HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Child Maintenance Services, HC 587

Wednesday 7 December 2016

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Mhairi Black; James Cartlidge; Richard Graham; Luke Hall; Steve McCabe

Questions 73 – 124

Witnesses

Caroline Nokes, Parliamentary Under-Secretary of State for Welfare Delivery, Department for Work and Pensions, and Tom McCormack, Director, Child Maintenance Group, Department for Work and Pensions

Written evidence from witnesses:

– Department for Work and Pensions

Examination of Witnesses

Caroline Nokes and Tom McCormack

Q73 **Chair:** Caroline, before I ask you to begin, I just want to make an apology. At our last session on this topic, Families Need Fathers thought I was being disrespectful to them. I didn't mean that at all in my questioning. I hope you will not find any of my questioning disrespectful. Might you, Caroline, identify yourself for the record and I will ask Tom to do likewise, and then we will begin with Luke?

Caroline Nokes: Certainly. Good morning, Chairman. Can I call you Frank?

Chair: Yes, please do.

Caroline Nokes: Thank you. Caroline Nokes. I am the Parliamentary Under Secretary of State for Welfare Delivery at the Department for Work and Pensions, which gives me responsibility for the Child Maintenance Service.

Tom McCormack: Good morning. I am Tom McCormack. I am the Director for Child Maintenance as part of DWP.

Q74 **Luke Hall:** Minister, good morning. Can I start by asking what you are currently doing to monitor the effectiveness of family-based arrangements?

Caroline Nokes: As part of the 30-month review we are looking at the effectiveness of family-based arrangements, but it is not just because we are obliged to do it as part of the statutory element that was put into the Act but is something that we were doing anyway through the Understanding Society survey, which gives us a picture of the numbers of separated and divorced families in the UK. I think it is an important part of our work because we are conscious that what we want is more co-operation and collaboration between separated parents because we know that that is what is best for children. It does matter to us that we know and understand how separated families are functioning together and whether family-based arrangements are working.

Q75 **Luke Hall:** But how do we know that they are working? How do we know that month by month parents are getting payments?

Caroline Nokes: First, I think it is important to split this into two categories. There will be out there in society a significant number of family-based arrangements about which we know nothing because there has been absolutely no involvement of the state whatsoever. In an ideal world, that is what we want to see. That is right that families should be able to settle their differences, manage conflict and move on from separation.

What we also know from the work that we are doing collecting statistics from the 30-month review and what we know from Understanding

Society is that there are family-based arrangements in which the state has had a hand. We know that people come to Child Maintenance Options and we know that a proportion of them, about one in four, go away and set up their own family-based arrangement without ever going through the formal stages of the Child Maintenance Service.

Q76 **Luke Hall:** Are there any future plans for surveying I suppose people who are currently using family-based arrangements and asking how effectively they are being—

Caroline Nokes: Yes, it is important to us that we understand whether they are being effective or not. Of course, if they are not effective, it is always possible for either party to come back to Child Maintenance Options, go through the gateway, go into the statutory service, which gives us far more knowledge, far more of a handle on what is going on. That is always there as an option for those for whom family-based arrangements are working.

What we have made the emphasis with Child Maintenance Service with some really important reforms is that we do not want to be dragging everybody into the statutory service. We want them to think about what is best for their children. We want them to be able to co-operate and collaborate. In an ideal world—and I am the first to sit here and say I know the world is not ideal—we want to see more family-based arrangements and we want there to be support and assistance for families to make them work.

Q77 **Luke Hall:** Sure. Forgive me, just one last thing: the question was really about whether we are going to continue to survey family-based arrangements to find out how effective they are being.

Caroline Nokes: Absolutely, and apologies for not having picked up on that. The 30-month review is a statutory requirement. The Government when it brought forward these reforms were always intending to do a five-year review, so a 60-month review. We will continue through the course of the CMS. I regard two and a half years in is not a particularly long time to have got a very rounded picture of what is going on, so we will continue evaluating. I think it is really important that we do. We want this to be a service that works and we want it to be one that works in the best interests of children.

Tom McCormack: If it is helpful, for parents who arrange family-based arrangements having contacted Child Maintenance Options, we undertake a survey of those parents twice, three months after setting up the family-based arrangement and again 13 months after setting up the family-based arrangement. What we ask parents is how effective the arrangement is. By effective we mean is the amount of money that you were expecting being paid; is it being paid on time?

What we found through our published stats is that as well as the numbers that the Minister quotes, in 2014-15 about 74% of parents that we spoke to found that the family-based arrangement was effective. In fact, this year it is up to 77% so we are seeing an increasing level of effective arrangements. What we are also seeing is some of those parents who have not found the family-based arrangement to be satisfactory start to make other arrangements. Some have come to child maintenance, some have come to the statutory scheme.

