

CORPORATE PARENTING BOARD

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**CHILD TRUST FUND ARRANGEMENTS FOR LOOKED
AFTER CHILDREN**

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PURPOSE OF THE REPORT

1. The purpose of this report is to provide the Corporate Parenting Board with information relating to Child Trust Fund accounts and the authority's responsibility with regard to these accounts for children looked after. The report includes an option appraisal about whether the authority should make contributions to the Child Trust Fund of looked after children and a draft policy and practice guidance document (Appendix 1).

BACKGROUND INFORMATION

2. The Child Trust Funds Act 2004 introduced a long-term savings and investment account for all children to allow them to build up savings for when they reach 18 years of age. The scheme started on 1st April 2005. The intention is that the Child Trust Fund will :
 - ◆ help people understand the benefits of saving and investing;
 - ◆ encourage parents and children to develop the savings habit and engage with financial institutions;
 - ◆ ensure that in future all children have a financial asset at the start of adult life to invest in their future; and
 - ◆ build on financial education to help people make better financial choices.

3. Children who were born after 31 August 2002 are eligible for a Child Trust Fund (CTF) if child benefit has been awarded for them, they live in the UK and they are not subject to immigration restrictions. HM Revenue & Customs sends a £250 voucher to the child benefit claimant, which can be used to open the CTF account. Children living in low-income households will receive an extra £250. There is a further payment made by HM Revenue & Customs on the child's 7th birthday with additional amounts for low-income families and for children who are looked after on their 7th birthday. The voucher can be used by a person with parental responsibility to open a CTF account with a provider of their choice. If the CTF account is not opened within a year from the date of issue of the voucher, HM Revenue & Customs will open an account for the child.
4. Family and friends are able to contribute up to £1,200 per year to the Child Trust Fund. Any growth achieved by the CTF is tax-free and the child/young person can access the fund on his/her 18th birthday. Early access to the account will be available to children who are terminally ill.

THE CTF AND LOOKED AFTER CHILDREN

5. The Government wants to ensure that looked after children benefit from the CTF in the same way as other children. The CTF regulations make specific reference to looked after children. Under these regulations, local authorities are required to make monthly returns to HM Revenue & Customs giving details of any children who have become looked after in that month and were born on or after 1st September 2002. The returns enable HM Revenue & Customs to determine whether or not a CTF has been set up for the child and if not, HM Revenue & Customs will open a CTF account for the child.
6. The Regulations are clear that for the purposes of the CTF, the local authority is not deemed to have parental responsibility in any circumstances. This means that the local authority can neither set up nor become the 'registered contact' for a CTF for a child in their care. Parents of looked after children are encouraged to take on the management of their child's CTF account in the same way as other parents. Where there is no-one with parental responsibility (e.g. orphans with no legal guardian) or there is someone with parental responsibility but it would be inappropriate for him/her to manage the CTF account (e.g. where contact is restricted due to abuse), the Official Solicitor will manage the CTF account for the child.
7. Although the local authority cannot be the registered keeper for the CTF account of a child in its care, the guidance says that '*local authorities are welcome to contribute to the child's CTF*'. Also, as management of the fund reverts to the young person when they reach 16 years of age, the local authority will be expected to be able to advise and assist the young person with this task.
8. The Institute for Public Policy Research, who initiated the research which led to the Act, have gone further in recommending local authorities contribute to the CTF for looked after children. The Institute suggests that each local authority should invest at least £50 a year in each CTF for each child in their care. The argument is that a good parent would be expected to top up the child's CTF by £50 per month. Therefore local authorities as Corporate Parents should do no less than this to contribute towards the future economic wellbeing of this next generation of care leavers. It further adds that '*inaction on the part of local authorities and the*

inequalities that result will be very hard to justify when the children reach 18. Looked after children have a greater need than their peers and are less likely to have their own assets. The cost of the policy is unlikely to be high but the benefits will be considerable'.

