Department for Work & Pensions

Parliamentary Under
Secretary of State for Work
and Pensions
4th Floor
Caxton House
Tothill Street
LONDON
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23rd August 2023

Dear Sir Stephen,

Please see the below response to your letter on the Government Response to the Committee's report on *Children in poverty: Child Maintenance Service*, dated 12th July 2023.

**Q1.**

Recommendation

*What is the Government's response to the Committee's proposal at paragraph 24 that CMS should undertake a survey, at least once every 12 months, on the effectiveness of Direct Pay arrangements.*

Response

The Department is considering further research into Direct Pay to support future policy development.

**Q2.**

Recommendation:

*What is the Government's response to the Committee's proposal at paragraph 25 that "child maintenance arrears reaching half of the current average arrears" should be a trigger to move to a Collect and Pay arrangement.*

Response:

Direct pay is designed for separated parents who can manage payments without the need for the CMS to take action to enforce payments and to avoid collection charges in Collect & Pay. It is not possible to monitor Direct Pay payments as the CMS has no involvement in payments made between parents, therefore it would not be possible to implement what the Committee is recommending. As I set out in my response, the CMS has robust communications and processes in place to ensure parents know what to do if payments are not made in full and on time so the case can be moved into the appropriate service.

**Q3.**

Recommendation:

*Will the Government publish an estimate of fraud and error and a timeline for when it will include unearned income in the initial calculation (recommendation at paragraph 38 of our Report).*

Response:

The Government will not seek to publish an estimate of fraud and error for CMS.

CMS already has proportionate and cost-effective controls in place, such as:

- a dedicated Financial Investigation Unit
- use of verified income from HMRC and benefit systems
- use of child benefit systems to verify qualifying child(ren)
- procedures and policy to request additional verification
- a robust mandatory consideration and appeals process.

The department continually reviews its fraud strategy to ensure proportionate controls are maintained.

The Government has already committed to implementing the legislative changes required to include unearned income within the initial maintenance calculation. We plan to bring the legislation forward as soon as parliamentary time allows, and legislation will follow the affirmative procedure and be debated in both houses. We aim to bring this in the next session, but I can write to the Committee once parliamentary time has been agreed.

**Q4.**

Recommendation

*How, in the absence of an estimate and target reduction rate for fraud and error, will the Department assess the effectiveness of its "proportionate and cost-effective [fraud and error] controls" (response to recommendation at paragraph 38 of our Report).*

Response

I have set out our intentions for unearned income earlier in this letter. The legislative changes to include unearned income within the initial maintenance calculation will further improve on the proportionate and cost-effective controls already in place.

All customers can report a suspicion of fraud, and every case where a report is made will be reviewed by the Financial Investigation Unit (FIU), ensuring that financial error between parents is kept to a minimum.

All cases follow a proportionate investigative process, and cases are continuously monitored and evaluated throughout the case journey.

The Department has delivered additional training to all CMS colleagues during 22/23, resulting in an improvement to the quality of referrals into the Financial Investigation Unit.

This is reflected in the published statistics as an uplift of reassessments.

In 21/22, 49% of all referrals into the Financial Investigation Unit had their maintenance liability reassessed.

In 22/23, 55% of all referrals into the Financial Investigation Unit had their maintenance liability reassessed. (44.5% of investigations resulted in the maintenance liability remaining the same as the original assessment).

**Q5.**

Recommendation

*What is the Government's response to the Committee's proposal at paragraph 40 that a specialist caseworker should be assigned to cases where the paying parent's income is from self-employment.*

Response

91% of cases are assessed on their employed or self-employed earnings using HMRC Real Time Information or DWP benefits data. Of the 9% of cases where caseworker intervention is required, all CMS caseworkers have extensive training, equipping them to be able to comprehensively act on a range of scenarios, including self-employed earnings. I have set out our intentions for unearned income earlier in this letter, and legislative changes to include unearned income within the initial maintenance calculation will further reduce complexity.

CMS do not routinely assign individual caseworkers to a customer's case. If CMS were to assign cases to a single caseworker and they were unavailable, CMS would not be able to provide a service to the customer. There would also be funding implications.

