An Asset Account for Looked After Children

A proposal to improve educational outcomes for children in care

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About this paper

This ippr trading paper was commissioned by the Department for Education and Skills in December 2005. In the process of researching the paper, we held three focus groups in January 2006 with 15 young people in care. A joint expert seminar was held with Rainer at ippr in December 2005 on raising the educational attainment of children in care, and discussions from this seminar also fed into the paper.

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Executive summary

More than 80,000 children pass through the care system each year – and, each year, the system fails to give them the educational support they need. Of all seven-year-olds who had been in care for at least 12 months up to September 2005, only 58 per cent reached level 2 at Key Stage 1, compared to 86 per cent of the rest of their classmates. At age 11, only 44 per cent were at level 4 at Key Stage 2, compared to 80 per cent of their peers; and at age 16, only one in 10 achieved five or more GCSEs at grade A*-C, compared to more than half of all children (DfES and National Statistics 2006a).

The systematic underachievement of looked after children illustrates the failure of the state to adequately support those entrusted to its care. This failure to help them overcome the disadvantages they face leaves these children at risk of homelessness and offending – between a quarter and a third of rough sleepers have been in care, and around a quarter of adults in prison spent some time in care as children (Social Exclusion Unit 2003). Even ignoring the costs of crime and homelessness, it has been estimated that bringing the education and employment of care leavers up to the same standard as their peers would save an estimated £300 million over three years (Social Exclusion Unit 2003).

There is no silver bullet to improve results. Different policies must target the range of obstacles faced by young people in care. This paper suggests a new method, building on previous ippr work on the Child Trust Fund, and how it should relate to looked after children. It proposes giving looked after children their own asset account as a complement to existing policies to improve educational outcomes, and to ippr's previous recommendation that local authorities should make annual deposits of £50 into the Child Trust Funds of all children in care (Maxwell 2005).

An individual asset account that can be accessed before the age of 18 could help children in care to develop a sense of control and some measure of security in their lives, support key transitions post-16, overcome some of the barriers to participation in extra-curricular activities, and reward achievements. The analysis in this paper is based on existing empirical evidence and on discussions both with young people with experience of the care system, and with adults who work with them.

An asset account would be uniquely suited to supporting children in care and improving educational outcomes in two ways:

1. *Improving children's sense of security, self-efficacy and propensity to plan.* Opportunities for children to develop in this way in the current system are limited, and vary greatly between local authorities. Giving a young person their own asset, with significant control over how it is spent, could improve their sense of security, self-efficacy and propensity to plan for their future.

2. *Providing support at key transitions,* such as to independent living and post-16 education and training. Young people reported inadequate financial support as a crucial factor in low participation in post-16 education and training, with support varying greatly from area to area. Although the priority must be to ensure that young people in care have a decent income that enables them to make a genuine choice between going into employment and carrying on with their education at age 16, access to an asset could help them to cope with the one-off expenditures associated with these transitions.

An asset account could also help to promote two other objectives as a means of improving educational attainment:

3. *Supporting out-of-school-hours learning activities.* Evidence suggests that out-of-school-hours study support and extra-curricular activities can have a positive impact on educational attainment. However, the availability of such activities to children in care varies geographically. A system of individual funding, administered through an asset account, could help ensure that all children in care have access to these activities.

4. *Providing performance incentives for educational attainment.* Deposits into the asset account and expenditure on 'treats' could be used as an achievement reward to increase motivation.

The paper sets out an asset-based policy for looked after children, targeted primarily on achieving the first and second objectives above: improving a child's sense of security, self-efficacy and propensity to plan; and providing support at key transitions. This policy takes the form of an individual asset account with the following characteristics:

Eligibility:

- Available to all children and young people immediately on entering care.
- Opened regardless of the age of the child when entering care.
- Accounts frozen for accrual and expenditure purposes if they leave care before age 18, and transferred to their Child Trust Fund at age 18 if they do not re-enter care.

Accrual:

- Initial, modest lump sum deposit (£200).
- Monthly deposits (£20).
- Interest.
- Further lump sum at age 16 to assist with the transition to independent living (£500).

Expenditure:

- A proportion each year available to be spent on 'treats'.
- 'Gatekeeper' worker to countersign all withdrawals.
- Larger amount available for expenditure around age 16, to ensure that the asset supports the transition to independent living.
- Remaining lump sum to transfer to a young person's Child Trust Fund at age 18, when it may be spent in full and without restriction.

Indicative costings suggest that the total annual running cost would be in the region of £27.4 million.

Further options

The asset account outlined above could be expanded to promote other objectives:

- Further deposits and greater flexibility in spending could be used to incentivise and reward education-related achievements.
- Larger monthly deposits could be used to support out-of-school-hours activities.
- Savings made by the young person into the account could be matched in order to further develop self-efficacy and a propensity to plan.

An asset account would be most effective in the context of wider improvements to the existing policy and practice framework for children in care, as well as improved consistency between local authorities in the application of existing policy and guidance. Areas that are clearly in need of improvement, and that are likely to impact on the educational attainment of young people, include: adequate pocket money and travel allowances, consistent use of Personal Education Plans, adequate leaving care grants, decent levels of support while in post-16 education and training, and the effective use of existing educational incentives.

1. Introduction

Low levels of educational qualifications are a significant barrier to looked after children overcoming their disadvantaged start in life. The Government has recognised its duty to improve educational opportunities and outcomes for these children. This paper assesses whether an asset-based policy could play a role in improving outcomes for looked after children, particularly with respect to their educational attainment.

It recommends an asset-based approach, based on existing evidence on the effect of assets on individual outcomes, an understanding of current policy and practice for looked after children, and a series of focus group discussions held with young people with experience of the care system, and with staff working with them (see Appendix 1 for details). This approach builds on and complements previous ippr recommendations that local authorities should make annual £50 deposits into the Child Trust Funds of children in their care, as part of their duty as corporate parents (Maxwell 2005).

Which group should a policy aiming to improve the educational outcomes of looked after children target? Such a policy must consider both the needs of children in care at any one point *and* the needs of children who are at risk of (re-)entering care. A snapshot of the population of children in care at any one time does not include children who are at risk of entering the care system or who have previously been in the system. Only a minority of children spend more than two-and-a-half years in care, and many children move in and out of care during their childhood.

However, the currently available data on children in care is insufficient to enable us to move beyond a snapshot definition. This means that, for the purposes of this paper, a group at either end of the range of possibilities can be selected: either all children 'in need', or all children who are currently looked after.

There are around 300,000-400,000 children 'in need' under the Children Act (1989) definition in any given year (see Box 1.1) (HM Treasury, DfES and DWP 2003). There are almost 61,000 children who are currently looked after (HM Treasury and DfES 2005). This paper discusses an asset account as it would apply to looked after children, but this should be regarded only as a starting point, as the policies discussed here have important implications for those outside this narrow group, and may be more effective if applied to a broader group. As soon as improved data becomes available, consideration should be given to how the policies under discussion might be widened to a significantly larger group.

Box 1.1: The Children Act (1989)

Section 17

A child is 'in need' if:

1. She/he is unlikely to achieve or maintain, or to have the opportunity of achieving or maintaining, a reasonable standard of health or development without the provision for her/him of services by a local authority;
2. Her/his health or development is likely to be significantly impaired, or further impaired, without the provision for her/him of such services; or
3. She/he is disabled.

Section 22

A child is 'looked after by a local authority' if the child is:

1. In the authority's care; or
2. Provided with accommodation by the authority for a continuous period of more than 24 hours.

The next section of this paper looks at the profile of looked after children and their educational attainment, and briefly highlights why children in care achieve at much lower levels than their peers. Section 3 considers the general benefits that assets can deliver. Section 4 relates these benefits specifically to looked after children, and examines how, if at all, assets could improve their educational attainment. The final section outlines an asset-based policy proposal.

2. Looked after children

During the course of any 12-month period, over 80,000 children pass through the care system (HM Treasury and DfES 2005). There were 60,900 looked after children at 31 March 2005 (a three per cent increase from 31 March 2001). The majority were in foster care placements (68 per cent), 11 per cent were in residential children's homes, nine per cent were placed with their parents, and five per cent were adopted (DfES and National Statistics 2005b).

Who goes into care?

Diversity among children in care tends to be greater than for the population as a whole:

- **Ethnicity:** Twenty per cent of looked after children in England in 2004/05 were from black or minority ethnic groups, compared with 7.9 per cent of the population as a whole (DfES and National Statistics 2005b). Eight per cent were black or black British, two per cent were Asian or Asian British, and eight per cent were of mixed ethnicity.
- **Special Educational Needs (SEN)**: In 2004, 27 per cent of looked after children had a statement of special educational needs, compared with three per cent of the overall population of children (DfES and National Statistics 2006a; HM Treasury and DfES 2005).
- **Disability**: Four per cent of children were looked after primarily because they were disabled in 2004 (DfES and National Statistics 2006b). In 2003/04, there were 13,300 disabled children who were in social care or specialist school residential placements (excluding foster care) (Pinney 2005).
- **Mental Health**: In 2003, 45 per cent of looked after children had a conduct or emotional disorder, or hyperactivity, compared to 10 per cent of the overall population (Office for National Statistics 2003). Looked after children are seven times more likely than other children to experience mental health problems (HM Treasury and DfES 2005).
- **Unaccompanied asylum-seeking children**: There were 2,900 unaccompanied asylum-seeking children being looked after in 2005 (DfES and National Statistics 2005b). They are heavily concentrated in London and the South East: 69 per cent of these children were looked after in London, and 16 per cent in the South East. Many unaccompanied asylum-seeking children are highly motivated, but they may have additional educational needs such as English language support (Stanley 2000; Wade forthcoming). Evidence suggests that these children face additional barriers to education, and their immigration status may complicate and limit their entitlements (Stanley 2000; Wade forthcoming). In addition, there is a significant number of former unaccompanied asylum-seeking children who have been awarded refugee status whose needs may be similar but whose immigration status is less likely to compromise their entitlements than asylum-seeking children (Stanley 2000).

