Agenda Item: 5

MIDDLESBROUGH COUNCIL

Corporate Parenting Board

CHANGES TO THE CHILD TRUST FUND

Executive Member for Children, Families & Learning: Cllr Mike Carr

Director of Children, Families & Learning: Gill Rollings

31 March 2011

PURPOSE OF THE REPORT

1. To inform the Corporate Parenting Board of changes to the Child Trust Fund rules, which came into effect from August 2010.

SUMMARY OF RECOMMENDATIONS

2. It is recommended that the Corporate Parenting Board advise the Executive to note the information relating to the change in Child Trust Fund arrangements.

IF THIS IS A KEY DECISION, WHICH KEY DECISION TEST APPLIES?

3.

It is over the financial threshold (£75,000)	
It has a significant impact on 2 or more wards	✓
Non Key	

DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is

Non-urgent	✓
Urgent report	

If urgent, please give full reasons.

BACKGROUND AND EXTERNAL CONSULTATION

5. In August 2007, Members of the Corporate Parenting Board were presented with the following background information regarding the Fund, which remains relevant to give context to the proposed changes.

6. 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 1 April 2005. The intention was that the Child Trust Fund would:

   - 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;
   - Build on financial education to help people make better financial choices.

7. Children who were born after 31 August 2002 were eligible for a Child Trust Fund (CTF) if child benefit had been awarded for them, they lived in the UK and they were not subject to immigration restrictions. HM Revenue & Customs sent a £250 voucher to the child benefit claimant, which could be used to open the CTF account. Children living in low-income households would receive an extra £250. There was 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 were looked after on their 7th birthday. The voucher could be used by a person with parental responsibility to open a CTF account with a provider of their choice. If the CTF account was not opened within a year from the date of issue of the voucher, HM Revenue & Customs would open an account for the child.

8. Family and friends were able to contribute up to £1,200 per year to the Child Trust Fund. Any growth achieved by the CTF was tax-free and the child/young person could access the fund on his/her 18th birthday. Early access to the account would be available to children who were terminally ill.

THE CHILD TRUST FUND AND LOOKED AFTER CHILDREN

9. In introducing the CTF, the then Government wanted to ensure that looked after children benefited from what the fund offered in the same way as other children. The CTF regulations made specific reference to looked after children. Under these regulations, local authorities were required to make monthly returns to HM Revenue & Customs, giving details of any children who had become looked after in that month and were born on or after 1 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 would open a CTF account for the child.

10. The Regulations were 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 could neither set up nor become the 'registered contact' for a CTF for a child in their care. Parents of looked after children were to be

encouraged to take on the management of their child's CTF account in the same way as other parents. Where there was no-one with parental responsibility (e.g. orphans with no legal guardian) or there was 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 would manage the CTF account for the child.

11. Although the local authority could not be the registered keeper for the CTF account of a child in its care, the guidance said 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 would be expected to be able to advise and assist the young person with this task.

12. The Institute for Public Policy Research, which initiated the research that led to the Act, went 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 being that a good parent would be expected to top up the child's CTF by £50 per year. 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 added 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'.*

13. The Institute report acknowledged 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.

14. An option appraisal was then given, as follows:

Option 1 - Middlesbrough Council will not contribute to the Child Trust Funds of looked after children.

Option 2 - Middlesbrough Council will contribute £50 per year to the CTF for all eligible looked after children.

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.

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.

15. The option preferred by the Senior Management Team at this time was Option 3 and was recommended to Corporate Parenting Board Members. This option required the Local Authority to make a contribution of £50 per year to the CTF account of every child or young person meeting the criteria, i.e. those who had remained looked after for a period of one 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.

IMPLEMENTATION

16. The intention of the local authority was to use the Care Matters Grant to fund the contributions to each child's CTF account. It is now apparent that, due to system failure, i.e. non-establishment of details about the child's account (Social Worker was to have gathered this from the parent); no details recorded on ICS regarding the account; difficulties in identifying parental responsibility from ICS data (crucial for reporting to CTF) and no specific person identified (finance officer) to make arrangements for payment to the child's account, no eligible child has received what the council agreed to contribute in 2007.