Q78 **Luke Hall:** When you are asking those questions, we have had evidence given to us from parents saying that family-based arrangements can be used as a form of psychological control, as a form of bullying in some respects. I wonder if you are doing anything to monitor that as part of those questions.

Caroline Nokes: That is a really important point because we are conscious that wherever there is conflict and where there are issues of both money flowing—or perhaps not flowing—and contact with children, then there are allegations, probably entirely understandably, that one partner or the other is using a family-based arrangement to exert control. Now, it is perfectly possible in those circumstances for a family to then come within the Child Maintenance Service and to have direct pay set up that does not require contact between either party. The CMS, in effect, acts as a go-between to pass bank details so that the parent with care does not have to directly contact the non-resident parent. What is important and what we would like to see is parents able to manage separation better and get beyond that, but let's be realistic. Some cannot and that is for a variety of reasons. CMS can step in at that point and act as the conduit, the go-between, to make sure that money flows to support the children.

Q79 **Chair:** When will the next NatCen survey be undertaken? You have already done one, haven't you?

Caroline Nokes: That is a very good question. Tom, when is the next one scheduled?

Tom McCormack: I will confirm but I believe it is next year. I believe it is 2017.

Chair: All right. Let's start, if we can, boring down on that, Steve and then Heidi.

Q80 **Steve McCabe:** Good morning. I am assuming we all want the new CMS system to work, but I am interested in what happens to children who are owed money under the old CSA system, and particularly about the cleansing and validation process. I wondered if you would just explain to me how exactly that works.

Caroline Nokes: Okay. It is complicated and it is time consuming and I think I would like to emphasise that it is also expensive. The process of a case being selected for closure, it has done its segments and we are moving on to arguably what is the hardest segment is coming next, but we have closed cases where parents have been nil assessed, so there has never been any money flowing. We have closed cases where there is steady maintenance being transferred from the non-resident parent to the parent with care, and we are about to move on to those where maintenance is being paid but it is being paid via a deduction from earnings order, for example. It is those cases that have been through some level of enforcement and compulsion to make sure that the parent does pay.

I am as conscious as you will be about the level of arrears that has built up under CSA. We have to remember this is a scheme that has been running since 1993, so in many, many cases much of that debt is hugely historic. Our focus and our priority, and I think rightly, has been on cases where there are current children who will benefit from maintenance. I do not think it is too much of a stretch to say that there could be arrears owed for children—I use the term loosely—who are now of a similar age to members of this Committee, and that gives you—

Chair: I doubt as old as that.

Caroline Nokes: Not all of you, no, Frank, but some of you. I think that is the reality. When a case is selected for closure, the CSA writes to the parent with care and, indeed, the non-resident parent if we have a contact address for them and tells them that the case has been selected for closure. That is done six months ahead of the closure date. There is a manual process and that is why I say it is both time consuming and expensive. There is a manual process to identify what level of arrears there are. There are, of course, always attempts to collect those arrears but, as I have said, much of it is very historic debt and, therefore, it is incredibly difficult to collect. If we cannot make any inroads into that amount of debt, it is then quarantined and placed on the CMS system for when that case is closed on the CSA and a new case is opened on the CMS.

I think it is important to emphasise that this is not a transfer. You do not move from the CSA to the Child Maintenance Service automatically. Your case is closed and then you as a parent with care would choose to open up a new case on the CMS or you may not choose to. I think that that is a really important point to make. There are a significant proportion of parents who choose not to, which might be for a variety of reasons including that such passage of time has passed that relations are much less conflicted with a former partner and they can set up a family-based arrangement. They might choose to come to Child Maintenance Options, have the conversation and then go away and set up a family-based arrangement, or they could choose to go through that gateway and have a CMS case set up.

Q81 **Steve McCabe:** I understand what you are saying, but would it be fair if I characterise that as saying that unless the receiving parent actively states that they want to pursue the arrears you will make the assumption that they do not?

Caroline Nokes: No, we do not do that and we do not have write-off powers unless a parent with care tells us.

Q82 **Steve McCabe:** But do they actively have to tell you they want you to pursue the arrears or do you do that automatically?

Caroline Nokes: Where we believe that it is economically viable to collect arrears we will always pursue them. As I went back to say, some of this is very old, really old, and our priority throughout this has to be children that need maintenance now.

Q83 **Steve McCabe:** There is about £350 million in outstanding arrears. Obviously, some of that will be much older, some of it more recent. I am just trying to understand how the strategy works. Are you actively pursuing new CMS cases and are arrears in a holding position and you actively pursue them if something turns up? Is that how it works?

Caroline Nokes: I do not want anyone to get the impression that £3.8 billion of arrears have been allowed to grow lightly. They have not. CSA, just as CMS does now, has always had an active policy of pursuing those arrears, but the harsh reality is that there are some parents out there who have deliberately avoided paying maintenance for their children over incredibly long periods of time. We will always go after debt that we think we can retrieve both for the Secretary of State indeed and for the parent with care, but we have to be realistic about the cost of that and whether we are doing the right thing by spending taxpayers' money pursuing funds that we have very little likelihood of collecting.