The CMS are currently trialling single-named caseworkers for victims of domestic abuse across two different sites. The results so far have suggested that victims of domestic abuse who have been allocated to these teams are not repeating their story, which was a key feature of the recommendation. However, we will continue to monitor this. This has also been addressed at recommendation 13.

**Q6.**

Recommendation

*Where is the work needed to the Universal Credit (UC) system for partial deductions ranked in terms of priority of requests for changes to the UC system (recommendation at paragraph 44 of our Report).*

Response

We do not have a single, numerically ranked backlog of work within UC – so we are not able to answer a specific question of where this work is ranked amongst other items. Work requirements are assessed and prioritised on regular intervals to ensure we are adaptive and responsive to evolving needs and requirements.

UC delivery teams are working at full capacity on reducing Fraud & Error in the system, supporting claimants to move from legacy benefits to UC and helping claimants to find work.

**Q7.**

Recommendation

*Please provide the full deduction priority list (recommendation at paragraph 46 of our Report.*

Response

Universal Credit systems will apply deductions in a strict priority order.

**Deductions: made before the Priority Order is applied**

1. Fraud penalties

**Items taken before UC Entitlement is calculated**

2. Conditionality sanctions

**Note:** Only one Conditionality sanction or one Fraud penalty can be applied to a claimant at any one time. However, both members of a couple can have a Fraud penalty or Conditionality sanction applied. If a Conditionality sanction is in place, and a Fraud penalty needs to be applied to the claimant's UC, the Fraud penalty will take precedence. The Conditionality sanction will be applied once the Fraud penalty has ceased.

**Deductions: made before the Priority Order is applied**

**Advances Priority Order:**

3. UC Advance (New Claim or Change of Circumstances)
4. UC Advance (Benefit Transfer)
5. Budgeting Advances

**Note:** If a Fraud penalty or Conditionality sanction is being applied, an Advance cannot be recovered at the same time. The penalty/sanction will take precedence. The Advance will be recovered once the penalty/sanction has ceased. If the penalty/sanction was only applied to part of the Assessment period (e.g., two days of the AP) and that means that less than 25% of the UC Standard Allowance is deducted for the penalty/sanction, then other deductions can be taken, up to the 25% maximum. If a claimant/benefit unit has more than one Advance outstanding, the above Priority Order for Advances must be applied.

**<u>Deductions: Priority Order</u>**

* These are Third Party Deductions.

**Last resort deductions:**

6. *Arrears of Owner-occupier service charges.
7. *Arrears of Rent and/or service charges relating to a rented property (minimum deduction)
8. *Arrears of Gas – in some cases Electricity arrears will take precedence over Gas arrears
9. *Arrears of Electricity – in some cases Electricity arrears will take precedence over Gas arrears

**Note:** Up to Three Last Resort Deductions can be applied where there is also a Fraud Penalty or Conditionality Sanction or Advance repayments at 25% of the claimant's standard allowance.

**Enforcing social obligation deductions:**

10. *Arrears of Community Charge or Council Tax
11. *Fines
12. *Arrears of Water charges
13. *Old scheme Child Maintenance
14. Flat Rate Maintenance

**Ensuring recovery of benefit debt deductions:**

15. Social Fund loans
16. Recoverable Hardship payments
17. HB and DWP Administrative Penalties
18. Tax Credit, HB and DWP Fraud overpayments
19. HB and DWP Civil Penalties
20. Tax Credit, HB and DWP normal overpayments

**Enforcing social obligation deductions:**

21. *Arrears of Integration loans
22. *Arrears of Eligible loans
23. *Arrears of Rent and/or service charges relating to a rented property (up to the maximum deduction)

**Q8.**

<u>Recommendation</u>

*Could you please provide a more detailed timeline for when the Government aims to have completed the various pieces of work arising from the Callan review (recommendation at paragraph 57 of our Report).*

Response

I would like to reassure the Committee that this Government takes the issue of domestic abuse extremely seriously and I am strongly committed to progressing the independent review recommendations as soon as practically possible. Many of the measures are subject to legislative changes and it is not possible to provide an accurate date for completion. However, I have set out below a summary for each of them with an anticipated completion date which may be subject to change.

