



Child Trust Fund



Statistical Report 2006

# Foreword

Welcome to the first Statistical Report of the Child Trust Fund. The Child Trust Fund has been operational for over a year and this report provides statistics from the first year of operation.

The Child Trust Fund is a groundbreaking initiative designed to strengthen the saving habit of future generations and ensure that at age 18 every child will have access to a financial asset. The Child Trust Fund is at the heart of the Government's efforts to promote opportunity, helping all families regardless of their background and ensuring their children get the best start in life.

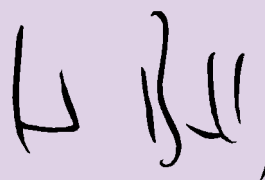
Excellent progress has been made in the first year of the scheme. 75% of vouchers were used to open an account before expiry and the process of allocating accounts for children whose parents did not use their voucher has gone smoothly. Additional payments were made to top-up the funds of over 611,000 children in lower-income families.

The Child Trust Fund continues to develop. Further payments into accounts at age 7 have already been announced and we are looking at the case for making additional payments for looked after children. I also believe that the Child Trust Fund will help bring financial education to life for children, providing a practical and real life example of saving.

To ensure that parents understand the choices available to them, the Government continues to run advertising and provide information to new parents. We will also work with the voluntary and community sectors to provide extra help and support to those parents who need it.

This has been a very good first year and I look forward to future annual publications of Child Trust Fund statistics. And as millions of Child Trust Fund accounts grow over the coming years, I hope the scheme's success will grow too.

Yours sincerely

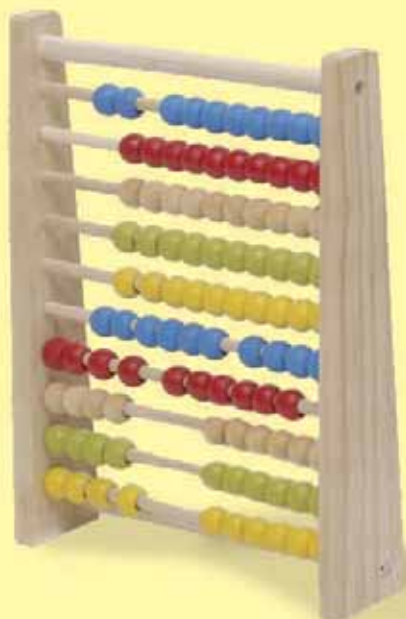


Ed Balls



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# Introduction

The Child Trust Fund is a long-term savings and investment account for children born on or after 1 September 2002. A Child Trust Fund voucher for at least £250 is sent to all eligible children after Child Benefit has been awarded for them.

Children in lower income families receiving Child Tax Credit with income at or below £14,155 (the current income threshold for 2006/2007) will receive an additional £250 paid directly into their Child Trust Fund account. There will be a further payment of £250 when children turn 7, again with an additional £250 for children in families on lower incomes. Anyone can pay money into the account, up to the account limit of £1,200 each year, and neither parents nor children pay tax on any gains and/or interest in the account.

HM Revenue & Customs will open a stakeholder Child Trust Fund account for those children whose vouchers have expired after 12 months, without being used. Parents will be able to assume responsibility for this account at any time and change the type of account if they do not think the stakeholder account is the most appropriate type of account for their child.

The broad 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.

This report sets out the operational statistics for the first year of the Child Trust Fund including the voucher issue and account opening figures for eligible children born before the scheme began (known as the transitional period). Child Trust Fund statistical reports will be published annually. A full distributional and statistical analysis, including information on contributions based on providers' first annual returns, will also be published next year.

HM Revenue & Customs began sending out the first Child Trust Fund vouchers in January 2005.

By April 2005, when the first Child Trust Fund accounts became active, nearly 1.7 million vouchers had been issued to parents of eligible children born on or after 1 September 2002.

Over the following 12 months

- parents opened more than 1.3 million accounts and
- over 611,000 additional payments were made into the accounts of children in lower income families.

To handle the new work, HM Revenue & Customs set up

- a Child Trust Fund Office in Washington
- a dedicated Child Trust Fund Helpline
- a dedicated Child Trust Fund website ([www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk))
- a new computer system, on time and within budget.



# Child Trust Fund providers and distributors

1.1 Child Trust Fund providers must be authorised by the Financial Services Authority and have been approved by HM Revenue & Customs to provide Child Trust Fund accounts.

