

# Factsheet

Promoting independence, well being and health

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## Extra money if you foster or adopt



This factsheet was produced in December 2019. See website for latest version.

This factsheet is for people who are fostering, adopting or are intending to foster or adopt a child. It also contains information about other sources of funding such as Section 17 Children Act money, aftercare support, child arrangement orders (formerly known as residence orders), special guardianship and guardian's allowance, as well as brief information about benefits for young people age 16 plus.

This factsheet looks at:

- Tax
- National insurance
- Benefits

It is divided into four sections:

1. Fostering
2. Adoption
3. Other types of financial support
4. Further help and advice

The factsheet does not cover the calculation of fostering, adoption or other allowances you could be paid by the local authority or independent fostering agency for the child or young person/people you look after. Check with Children's Services or your fostering/adoption agency for further details of these.

Major changes are happening to the benefits and tax credits system over the next few years, in particular the introduction of a new benefit, **universal credit**. This is replacing income support, income-based jobseeker's allowance, income-related employment and support allowance, housing benefit, working tax credit and child tax credit. It will affect all Hertfordshire claimants, new and existing ones, over a period up until 2024 by which time it will have replaced all of the above benefits.

## Part 1 Fostering

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By fostering we mean the placing of children or young people (under 18) who are legally 'looked-after' by the local authority with someone who is not their parent and who receives money from the local authority for caring for them.

Some children are placed by Children's Services with family members or friends under what is known as 'connected persons', 'kinship care' or 'family and friend' arrangements. Some of these fall within the definition of fostering, if the children are officially looked after by Children's Services. If they are, then this section is relevant.

If the child isn't looked after, then the support that Children's Services provides may fall within the information in part 3 of this guide about Section 17 payments, special guardianship, residence/child arrangement orders etc. It is probably not a good idea to refer to the care of a child who isn't officially looked-after as 'foster care' because that confuses the tax and benefit system!

## Staying Put

When a child looked-after (CLA) reaches 18, they can, with their former foster carer's consent, stay put with those carers if they wish. They are no longer being fostered but may be designated by the Department for Work and Pensions (DWP) and the tax office as in 'shared care', 'shared lives care', 'staying put care' or 'adult placements'. In Hertfordshire this is usually called 'Staying Put'. However, they are still a care leaver. Again, please don't refer to post-18 arrangements as fostering. There is a section below that relates to staying-put carers.

## Fostering, Staying-Put and tax

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HMRC will treat you as being self-employed for the 'work' you do as a foster carer or 'staying put' carer. For tax purposes, you are therefore self-employed and need to register as such.

### Qualifying care relief

The special tax system for foster carers and 'staying put' carers is called 'qualifying care relief'. Under this system your income from fostering/'staying put' is exempt from tax, up to a set limit.

Every year you need to tell HM Revenue and Customs (HMRC) what payments you have received and find out what tax, if any, you are required to pay.

### Who does it apply to?

It applies to people who receive payment to provide foster care to looked-after children or young people placed with them by the local authority directly or via an independent fostering provider.

It does not include private fostering arrangements which are organised directly between the parent and the carer.

### How does the fostering/qualifying care relief work?

HMRC produce a useful leaflet HS236 'Qualifying care relief: foster carers, adult placement carers, kinship carers and staying put carers' available on <https://www.gov.uk/government/publications/qualifying-care-relief-foster-carers-adult-placement-carers-kinship-carers-and-staying-put-carers-hs236-self-assessment-helpsheet>

There is also an online self-instruction pack which is aimed at new foster carers. It could be used by any existing foster carer too and it covers the self-employment/qualifying care relief issues particularly well

[http://www.hmrc.gov.uk/courses/syob3/fc/HTML/fc\\_menu.html](http://www.hmrc.gov.uk/courses/syob3/fc/HTML/fc_menu.html)

You could be exempt from tax – if your total income from foster care is less than the threshold figure that HMRC allows.

If it's higher than the threshold, there is an optional simplified method of calculating profits or you can work out your profit against expenses in full. All of these are explained below.

### What is the exemption?

If your *total* income from fostering is less than the qualifying threshold amount in a tax year, your fostering income will be exempt (free) from income tax for that year. This means that, for tax purposes, you will be treated as having no profit from foster care for that year.

Exemption only covers income from foster caring. Income from other employment or investment income will be taxed in the normal way subject to the usual personal allowances.

### What is the qualifying amount for exemption?

Your qualifying amount is made up of two figures:

- a fixed amount for each household – £10,000 per year. If you are a new foster carer, who is registered for less than a full year, you claim a proportion of this. If two or more carers in the same household receive foster care receipts separately, they share the £10,000 equally

plus

- an amount per week, for each foster child placed with you:
  - £200 a week for a child aged under 11, and
  - £250 a week for a child aged 11 or older.

**Example:** Lori provides foster care to 11-year-old Carl for the whole of the tax year and to Judith, who is eight, for just 10 weeks. Lori also works part-time as a classroom assistant, earning £15,000 a year.

Lori's qualifying care relief amount will be made up as follows:

|                    |                |
|--------------------|----------------|
| Fixed amount       | £10,000        |
| Carl (52 x £250)   | £13,000        |
| Judith (10 x £200) | £ 2,000        |
| <b>Total</b>       | <b>£25,000</b> |

If Lori's total income from fostering, including expenses, is less than £25,000, she won't pay any tax on her fostering income. Even if it is above that figure, she can still offset her ordinary personal tax allowance of £11,850 (2018/19) or £12,500

(2019/20), but not if it is being used up by other paid work or self-employment, as it would be in this case.

### **What if I am not exempt?**

If your total income from fostering is more than the qualifying care relief amount, you can choose between paying tax on either:

- your actual profit from foster care, worked out by deducting your actual expenses from your total fostering income

or

- the difference between your taxable income and your qualifying care relief figure. This is known as the simplified method.