<table>
<tr><th><u>Independent review recommendation</u></th><th><u>Recommendation update</u></th><th><u>Anticipated completion date</u></th></tr>
<tr><td>Recommendation 1 - Amend primary legislation to prevent Direct Pay being used as a form of coercion and control by perpetrators</td><td rowspan="2">The Act received Royal Assent on 29th June. The Home Office published updated guidance on the coercive and controlling behaviour offence in April 2023 and we are currently reviewing caseworker communications. This is subject to secondary legislation.</td><td rowspan="2">Completed 29/6/2023</td></tr>
<tr><td>Recommendation 2 - Ensure the CMS has adequate legal powers to address financial coercion</td></tr>
<tr><td>Recommendation 3 - Removal of the requirement to report domestic abuse to qualify for the application fee waiver</td><td>Requires secondary legislation which we plan to bring forward as soon as parliamentary time allows.</td><td>In progress</td></tr>
<tr><td>Recommendation 4 - Pilot single named caseworkers for complex domestic abuse cases</td><td>A pilot study has commenced and will run throughout 2023. An evaluation will be completed after to determine next steps.</td><td>Pilot study - 31/12/2023<br><br>Evaluation – Early 2024</td></tr>
<tr><td>Recommendation 5 - Address issues of affordability of liabilities for low-income paying parents.</td><td>The review of the maintenance calculation is ongoing and engagement with stakeholders is planned imminently. Primary legislation will be needed to implement any changes, which will be subject to parliamentary time.</td><td>In progress</td></tr>
<tr><td>Recommendation 6 - Cross-government coordination of early intervention outside the CMS</td><td>Engagement with officials in other government departments such as Ministry of Justice is taking place to identify where</td><td>In progress</td></tr>
</table>

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|---|---|---|
| | services can be better aligned. | |
| **Recommendation 7 -** Removal of nil rate for child maintenance for convicted prisoners. | This recommendation is in the early exploration stage. | In progress |
| **Recommendation 9 -** Include a broader range of agencies in CMS training. | We have completed work to ensure that the current learning aligns with Dr Callan's report. We have an active programme to ensure all colleagues receive this learning as this forms an integral part of our induction process for new colleagues joining our business.<br>We are now part of a DWP wide collaboration to implement an external stakeholder network, which we plan to use to review and enhance our approach to learning. The first event is planned for Autumn. We intend to gather intelligence and review the learning products with a view of completing this action by summer of 2024. We will consider how we rollout to our people at this point. | Summer 2024 |

**Q9.**

Recommendation

*When does the Government plan to commence the provisions in the Child Support Collection (Domestic Abuse) Act 2023 (recommendation at paragraph 58 of our Report).*

Response

The Child Support Collection (Domestic Abuse) Act received Royal Assent on 29th June and as such, detailed policy development can now begin for the subsequent secondary legislation. As I set out in the response, we plan to bring this legislation forward as soon as possible. However, this is dependent upon developing robust measures and procedures for verifying evidence of domestic abuse and securing parliamentary time for the affirmative regulations. Therefore, I am unable to give a specific date.

**Q10.**

Recommendation

*When does the Government plan to make changes to calculation levels, as your response indicates it will (recommendations at paragraphs 76–79 and 85 of our Report).*

Response

As I set out in the response, the review of the maintenance calculation is ongoing and engagement with stakeholders is planned imminently. The review is wide reaching which will take some time. Once officials have shared the outcome of this review, I will consider the relevant evidence and announce my intentions as to the next steps. Primary legislation will be needed to implement any changes, which will be subject to parliamentary time and therefore I am unable to provide a specific date to the Committee.

**Q11**

Recommendation

*When will CMS caseworker guidance on 50/50 day-to-day care be updated (recommendation at paragraph 87 of our Report).*

Response

CMS has prioritised updating the guidance on 50/50 day-to-day care. User testing is due to commence in August 2023, with a view to it being available to all caseworkers from early September 2023.

As part of its Modernisation Programme, CMS are committed to making improvements to caseworker guidance.

