, Sue Jillings, Bryan Foss, Peter Holden, Bill Griffiths**  
**Child Support Agency Non-Executive Directors**

# The history of the Child Support Agency (CSA)

## **Why the CSA came into existence**

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The widespread social change of the 1980s saw rising divorce rates, more children born to unmarried mothers, and more lone parents claiming benefit.

There was no consistent national system for securing child maintenance - in most cases arrangements operated through a series of family courts. Where a separated family was reliant on means-tested benefit, the Department of Social Security also pursued maintenance from estranged spouses and fathers under the 'Liable Relatives' Scheme.

These arrangements only provided regular child maintenance to 30 per cent of lone mothers whilst, as of 1990, an overwhelmed court system delivered only £100m of child maintenance<sup>1</sup>.

Overall the numbers of non-resident parents paying maintenance dropped but cost to the taxpayer escalated. Pressure grew on government to address these problems.

## **The Child Support Act 1991**

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The 1991 Act was the Government's response to the fragmented, discretionary maintenance arrangements prevailing in the United Kingdom. This legislation was expected to:

- reduce inconsistency and improve efficiency;
- ensure that liable parents honoured their responsibilities to all their children, whether the children were living with them or not; and
- reduce dependence on Income Support, while maintaining parents' incentives to work by recouping money from the separated partners of benefit recipients.

<sup>1</sup> Commission introduction presentations to Non-Executive Directors

#### Legislation included provision for:

- a new 'Next Steps' Agency: the Child Support Agency, with responsibility for calculating and collecting the bulk of child maintenance;
- a standard formula for calculating maintenance to replace judicial discretion. This would be coupled with the ability to deduct maintenance direct from wages without the need for court intervention; and
- compelling parents with care in receipt of benefits to apply to the Agency and cooperate in the pursuit of maintenance.

In practice, the legislation did little to ease the complexity of the existing situation or significantly increase the amount of maintenance flowing.

The standard formula relied on over 100 separate pieces of information, the majority of which was required from the non-resident parent. While it was presumed that parents would supply this information, it was frequently not forthcoming: in a significant proportion of cases the separated parents were on bad terms, and the child support application often became another element in their conflict.

While parents with care applying for benefit were compelled to use the Agency, all the money collected for them from non-resident parents was balanced by an equivalent deduction from their benefit entitlement. As no additional money flowed to parents with care for their children, there was little incentive for either parent to comply.

### The formation of the Child Support Agency

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The CSA was set up in 1993 as a 'Next Steps' Agency to administer the **Child Support Act 1991**:

- tracing the parent who was no longer living with their children;
- calculating how much child maintenance should be paid; and
- in some cases, handling the payments from the non-resident parent to the parent with care, and taking appropriate enforcement action where payments were late or missed.

The CSA was formed as an Agency of the Department of Social Security, which in 2002 became the Department for Work and Pensions (DWP). It remained part of DWP until its people, assets and functions transferred to the Commission on 1 November 2008.

### Early performance 1993 to 1995

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The Agency began operating in 1993 and **rapidly encountered difficulties**:

- Volumes of work were exceeding anticipated levels. For instance, the repeal of Liable Relatives Orders meant that the Agency started with a backlog of un-cleared applications from day one.
- **The complexity of the maintenance assessment** exacerbated this, while the parent Department was itself suffering resource pressures and was unable to offer additional support to the new Agency.
- Problems were compounded by **mounting public opposition** to the Agency's ability to override previous settlements, and its perceived targeting of 'easy cases'.

The early years were therefore marked by sizeable backlogs and low levels of client satisfaction.

### Initial changes: the Child Support Act 1995

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In 1995 the Government responded to some of these difficulties by introducing a new Act. This allowed maintenance assessments to 'depart' from the rigidity of the formula under certain circumstances, and brought in a **Child Maintenance Bonus**. This accrued where maintenance was paid in respect of a parent with care on Income Support. A proportion could then be claimed as a lump sum if the parent moved off benefit and into work.

Charging also ceased, partly because of concerns about unacceptable levels of service, and partly because of the high number of exempt clients (those in receipt of benefit).

### Performance 1996 to 1999

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Despite the 1995 Act, the Agency's **performance continued to fall short**:

- failing to deliver regular maintenance;
- suffering from a large backlog of unprocessed cases;
- low compliance by non-resident parents; and
- growing levels of debt owed by non-resident parents to parents with care and the Secretary of State.

The management of both the Agency and the Department seemed unable to address the situation effectively. By 1998, it was clear that the Agency was not meeting targets and had become discredited.

# Child Support Reform 1999 to 2005

## **The 1999 White Paper**

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In response to the problems, the Government's 1999 White Paper *A New Contract for Welfare: children's rights and parents' responsibilities* heralded a series of changes, including:

- a simpler approach to calculation;
- greater focus on enforcement; and
- the introduction of a £10 maintenance disregard for parents with care on benefit: part of the increasing Government focus on tackling child poverty.

## **Child Support, Pensions and Social Security Act 2000**

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The Child Support, Pensions and Social Security Act 2000, which followed the White Paper, substantially revised the 1991 Child Support Act:

- simplifying the system for assessing the non-resident parent's liability to pay maintenance;
- reducing the amount of information the Agency needed from a non-resident parent in order to make an assessment;
- allowing some state benefit money to be retained by recipients of maintenance on benefit; and
- tougher enforcement sanctions on non-resident parents who failed to pay.

It was notable, however, that the policy still relied on both parents cooperating with the Agency to provide information.

This Act represented the last significant amendment to legislation, thus defining the framework within which the Agency operated until the passage of the Child Maintenance and Other Payments Bill in 2008.



## Child Support Reforms – new organisation; new system

The legislative changes of 2000 were coupled to an ambitious programme of organisational and system change.

The original Child Support Computer System (CSCS) was designed to support the original child maintenance scheme introduced in 1993. With the implementation of the 2003 reforms a second IT system, Child Support 2 (CS2), was introduced for the administration of cases on the new scheme. This was developed and maintained by Electronic Data Systems Corporation (EDS).

However, the organisation showed itself to be unprepared for such substantial change and the CS2 computer system was implemented late and over budget. In June 2000, the original EDS cost of the child support reforms (to develop, operate and finance CS2) was £427m. By December 2002, EDS costs had risen to £456m, following changes to the contract to address system problems, and expand requirements. In August 2005, negotiations reduced the cost of the contract to £349m, and services to the old CSCS system were secured at no extra cost<sup>2</sup>.

The intention was eventually to phase out CSCS, migrating existing cases onto both the new scheme of child maintenance and the new IT system. As part of the reforms, all new applications for child maintenance from 2003 onwards should also have been administered using CS2.

However, as a result of the defects and instability that characterised CS2, Ministers made the decision not to perform the bulk migration of cases on to the new system, which means that the Agency still operates both CSCS and CS2.

## Problems with the new system

A National Audit Office Report commented that:-

*"[CSA] did not have sufficient internal technical resource to be an intelligent customer of EDS...The Department's original contracting strategy was inappropriate;...It took some time to develop a full partnership with EDS;...."*

History has since shown that the mix of resources and experience working on the original CS2 project from both EDS and the Agency (particularly in leadership positions) was not adequate to manage the contract. As a result, CS2 was implemented with a number of defects. These led to significant problems when processing cases using the new system, including:

- a large volume of cases that became 'stuck': they could not be processed to the point at which a maintenance calculation could be made, maintained or collected on;
- incomplete and inconsistent management information;

- an inefficient and inaccurate accounting process for client funds; and
- CS2 failing to gain security accreditation from the Department.

### As a result of these problems:

- the Agency was unable to undertake the proposed migration of cases from CSCS;
- at the time of transfer, around one in three were still administered on the old system (CSCS);
- a large number of stuck cases were removed from CS2 altogether and were processed clerically; and
- a number of subsidiary systems were required to address shortfalls in the functionality of CSCS and CS2.

In addition to the problems with the computer system, there were also issues with managing the high volume of non-compliant cases and achieving timely enforcement; reflecting poor case management, complicated by a need to take all cases through the courts.

Despite repeated attempts to resolve the outstanding or newly emerging problems, 2003 to 2005 saw performance further deteriorate: rising debt and complaints, and little evidence of increased child maintenance payments flowing to parents for their children:

- The proportion of children benefiting from maintenance payments on cases with a positive liability fell from 71% to 64% (although the absolute number of children benefiting increased marginally by 2% over the same period)<sup>3</sup>.
- Performance did not improve and un-cleared applications (excluding those with calculations but no payment schedule) rose from 260,300 in March 2003 to 315,800 in March 2005, of which 225,300 were new scheme applications, marking a return to historical levels of performance on case clearance<sup>4</sup>.
- Cases requiring conversion to the new scheme also rose quickly to a peak of just under 50,000 in late 2005<sup>5</sup>.
- In early 2005 only around 25-30% of all cases were being cleared within six weeks (and around 40% cleared in 12 weeks)<sup>6</sup>.
- In 2004/05 it was taking almost two minutes to answer a phone call and 16% of calls were un-answered or lost<sup>7</sup>.
- The average number of staff days lost to sickness was running at a Whitehall high of 16 days per worker, per year<sup>8</sup>.

Internal audit reports on the Agency reflected this decline in performance by becoming more critical. At the September 2004 CSA Audit Committee meeting an NAO Director recorded that *"in his 37 years in Government audit, this [internal audit report] is the most damning report on system or process failures he has seen"*.

2 CSA Parliamentary briefing/Freedom of Information request response: reference VTR667/Doran 10 June 08

3 CSA QSS September 2008 Table 28

4 CSA QSS September 2008 Table 2.1

5 CSA QSS September 2008 Table 2.5

6 CSA QSS September 2008 Table 3

7 CSA QSS September 2008 Table 16

8 CSA QSS September 2008 Table 19.3

The first quarter of 2005 was the low point of the Agency's performance and reputation. In January 2005, the Work & Pensions Select Committee reported:

*"We believe the Child Support Agency is a failing organisation which is currently in crisis... The senior management team has failed to lead the Agency through significant cultural shift. There is an apparent lack of adequate training for frontline staff; guidance and procedures appear to be lacking; and there is little evidence of adequate monitoring to ensure that frontline staff follow procedures."*

Similarly, the 2006 National Audit Office Report: *Implementation of the Child Support Reforms* stated that the reforms were:

*"a final...but unsuccessful, attempt to deliver the policy' and 'failed to deliver improvements in customer service and efficiency...new rules, simplified calculation (and) new IT system'. Instead they 'created a complex administrative process' with the 'Agency never structured to deliver policy effectively. While a number of poorest parents and children benefited, overall the new scheme performed no better."*

In 2005, the Child Support Agency Chief Executive took early retirement.

The incoming Chief Executive, Stephen Geraghty, thoroughly reviewed all aspects of Agency operations, and reported **ten key findings**:

- Poor client service caused by 'personal caseworker' model.
- Culture of unhealthy internal competition.
- No client service standards.
- Lack of investment in people.
- Less than 50% of employees directly progressing client cases.
- Inappropriate target regime.
- Major remediation required to get IT fit for purpose.
- Organisational structure not client-centric.
- Poor communications and reputation management.
- Diverse, ineffective and inefficient business processes

While the Agency's performance had already begun to improve under the new Chief Executive, the review revealed deep-rooted and complex problems with no 'quick fixes'. As incremental improvements would not deliver acceptable service within acceptable timeframes, the Chief Executive led the development of a radical, practical plan to improve the Agency's performance.

At the same time the political climate was changing. There was ongoing debate about whether the current policy and legislative framework could ever deliver a truly effective system of child support, regardless of how well the Agency ultimately performed.

# Recent context 2006 to 2008

Against this background, the Government announced its dual strategy for reform in February 2006: a three year Operational Improvement Plan to stabilise and improve Agency performance, and Sir David Henshaw's re-design of the child maintenance system.

## Operational Improvement Plan

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The Operational Improvement Plan aims to transform the service the Child Support Agency delivers to its clients, to increase the amount of money the Agency collects and achieve greater compliance from non-resident parents. The plan was developed from an April 2005 baseline and focuses on four key areas:

- **Getting it right:** gathering information and assessing applications.
- **Keeping it right:** active case management.
- **Putting it right:** enforcing responsibilities.
- **Getting the best** from the organisation.

The three years of the plan have been supported by an additional £120m of investment.

## Year one (2006/07)

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The first year of the plan focused on improving operational capacity and capability while making improvements to customer service.

### Key changes were:

- the re-organisation of Agency operations and the introduction of a new operating model. This included contracting out some work to the private sector where appropriate;
- the re-deployment of significant numbers of Agency people to client service roles;
- additional training for specific groups of Agency people; and
- the introduction of a stronger client focus into the Agency's culture.

The plan was designed to deliver performance improvements in years two and three, but some improvements were already being realised during year one. For example, average call answering times fell 74% (from 100 seconds to 26 seconds) and 97% of calls were answered, compared with 84% two years previously<sup>9</sup>.

## Year two (2007/08)

The second year of the plan focused on productivity, compliance and collections, and further improvements to client experience. **Changes included:**

- embedding the new ways of working introduced by the Agency's re-organisation, supported by a significant programme of education and training;
- a significant increase in the proportion of Agency people working in enforcement and in enforcement activity;
- preparing for the major upgrade to the Agency's IT system, to further support the new ways of working; and
- client service improvements: new letters, client information materials, telephony and negotiation skills training.

## Secretary of State's targets for 2007/08

Changes to Secretary of State targets, which initially emphasised processes rather more than outcomes, have ensured that a focus on client service and outcomes have driven the improvement programme, and enabled the Agency to deliver its second year Operational Improvement Plan commitments:

<b>Number of children</b>	By 31 March 2008, maintenance will be collected or have been arranged by the Agency on behalf of 720,000 children.
<b>Total maintenance collection (arrears)</b>	Collect or have arranged £970m in child maintenance between 1 April 2007 and 31 March 2008; of which at least £120m maintenance will be arrears.
<b>Maintenance outcomes</b>	By 31 March 2008, in 66% of cases across both the new and old 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.
<b>Un-cleared applications to the new scheme</b>	By 31 March 2008, the volume of un-cleared new scheme applications will be no more than 140,000.