So, in the example with Lori, if she received payments from fostering that totalled £27,000 she could either work out her actual expenses and pay tax on the difference OR she could simply pay tax on the £2,000 that is above the qualifying care relief amount (assuming she has used-up her ordinary tax personal allowance). Obviously, the first method is only worthwhile if she can show that her expenses come to more than £25,000 in this example.

### **What are my total receipts from foster care?**

Your total receipts from foster care are all of the payments (fees, salaries, reward payments, allowances etc) you receive from your local authority or independent fostering provider, *including expenses*. You will usually receive an annual statement from your fostering organisation – that's the figure that you need to use to compare to your qualifying care relief threshold.

### **What records will I need to keep?**

You will need to keep records for six years. You need to keep a record of:

- your total income for the tax year from your local authority or fostering agency; and
- the number of weeks that you care for each child placed with you in the year. A week runs from midnight Sunday night to midnight the following Sunday – count any part of a week as a full week; and
- the date of birth of each child.

So a child who is with you from Saturday 16 March to Monday 25 March would count as being with you for 3 weeks (two part weeks either side of the complete week, 17 to 24 March)

If you have tax to pay and you intend to calculate your actual profit from foster care, rather than using the simplified method, you will need to keep detailed records of your actual expenses to support your figures.

**Example:** Glenn and Maggie provide foster care for Henry, a 14 year old, for the whole of the year and for eight year old Lucille for 20 weeks of the year. Glenn works outside the home and earns £30,000 a year. Maggie is the main foster carer. Her qualifying amount will be made up as follows:

|                     |                |
|---------------------|----------------|
| Fixed amount        | - £10,000      |
| Child 1 (52 x £250) | - £13,000      |
| Child 2 (20 x £200) | - £ 4,000      |
| <b>Total</b>        | <b>£27,000</b> |

If Maggie's total income from foster care is **less** than the £27,000 figure, she won't pay income tax on the fostering income she receives.

If her total income from foster care is **more** than £27,000, she can choose to calculate her tax by either calculating the profit (income minus actual expenses) or by using the simplified method (income minus £27,000).

Maggie can't transfer any unused allowances from the qualifying relief scheme to any other income she has, but she can use her 'ordinary' personal allowance of £11,850/£12,500 (see above) to reduce any tax due if her fostering income was above the £27,000 qualifying relief figure.

If Maggie is working outside the home, it's possible that her personal allowance may already be used by up this other job. However, if she is earning less than £11,850/£12,500, she could transfer her unused allowance to Glenn to reduce his tax bill by up to £220 a year if they are a married couple - see

[www.gov.uk/marriageallowance](http://www.gov.uk/marriageallowance)

In **parent and baby** schemes, it may be that only the parent is in foster care, but the local authority pays an amount which is intended to cover accommodation and care for both parent and baby. HMRC treats both parent and baby as being in foster care and you can claim a weekly amount for both parent and baby when calculating your qualifying amount.

If you are caring for **disabled children**, you may incur additional expenditure on the children in your care, different from normal maintenance costs. For example, you may need to buy special equipment for a disabled child. You can add expenditure of this kind to the qualifying amount.

## National insurance contributions

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If you have a taxable profit, this is treated as your earnings from self-employment for national insurance contributions purposes.

## Class 2 and 4 contributions

All self-employed people aged 16 and over, but below pension age must register to pay class 2 national insurance contributions. They may also be liable for Class 4 contributions.

Class 2: rate for tax year 2018/19 = £2.95 per week

Class 2; rate for tax year 2019/20 = £3.00 per week

Class 4: rate for tax year 2018/19 – 9% on profits between £8,424 and £46,350; 2% on profits over £46,350.

Class 4: rate for tax year 2019/20 = 9% on profits between £8,632 and £50,000; 2% on profits over £50,000.

Class 2 contributions count towards state pension, bereavement benefits and employment and support allowance. They are no longer collected weekly or quarterly if you are registered as self-employed. They are collected via an adjustment on your tax code.

## Small profit threshold (SPT)

However, you probably won't have to pay! You may be eligible for the small profit threshold exception. This is calculated by HMRC as they know if you are exempt from paying tax under qualifying care relief. This means you don't have to pay the class 2 or 4 contributions on your fostering income either.

You will also get this exemption if your earnings from self-employment are less than £6205 for 2018/19 or £6365 for 2019/20

It is probably best to register as self-employed, and then get the SPT exception so that HMRC knows what you are doing.

See <https://www.gov.uk/claim-national-insurance-refund>. To get a refund if you've paid Class 2 when you shouldn't have, get the form on <https://www.gov.uk/government/publications/national-insurance-application-for-a-refund-of-class-2-national-insurance-contributions-ca8480>. You can ask for arrears going back up to 6 years.

## Credits for foster carers

Even when you don't *have* to pay Class 2 contributions you may *choose* to pay them anyway in order to preserve your entitlement to pension and certain other state benefits.

However foster carers who are not making national insurance contributions can protect their state pension and bereavement benefit rights by applying for credits. See [www.gov.uk/government/publications/national-insurance-credits-for-parents-and-carers-cf411a](http://www.gov.uk/government/publications/national-insurance-credits-for-parents-and-carers-cf411a) for more information.

## Welfare benefits for foster carers

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You should tell Jobcentre Plus and HMRC that you are a foster carer if you are claiming benefits, universal credit or tax credits.

### Child benefit

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You can claim child benefit for your own children, or other children that live with you (including those on special guardianship, child arrangement or residence orders), but not for foster children who are looked after. Families where one partner has a taxable income over £50,000 have to pay tax on child benefit.

To claim child benefit, call 0300 200 3100 (or 0300 200 3103 for text phone users) or go to [www.gov.uk/child-benefit](http://www.gov.uk/child-benefit)

### Disability living allowance and personal independence payment

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**Disability living allowance** (DLA) is a benefit paid to children under 16 who have care or mobility needs as a result of disability or ill health.

A child in foster care can still get DLA. It is usually paid to the adult that the child lives with if the child is under 16.

If you foster a child who is getting DLA, contact the disability benefit unit that pays the benefit to make sure they know the child is living with you. They also need to know if you wish to act as the child's appointee. You will need to discuss this with the local authority or fostering agency.