Q84 **Steve McCabe:** I am pursuing this because I am trying to narrow down the cases where it is worth pursuing. I am prepared to accept that there are some very historic cases where there must come a point where you would write off, but the question is about the people who feel that they have supplied quite a lot of information about where their ex-partner might be, the kind of earnings he or she may have, the kind of lifestyle they are leading, yet somehow or other this person persistently fails to pay. I am just curious because your Department said in answer to a question I raised that about 200,000 former CSA cases are waiting over 90 days just to get a finalised arrears balance before anything happens. Then often that is the last bit of information they have. If someone is in the situation where they believe they have a legitimate claim for arrears that is not ancient, although may have been going on for a very long period of time with the arrears building, what comfort will they take from what they are hearing this morning? Can they assume that if they wish those arrears to be pursued they will be actively pursued and they will get the same priority as new CMS cases?

Caroline Nokes: A brutal answer: they will not get the same priority if there is not a child involved. If that child is now in their mid-30s, they will not get the same priority as a CMS case—

Steve McCabe: If we are talking about a child?

Caroline Nokes: If it is still a child, absolutely. If we are talking about a child under CSA, then absolutely they will. What we have is a massive range of enforcement powers, which we use relentlessly. I think we have to understand that where we can identify bank accounts, where we can identify tax records, where we can identify driving licences, mortgage borrowing, credit cards, we can get a pretty good hook on where somebody will be living. We do get deductions from earnings orders. We have powers to deduct direct from bank accounts. Under the review of our compliance and arrears strategy, we are looking at powers to deduct direct from joint bank accounts. We do have some non-paying parents who will channel their earnings through maybe a close relative's account or maybe a partner's joint account with them, and we are looking at powers to go after them. We have the ability to use enforcement officers—you might recognise them as bailiffs—to go and seize property. We can get charges on property where there is a house owned so that a house cannot be sold or remortgaged without the child support debt having to be paid.

However, in some cases there are people who go to extreme lengths to avoid being tracked down. Some of them even go abroad and that makes it very, very difficult for us to pursue them. Absolutely, where we think that there is a realistic chance, where we can identify someone, where we can find an address, where we can look at their tax records, these are all powers that we have not previously had to look at tax records, to look at DVLA records, to work with the Ministry of Justice to identify where people are, and we are pursuing them. The reality is when you look at the breakdown in numbers that I had earlier on and I do not appear to have anymore, a massive percentage proportion of that debt, I think in the region of 26% of that debt, is people who owe less than £500. Let's think about that really carefully. Is it worth us spending taxpayers' money to pursue 26% of that debt when it is individuals who owe less than £500 each?

Q85 **Steve McCabe:** Would it be possible to know of the £350 million outstanding in the CSA arrears-only cases how many of them fall into £500 worth of debt and what proportion of the overall £350 million you anticipate actively pursuing? Presumably, they are not all people who owe as little as £500. Some of them owe several hundred thousand pounds, don't they?

Caroline Nokes: I have seen some of the breakdown and you are right, but inevitably it is a sliding scale. By the time you get to people that owe between £20,000 to £50,000 it is a tiny, tiny proportion of individuals. I think they are worth going after, absolutely worth going after but, as I said, I think it is 26% owe £500 or less.

Q86 **Steve McCabe:** Would it be possible, Minister—I am not asking you to do it today—for the Committee to get a breakdown of those figures, how much of that money you think you can pursue and what kind of bands it falls into?

Caroline Nokes: Yes. I think that is a really important piece of work. The other thing that you might like to ask for would be the age of it, and we can provide a breakdown both ways.

Steve McCabe: Yes, that would be very helpful. Thank you.

Q87 **Chair:** Before Heidi comes in, can I keep talking about spending taxpayers' money? I am as Thatcherite as you are about Governments do not have money, it is other people's money that Government spends. Here you actually charge quite a lot for using the new agency. It is not taxpayers' money, it is people who are using the agency, isn't it? Would you quickly, before Heidi comes in, give us the breakdown between monies raised by people using it as opposed to what the taxpayer is putting in?

Caroline Nokes: I think it is really important and I have seen some of the written evidence that you have received. We charge £20 for people to go through the Child Maintenance Options, and where we use collect and pay, where a receiving parent has not received maintenance and they choose to go through the collect and pay option, we charge a 20% collection fee on top of the maintenance owed and a 4% fee to the receiving parent. The breakdown is very straightforward. We have received £2.8 million in the year 2014-15 in fees and charges and £8.5 million in 2015-16. That compares with a cost of running the service that is £79.45 million in 2014-15 and £114.39 million in 2015-16. We are looking at somewhere between 3% and 7% over those two years has come in in fees and charges. The rest is paid by the taxpayer.