The most common reason that children enter care (63 per cent in 2005) is abuse or neglect. In the same year, 10 per cent were taken into care primarily as a result of family dysfunction, eight per cent because of absent parents, five per cent because of an adult's disability or illness, seven per cent because of family stress, four per cent because of the child's disability, and two per cent because of socially unacceptable behaviour (DfES and National Statistics 2006b).

Box 2.1: Length of time spent in care

Over time, many children move in and out of care:

- 38 per cent of looked after children had been in care for two-and-a-half or more years in 2004/05 (DfES and National Statistics 2005b).
- 75 per cent of looked after children had been in care for more than 12 months on 30 September 2005 (DfES and National Statistics 2006a).
- For children who ceased to be looked after in 2003/04, the average final period spent in care was 781 days (DfES and National Statistics 2006b).

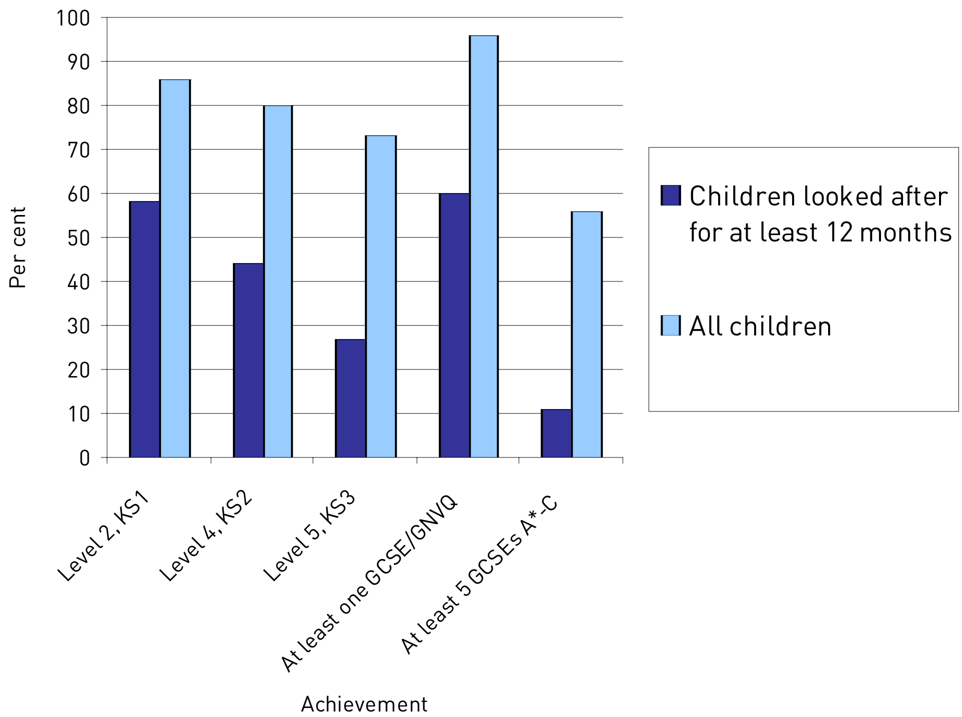
Over time, many children move in and out of care rather than spending extended periods in care spanning many years (see Box 2.1). However, statistics that would enable us to track the extent to which children move in and out of care do not exist, as there is no longitudinal data on those children who come into contact with the care system. This is urgently required if robust policies are to be developed.

The education of looked after children

The educational attainment gap between children in care and their peers is significant. Moreover, it widens with age.

Of those who had been in care for at least 12 months up to September 2005, only 58 per cent reached the expected level of educational attainment at age seven, compared to 86 per cent of the rest of their classmates. At 11, only 44 per cent were at the level expected, compared to 80 per cent of their peers; and, at 16, only one in 10 achieved five or more GCSEs at grades A*-C, compared to more than half of all children (DfES and National Statistics 2006a).

Figure 2.1: The education of looked after children lags behind their peers (figures for September 2005)



Note: Few children are continuously in care from Key Stage 1 to Key Stage 4, so figures tracking the educational attainment of children in care of a particular year group as they progress through the system do not represent the same cohort.

This educational underachievement contributes to social exclusion later in life. As noted by the Social Exclusion Unit (SEU) (2003), between a quarter and a third of rough sleepers, and around a quarter of adults in prison, spent some time in care as children, and young people who have been in care are two and a half times more likely to be teenage parents.

Research commissioned by the SEU estimated that improving education, employment and training of care leavers to the level of their peers could save an estimated £300 million over three years, with greater savings from reduced crime and homelessness (Social Exclusion Unit 2003; Jackson *et al* 2003). These savings would come through improved mental and physical health outcomes, and the increased tax receipts and lower benefit payments that would result from higher levels of economic activity, in addition to reductions in the costs of crime and homeless.

A review of the literature on the educational attainment of children in care reveals five underlying causes for the educational underachievement of looked after children:

1. **Placement instability** characterises the lives of many children in care (Social Exclusion Unit 2003)[1]. Thirteen per cent of children in care experienced three or more care placement moves in 2004/05 (DfES and National Statistics 2005b). Care placement instability also has a knock-on effect on school placement stability. While we do not have national data on school placement stability, just over half of the young people consulted by the Social Exclusion Unit in 2003 had changed school at least once and a third at least twice as a result of a change in care placement (Social Exclusion Unit 2003).

2. **Poor school attendance** (Social Exclusion Unit 2003; Fletcher-Campbell 1997). Young people in care spend too much time out of school or other places of learning. In 2004/05, 13 per cent of school-age children in care in England missed more than 25 days of school (DfES and National Statistics 2006a). Most children in care of compulsory school age are in stable places in mainstream schools, but one in four is educated in non-mainstream settings or at home. Children in care may miss school because they do not have a place, they have been excluded, or they do not attend.

3. **A lack of sufficient educational support at school** if they fall behind (Social Exclusion Unit 2003). Some teachers have low expectations of children in care (Social Exclusion Unit 2003; Archer 1999; Fletcher-Campbell 1997).

4. **A lack of sufficient support and encouragement at home** for learning and development. Children in care, like other children, need effective support at home, with access to resources to support their learning, for example books, a quiet place to work, and opportunities to pursue extra-curricular activities outside of school. Older children need more practical support to continue in education, for example financial and housing support (Social Exclusion Unit 2003).

5. Children in care frequently **do not receive adequate help with their emotional, mental, and physical health and wellbeing** (Social Exclusion Unit 2003).

The Government has recognised the importance of improving the educational attainment of children in general (HM Treasury *et al* 2003), and particularly that of looked after children. There is a government Public Service Agreement target to 'substantially narrow the gap between the educational attainment and participation of children in care and that of their peers by 2006' (Social Exclusion Unit 2003: 2). For this target to be met, by 2006:

- Outcomes in English and maths for looked after 11-year-olds must be at least 60 per cent as good as those of their peers.
- The proportion who become disengaged from education must be reduced, so that no more than 10 per cent reach school-leaving age without having sat a GCSE equivalent exam.
- The proportion of those aged 16 who gain qualifications equivalent to five GCSEs at grades A*-C must have risen, on average, by four percentage points each year since 2002; and in all authorities at least 15 per cent of young people in care must achieve this level of qualifications.

It is not clear that the Government is on course to achieve this target, and in 2006 it declared its intention to consult on the ways in which the educational attainment of looked after children might be improved. This paper seeks to contribute to that process.

1. As part of its 2003 report on the educational attainment of looked after children, the SEU held a written consultation in 2001 with agencies, organisations and individuals working in this area, and with children and young people in care. The adult consultation received 200 responses, and the children and young people's consultation, 2,000. The work of five local authorities was also studied in detail.

3. Asset-based welfare

Assets, defined narrowly as individual wealth holdings, can help provide resources in time of need. By allowing for 'lumpy' and upfront costs, an asset can act as a springboard, working not just to alleviate immediate poverty (as income assistance can do), but also to transform the opportunities available to an individual.

For example, starting a small business or undertaking training can be impossible without financial assets. Blanchflower and Oswald (1998) have shown the importance of wealth constraints on the ability of entrepreneurs to set up their own business in an analysis of the National Child Development Study. People who were aged 23 in 1981, and had received at least £5,000 of inheritance (in 1981 pounds), were approximately twice as likely to be self-employed in that year as someone who had received no inheritance, and the effect was considerably higher for women.

A British Social Attitudes survey also revealed the importance of capital to self-employment. Among those who reported that they had 'very seriously' or 'quite seriously' considered becoming self-employed, but had not done so, a lack of capital was the most common reason given (Blanchflower and Oswald 1998).

But it appears that there may also be a benefit from simply holding an asset, through improved security and allowing individuals to plan further ahead or take productive risks.

