



Child Trust Fund

Statistical Report 2011

**The operational statistics for the sixth year of operation of
the Child Trust Fund**

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1) Introduction

This report sets out the operational statistics for the sixth year of operation of the Child Trust Fund, from 6 April 2010 to 5 April 2011. Detailed distributional analysis has been published alongside this report and is available at <http://www.hmrc.gov.uk/ctf/stats.htm>

On 24 May 2010 the Government announced that it intended to end new eligibility to Child Trust Fund accounts and to reduce and then stop government payments to existing accounts. These intentions were given effect by the Child Trust Funds (Amendment No. 3) Regulations 2010 (SI 2010/1894) laid in July 2010 and the Savings Accounts and Health in Pregnancy Grant Act 2010, which received Royal Assent in December 2010.

As a result, no child born after 2 January 2011 has been entitled to Child Trust Fund account. However, from 1 November 2011, parents and carers of these children have been able to save for their child's future through a new, tax advantaged account called a Junior ISA.

Child Trust Fund accounts continue in place for children born between 1 September 2002 and 2 January 2011. On 1 November 2011, the annual subscription limit for these accounts was increased to £3,600 from £1,200.

Where a child was eligible for a Child Trust Fund account, the scheme operated as follows:

- Shortly after Child Benefit was awarded HM Revenue & Customs issued a voucher to the parents or carers of each eligible child, so they could open a Child Trust Fund account for their child.
- If a parent or carer had not used their voucher to open a Child Trust Fund account within 12 months, HM Revenue & Customs would open a stakeholder Child Trust Fund account for the child.
- The opening of an account generated a government payment.
- Additional government payments were made into the Child Trust Fund accounts of children from lower income families. Further government payments were made into Child Trust Fund accounts where a child reached age 7, was subject to a Disability Living Allowance award, or was being looked after by a local authority.

As part of the Government's phased ending of payments to Child Trust Fund accounts, the additional government payments referred to above were reduced during the period covered by this report, and then ceased altogether on the following dates:

- additional payments for lower income families - for children born after 2 January 2011;
- additional payment where a child reaches age 7 - after 31 July 2010;
- additional payment where a child is subject to a Disability Living Allowance award - 5 April 2011;
- additional payment where a child is looked after by a local authority - for children born after 2 January 2011.

2) Child Trust Fund Providers and Distributors

Child Trust Fund providers must be authorised by the Financial Services Authority and be approved by HM Revenue & Customs to offer Child Trust Fund accounts. Some providers make Child Trust Fund accounts available to customers through other organisations, known as distributors. Following the ending of new Child Trust Fund eligibility in January 2011 the majority of providers have ceased to operate through distributors.

An up-to-date list of Child Trust Fund providers can be found at <http://www.direct.gov.uk/childtrustfund>

When a parent of a child who is eligible for a Child Trust Fund account does not use their voucher within 12 months of issue (within 2 months of issue from January 2012), HM Revenue & Customs open an account for that child and give details of it to the parent or carer.

Table 1 shows the number of organisations that had completed the approval process and were authorised to offer Child Trust Fund accounts at the dates shown.

Table 1

| | 5 April 2010 | 5 April 2011 |
|--------------|--------------|--------------|
| Providers | 78 | 69 |
| Distributors | 71 | 22 |
| Total | 149 | 91 |

3) Child Trust Fund Accounts

Table 2 below shows the total number of Child Trust Fund vouchers issued for children born between 1 September 2002 and 5 April 2010. It also shows the number of accounts opened with these vouchers by parents and the number of accounts which are either pending opening or which have been opened by HM Revenue & Customs.

As set out above, no vouchers have been issued in respect of any child born on or after 3 January 2011. However, vouchers issued in respect of children born before that date remain valid. Child Trust Fund accounts were therefore still being opened after January 2011.

