sharefound
inspiring young people in care

To:

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15th January 2025

Setting out plans for tackling Child Poverty with Inter-generational Rebalancing, following my letter of 20th November 2024

Following a constructive meeting between myself and four members of the HMRC and HM Treasury teams last week, it was suggested that we should write to you to ask formally for the inclusion of a new starter capital account to be established for children from low-income backgrounds.

During the meeting I set out the two alternatives for taking this proposal forwards: both of which would require Government co-operation, but only the first of which would require significant Government funding.

The key features of our proposal are:

1. A new starter capital account based on an initial starter credit of £500, to be established as an 'HMRC-Allocated' account as at the child's first birthday, and which would only apply for children from low-income backgrounds (i.e. in receipt of Child Tax Credit).
2. A programme of incentivised learning for life skills would be provided from primary school age in order to ensure a good standard of financial awareness by adulthood, providing the opportunity to earn an additional up to £1,500 into their account. The effectiveness of incentivised learning has been clearly evidenced in The Share Foundation's work for young people in care.
3. The enacting legislation will include an 'automatic withdrawal at 21' process, which will ensure that the value in their accounts is delivered to these young adults at a time when it will make a major contribution to their life prospects.

Under the first alternative discussed, Government would fund the c. £250 million annual cost of the scheme, preferably using a very small part of Inheritance Tax receipts. However, because we recognise that HM Treasury would be reluctant to fund this cost at present due to current pressures on Government debt and the Public Sector deficit, our alternative proposal is to raise the necessary funding from philanthropic sources.

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The indication, at that meeting with Treasury officials last week, was that a positive approach might be taken to co-operating with us in order to put in place the necessary regulation and logistics to put this into operation.

If the proposal were to be progressed in this way, HM Treasury would clearly need to be confident in our ability to raise this large scale of philanthropic funding in order to support children's wellbeing and development in this way. Encouraging soundings have already been taken across a range of major charitable and financial organisations to explore this philanthropic campaign.

I am therefore writing to ask for your support in principle for this initiative: this would be essential, because a philanthropically-funded scheme such as this ‘Child Trust Fund Mark 2’ proposal will only work if it has co-operation from Government to put in place the necessary regulatory and logistic measures.

On receiving your supportive response for this initiative, we will convene an Advisory Group in order to provide that necessary confidence in our ability to secure large-scale philanthropic funding.

With best wishes

Gavin Oldham OBE
Chair of Trustees, The Share Foundation