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# On our **OWN** two feet

**The case for a savings account  
scheme for looked after children**



*as long as it takes*



**‘We really do need to do better as a country [for care leavers]. We are looking at this area and I recognise that dealing with the scandal of the poor outcomes for children in care is something, frankly, that everyone in this House ought to support.’**

**David Cameron, 2010**

**‘I don’t want other people to go through what I have and I don’t know what the future is going to be for me. It would have helped a lot to have some savings.’**

**Care leaver, 2011**

Action for Children is a UK children's charity committed to helping the most vulnerable and neglected children and young people break through injustice, deprivation and inequality, so they can achieve their full potential. We work with around 200,000 children, young people and their families through nearly 480 services across the UK.



We have over 140 years experience of working with children in care. We are ambitious for children who cannot live with their birth families, and passionate about helping them to enjoy the same life chances as other children and young people.

We work with children and young people through fostering and adoption services, residential care, support services for young people leaving care and services providing children's rights and advocacy.

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Barnardo's works directly with over 100,000 children, young people and their families every year through over 415 projects across the UK. We use the knowledge gained from our work with children to campaign for better policy and to champion the rights of every child. With the right help, committed support and a little belief, even the most disadvantaged and vulnerable children can turn their lives around.

We work with children in care through 24 fostering and adoption services; 15 support services for young people leaving care; six services providing children's rights and advocacy for children in care and three residential special schools.

# Introduction

Children in care are among the most marginalised and disadvantaged people in the UK. The majority have left care by the time they are 18 to face an adult life without work, education or training, and over a third of care leavers say they have been homeless in the first year after they left care.<sup>1</sup>

Action for Children and Barnardo's have a shared expertise and history of supporting the most vulnerable children in the UK. We have come together to call on the Government to provide looked after children with the help they need to stand on their own two feet.

We are calling on HM Treasury to provide an estimated £6.6 million<sup>2</sup> to establish savings accounts for looked after children and make payments into those accounts. These savings accounts would provide a financial asset available to the young person on leaving

care, additional to existing leaving care support. As the 'corporate parent' of these children, we believe the state must provide some savings in an asset-based account in the same way that other parents save for their children to enable them to have the best possible start to their adult life.

An asset-based savings account scheme will provide practical help to looked after children and care leavers, offering an opportunity for financial education and responsibility. It will help young people to make positive choices about their future and to succeed in education and training. Vitality, it will provide a much-needed financial safety net for those facing the 'cliff edge' of leaving care.



## An urgent need for action

The Child Trust Fund provided an asset-based savings account for all children born between September 2002 and January 2011. For looked after children, this account was guaranteed and included additional annual contributions, recognising the role of the state as the corporate parent. This will be replaced by a junior Individual Savings Account (ISA), available to all children by autumn 2011, on a voluntary basis and with no government contribution.

Action for Children and Barnardo's understand that in tough economic times, the Government cannot afford to continue to provide a contribution into an asset-based savings account for all children. However, as the corporate parent for looked after children, we believe they have a responsibility to pay into savings accounts for these children in the same way that they hope other parents will do for their children.

Our proposal for an asset-based savings account for looked after children will ensure that scarce public resources are targeted towards those who need them the most. Such a scheme offers a practical solution by building confidence and responsibility, and by opening up life chances for the most vulnerable young people. Beyond this, we know that access to an asset-based savings account can work to break cycles of debt and deprivation, improving the social mobility of some of our most disadvantaged young people across generations.

The Government has saved over £500 million per year from abolishing the Child Trust Fund. Our proposal would cost just £6.6 million per year. The Government must now show their commitment as the corporate parent for looked after children; set an example in generating a savings culture and improve life chances for care leavers.



## Jo is 26, lives in Lancashire and has been kind enough to share her exceptional story...

Jo grew up in and out of foster homes, before being subject to a care order when she was 14. Jo was involved in a car accident when she was nine, and the compensation from this was set aside for her until she turned 18.

'I wasn't academic at school; my mum had mental health problems, she was an alcoholic and I had a younger sister to look after.

'When I was 17 my mum killed somebody and I dropped out of college; after what happened I just couldn't carry on.

'I was suffering from depression, but the money I had saved was a real lifeline. I learnt to drive and bought an old car. I packed up my belongings, moved away, and went to university.

'When I was younger I had no plans for the future, but having savings gave me a chance at a different life. It taught me that savings are important, and now I have a mortgage on my own house.