**Q12**

Recommendation

*Your response to our recommendation at paragraph 92 focusses on communications relating to CSA, our recommendation was not focussed on CSA communications but CMS cases in general. Taking into account experiences summarised in the Annex of our Report, please can you provide a further response on communications with receiving and paying parents who use the CMS;*

Response

As part of its Modernisation Programme, CMS are making gradual improvements to customer communications, this will be a lengthy process.

CMS has noted the experiences of customers as summarised in the annex of your report in relation to:

- **Weekend and out of hours communications:** In May 2023 CMS introduced changes to the My Child Maintenance Case digital system to ensure that all emails or SMS from MCMC are sent during working hours. The exception to this is when the customer has requested action themselves (e.g., Password reset).
- **Tone of communication:** CMS are undergoing a content review of all customer letters, firstly focusing on the highest profile letters throughout 23/24. Letters and accompanying inserts are being rewritten by content designers to improve tone of voice, reading age and content length. For example, following user research changes have been made to the Paying Parents initial letter to make it less jarring. The length of the letter has been reduced, the content amended to be more easily read and with a more neutral tone. There is now more emphasis on the actions the Paying Parent is required to take and much less on the enforcement powers available. This letter will start being used from August 2023.
- **Enforcement:** CMS consider the use of robust enforcement measures where customers consistently refuse to meet their obligations towards their children. Where a parent fails to pay on time or in full, CMS' strategy is to tackle payment breakdowns at the earliest opportunity; enforcement measures are first utilised as a deterrent to re-establish compliance and collect any unpaid amounts which have accrued. Where this proves unsuccessful the CMS has a range of strong enforcement powers which are designed to get money flowing quickly, prevent the build-up of arrears and ensure children get the financial support they deserve.
- **Rationale for arrears:** Following a change of circumstances or annual review, all communications provide a comprehensive breakdown of how the calculation has been reached along with a payment schedule. It is the Paying Parents responsibility to make correct payments as set out in the payment schedule. The setup of each case and each arrears balance is unique and as such CMS does not routinely offer a calculation breakdown of arrears.
- **Disclosing the salary used to calculate a maintenance assessment:** The requirement to provide information on how the CMS has calculated a maintenance liability, including the gross weekly income of the Paying Parent is a legislative requirement. This ensures transparency in decision making so both parents can challenge the decision should they think it is wrong. There are no plans to change this legislation.

**Q13**

Recommendation

*What is the Government's response to the Committee's proposal at paragraph 110 that the Department should provide the Committee with quarterly data on progress of assigning customers with named caseworkers*.

Response

CMS do not routinely assign individual caseworkers to a customer's case. If CMS were to assign cases to a single caseworker and they were unavailable, CMS would not be able to provide a service to the customer. There would also be funding implications.

CMS recognises that in some circumstances there is a need for tailored services, and for their most vulnerable customers already provide a bespoke customer journey.

Additionally, in response to recommendation 4 from the Domestic Abuse Independent Review of the CMS, on complex cases where there has been domestic abuse, a pilot has commenced providing customers with a single named caseworker.

The pilot will run throughout 2023, and the CMS will begin to evaluate the findings of the pilot from early 2024. Commencement of any additional activity as part of the Service Modernisation Programme will be informed by the value for customers and the cost to the Department.

We are not able to commit to providing quarterly data until this activity has been completed.

**Q14**

Recommendation

*What explains the high Independent Case Examiner (ICE) wait time and what steps is the Government taking to tackle it—in response to a PQ I tabled, the Department said that "The average time taken, as of 23 May 2023, from complaint receipt to allocation to an investigator (based on all current live cases being investigated) is 71 weeks for CMS cases".*

Response

Post Covid, the ICE saw a significant increase in referrals relative to its normal intake. Overall referrals were up 21% in 2021-22 and 2022-23 relative to intake of 3859 in 2019-2020.

Accepted cases were also up by 553, equating to 32% (just over 1700 each year) in both years compared to 2019-20 (total 1156).