In 2007/08, the Agency achieved or exceeded all four of its Secretary of State targets. In March 2008:

- 749,300 children were in receipt of maintenance against the target of 720,000;
- the Agency collected or arranged £1,010m in maintenance, against the target of £970m;
- maintenance outcomes stood at 67% against the target of 66%; and
- there were 107,000 un-cleared new scheme applications against the target of 140,000<sup>10</sup>.

The Department's internal audit team started to acknowledge that progress was being made. In his 2007/08 Report, the DWP Director of Internal Audit reported *"there has been significant improvement in performance and operations, and an associated increase in the proportion of substantial ('reasonable') assurances from our individual reviews"*.

While the achievement of these targets reflects the focus on compliance and collections, and the new ways of working introduced by the Agency's re-organisation during the year, the major IT productivity release (PR1) was not implemented as soon as had been hoped. PR1 was designed to remedy many previous deficiencies of the computer system, and support the delivery of new working methods, but the Agency committed to introducing change only when testing indicated the changes would work effectively, and the Agency was sufficiently prepared to realise the full benefit. After an extensive and rigorous programme of testing and training, PR1 was successfully implemented in September 2008.

# Child Maintenance Re-design

## **Sir David Henshaw's review**

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Sir David Henshaw's report into the future of child maintenance was published in July 2006. It set out recommendations for the reform of the child maintenance system, focusing on the role that child support can play in alleviating child poverty and placing informed parental choice at the centre of the system. The report's central recommendations included:

- establishing a new delivery organisation with a residuary body to chase down existing debts;
- removing the compulsion for benefit clients to use the Agency and introducing a higher maintenance disregard;
- introducing an information and support service, to facilitate informed parental choice about maintenance arrangements;
- new sanctions, including the withdrawal of passports and the imposition of financial penalties, with less reliance on judicial endorsement through the courts;
- no automatic transfer of clients between scheme rules; and
- movement towards the use of gross annual tax information as the basis for the maintenance calculation, rather than relying on parents for this information.

## **The 2006 White Paper**

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The Government accepted the majority of the recommendations in the Henshaw Report and published its White Paper in December 2006. This set out four principles that should guide the re-design of child maintenance:

- help tackle child poverty;
- promote parental responsibility through tough and effective enforcement;
- provide a cost-effective and professional service; and
- be simple and transparent.

## **Child Maintenance and Other Payments Act 2008**

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The Child Maintenance and Other Payments Bill received Royal Assent in early June 2008. The Act has established the Child Maintenance and Enforcement Commission as a crown Non-Departmental Public Body, to replace the Child Support Agency.

The Commission has three core functions:

- promoting the financial responsibility that parents have to their children;
- providing information and support about the different child maintenance options available to parents; and
- providing an efficient statutory maintenance service with effective enforcement.

# The Child Support Agency today

## **The current performance challenge: delivering year three of the Operational Improvement Plan**

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In 2007/08 the Agency met or exceeded all four of its Secretary of State targets. The Agency's targets for 2008/09 build on these achievements and seek to:

- increase the number of children in receipt of maintenance to 790,000;
- increase the amount of maintenance collected or arranged to £1,080m of which £220m will be arrears;
- increase maintenance outcomes to 69%; and
- reduce un-cleared new scheme applications 90,000.

Year three of the plan was always seen as the time when the Agency would reap the performance benefits realised from the changes and improvements made during years one and two. While, at the time of writing, sustained improvement through a continued focus on compliance and collections means that the Agency looks on course to achieve many or all of these targets and also meet its March 2009 Operational Improvement Plan commitments, considerable challenges remain.

While the major IT upgrade to support the Agency's new ways of working has been delivered, additional challenges have arisen that were not known about when the plan was devised and launched.

First and foremost is the introduction of the Child Maintenance and Enforcement Commission, and the associated repeal of Sections 6 and 46 of the Child Support Act 1991, which end the compulsion for parents with care claiming benefits to register a child maintenance interest with the CSA. The repeal of these sections was not anticipated at the time when Operational Improvement Plan targets were set, and it is not known what exact impact the repeal will have on intake and caseload in 2008/09 and hence on the amount of money collected and the numbers of children benefiting. The CSA wrote to over 520,000 parents with care in receipt of benefit informing them of the new choices available to them from October 2008.

From 27 October 2008 legislative changes came into force giving parents with care on benefit who were already with the Agency the choice to make arrangements that would best suit their family circumstances. These clients can choose to stay with their existing CSA arrangements, or opt out and make private arrangements. All child maintenance collected by the Agency would now be paid direct to the parent with care, who would need to inform Jobcentre Plus. The child maintenance disregard increased to £20 and was extended to all parents with care on benefit across both old and new schemes.

System changes were implemented successfully to ensure that all maintenance received was paid direct to the parent with care.

The most challenging target for the Agency is debt, and this is why year three of the plan focuses on delivering the tools, training and techniques to support this. Reflecting the four key areas of the original plan, plans for 2008/09 include:

## **Getting it right – gathering information and assessing applications**

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- continuing to introduce new improved client letters and leaflets;
- introducing improved trace facilities and risk profiling to find more evasive parents and taking swifter enforcement action where required; and
- continuing telephony and negotiation skills training programmes.

## **Keeping it right – active case management**

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- further improving the complaints handling processes and associated systems to increase the speed of resolution for clients; and
- introducing a new employer helpline to continue to support improvements in collections through deductions from earnings orders and voluntary deductions of earnings arrangements.

## **Putting it right – enforcing responsibilities**

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- introducing new financial information services to help the negotiation of more effective debt agreements;
- continuing to roll-out 'court centralisation' so that the Agency can apply for greater volumes of liability orders to continue to increase the enforcement actions to recoup more debt;
- improving the systems that enforcement caseworkers and officers use to increase enforcement actions against non-compliant parents and debtors;
- introducing new debt processes and procedures, negotiation training, and communications with clients to support the drive on collection and compliance; and
- increasing the use of direct marketing campaigns to engage debtors in negotiating arrears agreements that get more money flowing.

# Business legacy

## Getting the best from the organisation

- implementing the major upgrade to the computer system that supports the Agency's new ways of working, to drive greater productivity and deliver more outcomes for clients; and
- building on the Inspirational Leadership events that were conducted in the first year of the Operational Improvement Plan, to continue to improve the Agency's capability in leading and motivating its people.

## The state of the Agency today

To understand the state of the Agency at the point of transfer, as it sought to deliver year three of the Operational Improvement Plan, the following areas need to be considered:

- the Agency's business legacy;
- performance trends;
- Agency clients;
- people and culture;
- systems;
- media and stakeholder engagement; and
- finances.

## A complex environment

The concept of supporting a child through paying maintenance is very simple. But administering any statutory scheme for establishing an equitable way of calculating what a parent who no longer lives with their child should pay in maintenance is inherently very complex. Major challenges include:

- establishing maintenance liabilities for clients from a diverse range of employment backgrounds (eg employed, self-employed, benefit clients);
- gathering accurate information from those non-resident parents who seek to minimise their declared income and avoid their responsibilities to their children;
- coping with the regular changes in income and other circumstances; and
- dealing with linked cases where a parent with care or non-resident parent is involved in more than one case.

In September 2008, the Child Support Agency was handling 1.3 million 'live' cases in which over one million children qualified for maintenance. The Agency was also managing an additional 340,000 cases which were closed but had arrears outstanding<sup>11</sup>. By 2008, the Agency was processing some 60 million financial transactions a year and had collected and arranged £1,088m in child maintenance (including Maintenance Direct)<sup>12</sup>. Furthermore, in the twelve months to September 2008 the Agency:

- received almost 275,000 new claims<sup>13</sup>;
- cleared almost 320,000 applications<sup>14</sup>;
- received over five million phone calls<sup>15</sup>; and
- cleared over two million current scheme change of circumstance requests<sup>16</sup>.

By late 2008 the Agency was:

- receiving around 2,200 Bulk Deduction from Earnings Order receipts each month, relating to almost 25,000 Non-Resident Parents<sup>17</sup>; and
- receiving on average almost 10,000 Bulk Cheque Deduction from Earnings Orders per month, relating to over 27,000 Non-Resident Parents<sup>18</sup>.

<sup>11</sup> CSA management information (Performance report to Executive Team April 2008)

<sup>12</sup> CSA QSS September 2008 Table 19.5

<sup>13</sup> CSA QSS September 2008 Table 2.1

<sup>14</sup> CSA QSS September 2008 Table 2.1

<sup>15</sup> CSA QSS September 2008 Table 16

<sup>16</sup> CSA QSS September 2008 Table 29

<sup>17</sup> Client Funds Accounting Team management information

<sup>18</sup> Client Funds Accounting Team management information

# Performance trends

## Maintenance outcomes

Since April 2005, there have been clear improvements in the Agency's performance with regard to maintenance outcomes. The table below shows the Agency's performance under the Operational Improvement Plan. The plan was developed from an April 2005 baseline, which was the low point in the Agency's performance, and built on the achievements in the 2005/06 year.

Maintenance Outcomes - five year performance trend						
Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	Sept 2008/09 YTD	2009 Target
Number of children benefiting <sup>1</sup> Quarter ending 31 March <sup>2</sup>	561,100	623,000	683,300	749,300	778,200	790,000
Maintenance outcomes <sup>1</sup> %age of cases with current liability receiving maintenance in the Quarter ending 31 March <sup>2</sup>	63%	63%	65%	67%	68%	69%
Maintenance collected or arranged Year ending 31 March (£m) <sup>2</sup>	£798	£836	£898	£1,010	£546	£1,080
Of which arrears collected <sup>2</sup>	£68m	£81m	£91m	£126m	£80m	£220m
Notes:						
1. Figures for 2007 and 2008 accurately reflect clerical and non-clerical cases that are held by the Agency. Other figures include the majority of the cases that have been (or are being) progressed as clerical cases, but only reflect the position at the point the case became clerical.						
2. Source: CSA QSS September 2008						

In the year to September 2008, the Agency collected or arranged a record-breaking £1,088m, £149m of which was arrears<sup>19</sup>. This benefited 778,200 children, over 217,000 more than in March 2005<sup>20</sup>. In the three years to March 2008, the total amount increased by 27% or £212m per year and the amount of arrears collected increased by £58m or 85%<sup>21</sup>.

<sup>19</sup> CSA QSS September 2008 Table 28

<sup>20</sup> CSA QSS September 2008 Table 28

<sup>21</sup> CSA QSS June 2008 Table 19.5

The target to collect or arrange at least £220m in arrears in the year to March 2009 is over three times the amount collected in the year to March 2005 and remains the most challenging of the Agency's current targets<sup>22</sup>.

The maintenance outcomes ratio shows those cases from which maintenance was received as a percentage of those with a positive maintenance liability. From 1995 onwards, the ratio grew steadily until early 2003, when the current scheme was introduced. Between 2003 and early 2006 it fell to 63%, which is where it stood at the start of year one of the Operational Improvement Plan. However, the first two years of the plan saw performance improve significantly to 67% in the year to March 2008: when combined with a 17% increase in the positive liability caseload this gave rise to a 24% increase in the number of cases with positive outcomes<sup>23</sup>.

## Progress in 2008/09

At the end of September 2008, Agency performance continued to improve and good progress was being made towards the 2008/09 targets<sup>24</sup>:

- number of children benefiting had risen to 778,200
- maintenance outcomes had risen to 68%; and
- maintenance collected or arranged in the 12 months between October 2007 and September 2008 was £1,088m: £40m more than was achieved between April 2007 and March 2008. Of this, £149m was arrears.

## Transitional caseload

Transitional cases are cases for assessment under the old rules, physically managed on the CS2 system rather than CSCS. Most have been automatically pulled across from CSCS to CS2 as potentially, but incorrectly, linked to new cases on CS2. As they are not actually linked, they have not been converted. They account for around 18% of the Agency's caseload.

Performance on the transitional caseload (62% maintenance outcomes at September 2008) is substantially lower than old rules cases managed on CSCS (74%) and even falls below performance on the current scheme (67%)<sup>25</sup>. Performance dips on transition partly because schedules and payment arrangements have to be re-established manually following transition, and because CS2 is not well suited to the management of old rules cases, which were a late addition to the scope of the system during its original development.

At September 2008, just under 10% of transitional cases were awaiting conversion to the current scheme: 9,800 of these 23,800 cases had been awaiting conversion for more than three years<sup>26</sup>. Many of these cases are awaiting re-assessment due to change of circumstances resulting in a low level of compliance by non-resident parents. Compliance levels on linked new scheme cases may also be affected.

Transitional cases are complex and difficult to administer and this has a significant impact on overall Agency performance, particularly on client outcomes.

## Client service

In the last three years of the Agency's life, the changes brought in under Stephen Geraghty, including the Operational Improvement Plan have delivered clear improvements in client service:

- clients saw call waiting times fall 80%, and 14% more of their calls answered<sup>27</sup>;
- applications were processed more quickly (over 85% within 18 weeks)<sup>28</sup>;
- the stock of un-cleared applications was more than halved;
- client service commitments for 2008 were all met or exceeded.

Good progress is being made in-year towards achieving 2008/09 commitments.