If you think your foster child (aged under 16) could get DLA, contact the DWP on 0345 712 3456 for a claim form.

If your foster child is 16 or older, and not already getting DLA, they will need to claim the **personal independence payment** (PIP) instead. This is paid to people who have problems with daily living and/or mobility. To start the PIP claim process, phone 0800 917 2222 (text phone 0800 917 7777).

Children who are already getting DLA will be reassessed for PIP when they reach 16 or shortly after. It is possible for the young person to get both PIP and Employment and Support Allowance (ESA) even if still in education.

See [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits) for more information about PIP and other benefits for disabled young people.

DLA/PIP are paid on top of any benefits, tax credits or other income you or the young person may have. It may increase the amounts of some means-tested

benefits such as child tax credit, universal credit, child tax credit, housing benefit and council tax support (but not if paid for a foster child). It can also make you eligible for carer's allowance (see below). For more information about children with disabilities and benefits see [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)

[Also see www.contact.org.uk/advice-and-support](http://www.contact.org.uk/advice-and-support) and

<https://contact.org.uk/advice-and-support/resource-library/parent-guide-disability-living-allowance-claiming-the-higher-rate-mobility-component-for-children-with-learning-disabilities-and-autism-spectrum-disorders/>

Children's Services have a policy on how DLA/PIP should be used for foster children – ask your fostering social worker or the child's social worker for a copy.

## Carer's allowance

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You can get this if you care for someone who receives the middle or higher rate of the DLA care component, the daily living component of PIP or any rate of attendance allowance. This could be an adult, your own child, or a fostered child.

You must satisfy all of the following conditions:

- provide care for at least 35 hours a week
- not be a full-time student
- earn no more than £123 net a week.

Your fostering allowance shouldn't be treated as 'earnings'.

Carer's allowance will stay as an individual benefit after the introduction of universal credit.

You can get a carer's allowance form by phoning the Carer's Allowance Unit on 0800 731 0297 (text phone 0800 731 0317) or you can download a form or claim online at [www.gov.uk/carers-allowance/how-to-claim](http://www.gov.uk/carers-allowance/how-to-claim)

## Means-tested benefits

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The child you foster will not be counted as part of your household when any means-tested benefit for your family is calculated.

Because fostering is treated as self-employed work by HMRC, but not as paid work by the DWP, some foster carers could choose whether to claim either income support or working tax credit (WTC). If you claimed working tax credit from HMRC (see below), it is likely that you will get the maximum amount if you have no other earned income.

However, that choice is no longer available as new claims for income support and WTC can normally no longer be made because universal credit has replaced Income support and WTC. Existing claimants will generally stay on their present benefits however, unless a relevant change of circumstances takes place. Foster carers do have the option of claiming universal credit – see below.

Get specialist advice via your social worker if you are unsure what to claim. They can contact the Council's Money Advice Unit for advice on your behalf. The MAU can't deal with individual foster carers unfortunately.

## **Income support, income-based jobseeker's allowance, pension credit, housing benefit and council tax support**

**This section is only relevant for carers who are already getting any of the above benefits.**

Fostering allowances do not count as income for any of the above benefits.

The time you spend fostering does not count as work for income support or jobseeker's allowance, although you will have to show that you are available for work if you want to claim jobseeker's allowance.

If you are a single foster carer you can continue to claim income support if you were getting it before universal credit started and are still getting it. You will not be expected to sign on as unemployed if the child you are fostering is under 16. However, in the weeks when you don't have a child placed with you, you may need to sign-on as unemployed unless you can claim income support for some other reason (as a lone parent or carer for example). If that happens, you will lose the income support and need to claim universal credit instead.

Foster carers can get universal credit instead of income support, jobseekers allowance, housing benefit or working tax credit. Therefore the choice that used to exist for some foster carers, of claiming either income support or working tax credit, will no longer apply (see below).

## **Employment and support allowance**

If you are sick or disabled and have limited capability for work you may have been able to get employment and support allowance (ESA). The version of ESA based on national insurance record (now called new-style ESA) can still be claimed as it isn't part of UC. However, you can only get income-related ESA if you got it before UC began, and you are still getting it, or if you are claiming 'old style' contributory ESA where you can still get a 'top-up' of the income-related version. Any break in your claim means you will need to claim UC instead if unfit for work. If your ESA includes what is known as the 'severe disability premium' however you will remain on that

benefit until at least 2020 even if circumstances change such as being found fit for work.

If you are claiming ESA, you should seek advice if the DWP treats any fostering you do as work, or any fostering income as income, because both should be ignored.

More information about ESA is available on [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)

## Child tax credit and working tax credit

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Tax credits are a system of means-tested support for families with children or people in low paid work. They are administered by HMRC.

Up until the introduction of universal credit, you could claim **child tax credit (CTC)** for your own children. If you got child tax credit for your own child and declared that you are also fostering, HMRC should have assessed you for **working tax credit (WTC)**. That's still possible in fact, even though UC has been introduced, and you can get WTC added to an existing CTC claim

If you are not getting child tax credit, you can't now make a new claim for working tax credit due to the introduction of universal credit.

Since February 1st 2019, you will not be able to make a new claim for child tax credit. If you are under pension age, you will be able to claim universal credit. If you are over pension age, you will be able to claim pension credit including a new child element.

For tax credits purposes, your income from foster caring is your taxable profit. If your income is below your qualifying care relief figure (see above), your income from foster care will be nil. If you or your partner has any other taxable income, that income will be taken into account for tax credits.

**Example:** Michonne is a single parent who also fosters Morgan, a 10 year old boy. Michonne has no income apart from CTC and her fostering allowance, which is below the qualifying care relief threshold. Michonne can't claim income support now although she may have been entitled previously but didn't claim. But she could claim working tax credit as a self-employed person with zero profit, to add to her CTC.

You can contact the tax credit helpline on 0345 300 3900 (0345 300 3909 for textphone users).