Some providers also make Child Trust Fund accounts available to customers through other organisations, known as distributors.

An up to date list of providers and distributors can be found at [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk).

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

**Table 1**

	5 April 05	5 April 06
Providers	31	40
Distributors	68	79
<b>Total</b>	<b>99</b>	<b>119</b>

# Vouchers issued and accounts opened at 5 April 2006

2.1 Table 2 shows the number of vouchers issued, accounts opened by parents and accounts opened by HM Revenue & Customs (Revenue Allocated Accounts) for children born between 1 September 2002 and 5 April 2005 (the transitional period). Children born during the transitional period received vouchers worth varying amounts, depending on their date of birth. These recognised that Child Trust Fund accounts were only available to these children from April 2005 and therefore have less time to grow before the child reaches 18.

**Table 2**

Date of birth and voucher value	Vouchers issued	Accounts opened by parents	Accounts opened by HM Revenue & Customs	*Accounts to be opened
1 September 2002 - 5 April 2003 £277	394,532	291,239 (74%)	99,514	3,779
6 April 2003 - 5 April 2004 £268	686,845	520,213 (76%)	158,872	7,760
6 April 2004 - 5 April 2005 £256	680,330	508,636 (75%)	89,081	82,613
<b>Totals</b>	<b>1,761,707</b>	<b>1,320,088 (75%)</b>	<b>347,467</b>	<b>94,152</b>

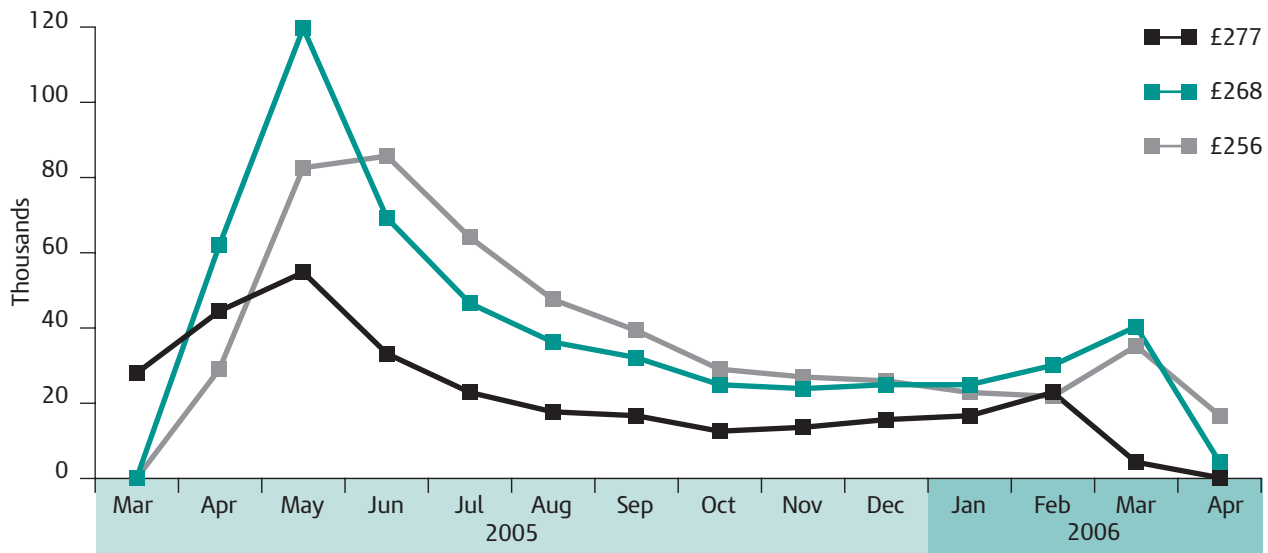
\* These figures are correct at 5 April 06 and are cases where

- vouchers were used late in the year and, because of cooling off periods, had not been reported on provider returns by 5 April; or
- vouchers expired close to the end of the year and HM Revenue & Customs had not completed the process of opening a Revenue Allocated Account by 5 April; or
- Child Benefit was claimed after April 2005.

Since April 06 accounts have been opened in the majority of these cases.

2.2 Graph 1 shows the monthly rate at which parents used transitional vouchers to open Child Trust Fund accounts, by voucher value.