Client service - five year performance trends						
Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2008/09 Sept YTD	2009 Plan
<b>Application clearance</b> %age of new scheme applications cleared by 31 March within:						
- 12 weeks (Dec intake)	30%	52%	61%	77%	81%	80%
- 18 weeks (Oct intake)	37%	61%	64%	83%	86%	85%
- 26 weeks (Sep intake)	46%	68%	79%	89%	92%	90%
<b>Un-cleared new scheme applications<sup>1</sup> at 31 March</b>	225,200	220,400	153,600	106,100	75,700	90,000
<b>Telephony</b> Average answer time from queue over the year	1min 40 seconds	59 seconds	26 seconds	20 seconds	18 seconds	Less than 30 seconds
Percentage of calls not answered from queue	16%	9%	3%	2%	1%	less than 5%
Note: Figures for 2007 and 2008 accurately reflect clerical and non-clerical cases that are held by the Agency. Other figures include the majority of the cases that have been (or are being) progressed as clerical cases, but only reflect the position at the point the case became clerical <sup>29</sup> .						

## Progress in 2008/09

In the year to September 2008, the Agency's performance continued to improve, exceeding achievements across 2007/08 and exceeding or matching all but one of the target levels for the end of 2008/09 :

- 85% of applications were cleared within 12 weeks (June intake)<sup>30</sup>;
- un-cleared applications to the current scheme stood at 75,700: the lowest level since June 2003, when the current scheme was still in its infancy<sup>31</sup>; and
- calls were being answered in an average of 18 seconds, and 99% of calls were answered from the queue<sup>32</sup>.

22 CSA QSS September 2008 Table 19.5  
23 CSA QSS June 2008 Table 7.2  
24 CSA management information

25 Presentation on transitional performance to CSA Performance Committee July 2008  
26 Presentation on transitional performance to CSA Performance Committee July 2008

27 CSA QSS September 2008 Table 16  
28 CSA QSS September 2008 Table 3  
29 CSA QSS September 2008 Table 2.1 and Table 16

30 CSA QSS September 2008 Table 2.1  
31 CSA QSS September 2008 Table 2.1  
32 CSA QSS September 2008 Table 2.1



# The Child Support Agency's clients

Historically, the typical balance of the Agency's caseload with a calculation has been approximately half private and half involving one or both parents being in receipt of benefit.

The table below shows a breakdown of the Agency's post-assessment caseload or 'liveload' (1.25 million cases) and an aggregate value of assessments in place (estimated at £1,427m per annum)<sup>33</sup> based on the average weekly assessment. These have been broken down by the employment status of the non-resident parent, showing the differences in maintenance liabilities between the groups.

<b>Caseload and Maintenance Liability</b>		<b>Employed</b>	<b>Self Employed</b>	<b>Benefit</b>	<b>Not employed</b>	<b>Total</b>
<u>Caseload</u>						
MD	000s	128	19	3	9	159
Compliant	000s	260	32	67	50	408
Not charging	000s	45	13	11	28	97
Nil compliant	000s	67	20	17	68	172
Positively Assessed	000s	501	83	98	155	837
Nil Assessed	000s	50	15	171	175	410
<b>Liveload</b>		<b>551</b>	<b>97</b>	<b>269</b>	<b>330</b>	<b>1,247</b>
<u>Average Weekly Assessment</u>						
MD	£pw	47	33	15	30	44
Compliant	£pw	43	28	5	13	32
Not Charging	£pw	42	34	8	22	32
Nil Compliant	£pw	38	34	8	17	26
<u>Aggregate Assessment Value</u>						
MD	£million	316	32	2	14	364
Compliant	£million	578	45	16	33	672
Not charging	£million	98	22	5	33	161
Nil compliant	£million	131	35	7	60	233
<b>Total Assessment</b>	<b>£million</b>	<b>1,124</b>	<b>135</b>	<b>30</b>	<b>139</b>	<b>1,427</b>

Caseload – a matching of Table 1 & Table 27 of CSA QSS September 2008; Average assessment comes from CSA caseload management information data.

The table shows 837,000 positively assessed cases at March 2008. (The total positively assessed caseload on CSCS and CS2 was 855,500 which includes a net of some 18,500 clerically managed cases). Where a non-resident parent is on benefits, a flat rate maintenance (FRM) assessment of £5 applies where there is a liability to pay<sup>34</sup>.

The number of cases with a calculation grew by almost 25% between May 2003 and February 2008. The breakdown of this by the benefit status of non-resident parent and parent with care is reasonably consistent across this time. In February 2008 (the latest CSA data matched to the benefits system) there were<sup>35</sup>:

- 12% of cases where both non-resident parent and parent with care were on benefit;
- 13% of cases had non-resident parent only on benefit;
- 24% had parent with care only on benefit; and
- 52% where neither parent was on benefit.

A disproportionate percentage of the total value of assessments (98% in the table above) relates to cases where the non-resident parent is not on benefits. As an illustration, in February 2008 there were 636,800 cases where neither parent was on benefit. The average weekly assessment was approximately £40 of which the Agency received and paid out around 71%. Meanwhile, there were 151,300 cases where both parents were on benefits. Here the average weekly assessment was just under £4 (less than the £5 flat rate maintenance, as some non-resident parents split this amount between two or more parents with care) and on average less than 61% of this was collected<sup>36</sup>.

In 92% of Maintenance Direct cases, the non-resident parent was employed or self-employed, representing 96% of the aggregate assessment value<sup>37</sup>.

There were 112,100 cases where the Agency was 'not charging' in September 2008: cases where assessments have been made, but where no collection schedule is in place<sup>38</sup>. One cause is that assessment schedules for a case on CS2 are set up for 12 months only, after which time it ceases if there has been no activity on the schedule (like a change of circumstance). Schedules are not always manually re-established on a timely basis.

## Client insight

Over the past two years, the Agency has undertaken a variety of client insight work across all client groups, to inform improvements to client service. The *Child Support Agency Client Insight Research (DWP Research Report No 471)*, published in early 2008 highlighted a number of areas in which clients felt that the Agency could improve performance.

Clients identified eight key priority areas that would drive improvements in their levels of satisfaction with the service:

- demonstrating expertise on individual client cases;
- being more accessible for clients when they want to speak to the Agency;
- being more sensitive to the needs of clients, particularly non-resident parents;

- dealing with client enquiries more effectively;
- resolving payment problems more quickly, particularly around changes of circumstances;
- ensuring accurate assessments;
- taking timely action on arrears; and
- keeping clients up-to-date with the progress of their case.

These priorities helped inform the basis of some major changes during year two of the Operational Improvement Plan, particularly the Education Programme to embed the client service principles at the heart of the new operating model.

## Complaints

### Complaints performance

The Agency has always received a relatively high number of complaints, due both to the sensitive nature of the area in which it operates and the difficulties it encountered in delivering a good service to its clients. As a result the Agency tried a number of different complaint handling systems over the years in an attempt to deal with the increasing numbers of complaints. In some cases this resulted in clients being required to make a number of complaints to the Agency on essentially the same issue.

In 2004/05 complaints peaked at 64,000 (across all stages). Subsequent years showed<sup>39</sup>:

- April 2005 to March 2006: 62,100 complaints received;
- April 2006 to March 2007: 47,900 complaints received;
- April 2007 to March 2008: 37,600 complaints received; and
- In the six months April 2008 to September 2008: 14,000 complaints received

While, understandably, some key issues like the quality of client service and accuracy are shared across the client base, areas of concern differ between parents. Parents with care are most troubled by shortfalls in service and outcomes, whereas non-resident parents take issue with the sensitivity of their treatment, inaccuracy and fairness.

The top five issues for parents with care are:

- failure to secure regular payments;
- quality of client handling;
- CS2 Incident stuck case;
- delay in progress to maintenance assessment; and
- failure to enforce.

While for non-resident parents they are:

- quality of client handling;
- wrong arrears calculation;

34 CSA QSS September 2008 Table 1 and Table 27  
35 Management information: September 2008 Caseload  
36 Management information: CSA QSS September 2008  
37 CSA management information September 2008 caseload  
38 CSA QSS September 2008 Table 6

39 CSA management information/RESPOND

- wrong maintenance assessment calculation;
- legislation; and
- failure to reply to correspondence.

At September 2008 the percentage of complaints to caseload was 0.2%, having been broadly static during the previous 18 months<sup>39</sup>.

At September 2008 there were a total of 397 FTEs dedicated to handling complaints. This is broken down as 325 in Resolution and 72 in Review<sup>40</sup>.

A focus on productivity initiatives to reduce the work on hand in both Resolution and Review areas of complaints has yielded sustained improvements during the third year of the Operational Improvement Plan<sup>41</sup>. The Agency is optimistic that this trend will be maintained.

This positive trend reflects both the overall performance improvements of the Operational Improvement Plan, and the better way that complaints are now being handled, with a reduction in the number of stages a complaint has to pass before it is resolved.

Performance (Resolution and Review)	Apr 08	May 08	June 08	July 08	Sept 08
Intake	2,401	2,247	2,313	2,318	2,060
Closures	3,291	3,145	2,902	3,121	2,238
Work in hand	7,081	6,203	5,676	4,899	4,391
[NB: Work in Hand in one month will never exactly total Work in Hand from previous month plus Intake minus Closures. The reason for this includes small numbers of cases in transit, revisited decisions, etc)					

## New complaints process

Under the Operational Improvement Plan, the Agency reviewed the complaints handling process. The main changes introduced were:

- one streamlined two-tier complaints process across the entire Agency;
- dedicated higher graded caseworkers, within newly-formed Resolution Teams;
- a new second tier Independent Review organisation;
- access to the Independent Case Examiner after the second tier;
- an upgrade to the RESPOND computer system; and
- a stronger 'feedback loop' from Complaints into the Agency's quality systems

## Appeals

An appeal may be brought against any CSA decision relating to the calculation of weekly maintenance. This would include any decision around changes to the income levels; effective date;

numbers of children/qualifying children; and, for old rules cases, any other constituent parts of the maintenance assessment. Service failures, such as delays in taking action, or inaccurate provision of information, do not carry the right of appeal.

The Agency was receiving in excess of 8,500 appeals per year<sup>42</sup>. The Agency's 'throughput' performance was within target at the end of September 2008:

- **Clearance of appeals received**<sup>43</sup> (ie the Agency either overturning its original decision, agreeing with the client that the appeal could be withdrawn, or standing by its decision and submitting paperwork to The Tribunals Service). Average time taken to clear appeals at the end of September 2008 was 9.93 weeks rolling year to date and 11.69 in month against a target of 10 weeks;
- **Impact the Appeals Tribunal decision**<sup>44</sup> (ie change maintenance assessment, where the Tribunal had upheld the appeal). Target – average of 1.0 week to do this. Performance (September 2008) average of 0.49 weeks rolling year to date and 1.40 weeks in month.

Issues having an impact on performance have included:

- Although the Agency ran various pilots to make better use of the Department's file retrieval software (FARIO), system availability continued to be a problem.
- Increase in the number of clerical appeals – ie difficulty in determining the actual decision under appeal and if the appeal is valid.
- Increase in the number of appeals coupled with staff attrition: the Agency recruited extra people to cope with this challenge (training scheduled to commence December 2008).

Turning to the quality of work, the Agency took several initiatives including:

- closer ties with The Tribunals Service;
- clarifying relationship with the judiciary, including the development of a Service Level Agreement, which has not yet been signed off due to the impact of the Tribunal Courts and Enforcement Act (TCE); and
- stronger national co-ordination of the various regional appeals processes, in order to share best practice.

One remaining issue with Appeals has involved the 'dispute' process. This involves the Agency looking at, and potentially reconsidering, a decision **prior** to any formal appeals action. The proportion of cases going through the 'dispute process' steadily dropped during the 2007/08 year<sup>45</sup>:

	% of cases going through the Dispute Process in April 2007	% of cases going through the Dispute Process in April 2008	% of cases going through the Dispute Process in September 08
New rules cases	41.8%	28.0%	31.2%
Old rules cases	72.0%	69.6%	65.4%

The Agency gave this issue a priority, and at the time of transfer was working to improve communications and its dispute process across the Agency.

39 CSA management information/RESPOND  
40 CSA management information/RESPOND  
41 CSA management information/RESPOND

42 CSA Central Appeals Unit management information  
43 CSA Central Appeals Unit management information  
44 CSA Central Appeals Unit management information  
45 CSA Central Appeals Unit management information

# The organisation, people and culture

## Independent Case Examiner (ICE)

In March 1996, the decision to establish the Independent Case Examiner's office was announced and in December 1996 the first Examiner was appointed. ICE began working with the Child Support Agency from 1997 to 1998.

ICE serves people who have been dissatisfied with the service they have received from the Agency; have complained to the Agency; exhausted Agency procedures and who remain dissatisfied with the response they have received.

In his 2007/08 Report the Examiner commented on a major increase in referrals, particularly in the first half of the year:

- referrals from complainants who had been unable to secure a final response from CSA within a specified period rose from 50 in 2006/07 to 387 in the first six months of 2007/08<sup>46</sup>;
- MP referrals rose from 352 in 2006/07 to 415 in 2007/08<sup>47</sup>; and
- CSA delays in actioning ICE 'closure reports' became a serious concern for ICE in early 2007/08. ICE responded by introducing 'Exit' arrangements. Under these, ICE formally withdrew from the case, advising the complainant of their right to approach the Parliamentary & Health Service Ombudsman. ICE invoked Exit arrangements in 51 cases in 2007/08<sup>48</sup>.

However, by the end of 2007/08 the position was improving:

- the Agency responded to ICE concerns over backlogs and liaison arrangements and the ICE report for 2007/08 commented on: "...positive changes...changed arrangements for handling clerical complaints and...substantial resources to address backlogs. Good relations have been forged between ICE and CSA staff .... Good working relationship with senior Agency managers...." ; and
- no cases needed 'Exit' arrangements after February 2008, and by year-end CSA had resolved 47 of the 51 Exit cases<sup>49</sup>.

## Workforce Landscape

At the end of September 2008, there were 9,400 core CSA full-time equivalents (FTE)<sup>50</sup>. In addition some of the Agency caseload is managed by operations in Northern Ireland Child Maintenance and Enforcement Division and by Vertex Data Science. These are discussed later in this section.

## Workforce challenges

In 2004, the Chancellor of the Exchequer handed down a well-documented 'headcount' challenge to the Department for Work and Pensions. As part of this, the Agency was required to make a significant overall reduction in its workforce by March 2008.

