CHILDREN YOUNG PEOPLE AND SKILLS COMMITTEE	Agenda Item 9 Brighton & Hove City Council

Subject:		**Establishing a Savings Fund for Careleavers**	
Date of Meeting:		**6th June 2016**	
Report of:		**Executive Director for Children's Services**	
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Key Themes:		**Children in Care – increasing savings and establishing a fund for those Leaving Care to access**	

1. PURPOSE OF REPORT

1.1 The Lead Member for Children's Services asked officers to look at establishing a savings arrangement for individual young people whereby funding is available to young people when they become Care Leavers to enable them to choose how to spend this money.

1.2 A report was presented to the Corporate Parenting Board to decide the arrangement that they would like to have in place for increasing existing savings and with regards establishing the new fund to be accessed in adult hood

1.3 This report seeks to inform the Children, Young People and Skills Committee about the discussion and decisions of the Corporate Parenting Board on the 21st March 2016

1.4 The following is the report and considerations put before the Corporate Parenting Board

1.5 The decisions made by the Corporate Parenting Board were

1. To establish a Trust Fund which secures funding from corporate sponsors or individuals to be able to:
    a. Increase the deposits made to Childrens ISA's or Trust Funds
    b. Receive applications from young adults who have left care for a wide range of aspirations. Ideas discussed were : specific experiences; purchases; training; set up help for business ideas; equipment for the home.

2. Ensure that young people receive advice with regards spending larger sums of money

2. Report as submitted to Corporate Parenting Board

RECOMMENDATIONS

2.1 That the Committee note the report and decisions of the Corporate Parenting Board

3. BACKGROUND INFORMATION

3.1. The current situation

There are currently 220 Young People known as ‘ leaving care’ (over the age of 18) and 460 children in care. Children in care born between 1 September 2002 and 1 January 2011 have previously received support for their long-term savings through the Child Trust Fund (CTF). They will keep their CTFs until their 18th birthday, when they can access their savings. Junior ISAs were designed to replace CTFs following the end of the CTF scheme. No one can hold both a CTF and a Junior ISA

3.2. Children’s Trust Fund

The Child Trust Fund is a long-term tax-free savings account for all children born between 1 September 2002 and January 2011. This scheme involved a voucher worth £250 which was sent to the child benefit claimant, with a further £250 for children of families on low incomes. Towards the end of the scheme the voucher was for £50, with a further £100 for children of families on low incomes. A person with Parental Responsibility for the child could then open a Child Trust Fund account for that child with an approved Child Trust Fund provider, e.g. bank, building society etc. Children whose 7th birthday fell between 1t September 2009 and 31 July 2010 received an extra payment on their birthday of £250 (plus an extra £250 for low-income families/in care If after a year, no one had opened an account, the Inland Revenue opened an account for the child.

3.3. The money belongs solely to the child despite the fact that the person with Parental Responsibility manages the money until the child reaches 16. Young people aged 16 and over can take over the management but cannot make withdrawals until they are 18.Only the child can withdraw money from the fund when he or she reaches 18.

3.4. There were special rules for children in care as child benefit is not payable to them whilst they are looked after. If a child benefit award had been made for a child before he or she came into care, s/he was eligible for the fund account in the usual way. Where a child came into care soon after birth, the Inland Revenue opened a Child Trust Fund account for the child.

3.5. When the local authority had Parental Responsibility under a Care Order they were not entitled to open or manage a Child Trust Fund account. Where possible, the looked after child's parents were encouraged and helped to take on this responsibility. Exceptions are :

- Where the child lives permanently away from the parent with no face to face contact (including children whose plan is for adoption);
- Where there is a court order terminating their contact with the child;
- Where the parent is deemed to have significant mental health problems;
- Where the child is lost and abandoned and where there is no prospect for reunification.

3.6 At Present Children's Services do not hold a central record on all the children in care who hold a Children's Trust Fund. Work is currently under way to address this issue.

4. Junior ISA's

4.1 Following the governments decision to end awarding Child Trust Funds the issue of savings for CIC was taken up by children's charities, Barnardos and Action for Children. In November 2011, the Coalition Government announced a new scheme to support long-term savings for Looked After children working in partnership with these two charities. The rationale for this venture was:

- To provide a financial asset to vulnerable children who will be able to put it towards the costs associated with setting up home, transport or furthering their education.
- Supporting children - who may never have had a bank account or the opportunity to save before - in learning about saving, budgeting and managing money.
- That the best way to learn about the value of savings and investments is with real money in real accounts. Like any parent, the Government wants to provide the best support to children in its care and make sure they gain the same experience as any other young person.
- That the savings will help young people when they reach 18 and they are facing serious choices as they start out in the adult world. I am confident that, when combined with financial education, holding a real financial asset in a savings account will encourage these young people to learn about how to manage their money well.

4.2 The Government opened accounts with an initial £200 payment and hoped that individuals and organizations 'who want to invest in the futures of these vulnerable children will also contribute'.