Graph 1 Monthly conversions of transitional vouchers by voucher amount



2.3 A breakdown of the vouchers issued and accounts opened by geographic region is not currently available.

2.4 Table 3 contains information on types of account opened and the value of assets held in accounts, extracted from provider Annual Returns for the year ended 5 April 2006. The figures here are not a reliable indication of the annual levels of contributions being made by parents and others into Child Trust Fund accounts, because providers use variable dates when valuing accounts.

Table 3 Breakdown of Child Trust Fund providers' annual return information

	Number of accounts (thousands)	Percentage of all accounts	Value of assets held in accounts (£ million)	Percentage of assets in all accounts
Stakeholders	1,261	74%	508	74%
Non-stakeholders	436	26%	174	26%
Cash only	369	22%	137	20%
Other <sup>1</sup>	67	4%	37	6%
<b>All</b>	<b>1,697*</b>	<b>100%</b>	<b>682</b>	<b>100%</b>

<sup>1</sup> 'Other' accounts include those that hold only non-cash assets and those that hold a mix of cash and non-cash assets.

\* This figure differs from the total of accounts shown as opened in Table 2 above because

- the provider returns upon which these figures are based include all accounts opened with providers by 5 April 2006, not just those for children born on or before 5 April 2005, and
- some accounts recorded as open by HM Revenue & Customs will not have fed through to provider records by 5 April 2006.

# Additional payments to children in lower income families at 5 April 2006

3.1 Table 4 shows the number of children entitled to the additional payment paid to those in lower income families. To be eligible for the additional payment, a child must be in a family receiving Child Tax Credit and with a household income less than the Child Tax Credit income threshold (£14,155 in 2006/07). Payments are made directly into a child's Child Trust Fund account. Again varying amounts were paid to reflect the fact that Child Trust Fund accounts could not be opened before 5 April 2005.

The table shows that at 5 April 2006, 35% of Child Trust Fund children had been identified as entitled to an additional payment, which is in line with Government projections.

**Table 4**

	Vouchers issued	Entitled to additional payment
<b>Totals</b>	<b>1,761,707</b>	<b>611,709 (35%)</b>

# Children looked after by local authorities

**4.1** Most children have Child Benefit claimed for them before they become looked after and will be eligible for a Child Trust Fund account in the usual way. For the small number of children who become looked after before Child Benefit is claimed for them, the Government has put special arrangements in place to ensure they do not miss out. Each month, local authorities (including Health and Social Services Trusts in Northern Ireland) are required to send details to HM Revenue & Customs of children who come into their care for the first time. Where a child does not already have a Child Trust Fund account, HM Revenue & Customs will open an account for the child.

**4.2** For the year to 5 April 2006, 17,770 children born on or after 1 September 2002 have been reported to HM Revenue & Customs by local authorities.

**4.3** By 5 April 2006, HM Revenue & Customs had opened 8,269 Child Trust Fund accounts for looked after children born on or after 1 September 2002. This differs from the figure in 4.2 because some children already had a Child Trust Fund account when they became looked after.

**4.4** A breakdown by local authority of the number of looked after children in their care on 5 April 2006, for whom HM Revenue & Customs had opened an account, is shown in the Appendix. The total of cases listed in the breakdown is 9,385. This is more than the figure in 4.3 because some children had a voucher issued before being looked after by a local authority and HM Revenue & Customs opened an account for them once the voucher had expired.

**4.5** 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 one appropriate 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 will manage the account for the child, until someone appropriate is identified.

**4.6** Table 5 shows the number of cases referred to each body for the year to 5 April 2006.

**Table 5**

	<b>Cases referred for the year to 5 April 2006</b>
Official Solicitor for England and Wales	3,515
Official Solicitor for Northern Ireland	43
Accountant of Court	112
<b>Total</b>	<b>3,670</b>