However, the Department gave the Agency some latitude in 2006 and 2007, recognising the requirements of launching the Operational Improvement Plan. The plan required an initial recruitment of an extra 1,000 staff to reduce un-cleared applications, whilst then meeting the headcount challenge during year two:

### Average number of people employed; staff cost<sup>51</sup>

		2004/05	2005/06	2006/07	2007/08
<b>Average headcount</b>	FTE	10,188	10,432	11,386	10,480
<b>Year end headcount</b>	FTE	9,784	11,034	11,225	9,502
<b>Staff Cost</b>	£million	219	240	271	272

'Average headcount' represents the average number of people employed during the year, including senior management, people on secondment, and agency/temporary employees (as stated and audited in the end of year Accounts).

'Year end headcount' shows the March year end position by year.

'Staff cost' is the full employee cost for the year.

46 ICE Annual Report for the Department for Work and Pensions 2007/08  
 47 ICE Annual Report for the Department for Work and Pensions 2007/08  
 48 ICE Annual Report for the Department for Work and Pensions 2007/08  
 49 ICE Annual Report for the Department for Work and Pensions 2007/08

50 CSA Annual Report and Accounts 2006/07  
 51 CSA Annual Report and Accounts 2007/08, 2006/07, 2005/06, 2004/05

The scale of the challenge that the Agency has faced over the past few years, improving performance while actively managing challenging headcount targets, is demonstrated by the table above, which shows a fall of over 2,000 people (17%) in just 18 months. This was to meet an ambitious Spending Review (2004) FTE target of 9,538, which it met in achieving a year end 2008 position of 9,502 (FTE).

## Employee 'footprint'

At the end of October 2008, the Agency had 9,319 employees (FTE) working in 34 Agency locations, plus a further 80 smaller locations, around the country<sup>52</sup>.

Offices	Number
Principal Offices	6
Satellite Processing Centres - over 100 people	11
CSA Centres - 25 to 100 people	17
Less than 25 people	80
<b>TOTAL</b>	<b>114</b>

The vast majority of employees (over 6,100) worked in the six principal offices<sup>53</sup>:

Principal Offices	FTE
Birkenhead	1136
Plymouth	1127
Newcastle Upon Tyne	1069
Dudley	954
Falkirk	994
Hastings	899

## Employee working profile

Across the years, the Agency has had around one quarter of its full-time equivalent workforce engaged in a part-time pattern. The actual percentage of the workforce that is not full-time has risen slightly over the past five years, from 22% in March 2004 to 27% in October 2008, when 2518(FTE) were working part-time<sup>54</sup>. The percentage of the workforce that is engaged in a part-time pattern has fallen slightly however from the recent peak of 28% at March 2008<sup>55</sup>.

A further breakdown by full-/part-time working and gender is shown below<sup>56</sup>.

Breakdown of Agency Employees	Full-time Equivalent in the month of:									
	Mar-05		Mar-06		Mar-07		Mar-08		Oct-08	
Total FTE	9,784		11,034		11,225		9,502		9,319	
Full-time	7,311	75%	8,159	74%	8,251	74%	6,836	72%	6,691	72%
Part-time	2,473	25%	2,875	26%	2,974	26%	2,667	28%	2,628	27%
Male	3,324	34%	3,729	34%	3,728	33%	3,115	33%	3,078	33%
Female	6,460	66%	7,305	66%	7,497	67%	6,388	67%	6,241	67%

Part-time working may cover a fixed part-time pattern, part-time on medical grounds, and people who are working full- or part-time for part of the year (including term-time working).

At October 2008, 72% of Agency people were full-time. Around two thirds of the people in the organisation were female.

## Other indicators

The main additional points in terms of the basic workforce management are:

- **Sick absence remains an issue for the Agency.** With an average of 16 days per person per year during late 2004 and early 2005<sup>57</sup>, sick absence from CSA was one of the highest in Government. This came down to 11.6 days<sup>58</sup> at August 2008 but with more remaining to be done.
- **Like every other part of the Department, the Agency had to make significant headcount reductions by March 2008.** The Agency achieved its 15% reduction on time<sup>59</sup>.
- **Turnover has caused some concern.** Traditionally, the Agency had one of the highest leaver rates in the Department. This was seen as one outcome of the problems faced by the organisation. As performance stabilised, turnover also reduced, reaching a low of 14% in 2006 (including exits to other parts of DWP)<sup>60</sup>. Turnover then needed to play a part in managing the headcount reduction of 2007/08, and it rose to 20% by the end of March 2008<sup>61</sup>. At the end of September 2008 it had dropped to 18%<sup>62</sup>.
- The number of outstanding grievances and Employment Tribunal cases are at acceptable levels for an organisation of this size.

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## Operations in Northern Ireland and at Vertex

### Northern Ireland Child Maintenance and Enforcement Division (CMED)

Northern Ireland CMED carries out two entirely separate functions. One is to administer casework under a Northern Ireland specific organisation and funding process for parents with care and persons with care, who live in Northern Ireland and fall under Northern Ireland legislation.

The second is to act as a sub-contractor for the CSA. This involves processing a defined, allocated caseload relating to cases in the East of England, on behalf of the CSA. Northern Ireland colleagues process these cases in the same manner, and to the same standards, as the rest of the Agency. However, they are less involved in the processing of New Client, Legal and Debt Enforcement cases for Great Britain than the rest of country. Unlike Great Britain, Northern Ireland does not have its own Head Office.

Northern Ireland deals with 221,000 cases, of which 204,000 are live and assessed, on behalf of CSA Great Britain. This represents 16% of the Agency's total caseload<sup>63</sup>.

### Vertex

The Agency has contracted Vertex Data Science Limited to manage clerical cases. This has enabled the Agency to free up a substantial number of people to focus on other improvements to client service, including reducing the number of un-cleared applications.

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At the end of October 2008, CSA had 725 contracted Vertex employees which represents approximately 7% of the total resource deployed by CSA (including the GB and NI operations). They manage around 3% of the 'live' caseload<sup>64</sup>, which illustrates the relative complexity and additional effort required to manage cases clerically.

Principal Offices	Great Britain	Northern Ireland	Vertex
Operational headcount (%)	83	10	7
Caseload (%)	81	16	3

## Leadership

Over the years the morale, motivation and skills of the Agency's people had impacted on performance and client service. More damagingly, there had been much criticism of the Agency's leadership.

In 2005/06 the Chairman of the Work and Pensions Select Committee described the task of running the CSA as "probably the worst job in government!" (Question 7 to Stephen Geraghty; Examination of Witnesses, 15 February 2006).

Between 2005 and 2007 the Agency put in a completely new leadership team, recruited a new Board including non-executive directors, from a wide range of backgrounds (financial services, IT, HR, performance management) and introduced new organisational principles. (Profiles of the Executive and Non-Executive Directors are in Appendix 1). The Non-Executive Directors provide constructive challenge and advice to the executive leadership team, as well as chairing independent bodies such as the CSA Audit Committee.

Business development and improvements are driven through a so-called organisational 'arc', with Directors leading their teams' specialist contributions through networks of meetings and forums that were designed to ensure more client-focussed development and delivery, and continuous improvement. Client and stakeholder insight informs business requirements that are appropriately planned, designed and resourced before being operationally delivered and evaluated.

### The 'Agency Arc'



## The need to re-organise

The Agency had traditionally been organised into 'business units' on a geographical basis, each applying its own processes and ways of working. The basis was a 'one stop' personal caseworker approach.

In practice, this model was creating three major problems:

- **inconsistency**, as a result of the different working practices and cultures that had evolved;
- **ineffective use of skills**: caseworker knowledge was being spread too thin and clients were facing difficulties in contacting someone appropriate to help them; and
- **outmoded working patterns**: the Agency needed its people to be working when its clients were available (eg early evenings), but existing Civil Service contracts did not support this need.

## More people delivering client outcomes

A key finding of the Chief Executive's review in 2005 was that only 46% of Agency employees were directly involved in progressing cases.

Year one of the Operational Improvement Plan sought to address capacity and capability, with programmes to increase the proportion of employees progressing cases.

The key steps taken were to:

- increase capacity by contracting out some work;
- re-organise to focus on client service and delivering outcomes;
- introduce new ways of working; and
- create a client-focused culture.

## New ways of working

To address these weaknesses, the Agency reorganised to facilitate new ways of working in 2007. As a result, the Agency now has close to 70% of its employees directly progressing client cases<sup>65</sup>.

The re-organisation introduced new specialist team structures and associated ways of working across 'lines of business' which delivered more of the outcomes that clients require: processing new applications more quickly; dealing more quickly and effectively with changes of circumstance; taking quicker and firmer action when payments break down; and increasing enforcement actions against those parents who evade their financial responsibility to their child(ren).

These national Lines of Business are supported by an area management structure. The five Area Managers deal with buildings and resources in their area, and also support the broader implementation of the Operational Improvement Plan.

## New roles and new teams

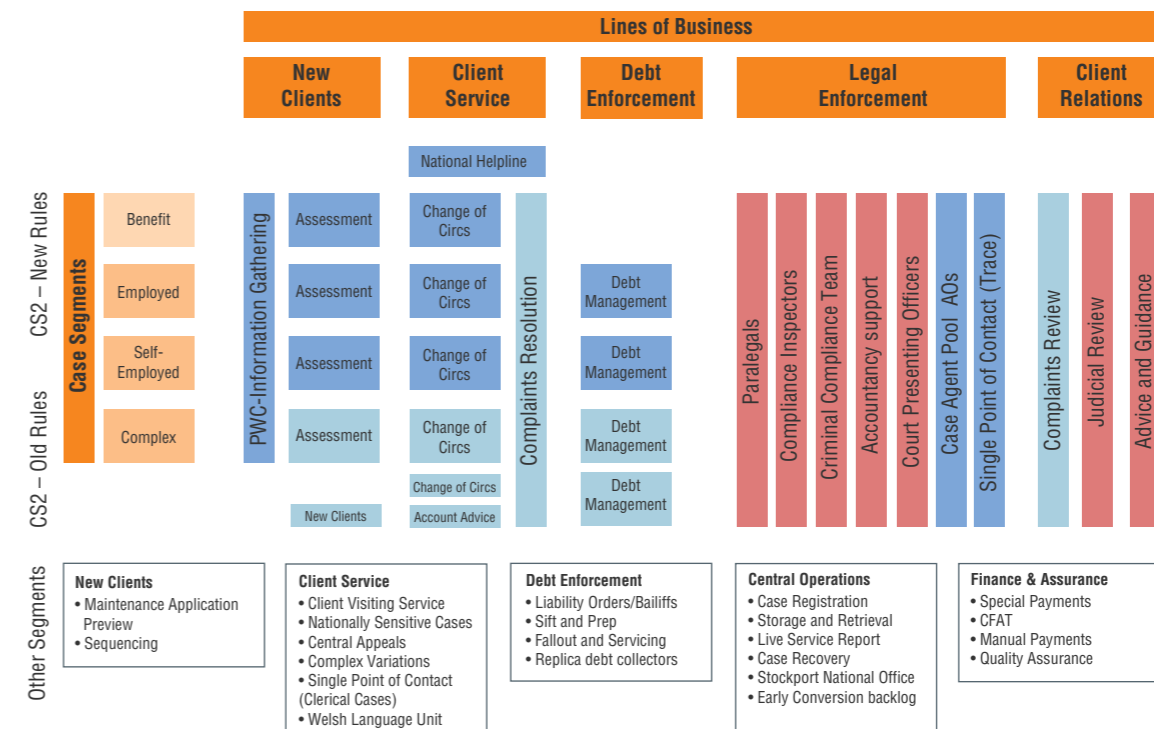
The Chief Executive review identified a culture of unhealthy competition and personal targets. Managers were detached from their teams, managing individuals on the basis of how many tasks they cleared each day, with no focus on outcomes for clients.

In 2007 teams were organised into new workgroups, to create a culture of expertise and specialisation. Managers were re-focused to sit with their teams, coach and lead their people, and proactively manage the distribution of work from within their team. These workgroups operated exclusively within a specific Lifecycle Segment for a specific Client Case Segment.

This was supported by a cadre of Executive Officers, fulfilling two main roles:

- **Complex caseworkers**: the Agency kept the personal caseworker approach, but only in the most complex and difficult client cases. A named Executive Officer maintained a one-to-one relationship with the client right through to outcome.
- **Team Leaders**: a weakness of first-line supervisors in the past had been lack of technical knowledge. The supervisor roles were re-designed as Team Leader roles with every one of the 600 new and existing people in these posts receiving extensive management and technical training.

The relationship between the new ways of working across Lines of Business and new teams is shown in the following diagram:



## New working patterns

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The pre-Operational Improvement Plan personal caseworker model partly failed because 50% of employees were term-time or part-time workers. Clients only stood a one in ten chance of speaking to their caseworker. Because of the measures undertaken by the plan, the Agency is now becoming an organisation where its people are available when its clients want them to be.

In early 2008, the Agency carried out an exercise to determine people's working patterns, and whether these were formally contracted.

The Agency also:

- **rationalised 'flexi-time' arrangements:** imposed two basic schemes across the whole workforce and reset 'core time' more towards times which would help with client contact; and
- **abolished some 'custom and practice' working breaks.**

Although unpopular with many, these changes were an important part of programmes to increase the availability of people to handle client contact and enhance client service.

## Contracting out

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In addition to the Agency's re-organisation to increase capacity, the Operational Improvement Plan introduced a limited amount of contracting out with a range of private sector organisations. This covers a number of key areas including clerical case management, some debt management and both credit reference and specialist trace.

The Agency contracted with Vertex Data Science Limited to manage clerical cases from September 2006. This enabled the Agency to free up a substantial number of people to focus on other improvements to client service. Currently around 45,000 'live' cases are processed clerically, of which 40,000 are handled by Vertex. Between September 2006 and October 2008 around £65m has been collected and passed on to parents with care<sup>66</sup>.