First, having access to assets can increase an individual's sense of security. For those without assets, and especially those on low incomes, the risk of unexpected events, such as the breakdown of a car, and expensive one-off costs, such as a child starting school, can lead to uncertainty, which carries psychological costs. Holding an asset can increase a sense of security, and so allow people to take productive risks.

Just by being there, assets can provide tangible benefits, opening up opportunities even without being used up. The results can be long term and transformative. When participants in asset-building programmes are asked to evaluate what difference asset ownership has made to their lives, the focus on security is striking. One participant in the Saving Gateway, the Government's pilot matched-saving scheme for those on low incomes, said:

> It's made life a little more tolerable because I know I've got it [the asset account], in the back of my mind now, I know I have got that little bit there if I desperately need it… which I didn't have before… I would have been more worried about any unplanned for expense before. That would have been in the back of my mind all the time... Well now I know that I've got a bit more money to cover it. (Kempson *et al* 2005: 69)

Second, assets are thought to influence an individual's autonomy and 'self-efficacy', that is, the extent to which individuals can change their future situation by their own actions.

Sherraden (1991) argues that asset-holding alters people's 'cognitive schemata' – mental structures that help frame attitudes to future orientation, stakeholding and autonomy. Political philosophers have explored the notion of stakeholding as an 'emancipatory strategy', giving each citizen the material independence necessary to have effective freedom from interferences and dependency (Dowding *et al* 2003; Van Parijs 1995; Ackerman and Alstott 1999). For example, escaping negative situations, such as abusive relationships at home or work, is much easier when one has an asset buffer to fall back on.

This is confirmed by the evaluation of the Saving Gateway. Many of those who had not previously saved thought that the programme made them feel 'more in control'.

Third, access to an asset also makes it easier for people to plan ahead. Budgeting problems may be reduced: should an income or expenditure shock occur, an asset buffer allows people to spread the problem over a longer time period. Proponents of asset-based welfare argue that the effect of being able to budget for the long term rather than week to week, or even day to day, is that longer-term thinking in all areas of life becomes easier. Longer-term planning, like other patterns of thought, may be habit-forming.

Studies of the effects of economic security on planning provide supporting evidence. Focus group research has shown that those with a secure or high income have more capacity to plan ahead than those with an insecure or low income (Rowlingson 2000). On the basis of this evidence, Rowlingson argues that the most effective way to increase individual planning would be to increase economic security.

Evidence from matched-saving schemes in the United States reinforces the idea that assets have an effect on security, self-efficacy, autonomy and planning. In a survey of participants in Individual Development Accounts (IDAs) schemes, 93 per cent agreed with the statement 'because I have an IDA, I am more confident about my future', 84 per cent with the statement 'because I have an IDA, I feel more economically secure', and 85 per cent with 'because I have an IDA, I feel more in control of my life' (Moore *et al* 2001).

Another study from the US, based on a longitudinal panel involving almost 3,000 respondents, found that holding assets in the form of savings had a positive effect on self-efficacy, planning horizons and prudence, controlling for previous attitudes and behaviour (Yadama and Sherraden 1996).

Asset-building is an active policy area for this government. Following recommendations in a previous ippr paper for a universal endowment at birth for all children and matched-saving schemes for those on low incomes (Kelly and Lissauer 2000), the Government has introduced the Child Trust Fund and Saving Gateway.

The Child Trust Fund (CTF) is a £250 endowment (£500 for children in care and children from the lowest-income families) given to all children at birth, which matures at age 18. Family and friends can pay into the CTF account on the child's behalf, and the Government announced in the 2006 Budget that all eligible children would receive a further £250/£500 top-up at age seven.

The Saving Gateway, currently in its pilot stage, is a saving scheme targeted at those on low incomes. Individuals receive a government match for every pound saved into their Saving Gateway account, which ranges from 20p to £1.

These policies, in their current form, are not tailored to the needs of children in care. Children in care are much less likely to receive parental contributions into their CTFs than their peers, and so their maturing account values are likely to be considerably smaller than those of young people whose CTFs have received regular parental deposits.

If children in care receive no contributions in addition to the initial £500 government deposit at birth and the £500 top-up at age seven, their funds will be worth £1,660 at age 18 in today's prices, assuming real fund growth of 3.5 per cent, after inflation and management charges. In contrast, a child who receives a £250 government deposit at birth and a £250 top-up at age seven, and whose parents save the maximum £1,200 each year into their CTF, would have a fund worth £31,260 at age 18.

The CTF is also locked until the child reaches age 18, which means that it cannot deliver all the benefits to children in care that family wealth can provide for children while they are growing up, and it cannot be used to support young people in care undergoing the transition to more independent living at age 16.

Box 3.1: Annual Child Trust Fund deposits for looked after children

A previous ippr report, *Child Trust Funds and Local Authorities: Challenges and Opportunities*, recommends that all children in care should receive an annual £50 deposit into their Child Trust Fund each year they are in care (Maxwell 2005).

For a young person who spends their entire childhood in care and receives these deposits, their CTF would be worth £2,930 at age 18 in today's prices, assuming real fund growth of 3.5 per cent, after inflation and management charges. This compares to a CTF worth £1,660 if children in care receive only a £500 government endowment at birth and a further £500 government top-up at age seven.

There were 44,700 children who had been in care for more than 12 months continuously on 30 September 2005 (DfES and National Statistics 2006a). If £50 deposits are made at the end of the tax year to all children who have been in care for more than 12 months, this policy would cost in the region of £2.24 million per year.

But with some adjustment, both of these policies could bring particular benefits to looked after children. A previous ippr report has recommended that all children in care should receive an annual £50 deposit into their Child Trust Fund, which would go some way towards compensating the fact that they are less likely to receive parental contributions than their peers (Maxwell 2005). The Welsh Assembly has recently voted to reimburse any local authority in Wales that adopts this policy. Its rolling out across the rest of the UK would help to ensure that children who spend time in care have access to a decent asset at age 18.

Similarly, young people in the focus groups for this paper strongly supported the idea of matched savings. Young people felt that this would be an effective savings incentive, and would help them to develop a saving habit. Workers also supported this idea.

4. Assets and looked after children

Could assets help looked after children to achieve at a higher level educationally? A lack of wealth is not in itself a barrier to education. The significant barriers, explored above, are more likely to be placement instability, poor school attendance, a lack of sufficient support at school or home, and inadequate help with mental and physical wellbeing. But, while assets cannot directly change these factors, they can help children to overcome them – through strengthening motivation, providing security, or helping to meet the costs of extra-curricular activities.

Indeed, analysis of US data in the National Survey of Families and Households shows that family wealth, including housing and financial savings, is positively and significantly correlated with a child's educational attainment, controlling for income and other factors (Sherraden *et al* 2003). Family wealth was found to have a stronger effect on educational outcomes than income. Of course, these are only correlations, so cannot tell us about the direction of causality, and what might explain it. This is an area that needs further research.

We explore four different ways in which assets could improve the education of looked after children:

1. Improving a child's sense of security, self-efficacy and propensity to plan.

2. Supporting key transitions.

3. Supporting personal development and extra-curricular activities.

4. Providing performance incentives.

For each of the above, we consider the strength of the link with improved educational outcomes, whether current provision is adequate, and, finally, whether an asset-based policy could fill the gap.

Improving young people's security, self-efficacy and propensity to plan

Evidence suggests that improving young people's security can help strengthen their resilience, and thus improve educational attainment. But current opportunities for young people in care to develop their self-efficacy and planning skills are limited and vary greatly from area to area. A national asset-based policy could significantly add to these opportunities and help to establish a national baseline.

Do these effects matter for education?

A sense of security and support can add to the resilience of children in care, helping children to deal with stress and mental health problems (Richardson 2002), one of the underlying causes of underattainment (Social Exclusion Unit 2003). Security in the present can also allow young people to look ahead, and make plans for the future.

Dowling (1993) argues that self-efficacy and a sense of direction is particularly important for vulnerable young people. Jackson and Martin (1998), in a study of 105 relatively high-achieving care leavers, found that this group were more likely to have an internal 'locus of control' than a comparison group of care leavers. The high-achieving care leavers were more likely to feel that they had control over their environment and their life course, rather than it being determined by factors outside their control.

Children in care have consistently stressed the importance of being given a voice in decisions that affect them. The focus groups conducted by ippr previously and for this paper found that children in care feel they should be given effective spending power and a say in how money is spent on them (Edwards 2004a, 2004b).

Current provision

A general trend in social policy has been to give service users more control of spending made on their behalf. This has partly been through extending direct payments to service users and the development of individual budgets, for example in social care. There is some emerging evidence to suggest that this approach can lead to improved outcomes (Hasler 2004).

Opportunities for children in care to develop self-efficacy by managing their own finances and making their own decisions about expenditure are limited. Although there is no legislation or guidance that specifies that a certain amount of pocket money should be paid to children in care, the statutory framework sets out minimum standards for those in children's homes and foster care.

Regulation 14 from *Children's Home Regulations 2001* states that 'the registered person shall provide children accommodated in the home with such sums of money in respect of their occasional personal expenses as is appropriate to their age and understanding'. The minimum standards set out in *National Minimum Standards for Children's Homes* (DOH 2002a) further elaborates: 'children should be encouraged to manage their own finances through help with budgeting and banking, and should be given as much freedom as possible in making decisions about spending their own pocket money or earnings'.

For those children in foster care, the foster placement agreement should make clear where financial responsibility lies for all school costs, and agree what proportion of the foster carers' allowance should be paid as pocket money to the young person (DOH 2002b).

