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

4th October 2017

Dear Philip

Budget Submission, Autumn 2017

As you are aware, I have been working to extend the opportunity to create wealth, particularly to disadvantaged young people, for many years. It was this purpose which led me to establish The Share Foundation in 2005 in order to build on the establishment of asset-building accounts for young people in care: first with the Child Trust Fund, and now with the Junior ISA. These accounts have provided an indispensable platform for achieving this aim right across the United Kingdom.

The Share Foundation has been operating the Junior ISA scheme for looked-after children on behalf of the Department for Education since 2012 – its contract was renewed last year - and last week the number of children and young people we have benefited reached over 100,000: the attached press release (Annex 1) has the details. These include all young people born between 1994 and 2016 who have been in care for at least one year continuously, excluding those born between 2002 and 2011 who have Child Trust Funds.

And now you may be aware that the Child Trust Funds held for young people in care without anyone in a position of parental responsibility, until now administered by the Official Solicitor, have also been transferred to The Share Foundation. This brings all asset-building accounts for young people in care under one roof, removing local authority confusion between the two schemes and enabling us to provide financial education and voluntary additional funding for all.

Over the past year we have started introducing an 'incentivised learning' programme called the Stepladder of Achievement for 15-17 year olds in care (Annex 2). This age range includes all the older Junior ISA holders, and will increasingly provide life skills and additional resources for Child Trust Fund holders as well.

The Stepladder consists of six steps, completion of each of which earns additional money in the young person's account. These are literacy (£150), numeracy (£150), elementary financial education (£200), a statement of purpose for adult life (£250), more significant financial education (£350), and mentoring for a job or higher education (£400): thus totalling £1,500 if all steps are achieved. The programme is delivered online and is, of course, very scalable.

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Budget Proposals

I would therefore like to propose four initiatives for your forthcoming Autumn Budget.

The first three are very closely associated with our Junior ISA Child Trust Fund work: the fourth envisages a much wider application of the Stepladder of Achievement.

1. Request for a one-off boost to Junior ISA account values 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. £274. Meanwhile due to the inclusion of all young people under 18, the majority (2/3) of active Junior ISAs are held for young people aged between 15 and 17.

   In contrast the average value of Child Trust Funds held for young people in care is c. £1,000, and their ages range from 6 to 15.

   We therefore request a one-off boost to Junior ISA values of c. £725 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 £22 million.

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

2. Matched funding for voluntary sector donations raised to provide Stepladder of Achievement incentives

   Due to the high proportion of 15-17 year olds, there is a real urgency to introduce the Stepladder of Achievement right across the United Kingdom, but its implementation is being held back by the time it takes to secure 100% private sector funding. Our ability to raise its priority among major corporate and foundation donors would be hugely assisted by visible Government support.

   We therefore ask that HM Treasury should match 1:1 any voluntary donations we can raise as Stepladder of Achievement incentives. Such donations go 100% to the accounts of young people in care: there is no administrative overhead as all fund-raising expenses are covered by separate donations to The Share Foundation (in fact these donations come from one of my trusts holding Share plc shares).

   We are seeking substantial private-sector support across each of the four nations of the United Kingdom for this key financial education initiative, and support from the Government will significantly encourage the major donor support we are able to enlist for this purpose: we estimate the maximum cost impact to be c. £1m.

3. Free bus passes for care leavers aged 16-25

One of the crucial impediments to young people securing work, as they move from adolescence to independence, is the availability and cost of transport. The cost of car transport, both gaining a licence and maintaining a car, is out of reach for virtually all young people in care. Provision of a free bus pass would therefore be of immense help in finding and securing employment.

As corporate parent, the Government should do all possible to help these young people to make this transition successfully and to avoid them becoming NEET (Not in Employment, Education or Training). Access to free bus passes could make a huge difference, with commensurate cost reduction benefits in both social welfare and justice departments.

Assuming a 40% take-up, I estimate that the cost of such a program would be in the order of £3m pa, and it is possible that this also could be part funded from the private sector, in conjunction with the Department for Education's new Care Leaver Covenant scheme.

4. Extending incentivised learning for disadvantaged young people

My fourth proposal is the most ambitious, and draws directly on our experience with the Stepladder of Achievement: it is to extend this incentivised learning programme across all families in receipt of Child Tax Credit, a major initiative designed to transform the prospects for disadvantaged young people across Britain. It is a personal proposal which extends across all the 'Share' enterprises with which I am associated, drawing directly on the poster message which I left at HM Treasury for your attention in Summer 2016 (reproduced in Annex 3).