The contract with Vertex was recently extended to March 2010. It provides the flexibility to manage an expected short-term increase in clerical caseload to re-allocate resources to the re-load of clerical cases onto CS2 once a technical solution has been developed, or to other activities by mutual agreement.

In August 2006, the Agency piloted contracting the collection of a representative portion of debt, to private debt collection agencies. The Agency currently has around 52,000 debt cases managed by debt collection agencies with a total debt of just under around £342m non-resident parent arrears (or 'debt') owing. By September 2008, debt collection agencies had collected over £17m. In addition the CSA had also collected a further £8m as a result of warning debtors that their case would be referred to a Debt Collection Agency if they didn't start to pay. Although this has contributed to the increase in the amount of debt being collected by the Agency in each year of the Operational Improvement Plan, performance is below that which was originally expected. As a result, the Agency has had to re-assess the amount of historical debt that can realistically be collected.

Whilst the Agency took steps to improve its capability in tracing non-resident parents, it contracted out some specialist trace work to I-QOR Recovery Services Ltd (formerly Legal & Trade Ltd) and Commercial Collection Services Ltd. Specialist trace can be used where the Agency is unable to locate or contact a primary person in a case. This contract ended on 30 September 2008. From November 2006 until contract end the Agency had referred 9,465<sup>67</sup>. (As some cases required more than one check per non-resident parent, this reflected the number of checks rather than the number of non-resident parents).

The Agency also entered into a contract with Equifax (now replaced by a new contract with Experian): a credit reference agency holding information which can be used to locate parents who evade their financial responsibility to support their children. By October 2008, up to 8,500 licensed Agency employees had checked almost 635,000 non-resident parents' address details. The Agency estimates that this results in around 45% of these cases being progressed<sup>68</sup>.

The service provided by Experian is still being rolled out across the Agency and is due to be complete on 14 December 2008. From April 2008 until October 2008 Agency caseworkers have checked details on 120,830 cases for address details. A majority of these searches also checked on financial data to assist in maintenance and debt repayment discussions

## Independent challenge

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Independent challenge was also viewed as a valuable way of toughening up the Agency's ways of working.

Accordingly, the Agency:

- strengthened its Audit Committee in 2006, by improving the Non-Executive presence;
- re-launched its Standards Committee in 2006: the Standards Committee gave an independent view on standards of Decision Making and Accuracy in the Agency, but it had fallen into disuse in recent years; and
- set up a Performance Committee in 2007, under a Non-Executive Chair: this committee provided challenge and ideas on Agency performance.

## Skills

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Over 2007 and 2008 the Agency invested significantly in learning and development to embed greater client focus. The Agency encouraged greater use of the telephone rather than writing letters, to negotiate debt and obtain client outcomes.

Specific initiatives to support new ways of working and embed cultural change include:

- in 2007 over 54,400 days were set aside for training that included development for the new Complaints & Complex Caseworker roles and additional coaching in telephony and negotiation skills; and



- in 2008 an Agency-wide Education Programme focussed on stepping-up performance, in preparation for the implementation of Productivity Release 1 and for delivering the Agency's March 2009 commitments.

## Cultural change

In practice, transforming the culture of a 10,000-strong organisation is a substantial, long-term endeavour. While the Operational Improvement Plan is a three-year programme, accepted wisdom is that cultural change will often take between five and seven years. It was always likely that there would be a time lag between performance improvement and embedding cultural change.

CSA conducted a culture mapping exercise in January 2006 using Richard Barrett's 'Seven Levels of Personal and Organisational Awareness' model. This found the CSA's prevailing culture was based on:

**Three 'Positive Values':** *Target Focus, Productivity and Cost Reduction* which showed the focus was on performance [meeting targets and objectives] coupled with an emphasis on increased efficiency; and

**Seven 'Potentially Limiting Values':** *Bureaucracy, Blame, Short-Term Focus, Hierarchy, Information Hoarding, Cynicism and Manipulation*: the dynamics of which had potential to severely hinder efforts to transform and grow.

As part of the Operational Improvement Plan, the Agency developed a set of organisational values, a 'Leadership Framework', designed to support people within the Agency in their delivery of the Operational Improvement Plan, and it accelerated its culture change drive during 2007/08 with a people and cultural change strategy.

The values underpinning the Agency's desired behaviours were:

- Client Focus;
- Professional;
- Open and Honest; and
- Firm and Fair.

To ensure that behaviour would change in a way that supported the desired culture, **eight people and cultural change 'levers'** informed the development and delivery of the change strategy: communications, change support, performance management, learning and development, leadership support and development, people engagement, reward and recognition, and people management (incorporating workforce planning, employee policy and retention).

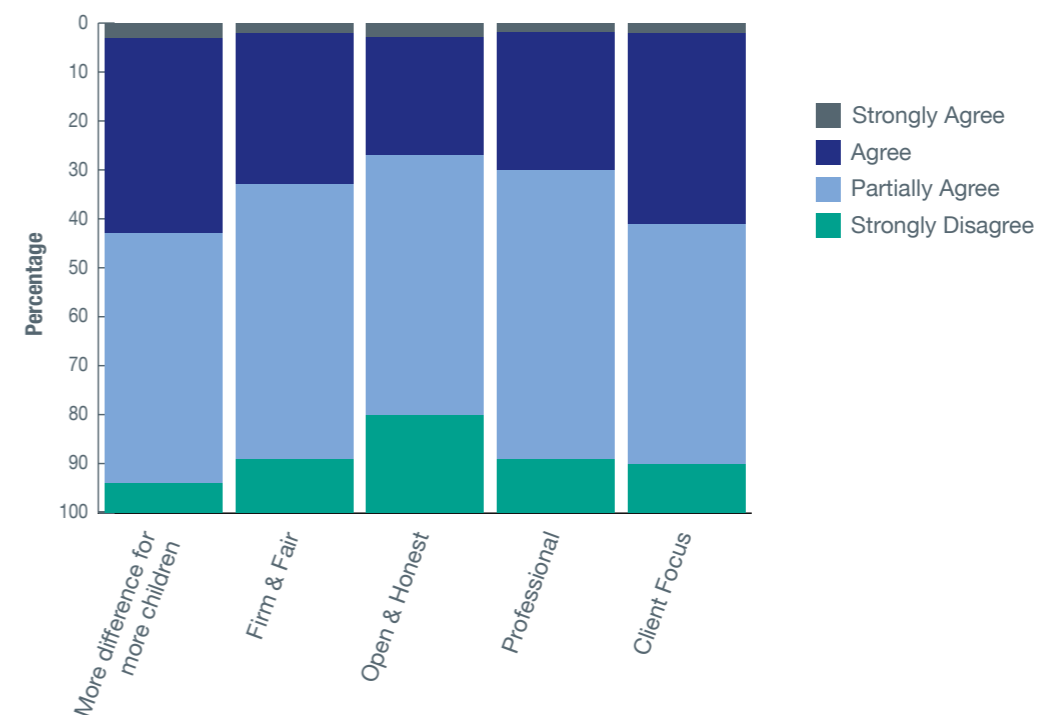
**A number of key products and programmes** were delivered, including a One Agency Charter, leadership and behaviours frameworks, inspirational leadership training and a number of senior leader and employee road-shows.

**Effectiveness against a number of key indices (client-focus, leadership and satisfaction/engagement) was closely monitored**, using a range of measures, including cultural values

assessment, Departmental staff survey, Investor in People Reviews and client insight. Face-to-face 'Listen to Improve' events gathered more qualitative feedback on the effectiveness of the change activity.

A further culture mapping exercise was conducted in July 2007 and revealed that people's focus had made a positive shift. The needs of clients were now being recognised, with behaviours associated with the Agency's values of Firm and Fair, Open and Honest and Professional also being increasingly in evidence.

The chart below indicates how effective the people and cultural change activities were in supporting the organisation and enabling people to realise the Agency vision and embed Agency values<sup>69</sup>.



However, as the Agency neared the end of the second year of the Operational Improvement Plan, the 'time lag' between culture and performance was becoming quite pronounced. In May 2008, the Agency Executive Team studied the latest indicators and concluded that:

- **the client focus had indeed improved:** surveys showed that most CSA people recognised the importance of understanding client needs and client outcomes.
- **the organisational redesign and more streamlined end-to-end systems and process had resulted in performance improvements.**
- moreover, **behaviours associated with CSA Values**, particularly Open & Honest and Professional, **were increasingly evident.**
- **organisational changes were proving uncomfortable for many people:** concerns about job security in the run up to the establishment of the Commission. Some client-focus changes, like working hours, were causing anxiety.
- **negative energy measures were high at 44%.** Internal frictions, relationship issues and system problems were still working against the Agency's vision, values and strategy.

## Suppliers

### DWP contracts

Throughout CSA's existence, its parent Department (currently DWP) has procured many services on its behalf. Overall there have been 53 contracts used by the Agency, covering services such as IT, accommodation, banking and travel. Some of these Departmental arrangements are frameworks, from which smaller contracts can be let, some of which are for CSA use only.

Most goods and services were paid for by the CSA, but a small proportion of expenditure was centrally funded by the Department and not re-charged

The tables below show:

- the top DWP contracts (and framework contracts specific to CSA) based on the level of CSA spend; and
- those few contracts that have been let by DWP for use only by CSA (and the Child Maintenance and Enforcement Commission).

Supplier	Service	Contract expiry
Electronic Data Systems	IT provision including development, maintenance, operation and support of the Agency IT infrastructure including the desktop CS2 and CSCS	August 2010
Land Securities Trillium	Estates	April 2018
British Telecom	Telephony	March 2011
CIPHER Framework (Capita)	Consultancy and interim personnel	June 2011
Expotel	Hotels	May 2011
Carlson Wagonlit	Travel services	May 2011
Capita Business Services	Document storage	June 2011
Royal Mail Group	Postal services	March 2009

Supplier	Service	Contract expiry
Debt Management Framework:	Framework to allow use of debt management suppliers	April 2010
CCSL – specialist trace IQ-OR – trace IQ-OR – debt Eversheds	Debt companies tracing (parents who should pay maintenance for children) and recovering monies owed	October 2008 October 2008 March 2009 March 2009
Credit reference agency framework:  Equifax CSA trace  Experian	Framework to allow use of credit reference facilities Credit reference agency tracing  Trace, risk-profiling and affordability scoring	  March 2009  May 2010
Haden (including Post Opening, Shuttle Bus)	Office services	March 2014
Bright Horizons	Nurseries	September 2009

## CSA Contracts

Some contracts let by the DWP are for CSA only. These are:

Contract	Service	Contract expiry
Drakes, Philips, Excel Civil Enforcement Bailiffs	Bailiff services (left over from old contract)	June 2009
Vertex (CSA cases)	Clerical cases management service	March 2010
Drakes, JBW, Rossendale Bailiffs	Bailiff services (from new contract)	June 2009
Cellmark Genetic Testing	DNA testing	May 2009
Harper MacLeod	Court presenting-related work in Scotland	July 2010
Ventura	Child Maintenance and Enforcement Commission: Child Maintenance Options contact centre	May 2011

# Systems

## Overview of IT systems

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The Agency's IT requirement is substantial as would be expected of an organisation of this size and complexity.

There are two main IT systems that deliver child maintenance:

- CSCS: for old scheme cases; and
- CS2: for current scheme cases.

These systems have a number of key interfaces that are critical to the effective running of the Agency's business, such as those to the bank to allow PWCs to be paid child maintenance.

There are other major business applications which underpin the Agency's operation. In terms of their significance to CSA Operations, major applications include:

- Debt Management system;
- Resource Management system;
- RESPOND: the application used to manage Complaint cases;
- Clerical case database;
- FARIO: file storage and retrieval system;
- Corporate Directory: details the permissions and the access that employees have for DWP systems;
- telephony systems;
- Caseworker on-line: to access Experian tracing and financial record software;
- Customer Information System; and
- IT desktop infrastructure: MS Office

These applications are supported by a range of networks, integration servers, web application servers, switches and the internet, to allow them to run effectively across the business.

The Agency's operations are supported by two main IT systems – the original Child Support Computer System (CSCS), and an 'enhanced' Child Support 2 system (CS2). CS2 was originally intended to replace CSCS, but this never happened. The two systems were still running side by side at the point of handover to the Commission.

The systems are maintained by Electronic Data Systems Corporation (EDS), with parts of the telephony service delivered by BT Syntegra, under the DWP's Network & Office Services framework. Hardware for CSCS and CS2 is located in Washington and in the CSA offices round the country. There is a disaster recovery site in Sunderland

Both systems were designed to:

- record applications received direct from clients and from Jobcentre Plus for clients claiming benefits;
- help track the progress of cases;
- calculate maintenance payments; and
- administer the collection and disbursement of maintenance payments.

In addition, CS2 was intended to:

- integrate telephony functions with the IT system;
- manage the flow of cases (eg by automatically triggering action at appropriate times); and
- provide detailed management information on workloads.

## Context of CS2 upgrades

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Against the backdrop of system defects and the previously outlined management failures in the Agency, there was a clear need for a package of upgrades to ensure the new IT system could help to realise the potential benefits of the new scheme introduced in 2003.

The National Audit Office report, published in June 2006, recommended an early resolution with EDS to the known IT problems relating to stuck cases and new scheme applications. This was also in the context of the Operational Improvement Plan, and a prioritised programme of work was agreed: to rectify some of the remaining problems with the systems; and support the new ways of working to be delivered by the Operational Improvement Plan.

## Upgrades to CS2

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Since 2005, the Agency has successfully implemented eight upgrades to its IT systems. These addressed the major defects and instability of CS2 and have allowed the Agency to focus on delivering the improvements in client service and performance set out in the Operational Improvement Plan.

The most recent and major upgrade to CS2, known as Productivity Release 1 (PR1) and successfully implemented during September 2008, supports the Agency's new ways of working that are already in place as part of the re-organisation delivered by the Operational Improvement Plan.

