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To: Rt. Hon. Philip Hammond MP, Rt. Hon. John Glen MP,

Copy to: Rt. Hon. Damian Hinds MP, Rt. Hon. Nadhim Zahawi MP, Rt. Hon Esther McVey MP, Rt. Hon. Guy Opperman MP, Rt. Hon. Justin Tomlinson MP, Rt. Hon. David Lidington MP, Rt. Hon. Oliver Dowden MP, Dame Cheryl Gillan MP

Budget Submission: Financial inclusion, and opportunities for disadvantaged young people

Following my submission of the proposal below in June, and again in July 2018, I have undertaken further analysis on Child Trust Fund data. These show that the rate of 'Addressee Gone Away' accounts is now nearly 37%, up from nearly 33% in earlier estimates. There is therefore an even more acute reason to take action on our proposal.

Working with The Share Centre we have also undertaken a major publicity initiative, designed to address the challenges and opportunities of the CTF scheme which includes over six million young people across the United Kingdom. Our analysis is included in the attached release and, following our mailing of 'Find My CTF' posters to 7,000 secondary schools, the campaign has already achieved extensive media coverage. We hosted a 16th birthday party for the Child Trust Fund in the House of Commons on 6th September.

However it is the very high rate of lost accounts for the most disadvantaged families which continues to give us considerable concern. We are therefore taking the opportunity to resubmit our Budget proposal (please note that no acknowledgement has yet been received for the original submission).

There is an increasing urgency to move forward with the proposal, as the oldest recipients of Child Trust Funds, including those in Child Tax Credit families, are now 16 years of age; and therefore allowed to take control of their accounts during the two years before being able to access the money. Average account values for this demographic are now £1,600 per account, which means that there is nearly £0.75 billion in lost accounts, including £400 million of Government contributions.

The key purpose of the Child Trust Fund, as stated in the 2003 Budget report, is to establish a savings habit among children, providing a cushion of financial assets as they embark on adult life and enabling them to be confident in the management of their finances: in other words, to build financial capability through first-hand experience. It was always envisaged as a tool for education at this stage, during the final two years before adulthood.

We are therefore also recommending that the Department for Education should henceforth share joint oversight for the CTF scheme with HM Treasury, and should encourage schools to make maximum use of the Child Trust Fund to improve financial education (a compulsory part of the curriculum). I have raised this proposal with the Department for Education and HM Revenue & Customs officials at our regular 'Keep In Touch' meeting in early September, and I have a meeting with the Children's Minister Nadhim Zahawi in mid October when I look forward to discussing it in more detail.

Gavin Oldham OBE, Chair of Trustees
10th September 2018

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Rt. Hon. Philip Hammond Esq., MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London SW1A 2HQ

18th July 2018

Dear Philip

I wrote to you on 8th June with the attached Budget submission, but have not received an acknowledgement. I am therefore re-sending the submission by recorded delivery, and would be very grateful if someone could respond to confirm that it has been received.

In relation to this detailed proposal, I have a meeting to discuss it further with Nadhim Zahawi at the Department for Education on Thursday 6th September, the same day as we will be hosting a 16th Birthday Party for the Child Trust Fund in the Terrace Room at the House of Commons at 4 pm: I do hope you will be able to join us there!

However may I also request your consideration of one other matter, which we have requested in the past: indeed I attach Sajid Javid's reply in January 2014. This is our request for a one-off boost to Junior ISA account values for Looked-After children from the Financial Services Fines Pool.

The difference in value between Junior ISAs and Child Trust Funds held for young people in care is substantial. Due to the relatively modest Government contribution to open Junior ISAs (£200), their value averages c. £267. In contrast the average value of Child Trust Funds held for young people in care (which we now also administer following their transfer from the Official Solicitor in October 2017) is over £1,100. There are therefore significant numbers of 15-17 year old Junior ISA beneficiaries whose accounts will mature over the next two years, worth very much less than those of the 7-15 year old Child Trust Fund beneficiaries who are following behind them.

We therefore request a one-off boost to Junior ISA values of c. £833 per account from the Financial Services Fines Pool, in order to bring these accounts up to broadly the same level as the Child Trust Funds. The drawdown from the Financial Services Fines Pool would therefore be in the order of £23.5 million.

This value alignment of the two schemes would enable fair treatment of all young people in care, which we feel is particularly important now that the two schemes are integrated.

