

## **EAST AYRSHIRE COUNCIL**

**SOCIAL WORK COMMITTEE : 24 MARCH 2005**

### **INTRODUCTION OF CHILD TRUST FUNDS**

#### **Report by the Executive Director of Educational and Social Services**

#### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide members with information regarding the introduction and operation of Child Trust Funds and to highlight responsibilities which Local Authorities will have in the context of looked after and accommodated children.

#### **2. BACKGROUND**

- 2.1 Child Trust Funds were first announced in the 2003 Budget and are a long term savings and investment account being introduced by the Government from April 2005.
- 2.2 This initiative is part of the Government's overall strategy to encourage savings and aims to encourage parents and children to develop this habit while at the same time ensuring that children have a financial asset when they reach the age of 18.
- 2.3 The scheme will be administered by the Inland Revenue, with access being subject to Child Benefit entitlement and because of this, no claims require to be made for Child Trust Funds.
- 2.4 Because Child Benefit is not payable in respect of children who are looked after and accommodated by Local Authority, special arrangements have been put in place to ensure that such children do not lose out

#### **3. ELIGIBILITY AND PAYMENTS**

- 3.1 Children born on or after 1 September 2002, in respect of whom Child Benefit is awarded, will be eligible to receive a voucher worth at least £250 to start their Child Trust Fund account.
- 3.2 The voucher, along with an information pack, will be sent to the Child Benefit claimant, who will usually be the mother, by the Inland Revenue.
- 3.3 An additional amount of at least £250 will be paid in respect of children whose families are in receipt of the full rate of Child Tax Credit, Income Support or Job Seekers Allowance. The equivalent of this additional payment will also be made in respect of children looked after and accommodated by the Local Authority.
- 3.4 Further payments will be made when children reach the age of 7, with additional payments again going to those in low income families and others who are accommodated by the Local Authority.

## **4. LOCAL AUTHORITY RESPONSIBILITIES**

- 4.1 In order to ensure that looked after and accommodated children do not miss out, Local Authorities have a statutory duty to provide specific information to the Inland Revenue to facilitate the establishment of Child Trust Funds in circumstances where this is appropriate.
- 4.2 Information requires to be provided on children entering care for the first time, situations where there is no one, or no one appropriate with parental responsibility and children born on or after 1 September 2002 who are looked after on 6 April 2005.

## **5. LOOKED AFTER CHILDREN**

- 5.1 In situations where a child who would otherwise have been subject to a Child Benefit claim and eligible for a Child Trust Fund, goes into care shortly after being born or arriving in the UK, a Child Trust Fund account for that child will be opened by the Inland Revenue.
- 5.2 Children entering care in respect of whom Child Benefit has already been awarded will be eligible for a Child Trust Fund account in the normal way, with parents being encouraged to take on management of their child's account.

## **6. OPERATIONAL ISSUES**

- 6.1 The parent or responsible person will require to use the voucher to open a Child Trust Fund account with an approved provider, ie bank, building society, etc. and will subsequently become the 'registered contact' for the account.
- 6.2 If a Child Trust Fund account is not opened within a year, the Inland Revenue will open one on the child's behalf and write to the Child Benefit claimant encouraging them to become the registered contact for that account.
- 6.3 Money in a Child Trust Fund account cannot be taken out by anyone other than the child and only by the child when they reach the age of 18.
- 6.4 Although Local Authorities can assume parental responsibility for a child, they are prevented by legislation from managing Child Trust Funds accounts. In this circumstance Trust Funds will be managed by the Inland Revenue.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There are no particular financial implications.

## **8. LEGAL IMPLICATIONS**

- 8.1 Section 16 of the Child Trust Funds Act 2004 and Regulation 33 of The Child Trust Funds Regulations 2004 specify Local Authority responsibilities in the context of supplying specific information to the Inland Revenue regarding looked after and accommodated children.

## **9. POLICY IMPLICATIONS**

9.1 Nil.

## **10. RECOMMENDATIONS**

10.1 It is recommended that Committee:

- (i) note that the local authority requires to submit a monthly return to the Inland Revenue;
- (ii) otherwise note the content of the report.

**John Mulgrew**  
**Executive Director of Educational and Social Services**  
**24 February 2004**  
**Enc (0)**

### **LIST OF BACKGROUND PAPERS**

Nil

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