'My sister didn't have any money saved, so when she turned 18 she was moved into a hostel with her boyfriend, pregnant.

'If I hadn't had that money, I wouldn't be able to drive, have the job that I do, or have been to university. I know I wouldn't have any of those things.'

**'If the Government's going to spend money anywhere, it needs to be with care leavers. Because what else do we have?'**



# Our proposal for an asset-based savings account for looked after children

This proposal seeks to provide an alternative fund for looked after children based on the new Junior Individual Savings Account (ISA) which the Government intends to introduce in 2011. The Government would open and administer the account, and the scheme is designed to complement – not replace – existing financial support.

An ISA is a type of savings account intended to help the value of money grow over time and/or provide an income. They were launched by the previous government in April 1999 to encourage people to save and invest. Any interest earned on savings in an ISA is tax-free and there is a limit on how much can be invested each year.

This proposal is flexible and cost-effective because it is asset-based. It will allow the Government and a potential range of investors (including friends, family and local authorities) to build an asset for care leavers from the earliest point a child enters care.

Implementation of the policy should build on the existing children in care and care leavers' policy framework and duties on local authorities to support looked after children.<sup>3</sup> This will be crucial in ensuring young people get the maximum benefit from their savings.

## Key features of the proposal

- ▶ The scheme applies equally to children in England, Wales, Scotland and Northern Ireland.
- ▶ Any child who enters local authority care under Section 20 or Section 31 of the Children Act 1989<sup>4</sup> (or the equivalent legislation in Scotland and Northern Ireland) and remains in care for a minimum of 13 weeks is eligible.
- ▶ After 13 weeks the responsible local authority send the child's details to HMRC who will then open an account.
- ▶ HMRC make an initial payment of £250.
- ▶ The responsible local authority notify HMRC if the child spends more than 26 weeks of the next year in care. HMRC will then make a further contribution of £100. The same applies to any subsequent year the child spends in care until they leave care.
- ▶ Looked after children who currently have the Child Trust Fund would also receive the annual top-up payments if, as above, they have spent more than 26 weeks in care.

## Estimated costs

We estimate the scheme will cost £6.6million in 2011/12 and on average £6.6million annually.

This calculation is based on the latest UK figures for the numbers of children who started to be looked after, the numbers of children who would remain in care after three months (13 weeks) and on the number of eligible children in care who already have a Child Trust Fund.



# How an asset-based savings account will make a difference



## Provide a better experience of leaving care

The transition from care to independence is a critical period for young people. Care leavers are forced to be independent much younger than their peers; 21 per cent leave care as young as 16, 16 per cent at 17 and 62 per cent at 18.<sup>5</sup> This is compared to 24, the average age for young people to leave home.<sup>6</sup>

The 'cliff edge' transition from care puts young people under considerable pressure to become independent, often with little support. Care leavers do not have family networks to rely on and frequently lose contact with carers soon after leaving care.<sup>7</sup> The expectation of instant adulthood can deprive care leavers of the time and space needed to cope with significant changes. This has a knock-on effect on their emotional wellbeing.<sup>8</sup>

Having adequate financial, practical and emotional support is vital if care leavers are to succeed as they enter adulthood. Engagement in education or training, secure social networks and appropriate housing are found to be key to preventing negative outcomes, such as substance misuse and offending.<sup>9</sup>

Barnardo's and Action for Children's experience of working with care leavers is that many of them show extreme resilience and determination to succeed against all the odds. However, when they leave care, a lack of support means many of the gains they have made while being looked after can be lost.



## Combat reduced life chances

Care leavers are severely economically disadvantaged in comparison to their peers. Only a minority gain good qualifications at school; most fail to establish a stable pattern of education, training or work, and continue to be financially dependent for some time after leaving care.<sup>10</sup> This has implications in both the short and long term.

Care leavers are also over represented amongst those who are not in employment, education or training (NEET). In 2009–10 in England, 33 per cent of 19 year old care leavers were NEET<sup>11</sup>, with 53 per cent in Wales<sup>12</sup>. In Scotland, 80 per cent of those eligible for ‘aftercare services’ in 2010 were NEET<sup>13</sup>. In Northern Ireland, 32 per cent of care leavers aged 16–18 were unemployed and 16 per cent were economically inactive in 2009.<sup>14</sup>

Work undertaken by care leavers is often marginal and insecure, but employment is strongly associated with educational attainment.<sup>15</sup>

**‘My friends who are looking for work can’t get anything and when I get kicked out [of care] I don’t want to get into what they are doing’**

**Young person**

In one study, all but one of the young people in employment had achieved a ‘good’ educational outcome on leaving school.<sup>16</sup>

A failure to overcome the serious disadvantage faced by children in care increases the risk of negative and costly outcomes, for example around one quarter of adults in prison spent some time in care.<sup>17</sup> Improving support for care leavers will mean cost savings for the state now and in the long term.<sup>18</sup>

Guaranteeing an asset for looked after children will complement existing financial support because it will give care leavers a financial ‘buffer’ and the flexibility they need to go on to succeed.