| Table 2 - Vouchers issued by year of birth. | | | | <i>1000s</i> |
|--|------------------------|-----------------------------------|------------|--|
| Date of birth of child and voucher value | Vouchers issued | Accounts opened by parents | | Accounts opened by HM Revenue & Customs or not yet opened |
| 1 September 2002 - 5 April 2003: £277 | 422 | 304 | 72% | 118 |
| 6 April 2003 - 5 April 2004: £268 | 736 | 543 | 74% | 193 |
| 6 April 2004 - 5 April 2005: £256 | 745 | 551 | 74% | 195 |
| 6 April 2005 - 5 April 2006: £250 | 752 | 537 | 71% | 215 |
| 6 April 2006 - 5 April 2007: £250 | 771 | 547 | 71% | 224 |
| 6 April 2007 - 5 April 2008: £250 | 786 | 558 | 71% | 228 |
| 6 April 2008 - 5 April 2009: £250 | 782 | 548 | 70% | 234 |
| 6 April 2009 – 5 April 2010 £250* | 777 | 524 | 67% | 253 |
| All | 5,772 | 4,111 | 71% | 1,661 |

** Children eligible between 1 August 2010 and 2 January 2011 are issued a voucher for £50 rather than £250, but these children do not feature in this report.*

The three types of Child Trust Fund account available are

- stakeholder
- non-stakeholder shares
- non-stakeholder savings (the cash option).

Some providers offer ethical and shari'a versions of the above products. Where HM Revenue & Customs open an account for a child, this is a stakeholder account.

Table 3 contains information on the types of Child Trust Fund account opened since the start of the scheme, and the total value of assets held in accounts. This is extracted from provider annual returns supplied to HM Revenue and Customs for the year ended 5 April 2011.

| Table 3 - Type of account and asset value | | | | |
|--|---------------------------------------|-----------------------------------|--|---|
| Type of account | Number of accounts (thousands) | Percentage of all accounts | Value of assets held in accounts (£ millions) | Percentage of assets in all accounts |
| Stakeholder | 4,468 | 78% | 3,269 | 75% |
| Non-stakeholder | 1,272 | 22% | 1,091 | 25% |
| <i>Cash only</i> | 1,013 | 18% | 739 | 17% |
| <i>Other</i> | 259 | 5% | 352 | 8% |
| All | 5,740* | 100% | 4,360 | 100% |

Note: because of rounding the totals in this table may differ from the sum of the component parts.

Non-stakeholder 'other' accounts comprise all non-stakeholder accounts that hold any non-cash assets.

* This figure differs from the total of vouchers issued shown in Table 2 above for two partly offsetting reasons:

- the provider returns upon which the Table 3 figures are based include all accounts opened with providers before 5 April 2011 whereas the figures in Table 2 relate only to children born on or before 5 April 2010; and
- Table 3 excludes accounts that have not been opened by 5 April 2011 in respect of any children born on or before 5 April 2010 (which may apply to children born towards the end of 2009-10 where the parent or carer has not opened an account after the elapse of 12 months and HM Revenue & Customs is still in the process of opening an account on the child's behalf).

4) Additional payments to children in lower income families

Table 4 shows the number of children entitled to the additional government payment for children in lower income families. These additional payments were triggered by a qualifying tax credits claim and made directly into a child's Child Trust Fund account.

The table shows that as at 5 April 2011, 35% of Child Trust Fund accounts had been identified as entitled to these additional government payments since the beginning of the scheme.

| Table 4 : Number and percentage of children entitled to the additional payment by birth year | | | | <i>1000s</i> |
|---|---|---------------------------------------|------------|--------------|
| Date of birth of child. | Accounts opened as at 5 April 2011 | Entitled to additional payment | | |
| 1 September 2002 - 5 April 2003 | 415 | 148 | 36% | |
| 6 April 2003 - 5 April 2004 | 726 | 223 | 31% | |
| 6 April 2004 - 5 April 2005 | 734 | 235 | 32% | |
| 6 April 2005 - 5 April 2006 | 740 | 239 | 32% | |
| 6 April 2006 - 5 April 2007 | 757 | 258 | 34% | |
| 6 April 2007 - 5 April 2008 | 771 | 268 | 35% | |
| 6 April 2007 - 5 April 2009 | 762 | 318 | 42% | |
| 6 April 2009 – 5 April 2010* | 640 | 262 | 41% | |
| All | 5,547 | 1,949 | 35% | |

* Children eligible between 1 August 2010 and 2 January 2011 receive an additional payment of £50 rather than £250, but these children do not feature in this report.

Note: because of rounding the totals in this table may differ from the sum of the component parts.