Q88 **Chair:** Let's add the two together. How much money are you getting back with that expenditure, Caroline?

Caroline Nokes: It is £10.3 million over the last two years in fees and charges.

Q89 **Chair:** No, sorry, how much are you raising in maintenance for that expenditure?

Caroline Nokes: Oh, good grief, that is an enormous figure, isn't it? Now I am looking for the number frantically. £594 million for a cost of £114 million in the last year. It is expensive. It is an expensive service and we are really conscious of that. It costs a lot of money and we want to be as effective as we possibly can. While it costs a lot of money, the Child Maintenance Service makes in the region of 180,000 phone calls per month to either non-resident parents or parents with care. That comes on top of all of the other forms of contact, on top of the letters, on top of the e-mail service, on top of the webchats that we can now enable parents with care or non-resident parents to have. I make no bones about it, we spend a lot of money on this, and when people talk about the amount that we get in in fees and charges, it is a very small proportion.

Q90 **Heidi Allen:** I am going to be a little bit antagonistic, so forgive me. I hear so many poor stories about the old CSA system and I am yet to be convinced that the new one is any better. As you say, I agree absolutely if the children are in their 30s or whatever you have to draw a point somewhere. I think it is wrong because it means that the state system has failed those parents in the past, but there has to be a point, and I admit that, where you cut it off and say, "This is not good value for money chasing this anymore". There are still single parent families where they are still children and they are still not receiving money under the old or the new system. I want to be convinced that it is not the case. It strikes me that the system we are building, because we have this good taxpayer value for money at the back of our heads, is a system for parents who would probably get there anyway. Family-based arrangements are parents who can find a mechanism of coming together. For me, a state system should be there for the parent, the family, when there is nowhere else to turn and they have exhausted all options. I am not convinced that the new system does that. If those single parents now have children who are still children, if we really want to get into the debate about taxpayer value for money, they are staying at home because they cannot go to work because they cannot afford childcare or whatever it might be. They are claiming benefits and they are not putting tax into the system, so I would argue they are costing the taxpayer more. I want to be enthused that this new system is significantly better than the old one because in my view I do not see that yet.

Caroline Nokes: Okay, I think it is a fair question and it is right to ask it. What I am very conscious of is that the CMS system is exactly as you have described. When somebody comes to the options gateway, they will always have that conversation with them about, "Can you organise your future child maintenance arrangements without coming into a statutory system?" because that is what we want for children and it is what we want for parents. We want them to learn to co-operate and collaborate, and we know from various pieces of academic work that what is really bad for children is not separation, it is conflict within separation.

By the time they come into CMS, these are already—and this is important to draw the distinction between that and the CSA—people who have not managed to work out a family-based arrangement for themselves. The old CSA took in everyone. You were in the system almost regardless, so we are already dealing with arguably a slightly harder case group. You do not have everybody and you only have the people that could not sort out a family-based arrangement for themselves. Do I think it is working better than the CSA? Yes, I do. I think the statistics speak for themselves both in the level of customer complaints that we do not receive under CMS—

Q91 **Heidi Allen:** What about collections? What analysis can you give us on the collection with the new system versus the old ones?

Caroline Nokes: Certainly, CMS is already outperforming our expectations and doing better than the CSA. I am sure Tom can provide you with the precise figures, but the reality is it is doing better with a harder client group. I think that that is an important difference. I do think that we can always and will always seek to be doing better and doing more. As I said, the old compliance and arrears strategy concludes in January next year. It expires, so we have to come up with a new one. Way before Gingerbread ever started writing to me, I was already looking at what new powers we might seek as part of that arrears strategy. To be quite frank, I welcome the work that Gingerbread has done and I welcome this inquiry because it enables this Committee to feed in their views of what more we could do. I look at the powers that we have. They are broadly comparable with the powers that we have across the rest of the globe that other countries have. You are right, I do not think that in every case we are collecting the maintenance that we should do, and we are very conscious that we constantly have to be looking at what we can do better, what we can do differently and what more powers we have. I think it is really important to remember that this is not a system that was set up to be bespoke. That would be prohibitively expensive. It is set up to cope with the majority of circumstances in the majority of cases.

Q92 **Heidi Allen:** You are right, no government system can ever be bespoke. Some quite interesting evidence came out of our last session. If it cannot be bespoke and given that these are all really individual human being to human being kind of relationships, should the Government get out of the way and let the court system come back in?

Caroline Nokes: My gut instinct on that is that the court system promotes adversarial behaviour, particularly in a world where you still do not have no fault divorce. While I am off to see Sir Oliver Heald next week, because I think it is really important that this Department and the MoJ work closely together to see how we can make it all much more seamless, I think that what we want to do is try to detoxify it, try to promote collaboration and co-operation, not send everybody straight back off to the courts because that is expensive, time consuming and difficult and very much puts the onus then again on the parents to pursue their case as they see it. It is really important that we try to focus on what we can do to support separating families, to support separated families, and I personally don’t think the courts are the answer.