## Support from children and young people

We spoke to a sample<sup>19</sup> of children and young people with experience of the care system about the issue of savings, and the difference a savings account scheme would make to them. Of the people who responded to the survey:

- ▶ **seven out of 10** are worried about not having enough money put aside for when they leave care
- ▶ **eighty-five per cent** would be encouraged to save themselves if the Government paid into a savings account for them
- ▶ **only a quarter** have any money in a savings account
- ▶ **seven out of 10** think their carers or family would be encouraged to save for their future if the Government paid money into a savings account for them



### Improve educational outcomes and access to employment

Despite a marked rise in care leavers going on to higher education, from one per cent in 2004 to six per cent in 2006, the number has remained consistently low for the last five years. In 2010 only seven per cent of care leavers went to university.<sup>20</sup>

Financial barriers persist, resulting in young people dropping out of college

or university, or having to undertake work to stay in education.<sup>21</sup> This can compromise their ability to succeed, reducing their chances in a competitive job market.<sup>22</sup> Young people's fears about debt or being unable to support themselves are not only debilitating, but can also affect their decisions about engaging with education at all.<sup>23</sup>

Because care leavers are dependent on local authority resources, including discretionary financial support, their ability to make choices and access the same opportunities as other young people is often constrained. The Frank Buttle Trust found that care leavers' choice of university course and institution was seriously limited by the fact that they were living in council accommodation, which was often far away from facilities and made it difficult for them to make friends.<sup>24</sup>

Crucially, the rise in educational participation has been attributed to increases in financial support under the Children (Leaving Care) Act 2000.<sup>25</sup> The Education Maintenance Allowance (EMA), which was guaranteed for all looked after children until earlier this year, has supported young people to stay in further education and to go on to university.<sup>26</sup> On progressing through this vital stage, care leavers can also benefit from the higher education bursary of £2000.<sup>27</sup>

Recent research has concluded that above all, continuing financial assistance is vital if care leavers are to have equal

chances compared to other young people. The study found there was a strong motivation among young people to progress to higher levels of education, training and employment, but that they experienced a lack of support and practical help.<sup>28</sup>

**'If more money was available to be used on education for young people leaving care that would almost certainly improve their longer-term prospects'**

**Project leader, fostering service in Scotland**

It is clear that financial support makes a significant difference to care leavers' access to education and employment – things that are vital for breaking cycles of disadvantage. In order for young people to fulfil their academic potential, they need to be able to focus on their learning, and not how to make ends meet. A savings account scheme would not only support young people to make the positive choice to stay in education, but also allow them to succeed once they have made that choice.

## Coral is 17 and has been in care since her father died when she was five...

She had some savings put away for her, and this has built her confidence and allowed her to think positively about her future opportunities. Coral is currently studying childcare at college and wants to become a foster carer.

‘I started my childcare course last year and I get Education Maintenance Allowance at the moment but that’s going soon so I don’t know what will happen. I don’t have any money worries right now but that’s because I’m receiving my EMA.

‘I’ll get my dad’s money when I turn 18 and my foster parents have been putting some savings away for me. I would like to buy a car with the money or put it towards a flat.

‘Turning 18, I would be really nervous if I didn’t have savings. I think that I will be able to cope now and I will have more options if I want to carry on in education.

‘I would like more money to invest in ourselves and not rely on social workers or foster carers. When I finish my course I want to get a good job and have money of my own that I have worked for so I can support myself independently.