Despite attempts to address this issue through these standards, the potential for young people to develop a feeling of control over their environment is still very limited. Focus groups in 2004 (Edwards 2004a, 2004b) and for this paper found that, among young people in care and their carers and supporters, there was concern about the variance in provision across different local authorities. Workers felt that more should be done to help children in care to think longer term, and that they should be more involved in their education budgeting.

Young people themselves in these focus groups (Edwards 2004b) reported not having adequate finances. They felt that young people in care had very different amounts of spending power depending on where they lived, and wanted spending power to be equalised and boosted, to cover both basic costs and more significant investments. They thought young people should have more direct access to finances:

> Our dad lives 15 minutes away on the bus. It costs us both £3.50 to go and see our dad. We have to pay for that ourselves, we shouldn't have to pay to see our parents. Our foster carer or social worker should offer us money for that.
>
> I've got a prom coming up in a month's time and I need a dress for it. I don't know how I'm going to buy one. I don't want to ask for money and feel like a charity case. (Edwards 2004b)

Similarly, Personal Education Plans (PEPs) could have a positive impact on self-efficacy and planning, but there are gaps. Introduced in 2000, they were partly designed to increase the ability of those under 16 in care to plan for the longer term (DfEE and DOH 2000). All looked after children are required to have a PEP, which should be an integral part of their care plan.

Criticisms of PEPs are largely concerned with coverage and involvement. Fletcher-Campbell and others (2003) found that there were difficulties in ensuring that all children in care actually had a PEP. Some teachers interviewed in their study felt that PEPs were just a paper exercise. Harker *et al* (2004) report a lack of understanding in some schools of the PEP and the designated teacher role. Only 42 per cent of the young people in their study had heard of PEPs, and not all of those actually had one. In one local education authority, a Pathways team found that only 24 per cent of young people in care had PEPs (Bourne 2005).

If such a planning process is to be successful in encouraging aspirations, it is important that young people feel they have a say in the process, and that they can effect change. Harker *et al* (2004) conclude from interviews with young people in care that PEPs are devalued because of the lack of young people's involvement in the process.

When a child leaves school, the planning process changes: local authorities must ensure that each young person has a personal adviser and a Pathway Plan. The Pathway Plan should build on the PEP, but coverage is similarly patchy. In a study of the leaving-care services in 52 local authorities, Broad (2005) found that only 60 per cent of children entitled to personal advisers had them, and only 73 per cent had Pathway Plans.

What role could assets play?

Existing evidence suggests that, for adults, owning and controlling an asset can foster a sense of security and control. It can lengthen time horizons, thereby encouraging planning for the long term (see above).

There is reason to think that young people would benefit in the same way. Unprompted, the participants in one focus group for this paper suggested that having the money could itself encourage a sense of responsibility and responsible use of the asset:

> If you trust someone enough to say they can have that money, then you allow that person to make himself responsible. But when you give someone responsibility, but you're always behind him saying don't do this, don't do that, he's going to think – well, just spend the money for me, then.
>
> You can tell him 'the money is for you, but be an adult, use your brain. You don't have parents. You are the person who makes you someone tomorrow, or makes you a homeless person tomorrow'.

An important point in favour of an asset-based approach for looked after children is that benefits flow from owning an asset, as well as from spending it. This means that, as long as children have some control over how they are spent, assets can help to give them a sense of security and control, *in addition* to benefits provided through asset accumulation or asset expenditure.

A national asset account policy could also help to eliminate some of the variations in spending power experienced by children in the care of different local authorities by establishing a national entitlement to an asset, and giving all children some say in how money is spent on them.

Supporting key transitions

Participation in post-16 education and training significantly improves life chances. However, evidence shows that the support young people in care receive at the important time of transition to independent living varies significantly from local authority to local authority. The priority in supporting important transitions should be to ensure that young people have an adequate income if they choose to remain in education and training, so that they have a genuine choice between working and continuing with their education at age 16. An asset account could build upon this by establishing an entitlement to a lump sum, in recognition of the one-off costs associated with the transition to independent living.

Does supporting transitions improve educational outcomes?

Easing the transition into post-16 education and training can significantly improve life chances. Those who leave education at ages 16 or 17 without good qualifications see their long-term chances of finding a good and rewarding job considerably reduced (Delorenzi and Robinson 2005). If young people in care are to be able to access post-16 educational opportunities, they need to be adequately supported when they leave care, or be given the opportunity to remain in care until their education and training is complete. Post-16 education and training also require further support because they themselves bring costs in the form of tuition and foregone income.

It is important to note that some looked after children and care leavers do not progress to further or higher education and training directly after finishing school, but return to education at a later date[2].

Current provision

Young people in care have access to various forms of support while undergoing the transition out of care and moving into post-16 education and training. First, there is the support that local authorities have a duty to provide to children in their care under the Children (Leaving Care) Act 2000. Second, all young people in care who are in post-16 education and training are entitled to the Educational Maintenance Allowance (EMA).

Under the Children (Leaving Care) Act 2000, local authorities have a statutory duty to assess and meet the needs of eligible 16- to 21-year-olds in and leaving care. This includes a leaving care grant to cover the costs of beginning more independent living, and a weekly allowance, which must at least amount to the benefits a young person would be able to claim. Evidence suggests that the leaving care grant and weekly income assistance vary widely between different local authorities.

2. As noted by professionals at a seminar held by ippr in December 2005 on raising the educational attainment of looked after children. See www.ippr.org/research/teams/event.asp?id=1858 for a summary of the discussion.

In a study of the leaving care services provided by 52 local authorities, Broad (2005) found that the average weekly allowances paid to eligible, relevant and former relevant young people[3] were £27, £43 and £18, respectively. The average leaving care grant was £1,156, and ranged from £400 to £2,000. These findings are consistent with those of a survey of young people leaving care aged 16-25 by A National Voice (2005). Most said that their leaving care grant was less than £1,000 (76 per cent), with a minority receiving £1,000 to £2,000 (23 per cent) and over £2,000 (one per cent).

Some local authorities also provide financial support packages for care leavers who go on to university, as part of their package of support under the Children (Leaving Care) Act. For example, Ealing provides an annual £5,000 grant. Ealing has much higher rates of care leavers in higher education than the national average: nine per cent of care leavers go on to university, compared with the national average of one per cent.

EMAs are available for all young people in care who go on to post-16 education and training, regardless of local authority. They consist of two components: a weekly, means-tested allowance conditional on attendance, and bonus payments made at approximate six-monthly intervals that are tied to conditions such as levels of attainment or punctuality. Young people in the care system are entitled to the maximum £30 weekly payment. The payment is available for two years during term time for any academic or vocational course that is full time.

There has been no evaluation of the affect of EMAs on the participation of young people in care, but other evaluations show that the pilots increased participation in the overall population at age 16 by 5.6 per cent (Middleton *et al* 2005). However, following the national launch of the EMA, participation has only increased by 1.9 per cent (DfES and National Statistics 2005d), and the pilot evaluations have shown that, by the age of 19, the EMA had ceased to have a significant impact (Middleton *et al* 2005).

In focus groups for this paper, those who worked with children in care highlighted the importance of having a clear entitlement to funding for aspirations to further and higher education. It was argued that children need to know early on that the money is there for them, if they are to develop the early aspirations that Jackson *et al* (2003) found were important in those care leavers who did go to university.

The young people that we spoke to in the focus groups for this paper felt that a lack of financial support was one of the biggest barriers to completing post-16 education and training. Those in further education found it difficult to support themselves through their college courses without getting a part time job, which they felt would interfere with their studies. One said:

> You have to get a job to get a flat; the EMA isn't enough. And a part-time job interferes with college.

What role could assets play?

The main problem with the existing system is its patchiness, and the relatively low level of provision in many places – the support that care leavers receive is dependent on where they live. The overriding concern of the young people that we spoke to was that they did not have an adequate *income* to manage being in full-time further education without getting a part time job. When the idea of an asset account was mooted to them, they naturally saw it as something that would act as an income top-up, and be used for paying regular expenses.

Some of the workers we spoke to were also concerned about the adequacy of financial support available; they thought that a lack of support caused young people in care and care leavers to drop out.

The priority in supporting the transition out of care and into post-16 education and training should, therefore, be to ensure that young people in care and leaving care have a decent income that enables them to make a genuine choice between going straight into employment after school, and carrying on with their education.

Once a system of adequate income assistance is in place, an asset account could have a unique role in ensuring that these young people have access to the opportunities that a lump sum (which other children may be able to access to through family wealth) can bring.

3. These definitions are laid out in the Children (Leaving Care) Act 2000, which defines: *eligible children* as those in care aged 16 and 17; *relevant children* as those aged 16 and 17 who meet the criteria for eligible children, but who have left care; *former relevant children* as those who, before reaching the age of 18, were either eligible or relevant children.

The Child Trust Fund is too inflexible to make a difference for young people in care at the time of transition, because it can only be accessed at age 18. Many young people in care begin their transitions to independent living sooner than that, and would benefit from being able to draw upon a lump sum from the time they leave school.

Beginning independent living, and post-16 education and training, both bring significant ‘lumpy’ costs – for example, driving lessons, travel expenses, books and laptops. Giving children in care access to a lump sum at the age of 16, and topping up this lump sum for those who remain in education and training post-16, could help to establish an entitlement for young people to post-16 educational opportunities. It could also have a knock-on effect on their aspirations when they are younger. In addition, lump sum payments would allow more flexibility for young people in their budgeting, and would help them to meet the upfront costs associated with independent living and post-16 education and training that cannot be met from their day-to-day income.