With best wishes

Gavin Oldham OBE
Chair of Trustees

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Rt. Hon. Philip Hammond Esq., MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
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8th June 2018

Dear Philip

<u>Budget 2018: Incentivised Learning proposal for young people of families in receipt of Child Tax Credit</u>

The attached presentation sets out our plans to sort out the muddle of Child Trust Funds and, in so doing, break the inter-generational cycle of deprivation for the most disadvantaged 17% of the United Kingdom population: families in receipt of Child Tax Credit.

There are three elements to redeeming the Child Trust Fund:

- A determined campaign to resolve the overall problem of the one million 'addressee gone away' Child Trust Funds: The Share Foundation, together with The Share Centre and in association with TISA, has already launched this programme - 20,000 posters have been sent to the Head Teachers of all secondary schools throughout the United Kingdom. This initiative has been jointly funded by The Share Foundation and The Share Centre, and is being backed up with social media and email support from the Department for Education;

- The substantial progress we have already made for Looked After children and young people, for whose Child Trust Funds we took responsibility last October, having operated the Junior ISA scheme since 2012. The Child Trust Fund scheme, previously administered by the Official Solicitor, was in a state of total disarray when we took it on, with less than 25% of eligible accounts being on their records. This has now risen to 47%, and is improving at c. 14% per month.

- **We now wish to move forward with our Budget proposal for young people of families in receipt of Child Tax Credit, where c. 400,000 of their Child Trust Funds are 'addressee gone away' (a 'lost' rate of 1:3), with a total value of £600 million. If our proposal is accepted, we will invite these young people to apply for our 'Incentivised Learning' programme, offering additional money into their Child Trust Fund (which we will locate if 'addressee gone away) in return for achieving a series of life skills, thereby giving them hope and opportunity for their future as an adult.**

The enclosed proposal sets out the detail of our plan for this third element, and the evidence of our resolve and capacity to deliver it is demonstrated in the first two elements above.

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We are happy to work with your officials to shape this Incentivise Learning proposal as you wish. Its maximum cost as described would be c. £500 million per annum, but this could be mitigated by:

i. introducing a voluntary payment system for universal services (health, education, etc..) received by higher rate taxpayers;
ii. reducing the incentive from the proposed maximum of £10,000 to a maximum of £5,000;
iii. placing geographical limits or phasing on its roll-out.

The key imperative is to announce it this November so that we can have it operating by April 2019. The oldest Child Trust Fund recipient reaches adulthood in September 2020, so this schedule gives us just over one year to find their missing accounts.

It has been my aim to break the cycle of deprivation for the past 40 years, inspired by Sir Keith Joseph and the wish to introduce a more egalitarian form of capitalism. The Share Foundation has already proved what can be achieved with its Stepladder of Achievement for young people in care, and I believe it is now within our grasp to deliver this objective right across the most disadvantaged one sixth of the UK population.

I met on 22nd May with Rt. Hon. Oliver Dowden MP at the Cabinet Office to discuss the plan. He has advised me to seek policy approval from HM Treasury (Mel Stride is aware of the proposal) and to co-ordinate with the Department for Education (Nadhim Zahawi), and the Department for Work and Pensions (Kit Malthouse). So this is therefore my formal request that it be included in the 2018 Budget, and I'll be happy to work with your officials over the summer to prepare the detailed plans for its consideration and, hopefully, implementation.

I will be writing again with further proposals for your consideration, but wanted to submit this at the earliest opportunity so that there is sufficient time to put it in place.

With best wishes

Gavin Oldham OBE
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Incentivised Learning

Breaking the cycle of deprivation for young people from the most disadvantaged families

Background

In 2007 The Joseph Rowntree Foundation said:

'Children growing up in poverty and disadvantage are less likely to do well at school. This feeds into disadvantage in later life and in turn affects their children. To break this cycle, we need to address the attitudes and experiences that lie behind social differences in education.

- Low income is a strong predictor of low educational performance: just 14% of variation in individuals' performance is accounted for by school quality.
- Less advantaged children are more likely to feel a lack of control over their learning, and to become reluctant recipients of the taught curriculum. This influences the development of different attitudes to education at primary school that help shape their future.
- Deprived children are more likely to feel anxious and unconfident about school.
- Out-of-school activities can help build self-confidence: children from advantaged backgrounds experience more structured and supervised out-of-school activities
- Many children and young people who become disaffected with school develop strong resentments about mistreatment (such as perceived racial discrimination).
- Work with disaffected young people is most effective where it makes them feel more involved in their own futures.'