Q93 **Heidi Allen:** One of the arguments of people that had found—what is the word I am looking for—satisfaction in the courts was because it was more of an investigative service. The onus has seemed to always be on the parent with the child to provide evidence of the lifestyle, the evidence to prove the point that the non-resident parent had more money. There is a sense that that is being weakened quite considerably in the new CMS system. I do not believe there is the—

Caroline Nokes: Lifestyle inconsistency.

Heidi Allen: Thank you. I always forget what it is called. That seemed to be a critical part of proving whether a non-resident parent had money that was being tucked away. Talk to me about why that has gone and how we can deal with that. Also, if I may, it is kind of on the same theme: why don’t we take into account the income and the assets of both parents when we are doing the analysis of what the payment should be?

Caroline Nokes: I think I might deal with the second bit first, income and assets of both parents. The view taken when setting up the CMS was that we want both parents to contribute to the financial cost of raising a child, which we all know is very expensive. The reality is that the parent with care will almost inevitably be contributing more because they are the parent that is supporting, clothing and housing that child or those children the majority of the time. We took a view that the non-resident parent would be asked to contribute a proportion of their income, which would go towards the cost of raising a child. That is why we do not think it is a question of assessing what income and assets the parent with care has because they will always be contributing to support their child. We are talking about making sure that the non-resident parent is also involved and taking responsibility. I think that is an important principle.

Q94 **Heidi Allen:** But their assets are not really looked at, so a non-resident parent could forever go self-employed, have property in their new partner's name. It is the loopholes I am interested in and whether this new system closes them.

Caroline Nokes: I think you are right to be looking at the loopholes. What we are also able to do, which is a huge departure from the CSA, is we can now use direct information, real-time information, from HMRC. That does not just give you earned income as you and I would recognise it but also unearned income. It is income from property, it is income from share dividends, it is savings.

Q95 **Heidi Allen:** It is only income, isn't it?

Caroline Nokes: Yes, it is only income and certainly where somebody is, and they still are, referred to our financial investigation unit for investigation, where a parent with care can provide evidence—and I think that is the important thing. It is really difficult to prove. The lifestyle inconsistency test, it is really difficult when somebody just has a sense that they are living beyond their means. You are dead right to point out there will be non-resident parents who will seek to hide both income and earnings that are from different sources, so the unearned income. That is why we work hand in glove with HMRC. Part of that is people who are seeking to minimise their tax liabilities as well as their child maintenance liabilities. Whereas seeking to avoid your child maintenance liabilities is a civil matter, when you are seeking to avoid tax it becomes a criminal one. It is really critical that we use HMRC, which gives us fantastic baseline information to work with. The financial investigation unit is being beefed up because we are conscious of the number of people who are raising concerns, as they are still entitled to do with us. Once a case has passed into enforcement, then the financial investigation unit is always happy to look at evidence, but it has to be objective, not subjective.

Q96 **Heidi Allen:** One final question, if I may. I will give you a worked example. A parent comes to you and says, "My ex is across the road. I can give you evidence from his e-mail records he has been on holiday, he has done this, he has done that, here is his car" but it is all asset based. What do you do with that information? My parents tell me nothing gets done with that information.

Caroline Nokes: It is not true that nothing gets done with it. Where we have concrete evidence that we can use we do and it all gets passed to the financial investigation unit. What we also do, which may sound slightly brutal, is in those cases where we do find parents who have significant income that they are not revealing to us and are deliberately going out of their way to hide, we pursue it through the courts and then we publicise it. There is nothing like a little bit of publicity to encourage the others not to do the same.

It is really important that we have to make this objective. It has to be based on evidence, but where somebody can provide us with evidence we will always pursue it. I think it is important that we do. None of us want to be in a situation where parents are not taking responsibility for their children. I find it hugely sad the numbers that we are looking at. I think, sitting around this room, we would all want every parent both to be involved in the upbringing of their child and to be bearing some of the financial responsibility.

Q97 **Heidi Allen:** Perhaps we could just ask for some analysis as a separate piece of information on how many requests and how much evidence is given to you and what the financial return is, what parents get out of that.

Caroline Nokes: Yes, we will be happy to provide that.

Chair: Yes, maybe James can come in because this is the area he wanted to do, and then Richard.