This upgrade consolidated and aligned the IT system with the new operating model by:

- allowing caseworkers to manage case details more efficiently;
- allowing caseworkers to continue to clear cases more quickly;
- grouping cases and associated tasks around the non-resident parent rather than simply on a task by task basis; and
- introducing a number of checkpoints to ensure cases can be effectively progressed, removing the risk of cases becoming stuck – a major defect in the original version of CS2.

The changes now allow the Agency to manage cases more efficiently, building on the improvements to client service already evident as a result of the Agency's new ways of working.

This major upgrade, the latest in a series going back to 2005 also established a more stable IT platform on which the new Commission will be able to build.

Looking forward, there will be a number of further IT releases, including:

- **Legal Enforcement:** the Legal Enforcement Line of Business will benefit less from PR1 than others. One post-PR1 initiative will re-platform various MS Excel spreadsheets and MS Access databases that are currently used within Legal Enforcement to the Legal Enforcement TALLYMAN system;
- **Clerical case re-load:** to enable 'stuck cases' currently passed to Vertex for processing to be pulled back to the Agency.

# Stakeholder and media engagement

## Office for Government Commerce Review

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In January 2008, the Agency invited the Office for Government Commerce (OGC) to review the Productivity Release 1 project. OGC's review was broadly favourable, highlighting 19 areas for clarification and/or improvement. All the recommendations were implemented.

## Data

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As a part of the DWP, CSA used Departmental systems such as the Customer Information System database. This was in order to process data (like changes of a client's address) held jointly by CSA and by other DWP Agencies. CSA therefore had (and continues to have) a responsibility to the rest of DWP to maintain and hold this data securely, keeping it accurate.

The Agency played a full and active part in the DWP's thorough review of data-handling and storage, in the wake of the well-documented loss of HM Revenue and Customs data in November 2007.

Working with the Department, the Agency made several improvements to the way it handled and transferred data. These included greater use of encryption tools and tighter control over the transfer of case papers.

In preparation for the greater autonomy required of a Non-Departmental Public Body, the Agency registered the Commission as a Data Controller in its own right, under the Data Protection Act 1998.

In late 2008, the CSA Audit Committee focused on certain key Security issues. The Audit Committee's intention being to give some assurance that CSA was handing over a sound Security regime to the new organisation. The Audit Committee therefore concentrated on:

- The Agency's 27-point Security Action Plan to meet the June 2008 Cabinet Office "Data Handling" requirements; and
- Security Accreditation of CSA systems. The main development here being the successful Accreditation of CS2 in September 2008. The main gap remaining in Agency IT systems was CSCS, which had been developed in the days before Security Accreditation existed. The Agency was working with the DWP and EDS to assess how much work needed to be done to Accredite CSCS.

## Stakeholders

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The Agency historically experienced limited support but much critical commentary from external stakeholders with an interest in child maintenance. Levels of national stakeholder engagement by the Agency varied through time, in part reflecting resource pressures and operational challenges.

Prior to the reforms of 2003, the Agency was introducing an 'outreach' target, providing national training to Citizens Advice Bureaux to equip them for changes, delivering training with the voluntary sector and, until 2005, publishing a stakeholder magazine *Open Door*.

Much of this stalled in the face of subsequent operational difficulties and by early 2006 engagement was limited to senior management bi-laterals with key stakeholder groups, contact with client representative groups on individual client queries and issues, and low level outreach. Limited proactive communication focussed on key events or announcements like the Annual Report or the launch of the Operational Improvement Plan. The lack of a consistent stakeholder engagement programme exacerbated perceptions of the Agency amongst stakeholders and opinion-forming commentators.

A review of stakeholder engagement activity in 2006 formed part of the major programme to develop insight into, and upgrade communications with, all Agency audiences: to support improvements in client service and outcomes and build advocacy for the Agency and its Operational Improvement Plan.

This identified the key parties with an interest and influence in child maintenance issues and made recommendations for improving relationships and communication, informing the development of an engagement strategy that addressed the key drivers of the Agency's reputation.

The programme featured:

- regular bi-laterals, e-newsletters and ad hoc updates on ongoing delivery of operational improvement, policy and process changes and preparation for the Commission;
- a more consultative approach, encouraging and capturing insight on performance from stakeholders to feed in to client service improvement;
- events with stakeholders, Agency attendance at stakeholder events and targeted outreach work;
- briefings aligned with Quarterly Statistics Summary publications to update on improvement, manage expectations about the scale of the outstanding performance challenge, and to inform commentary in the media; and
- involvement of key client representative groups in developing client contact and information products.

The success of this more strategic and proactive approach to stakeholder engagement, launched in early 2007, was reflected in surveys of performance against key drivers of reputation, and stakeholder commentary has become more informed and less universally critical.

## Media

The Agency was historically the subject of fierce media scrutiny and critical comment. An easy target, the human impact of performance shortfalls generated emotional stories, with operational errors and debt the central issues.

However, since announcing the Operational Improvement Plan, Henshaw re-design and subsequent White Paper, the media has been more prepared to look towards the future of child maintenance and accept the Government was starting to address problems.

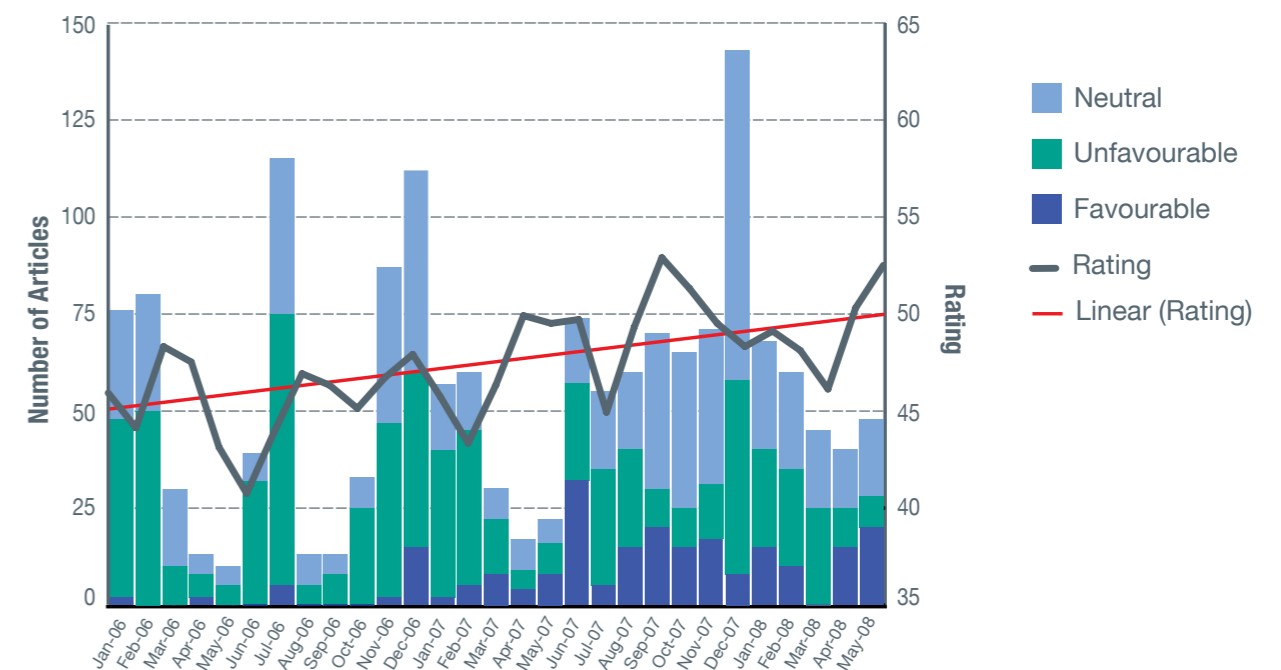
More active briefing of media correspondents enabled the Agency to communicate and contextualise the real progress that has been made since the launch of the Operational Improvement Plan, particularly on enforcement, of which there had historically been minimal coverage.

Proactive media relations activity featured as part of the regional child maintenance enforcement campaign, rolled out from mid 2007, which aimed to build compliance and publicise enforcement.

Regional media story-generating activity, with Agency enforcement specialists provided as spokespeople for the first time, extended the effectiveness of the campaign activity. It increased the promulgation of messages around Agency performance improvement, drew public attention away from the opinion-leading control of national broadcast and print media, and began to shift the responsibility back to parents to support their children.

A programme of analysis and evaluation of media coverage from January 2006 to February 2008 reveals that the patient, persistent and pro-active approach has delivered a gradually improving trend in the subject matter and tone of coverage – with neutral, factual and beneficial coverage now at un-precedented and improving levels, making encouraging inroads into the media’s entrenched scepticism.

The table below shows **trends in media coverage** from January 2006 to May 2008<sup>70</sup>.



70 Echo Media: CSA media monitoring and evaluation reports 2008

# Finances

## Financial Framework

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### Administration costs

The Child Support Agency was an Executive Agency of the Department for Work and Pensions. The Agency's funding came from HM Treasury via the Department, which provides HM Treasury with a Supply Estimate of its resource needs for the coming year. The Supply Estimate is split into a number of headings, or Requests for Resources (RfR). RfR1 *'Ensuring the best start for all children and ending child poverty in 20 years'* covers the CSA.

The Agency compiles its accounts under the Government Resource Accounting system. Resource Accounting involves constructing budgets, estimates and accounts in a similar way to commercial audited accounts. Namely: both plans and records of expenditure allow in full for the goods and services which are to be (or have been) consumed and not just the money that has been spent.

### Client Funds

The Agency's role was to collect money, 'client funds', from non-resident parents and pay it out to parents with care. In this the CSA acted on behalf of the Secretary of State for Work and Pensions and was required to keep client funds separate from the money used for its own administration. It therefore operated separate Administration and Client Fund accounts, both of which can be seen in the Agency's Annual Report and Accounts.

The Agency could only pay out money that it had received from non-resident parents. Should a non-resident parent fall into arrears, the Agency was required to collect the money owed. The Agency did not have authority to write off maintenance debt.

Client Fund Accounting is a summary of all of the cash receipts and payments made between non-resident parents, parents with care, the Secretary of State and the CSA. Unlike the Administration Accounts, the Agency prepared its Client Funds Account on a 'cash' basis: it represented the receipts and payments actually made for the financial year, plus the balance at year end.

## Running costs

### Total cost in 2007/08

The cost of administering the Agency in 2007/08 was £563m. This included £115m of re-charges from the DWP Corporate Centre which covered central IT costs, re-charges for estates where the CSA is not the main occupier, and other corporate functions provided by DWP<sup>71</sup>.

The table below shows a steady rise in cost, year on year:

- A major element of this is staff cost inflation. Employees account for the largest part of the Agency's running cost: £272m, or 48%<sup>72</sup>.
- Part of the rise in cost is due to the increased investment spending under Operational Improvement Plan (£14m 2005/06, £102m 2006/07, £133m 2007/08)<sup>73</sup>.

The following table shows the Agency Administration Costs year on year, March 2004 to March 2009<sup>74</sup>.

Agency Administration Cost	Unit	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09 estimate
Net Administration Cost	£m	452	426	465	520	563	536
Recurrent (Core)	£m	257	243	271	312	315	336
Investment (CSR/OIP)	£m	129	100	115	102	133	72
Recharges	£m	66	83	80	106	115	128
Administration Cost per £1 of Maintenance Collected	£	0.57	0.53	0.56	0.58	0.56	0.48

The £536m budget for 2008/09 reflects **Agency costs only** (the direct costs of running the Agency and its share of DWP overheads). None of the above figures include costs in respect of the Child Maintenance and Enforcement Commission. Any direct comparison with prior years is misleading as the basis for allocation of DWP corporate costs for 2008/09 is different, and may be subject to change before 2008/09 funding is finalised with the Department.

Despite the increased running costs in 2007/08, of which the largest part was planned investment and increases in recharges from the Department, the administration cost per £1 of maintenance collected or arranged fell slightly to around 56p due to improved performance. By September 2008 this was down to 48p<sup>75</sup>.

Between March 2004 and September 2008, the Agency caseload increased by 4%, from 1.29 million to 1.34 million. Alongside this was the move from old scheme assessments, which were generally higher, towards current scheme assessments. The average weekly maintenance liability reduced from £43 at March 2004 to £35 at September 2008<sup>76</sup>. This shows a significant decrease in money available to collect per case. The improved performance shown above needs to be viewed in the context of the greater effort that is therefore required to increase performance and outcomes in new applications for maintenance.

## Outlook for 2008/09

The Agency estimate for 2008/09 is £536m, although a review of corporate re-charges, particularly relating to IT, is ongoing (and may change). Out of this, spending on the Operational Improvement Plan was expected to be around £72m.

At the end of September 2008, the CSA (including Operational Improvement Plan) was within year-to-date budget. The full year forecast, which includes material spending pressures, is subject to full review with the Department as part of the Spring Supplementary Estimate process during November/December 2008.

## Audit opinion on 2007/08 Administration Accounts

The Agency's external auditor (the National Audit Office Comptroller & Auditor General) offered an unqualified opinion on the Administration Accounts. As well as the usual commercial sector 'true and fair view' opinion, the Comptroller and Auditor General also gave an 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".*

## Client Fund Account

The report has already outlined that the Agency has many problems with the IT supporting its Client Fund Accounting, especially for cases managed on CS2. Even though PR1 has been implemented, the high level of error in historical debt balances (largely due to assessment errors) will remain, and it is unlikely that an unqualified audit opinion can ever be attained in the short term

## Audit opinion

The National Audit Office qualified the 2007/08 Accounts on two grounds: errors in maintenance assessments; and debt. With respect to the Client Funds Account, the NAO opinion read:

*"In my opinion:*

- *the Child Support Agency's Client Funds Receipts and Payments Account properly presents the receipts and payments for the year ended 31 March 2008 and the statement of balances as at the 31 March 2008;*
- *except for the adjustments required in respect of errors in the underlying maintenance assessments and uncertainty surrounding the accuracy of estimates for non-collectability of debt, Note 6 to these accounts gives a true and fair view of the debt outstanding as at 31 March 2008;*
- *the account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder; and*

71 CSA Annual Report and Accounts 2007/08 / CSA QSS June 2008 Table 19.4

72 CSA Annual Report and Accounts 2007/08

73 CSA Finance

74 CSA QSS June 2008 Table 19.4 (totals); CSA Finance (splits)

75 Calculation of administration cost of Agency divided by collections and arrangements

76 CSA QSS June 2008 Table 1 and Table 15



- information given within the Foreword is consistent with the financial statements.