The attached paper (Annex 4) sets this proposal out in detail. It envisages an incentive commitment substantially greater than we have been able to apply to the Stepladder programme. This is because it is not only a financial education programme but also an initiative which introduces a more egalitarian approach: hence I suggest it should effectively draw on a small proportion (just 10%) of c. £5bn inheritance tax levies.

It is therefore what could be the start of a new initiative to re-balance the polarisation of wealth, across both generations and social divides. However its distribution is based on the initiative and enterprise of young people rather than any discredited concept of hand-out. As my paper explains, this dual accountability arose from discussions with MPs and with Muhammed Yunus (the founder of the micro-finance movement, in 2015.

The initiative could therefore be a major component of achieving the elusive aim of addressing those politically challenged features of the free market system which generate so much focus on the polarisation of wealth, by giving the opportunity to participate in wealth creation to all young people from disadvantaged backgrounds.

Over time we could both transform the prospects for the United Kingdom and integrate society more effectively through this fourth proposal, which I hope will merit close examination by your team at the Treasury. Meanwhile I am confident that the experience gained in establishing the Stepladder of Achievement for young people in care could provide the knowledge and resource base to put this in place without undue delay.

I look forward to your thoughts on the above proposals, and would be happy to come and discuss them with you or your team at any time.

With best wishes

Gavin Oldham
The Share Foundation

<u>Copies sent to:</u>

Rt. Hon. Theresa May, MP – Prime Minister

Rt. Hon Justine Greening, MP – Secretary of State, Department for Education

Robert Goodwill, MP – Minister of State for Children and Families

Gurdawar Jassi – Policy Adviser, Children in Care and Permanence Team, DfE

Robert MacPherson – Department for Education

Rt. Hon David Gauke, MP - Secretary of State, Department for Work and Pensions

Helen Williams – Savings Policy, HMRC

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Annex 1

Press Release

27th September 2017

Support through The Share Foundation reaches 100,000 young people in care

Over 100,000 children and young people in care have now benefited from the work of The Share Foundation, the charity which operates the Junior ISA scheme on behalf of the Department for Education. The scheme, established in 2012, enables all children and young people looked after for at least one year and who do not have a Child Trust Fund to have a Junior ISA set up for them.

The Share Foundation works with all 211 local authorities throughout the United Kingdom to identify those eligible, draw down £200 for each young person from the Department for Education to open the Junior ISAs, channel extra money in from voluntary donations and local sources, and provide financial education - particularly for 15-17 year olds. It has so far placed funds totalling £22.5m into the accounts of young people in care.

At the beginning of October the Aylesbury-based charity is additionally taking on the administration work of operating Child Trust Funds for looked-after children, until now carried out by the Official Solicitor. This combined operation will not only generate a significant cost saving for the Government but also enable improved communication of the schemes to local authorities, and financial education and additional funding for Child Trust Fund holders.

This combination of building a savings account together with the provision of financial education has also provided The Share Foundation with the opportunity to introduce an incentivised learning program for 15-17 year olds in care, the 'Stepladder of Achievement'.

The Share Foundation's founder and Chairman, Gavin Oldham, said: "the help we have been able to give to 100,000 young people in care is a great credit to our team in Aylesbury and its Director of Operations, Anthony Walker. Through it we have built a close working relationship with local authorities in all four nations and with the Department for Education in order to provide a strong and well-co-ordinated base for tackling the major problems faced by young people in care."

Contact: Gavin Oldham 07767-337696 (link to radio interview, September 2017)

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Annex 2

Stepladder of Achievement

The Objective

- To inspire teenagers in care to take a number of significant steps to improve their literacy, numeracy and financial capability in order to be better placed to achieve their full potential as an adult.
- To give teenagers in care the opportunity to earn and save by experience.
- To raise additional funds to add to their Junior ISAs by rewarding them for attainment.

The Stepladder of Achievement programme provides both life skills and financial resources in order to enhance the capability and prospects of children and young people in care, who are likely to have experienced an unpredictable education. Our aim is to break the cycle of deprivation by enabling these young people to look forward to a normal adult life, by helping them to reverse this instability and enhance their employability prospects.

The Stepladder programme is being rolled-out across the United Kingdom as from Autumn 2016. The pace of roll-out depends primarily on securing voluntary funding for step payments and mentoring.

How it works

In return for achieving recognised capability in six specific areas, additional payments of up to £1,500 are added to the young person's Junior ISA. These six steps achieve readiness for adult life in terms of gaining employment and achieving full self-sufficiency.