Lump sum payments into an asset account would need to recognise that it may not always be appropriate or possible for young people to continue with their education and training at age 16 or 18. They should be flexible enough to allow young people who have formerly been in care and return to education and training later on in their life to receive lump sums when they do so, and to allow young people who may have been undergoing significant trauma in other areas of their life while they were in school to revisit Key Stage 4 qualifications. Given the gap in attainment between young people in care and their peers at Key Stage 4, it is also very important that the poor post-16 provision for the lower half of the Key Stage 4 attainment range is improved (see Delorenzi and Robinson 2005 for a discussion).

Supporting learning through educational support, personal development and extra-curricular activities

Out-of-school-hours educational support and extra-curricular activities can have a positive effect on educational outcomes. Yet current provision for looked after children is patchy, and too inflexible to meet the needs of different children. By ensuring that funding is attached to each child, an asset account could contribute towards greater uniformity in provision.

Effect on educational outcomes

There is evidence that out-of-school-hours educational support and extra-curricular activities can have a positive effect on educational outcomes. Gilligan (2000) has argued that ‘spare time experience’ is important in increasing the resilience of children in care. A three-year longitudinal study for the DfES has shown the importance of out-of-school-hours learning (OSHL) on the academic attainment, attitudes and school attendance of secondary school students (MacBeth *et al* 2001). OSHL activities include subject-focused study support, general study skills, and extra-curricular activities, such as sports, music, art, dance and drama. The study found that pupils who participated do better than would have been expected from baseline measures on academic attainment, attitudes to school and school attendance. This was true for each of the different kinds of OSHL activities. Qualitative work with teachers and students found that OSHL activities were effective because:

1. The activities were **voluntary** and students liked choosing to go along. A student who makes one choice and derives satisfaction from it is then empowered to make further choices.
2. The activities offered a form of autonomy, or **sense of control**. Students reiterated the importance of having control over the use of their time, venue, working environment, and the people they worked with.
3. The activities helped to build the teacher-student **relationship**.
4. Study support activities helped to create opportunities for independent learning and contributed to an **ethos of achievement**.

Continuity of interests and activities can help to counter the instability of placements that are an important cause of educational underattainment (ContinYou 2005). Extra-curricular activities can play an important role in ensuring looked after young people are ‘enjoying and achieving’, an important objective in *Every Child Matters* (HM Treasury *et al* 2003).

Evidence from the US supports these findings. Analysis of the National Educational Longitudinal Study has shown that extra-curricular activities can have positive effects on educational outcomes. Jordan and Nettles (2000) show that time spent in the tenth grade (age 15-16) on structured extra-curricular activity and in contact with adults had positive effects on educational outcomes in the twelfth grade (age 17-18), controlling for school context and student background.

Libscomb (2005) finds that participating in school-sponsored clubs and sports activities is associated with a small increase in test scores and expectations about degree attainment, controlling for family structure, school context, and truancy and self-esteem, as a proxy for individual motivation.

Current provision

Current out-of-school-hours study support and extra-curricular provision for looked after children vary a great deal by area. Regulation 15 from *Children's Home Regulations 2001* states that there should be 'ample opportunities for children to participate in a range of appropriate leisure activities', and that the registered person should 'allocate sufficient financial resources to fund leisure activities and trips'. Regulation 16 of the *Fostering Care Regulations 2002* states that 'the fostering service provider shall ensure that foster parents promote the leisure interests of children placed with them'.

But these regulations are translated differently in different areas. The Social Exclusion Unit found that only three quarters of the 2,000 children in care that it surveyed had access to after-school activities and clubs, and only two thirds used them (Social Exclusion Unit 2003). Those living in residential homes or with parents, as opposed to foster carers, had lower levels of access. Similarly, a study of sport found that more than one third of looked after children not currently playing sport would like to, and 91 per cent of young people in care questioned identified at least one barrier to participation that they personally faced (Who Cares? Trust 2004).

One reason why children in care do not access extra-curricular and study support activities is cost. In the Who Cares? Trust study, those children not playing sport were asked why they were not involved: 29 per cent said it was because of a 'lack of support', 23 per cent a 'lack of money', 20 per cent 'no transport', and 14 per cent 'no kit/equipment'.

Again, there appears to be a great deal of variance in the system from local authority to local authority. Our focus groups with workers identified this variance as a key problem with the system. They stressed the need to create a level playing field in terms of access to resources, activities and opportunities for young people in care, and said that, currently, too much depends on where the young person lives, who they live with and how able they and their carers are to lobby on their behalf.

Carers also felt that schemes to support out-of-school educational and extra-curricular activities are too inflexible, and do not reflect the fact that different children have different needs. They wanted more flexible budgets for children's education, and for foster carers, and believed that young people should have more direct access to finances in order to open up opportunities.

Some of the activities the young people we spoke to thought they would spend money on, if they had access to it, included music lessons, drama lessons, canoeing, and '*anything a young person in care would not normally be able to do*'. Having access to some of the opportunities that are available to their peers should not be a matter of 'luck' for children in care, but something to which they have an established right. Young people should also have a say in which of those opportunities they take up. Aside from the pocket money they are given, children in care have little say over how more significant amounts are spent on them.

On a positive note, some local authorities have been proactive in setting up 'PEP Dowry Funds'. The 2000 guidance that established PEPs suggested that local authorities might set up such funds in order to meet the needs identified through these plans (DfEE/Department of Health 2000).

For example, Dorset provides schools with an annual bursary for each child in care at the start of the year (£557 in 2005) to fund additional provision to meet individual needs (Social Exclusion Unit 2003). Funding decisions are taken as part of the PEP process, involving teachers, social workers, carers and children to decide how best to support that child's education. Funds have been used for a wide range of activities and help, including extra tuition, music lessons, field study trips, provision of laptop computers and one-to-one support. Experience has shown that this funding has improved children's self-esteem and helped local authorities to offer a similar level of support to that which parents might give to young people (Social Exclusion Unit 2003).

However, the operation of the scheme has shown that transferring the funding over to the school, rather than ensuring it tracks a child, can lead to problems. Some schools fail to ringfence the funding, with the result that it can be lost. For children who experience more than one school placement a year, it can be difficult to ensure that the funding follows the child.

However, Fletcher-Campbell *et al* (2003) report that, in many local authorities, there remains little flexibility to respond to individual needs, with most funding related to specific projects or initiatives. Their study included interviews with eight local authorities, and 20 schools in these authorities, that were identified as having relatively advanced practice for the education of children in care. In a forum, representatives from 50 authorities identified over 30 sources of funding for OSHL activities (ContinYou 2005). Different criteria apply for different sources of funding, requiring duplication of effort by practitioners.

This policy context is likely to change in the next few years, with the development of the Government's extended schools agenda. The Department for Education and Skills has just published guidance for schools and local authorities on planning and funding extended schools (DfES 2006). This guidance states that schools can use their delegated budgets to subsidise extended activities that bring an educational benefit for vulnerable children and young people, including looked after children, disabled children, young carers and those from low-income families. However, the impact of this provision on OSHL activities for looked after children remains to be seen, and should be closely monitored. It may well be that there will be variation across different schools.

What role could assets play?

Educational support and extra-curricular activities often require upfront, lumpy spending, such as sports kit, music lessons and study aids. According to a survey by Liverpool Victoria, the average amount parents spend on their children's hobbies up to age 21 is £9,369, and the average amount they spend on leisure and recreation, £6,728 (Liverpool Victoria 2005).

Better out-of-school-hours provision for looked after children could be funded in a number of ways, for example:

1. Increased OSHL funding for schools and/or local authorities.
2. Establishing OSHL funding for individual looked after children, through an asset account.
3. Creating a 'collective' OSHL fund for looked after children, to which individuals could apply for OSHL activities.

The recent DfES guidance that allows schools to spend their delegated budgets on extended activities for vulnerable young people may result in more money being available for OSHL activities for this group.

However, there are some advantages to providing supplementary funding for OSHL activities through an asset account. One of the key problems with the current system appears to be its variable impact: it works for some children, but not others. It remains to be seen whether allowing schools to use their delegated budgets to pay for extended activities will address this problem.

The most effective way of dealing with this issue would be to have an individual budget for OSHL activities allocated to each child. Funding could then be administered in a way that is not dependent on a school place, to minimise problems for children experiencing more than one placement in a school year. Money could be spent flexibly on activities appropriate for each child, in recognition of the fact that different children have different needs and interests. An individual approach would also help by giving young people a sense of entitlement.

In focus groups with young people in care (Edwards 2004a), some children expressed a concern that young people would feel that they did not deserve the money if they had to apply for it, and they might miss out if they were less confident or they lacked an advocate.

> If you had to apply to the pot of money to get it you would have to feel that you were very special to do that, you would have to feel you were worthy or what you wanted to do was worthy. (Edwards 2004b)

An individual approach might, however, be less able to reflect the different needs and financial requirements for OSHL activities, as it would need to be fairly rigid in the amounts allocated to each child, in accordance with some basic criteria. A collective fund could provide more flexibility in amounts, in the sense that some children could be awarded more if they wanted to take part in a more expensive activity, for example one-to-one tuition. But a collective fund would lose the individual entitlement element that an individual budget would bring.

The two approaches could be usefully combined, with individual accounts giving payments as an entitlement, but a collective fund available for top-ups if the need arises. An asset account would be an excellent way of delivering this.