4.3 Therefore, a Junior ISA is opened for every child (if they do not already have one) who has been Looked After for any continuous period of 12 months or more, starting on or after 3 January 2011, and who is not eligible for a Child Trust Fund. The Government provides an initial £200 payment to open the accounts. This includes children who are subject to a Care Order and who are accommodated under Section 20, whether in residential care, with a foster carer or at home.

4.4 Junior ISAs provide a tax-free way to save for under 18s. The money in a Junior ISA belongs to the child, but they can't take the money out until they are 18. They can then decide what they want to do with it. Because savings are locked into the account until the account holder's 18th birthday, Junior ISAs are for building long-term assets, rather than day-to-day savings. Junior ISAs automatically turn into a regular ISA when the child turns 18.

4.5 16 and 17 year olds

Once their account is opened, 16 and 17 year-olds are able to make decisions about how best to look after their money for themselves, though they still won't be able to access their savings until they are 18. Local authorities should, as they deem appropriate, use materials provided by The Share Foundation so that 16 and 17 year olds they are looking after, and care leavers, may assume investment control in this way.

4.6 Who can Pay Money into Junior ISAs?

Anybody can put money into a Junior ISA. This can include carers, local authorities or young people themselves. The total limit for payments into Junior ISAs is £4,000 in each tax year. Some LA's make additional contributions to Junior ISA's in their role as Corporate Parents.

5.0 The Share Foundation

The Share Foundation operates the Junior ISA scheme for children in care on behalf of the Department for Education. This is called 'Sharefound' the aim is described as 'building an inheritance for Children in Care.' They are responsible for:

- Opening ISA accounts with an initial Government contribution of £200
- Ensuring that these accounts are properly operated and invested appropriately with a range of Junior ISA providers
- Providing financial education to help ensure responsible use of the funds when the Junior ISA matures at age 18.
- Raising additional voluntary contributions by donation or fund raising to build the value of their accounts or by money transferred by carers or local authorities to individual accounts. The role of the Share Foundation is not only to administer all the ISAs for LAC (at a cost of £6 per fund per annum) across the country but also to raise additional private funds
- The foundation also has an existing scheme to encourage employee and company donations
- The foundation is putting together a 'Stepladder of Achievement' by which young people can earn additional money for their Junior ISA. Six steps: literacy, numeracy, simple financial capability, a statement of determination for their future, a more detailed step of financial capability, and help with finding a job or securing further education. If all six steps are achieved, there'll be an additional £1,500 in their Junior ISA ready for them when they reach 18. The systems are being built with help from the Linbury Trust, ForSkills, the Open University, Share Radio, and the Children's Society. The plan is to start in Greater London and "some other selected Local Authorities where we can secure funding. We'll then roll out the Stepladder across the United Kingdom."

5.1 The annual report on B&H Junior ISA's dated March 2015 tells us that currently we have 194 accounts with a total value of £40,202.49 and that, thus far 46 eighteen year olds have had a payment from their ISA. The report notes the inequality in the system where older children (now 13) with Child Trust funds as opposed to Junior ISA's will have larger funds built up.

5.2 The Corporate Parenting Board could consider adding to these individual ISA's through concerted fund raising ensuring that young people have more savings available to them. Other Authorities such as Warwickshire have already started to do this.

5.3 Warwickshire has set up a charitable trust to coordinate donations from both the council and corporate sponsors. They support care leavers financially through an application and awarding process. This trust is broader in its approach and is to support both children in care and those Leaving Care in ways that the Local Authority in its statutory functions does not.

5.4 Statutory guidance with regards these accounts states : "once an account has been opened ensure that, as an integral part of the care planning review and where it is appropriate to do so, the carer, parent and child are made aware of the account. "Independent Reviewing Officers should ensure local authorities carry out their duty as good corporate parents so that children who are eligible for a Junior ISA receive funding and, where appropriate, they and their carers and parents receive suitable advice about their accounts, both while they are looked after and when they cease to be looked after.

Examples of other savings accounts:

6.0 Newham Council has a savings account for each child in care and young person up to the age of 21. Newham saves £150 a year into this account and on their 21st birthday the young person receives a cheque. In addition between the ages of 18 to 21 each Care Leaver on low wages or in full time education receives one payment of £300 towards a holiday.

6.1 Surrey County Council ensure every child in care has a current account and also that they match fund in the ISA or Children's Trust Fund (aside from corporate or government donations) into the savings made by the child or others an amount capped at £260 a year.

7.0 Safeguarding Risks

Not all young people from any background mature at similar times. Young people who have come through the care system have vast differences in maturity emotionally, educationally and developmentally. Some young people will be quite able to make decisions about how they spend money, others will not. As any parent of children finds, it is not always possible to treat all children the same way with the same choices.

7.1 The dilemma for LA's was explicit in a recent serious case review regarding the severe injuries inflicted on a baby. The father was a care leaver from West Sussex and at the time their leaving care service operated with a very open access to monies given to set up accommodation with no oversight of the spend. In this particular case a large proportion of the money issued was spent on substances such as drugs and alcohol.

7.2 The review found , 'Whilst it is important to listen to the views of children and young people, there is also a need to act as a responsible corporate parent. The question of 'what would a good parent do?' when faced with a request for significant sums of money should be foremost in workers minds'

8.0 CONCLUSION

8.1 Establish separate savings accounts

The Council could work with a specific financial institution to develop a Brighton & Hove savings account for our children in care.