The six steps are:

1. Literacy – assessed by a For Skills functional test with provision of learning to improve performance broadly similar to grade C GCSE equivalent pass rate. (Benefit £150)
2. Numeracy – assessed by a For Skills functional test with provision of learning to improve performance broadly similar to grade C GCSE equivalent pass rate. (Benefit £150)
3. Financial Capability (1) – assessed by For Skills conversion of pfeg material with an additional end test. (Benefit £200)
4. Plan for the Future – 250–500 words submitted and assessed by TSF as to the young person's aspirations for the future and how they will use their investment – assessment will require the recruitment and retention of volunteers. (Benefit £250)
5. Financial Capability (2) – *Managing My Money,* Share Radio's broadcast version of the Open University Business School's eight week course with recognised accreditation. (Benefit £350)
6. Securing future education, employment or training – supported by mentoring from organisations such as the Children's Society. (Benefit £400)

We work with Local Authorities to identify the most appropriate support and mentoring to work alongside the young people taking the Stepladder programme: the Children's Society also works with us in this respect, and we encourage those who have taken the programme to support and mentor those following on after them.

Key to the success of the programme is its promotion to young people themselves, and we work closely with Virtual School Heads, Foster Carers and Social Work teams within Local Authorities.

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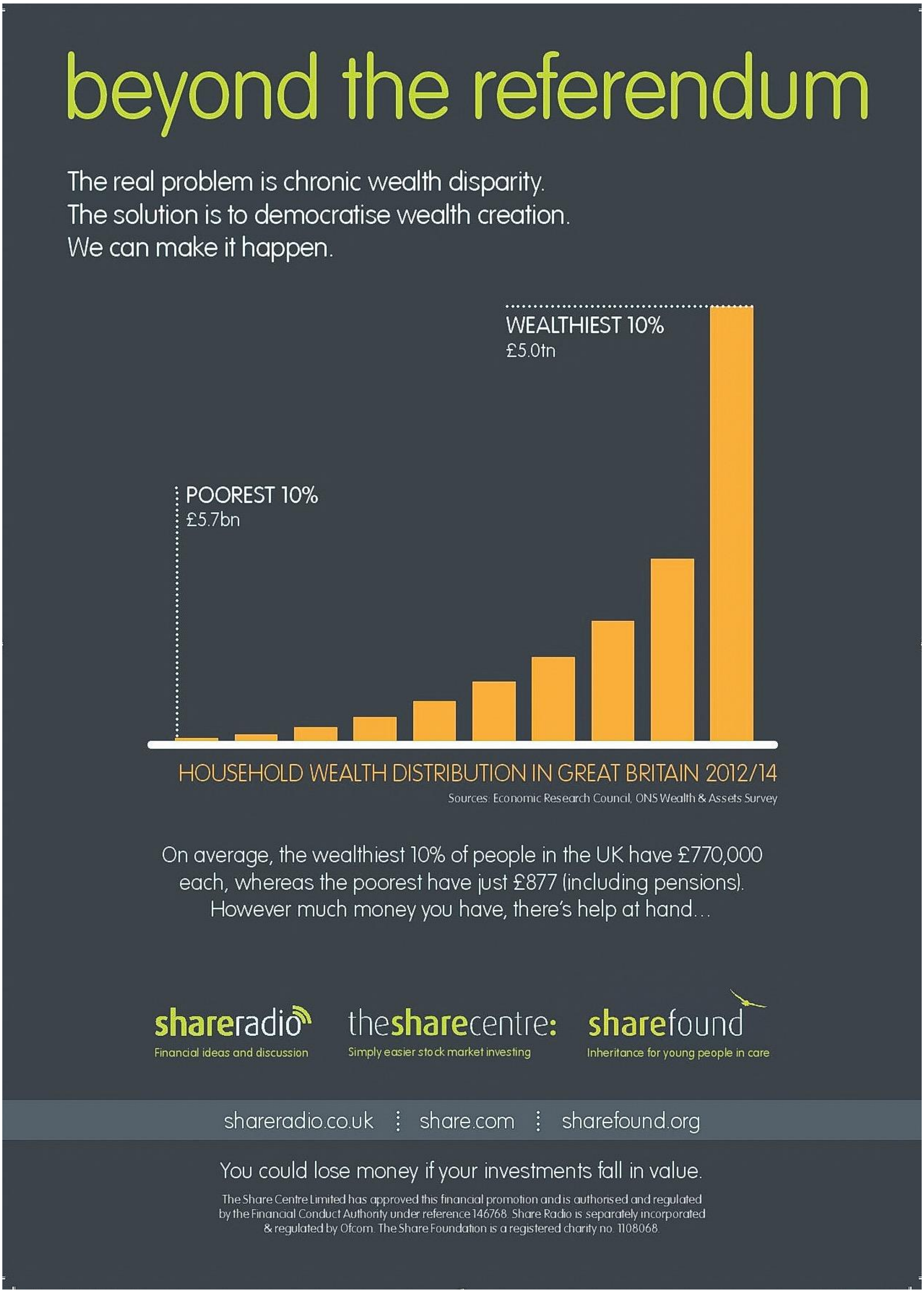
Annex 3



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Annex 4

Using incentivised learning to enable young people from disadvantaged families to become wealth creators of the future.