5) Children looked after by Local Authorities

Local authorities (including Health and Social Services Trusts in Northern Ireland) send monthly details to HM Revenue & Customs of children born before 3 January 2011 who came into their care for the first time before 3 April 2011. Where these children did not already have a Child Trust Fund account, HM Revenue & Customs opened a stakeholder account on their behalf.

- For the year to 5 April 2011, 16,306 children were reported to HM Revenue & Customs by local authorities as coming into care for the first time.
- For the year to 5 April 2011, HM Revenue & Customs opened Child Trust Fund accounts for 2,569 looked after children. This differs from the figure above because some children already had a Child Trust Fund account when they came into local authority care.
- Since the Child Trust Fund began, the total number of children reported as being in local authority care for whom a Child Trust Fund account has been opened by a parent or carer or HM Revenue & Customs is 65,074.

For the majority of looked after children there is someone with parental responsibility available to manage their Child Trust Fund account. In the small number of cases where no appropriate person with parental responsibility is available, the Official Solicitor for England and Wales, the Official Solicitor for Northern Ireland or the Accountant of Court in Scotland manage the account for the child, until an appropriate person is identified or the child reaches 16 years old, and can therefore manage their own account.

Table 5 shows the number of cases referred from HM Revenue & Customs to each body.

Table 5

| | Official Solicitor for England and Wales | Official Solicitor for Northern Ireland | Accountant of Court for Scotland | Total |
|--|---|---|--|--------------|
| Cases referred from 1 September 2002 to 5 April 2006 | 3,515 | 43 | 112 | 3,670 |
| Cases referred for the year to 5 April 2007 | 1,350 | 41 | 86 | 1,477 |
| Cases referred for the year to 5 April 2008 | 1,515 | 17 | 39 | 1,571 |
| Cases referred for the year to 5 April 2009 | 1393 | 2 | 32 | 1,427 |
| Cases referred for the year to 5 April 2010 | 1746 | 5 | 77 | 1,828 |
| Cases referred for the year to 5 April 2011 | 1840 | 26 | 128 | 1,994 |

6) The Child Trust Fund Office and the Child Trust Fund Helpline

HM Revenue & Customs' Child Trust Fund Office manages the day-to-day work on the Child Trust Fund. Staffing levels in the Child Trust Fund Office were

- 44 staff at 5 April 2010
- 39 staff at 5 April 2011

Staffing levels declined substantially from the above figures in 2011-12, following the ending of government payments and new eligibility for accounts.

In addition to the Child Trust Fund Office, the HM Revenue & Customs Child Trust Fund and Health in Pregnancy Grant Helpline handles enquiries from customers on most aspects of the Child Trust Fund. The most common types of Child Trust Fund enquiry concerned: entitlement/eligibility for a Child Trust Fund account, duplicate voucher requests and requests for claim pack/leaflets.

The average staffing level on the Helpline during 2010-11 was 38.

7) Administration

HM Revenue & Customs' administration costs for the Child Trust Fund arise from staffing, information technology, stationery and marketing. The ending of eligibility and government payments to Child Trust Funds from 3 January 2011 will allow these costs to be reduced.

By April 2013 it is anticipated that the majority of all outstanding Child Trust Funds will have been opened and have received any government payments that are due. After then, the main administrative cost will be supporting the 6.7m Child Trust Fund accounts in existence until they are due to mature between 2019 and 2029.

HM Revenue & Customs' administration costs for running the Child Trust Fund were around £5m a year. This annual cost should be reduced by approximately £2m from 2013/14.

Table 6 provides the cost of Child Trust Fund payments on a National Statistics basis. The first vouchers were not issued until January 2005, which is why the cost in the first year is higher than in subsequent years. The cost increased after 2008-09 with the introduction of additional government payments for children who reached the age of 7.

The fall in costs during 2010-11 reflects the fact that government payments to Child Trust Funds were stopped or reduced after 31 July 2010 and ceased altogether for children born after 3 January 2011. Further details can be found in the introduction to this report.

Table 6

| | |
|---------|--------------|
| 2005-06 | £444 million |
| 2006-07 | £257 million |
| 2007-08 | £212 million |
| 2008-09 | £296 million |
| 2009-10 | £387 million |
| 2010-11 | £341 million |

A country and English regional breakdown for the period 2005-06 to 2009-10 can be found at http://www.hm-treasury.gov.uk/pesa2011_section4.htm