## Housing benefit

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Up until the introduction of universal credit, you could claim **housing benefit** from your local council to help with rent. Foster children don't count as members of your family so there is sometimes a problem when councils decide how many bedrooms you need, which is a key part of calculating housing benefit.

The DWP have said that foster carers on housing benefit or universal credit in rented accommodation with one child will be allowed a bedroom for that child only. This also applies to foster carers who had been approved within the last 12 months or had had a child placed in that period but who didn't have a foster child in placement at the time.

This means, though, that there is problem for carers with two or more foster children. If that happens, and housing benefit or universal credit is restricted, ask your social worker to support you in an application for a **discretionary housing payment** from the housing benefit service.

**Example:** Lori provides foster care to 11-year-old Carl for the whole of the tax year and to Judith, who is eight, for just 10 weeks. Lori is still claiming income support for herself and she also gets housing benefit for the three bedroom housing association house she lives in. However, according to the 'under-occupation penalty', she doesn't get full housing benefit because she is designated as only needing a two-bedroom house (one for herself and one for the foster children). Obviously, the children can't share so in fact she needs a 3-bedroom property. Lori asks for a discretionary housing payment to meet the 14% shortfall in her housing benefit. If that doesn't work, she needs to speak to her social workers to see what they can do to help her financially

## Council tax support

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Council tax support is decided by local councils, not as part of a national DWP scheme, so some rules can vary council by council. However, it's unlikely that any of the local support schemes change how fostering allowances and foster children are assessed, i.e. both are ignored when calculating the help available.

## Universal credit

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Universal credit is replacing income support, tax credits, housing benefit and other means-tested benefits. Although new claims for those benefits are now usually refused, the transfer for existing claims won't be complete until 2024. For more information about universal credit, see our universal credit factsheet on [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits).

If you are getting one of the existing 'legacy' benefits, and have a relevant change of circumstances you may be invited to claim universal credit before the managed migration that starts in 2020. An example of a change of circumstances would be if you moved into a different council area and needed to claim housing benefit to meet your rent or if you are getting income support as a foster carer, stop caring so you lose the income support and then need to claim again when another child is placed.

Another example of a new claim would be if you were getting working tax credit as a foster carer (without also getting CTC), stopped fostering so lost the WTC but then started fostering again. Universal credit is based on what you need for yourself,

your own children (if any), rent and any special needs (like caring responsibilities or ill-health) and on what you earn, apart from your fostering income. That's because all foster payments will continue to be ignored in full by the DWP in all circumstances, even if there is a 'profit' for tax purposes.

However, the DWP have made some other changes for foster carers who are claiming universal credit.

Unless the foster child is under one, a single foster carer has to attend occasional work-focused interviews at the job centre until the foster child in their care reaches the age of 16. These interviews are designed to help prepare people for work but it's not like 'signing-on' as unemployed.

A fostering couple who claim universal credit will have to nominate a lead carer to attend those interviews. The other member of that fostering couple will be expected to be in work or looking for other work. Once the child reaches 16, both carers in a couple (or a single carer) will be in that position too.

In exceptional circumstances, where there is evidence that a foster child aged 16-17 needs full-time care, then a single or nominated foster carer will only have to attend work-focused interviews until the child leaves care at 18 or the placement ends.

Again, exceptionally, where there is evidence that a foster child needs full-time care by two adults, both members of a fostering couple will only be asked to attend work-focused interviews, and not work outside the home or look for work, until the child leaves care. A couple, each getting carers allowance and looking after two disabled children would also be in that position.

Previously, some single foster carers had a real problem when they are between placements. Unless they had some other way of staying on income support (such as being a lone parent with a child aged under five) they had to stop their income support and switch to jobseeker's allowance, and look for work.

On universal credit though, they will be allowed eight weeks between placements before they have to look for work as a condition of getting UC. They will still be treated as fostering in other words during the 8 weeks after a placement ends.

## Benefit cap

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Foster carers have generally been unaffected by the introduction of the 'benefit cap' (£23,000 in London; £20,000 outside), because the cap takes into account benefits like universal credit, child benefit and child tax credit, which foster carers can't get for the children they foster. Fostering allowances aren't included as income.

However, those foster carers who are caring for children who are *not* officially 'looked after' may fall foul of this capping. This could also be because they were foster carers but have now become special guardians. Where the children are not or

are no longer 'in care', the carers can apply for child benefit and universal credit (or pension credit if over pension age) and this, combined with help for rent, on top of other benefits already in payment, might be enough to trigger the cap. If so, ask your social worker for help and advice. If a child or parent is on DLA/PIP however, the cap does not apply.

## Pension credit

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Pension credit is a means-tested benefit for people over pension age, as a top-up to their state pension. Fostering payments don't count as income.

At present, where a couple are of 'mixed age', for example, if one is below pension age and one is above it, they can claim pension credit. From 15 May 2019, they will be expected to claim universal credit instead, based on the age of the youngest partner, unless already getting pension credit or housing benefit as pensioners. This could mean the DWP expects that person to look for work, so it may be best if the younger person is also the nominated foster carer within the couple.

Since 1 February 2019, pension credit has included a new 'child element' for people with dependent children who are not already getting child tax credit.

## Two child policy

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This began on 6 April 2017. It limits the number of children that you can claim child tax credit or universal credit for to two, unless the children were born before the introductory date. It does not affect child benefit and it does not affect foster carers.

Originally, the policy also affected some special guardians, adopters and people providing informal care as an alternative to the child becoming looked-after, but a High Court decision made in April 2018 means that all children looked after by family, informal carers or adopters will not be taken into account for the purposes of the two-child limit.

### Adopted children

This exception will apply from the date the claimant becomes responsible for the adopted child. This could be the date of formal adoption, or the date of placement, depending on when parental responsibility for the child passes to the claimant. It will not apply in relation to adoptions from abroad or where, immediately prior to that adoption, the claimant (or their partner) was a step-parent of the adopted child, or their biological parent.