### Opinion on Regularity

- In my opinion, except for the adjustments necessary to correct the errors in the underlying maintenance assessments underpinning the receipts and payments and debt balances, the financial transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them.”

## Debt

Over its 15 year life to September 2008, the Agency had collected and arranged **£8,103m** in child maintenance. £6,644m was collected through the Agency administration, with a further £1,459m through Maintenance Direct arrangements (since April 2003)<sup>77</sup>.

Nonetheless, by no means has every non-resident parent paid everything that they owe. At September 2008, accumulated unpaid arrears of **£3,834m**<sup>78</sup> were outstanding on just over 1.1 million cases (this figure represents all cases on which parental debt is outstanding: including cases with current live assessments, suspended cases, deferred cases and ‘other’). The average parental debt across both schemes at March 2008 was £3,409. The average on an ‘old rules’ case (£5,411) was noticeably higher than on a ‘new rules’ case (£1,353)<sup>79</sup>.

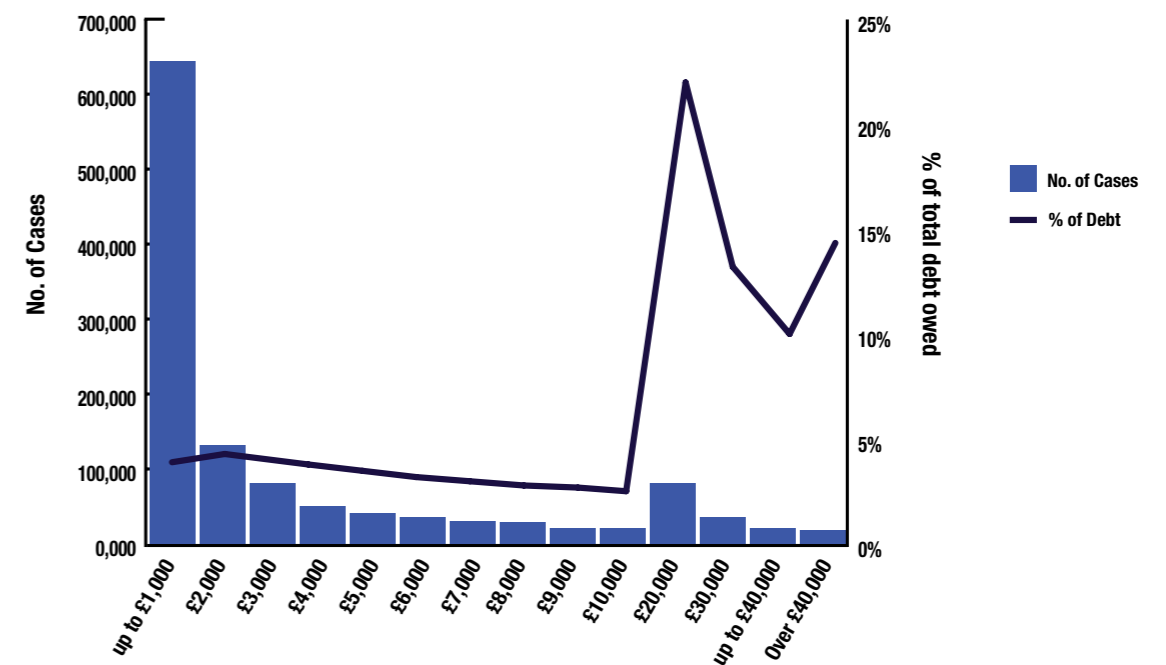
The table below shows details of the total debt balance over time and includes an analysis of assessments and collections in the respective years<sup>80</sup>.

Debt	Unit	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08
Debt Balance	£million	2,981	3,253	3,495	3,686	3,806
Maintenance Collected in year via statutory scheme	£million	580	585	595	614	684
In-year growth in debt	£million	233	272	242	191	120

The Agency debt book estimates that, at March 2008, around 47% of debt was owed to parents with care and 53% to the Secretary of State<sup>81</sup>. Effectively, less than half of the total amount outstanding was due to flow to, and benefit, children.

An analysis of parental debt by value of the non-resident parents’ current assessment reveals that a large portion of the total debt outstanding is either where the non-resident parent has a nil current assessment but has arrears outstanding from when they had a positive assessment; or where there is no current assessment at all (ie cancelled, withdrawn and closed cases that still have debt outstanding). At March 2008, some 429,000 cases in these categories had debt totalling £1,675m outstanding<sup>82</sup>.

The table below shows **debt, split by amount owed**<sup>83</sup>.



The CSA has no authority to ‘write off’ debt, even in cases where the non-resident parent is deceased and recovery can not be made from the estate.

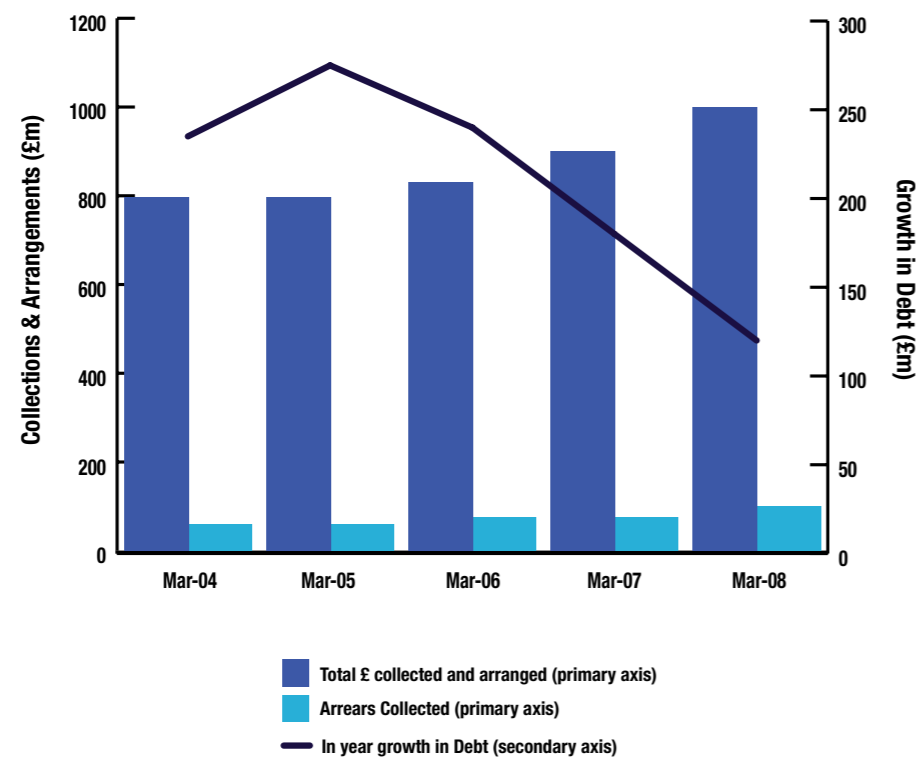
Although the total debt has grown over time, an increased focus on work in this area has seen both the rate and actual amount of this growth tail off during recent years. In 2007/08, the growth of debt, at £120m, was only 44% of the same in 2004/05<sup>84</sup>.

In 2007/08, the total collection and arrangement (including arrears) rose by £1,010m, of which £126m was arrears, while the total increase in the debt balance fell to £120m<sup>85</sup>. To introduce some perspective, the monthly collection in the latter half of 2007/08 was around double that of 2005.

77 CSA QSS September 2008 Table 19.5  
78 CSA Annual Report and Accounts 2007/08  
79 CSA debt book September 2008

80 CSA Annual Report and Accounts 2004 to 2008  
81 CSA debt book March 2008

82 CSA management information  
83 CSA debt book March 2008  
84 CSA management information  
85 CSA debt book March 2008



## Debt collectability

The following table shows the total parental debt collected from March 2004 to March 2008<sup>86</sup>.

As previously noted, the CSA business is large and complex. Not all parents wish to co-operate with the Agency in making a maintenance assessment and often the Agency works with poor information.

This may mean that the Agency makes an Interim Maintenance Assessment (IMA) (or default maintenance decision for new rules cases) or, if contact is lost with a non-resident parent, continues with an assessment for which the non-resident parent's circumstances may have changed. A client may move between employment and benefits and in some instances the parents can be reconciled.

Once contact with the non-resident parent is re-established, the Agency will have to reassess the case based on the actual circumstances and information provided, and re-establish payment that meets both the ongoing liability and pays off the arrears. This may involve re-assessing many changes of circumstance, and potentially many weekly assessments paid, part-paid, or missed.

To work the total debt balance, even with complete co-operation of all parents, the Agency would have to re-assess each and every payment that had been asked for, but had not been fully met. There are over 1 million cases with arrears on them. To illustrate the volume and complexity of this work, if the average debt case were aged 5 years, there could be up to 260 million individual weekly

assessments (transactions) making up the balance of arrears which would have to be re-visited. In practice many more accounting transactions than this are created.

**The Business Management System Relational database (BMS-R)**, the suite of financial ledgers that produces the CS2 accounts, will hold over 760 million transactions by the time it has been fully populated, and this does not include Financial Management System (FMS) transactions: the ledger package that supports CSCS.

BMS-R was originally intended to go live in mid-2008 at which point it was anticipated there would be 760 million transactions on it covering CS2 from November 2002 to June 2008. It is now expected to go live towards the end of the 2008/09 financial year with around 850 million transactions covering CS2 from November 2002 to March 2009. It has the potential to grow from there, to reflect current levels of CS2 transactions.

Of the total balance of arrears at March 2008, some £1,190m<sup>87</sup> related to Interim Maintenance Assessments which were punitive estimates levied on many old rules cases against non-resident parents who refused to provide the information necessary to perform a full assessment. The Agency estimates the maximum 'collectable' value of these IMA debts to be around 29% of their stated value, which would reduce the total debt by £845m<sup>88</sup>.

If debt balances relating to IMA are excluded, the debt balance in March 2008 was £2,616m. The Agency estimates that only £1,173m of this is collectable (with a further £346m of IMA debt also collectable<sup>89</sup>).

In the summer of 2008 the Agency undertook an exercise with PriceWaterhouse Coopers to assess the accuracy of debt balances and the collectability of debt. The final outcomes of this exercise will be available for publication by April 2009.

## Accounting systems and annual statement

The 2007/08 accounts were finalised, audited and laid before Parliament. These can be found under 'Corporate Publications' on the CSA website.

The CSA Audit Committee met for the final time on 1 December 2008. At this meeting, the Audit Committee approved a *Statement on Internal Control* for the period April 2008 to October 2008. (Appendix 2).

86 CSA debt book March 2008

87 CSA Annual Report and Accounts 2007/08

88 CSA Annual Report and Accounts 2007/08

89 CSA Annual Report and Accounts 2007/08

# Glossary of terms

**The Agency**

The Child Support Agency.

**Child maintenance**

Money paid by the non-resident parent to the parent with care to help pay for their child's everyday living costs.

**Child maintenance premium**

If a parent with care is getting Income Support or income-based Jobseeker's Allowance, they can keep up to £10 each week of any child maintenance paid. If child maintenance payments are less than £10 a week, a parent with care will keep all of the child maintenance paid.

**Complaints Resolution Team**

The Complaints Resolution Team tries to sort out the issues the Child Support Agency team can't settle. They also look at complaints about the way someone who works for the Agency has dealt with a case.

**CSCS**

The Child Support Computer System.

**CS2**

The IT system for the processing of applications from 2003.

**The Department**

The Department for Work and Pensions.

**EDS**

Electronic Data Systems.

**Non-resident parent**

The parent who the child does not normally live with.

**Parent with care**

The parent or carer who the child normally lives with and so pays for most of the child's everyday living costs. In some cases this can be the grand parent, guardian or other family member – who is known as the 'person with care', rather than a parent with care.

**The Reforms**

The Child Support Reforms.

# Appendix 1

## Executive Team Profiles

### **Stephen Geraghty** CSA Chief Executive

Before joining the Agency in 2005, Stephen worked for the Direct Line Group, where he was Managing Director of a number of businesses.

After starting his career in the Inland Revenue, he worked for Rank Xerox and a major Building Society. He has also held a number of directorships in several life, unit trust and insurance companies.

### **Mark Grimshaw** CSA Chief Operating Officer

Mark began his career with the Royal Air Force, moved into sales and held various national sales roles with Swan National car rental and Talkland.

Mark held a number of senior management roles within Mercury Communications and Cable and Wireless and in 2001 joined the Vocom group as an interim CEO.

He joined Jobcentre Plus in 2002 as the Employer Services Director before moving to the Child Support Agency where he has been Strategic Programme Director and Chief Operating Officer.

### **Keith Woodhouse** Business Design Director

Keith started out at BT and subsequently Unisys where he worked on a number of mainframe and mini systems for customers in the retail financial sector.

Moving to Provident where he was responsible for IT and Communications, he rejoined BT, initially working for Syntegra and BT Global Services in various roles as a Vice President.

In 2006 Keith joined the Agency as Business Design Director and Chief Information Officer. In February 2008 Keith also became responsible for the CSA change agenda and the Child Maintenance Re-design Programme.