Q98 **James Cartlidge:** Good morning, Minister. On that point, when we had the witnesses here, I think this is what they felt strongest about was the hidden income and so on. Our understanding is that they can only appeal on the basis of tax avoidance, not on the basis of lifestyle. The feedback we had from them was that if they contact HMRC they do not hear anything. That was the feedback we had. What worries us is that you say you are hand in glove, but you are basically dependent upon the willingness of HMRC through tax rather than independently to—

Caroline Nokes: That is why we have our own financial investigation unit. We will work off HMRC records. We will also work off records from a wide variety of sources, including land registry, including what finance agreements people have, including their bank accounts. We can demand that banks provide us with individuals' up to date bank statements. That is quite an intrusive power I think we would all agree, but sadly necessary. Our own FIU currently has 35 people working in it. That is being increased to 50, so we are adding another 15 in the new year. We are listening to the evidence that we are getting both from stakeholder groups working in this sector and from parents, so that we strengthen—

Q99 **James Cartlidge:** Just to be absolutely clear, if HMRC is satisfied with a case, you will still take independent action?

Caroline Nokes: Yes.

Q100 **James Cartlidge:** This happens a lot?

Caroline Nokes: No, it does not happen a lot. We are talking about a minority, a tiny, tiny minority of cases. The vast majority of people using the Child Maintenance Service are paying regularly. Seven out of eight non-resident parents are paying a contribution towards their maintenance liabilities every single month. That is the space that we are in: 90% of child maintenance is paid and it is paid on time. We are now talking about the remaining 10%.

Where we can have evidence, we send out investigators. We examine what people are doing. We examine their lifestyles. We have some fantastic examples that I cannot identify of people whose businesses are put through other people's names, whose income is paid into new partners' bank accounts, and we go after them, not necessarily with HMRC but we do everything that we can to identify where these people are and what their incomes are. We examine how people are advertising their businesses if they are self-employed. It would be fair to say that one of our biggest challenges is around the self-employed, but we do have the powers to look at their bank accounts, to look at their tax records, to look at how they are running their businesses, and seek to identify where things just do not add up.

Q101 **James Cartlidge:** I think, Frank, from the evidence we heard, there is quite a mismatch here between what we are hearing. It is perfectly reasonable to say you now have a system where it is all about HMRC and the person's tax return. At the end of the day, you are right, tax is about criminal law and the tax man has his way of assessing somebody's income. One could argue if that is good enough for them, given that is the law of the land, it should be good enough for you. The impression we got was that is how the system is working and that effectively there is not two different sources of people going on. That was the impression we got and you are saying that is not the case?

Caroline Nokes: We have a 35-strong financial investigation unit. As I said, we are increasing the numbers of that because we want to do better. If the impression you have had from other witnesses is that we are not interested, I am telling you that that is not the case. We are.

Q102 **James Cartlidge:** We would be interested to know of cases where someone has reported someone to HMRC for suspected tax avoidance and they have not investigated or said they are satisfied and your organisation has still gone after them, just a note.

Caroline Nokes: Okay. What I am conscious of is that much of the evidence that you might have had was either anecdotal or did not provide names, National Insurance, none of those details. I am always happy if people want to come to me with that information to look at those cases individually, but I cannot do it on hearsay. I cannot say, "Nobody ever has their cases investigated". That is simply not true, otherwise I would not be employing 35 people to look at them, would I?

Q103 **Chair:** No, and there is an issue, isn't there? People do not come to MPs to say it is all going well. They come to us because they have problems.

Caroline Nokes: I think we all celebrate those occasions when people come to us and say, "Everything is working perfectly", don't we?

Chair: Or to thank you. James, do you want to continue before Steve comes in?

James Cartlidge: We can leave it at that. I just think that is a substantive point and we possibly need to speak to HMRC because it was very strong feedback that when they are contacted they are not doing anything. I accept you have that team there, but equally HMRC is now the key player in this. I think maybe we need to speak to them.

Chair: Yes, I know. We will. A quick one from Steve and then Richard will finish.

Q104 **Steve McCabe:** I just wanted to clarify something. I may have misunderstood something that the Minister said to me at the outset. When I was asking about the validation and cleansing process and you were taking me through how it works and can lead to closure, I was under the impression that that only applied to live cases involving children. But I think you said, Minister, it also applies to people where the children are no longer of children's age. Is that right? You have two versions of validation and cleansing, one where you analyse people who have got over the age of being children and that leads to closure, and you have a second process of live cases involving children who are still children, where you are validating, cleansing and may choose to close the case. Is that what you were telling me?

Caroline Nokes: No, that is not what I said. We have five segments under CSA and they are all going to be closed, all of them. Not just where there are live children, not where there—

Q105 **Steve McCabe:** The point about whether the children have grown up or not is not totally pertinent. The question I am asking is about children who are children, who are not getting the payments they were entitled to. You have a process for validating and cleansing those cases and you are closing some of them despite there being quite substantial outstanding arrears. That is the case?

Caroline Nokes: Yes. In order for an individual to have a case with the Child Maintenance Service that CSA case has to be closed. We have to cleanse it, validate what the arrears are, understand, and that is a manual process, as I said. But it has to be shut before they can start a CMS case. You cannot have two running at the same time.