If the claimant is in the process of adopting a child and an adoption certificate is not available, they will need to provide written evidence from a social worker. This must include:

- the date the child was placed
- the name of the child

- the name(s) of the adoptive parent(s)

## Free school meals and help with child care

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All children in state-funded schools from Reception to Year 2 now get free school meals. Older foster children can have free school meals if the foster carer is getting a qualifying benefit, such as income support, income-related employment and support allowance, income-based jobseeker's allowance, pension credit (guarantee credit), child tax credit (no working tax credit) with gross income not exceeding £16,190 a year. People getting free school meals because they were on universal credit before 1 April remain entitled, no matter what they earn.

Since 1 April 2018 however, families on universal credit who make a new claim for free school meals will only qualify if they have annual earnings below £7,400. As earnings are calculated in the same way as for tax purposes, foster carers on UC will probably be earning below that threshold.

You can apply for free school meals online at [www.hertfordshire.gov.uk/freeschoolmeals](http://www.hertfordshire.gov.uk/freeschoolmeals)

### Child care

There are a number of different schemes which can help with childcare costs.

From September 2018, children in foster care are entitled to 30 hours free childcare giving foster families the same support as other families.

See [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk) for further information on all available options.

## What the young person can claim if aged 16-17

If a CLA of any age has their own child living with them (even if also looked after) they can claim child benefit for that child. If they are 16 or over, they can also apply for universal credit as well. They can't get help with housing costs under universal credit, however, until they reach 18.

If the CLA has health problems which mean they are unable to work, they can claim universal credit, even if still in education (so long as also getting PIP/DLA if in education). For more information on disability benefits and young people's benefits see [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)

A 16/17 year CLA will not meet the criteria for universal credit until they are 18.

## 'Staying put' past 18

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Some young people continue to stay with their ex-foster parents after their 18th birthday and have ceased to be 'looked after'. They will be able to claim benefits in their own right, such as income support, employment and support allowance (if claimed already), jobseeker's allowance or now, universal credit – even if still in education in some circumstances. They should be able to get universal credit for housing costs if they have made a rent agreement with the carers.

Carers who look after young people past their 18<sup>th</sup> birthday may get an '**after-care allowance**' from the council. This is sometimes wrongly called a fostering allowance, which it isn't! You need to tell your tax office and benefit office that you are no longer getting a fostering allowance but getting an after-care or staying-put allowance instead under Section 23/24 of Children Act.

Qualifying care tax relief also applies to this income – see page 3 and leaflet HS236 for more information [www.gov.uk/government/publications/qualifying-care-relief-foster-carers-adult-placement-carers-kinship-carers-and-staying-put-carers-hs236-self-assessment-helpsheet/](http://www.gov.uk/government/publications/qualifying-care-relief-foster-carers-adult-placement-carers-kinship-carers-and-staying-put-carers-hs236-self-assessment-helpsheet/)

Any payments made under sections 23B, 23C or 24A of the Children Act 1989 (for the support of care leavers) should be ignored in full for any means-tested benefits that you claim.

If the arrangement isn't 'staying put' (for example, the young person is placed with a family or carer after their 18<sup>th</sup> birthday) you may be liable to pay tax on the 'rent' you receive from the young person. However, the HMRC's '**rent a room**' scheme should apply, where earnings of £7,500 a year are ignored. See <https://www.gov.uk/government/publications/rent-a-room-for-traders-hs223-self-assessment-helpsheet/hs223-rent-a-room-scheme-2017--2>

## Part 2 Adoption

Adopted children are generally treated for benefit purposes like any other children - see [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)

### Statutory adoption pay and statutory paternity pay

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If you adopt a child you may have the right to 52 weeks' adoption leave and be paid statutory adoption pay for 39 of those weeks. Adoption leave is available to parents adopting a child aged under 18 when placed for adoption. It doesn't matter how long you have been working for your employer.

Statutory adoption pay is paid at 90% of average weekly earnings for the first 6 weeks and lesser of £148.68 or 90% of average weekly earnings for the remaining 33 weeks. You must have been earning over £118 a week on average and have

worked for the same employer continuously for 26 weeks by the date you are notified that you have been matched with a child for adoption.

When a couple adopts, they can choose who takes adoption leave and who takes paternity leave. You must tell your employer of the date you plan to start your leave when matched with a child.

Statutory paternity pay is paid at £148.68 a week (or 90% of average weekly earnings if this is less) for two weeks. Paternity leave can be taken at any time from the date of the child's placement for adoption up to eight weeks later.

The person applying for statutory paternity pay, will need to have worked for the employer continuously for 26 weeks by the date on which they are notified of the match with a child for adoption. They must also have earned more than £118 per week on average and give the employer notice of the day that they want the statutory paternity pay to start.

## Shared parental leave and pay

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Employees may be able to get statutory shared parental leave and pay if they adopt a child. Employees can start shared parental leave if they're eligible and they or their partner end their adoption leave or pay early. The remaining leave will be available as shared parental leave and the remaining pay may be available as shared parental pay.

Employees can take shared parental leave in up to three separate blocks. They can also share the leave with their partner if they're also eligible and choose how much of the leave each will take.

**Example:** a mother and her partner are both eligible for shared parental leave and shared parental pay. The mother ends her leave and pay after 12 weeks, leaving 40 weeks available for shared parental leave, and 27 weeks available for shared parental pay. The parents can choose how to split this. For more information see [www.gov.uk/shared-parental-leave-and-pay](http://www.gov.uk/shared-parental-leave-and-pay)

Shared parental leave and pay must be taken within one year of adoption.

## Tax credits

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See above section in 'fostering' for a basic description of tax credits, which is a system of means-tested support for families with or without children, whether the parent(s) are working or not. From 2020, the DWP will begin transferring existing tax credit claimants onto universal credit, whether there is a change of circumstances or not.

As a person adopting a child, you are no longer able to make a new claim for child tax credit (CTC) but have to claim universal credit (or pension credit if over pension

age) instead. This would be from the day you take up caring for the child, depending on your income, unless you are getting a fostering allowance from the local authority. Any adoption allowance is ignored as income. The only exception to the above would be if you were adding the adopted child onto an existing tax credit claim.

