



Child Trust Fund

# **Looked After Children and the Child Trust Fund**



# What is the Child Trust Fund?

The Child Trust Fund (CTF) is a new long term savings and investment account for children that aims to ensure that, in the future, all children have a financial asset at the start of their adult life.

And...



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# What is CTF?

...it also aims to

- help people understand the benefits of saving and investing
- encourage parents and children to develop the saving habit
- build on financial education.



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# Main features of CTF

- £250 for all children to kick start the account
- An extra £250 for children in low income families
- Parents, family, friends and the child will be able to contribute up to a total of £1,200 a year into a CTF account. Local Authorities can also contribute.
- A further payment of £250 will be made into CTF accounts at age 7, with children in lower-income families receiving an additional £250. These payments will be made on a similar basis to the initial birth endowments.



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# Main features of CTF

- A person with parental responsibility becomes the registered contact and is responsible for looking after the account
- The registered contact can move the account to another provider or change the type of account
- The child will receive annual statements care of the registered contact



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# Main features of CTF

- Children will manage their own account once they reach 16
- Neither parents nor children will pay tax on a CTF account
- CTF ignored for family benefit purposes (until child 18)
- Money held in a CTF account can only be withdrawn by the child once they are 18. No one else has access to these funds.



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# Types of account

A range of different accounts to suit people's needs

- stakeholder
- shares
- savings (cash)
- shari'a and other ethical accounts



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# Who is eligible?

- Children born on or after 1 September 2002 are eligible if they live in the UK, are not subject to immigration control, and
- Child Benefit is awarded for them, or
- they are looked after by a Local Authority.



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# How does CTF work?

## In Child Benefit cases

- an information pack is sent to the Child Benefit claimant, usually the parent. This pack includes information on the key features of CTF, how to open an account and the types of account available
- followed a few days later by a voucher for £250
- a person with parental responsibility for the child decides what type of account to open and uses the voucher to open a CTF account with an approved provider
- if a voucher is not used in 12 months, HMRC will open an account for the child



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# Parental Responsibility

- Only a person with parental responsibility for a child can open and manage that child's CTF account.
- For the purposes of CTF we use the definition of parental responsibility set out in the Children's Act 1989.
- Although Local Authorities/Trusts sometimes have parental responsibility for looked after children, they are excluded by law from opening or managing a CTF account.



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# How does CTF work for Looked After Children?

- If a Child Benefit award has been made then the child is eligible for a CTF and a voucher is sent out to the Child Benefit claimant.
- If a child becomes looked after before a Child Benefit award is made and they are otherwise eligible, HM Revenue & Customs will open a CTF account for the child by contacting the provider direct.
- Only certain providers have elected to accept accounts opened by HMRC, and these are allocated in strict rotation.



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# How does CTF work for Looked After Children?

- When HMRC opens an account for a looked after child, the account is opened with £500 - the same amount that children in low income families receive.
- Parents of looked after children will be encouraged to take on the management of their child's CTF account, if appropriate.
- A further payment of £500 will be made into CTF accounts of children who are looked after on their 7th birthday.



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# What is the role of Local Authorities?

The main role of the Local Authority/Trust is to provide details of all children born on or after 1 September 2002 who have entered their care, so that HMRC can check whether an account has been opened for that child.

From 6 April 2005, and monthly thereafter, Local Authorities/Trusts will:

- send a monthly return of looked after children, within 10 days following the 6th of each month, by fax, to a secure location within the Child Trust Fund Office; or
- make a nil return if appropriate.



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# The Local Authority return

The monthly return must include children born on or after 1 September 2002 who are:

- looked after for the first time together with
  - the name and address of an appropriate person with parental responsibility; or
  - a correspondence address where there is no-one (or no-one appropriate) with parental responsibility; and
  - details of a child's birth mother, name and address, to the extent known.



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# The Local Authority return should include

- Looked after children, where the child's circumstances change so there is no-one (or no-one appropriate) with parental responsibility and provide a correspondence address.
- Where appropriate, confirmation that although a person may have parental responsibility, the LA does not think it appropriate for this person to be contacted about the child's CTF account. A tick box is provided for this purpose.



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# The Local Authority return should include

- Details of any previous names a child may have been known by.
- Details of children who are looked after and placed in voluntary homes for adoption and those on short break care.
- Children on short break/respice care, the first time they become looked after.



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# The Local Authority return should include

- LA's own reference numbers for looked after children. These details may be placed in the Additional Information box on the return and will be passed to the Official Solicitor/Accountant of Court, where appropriate.
- Where appropriate, the Home Office reference number given to Local Authorities/Trusts so they can apply for funding - this relates to children who are the subject of immigration controls and have a time limit on their stay in the UK.



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# How else can Local Authorities help?

- Where a child leaves care, a Local Authority should encourage the child or the new carers of the child to take an interest in the CTF account.
- When a child is adopted, a Local Authority should provide the adopting parents with the child's CTF account details if they have them. If not, the Local Authority should encourage the new parents to contact the CTF Helpline on 0845 302 1470 to get the account details so that they can take an active role in managing the account.
- A factsheet on Adoption/Foster care is available on the HMRC website.



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# Role of the Child Trust Fund Office

- Child Trust Fund Office (CTFO) manages the operational aspects of CTF and handles the Local Authority returns.
- CTFO check the entries on each return to see whether the child already has a CTF account.
- If not, CTFO will open an account and send details of the account provider to the person with parental responsibility or if there is no one appropriate with parental responsibility, to the Official Solicitor or Accountant of Court.
- A specialist Team, led by Angela Halliday, handles Local Authority liaison. She can be contacted on 0191 224 7073.



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# Role of Official Solicitor and Accountant of Court

- Appointed by HMRC to act as the registered contact where there is no one (or no one appropriate) other than the Local Authority/Trust, with parental responsibility for the child.
- Will write to the child to let them know they've been appointed.
- Will manage the CTF account, can change type of account and provider and will let the child know what they've done and why.



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# Role of Official Solicitor and Accountant of Court

- Send copy of annual statement to the child.
- Will take account of the child's wishes whenever possible, in terms of type and location of account.
- Ceases to act when child turns 16, the child dies or if someone with parental responsibility becomes the registered contact.
- Will encourage the child to take on the management of the account on reaching 16.



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# What further information is available?

- Specific guidance is available for Local Authorities and Trusts on the HM Revenue & Customs website. Help can be provided from the Audit Team, by phone (0151 472 6166), e-mail or through individual visits.

[www.hmrc.gov.uk/ctf/la-info.htm](http://www.hmrc.gov.uk/ctf/la-info.htm)

- Information for parents and carers can be found at:

[www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)