# Child Trust Fund Helpline

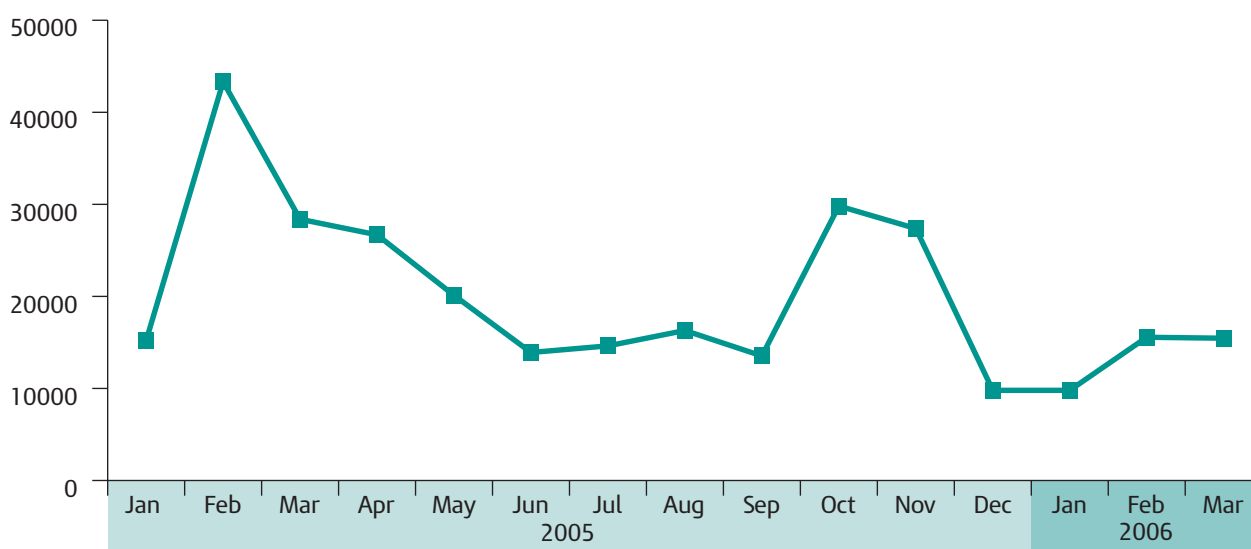
5.1 The Helpline is a dedicated Child Trust Fund service, open from 8am to 8pm every day. It aims to handle straightforward enquiries from customers on most aspects of the Child Trust Fund. Table 6 shows high level information about numbers of calls to the Helpline in the year to 5 April 2006.

**Table 6**

<b>Calls received</b>	364,909
<b>Calls answered</b>	355,314
<b>Calls abandoned by customers</b>	9595
<b>% answered within 20 seconds</b>	91.5%
<b>Average call time (minutes)</b>	3:10
<b>Calls referred to Child Trust Fund Office</b>	7,189

5.2 Graph 2 shows the numbers of calls to the Helpline and how these varied during the period from January 2005 to 5 April 2006. The initial peak coincides with the start of the scheme and the later peak reflects the interest generated by a reminder letter issued in October 2005 and advertising around that time.

**Graph 2**



5.3 The most common types of enquiry concerned

- Replacement vouchers - 34%
- Vouchers and starting payments - 14%
- General enquiries - 13%
- Changes in circumstances - address, name etc - 10%
- Provider / Distributor enquiries - 7%.

5.4 More urgent cases, such as those involving death or terminal illness, are passed directly to the Child Trust Fund Office to handle.

5.5 Staffing levels on the Helpline were

- 31 staff at 5 April 2005
- 43 staff at 5 April 2006.

These numbers varied during the year in response to the level of calls received.

# Child Trust Fund Office

**6.1** The Child Trust Fund Office manages the day to day work on the Child Trust Fund. This includes

- urgent enquiries passed on by the Child Trust Fund Helpline
- change of circumstance information supplied by customers
- issuing replacement vouchers
- liaison with the Child Benefit Office over eligibility for the Child Trust Fund
- liaison with the Tax Credit Office over entitlement to additional payments
- returns and enquiries from local authorities, the Official Solicitor and Accountant of Court over looked after children
- liaison with the Department for Work and Pensions over early access to Child Trust Fund accounts for terminally ill children
- correspondence and complaints
- outreach work, for example, the Child Trust Fund stand at Baby Shows.

**6.2** Staffing levels in the Child Trust Fund Office were

- 44 staff at 5 April 2005
- 44 staff at 5 April 2006.

There were minor fluctuations during the year in response to changing work levels.

# Marketing the Child Trust Fund

**7.1** Advertising for the Child Trust Fund launched in January 2005 on TV, radio, outdoor posters and in national press. The objectives for the campaign were to build awareness of the Child Trust Fund among eligible parents and to ensure they understood the new scheme and how to open an account. Advertising was supported by a Child Trust Fund website ([www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)) and information packs for parents that were sent in advance of them receiving their Child Trust Fund voucher.