17. More positively, the council has recorded and reported to the CTF those children and young people who are eligible to receive an annual contribution. It must now make a judgement as to whether each of them should receive that payment retrospectively. In this case, payment would be made to a total of 78 children at a cost of £6,150.

CHANGES TO THE TRUST FUND RULES FROM AUGUST 2010

18. On 24 May 2010 the Government announced that it intended to reduce and then stop Government payments to Child Trust Fund accounts. Parliament has now passed the Regulations necessary to introduce the first stage of these changes with effect from August 2010. The effects will be as follows:

- **Starting payments** – parents of eligible children for whom child benefit is first paid from August 2010 will receive a £50 voucher from the Government to start a CTF account for the child. Typically, children born on or after 2 August will receive a £50 voucher.

- **Children being looked after by local authorities –** On 19 October the Economic Secretary to the Treasury confirmed in Parliament that Government contributions to top-ups for Child Trust Funds (CTFs) for looked after children would stop in line with the ending of eligibility for CTFs for all children. From the end of 2010, local authorities in England will no longer be required to make £100 top-up payments to children for every year they have been looked after by the authority.

- Where children being looked after by local authorities do not have a Child Trust Fund, the government opens an account for them with an initial payment to kick-start the account. For children being looked after by local authorities who were born on or after 2 August 2010, the government payment into such an account will be £100.

- **Child Trust Fund accounts after December 2010 –** Children born after December 2010 will not be eligible for a Child Trust Fund, but accounts set up for eligible children will continue to benefit from tax-free investment growth and no withdrawals will be possible until the child reaches 18. The child, friends and family will continue to be able to contribute up to an overall total of £1,200 a year and it will still be possible to change the type of account and/or move it to another provider.

19. **The Department for Education states** 'Government recognises the importance of making sure that looked-after children get the appropriate ongoing support and guidance they need to prosper and lead fulfilling lives. The Treasury has announced that the Government will introduce new tax free savings accounts, likely to be known as 'Junior ISAs' to provide parents with a clear and simple way to save for their children's future. There will be no government contributions to these accounts, and accounts will not be opened for all children (as with the CTF). However, the Government will ensure that local authorities can open such accounts for children they look after, if they choose to do so. In addition, third parties (including local authorities and charities), birth parents and foster carers can contribute to the accounts'.

EQUALITY IMPACT ASSESSMENT

20. The Child Trust Fund was established to ensure that children looked after and leaving care were not financially disadvantaged by virtue of their 'looked after status'. The current government has removed the statutory requirement for the fund; the Council is therefore upholding the government's position that this will not lead to this vulnerable group experiencing discrimination.

OPTION APPRAISAL

21. There are two options available regarding future contributions to the Children's Trust Fund for Children Looked After:

    Option A – Middlesbrough Council will, once the retrospective payments have been made to those children and young people described above, cease to make contributions to those children who have a CTF.

    Option B - Middlesbrough Council will make an annual contribution to each child/young person with a CTF as set up under the original Regulations and Guidance.

22. The Senior Management Team have recommended that Option B is agreed as the preferred option.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

23. There are no Legal or Ward implications arising from this report. There are, however, financial implications in terms of the need to make retrospective payments of £50 per annum to all eligible children and young people, as outlined above.

RECOMMENDATION

24. It is recommended that the Corporate Parenting Board advise the Executive to note the information relating to the change in Child Trust Fund arrangements.

REASONS

25. As Corporate Parents, the Council should aspire to provide excellent parenting and the best of opportunities to children and young people in its care. This includes contributing to the economic well-being of the next generation of care leavers and making this at least comparable with the situation of their peers who are not looked after or leaving care.

BACKGROUND PAPERS

26. The following background papers were used in the preparation of this report:

- Report to the Corporate Parenting Board 02.08.07 – Child Trust Fund Arrangements for Looked After Children.
- Government Website re Children's Trust Fund Guidance and Regulations
- Department for Education Website

Author: **Jane Wilson, Specialist Services Manager**
Tel No: **201941**

Address: *PO Box 69, Vancouver House, Gurney Street, Middlesbrough, TS1 1EL*
Website: http://www.middlesbrough.gov.uk