9. The Institute report acknowledges the dilemmas faced by local authorities in relation to how to determine eligibility criteria for contributions to CTF accounts for looked after children. It notes the key issues for local authorities to resolve around who should get a deposit, how much should be given and how to ensure their deposits are sustainable and additional to existing services. The report recommends giving £50 per year to all children who are looked after for a set length of time, suggesting 13 weeks to be consistent with the Children (Leaving Care) Act 2000.

OPTION APPRAISAL

10. The Options therefore are:
 - ◆ **Option 1 - Middlesbrough Council will not contribute to the Child Trust Funds of looked after children.** Those children currently looked after aged over 4 years will not have access to a CTF. In addition, the vast majority of children with whom Family Services work are not looked after, their parents may not be able to contribute to their CTF. Therefore by contributing to the CTF for looked after children who are eligible, the authority may actually be contributing to greater inequalities for those leaving care between now and 2020 and in the neighbourhoods from which looked after children originate.
 - ◆ **Option 2 - Middlesbrough Council will contribute £50 per year to the CTF for all eligible looked after children.** In Middlesbrough there are currently 31 children looked after eligible for a CTF. This investment would therefore cost the Council approximately £1,550 in the 2007/08 financial year. Those who meet the criteria however, are a changing population as children looked after aged under four years usually have plans for permanence in place which ultimately removes them from the looked after system. Therefore only one contribution may be made before a child ceases to be looked after. This process may be difficult to administer as a payment would need to be made on a set date and only those eligible children looked after on that date would receive a payment.
 - ◆ **Option 3 - Middlesbrough Council will contribute £50 per year to the CTF for all eligible looked after children who have been looked after for a set period of time.** For the current looked after population, if the Council set an eligibility criterion of 13 weeks, this would incorporate 21 children at a cost of £1,050 in the 2007/08 financial year. An eligibility criterion of one year would incorporate 11 children of the current looked after population and cost £550 this financial year. The basis for suggesting the criterion of one year is that those children who do not return home or are placed for permanence within a year are likely to be the children who will remain looked after long term.
 - ◆ **Option 4 - Middlesbrough Council will contribute £50 per year to the CTF for all eligible children and establish a trust/savings fund for all looked after children who do not meet the eligibility criteria and have been looked after for a set period of time.** This option offers equality and investment for all

looked after children with the Council establishing a savings account which would mature when the child attains 18 years of age in the same way as the CTF. It would ensure that all future young people leaving care have some assets to support them in their transition to adulthood and independence, rather than only those who attain 18 years in 2020. This option however has greater financial implications than the first three options. Based on the current looked after population, there are 218 children who have been looked after for 13 weeks or more and 168 who have been looked after for 1 year or more. The projected costs in the next financial year, and each year thereafter would be £10,900 and £8,400 respectively.

11. The Senior Management Team within the Children Families and Learning Department has considered these options. Their recommendation is that Option 3 would be the preferred option with an eligibility criterion of a payment being made for all children who have been looked after for more than one year.

CONCLUSION

12. This report provides the Corporate Parenting Board with information about the Child Trust Fund, which was introduced in 2005 and provides all children with a financial lump sum that will mature on their 18th birthday.
13. The report details the argument put forward by the Institute for Public Policy Research that, as Corporate Parents, local authorities should contribute to the Child Trust Fund of looked after children as an investment in their future and to help to relieve the asset poverty of children leaving care.
14. The report puts forward four options for consideration by the Council in making a decision about this matter

FINANCIAL, LEGAL AND WARD IMPLICATIONS

15. There are no legal implications in this report as, to date, the issue of contribution to Child Trust Funds for looked after children is subject to guidance. There are no specific Ward implications; this report relates to looked after children who originate from all the wards of the town.
16. There are financial implications to this report. If the Council takes a policy decision to contribute to the Child Trust Funds of looked after children, a budget will need to be identified on a long term basis with a growth projection to sustain this commitment. The financial commitment will increase year on year as the percentage of looked after children eligible for Child Trust Funds grow until the date when all children are eligible, 31 August 2020. However, if appropriate eligibility criteria were set and given the aims of the service to reduce the numbers of looked after children, plan for permanence and promote Special Guardianship, this figure is likely to fall in coming years leading to a reduction in the estimated annual cost. Using the eligibility criterion of children being looked after for at least one year and based on the current looked after population, this would mean the total costs in 2007/08 would be £550 increasing to £8,400 by 2020.