Working tax credit (WTC) contains help with certain types of childcare costs if parents are working and can be added to an existing CTC claim, even though normally universal credit would be the option.

Tax credits are usually based on your income in the previous tax year. When you adopt, your current estimated income may drop, so you should ask HMRC to either adjust your existing award or base a new award on your current year income.

You can contact the tax credit helpline on 0345 300 3900 (0345 300 3909 for textphone users).

## Two-child policy

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Adoptive parents should not now be 'caught' by this new rule if claiming child tax credit, housing benefit or universal credit. See above in Fostering.

## Child benefit

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Child benefit can usually be paid to prospective adopters from the Monday following the date the child is placed with you, but not if you are getting a fostering allowance. Child benefit is a payment to you as the person with whom the child lives.

It is paid at the weekly rate of £20.70 for the first child in a family and £13.70 for subsequent children while the child is a dependant, that is, up to 16 years of age, or up to their 20<sup>th</sup> birthday if in full-time non-advanced education or training.

Child benefit is taxable if either the claimant or partner individually earns more than £50,000 and the value of it is lost altogether at £60,000.

You can claim child benefit on a CH2 form available from [www.gov.uk/child-benefit/how-to-claim](http://www.gov.uk/child-benefit/how-to-claim) or by phoning 0300 200 3100. You will be asked to send the adoption certificate with the form but, if you do not have this, do not delay. Send it later and explain this on the form or in an accompanying letter.

## Disability living allowance and personal independence payment

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If you adopt a child with disabilities, you should consider claiming DLA or PIP (if they are aged 16 or over). See above section in 'fostering' for a basic description of DLA and PIP.

You can get a DLA application form by telephoning 0800 121 4600 or on [www.gov.uk/disability-living-allowance-children/how-to-claim](http://www.gov.uk/disability-living-allowance-children/how-to-claim)

You can start a PIP claim by calling 0800 917 2222.

If DLA is already in payment, it is important you contact DWP to ensure they know the child is living with you. Their relevant addresses are:

For DLA claimants aged 16 and over:

DBC, Warbreck House, Warbreck Hill, Blackpool, FY2 0YE

For DLA claimants aged under 16:

DBC4, Post Handling Site B, Wolverhampton, WV99 1BY

If PIP is already in payment phone the PIP Enquiry Line on 0800 121 4433 to let them know the child is now living with you.

DLA is usually paid to an adult with whom the child lives if they are under 16 years of age, so the DWP will need to know that you wish to act as the child's appointee. If the young disabled person is aged 16 or over, the DWP can make you the appointee for DLA or PIP if the young person can't handle their own financial affairs.

The county council's Money Advice Unit can provide your social worker with further information and advice on this benefit and other benefits for children with a disability or see extra money for children with disabilities on [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)

The payment of DLA/PIP is:

- tax free.
- not means-tested.
- not dependent on national insurance contributions.
- paid on top of any social security benefits, tax credits, universal credit or other income you may have and indeed can increase the amounts of the child element of any means-tested benefits that you receive

There are other advantages to claiming DLA/PIP. For example, if the higher rate of the DLA mobility component is paid or the young person is awarded 8 points or more in the moving around activity of PIP, they could automatically qualify for a Blue Badge. If the higher rates of DLA or PIP mobility are paid you could get exemption from vehicle tax and be able to apply for a mobility lease car.

## **Carer's allowance**

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If your child gets the middle or higher rate of the care component of DLA or either rate of the daily living component of PIP, you or someone else may be able to claim carer's allowance. It is payable to anyone who cares for them for 35 hours a week, is not a full-time student, and earns under £123 net a week. Any adoption allowance you get does not count as earnings, neither does your partners earnings.

You can apply online or download a form from [www.gov.uk/carers-allowance/how-to-claim](http://www.gov.uk/carers-allowance/how-to-claim) or by phoning the carer's allowance unit on 0345 608 4321 (text phone 0345 604 5312).

## **Income support, income-based jobseeker's allowance, income-related employment and support allowance and universal credit**

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Adoption allowance will not affect any means-tested benefit that you get.

Single claimants who have a child placed with them by an adoption agency prior to adoption are also eligible to claim universal credit whether working or not, depending on income.

## **Pension credit**

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This is for people aged over pension age. From February 2019, it contains a child element for people over pension age who are not claiming child tax credit already for that child.

## **Budgeting loan/advance**

If you are still getting income support, income-based jobseeker's allowance, income-related employment and support allowance or pension credit you may also be able to get an interest-free budgeting loan from Jobcentre Plus on 0800 169 0140, for example, for one-off items that you might need for your adopted child.

If you get universal credit you will have to ask for a budgeting advance instead from the Universal Credit Helpline – 0800 328 5644

## **Maternity grant**

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You may be able to get a **sure start maternity grant** of £500 from the DWP's social fund if you have adopted a child under the age of one and get certain benefits – but only if there is no other child aged under 16 in the household, although there are some exceptions.

You or your partner must be entitled to either income support, income-based jobseeker's allowance, income-related employment and support allowance, universal credit, pension credit, working tax credit (which includes a disability or severe disability element) or child tax credit (which includes a child or disabled child element) on the day that you claim the sure start payment.

You must claim a sure start maternity grant within six months of the adoption order being made. You should claim on form SF100 available from your antenatal clinic or

by phoning Jobcentre Plus on 0345 603 6967. You can also download a claim form from [www.gov.uk/sure-start-maternity-grant/how-to-claim](http://www.gov.uk/sure-start-maternity-grant/how-to-claim)

## Housing costs and council tax support

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You may be due help with rent and council tax once you have adopted a child, especially if your income has reduced as well. This help is means-tested but the adoption allowance is ignored as income. An extra child may also mean that the 'under-occupation penalty' for having a spare bedroom no longer applies.

The help with rent will normally come from a universal credit claim unless already getting housing benefit. The help with council tax will come from your local council. There are also 'discretionary housing payments' that can be paid by the council if you are only getting partial help with your rent or council tax. These could be paid if you have exceptional extra outgoings because of the adopted child for example.

