

**EXPLANATORY MEMORANDUM TO
THE CHILD TRUST FUNDS (AMENDMENT NO.2) REGULATIONS 2006.**

S.I 2006 No.2684

1. This explanatory memorandum has been prepared by HM Revenue & Customs and is laid before Parliament by Command of Her Majesty.

2. **Description**
 - 2.1 These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450). They require Local Authorities to provide HM Revenue & Customs with the full name and address of a looked after child's mother, if known or failing that, the same information for the child's father. They will also extend the time given to Local Authorities to provide their monthly return to HM Revenue & Customs (from five days to ten days). They also add an additional circumstance in which the Official Solicitor will take over the management of a child's Child Trust Fund account.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.

4. **Legislative Background**
 - 4.1 These regulations are being made under powers conferred by sections 3 (5) and (10), 16 and 28 (1) to (4) of the Child Trust Funds Act 2004 c.6. The regulations are being made under the negative resolution procedure.
 - 4.2 Regulation 33(3) of the Child Trust Funds Regulations 2004 (S.I. 2004/1450) sets out information about certain looked after children to be provided by Local Authorities by monthly returns to HM Revenue & Customs.
 - 4.3 Regulation 33(4) of the Child Trust Funds Regulations 2004 (S.I. 2004/1450) sets out the time allowed after each return period by which each Local Authority must deliver a monthly return to HM Revenue & Customs.
 - 4.4 Regulation 33A(2) of the Child Trust Funds Regulations 2004 (S.I. 2004/1450), as amended by the Child Trust Funds (Amendment No2) Regulation 2004 (S.I. 2004/3382) sets out the circumstances in which the Official Solicitor (or Accountant of Court in Scotland) is to act as a registered contact for a looked after child's account, and the circumstances in which he is to cease to act.
 - 4.5 The Schedule to the regulations includes the characteristics of the Child Trust Fund stakeholder account.

5. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The Child Trust Funds Act 2004 provides for Child Trust Fund accounts to be opened for all eligible children born on or after 1 September 2002. The Child Trust Fund is a savings and investment account for children. The Government will make contributions to this account with an additional payment for children from lower income families. In addition to the Government contributions, the child's family and friends can also subscribe to the account up to an annual limit. The funds are locked into the account until the child reaches the age of 18.

7.2 Eligibility for the Child Trust Fund is based on a Child Benefit award being in place for the child. However, Child Benefit is not normally payable when a child is looked after by a Local Authority. The existing Child Trust Funds regulations require Local Authorities to give HM Revenue & Customs details of certain looked after children to ensure that looked after children do not miss out on a Child Trust Fund account.

7.3 These changes will require Local Authorities to provide HM Revenue & Customs with the full name and address of a looked after child's birth mother, if known or failing that, the same information for the child's birth father, except in circumstances where the Local Authority considers the child's situation to be particularly sensitive. This information is required to enable HM Revenue & Customs to correctly trace a child on their systems and to avoid creating duplicate Child Trust Fund accounts.

7.4 These changes will also allow Local Authorities ten days (rather than five days) from the end of each monthly reporting period to provide a return to HM Revenue & Customs.

7.5 These changes will add an additional circumstance in which the Official Solicitor will take over the management of a child's Child Trust Fund account. This change is to align with the new adoption processes that were introduced at the end of 2005.

7.6 There is also a minor change to the regulations on the characteristics of the stakeholder account to allow funds to be held on deposit pending dealing without accruing interest. This change brings these regulations in line with the other stakeholder product regulations on this issue.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it imposes no new impacts on business, charities or voluntary bodies.

8.2 The impact on the public sector is negligible.

9. Contact

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