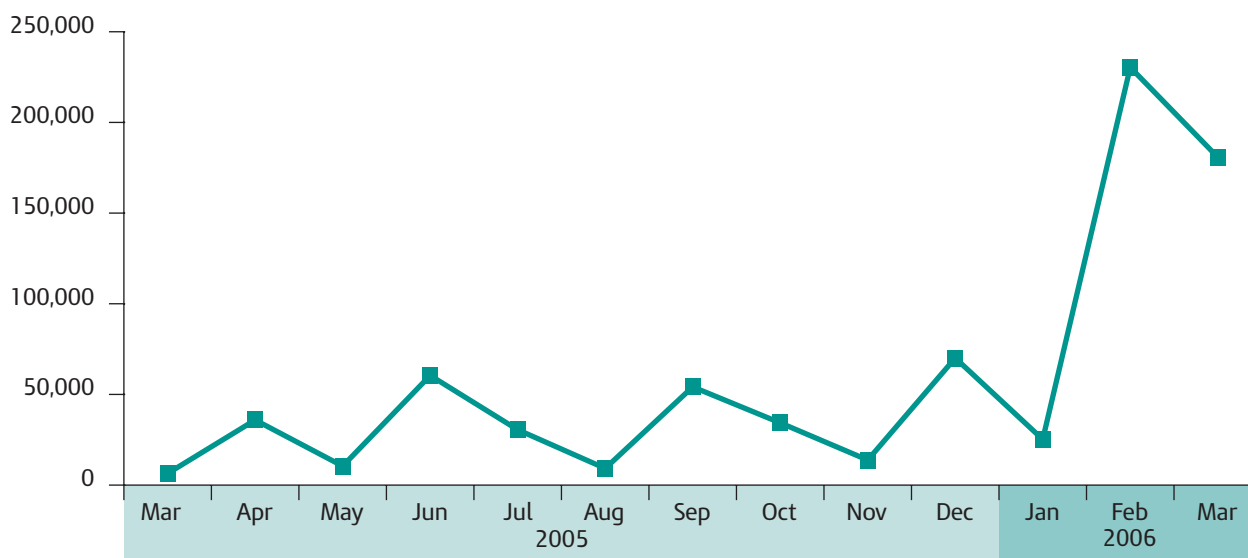
**7.2** There was activity throughout the year to ensure that expectant and new parents were informed about the Child Trust Fund, including advertising in parenting magazines, attendance at Baby Shows and distribution of leaflets via the Bounty pack and natal clinics. In addition, several bursts of higher profile activity have been run:

- A second burst of advertising ran in July 2005 to maintain awareness of the Child Trust Fund and to encourage parents to open an account.

- Communications activity in October 2005 focused on providing more practical help for parents with the process of choosing and opening an account. This included advertising on TV, radio and in magazines, supported by a new microsite ([www.ctfhelp.com](http://www.ctfhelp.com)) that explained how to choose an account. Visits to the microsite averaged 66,000 each month between October 2005 and 5 April 2006. A reminder letter and leaflet designed to help parents choose and open an account were also sent to parents who had not yet used their voucher.
- Two bursts of radio and magazine advertising ran in December 2005 and January 2006. December activity encouraged parents and their friends and family to consider making contributions to their child's Child Trust Fund account. Advertising in January delivered a final reminder to parents to open an account before their voucher expired.

**7.3** The number of visitors to the Child Trust Fund website ([www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)) is shown in Graph 3.

**Graph 3** Child Trust Fund website



**7.4** In addition to the advertising, HM Revenue & Customs is working in partnership with the voluntary sector and with other government departments to provide extra support to less financially confident parents who might find it more difficult to choose and open an account.

**7.5** Research conducted in February/March 2006 revealed that

- 98% of eligible parents were aware of the Child Trust Fund
- 97% of eligible parents (and/or their partner) had looked at the information pack
- There were good levels of knowledge among eligible parents, for example
  - 91% knew to pay the voucher into a Child Trust Fund account for their child
  - 85% knew the initial amount is £250
  - 88% knew that interest and growth earned is tax free
  - 77% knew that money could only be withdrawn after the child's 18th birthday
  - 75% knew that there are no restrictions on how money can be spent.
- 32% of eligible parents claimed they had opened a Child Trust Fund account as a result of having seen the advertising.

**7.6** Table 7 shows the total media spend (including any fees and excluding VAT) for 2004/05 and 2005/06.

**Table 7**

	2004/05	2005/06
Television	£1,119,000	£2,379,000
Press	£947,000	£1,536,000
Radio	£340,000	£663,000
Other media	£794,000	£322,000
<b>Total</b>	<b>£3,200,000</b>	<b>£4,900,000</b>

# Administration

**8.1** The overall costs and estimates for the Child Trust Fund are set out in Table 8. These figures include costs for all information technology, staff, communications (including media spend) and legal costs.