Housing benefit is being incorporated into the new universal credit, but that transfer will not be completed until 2024.

Council tax benefit was replaced by council tax support schemes operated by local councils from April 2013. Some of the schemes give greater help to families with children aged under five or with a disabled child – that is a matter for each council to decide. See your local council's website for details of their individual scheme.

The only help with mortgage interest comes from universal credit or pension credit and is only in the form of a DWP loan to meet the interest. This is subject to a waiting period, and limits, and is not available if doing any paid work.

<https://www.gov.uk/support-for-mortgage-interest/what-youll-get>

## Health benefits

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Whatever your income, you can get free prescriptions, NHS dental treatment and optical care for any child under 16 (or under 19 if still in non-advanced education).

You can also get this help if:

- you are getting income support, pension credit (guarantee credit), income-based JSA, income-related ESA or
- you have annual gross income less than £15,276 per year and get one of the following:
  - working tax credit and child tax credit
  - working tax credit with a disabled worker or severe disability element
  - child tax credit (but are not eligible for working tax credit) or

- you get universal credit and have no earnings, or earn no more than £435 a month, or £935 if you have dependent children or are unable to work due to ill health.

If you don't qualify through any of the above routes you may qualify on 'low income' grounds – fill in form HC1 available on [www.nhs.uk/NHSEngland/Healthcosts/Pages/help-with-health-costs.aspx](http://www.nhs.uk/NHSEngland/Healthcosts/Pages/help-with-health-costs.aspx) or by calling 0300 330 1343.

Under the **Healthy Start** scheme, children under four in low income families can receive fixed value vouchers worth £3.10 a week that can be exchanged for milk, infant formula, fruit and vegetables. The families have to be receiving

- income support or
- income-based jobseeker's allowance or
- child tax credit (no working tax credit) with an annual family income of £16,190 or less or
- universal credit with earnings of £408 or less a month.

Further details from Healthy Start on 0345 607 6823 or [www.healthystart.nhs.uk/](http://www.healthystart.nhs.uk/)

## Part 3 Other types of financial support

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A range of other help is available. Also note the section above on the two-child policy.

### Child arrangement orders (formerly known as residence orders)

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These orders usually specify where the child or young person should live, and who with. Informal carers are sometimes known as connected persons, kinship carers or friends and family carers but those terms might also be used for family members or family friends who are caring for children who are officially 'looked-after' so it's important to find out the child's legal status. If the carer takes out a child arrangement order for a child who is not 'looked-after', Children's Services can pay them a discretionary allowance. If the child is looked-after, then the payment is a fostering allowance.

Children and young people who are living with people because of a child arrangement order are considered, for benefit purposes, to be members of the family. Families will therefore be entitled to claim additional benefits for the child, such as child benefit, child tax credit (or the child element of universal credit or pension credit where appropriate). They can also include the child on any housing benefit or council tax support claim and the allowance is ignored as income in any of the above benefits.

Child arrangement order allowances do not count as income when calculating tax credits, pension credit or universal credit. In addition, under universal credit, kinship carers who take in a child who isn't officially fostered are exempt from having to register for work as a condition of getting benefit for 52 weeks after the child moves in with them.

The allowances are non-taxable and therefore don't count as income towards the foster care tax relief if you are also fostering a child.

## Section 17 money

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Children's Services have the discretion to provide cash help in exceptional circumstances under Section 17 of the Children Act 1989 to help 'children in need'. They might use this power, for example, to help a family avoid disconnection or homelessness. It can also be used to help families who take in someone else's child but who don't formally foster them. If the child is 'looked after' then it becomes fostering.

Section 17 payments are completely ignored when tax liability, universal credit or other benefits and tax credits are calculated. A child who is living with someone who gets Section 17 money for them will be treated as part of that person's family for benefit purposes. This means that child benefit, universal credit, child tax credit etc (and possibly extra housing benefit/council tax support) will all be payable on top of the Section 17 money (subject to the benefit cap being applied to the additional benefit income and the possible impact of the two child policy – see above section on fostering).

## Special guardianship

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Children's Services cannot place a child for special guardianship, but they can encourage existing foster carers to apply for it. Discretionary financial support can then be given as a single payment to meet a one-off cost, or payments in instalments or at periodic intervals. There is also a separate fund to pay for therapeutic support and services <https://www.frg.org.uk/need-help-or-advice/family-and-friends-carers/the-adoption-support-fund-and-special-guardians>.

As a child subject to special guardianship is no longer 'looked after', the carer can claim benefits such as child benefit, child tax credit or child element of universal credit or pension credit for the child, as well as including them in housing benefit and council tax support claims (subject to the benefit cap being applied to the additional benefit income– see above section on fostering).

Any financial help given by Children's Services to special guardians is disregarded when assessing the carer's tax liability, entitlement to tax credits, universal credit and pension credit any other means-tested benefits.

However, Children's Services may take into account any benefits or tax credits that are claimed when making their assessment of how much additional financial support to give.

For more information about support for kinship carers, contact Family Rights Group, [www.frg.org.uk](http://www.frg.org.uk) and see [https://www.frg.org.uk/images/Advice\\_Sheets/21b-social-security-support-for-relatives-friends-looking-after-someone-elses-child.pdf](https://www.frg.org.uk/images/Advice_Sheets/21b-social-security-support-for-relatives-friends-looking-after-someone-elses-child.pdf)

## Welfare Reform issues

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An unemployed single person can apply for universal credit without having to look for work if the youngest child they are caring for (their own or via Section 17, a residence or child arrangement order or special guardianship) is aged under three, or for the first 12 months after the child comes to live with them. If the youngest child is aged three or over, or has lived with them for over 12 months, they still claim universal credit but the DWP will require them to do more work-related activity. This may mean that a working age foster carer who was 'protected' from doing that up to the child's 16th birthday could lose that protection if they switch to being a special guardian instead.