**Knowing that I have that financial support for me when I leave care helps keep me focused on my goals, as I know that they are achievable if I stick at college and work hard.’**





## Support social mobility

**‘It’s about how can we provide young people in care with the best opportunities. Being in care was not their choice ... they deserve to be given the same financial opportunities [as young people who are not in care] with the proper safeguards and guidance’ Service manager**

We know that young people leaving care are at a high risk of experiencing financial exclusion.<sup>29</sup> The majority of children in care come from disadvantaged backgrounds, and are less likely to have savings because it is more difficult for carers to open and access bank accounts on their behalf; and it is often practically difficult to get hold of the required documentation. Care leavers are less able to recover from financial shocks, such as loss of a job, and are at higher risk of getting into debt.<sup>30</sup>

Action for Children and Barnardo’s believe the benefits of savings for looked after children extend beyond meeting practical day-to-day needs, and will have long-term implications for intergenerational economic wellbeing. Not only would an asset provide a financial cushion to protect young people when things go wrong;<sup>31</sup> it would also act as a longer-term strategy to prevent care leavers living in poverty as adults, in turn improving the life chances of their children.

As the Government’s Child Poverty Strategy consultation underlines, failing to support vulnerable young people into education and training will make the current generation poor: ‘on current trends we can expect to find in 2020 that a third of parents in poverty will come from our current population of 16–24 year olds.’<sup>32</sup>





## Improve financial capability and responsibility

**‘As our legal parents, [the Government] should encourage us to save to better our futures like ‘normal’ parents.**

### **Care leaver**

Healthy financial behaviour and being able to manage money is vital for care leavers forced to cope with the challenge of independent living as young as 16. As part of good-quality financial education and support, assets can act as a lever to improve financial capability, because they offer an opportunity to widen financial knowledge.<sup>33</sup> Giving looked after children an asset will facilitate access and build their confidence in dealing with mainstream financial products. Developing a savings culture early can help prepare young people to manage their finances in the future and prevent them from falling into cycles of debt.<sup>34</sup>

Ownership of an asset not only provides economic security,

but can also encourage self-reliance and responsibility.<sup>35</sup> This has been recognised by the Government, who have committed to take action to promote responsible personal finance in both the coalition’s programme for government and the emergency budget.<sup>36</sup>

‘We want to nudge people in the direction of healthy financial behaviour, including saving and protecting their families from financial shocks’ Mark Hoban, Financial Secretary, July 2010<sup>37</sup>

A savings scheme for looked after children must become part of this initiative, with appropriate financial education provided for under local authorities’ care-leaving duties.<sup>38</sup>

**‘If you don’t give children in care aspirations and opportunity, how can they demonstrate their responsibility?’**

**Assistant Director for Family Placement Services**



## Raise aspirations and support positive behaviour

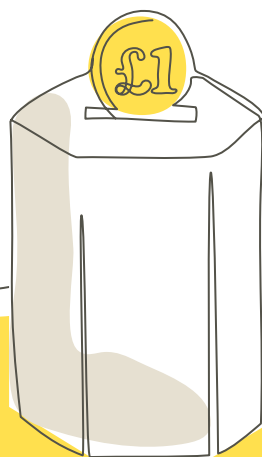
**‘We think that having savings gives people a stake in society, gives them independence, encourages self-reliance and bolsters the freedom of the individual’**

**George Osborne, 2003<sup>39</sup>**

It has been widely acknowledged that having savings can help individuals think differently about their future and make long-term plans.<sup>40</sup> There is also evidence to suggest that holding a

modest asset is associated with a range of positive welfare outcomes.<sup>41</sup>

We must be ambitious for children in care and passionate about helping them to enjoy the same life chances as other children and young people. This means providing them with the right tools in life to succeed. Looked after children are on the margins of society and face insecure futures, yet ownership of an asset would enable them to access their own resources and play an active role in society.





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## **Now is the time to act**

**We share the coalition Government's commitment to improving the lives of looked after children, who are among the most disadvantaged and marginalised people in the UK.**

An asset-based savings account scheme offers a practical solution to break this cycle of dependence and disadvantage. It will help young people make positive choices about their future and foster financial education and responsibility. It will provide opportunities to succeed in education and training. And it will provide much-needed support to those facing the 'cliff edge' of leaving care.

Now more than ever, children in care need practical support from their corporate parents – the state.

However hard the economic times, the Government must commit to providing an additional financial asset for looked after children, and help them to stand **on their own two feet**.

Please, support savings accounts for children in care and ask the Chancellor of the Exchequer to invest in the future of looked after children.