8.1.1 Benefits

- Savings accounts would be simple to establish
- Children can learn more about savings
- Available at 18 to all young people leaving care.
- As there is no certainty about how much money would be raised year on year this would give a fair apportion of available funds
- The new account could be established by this Board

8.1.2 Issues

- If substantial extra funds are raised there is no control of how an increase in money will be spent and some young adults may not be able to spend the extra money safely
- There would be a duplication with the Children's Trust Fund accounts and the ISAs
- There would be no flexibility to allocate additional monies for care leavers to support them in their early adult lives with for example support to purchase a car or a holiday.

8.2 Establish a Charitable Trust fund

The council could set up a specific trust fund which could receive donations from a variety of sources, including the council. This fund could direct a proportion of the money it receives to individual ISAs and as appropriate Child Trust Funds while at the same time keeping a central account which could be accessed by care leavers for specific support in their early adult lives.

8.2.1 Benefits

- Corporate Parenting Board members can be involved in processing applications alongside organisations trustees, or delegate to officers
- New fund set up by this Board
- Fund could be organised to be available to applications at an older age and so complement the existing system
- Fund could target key areas eg business set up, career development, further training, trips abroad to widen experience, furthering a creative idea such as a hobby or interest
- Grants could be of varying amounts
- Using the existing ISA arrangements will avoid duplication
- As there is no certainty about how much money would be raised each year the use of the ISa would ensure that every child in care would receive at least an enhanced ISA

8.2.2 Issues

- Advice is that to establish such a permanent fund requires an estimated 20 times the amount expected to be distributed and with an income of 5% of that figure.

8.3 Considering these options it is suggested that the second option is explored in more detail as it will both build on the existing ISA arrangement while also providing flexibility for later payments to care leavers in the way that many parents support their children currently. Where children currently have a historic trust fund account rather than an ISA an payment will be made into these accounts (at a lower amount in order to address the inequality between the value of these two accounts). Further work also needs to take place to ensure that all children have either a trust fund or an ISA.

9.0 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

9.1 The proposal to establish a Charitable Trust Fund for Care leavers would enable donations to be received from a variety of sources. However it would need to fulfil the requirements of the Charity Commission, have named trustees and a clear system of administration. The fund would have to pay for administrative, finance and legal costs. Registered charity accounts needs to be produced and the scale of these depends on the income the charity receives each year. There would be finance costs associated with producing these and the working papers to support the figures. An independent examiner can audit accounts for income between £25,00 and £500,000. A full audit would be required for income over £500,000.

In order to claim gift aid an organisation needs to be a separate legal entity/charity. The Council would then have to charge VAT on any recharges made to the trust which would not be recoverable. Therefore the decision would be whether the benefit of the gift aid outweighed the tax burden being a separate entity would bring. The charity would require their own bank account.
The separate bank account would mean charging costs for finance, banking, legal and administration.

The Trust’s services should also be reviewed to assess whether any of them constitute a ‘regulated activity’ and therefore require authorisation or registration with the Financial Conduct Authority under the Financial Services and Markets Act 2000.

Members should be aware of the financial risk to the Council if the Council were to be acting as a guarantor or lender of last resort should the Trust run into financial difficulties.

Finance Officer Consulted: Louise Hoten *Date: 10 May 2016*

Legal Implications:

9.2 The Junior ISA for looked after children scheme replaced the support previously provided through Child Trust Funds (CTFs). A Junior Individual Savings Account (Junior ISA) is opened for every elligible child who has been looked after for any continuous period of 12 months or more, starting on or after 3 January 2011,and who is not eligible for a CTF. The funds are administered by Share Foundation. Anyone can pay money into the accounts, but the funds cannot then be accessed by the account holder until their 18th birthday. At this age, the account will mature into a standard (adult) ISA. When Junior ISA holders reach the age of 16, they may take control of the account. This means they can make investment decisions for themselves, though they still cannot access funds until their 18th birthday. When a child stops being looked after before the age of 16, the local authority should use the materials provided by The Share Foundation to ensure the person with parental responsibility for the child is aware of the account and encourage them to take the necessary steps to assume control of the account.

LAs have an obligation to comply with statutory guidance concerning savings accounts for looked after children. This requires that once an account has been opened ensure that, as an integral part of the care planning review and where it is appropriate to do so, the carer, parent and child are made aware of the account. Independent Reviewing Officers should ensure local authorities carry out their duty as good corporate parents so that children who are eligible for a Junior ISA receive funding and, where appropriate, they and their carers and parents receive suitable advice about their accounts, both while they are looked after and when they cease to be looked after.

As indicated in the body of the report the existing administrator of the Junior ISA is available to administer a locally determined scheme of enhanced funds for BHCC looked after children up to when the funds mature at age 18. If a separate trust were to be set up it would need to fulfil all relevant legal requirements, have named trustees, and a clear system of administration, accounting and fund raising with planning for associated costs .

Lawyer consulted: Natasha Watson *Date: 31 May 2015*