**Table 8**

2004/05	£52m
2005/06	£37m
2006/07	£25m
2007/08	£15m
2008/09	£15m
2009/10	£15m

**8.2** The cost to the Exchequer of Government payments into Child Trust Fund accounts is forecast at £240 million each year, rising to £480 million each year once further payments into Child Trust Fund accounts at age 7 are fully on stream by 2011-12.

**8.3** The Child Trust Fund has been designed so that the opportunities for fraud are minimal. The issue of Child Trust Fund vouchers is dependent on a successful Child Benefit claim and the low rate of error and fraud in Child Benefit is reflected in the low rates for the Child Trust Fund.

Fraud is for the most part stolen identity cases where a Child Trust Fund is opened for a non-existent child. The error rate is mainly attributable to cases where, because of incorrect details, a Child Trust Fund account was opened for the wrong child.

Since the inception of the Child Trust Fund fraudulent applications relating to around £5,000 have been detected and the bulk of this money has been or will be recovered. The level of error detected is around £2 million in cash terms and this has been recovered, where appropriate.

# Appendix

Breakdown by local authority of the number of looked after children in their care on 5 April 2006, for whom HM Revenue & Customs had opened an account.

Aberdeen City Council	75	Dumfries & Galloway Scottish Unitary	16
Aberdeenshire Council	26	Dundee City Council	40
Angus Council	32	Durham County Council	83
Argyll & Bute Scottish Unitary	7	East Ayrshire Council	29
Armagh & Dungannon HSS Trust	16	East Dunbartonshire Scottish Unitary	7
Barnsley Metropolitan Borough Council	44	East Lothian Council	12
Bath & North East Somerset Council	10	East Renfrewshire Scottish Unitary	1
Bedfordshire County Council	33	East Riding of Yorkshire Council	39
Birmingham City Council	262	East Sussex County Council	62
Blackburn with Darwen Borough Council	40	Essex County Council	176
Blackpool Borough Council	78	Falkirk Scottish Unitary	15
Blaenau Gwent County Borough Council	21	Fife Council	47
Bolton Metropolitan Borough Council	62	Flintshire County Council	17
Bournemouth Borough Council	23	Foyle HSS Trust	24
Bracknell Forest Borough Council	6	Gateshead Metropolitan Borough Council	38
Bradford City Metropolitan Council	149	Glasgow City Council	116
Bridgend County	39	Gloucestershire County Council	54
Brighton & Hove Council	61	Halton Borough Council	20
Bristol City Council	91	Hampshire County Council	128
Buckinghamshire County Council	35	Haringey Council	54
Bury Metropolitan Borough Council	43	Hartlepool Borough Council	15
Caerphilly County Council	32	Herefordshire County Council	12
Calderdale Metropolitan Borough Council	39	Hertfordshire County Council	110
Cambridgeshire County Council	40	Highland Council	22
Cardiff County Council	58	Homefirst Trust	29
Carmarthenshire County Council	22	Inverclyde District Council	14
Causeway HSS Trust	9	Isle of Wight English Unitary	18
Ceredigion County Council	9	Kent County Council	134
Cheshire County Council	53	Kingston Upon Hull City Council	89
City & County of Swansea	74	Kirklees Metropolitan Council	72
City of Coventry	64	Knowsley Metropolitan Borough Council	37
City of London	0	Lancashire County Council	189
City of Newcastle	92	Leeds City Council	140
City of Sunderland	65	Leicester City Council	66
City of York Council	22	Leicestershire County Council	45
Clackmannanshire Scottish Unitary	4	Lincolnshire County Council	99
Comhairle Nan Eilean Siar	0	Liverpool City Council	73
Conway Borough Council	17	London Borough of Barking	45
Cornwall County Council	85	London Borough of Barnet	41
Council of the Isles of Scilly	0	London Borough of Bexley	23
Craigavon & Banbridge Com HSS Trust	14	London Borough of Brent	36
Cumbria County Council	43	London Borough of Bromley	32
Cyngor Gwynedd	13	London Borough of Camden	23
Darlington Borough Council	24	London Borough of Croydon	46
Denbighshire County Council	20	London Borough of Ealing	63
Derby City Council	51	London Borough of Enfield	39
Derbyshire County Council	53	London Borough of Greenwich	78
Devon County Council	71	London Borough of Hackney	60
Doncaster Metropolitan Borough Council	49	London Borough of Hammersmith & Fulham	44
Dorset County Council	34	London Borough of Harrow	12
Down Lisburn HSS Trust	24	London Borough of Havering	21
Dudley Metropolitan Borough Council	56	London Borough of Hillingdon	45