RECOMMENDATIONS

17. It is recommended that the Corporate Parenting Board advises the Executive to:
- a. Consider the issue of Child Trust Funds and the option appraisal contained within this report
 - b. Adopt the approach outlined in option three, namely that Middlesbrough Council make an annual contribution to the Child Trust Funds of children looked after who meet the eligibility criteria, the amount to be £50 per year initially.
 - c. Approve the policy statement and practice guidance for staff (Appendix 1).

REASONS

18. As Corporate Parents, the Council should aspire to the best upbringing it can for the children in its care contributing to the economic well being of the next generation of care leavers.

BACKGROUND PAPERS

- ◆ The Child Trust Funds (Amendment Number 2) Regulations 2004 (SI 2004 No. 3382)
- ◆ Child Trust Funds and Looked After Children Guidance for Local Authorities (England and Wales) DfES 2005
- ◆ Child Trust Funds and Local Authorities, Challenges and Opportunities Maxwell 2004

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DRAFT CHILD TRUST FUND ARRANGEMENTS FOR CHILDREN LOOKED AFTER

Introduction

The Child Trust Act 2004 introduced a long-term saving and investment account for all children to allow them to build up savings for when they reached 18 years of age. The purpose of the Child Trust Fund is to:

- ◆ help people understand the benefits of saving and investing;
- ◆ encourage parents and children to develop the savings habit and engage with financial institutions;
- ◆ ensure that in future all children have a financial asset at the start of adult life to invest in their future; and
- ◆ build on financial education to help people make better financial choices.

This scheme started on 1 April 2005. All children who were born after 31 August 2002 are eligible for a Child Trust Fund (CTF) if child benefit has been awarded for them, they live in the UK and they are not subject to immigration restrictions. HM Revenue & Customs sends a £250 voucher to the child benefit claimant, which can be used by the person with parental responsibility to open a CTF account with a provider of their choice. An additional payment to low-income families will be made on the child's 7th birthday. Family and friends are able to contribute up to £1,200 per year to the Child Trust Fund. Any growth achieved by the CTF is tax-free and the child can access the Trust on his/her 18th birthday.

An additional payment will also be made by HM Revenue & Customs to children who are looked after on the child's 7th birthday. The White Paper *Care Matters: Time for Change* builds on the 2004 Act and the government makes a commitment to invest £100 per year in the CTF account of every child who spends the year in care, starting from 2008.

Policy Statement

Middlesbrough Council wants children looked after to benefit from Child Trust Fund accounts in the same way as other children. As a corporate parent, the Council accepts its responsibility to contribute to the future economic wellbeing of the next generation of care leavers. To this end, Middlesbrough Council will contribute an annually agreed amount to the Child Trust Fund account of all children who have been looked after by Middlesbrough Council for more than one year.

This policy is in accordance with:

- ◆ Child Trust Funds and Looked After Children Guidance for Local Authorities (England and Wales) DfES 2005
- ◆ Child Trust Fund Regulations 2004 (as amended)
- ◆ Middlesbrough Children, Families & Learning Strategic Objectives for Children's Services
- ◆ Middlesbrough Council's commitment to promote social inclusion

Putting the Policy in to Practice

Parental Responsibility

The Child Trust Fund Regulations 2004 are clear that, for the purposes of the CTF, the local authority is not deemed to have parental responsibility **in any circumstances**. This means that the local authority can neither set up nor become the 'registered contact' for a CTF for a child in their care. Parents of looked after children are encouraged to take on the management of their child's CTF account in the same way as other parents.