In order to break what Sir Keith Joseph described as 'the cycle of deprivation' young people need a combination of life skills – predominantly financial capability – and some resources with which to set out on adult life. Our proposal sets out a solution designed to achieve both these objectives, rewarding those who take the initiative to help themselves.

Background

Polarisation of wealth and opportunity is a problem throughout society, but particularly for younger generations.

David Willetts addressed this very effectively in his book 'The Pinch'. He argues that society is now more than ever characterised by horizontal relationships within generations rather than vertical relationship between generations, which are becoming stretched and fragmented. As medical science and healthier living has contributed to much longer lives and the average age of child-bearing has increased, the gap between generations has become even more extended.

He also shows how the post war baby boomer generation has reaped so much of the rewards, through a combination of property ownership, pensions and public spending: leaving a legacy of debt which will now have to be serviced by the young.

Immigration has also contributed to the generational disparity of wealth: immigrants are generally poor on arrival in the United Kingdom, and statistics show larger number of children and young people, and a higher birth rate. This has increased significantly the proportion of young people from disadvantaged backgrounds. In some areas of the country this has resulted in quite serious segregation, with all the toxic ingredients for spawning discontent and extremism.

Meanwhile private wealth is concentrated in the old. While employment opportunities have increased sharply for the over 65s over the past 10 years, for 18 to 24 year olds they have flat-lined. Self-employment is a very significant way of working now, but it favours middle age upwards with business experience. Meanwhile young people graduate from university with a great burden of student debt on their shoulders.

If this situation is not to result in societal and economic instability, something must be done to re-balance the scales to provide more opportunity and resources for the disadvantaged young.

Incentivised Learning

Incentivised learning, operated at a national level and offered to young people most in need, would provide the way out of this impasse, and the funds to enable it could be at least notionally hypothecated from some of the tax levied each year on inheritance. Essentially incentivised learning would reward young people who made 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.

The terms would be carefully constructed, being focused on young people from poorer families: those in receipt of Child Tax Credit (c. 16% of the population). This would benefit c. 150,000 young people in each annual cohort. Incentivised learning would be offered in the years immediately before adulthood in order to give some experience of stewardship of capital as 'financial education by experience'. If 10% of the current HMRC receipts of Inheritance tax (2016/17: £4.8bn) were applied in this way, the average receipts per young person completing the programme would be about £10,000.

The objective of building assets generally 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.

The Share Foundation's experience

However the Child Trust Fund did provide a platform for identifying children most in need – those looked-after by the state - and set them up with a capital account: so The Share Foundation was established to work 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 United Kingdom on behalf of the Department for Education. As a result they have now introduced a truly incentivised learning programme for young people in care (the 'Stepladder of Achievement') as part of that scheme, which has now been widened to include Child Trust Funds held for young people in care in Autumn 2017.

In the 'Stepladder of Achievement', measured progress with specific steps towards maturity – literacy, numeracy, financial capability and self-discipline - are rewarded by capital contributions to the individual's Junior ISA account, which are accessible on reaching adulthood. In this way the young person develops the ability to achieve their potential in addition to earning the resources which can help them make it a reality.

The three ingredients necessary for this to be achieved - a positive attitude, life skills, and some resources – are therefore provided for young people in care aged 15-17 by the Stepladder of Achievement.

There are six incentivised learning steps in the Stepladder, 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.

Proposal for a scheme to provide significantly wider benefit

As the evidence builds that this does indeed achieve results, it is proposed 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 of course all those aged between 6 and 15 have a Child Trust Fund in any case.

With an annual cohort of c. 150,000 young people in this situation, and estimating that at least a third of these young people will complete the Stepladder in order to earn what should be a rather more significant incentive than that applied at The Share Foundation, the aggregate cost to the Exchequer would still be a small fraction of inheritance tax receipts each year.

Meanwhile the involvement of mentoring volunteers to work with these young people, helping them through the steps and showing interest in their progress, would help bind society together, repairing the damage caused by family fragmentation and the challenge presented by immigration.

This kind of inter-generational support for the disadvantaged young places no burden on natural inheritance within families: indeed it may suggest better ways to make that inheritance process more effective itself. However it does offer society a more stable future, based on social integration and inter-generational equity.

Gavin Oldham
The Share Foundation, & also Chairman of Share plc/The Share Centre
October 2017