More recently in 2017 the Educational Policy Institute said:

'.. we examine how well the school system is serving disadvantaged young people by measuring the gap between disadvantaged pupils (those eligible for the Pupil Premium) and their peers and consider how that gap varies between local areas and whether it has closed over time.

Our first important finding is that the gap is closing, but at a very slow rate. Indeed, despite significant investment and targeted intervention programmes, the gap between disadvantaged 16 year old pupils and their peers has only narrowed by three months of learning between 2007 and 2016. In 2016, the gap nationally, at the end of secondary school, was still 19.3 months.

In fact, disadvantaged pupils fall behind their more affluent peers by around 2 months each year over the course of secondary school. Over the same period (2007 – 2016), the gap by the end of primary school narrowed by 2.8 months and the gap by age 5 narrowed by 1.2 months. At current trends, we estimate that it would take around 50 years for the disadvantage gap to close completely by the time pupils take their GCSEs.

For pupils who are persistently disadvantaged (i.e. those that have been eligible for free school meals for 80 per cent or longer of their school lives), the gap at the end of secondary school has widened slightly since 2007, by 0.3 months. In 2016, it stood at 24.3 months, equivalent to over two years of learning.'

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There are several ways of defining disadvantage, but this proposal looks at a group well defined in economic terms: children in households in receipt of Child Tax Credit.

ONS	UK population by single year of age		
Base on 2014 report			
Proportion in Child Tax Credit families			17%
Birth Year	**Age 2018**	**Total**	**CTC**
2013	5	778,365	132,322
2012	6	799,689	135,947
2011	7	828,035	140,766
2010	8	817,703	139,010
2009	9	802,851	136,485
2008	10	795,304	135,202
2007	11	801,582	136,269
2006	12	774,783	131,713
2005	13	758,635	128,968
2004	14	728,820	123,899
2003	15	715,874	121,699
2002	16	695,512	118,237
2001	17	684,817	116,419
JISA	*Totals*	9,981,970	1,696,935
CTF	*of which*	*CTF Total*	1,171,481

On the basis that 17% of children are in families in receipt of Child Tax Credit and using 2014 ONS population figures, there are 1.7m such children aged between 5 and 17, of whom just under 1.2m have Child Trust Funds allocated to them.

The eligibility rules for Child Tax Credit, which will be subsumed into Universal Credit, are complex, but families who qualify are the most disadvantaged across society. If you receive Child Tax Credit and your annual household income is £16,105 or below, you get the maximum amount for each Child Tax Credit element you qualify for. This is called the income threshold. Anything you earn above that will reduce the amount of tax credits you can get.

Based on an analysis of over 9,000 Child Trust Funds which received Government contributions of £700 or more (which indicated a child in a CTT family) held at The Share Centre, 32.8% are 'Addressee Gone Away' (compared to an estimated 10.25% for other children). This suggests that 384,000 accounts have become, or have always been, de-coupled from the children to whom they belong. These accounts have an average Government contribution of £921.66 with an estimated account value of £1,500 (a total value of nearly £0.6bn). This therefore shows that children suffering the most disadvantage are currently those least likely to benefit from the Child Trust Fund set up for them.

Incentivised Learning

This incentivised learning programme would:

- reward disadvantaged young people who make the effort to progress through a structured programme of building their life skills with small but meaningful tranches of capital to provide a resource base for starting adult life; and
- provide a route for re-coupling their already existing Child Trust Funds.

The terms are carefully constructed with c. 130,000 young people eligible to benefit in each annual cohort. Incentivised learning would be offered in the years immediately before adulthood (15-17) in order to give some experience of stewardship of capital as 'financial education by experience'. The maximum incentive under the scheme would be £10,000.

The objective of building assets for young people is an established concept: the Child Trust Fund attempted to do this, but there was no incentive element, no reward for the young person's effort. The scheme was also far from egalitarian as it relied on family contributions, not re-distribution, for its main effect. As a result children from well-off homes were bound to benefit substantially more.

However the Child Trust Fund did provide a platform for identifying children most in need – those looked-after by the state - by providing them with a capital account. The Share Foundation was established as a registered charity, working with the Child Trust Fund structure on a voluntary basis. This led to its being appointed to operate the Junior ISA scheme for Looked After young people throughout the UK on behalf of the Department for Education. As a result an incentivised learning programme has now been introduced for young people in care, the 'Stepladder of Achievement', as part of the scheme. This has now been widened in Autumn 2017 to include Child Trust Funds held for young people in care following transfer of that scheme from the Official Solicitor to The Share Foundation.