Performance incentives

This section considers the link between performance incentives and educational outcomes, and whether an asset account could be used to provide performance incentives.

Performance incentives can take the form of either rewards or sanctions (additions or deductions) to a child's asset. They need to be distinguished from payments that are made to cover costs. EMA weekly payments, for example, are made primarily to recognise the fact that young people have taken the costly decision to go on to further education or training. In contrast, the purpose of incentive payments, like the bonus element of EMAs, is to raise the educational attainment of young people by increasing their motivation. This section looks at this type of explicit incentive payment, as well increased flexibility over expenditure, as a way of rewarding certain types of behaviour.

Effect on educational outcomes

Economic theory suggests that student performance incentives could be effective in increasing student motivation. Children have higher rates of discounting than adults (Nurmi 1991),[4] so performance incentives could go some way towards mitigating this by increasing the pay-offs to education at an earlier stage. This was confirmed in our discussions with workers; as one participant said, 'they don't see six years' time. They see three months' time or weeks' time'. These higher rates of discounting might mean that the pay-offs need to be fairly short term.

In addition to making the consequences of good behaviour more immediate, incentive payments can play an import role in acknowledging and celebrating the achievements of looked after children. There is some evidence that this can be a key factor in motivating young people to learn and engage with school activities (Fletcher-Campbell 1997; Alderman 1999; Pisapia and Westfall 1994).

Trials with cash rewards for test performance have been positive. A pilot study in Israel, involving 500 high school pupils, found that students who were able to earn cash-based incentives on their performance in matriculation exams had completion rates approximately 8.5 per cent higher than students in a control group (Angrist and Lavy 2003).

Pilots in the UK, though less rigorously evaluated, are also encouraging. Bristol City Academy, an inner-city secondary school, gives £10 to pupils for each predicted grade they achieve, and a further £5 for each one they surpass (Cousins 2005). In addition, those achieving five or more GCSEs at grades A*-C receive £150, and those going on to university receive £500.

These financial incentives operate within a package of broader measures, including after-school and holiday revision support, and funding for additional resources such as study skills sessions, revision guides and training. Since the scheme has been in place, GCSE attainment has improved dramatically: the percentage of pupils achieving five GCSEs at A*-C rose from 26 per cent in 2002 to 52 per cent in 2005.

Monetary awards were found to have contributed to a culture shift in the school. Children were able to study without being bullied: it seemed that financial rewards made it socially acceptable to revise. The school found it was important to set the financial incentives within a framework of a celebration of achievement, with praise and certificates, to ensure they were seen as a reward rather than a financial 'bribe'.

As discussed above, Educational Maintenance Allowances, which include a bonus element in addition to weekly allowances, have helped to improve the participation of eligible young people from low-income families in further education in pilots, although less at the national level (Middleton *et al* 2005). However,

4. All individuals tend to value the present more highly than the future. Children value the present, compared to the future, even more highly than adults.

there has been no evaluation of the relative effect and importance of the weekly allowance and the bonus payment. Moreover, the evaluation of the pilots has failed to demonstrate a significant effect on the attainment of qualifications, the outcome that we would expect to be most associated with the bonus element.

A separate pilot also suggests that the evidence is mixed. One local authority used a 'Rewards for Revision' scheme for children in care, very similar to the Bristol Academy scheme (Harker *et al* 2005). Young people eligible for the rewards generally believed it was a good idea, and thought it might make them apply themselves better to their studies, although some said they would not be affected by the promise of monetary award.

This scheme was not evaluated separately from the rest of the project, so there is no evidence on whether financial incentives actually worked in improving the educational attainment of children in care. However, a researcher involved in the project evaluation felt that it did not have a significant effect on educational outcomes because most children who achieved relatively highly would have done so without the financial rewards.

Current provision

In addition to the pilots mentioned above, our focus groups revealed that some local authorities are already using specific rewards for looked after children. Tower Hamlets, for example, awards money for achievements including school attainment, attendance, or taking part in one-to-one tuition. The workers we spoke to thought that such incentives had a positive effect on outcomes. As with previous schemes, though, concerns were noted about regional variability. Many local authorities were not providing such rewards and there was concern that any new policy may squeeze out existing good practice.

Sanctions or rewards?

The difference between reward and sanction policies is one of framing (Stanley *et al* 2004). Rewards can be framed as a celebration of achievement, sanctions only as punishment.

Using sanctions would be inappropriate for children in care. There is some limited evidence that sanctions can be effective, but only as part of an intensive, structured programme for looked after children. The Treatment Foster Care programme in England (TFCE), based on a Multidimensional Treatment Foster Care model at the Oregon Centre for Social Learning in the US, uses a points system as part of a wider programme to reinforce social learning for the most vulnerable and troubled looked after children in foster care (Roberts *et al* 2005).

A structured daily programme, using a points and levels system designed to teach appropriate skills and reinforce desired behaviours and attitudes, is a core component of the overall programme, together with weekly individual therapy, weekly skill building and advocacy, recreational skill building, and mentoring by foster carers.

There are limits to what we can extrapolate from this programme. The proposed independent evaluation and randomised control trial are yet to happen. Moreover, the use of sanctions in this programme is in the context of a programme of very intensive support, and of relatively minor sanctions that can potentially be reversed on a day-to-day basis if a child chooses to change their behaviour. It could be difficult to replicate this context on a large-scale basis for all children in care.

The workers we spoke to did not think that the use of sanctions would be an effective way of improving educational outcomes; for example, one said:

> Sanctions and punishments are not a good side… Young people looked after have had enough taken away from them.

In focus groups for this paper, some young people thought that the use of sanctions through 'docking' accounts was a fair principle for behaviours that they thought were problematic, for example getting suspended or failing to attend school. Others suggested, or supported, the idea that a more effective sanction might be to freeze the account in the event of bad behaviour, as removing money might be too harsh and have the opposite effect than intended. However, some were concerned that sanctions would not be sensitive enough to individual circumstances to be fair: for example, situations such as personal crises, family illness and pregnancy:

If you got pregnant and had to leave school you'd be discriminated against.

Think of the mental torture for someone who's not very academic. Even if they try hard, it would knock them back.

Many children in care will have had traumatic experiences. Looked after children are seven times more likely to suffer from mental health problems than their peers. Given the potential vulnerability of children in care, the very limited evidence as to the effectiveness of sanctions for this group, and the existence of evidence on the importance of celebration of achievement as a motivating factor for young people, sanctions would be inappropriate.

In order to be as effective as possible, evidence relating to the importance of celebrating achievement for young people in care suggests that performance rewards should be framed as such, rather than as a financial 'bribe'. The 'reward' frame of payments would be strengthened by placing them in the context of award ceremonies, or other public celebrations of success. The local authorities involved in the *Taking Care of Education* project held awards ceremonies for looked after children recognising achievement in areas such as attendance, punctuality, behaviour and academic attainment. All young people who were interviewed in the project evaluation were very positive about these ceremonies (Harker *et al* 2004).

Box 4.1 provides a checklist of the conditions that would need to be fulfilled in order for performance incentives to be effective.

Box 4.1: For performance incentives to be effective...

- Other barriers to educational attainment, such as placement instability and low expectations, should be lifted as far as possible. To the extent that they are not, they must be taken into account when target-setting for each child.
- Rewards should be used, rather than sanctions. They should be framed as a celebration of achievement rather than as a financial bribe.
- Any reward should be additional to the opportunities all children in care are entitled to; it should not consist of these opportunities.
- Targets should be personalised to each child and should be realistic. Young people should be involved in drawing them up to foster empowerment and self-efficacy.
- The rewards should be sufficiently immediate to motivate children and young people.

What role could assets play?

The evidence above suggests that, as part of a comprehensive package of educational support, financial rewards might be able to raise educational attainment by celebrating success, and helping to create a culture in which studying is seen as desirable.

Why should rewards be given through an asset account, rather than immediate cash payments? Less immediate payments are likely to be less motivating for young people. But an asset account does offer two unique advantages. First, an asset account allows a given sum of money to provide positive incentives *at the same time* as contributing to other positive outcomes, such as giving a sense of security or improving access to extra-curricular activities. Giving cash or vouchers cannot necessarily achieve this two-in-one element.

Second, an asset account can provide rewards in two different ways: through bonus payments into the asset, and relaxing any restrictions on how it is spent. This allows more subtlety in responding to the individual needs of different young people. It is important to stress that the benefits of incentive payments are highly dependent on context. They will only be effective when combined with other measures to reduce the barriers to attainment, particularly those that are beyond a child's control.

Conclusions

An asset account could help to improve educational outcomes for looked after children in four ways – by improving a child's sense of security and self-efficacy, by supporting a young person during important transitions, by improving access to out-of-school-hours educational support and extra-curricular activities, and by providing performance incentives.

An asset account is uniquely suited to delivering psychological benefits, such as improving a child's sense of security and self-efficacy, and this approach received support in our focus groups with children. An asset account is also very well suited to smoothing transitions, as it is able to respond well to the diverse experiences of different people in care.

If asset accounts were established, they would also be an effective means of supporting out-of-school-hours educational support and extra-curricular activities and provide performance incentives, although these objectives could also be delivered through other means.

5. Policy options

As outlined in Section 4, an asset account could promote the educational attainment of looked after children in a number of different ways. The exact nature of the policy will depend on the emphases given to these different mechanisms.