For more information about how you can help, please visit [www.actionforchildren.org.uk/owntwofeet](http://www.actionforchildren.org.uk/owntwofeet)

## Endnotes

- 1 Social Exclusion Unit (2003) *A Better Education for Children in Care*, London: HMSO
- 2 In 2011–12 and then annually. This figure is based on estimates of the numbers of children who will enter and remain in the care system.
- 3 The Children (Leaving Care) Act 2000 gives ‘young people an entitlement to financial assistance, accommodation during holidays from further and higher education, and access to a personal adviser to support them in education and training’. Such provision should be made available to all care leavers, irrespective of whether they are in education, training or employment, or on benefits.
- 4 Eligibility will be regardless of placement type and regardless of the legal basis for their being looked after (e.g. whether they were on an interim or full care order or accommodated under Section 20).
- 5 DFE (30 September 2010) ‘Children looked after in England (including adoption and care leavers) year ending 31 March 2009: Statistical First Release’
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- 12 Statistics for Wales (Sept 2010). Statistical Release: Adoptions, Outcomes and Placements for Children Looked After by the Local Authorities: Year ending 31 March 2010. Table 7 <http://wales.gov.uk/docs/statistics/2010/100916sdr1452010en.pdf>
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- 14 Northern Ireland Statistics and Research Agency (2010). Statistical Bulletin: Northern Ireland Care Leavers Aged 16-18. Figure 21. [http://www.dhsspsni.gov.uk/ni\\_care\\_leavers\\_08-10.pdf](http://www.dhsspsni.gov.uk/ni_care_leavers_08-10.pdf)
- 15 Dixon, J, Wade, J, Byford, S, Weatherly, H and Lee, J (2006) ‘Young People Leaving Care: A Study of Costs and Outcomes, Report to the Department for Education and Skills. University of York Social Work Research and Development Unit’
- 16 Ibid.
- 17 Social Exclusion Unit (2003) *A Better Education for Children in Care*, London: HMSO
- 18 Hannon, C, Wood, C and Bazalgette, L (2010) ‘In Loco Parentis’ (Demos, London)
- 19 Action for Children hosted an on-line survey for children in care and care leavers in January and February 2011, and received 107 responses. Further details can be seen at <http://www.actionforchildren.org.uk/owntwofeet>
- 20 DFE, ‘Children looked after in England (including adoption and care leavers) year ending 31 March 2009: Statistical First Release’ (30 September 2010)
- 21 Cameron, C (spring 2007) ‘Education and self-reliance among care leavers’ in *Adoption and Fostering* (vol. 31, no. 1) and Dixon, J et al (2006)
- 22 Ajayi, S., Jackson, S. and Quigley, M. (2003) ‘By Degrees: the first year from care to university’ (Frank Buttle Trust)
- 23 Cameron, C (spring 2007) ‘Education and self-reliance among care leavers’ in *Adoption and Fostering* (vol. 31, no. 1)

- 24 Ajayi, S., Jackson, S. and Quigley, M. (2003) 'By Degrees: the first year from care to university' (Frank Buttle Trust)
- 25 Dixon, J, Wade, J, Byford, S, Weatherly, H and Lee, J (2006) 'Young People Leaving Care: A Study of Costs and Outcomes, Report to the Department for Education and Skills. University of York Social Work Research and Development Unit'
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- 27 This is paid to the young person by their local authority, either in a lump sum or installments. (Whether the bursary is paid in a lump sum or in installments is decided by the local authority – this decision is supposed to be made in consultation with the young person.)
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- 36 Treasury Minister Mark Hoban addresses Consumer Financial Education Body Conference, 14 July 2010, ministerial speech [http://www.hm-treasury.gov.uk/press\\_26\\_10.htm](http://www.hm-treasury.gov.uk/press_26_10.htm)
- 37 Ibid.
- 38 The Children (Leaving Care) Act 2000 gives 'young people an entitlement to financial assistance, accommodation during holidays from further and higher education, and access to a personal adviser to support them in education and training.' Such provision should be made available to all care leavers, irrespective of whether they are in education, training or employment, or on benefits. <http://www.leavingcare.org/admin/uploads/b6c26382befe1023c5ecbf2880bca3c9.pdf>
- 39 Hansard, Official Report, 15 December 2003, vol. 415, c. 1345
- 40 Blond, P and Gruescu, S (2010) Asset Building for Children – Creating a new civic savings platform for young people, ResPublica
- 41 Bynner, J and Despotidou, S (2000) Effect of Assets on Life Chances, London: Institute of Education

**'By having some savings I could have set myself up when I came out of care. Instead, I had nothing and no one'**  
**Care leaver, 2011**



Support our proposal for a savings scheme and help children and young people in care to stand on their own two feet.  
[www.actionforchildren.org.uk/owntwofeet](http://www.actionforchildren.org.uk/owntwofeet)

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