There are six incentivised learning steps in the Stepladder incorporating a positive attitude, life skills and some resources, which in total contribute the relatively modest sum of £1,500 to a young person's Junior ISA: literacy (£150), numeracy (£150), initial financial education (£200), 250 words on 'my plans for the future' (an indicator of attitude change) (£250), the 8-week Managing My Money course (£350), and mentoring to help find a job or a place in higher education (£400).

At completion there is a Certificate of Participation and, of course, the young person has access to their Junior ISA money at 18.

So The Share Foundation is now recommending that the Government should introduce the programme for 15-17 year olds in all families in receipt of Child Tax Credit. If a young person aged over 15 did not have a Junior ISA on registering for the programme, one would be opened with an initial, say, £200 for the first step - but all those born between 1 September 2002 and 2 January 2011 (ie aged between 6 and 15) should have a Child Trust Fund.

As noted in the 'Background section above, families in receipt of Child Tax Credit have a high proportion of Child Trust Funds – c. 33% - where the account is 'Addressee Gone Away'. It is estimated that c. 384,000 need re-coupling before the young person reaches 18: the oldest Child Trust Fund recipient reaches 18 on 1 September 2020. If this is not done £350m of Government contributions intended for the most disadvantaged, with a current value of nearly £600m, will moving towards becoming 'Dormant Assets'.

A key part of this programme, undertaken by The Share Foundation working with HMRC, will be to re-link these accounts as young people undertake the course.

The course itself will differ from The Share Foundation's 'Stepladder of Achievement' in recognition that these young people are in comparatively stable families undertaking regular schooling. The steps are therefore proposed to be:

1. English Language GCSE - £1,000
2. Mathematics GCSE - £2,000
3. Financial Awareness GCSE or LIBF Award in Financial Education - £3,000
4. Statement of intent for when reaching adulthood, with online volunteer support - £500
5. Mentoring to secure higher education or employment - £3,500

The involvement of mentoring volunteers to work with these young people, helping them through the steps and showing interest in their progress, will not only build aspirations and confidence for these young people but also, at a wider level, help connect people from business and more affluent backgrounds with young people from disadvantaged homes, thereby improving social mobility. The Share Foundation will use mentoring partnerships being developed for the

Stepladder of Achievement for this purpose, and will also seek to integrate these with other initiatives such as the 'First Star' university preparation programme.

It is anticipated that c. 30% of eligible young people will complete the programme: therefore the annual cost is likely to settle at c. £0.4bn pa plus scheme administration costs. It is also assumed that, when this programme is introduced, the Government will wish to put The Share Foundation's Stepladder of Achievement on a similar incentive basis, implying a comparatively small additional cost (c. £15m pa).

Modus Operandi

The programme will be operated by The Share Foundation working in partnership with Junior ISA providers (which will hopefully include NS&I) and Child Trust Fund providers.

The Share Foundation's role:

- maintaining the portal to assess eligibility in co-operation with the DWP;
- locating missing Child Trust Funds in cooperation with HMRC;
- providing account opening or account transfer details to account providers by file transfer;
- drawing down £200 for account opening from [DFE] where there is no CTF or Junior ISA;
- providing the learning website, including links and assessment;
- drawing down incentive payments for adding to Child Trust Funds/Junior ISAs; and
- maintaining communication with beneficiary/family.

Next Steps

Substantive discussions to take place with HM Treasury, HMRC, the Department for Education and the Department for Work and Pensions.

If the proposal is agreed to be included in the November 2018 Budget, the programme would be introduced at the earliest opportunity: starting in April 2019. This will leave just over one year for the oldest annual cohort of Child Trust Fund recipients to have their missing accounts re-linked.

Gavin Oldham
The Share Foundation
29th May 2018

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Press Release

23 August 2018

Analysing the Child Trust Fund scheme on its 16th Birthday, and addressing its opportunities and challenges

On 1st September, as the oldest Child Trust Fund recipient reaches 16 years of age, a period of 11 years will start during which over six million young people throughout the United Kingdom could benefit substantially. These fortunate teenagers already own their accounts, although huge numbers don't know it. It is one of the biggest opportunities, and challenges, in the field of personal finance today. It also begs the question: where is Financial Awareness in today's GCSE results?