To explore the different parameters, this paper first suggests a baseline policy designed to capture some of the main benefits around security and self-efficacy, as the objectives most clearly associated with the assets approach, and to support the transition to independent living. This policy can be extended in various ways to fulfil other objectives, by being used to support extra-curricular and study support activities, to support post-16 education and training, and to provide performance incentives. These extensions are explored below.

Any asset policy needs to be:

- **Personalised:** Any asset policy should be flexible enough to accommodate the particular needs of individual children, for example children from black and minority ethnic groups, disabled children, including those with mental health problems, children with special educational needs, and unaccompanied asylum-seeking children and refugee children.
- **Simple:** In order to be effective and to achieve buy-in both from workers and children, an asset policy should be simple to understand in theory and to apply in practice.
- **Built on the existing policy framework:** There have been many recent changes to the statutory framework for children in care, which workers at the local authority level are adjusting to. Building an asset policy on the existing policy framework will help to secure the support of these workers, who will be crucial in ensuring that the implementation of the policy works.

The baseline case: psychological benefits and supporting transitions

The baseline asset-based policy outlined here is primarily designed to improve a child's sense of security, self-efficacy and propensity to plan long term, and to support the transitions to independent living.

Eligibility

Bearing in mind the need for simplicity, eligibility for an asset account could be triggered by:

- being recorded as 'in need' under the terms of the Children Act 1989, or
- entering care.

Given that the 300,000-400,000 children in need in any given year will be experiencing at least some level of disadvantage, an asset account may be of benefit to many of them. However, it may be problematic to extend this policy to all those in need. For example, the account may lead to children being placed under pressure by adults for use of the funds, and it would be more difficult to manage the process when a child was not within the responsibility of the local authority. It seems sensible, therefore, to establish an account for all those who actually enter care.

Some children will move out of care. When this happens, the asset account could be frozen until the child re-enters the system, to avoid children outside the system being pressured to use their assets for certain uses by adults responsible for them. If they do not re-enter the system by the time they reach age 18, the amount in the dormant asset account could be transferred into their Child Trust Fund. This would ensure that children who have been disadvantaged at some point in their childhood have access to those funds that have been allocated to them at age 18.

There is the danger that freezing the asset account on leaving care may create a weak incentive to re-enter care for families. To minimise this danger, there need to be rules on how the asset can be spent, with a carer countersigning withdrawals (see below under *Asset expenditure*).

Should there be a minimum age for eligibility? It might be suggested that the start of an asset account should be timed to coincide with significant educational transitions. For all children, there is evidence that the transition from primary to secondary school, for example, is a difficult time. A number of studies show that children make little progress in the first year of secondary school in English, mathematics and science (Galton 2003; Schagen and Kerr 1999).

However, children in care experience more transitions than their peers, and these are, at times, unique to them. Placement breakdown can lead to the need to change school. Thirteen per cent of young people in care in 2003/04 had changed care placement three or more times in the past year (DfES and National Statistics 2005b). Just over half of the young people consulted by the Social Exclusion Unit in 2003 had changed school at least once as a result of change in care placement, and a third had changed school at least twice (Social Exclusion Unit 2003). There is, therefore, no one point at which children in care's engagement with education is likely to decline more than others, and where the introduction of an asset would thus be uniformly appropriate.

Furthermore, the educational attainment of looked after children lags behind their peers from the youngest age that statistics cover – age seven. In order to minimise administration and any risk of confusion over eligibility, the basic model therefore proposes no lower age limit on eligibility for the asset account. Children can start accruing an asset that could be partially spent while they are young, and accumulated for when they are older, delivering both the asset-holding and asset-spending effects.

Asset accumulation

Ensuring that children and young people know they have a clear entitlement to an asset should be a priority. This is particularly important to ensure that asset-holding has the maximum psychological impact on children in terms of their self-efficacy and ability to plan. An opening lump sum deposit in the region of £200 would ensure there is a meaningful amount in the account from opening.

In terms of the scale required, positive effects of asset ownership can be seen with fairly modest amounts of assets – evidence suggests amounts of £300 to £600 in 2001 prices are enough to generate an 'asset effect' (Bynner 2001). In an analysis of the National Child Development Study, Bynner found that holding an asset at age 23 was positively associated with employment and with absence of depression at age 33, controlling for other factors, such as income, education and homeownership.[5] We need to be cautious as to how much we extrapolate from this finding, with respect to the psychological effect of asset-holding for younger children, as this study related to adults rather than children.

But it does suggest that, by the time a child reaches 18, they should have had the chance to accumulate a meaningful amount in the asset account, after spending throughout their childhood in order to derive the benefits from asset expenditure. Young people in the focus groups had highly divergent views on the amount that would be about right at this stage – ranging from £150 to £8,000.

In order to be sensitive to the different amounts of time children remain in care, accumulation should combine an opening deposit with regular payments. Regular deposits must be sensitive to children's pathways in and out of care, and the fact that many children do not spend extended periods of time in care, so accrual should be on a monthly, rather than an annual, basis. Deposits in the region of at least £20 per month would allow some spending each month, but also allow some accumulation of the asset. It would also be beneficial for the account to accrue interest, giving young people an opportunity to acquire basic financial literacy through observing their account's growth.

A further lump sum deposit at age 16 in the region of £500 would reflect the fact that many young people in care begin the transition to independent living at this age and require additional financial support to facilitate this transition.

Asset expenditure

As noted, children in care attain at a lower level at the earliest recorded stage; so, just as accounts should be opened for the youngest children, they should be able to spend the asset account throughout their childhood, rather than only when they grow older.

Some flexibility is required in how the asset can be spent. Different children have different needs, so the degree of control that can be reasonably delegated varies. Young people themselves argued strongly in

5. The effect is being further considered in a current research project by ippr and the London School of Economics.

favour of rules around spending to prevent against inappropriate expenditure, but that these rules should reflect their different needs and preferences. They recommended that there should be a certain proportion of the asset set aside each month for them to spend as they wish, subject to approval by a designated adult. This amount could be greater for those who, for example, meet their PEP targets, as a reward for attainment, and become proportionally larger as the child becomes older.

The young people that we spoke to spontaneously recommended this combination of ongoing expenditure on 'treats' awarded on the basis of attainment, together with restrictions on the use of most of the money.

Workers and some young people highlighted the risks involved with giving young people access to a lump sum of money. It was suggested that young people would need guidance on the best use of their asset, and that, in the absence of rules, unscrupulous adults could place the young person under pressure to make withdrawals on their behalf, as sometimes happens when young people are awarded Criminal Injuries Compensation.

To avoid these problems, while the young person makes decisions on expenditure, a designated worker should act as gatekeeper. The adult signatory for authorising withdrawals could be a carer, a social worker, the designated teacher specified in the PEP, or, for older children, the Pathway Plan Personal Adviser, for example. The young people that we spoke to felt that personal advisers would be well suited to this role.

The use of a gatekeeper could be expanded for children with additional needs. Some children, for example those with special educational needs, may be less able to express their views about how their asset should be spent than others. In this case, the social worker or personal adviser could support the young person in making decisions on expenditure.

In order to facilitate the gatekeeper functionality, there would need to be a unique account type for looked after children. Government could either negotiate the provision of such an account with a bank or building society, or it could be held with National Savings and Investments.

Personal Education Plans could play a role in making sure the account is well used and tied to educational attainment. If PEPs are also used to set targets for conditional payments (see below), then this would build on and strengthen these links. From age 16, the asset could become part of the Pathway Planning process. Alternatively, the target-setting and planning process could be built into the six-month review required for all looked after children. It was suggested by workers that this might be preferable to using the PEP process, because many young people did not like the PEP process, and tying-in a discussion about the asset account might make the six-month review a 'more real' exercise.

When a young person turns 18, they should be free to spend the asset as they wish, in the same way that they will be able to their Child Trust Fund.

Table 5.1 (next page) summarises the characteristics of the baseline asset account described here.

Additions to the baseline

Self-efficacy and long-term planning

To further strengthen the asset account's effect on self-efficacy and long-term planning, local authorities could match savings paid by young people themselves into the account. This, too, would point to more flexibility rather than less, if saving is to be made attractive, and could be extended to periods when the child is not in care. Young people were unanimously supportive of this idea, and felt that it would encourage saving behaviour.

Out-of-school-hours study support and extra-curricular spending

The asset account could be used to improve access to study support and extra-curricular activities, by attaching funding to each individual child. This use would need to be reflected in the design of the account. Most importantly, the monthly accrual would need to be greater to allow spending on these activities, while still allowing an asset to accumulate. In addition, to recognise the different needs of different children, while maintaining predictability of payments and a sense of entitlement, a collective fund could be established for additional top-ups.

Table 5.1: The baseline asset account

Eligibility	
All those entering care	Ideally, the eligible population would be as broad as possible, to take into account the fact that few children spend extended periods of time in care, but move in and out; and that those who enter care, even for a short period, are likely to have experienced disadvantage
All ages	The educational attainment of looked after children is below average from earliest observable age
Accrual	
Initial lump sum deposit of £200	To ensure the account has a meaningful value when it is opened
Monthly deposits	Deposits in the region of at least £20 per month would allow some spending each month, but would also allow some accumulation of the asset
Interest accrual	To facilitate learning about finances
Lump sum deposit at age 16, to reflect the fact that many young people in care begin the transition to independent living at this age	To ensure there is enough for some spending at the time of transition, while still allowing an amount to accumulate. This could be in the region of £500
Expenditure	
All ages	The educational attainment of looked after children is below average from earliest recorded age
A proportion available to spend on 'treats', rising with age	To foster a sense of control and self-efficacy
Gatekeeper worker to countersign all withdrawals	To ensure the money is used by a child, not appropriated by an adult
Guidance on spending and information on operation of account including interest	To encourage responsible use, and to ensure that the full financial educational benefits of the account are realised
More available for expenditure around age 16	To ensure that the asset account supports the transition to independent living
Account to be frozen when children move out of care	To avoid children leaving the care system being adversely pressured by adults to use their assets
Transfer funds to a Child Trust Fund at age 18	Child Trust Funds themselves will be rolling into standard savings accounts at age 18, when the entire amount can be spent at the discretion of the young person.