If a foster carer switches to special guardianship for the two children they care for, those children (if old enough) may qualify for a bedroom each in housing benefit terms. So that could take the carer out of the under-occupation penalty.

However, the downside is that there is a £20,000 per year benefit 'cap' in place at present in Hertfordshire. By adding a child or children to the household, a former foster carer on benefits who is now a special guardian might exceed the £20,000 pa (£384.62 a week) figure. Families earning over £570 a month if on UC or where someone gets DLA or PIP are exempt from the cap, as are people getting carer's allowance or guardian's allowance (see below).

## Guardian's allowance (not to be confused with special guardianship)

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This is an allowance paid by HMRC to someone who looks after a child and satisfies one of the following rules:

- they are entitled to claim child benefit for the child and both of the child's parents are dead;
- one of the child's parents is dead and the claimant shows that they are unaware of the other parent's whereabouts;
- one of the child's parents is dead and the other is in prison (or detained in hospital) for more than two years.

Foster carers cannot claim this as they are not entitled to child benefit for fostered children.

Prospective adopters receiving child benefit may be able to claim this for the child placed with them, prior to adoption. If they do qualify for this benefit before the adoption, payment can continue after the child has been adopted. Otherwise, adoptive parents cannot get this benefit (as they are considered to be the child's parents).

People claiming for a child that they are looking after under Section 17, a residence/child arrangement order or special guardianship can claim guardian's allowance on top of the child benefit. It is currently worth £17.60 a week and is paid in addition to child benefit.

## Disabled facilities grant

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The disabled facilities grant (DFG) is a grant which is administered by local councils for adaptations to property to meet the needs of people with disabilities. You may be able to get a grant of up to £30,000 but help is means tested so a person in full-time work will often have to make a contribution. However, there is no means test where an application for a grant is made by the parent or guardian of a disabled child or young person.

Foster carers can apply for a disabled facilities grant in the same way as natural and adoptive parents but they are usually required to certify that the child will live in the dwelling for a certain amount of time. To apply, contact Children's Services on 0300 123 4043 to ask for an occupational therapist to visit and make an assessment of the child's needs at your home.

## Family Fund

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The Family Fund aims to help families caring for a severely disabled child under the age of 18. It can provide help for anything that is needed. For example, the trust can help with the costs of holidays, household equipment, furniture, transport expenses, play equipment or even driving lessons for a carer.

Any payment you get will not affect benefits such as income support.

You can get an application form and more information from the Family Fund Trust, 4 Alpha Court, Monks Cross Drive, York, YO32 9WN or [www.familyfund.org.uk](http://www.familyfund.org.uk) or phone 01904 550055

*We hope you have found this factsheet, useful. If you have any comments to make about content – things you would like to see or other changes you think we should make, please let us know on [moneyadvice.unit@hertfordshire.gov.uk](mailto:moneyadvice.unit@hertfordshire.gov.uk)*

*Unfortunately, we can't assist with individual benefit queries – please see list of advice agencies below.*

## Part 4 Further help and advice

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### **Citizens Advice (CA)**

Online information

Information about local CA and opening times

0344 4111 444

[www.adviceguide.org.uk](http://www.adviceguide.org.uk)

[www.hertfordshirecab.org.uk](http://www.hertfordshirecab.org.uk)

### **HM Revenue and Customs**

Newly self-employed helpline

Self-employed helpline:

Tax credits helpline:

0345 915 4515

0345 915 4655

0345 300 3900

Foster care relief information [www.gov.uk/foster-carers/help-with-the-cost-of-fostering](http://www.gov.uk/foster-carers/help-with-the-cost-of-fostering)

Tax credits information [www.gov.uk/browse/benefits/tax-credits](http://www.gov.uk/browse/benefits/tax-credits)

Self-instruction pack on tax relief for foster carers

[www.hmrc.gov.uk/courses/syob/fc/HTML/fc\\_101.html](http://www.hmrc.gov.uk/courses/syob/fc/HTML/fc_101.html)

### **Department for Work and Pensions**

Child Benefit Centre:

Carer's Allowance Unit:

DLA Helpline:

PIP claim line:

Attendance Allowance Helpline:

Income support/JSA/ESA:

Universal credit helpline

0300 200 3100

0800 731 0297

0800 121 4600

0800 917 2222

0800 731 0122

0800 055 6688

0800 328 5644

## **How you can contact Hertfordshire County Council**

### **Our website**

Information about adult social care – find about care services, day centres and apply online for meals on wheels or a Blue Badge. You can also comment, compliment and complain.

[www.hertfordshire.gov.uk/adults](http://www.hertfordshire.gov.uk/adults)

### **Hertfordshire Directory**

Find national and local community groups, charities, services and activities

[www.hertfordshire.gov.uk/directory](http://www.hertfordshire.gov.uk/directory)

### **HertsHelp**

Independent information and advice on local community services and care funding

Telephone: 0300 123 4044

Minicom: 0300 456 2364

Email: [info@hertshelp.net](mailto:info@hertshelp.net)

### **Contact us**

For information on how to get care and support

**Money Advice Unit**

☎ 0300 123 4040

🌐 [www.hertfordshire.gov.uk](http://www.hertfordshire.gov.uk)

Email: [contact@hertfordshire.gov.uk](mailto:contact@hertfordshire.gov.uk)

Telephone: 0300 123 4042

Textphone: 0300 123 4041



[British Sign Language \(BSL\) video interpreting service](#) available

Monday to Friday 8am-6pm.

### **Drop in**

To your local library – see [www.hertfordshire.gov.uk/libraries](http://www.hertfordshire.gov.uk/libraries)

### **If you are worried that you or someone you know is at risk of abuse or neglect**

Call us on 0300 123 4042 (24 hours a day)

### **If you need help to understand**

Call 0300 123 4042 if you would like help to understand this information or need it in a different format. You can also ask to speak to someone in your own language.

Calls to 0300 cost no more than a national rate call to a 01 or 02 number

**This information is correct at time of writing. It is for guidance only and is not an authoritative statement of the law**