

Rt Hon Gordon Brown
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

CC: Minister for Children Jane Hutt
First Minister Rhodri Morgan

7 January 2005

Dear Rt Hon Gordon Brown

Re: Child Trust Fund meeting, Cardiff

Members of the End Child Poverty Network Cymru were delighted to have the opportunity to meet with you in Cardiff on Wednesday and hear about the excellent work being done regarding the Child Trust Fund.

Unfortunately given the necessary constraints on time our members were unable to ask all the questions they had prepared or to highlight all the issues to which we wanted to draw your attention. In addition to the points raised at the meeting we hope you will consider the following:

Financial Literacy

One policy objective of the Child Trust Fund is to build on financial education to help people make better financial choices throughout their lives. Many parents lack the skills and knowledge necessary to read and interpret financial product information and use that information appropriately and effectively to make informed decisions. They may require **additional detailed guidance and support** to make an informed decision and complete any paper work. Support of this kind could come through existing support services such as Sure Start, antenatal services, Registrars or health visitors and be supported by the financial institutions who will provide accounts.

We believe that the Child Trust Fund will have even greater benefit if, as well as providing a resource to spend, the accounts could also help in the process of **teaching youngsters about financial assets and planning**. This would enable young people to make the best use of the money available to them at 18. Facilitating financial education in schools is clearly a devolved issue but it is important that it does not become solely a responsibility given to schools or local authorities as there are vulnerable groups outside both the school and Local Authority system who would be a priority target group. Advice agencies such as Citizens Advice Bureaux need improved resources to provide this service and need sustainable investment and support from the UK and Welsh Assembly governments and local authorities in order to be a truly life long service. A further concern is that the inability of many low-income families to contribute to the Fund may cause stigma and create a rich/poor divide in the classroom. A multi-agency approach is therefore necessary to ensure equality in terms of education and learning opportunities.

For legal reasons we understand that children under sixteen will not be able to manage their own account but we feel **that it is important that they be kept informed of its progress** as a practical way of reinforcing the financial literacy message.

Children looked after

We are extremely pleased that children in local authority care will also benefit from the Child Trust Fund. Such an asset will have a significant impact as these children are least likely to have such a resource or family to fall back on. We understand that 'special arrangements' will be made for these children but we are concerned that some children in care may miss out especially if they are moving in and out of care. We would be pleased to know what type of special arrangements are envisaged and how these are co-ordinated with the Welsh Assembly Government as responsibility for looked after children is devolved. An adult with parental responsibility will manage the accounts of children in care not the local authority.

What will be the mechanism for handing over this responsibility to the child at 16, especially if there is no longer contact with the adult in question or the relationship has broken down?

We support recommendations from the Institute for Public Policy Research (ippr) that local authorities should make additional contributions that would otherwise be met by a parent. These extra payments would make a huge difference to the opportunities and security of children when they leave care enabling them to take opportunities that might otherwise be closed to them. We understand, however that this would only effectively happen in Wales if councils were under a statutory duty to do it with a dedicated fund allocated. Many councils will obviously have more children in care than others and more calls on their resources. **We suggest that the child benefit that would have been received if children were still living with their parents could be used to fund this.** Might there also be ways of persuading financial institutions involved in CTF's to match Local Authority contributions for a given period of years?

We feel that it should be made clear in guidance that the assets available to care leavers at 18 years should not prevent them from receiving a leaving care grant or from receiving financial support from a Local Authority to enable them to enter higher education.

Asylum seeking children

We are concerned that children seeking asylum will not be eligible. Some of these children may later successfully gain residency or citizenship but the Act does not appear to have any mechanism for retrospectively enabling them to benefit from the fund. **Will these children be able to benefit from the additional payments at age 7** if their immigration application was successful even though they were not entitled to the initial payment? This group of children are extremely vulnerable and such an asset at 18 would make an enormous difference to the choices and opportunities open to them.

Further Payments

We feel that **further payments should be made at a higher rate** than the first payment at age 7 and 11 for children in low income families. The payments made at these ages will have less time in the fund and will not accumulate as much interest.

Please do not hesitate to contact us if you would like to discuss this further.

Yours sincerely

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Co-ordinator End Child Poverty Network Cymru