The Child Trust Fund was the centrepiece of Gordon Brown's plan to encourage asset-based welfare. His objective was to establish a savings habit among children, providing a cushion of financial assets as they embark on adult life and enabling them to be confident in the management of their finances. The scheme was designed to be both universal and progressive.

It was a hugely ambitious plan as a result of which over six million young people now own these largely Government-funded accounts. When the Coalition Government stopped contributing in 2011, the accounts already open remained active, but thenceforth increases in their value resulted from a combination of market growth and, for the lucky few, family contributions.

The table below provides a current analysis of Child Trust Fund in three key demographic segments: the wealthy, the middle and the poor. There is additionally a scheme for looked-after children now administered by The Share Foundation: this has now been substantially reconciled and is making good progress, but the numbers are small in comparison to the overall scheme.

Analysis of Child Trust Funds* as at their '16th Birthday', September 2018

Segment	Account Nos	Est RAA	RAA A/Cs	AGA	Lost A/Cs	Ave Value	Total Value	Lost Value	Ave Gov Sub.	Total Govt. Cont.	Lost Gov Cont	Growth	Reason	Challenge/Opportunity	Action by
Wealthy	900,000	neg	neg	6%	54000	£3,950	£3,555,000,000	£213,300,000	£ 250	£ 225,000,000	£ 13,500,000	1480%	Mainly by family cont'n	Financial Awareness	Mainly families
Midde	4,000,000	12.50%	500000	14%	560000	£970	£3,880,000,000	£543,200,000	£ 500	£ 2,000,000,000	£280,000,000	94%	Mainly by market	Find lost accounts Financial awareness	Mainly schools
Poor	1200000	100%	1200000	37%	444000	£1,600	£1,920,000,000	£710,400,000	£ 920	£ 1,104,000,000	£408,480,000	74%	All by market growth	Find lost accounts Financial awareness	Government
	6,100,000		1,700,000		1,058,000		£9,355,000,000	£1,466,900,000	£ 546	£ 3,329,000,000	£701,980,000	181%			

* Estimates based on Govt. stats & analysing The Share Centre's account base (c. 93,000 accounts) - E & OE

The opportunity remains, to achieve Gordon Brown's original aims. For over five million young people the best way to do this is for them to take responsibility for their account – as they are allowed to do - for the two years before they can access their money (at 18), and to learn financial awareness first hand. Will parents and guardians enable them to do this, and will schools encourage it?

However there's a challenge too. This is to re-link the huge numbers of 'Addressee Gone Away' - lost - Child Trust Funds. Over one million accounts are lost to the young person to whom they belong, almost entirely following their accounts being opened by HM Revenue and Customs on their behalf, because parents/guardians had not done so within the first year of their birth. There were 1.74 million accounts opened in this way, out of 6.14 million in total and, in the case

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of families in receipt of Child Tax Credit, virtually all accounts were opened by HMRC. What solutions can we put in place so that these young people do not continue to lose out?

However it is a fact that little attention was given by successive Governments to embedding these accounts with the families once they had been opened and, because they did not take ownership, c. 34% of all HMRC-allocated accounts - nearly 37% for the most disadvantaged families in receipt of Child Tax Credit - are 'Addressee Gone Away'. For these most disadvantaged young people that's c. 440,000 lost accounts now worth nearly £0.75 billion, including over £400 million from Government contributions. Following its success in reconciling the scheme for looked-after children, The Share Foundation has put forward a proposal to Government to address this specific area which it hopes will receive attention in the November budget.

Chairman of Share plc and The Share Foundation Gavin Oldham is determined to ensure that the Child Trust fund not only delivers its opportunity for financial capability, but that it also does so across all young people - including the most disadvantaged.

"After a decade of relative neglect, the years ahead are vital for achieving the original purpose of the Child Trust Fund, which affects so many young people across the United Kingdom. I am determined to ensure that, working with my colleagues in The Share Centre and The Share Foundation and beyond, the scheme does indeed make a significant contribution to breaking the cycle of deprivation in the United Kingdom, and to helping all young people to develop their potential in adult life".

Contact: Gavin Oldham OBE – 07767-337696

Notes for editors: The Share Foundation, www.sharefound.org , administers the Child Trust Fund and Junior ISA schemes for looked-after children and young people on behalf of the Department for Education. It was founded in 2005 as a registered charity. Its trustees include Ruth Kelly, former Treasury minister and Secretary of State for Education who will be speaking at a 16th Birthday party for the Child Trust Fund at the House of Commons on 6/9/18.

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