For CMS, the volume of accepted cases more than doubled in 2021-22 and doubled in 2022-23 relative to 2019-20: in 2019, ICE accepted 375 CMS cases compared to 959 in 2021-22 and 783 in 2022-23. This has resulted in increased wait times. In response, ICE has recruited 25 staff since April 2022, with a further 2 recruits due to join in August. The unit has also changed its operating model and introduced process enhancements. The combined effect of these is increasing the number of investigations completed. The unit anticipates some lag before the effects of these improvements are evident in reduced wait times over the coming months. It continues to explore further initiatives to increase productivity.

With kind regards.

James Younger

**VISCOUNT YOUNGER OF LECKIE**
**PARLIAMENTARY UNDER SECRETARY OF STATE FOR WORK AND PENSIONS**

**Work and Pensions Committee**

12 July 2023

**Viscount Younger of Leckie**
Parliamentary Under-Secretary of State
Department for Work and Pensions
(By e-mail only)

Dear Viscount Younger,

**Government Response: Children in poverty: Child Maintenance Service**

Thank you for sending the Government Response to the Committee's Report, *Children in poverty: Child Maintenance Service*.

It is important that the Child Maintenance Service functions effectively to support children in separated families and to ensure that an appropriate and effective arrangement is reached between paying and receiving parents. The Committee was therefore concerned, having considered the Government Response, that the detail of a number of our recommendations does not seem to have been adequately dealt with in your Response.

I would therefore be grateful if you could answer the following questions:

1. what is the Government's response to the Committee's proposal at paragraph 24 that CMS should undertake a survey, at least once every 12 months, on the effectiveness of Direct Pay arrangements;
2. what is the Government's response to the Committee's proposal at paragraph 25 that "child maintenance arrears reaching half of the current average arrears" should be a trigger to move to a Collect and Pay arrangement;
3. will the Government publish an estimate of fraud and error and a timeline for when it will include unearned income in the initial calculation (recommendation at paragraph 38 of our Report);
4. how, in the absence of an estimate and target reduction rate for fraud and error, will the Department assess the effectiveness of its "proportionate and cost-effective [fraud and error] controls" (response to recommendation at paragraph 38 of our Report);
5. what is the Government's response to the Committee's proposal at paragraph 40 that a specialist caseworker should be assigned to cases where the paying parent's income is from self-employment;
6. where is the work needed to the Universal Credit (UC) system for partial deductions ranked in terms of priority of requests for changes to the UC system (recommendation at paragraph 44 of our Report);
7. please provide the full deduction priority list (recommendation at paragraph 46 of our Report);

8. could you please provide a more detailed timeline for when the Government aims to have completed the various pieces of work arising from the Callan review (recommendation at paragraph 57 of our Report);
9. when does the Government plan to commence the provisions in the Child Support Collection (Domestic Abuse) Act 2023 (recommendation at paragraph 58 of our Report);
10. when does the Government plan to make changes to calculation levels, as your response indicates it will (recommendations at paragraphs 76–79 and 85 of our Report);
11. when will CMS caseworker guidance on 50/50 day-to-day care be updated (recommendation at paragraph 87 of our Report);
12. your response to our recommendation at paragraph 92 focusses on communications relating to CSA, our recommendation was not focussed on CSA communications but CMS cases in general. Taking into account experiences summarised in the Annex of our Report, please can you provide a further response on communications with receiving and paying parents who use the CMS;
13. what is the Government's response to the Committee's proposal at paragraph 110 that the Department should provide the Committee with quarterly data on progress of assigning customers with named caseworkers; and
14. what explains the high Independent Case Examiner (ICE) wait time and what steps is the Government taking to tackle it—in response to a PQ I tabled, the Department said that "The average time taken, as of 23 May 2023, from complaint receipt to allocation to an investigator (based on all current live cases being investigated) is 71 weeks for CMS cases".

I would be grateful for your reply to these questions by Wednesday 23 August so that we can consider your responses at our first meeting after the summer recess. As is usual practice with the Committee's correspondence, I will be publishing this letter and your response on the Committee's website.

Yours sincerely,

Stephen Timms

**Rt Hon Sir Stephen Timms MP**
**Chair, Work and Pensions Committee**

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