Q106 **Richard Graham:** Minister, can I come back to the driver, in a way, of the change from the CSA to the CMS? A lot of this originally was based, I think, on the attractive idea that family-based arrangements would work for a lot of people. How successful has it been? How many couples have used FBA, both in absolute terms and as a percentage of the 1.4 million cases roughly?

Caroline Nokes: I will just take you back to some of the drivers for this. The Henshaw report of 2008, which was about encouraging parents to take responsibility, was a fairly thorough look at the CSA establishing what had not worked, what had worked, what model we wanted going forward, and was a pretty clear recommendation that this needed to be a focus on strengthening family-based arrangements, encouraging parents to take responsibility for the financial aspect of raising a child, and wanting to move the state out of it. As I said earlier in response to the Chairman, everybody used to go through the CSA and we have moved to a situation where we do not want, and are very clear about this, everybody to go through the CMS.

Richard Graham: No, we were all in agreement on the principle of it. I was really asking about how successful it has been.

Caroline Nokes: I know and I am getting there. What we do know from our statistics is that one in four families do not touch us. They have a family-based arrangement, go away, sort it out themselves. They might use the calculator on the Child Maintenance Options website. They have a look at what the liability will be and they go away and set up their family-based arrangements. We have the statistics that in 2014-15 74% of families who had a family-based arrangement were happy with it, felt that it was working, which has risen to 77% this year.

Q107 **Richard Graham:** How many families have used FBA in the last statistics? Do we have them for 2014-15?

Tom McCormack: Yes, we do. In 2014-15 the number of families who used the Child Maintenance Options and went on to make a family-based arrangement was about 68,000. It was just under 77,000 last year.

Q108 **Richard Graham:** That compares with how many people came to CMS?

Caroline Nokes: As of May 2016, we have 285,000 live cases, but you can add years together.

Q109 **Richard Graham:** Is that a like for like comparison? Are we saying 68,000 people used FBA and 285,000 used CMS?

Tom McCormack: In year. We have new family-based arrangements each year. They do not end as each year begins. We multiply up how many family-based arrangements are now in place and how many children are benefiting from those. When we talk about the number of family-based arrangements, 190,000 is the total. Those were the in-year numbers I was giving you.

Q110 **Richard Graham:** Can I suggest, Chairman, it would be incredibly useful for us to have a very simple chart that shows how many people are coming into CMS and how many are using FBA so we can see how FBA is doing and whether the numbers coming into CMS as a percentage of the total are coming down and those going into FBA are going up. I think that would be incredibly helpful. On the same line, Minister, if we do all want to see many more people going through family-based arrangements, what might be the obstacles to more people using FBA? For example, it has been suggested that because there is no enforcement or recourse to the courts if an FBA is not fulfilled by both sides, that might put off particularly the mothers or the parents with care from going into such an arrangement. They might be suspicious that the other side, the other partner, does not fulfil the agreement reached. Is that an issue that you have come across or considered?

Caroline Nokes: How can I describe this? We have traffic in both directions. If a family-based arrangement breaks down, then they can always come into the statutory service. It does not have to be recourse to the courts. Those that come into the statutory service go through the gateway. We will assess the liability.

Q111 **Richard Graham:** But that is not what you want them to do so—

Caroline Nokes: No, it is not what we want them to do, but they can do it.

Q112 **Richard Graham:** Indeed, but I was gently trying to ask whether there were issues about FBA that could be improved so that more people do use it and do not try an FBA and then say, "This is not working, let's go into CMS".

Caroline Nokes: I think we have to understand the massive breadth of family-based arrangements and things like sorting out separation and the support that we put into relationship support to enable people to establish functioning family-based arrangements. The Government have a total of £70 million over this Parliament to put into supporting and strengthening relationships, and that is not just helping and encouraging people to stay together but that is also for people who are separated, helping them to move on to have a functioning relationship that will support their children post-separation. I think that those are important steps, but family-based arrangements are, as the name suggests, family based so our hand is not in them. We encourage and support and want parents to be able to work together for the good of their children, but we do not want to dictate to them how that should be because obviously that would be counterproductive. The CMS is there as the fall-back.

Q113 **Richard Graham:** Sure, but I guess behind my question is the thought that if FBA works really well for some people, hopefully the 68,000 that Tom indicated, but is not being used by 285,000 people, what opportunities do you think there might be perhaps for, if you like, a DWP FBA assisted type concept where maybe the DWP can design something with the help of a friendly family lawyer that enables partners to sit down together and say, "Okay, we are going to reach a family-based arrangement. Here are a couple of examples of things that have been done before and this is how it could work".

Caroline Nokes: This is not a DWP FBA—I am loving the acronyms—but this is part of our relationship support. It is about mediation. It is about encouraging families to sit down together and to come to a consensus about what is best for children emotionally, practically and financially. That is part of ongoing work but is not part of the Child Maintenance Service because, as we have all discussed, that is a statutory service that is the safeguard for where people cannot make FBAs.