### **Susan Park** Strategy, Policy and Development Director

Before becoming Strategy, Policy and Development Director in the interim organisation structure established early in 2008, Susan spent two years as the Agency's Operations Director.

Prior to joining the CSA in April 2006, Susan was Principal Private Secretary to four successive Secretaries of State.

Susan is a career civil servant, having joined in the early 1980s. Most of Susan's career has been spent in delivery, initially in the old Department for Education and Employment. Susan also worked as Director for London of the Pension Service, on the inception of the Department for Work and Pensions.

### **Ian Pavey** Human Resources Director

Ian joined the CSA in May 2006. Immediately prior to joining the Agency in May 2006, Ian was HR Director with a large private equity backed manufacturing business. His role included HR policy, employee benefits, executive remuneration and executive recruitment.

Previous experience has included both HR and operational roles in a number of organisations in the manufacturing and service sectors. His roles have focused on the development and delivery of large-scale change programmes that deliver improved customer service and business performance.

### **Alan Hardy** Finance and Business Assurance Director

Prior to joining the Agency in April 2006, Alan spent 18 years in a range of roles in the private sector, mostly with the industrial gases multinational The BOC Group.

# Non-Executive Director Profiles

## Richard Arthur

Richard has held various public appointments, notably as Leader of the London Borough of Camden, when the council's services were taken through a major turnaround and improvements.

Other roles have included, Chair of MKSM Growth Area Executive, Chair of Public Private Partnership Programme, Vice-chair of the ALG, Member of the boards of the Audit Commission, The Housing Corporation and numerous companies including Accord plc.

He was also Head of Operations for the Commonwealth Development Finance Company and has worked as an investment banker and as a consultant specialising in investment and corporate finance.

## John Cross

John Cross's career spans some 35 years in the Oil and Technology industries, most significantly in IT at Shell and BP where he was Group Vice President and Chief Information Officer of their IT department.

John created a company with a NASDAQ quotation in 1999 that provided corporations with strategic consultancy and implementation support in IT.

John serves on the Boards of a Boston high technology company and a UK venture capital company, and also provides part-time strategic consultancy.

## Bryan Foss

Bryan is the Chair of the Child Support Agency Standards Committee and is also a member of the CSA Audit Committee and the Operational Improvement Plan Programme Board.

Bryan now works as an independent adviser after concluding a long and impressive career with IBM as an operational business executive and systems consultant, where he specialised in financial services, client management and regulatory compliance.

He has extensive professional qualifications related to management, marketing, IT and finance and is a globally recognised expert in the successful delivery of capability reviews and large scale change programmes. More information on his work and publications is available at [www.bryanfoss.com](http://www.bryanfoss.com)

## Bill Griffiths

Bill is a non-executive on the Child Support Agency Board and Chairs its Audit Committee. He will also carry out the same role for the new Child Maintenance and Enforcement Commission. Additionally, Bill is a non-exec on the Shared Services Board, Chairs its Audit Committee and is a member of the Departmental Audit Committee.

Bill's main job is Executive Chair of the Forensic Science Service Ltd, a Government owned company providing forensic services, mainly to the Police in England and Wales. He is also a non-executive at DEFRA.

Bill's background is in Finance and General Management, chiefly with Unilever – including spells overseas in Ghana, Nigeria and Cote d'Ivoire – and later with ICI.

## Peter Holden

Peter Holden spent 18 years in the RAF before joining Serco in 1996. Since that time he has worked across a number of different markets and was the Chief Executive of Serco Government Services from 2002 until 2005.

He is now Corporate Planning Director for Serco focusing on strategy and emerging markets. Peter's focus throughout his career has been on the efficient provision of public services and he brings this experience to the CSA Board. Peter is also a member of the CSA Audit Committee, and Chairs the CSA Performance Committee.

## Susan Jillings

Starting out with Shell over 35 years ago, Sue has worked in the oil, rail, construction, housing and building products industries. Most of her career has been in Human Resources both in the UK and internationally. Her last two roles were Group Director of HR at Taylor Woodrow and, most recently, Group Director of HR at RMC.

Sue now divides her time between Management Consultancy, Executive Coaching and non-executive roles.

# Appendix 2

## Client Funds Account/Administration Account Statement on internal control

### 1. Scope of responsibility

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As Accounting Officer for the Child Support Agency (the Agency) I had responsibility for maintaining a sound system of internal control that supported the achievement of Agency policies, aims and objectives, whilst safeguarding the public funds and Agency assets for which I was personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I was accountable to the Principal Accounting Officer of the Department for Work and Pensions (DWP), the Permanent Secretary, who is appointed by Her Majesty's Treasury. I kept the Permanent Secretary informed of progress and significant issues facing the Child Support Agency during our regular bi-lateral meetings.

On 1 November 2008 the Agency's responsibilities were transferred to the Child Maintenance & Enforcement Commission, under the Child Maintenance & Other Payments Act 2008. This Statement on Internal Control therefore represents a closing view on the Agency.

### Background

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The Agency worked in a problematic environment. 25,000 people applied to us for help every month. All of them came to us at a difficult time of their lives. There were problems in gathering information from clients, tracing non-resident parents, taking account of frequent movements in and out of work; and arranging payments. Over its 15 year life the Agency collected more than £6 billion maintenance (and arranged further direct maintenance payments above this). But £3.8 billion accumulated arrears remained uncollected from non-resident parents for many reasons.

This inherent challenge was compounded by the need to deliver a policy, which needed to have a major overhaul (the Child Maintenance & Other Payments Act 2008); maintaining and as far as possible improving performance in supporting a caseload of some 1.4 million live cases; and collecting or arranging more than £1 billion in maintenance.

The Agency also faced significant internal control challenges throughout a period of organisational and process change. In particular, the need to remain clear about accountabilities and decision-making, safeguard clients' funds and personal data and build security and controls into a range of new systems and processes.

Nonetheless, our 2007/08 Annual Report explained that the Agency was successful in both improving daily performance (hitting all Secretary of State Targets) and in delivering the second year of the Operational Improvement Plan. This positive trend continued into 2008/09.

### 2. The purpose of the system of internal control

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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 Child Support Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact. The system of internal control has been in place in the Child Support Agency for the period April-October 2008, and accords with Her Majesty's Treasury guidance, except for the matters noted below.

### 3. Capacity to handle risk

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The Agency's Executive and Non-Executive Team had a broad range of skills and experience from the public and private sectors.

The Agency's Executive Team recognised the importance of risk management of which each of its members had relevant practical experience. The team actively managed the risks that emerged during the period and demonstrated leadership through a series of measures. These included conducting quarterly risk workshops, setting a risk-based forward meeting agenda, holding regular Programme Board meetings specifically addressing risks to the successful delivery of the Operational Improvement Plan and overseeing a sub-committee, the Governance, Risk & Audit Forum, which identified and escalated risk as appropriate.

The Agency had a number of tools including a risk management framework, standardised guidance, templates, desk aids and a risk management intranet site. These tools were used to drive up the quality of risk management during the period through a programme of awareness sessions and risk workshops.

### 4. The risk and control framework

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The Agency worked within the Department for Work & Pensions' risk and control framework and participated fully in DWP's Planning, Performance and Risk Committee, which was responsible for identifying, prioritising and escalating key strategic risks as appropriate.

The Agency had clear risk processes and structures across all levels of the business through a comprehensive set of risk registers and team risk discussions at all key governance and management forums.

At the end of 2007/08, all Executive Team members were required to provide letters of assurance confirming that they had complied with the Departmental and Agency risk procedures. These letters of assurance were revisited in October 2008. Specific concerns raised have been reflected as appropriate within Section 6 of this statement.

## 5. Review of effectiveness

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**As Accounting Officer,** I had responsibility for reviewing the effectiveness of the system of internal control. My review was informed by the work of the internal auditors, the CSA Audit Committee and the executive managers within the Child Support Agency who had 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.

**Agency Board.** This was an advisory board which met five times in the first half of 2008-09, bringing together a number of highly experienced non-executive directors with the Agency's executive directors. The CSA Board met for the last time on 3 December 2008.

**Executive Team.** In 2008/09 this met on average every two weeks and was the primary decision-making forum for the Agency. The CSA Executive Team met for the last time on 28 October 2008.

**Programme Board.** This was the main governance body for the Operational Improvement Plan, on which key stakeholders including delivery partners were represented. In 2008/09 it was supported by a programme sub-committee which met on a two-weekly basis. The CSA Programme Board met for the last time on 11 September 2008.

**Audit Committee.** In line with HM Treasury guidance, the Audit Committee comprised non-executive board members and provided strong leadership and advice on internal control matters and related assurances during 2008/09. Over the period, the Audit Committee had two full meetings, plus two ad-hoc meetings. The CSA Audit Committee met for the last time on 1 December 2008.

**Standards Committee.** This committee was chaired by a non-executive director in 2008/09, and reported to the Audit Committee. It met once during the first half of the year. The Committee examined the Agency's new approach to accuracy checking and quality assurance, which had resulted in measurable performance improvement during 2007/08. (The improvement was maintained in the first half of 2008/09, although more remained to be done if the original Operational Improvement Plan target was to be met.) The CSA Standards Committee met for the last time on 1 December 2008.

**Management Forums.** Meetings were held on a monthly basis for the national lines of business and were used to drive service delivery performance and process compliance.

**This structure was underpinned by a comprehensive Corporate Governance Handbook, which was available to all Agency employees via the intranet.**

There were many sources of assurance available to the Agency during the period April to October 2008, including periodic and ad-hoc management monitoring, externally commissioned reviews and an independent, risk-based Internal Audit programme. The results of Internal Audit work has continued to reflect the improving trend in governance, risk management and control, but overall has provided a "limited assurance" that material risks are identified and managed effectively. This reflects the inherently challenging risk management agenda for the Agency and some of the long standing and deep rooted systems issues faced.

## 6. Significant internal control challenges

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Significant control challenges identified in the Operational Improvement Plan and the 2007/08 internal audit annual assurance report were information technology, management information, security and Client Fund accounting. Action plans were developed to address each of these.

**Information Technology.** The Agency had experienced major problems with computer systems. These included weaknesses in management information, security and Client Fund accounting (which are covered below). Other issues included:

- General throughput of work. Some 600 manual workarounds still existed and a large number of 'stuck' cases were experiencing technical problems;
- Workflow management. The Agency had brought in a Standard Operating Model under its Operational Improvement Plan. The Standard Operating Model required more specialisation in the workforce and consistent practices. This could only be fully achieved through a strong workflow management system which could route cases to the correct caseworker.

A major upgrade to the CS2 system therefore took place in September 2008, in order to introduce a new business operating environment. The CS2 upgrade was implemented smoothly.

Although these are early days, the CS2 upgrade is considered to have addressed the workflow and security problems. The throughput problems have been partially dealt with, although there is still more to be done. A 'Task 9' computer release in early 2009 will address the IT issues which remain. There is also to be a 'reload' of the original 'stuck' cases (which are currently being handled off-system) back into the CS2 system.

**Management Information.** Lack of robust management information had long been an issue for the Child Support Agency. Up until quite recently, managers were reliant on a mixture of inaccurate system-generated management information and fallible clerically generated management information. In the last couple of years the position steadily improved. However, issues remained, principally over:

- Debt information. For example, the ageing of Debt and the lack of integration of the various Debt balances;
- Complaints information. The RESPOND computer system (which provided information on Complaints) was slow and inflexible.

Both of these issues are expected to be tackled through IT improvements later in 2008/09. (The Business Management System – Relational (BMS-R) and the RESPOND 2 releases respectively.)

**Security.** In the winter of 2007/08 there was growing public and media focus on data security. This was followed up by new Cabinet Office requirements (“Data Handling Procedures in Government”, June 2008.)

The Cabinet Office requirements covered four areas in which Agency Security needed to improve – Roles and Responsibilities, Transparency, Culture and Protective Measures. The Agency produced a plan for improving security to the required standard, which was kept under review by internal audit, DWP Security and the Agency Audit Committee. At the point of transfer, the security plan was making reasonable progress.

Another issue was that the Agency’s computer systems had some weaknesses in management checking and the logging of work done. The CS2 upgrade mentioned above was successful in strengthening IT security and gaining CS2 full Security Accreditation.

**Accounting for Client Funds.** The Agency operated separate general ledgers for each of its two operational systems, CSCS and CS2, and a single bank account, which was reconciled to the ledgers on a daily basis. The new scheme system CS2 lacked sub-ledger functionality and hence case level balances, giving rise to a serious weakness in accounting and control.

In previous years’ Statements on Internal Control we reported that due to technical problems with the system, a large number of outstanding items had built up on the bank reconciliation since CS2 was implemented in 2003. The Agency made significant reductions to this backlog, down from over 40,000 to under 9,000 items.

The main issues will be tackled by the system based enhancements in the Business Management System – Relational (BMS-R) release. BMS-R was deferred until 2008/09 because of the need for extra testing, but this release is planned for implementation by March 2009.

Another issue was that of incorrect calculations in Maintenance Assessments. The Agency made improvements in 2007/08, following the introduction of a new Quality Assurance Framework. (Cash Value Accuracy went up from 92% in 2006/07 to 96.2% in 2007/08. The performance climbed slightly to 96.5% in the first half of 2008/09.) However, further improvement was required.

## 7. Conclusion

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As I explained in Section 1 above, the Agency operated in an inherently challenging environment. There was no quick fix possible to remove all problems that have accrued over the last 15 years and it will take time to deliver substantial improvements in the Agency’s performance.

However, under the Operational Improvement Plan the Agency completely restructured its operations, in order to increase productivity, performance and control. Real and lasting benefits from this action plan started to come through in 2007/08 and 2008/09, and were acknowledged by internal audit and other commentators.

The Agency has now transferred to the Child Maintenance & Enforcement Commission. I can confirm that the key areas for improvement will be regularly monitored by the Commission during the year to ensure that progress is made.

Signed

**Stephen Geraghty**  
**Accounting Officer**  
**December 2008**