London Borough of Hounslow	49	Rutland County Council	1
London Borough of Islington	54	Salford City Council	79
London Borough of Lambeth	89	Sandwell Metropolitan Borough Council	78
London Borough of Lewisham	59	Scottish Borders Council	16
London Borough of Merton	23	Sefton Metropolitan Borough Council	51
London Borough of Newham	64	Sheffield City Metropolitan District Council	103
London Borough of Redbridge	29	Shetland Islands Council	1
London Borough of Richmond Upon Thames	12	Shropshire County Council	19
London Borough of Southwark	23	Slough Borough Council	24
London Borough of Sutton	14	Solihull Metropolitan Borough Council	23
London Borough of Tower Hamlets	60	Somerset County Council	56
London Borough of Waltham Forest	48	South & East Belfast HSS Trust	17
London Borough of Wandsworth	48	South Ayrshire Scottish Unitary	13
Luton Borough Council	46	South Gloucestershire English Unitary	21
Manchester City Council	172	South Lanarkshire Council	17
Medway Council	40	South Shropshire District Council	0
Merthyr Tydfil County Borough Council	21	South Tyneside Metropolitan Borough Council	55
Middlesborough Council	53	Southampton City Council	37
Midlothian Council	19	Southend on Sea Borough Council	44
Milton Keynes Council	23	Sperrin Lakeland HSS Trust	9
Monmouthshire County Council	14	St Helens Metropolitan Borough Council	51
Neath & Port Talbot Welsh Unitary	12	Staffordshire County Council	70
Newport Welsh Unitary	43	Stirling Council	3
Newry & Mourne HSS Trust	5	Stockport Metropolitan Borough Council	39
Norfolk County Council	103	Stockton-on-Tees Borough Council	38
North & West Belfast HSS Trust	30	Stoke on Trent City Council	70
North Ayrshire Council	22	Suffolk County Council	110
North East Lincolnshire Council	27	Surrey County Council	81
North Lanarkshire Council	30	Swindon Borough Council	37
North Lincolnshire Council	27	Tameside Metropolitan Borough Council	42
North Somerset District Council	24	Telford & Wrekin Council	24
North Tyneside Metropolitan Borough Council	42	The City of Edinburgh Council	60
North Yorkshire County Council	47	The Moray Council	10
Northamptonshire County Council	86	Thurrock Council	21
Northumberland County Council	41	Torbay Borough Council	30
Nottingham City Council	60	Torfaen County Borough Council	25
Nottinghamshire County Council	60	Trafford Metropolitan Borough Council	23
Oldham Metropolitan Borough Council	49	Ulster Community & Hospital Trust	11
Orkney Islands Council	3	Vale of Glamorgan Council	28
Oxfordshire County Council	55	Wakefield Metropolitan Borough Council	66
Pembrokeshire County Council	19	Walsall Metropolitan Borough Council	71
Perth & Kinross Council	11	Warrington Borough Council	35
Peterborough City Council	51	Warwickshire County Council	66
Plymouth City Council	61	West Berkshire Council	7
Poole Borough Council	13	West Dunbartonshire Council	8
Portsmouth City Council	34	West Lothian District Council	22
Powys County Council	13	West Sussex County Council	71
Reading Borough Council	21	Westminster City Council	32
Redcar & Cleveland Council	24	Wigan Metropolitan Borough Council	64
Renfrewshire Council	22	Wiltshire County Council	29
Rhondda Cynon Taff County Borough Council	54	Wirral Metropolitan County Council	89
Rochdale Metropolitan Borough Council	57	Wokingham District Council	4
Rotherham Metropolitan Borough Council	35	Wolverhampton City Council	66
Royal Borough of Kensington & Chelsea	34	Worcester County Council	61
Royal Borough of Kingston Upon Thames	10	Wrexham County Borough Council	22
Royal Borough of Windsor & Maidenhead	7	Ynys Mon/Isle of Anglesey County Council	3

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Communications and Marketing

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