The reality is, as I have said, particularly the passage of time can help enormously. We do have people who come into the statutory scheme. We have people who come all the way into the statutory scheme and are on collect and pay, so we are having deductions from earnings orders, and then work their way back. After six months of being on collect and pay, a paying parent can then ask to go back on to direct pay and will be allowed to do so. If they can establish that sort of functioning relationship within the CMS, then it is always open to them to end their relationship with the CMS and move on to an FBA. It does happen and, as I said, particularly with effective mediation, particularly with the passage of time, that can happen and has to be regarded as a better outcome.

Q114 **Richard Graham:** I understand that. I was just interested in how you were monitoring the success of FBA and whether you thought there were any improvements that could be made to it or to some form of additional mediation to encourage people to reach those agreements without coming into CMS.

Caroline Nokes: I would almost, and I am not meaning to be aggressive, take issue with describing FBA as "it" because they are not it. They are them and they are many and they are varied, and the whole point of an FBA is that it is something that families work out for themselves in many cases successfully, in some cases not successfully. We do that through the relationship support that we do but not as part of the CMS because it is outwith the statutory scheme.

Q115 **Richard Graham:** Okay. So there is nothing that you think needs to be changed or improved in trying to encourage people to reach agreements?

Caroline Nokes: No, I have repeatedly said that we think relationship support is important. I have said that the Government are putting £70 million over the course of this Parliament into relationship support. Part of that—

Q116 **Richard Graham:** Give us an idea of how that is going to work, Minister, how we as individual MPs are going to help some of our constituents who are having problems access that money, for example.

Caroline Nokes: Your individual constituents will not be accessing £70 million. That will be going to relationship support experts, to mediation, to counsellors, in order to disseminate that to your constituents. We want to see much wider availability of support services across the country. We do not yet have a fully worked-up plan, but that is coming out in the early part of 2017 because we regard this as important and a priority. It absolutely underpins. The whole message behind this is that we think that supporting relationships, whether separated or whether still together, is the best route to improved outcomes for children.

Q117 **Richard Graham:** Just to be clear, there is £70 million for additional help on mediation, which is going to be available in 2017?

Caroline Nokes: Not specifically on mediation, on relationship support in a variety of needs.

Q118 **Richard Graham:** On relationship support. This is going to be available in 2017 and we are going to hear more about it in due course?

Caroline Nokes: It is available until the end of the Parliament. We are not spending £70 million in 2017, as I said. It is over the course of the rest of this Parliament, and we will be bringing those forward in the early part of 2017.

Q119 **Chair:** Minister, on the enforcement team, it is going to be raised from 35 to 50?

Caroline Nokes: No, absolutely not. The financial investigation unit is being raised from 35 to 50. Arrears has 800 full-time equivalents and enforcement has 250.

Q120 **Chair:** What is the caseload for each of those? Because these are the difficult ones, aren't they? These are the ones that have not made a settlement.

Tom McCormack: Yes, they are. In total, there is just over 90,000 cases on the Child Maintenance Service with arrears. Many of those are cases of arrears that are being paid and being scheduled. At the moment, I am building up the number of colleagues in both the arrears sections and in the enforcement to reduce their case holdings by March next year to about 40 cases per person in enforcement.

Q121 **Chair:** Right. Caroline, is there something from that note that is good news?

Caroline Nokes: No, there isn't.

Chair: All right, very good.

Caroline Nokes: I do not think it is anything I have not already said.

Chair: All right. Heidi, a last point.

Q122 **Heidi Allen:** Just a couple of closely related questions on this topic. The financial investigation unit—good that the numbers are going up in there—do the people in that team just work on CMS or do they work on anything else?

Caroline Nokes: CMS.

Q123 **Heidi Allen:** Only on CMS. Can you give us some figures, perhaps not now but maybe afterwards if you do not have them to hand, on the number of enforcements for self-employed non-resident parents? How many examples of enforcement have taken place and how have they been done?

Caroline Nokes: I think we can provide that afterwards. I suspect that also will be coming out as part of the 30-month review, so those stats are not quite available, but they will be. It is an important point.

Heidi Allen: It is the killer area, self-employment.

Caroline Nokes: Yes, absolutely, and that is something that I am very conscious of is that it is the self-employed. We know that the numbers of self-employed people are going up, so one might extrapolate from that that we could expect there to be a growing number.

Heidi Allen: It is a weak link, it really is.

Q124 **Chair:** Indeed, in the autumn statement the Chancellor was expecting £3 billion more tax, but with the increase in self-employment he has not got that money. Maybe, Caroline, as we move towards our report we might come back to you and ask specific questions if we can on that.

Caroline Nokes: Yes, absolutely, certainly.

Chair: I am really grateful to you for your session today. It is immensely helpful. Thank you, and to Tom.

Caroline Nokes: Thank you.

Tom McCormack: Thank you.