Using an asset to pay for these activities would fit with the current direction of government policy. A system of direct payments is already used to pay for services in social care. In the 2005 Pre-Budget Report, the Government announced that it will be developing budget-holding and 'lead professionals' for children's services (HM Treasury 2005). In November 2005, the Government also announced 13 individual budget pilots for children with disabilities.

Expenditure of the asset on study support and extra-curricular activities could also form part of the PEP process. So that the asset account does not simply collapse into budget-holding, there should be clear limits on how much of a child's asset could be spent each year, so an asset is allowed to accumulate over time, rather than being run down each month or year.

Supporting transitions into post-16 education and training

For an asset account to support transitions into post-16 education and training, there should be further lump sum deposits for young people in care who remain in education and training post-16, determined by the PEP and Pathway Planning process.

Incentives

Both asset accumulation and asset expenditure can be used as an incentive to meet certain targets, and could potentially fit neatly into the PEP process. The use of incentives should be framed as a positive recognition of achievement.

Expenditure on 'treats' could be awarded on the basis of attainment. Young people in focus groups spontaneously made this suggestion. They argued that, for assets to genuinely act as an incentive, there would have to be some scope for spending on what each child wants.

Additional deposits could be also be made into the account on the basis of attainment. If asset accumulation is to be used as a reward, we must be aware of the implication that those who do not meet their targets face reduced access to educational opportunities, because of their reduced access to assets. Thus, any incentive, whether in the form of an asset or otherwise, should be *in addition* to the educational opportunities to which all children and young people in care are entitled. Some professionals were concerned that the introduction of incentives through a national asset policy could squeeze out existing incentive provision by local authorities.

The young people were also very clear that incentive payments should be flexible. Attendance targets, for example, must take account of the fact that not all looked after children have a permanent school place. Ensuring that targets are achievable means taking due account of differences in ability, mental health, special needs, and other contextual factors.

This points to a target-setting process that is collaborative and personal. If the child is closely involved in target-setting, it could also contribute to their empowerment and self-efficacy. The challenge will be to enable personal flexibility, but to ensure that this takes place within clear guidelines to maintain consistency between local authorities.

Performance targets could be set as part of existing planning mechanisms, such as PEPs or Pathway Plans. The benefits would work in both directions: the asset account would be strengthened by being linked in to the PEP, and the PEP process could, in turn, be strengthened if including the asset account in the process achieves more 'buy-in' from the child. To date, PEPs have been patchy. Not all the young people we spoke to had experience of PEPs, but those who did said that they did not find them very useful for varying reasons:

> PEP meetings are like a coffee break, aren't they?
>
> It's all about telling you: you have to do this, you have to do that.

Performance targets need not be restricted to the attainment of educational qualifications. Young people recommended they be linked to attendance at school or participation in post-16 education and training, punctuality, extra-curricular achievement, good behaviour, and personal development:

> There should be bonus points for behaving too, like not going to juvie [juvenile detention], or not getting warnings or cautions.

Table 5.2 (next page) summarises the above extensions.

Costs

The major costs in the baseline policy arise from the monthly £20 deposit, the £200 initial payment, the £500 lump-sum deposit at age 16, the collective fund, and management and set-up costs. Unfortunately, data that tracks children who move in and out of care is severely limited, and until these figures are available, these costings represent a provisional estimate.

As a very initial guide:

- The initial £200 would be given to fewer than 24,500 children per year, costing £4.9 million. This

Table 5.2: Additions to the baseline	
If the objective is…	*Then…*
Control, planning and self-efficacy	- Young people's own saving into the accounts could be matched
Supporting transitions to post-16 education	- There should be further lump sum deposits for those in post-16 education and training, to reflect lump sum costs associated with this transition
Supporting out-of-school-hours study support and extra-curricular activities	- Larger monthly deposits (£50) to allow spending on these activities, as well as treats and accumulation - Collective fund for additional top-ups, to reflect diversity of interests while maintaining predictable payments
Performance incentives	- Further deposits used as incentives in addition to entitlements - More flexibility over expenditure used as an incentive - Collaborative target-setting process, supported by guidelines - Incentive payments could be extended to other positive activities, such as volunteering, or refraining from anti-social behaviour.

number cannot be given definitively, because publicly available data does not take account of the full case history of the children. The closest guide for the number of children entering care in the year to 31 March 2005 is the number entering care for the first time in any one year (DfES and National Statistics 2006b: Table U); however, this excludes children looked after under an agreed series of short-term placements, and it includes children who were looked after in previous years, had left care, and are now re-entering.

- Giving £20 per month to each of the 60,900 children in care at any one time would cost £14.6 million per year.
- The extra deposit at age 16 would be given to approximately 5,756 people per year. At £500 each, this would cost £2.9 million. The number of 15-year-olds in care on 31 March 2005 is estimated to be one ninth of the total number in care aged between 10 and 18 (4,144). Over all ages, the total number in care over the year was 39 per cent higher than the snapshot, so the number of 15-year-olds in care over the whole year is estimated to be 39 per cent higher than the estimated number on 31 March 2005 (5,756).
- The collective fund for out-of-school-hours learning is the most flexible cost element. It is distinguished from the others, in that it could be capped in advance, rather than being set as an entitlement. Assuming that one quarter of the children who pass through the system in each year access the collective fund, and receive an average of £250, the total cost would be £5 million.

The total annual cost according to these assumptions would be £27.4 million, excluding administration and set-up. This is summarised in Table 5.3.

Table 5.3: Indicative costs of the baseline model

Item	Value (£)	Number of children	Cost (£)
Initial deposit	200	24,500	4,900,000
Monthly deposit	20	60,900	14,616,000
Transition deposit at 16	500	5,756	2,878,000
Collective out-of-school-hours activities fund	250	20,150	5,037,500
Total			27,431,500

6. Conclusions

The low educational attainment of looked after children carries high costs, both for young people in care themselves, and for wider society. As this paper has discussed, the reasons for this low attainment are multiple and complex.

An asset account alone cannot tackle the multiple drivers of underattainment: such a silver bullet simply does not exist. To be most effective, any specific policy aimed at improving educational outcomes would need to operate in a context of wider improvements to the existing policy and practice framework for children in care, and of improved consistency between local authorities in the application of existing policy and guidance. Young people in care need and deserve adequate pocket money and travel allowances, consistent and better use of personal planning mechanisms, adequate leaving care grants and decent levels of support while in post-16 education and training.

However, given these improved contexts, an asset account could have a substantial positive impact on educational attainment. This paper has outlined the poor current provision for looked after children in a number of areas affecting educational outcomes: young people in care have limited opportunities to develop self-efficacy and propensity to plan; there are inadequate levels of support around the time of transition to independent living and to post-16 education and training; and access to extra-curricular and study support activities varies widely.

An asset account could be used to improve provision in these areas, building upon the recommendation in a previous ippr report that all looked after children should receive an annual £50 deposit into their Child Trust Funds. It could bring unique psychological benefits, improving security, self-efficacy and propensity to plan, in a way that might be difficult to achieve through other policies. It could also effectively support the transition to independent living around the age of 16, and provide additional support for those young people choosing to remain in post-16 education and training.

Once established, the asset account infrastructure could be used to support out-of-school-hours activities, linked with improved educational outcomes in numerous studies, and to provide performance incentives as extra motivation, which may have been damaged by unstable care and school placements.

Appendix 1: Note on ippr's focus group discussions with young people and workers

Three focus groups were carried out with young people with experience of the care system between 9 and 13 January 2006 in Sheffield, Tower Hamlets and Woking. One focus group was carried out with people working with young people in care in Sheffield. A total of 15 young people aged between 16 and 21 participated. Seven were female and eight were male; 14 were white and three were black. The young people had spent between one month and 12 years in care. Their average time in care was 7.5 years. All the young people were paid travel expenses and given a £10 music store voucher to thank them for their participation.

A focus group was held with workers from across the north east of England, and face-to-face interviews were carried out with three further adults working with young people in Tower Hamlets and Woking. A total of 14 workers ranging from personal advisers to mentors participated.

The purpose of the discussions with young people and workers was to test a range of different policy options to gain a better understanding of which policies were most likely to be effective.

Appendix 2: Looked after children by region

Table A2: Number of children in care by region

	Children in year to 31 March 2005	Children on 31 March 2005
England	**84,600**	**60,900**
North East	4,700	3,300
North West	13,800	10,200
Yorks and Humber	9,000	6,500
East Midlands	5,200	3,800
West Midlands	9,600	7,000
East of England	7,700	5,800
Inner London	7,300	5,300
Outer London	9,600	6,600
South East	10,600	7,600
South West	7,100	4,900

Note: Figures exclude children looked after under an agreed series of short-term placements.

Source: DfES and National Statistics (2006b): Table T

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