All Children, Families & Learning staff who work with parents whose child is looked after should offer support to them in setting up and managing their child's Trust Fund. In particular, social work staff should:

- ◆ seek to ensure that the parents of all children looked after set up a Child Trust Fund for their child/children
- ◆ find out the name of the provider and the child's unique reference number, where parents have a CTF in place.
- ◆ record this information on the Integrated Children's System
- ◆ ask the parent for details of any information s/he may have received relating to the above where it is apparent the Inland Revenue may have established the CTF

If it is not possible to obtain this information from the child, its parents or other person with parental responsibility, the Management Information Officer can ask the Child Trust Fund Office for account information. This information will not be routinely available and such requests must be made only as a last resort.

In situations where:

- ◆ there is no-one with parental responsibility (e.g. orphans with no legal guardian) or
 - ◆ there is someone with parental responsibility but it would be inappropriate for him/her to manage the CTF account (e.g. where contact is restricted due to abuse),
- the Official Solicitor will manage the CTF account for the child. For a child looked after to be treated as having no one or no one appropriate with parental responsibility, at least one of the following conditions must apply:

Condition 1: where there is no person, or no person other than the local authority, who has parental responsibility for the child.

Condition 2: where it is part of the care plan for the child that the child will live indefinitely away from the home and will not have face to face contact with any parent having parental responsibility for the child.

Condition 3: where an order has been made under section 34(4) of the Children Act 1989 authorising the local authority to refuse to allow contact between the child and a person with parental responsibility and there is no one else in a position to manage the child's CTF account.

Condition 4: where the Court of Protection has appointed a receiver for a person with parental responsibility or determined that such a person is a 'patient' for the purposes of section 7 of the Mental Health Act, and there is no one else in a position to manage the child's CTF account.

Condition 5: where the child has been lost or abandoned (within the meaning of section 20(1)(b) of the Children Act 1989) and there is no prospect for the foreseeable future of reunification.

The guidance emphasises that all local authorities are expected to ensure that children in their care do not miss out on the CTF. In the worst case, a child might consider seeking redress from the local authority if they discover at a later date that the authority's failure to fulfil its obligations has disadvantaged him or her.

Management of the CTF

Money in a CTF account can be withdrawn only by the child once they are 18 years or older. The account and the money belong to the child but the account is managed by the person with parental responsibility until the child is 16 years of age, at which point management of the CTF reverts to the young person. Early access to the account is available to children who are terminally ill. In such a case, the person with parental responsibility must ask permission from HM Revenue & Customs.

Social work staff are expected to advise and assist the parents of children looked after in relation to the management of their child's CTF account. Support will also be provided to young people aged over 16 to help them to manage their fund. This includes the provision of financial education to help them to manage their money successfully.

Administrative Arrangements

Statutory Requirements

Middlesbrough Council is required to make a monthly return to the HM Revenue & Customs giving details of any children who:

- ◆ became looked after in that month
- ◆ were born on or after 1st September 2002 and
- ◆ are not subject to immigration restrictions.

The Management Information Officer undertakes this task, using data stored electronically.

The HM Revenue & Customs then determines whether or not a CTF has been set up for these children. If a child does not have a CTF account, the HM Revenue & Customs will set up an account for that child.

Payments by Middlesbrough Council

The Management Information Officer will identify children who have been looked after by the authority for more than one year on a monthly basis using data stored electronically. This information will be passed to the appropriate Finance staff who will arrange for a payment to be made into the child's Trust Fund. The level of payment to be made into Child Trust Fund will be reviewed annually.

Social work staff **must** ensure that data stored electronically is kept up to date in order that children looked after receive the payments to which they are entitled.

Ceasing Payments

Middlesbrough Council will make an annual payment for each child who has been looked after for more than one year. Where a child ceases to be looked after, via adoption, revocation of a Care Order or when an accommodated child returns to the care of his/her parent/s, the local authority will cease payment. In these cases, the responsibility for the

CTF will transfer to the parent to make future contributions. Identification of these children will be undertaken by the Management Information Officer who will notify the appropriate finance staff.