Review of financial means test applied to Adoption and Special Guardianship allowances
Alternative formats

If you require this document in any other format or language, please email alternativeformats@kent.gov.uk or call: 03000 421553 (text relay service number: 18001 03000 421553). This number is monitored during office hours, and there is an answering machine at other times.
Introduction

Kent County Council needs to continue to deliver cost efficient services to the residents of Kent and must ensure that all revenue is spent appropriately and targeted at our most vulnerable residents.

We are considering changing the way we undertake the financial means test applied to adoption and Special Guardianship allowances and we want to better understand your views on the proposed changes.

Why are we proposing changes?

- KCC wants to implement a process that is easy to understand for those to receive these payments, and is clear about how we calculate the amount of financial support each family receives.

- KCC wants to ensure that all claims are assessed in the same way, which is fairer but takes into account individual financial circumstances. The same financial information will be requested for all claims, regardless of individuals being self-employed or employees of other organisations.

- KCC wants to ensure that there is clear guidance for all those who make a claim for this allowance, and for it to be clear that KCC will require supporting financial evidence if they wish to continue to receive an allowance.

- We need to ensure we continue to spend tax payer’s money responsibly.

Outlined within the following pages are the proposed changes to the financial support KCC currently provides to some adopters and guardians.
Have your say

As these proposed changes may impact on you we want to hear your views. This consultation will start on 15th August 2016 and will finish at 5pm on 26th September 2016.

You can also respond to this consultation online by visiting www.kent.gov.uk/childrensallowance. Alternatively, you can complete the printed questionnaire accompanying this document and return it to us using the following address:

**Children’s Allowance Review Team**  
South Kent Children and Young Person’s Service  
West Church House  
Godfrey Walk,  
Ashford,  
Kent, TN23 7XJ

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If you have any queries, or if you wish to respond in person, you can request an office appointment and we can assist you to complete the consultation document. An appointment can be made by calling 03000 411037

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**Equality Impact Assessment**

We have carried out an Equality Impact Assessment as part of this review, and have published this along with the consultation document at www.kent.gov.uk/childrensallowance. There is a specific question about our impact assessment, and we will use the feedback we receive about our assumptions to update this assessment following the completion of our consultation.

**What happens next?**

This consultation will start on 15th August 2016 and finish at 5pm on 26th September 2016. Your responses will help us complete our review of the Children’s Allowance Policy.

We will then draft a consultation report including feedback we have received and present this to a KCC committee before a decision is formally taken by the Council.
Background and context

What are allowances?

Any adult who provides care for a child, who is not the child’s birth parent, may (if eligible) apply for financial support (also known as an allowance) from the local authority. Adopters and Guardians are potentially eligible for financial support when the local authority has intervened in the birth family, and has asked the court to make a decision (also known as a court order) about where the child should live.

When financial support is paid, this money is specifically to meet the additional costs incurred by adopters or guardians of looking after and providing a home for the child they are caring for as a result of the decision made in court. Any financial support provided to guardians or adopters is not a “reward” or “salary” for caring for the child.

We use government guidance when calculating how much financial support to provide. The current guidance states:

‘Financial support paid to adoptive parents or special guardians under the regulations cannot duplicate (or be a substitute for) any payment to which adopters or special guardians would be entitled under the tax and benefit system. We recommend that local authorities only include benefits that are currently being paid to members of the household. If the local authority believe that there are other benefits to which the household would be entitled, this should be pointed out to the adopters or special guardian.’

To read a full copy of this guidance please use the following link:
http://www.kinshipcarers.co.uk/documents/Means_test_guidance.pdf

How do we currently decide how much financial support is provided?

Adoption & Special Guardianship payments are calculated using a ‘standardised means test’. This means we review how much income there is for the household, and if the income is low, more financial support is provided, and if the income is high, less financial support is provided.

Using these guidelines, the current maximum payments per week per child are as follows:

<table>
<thead>
<tr>
<th>Age-group:</th>
<th>Under 2 years</th>
<th>£146.44</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age-group:</td>
<td>2 - 4 years</td>
<td>£150.78</td>
</tr>
<tr>
<td>Age-group:</td>
<td>5 - 8 years</td>
<td>£168.00</td>
</tr>
<tr>
<td>Age-group:</td>
<td>9 - 10 years</td>
<td>£168.00</td>
</tr>
<tr>
<td>Age-group:</td>
<td>11 - 15 years</td>
<td>£190.61</td>
</tr>
<tr>
<td>Age-group:</td>
<td>16 - 18 years</td>
<td>£224.00</td>
</tr>
</tbody>
</table>

We then deduct any money received from child benefit unless the recipient is in receipt of unemployment or Income Support related benefits, or has a household income less than £50,000 per year.
Here is a worked example to show how we currently calculate how much financial support to provide:

<table>
<thead>
<tr>
<th></th>
<th>ORIGINAL MEANS TEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projected net family income (per month):</td>
<td>£ 1,612</td>
</tr>
<tr>
<td>Total projected family expenditure (per month):</td>
<td>£ 2,424</td>
</tr>
<tr>
<td>Disposable income (per month):</td>
<td>-£ 812</td>
</tr>
<tr>
<td>Local Authority Maximum Payment:</td>
<td>£ 2,184</td>
</tr>
<tr>
<td>Amount of payment to adopters or special guardian:</td>
<td>£ 2,184</td>
</tr>
<tr>
<td>Minus child benefit for child/children who are subject of this application:</td>
<td>£ 208</td>
</tr>
<tr>
<td>Final payment to adopters or special guardian:</td>
<td>£ 1,975</td>
</tr>
</tbody>
</table>

Projected family income is currently calculated by disregarding the first 20% of earned income and adding in any other household income, other than Disability Living Allowance (DLA) and Child Benefit for the child we pay an allowance.

Projected family expenditure is calculated by adding up the rent or mortgage costs and council tax payments. If there is a car loan this is also currently included. This total amount is then subtracted from the family income above. This is the called the disposable income.

The disposable income is then compared to the equivalent 125% of Income Support payments for an identical household composition, and this amount is subtracted from the remaining income.

What is left is then compared to the maximum fostering maintenance we would pay for a child using our fostering rates. This is called the local authority maximum payment. Any deficit to household income is made up by our allowance after we take child benefit off (as this can be claimed elsewhere unlike foster carers who cannot claim this) as per example above. This example shows that as the household has a deficit of -£812 a month they are eligible for the full amount of the allowance (minus child benefit).
Our Proposed Changes

In these sections, we have outlined the different sources of income we consider when calculating Adoption & Special Guardianship payments, the changes we have considered, and the change we are proposing to make following this consultation process.

1. Disregard of 20% of earned income

What do we currently do?

Currently KCC disregard the first 20% of any earned income.

KCC also calculate the basic living costs to be 125% of Income Support levels (which is 25% above what the government determines is a reasonable standard of living). This means that the family (after also taking into account the minimum fostering maintenance allowances) never have less than 125% of income support levels for a family their size. If earnings are low they will generally be receiving the full amount of fostering maintenance.

What alternatives have we considered?

We have considered whether we should continue to disregard 20% of earned income but as we already ensure there is at least the equivalent of 125% income support levels for families after their council tax and housing costs are deducted from earned income we have decided to propose the following option and would like you views regarding this.

What are we proposing to change?

We are proposing to include all earned income in our calculations, and no longer disregard the first 20% of earned income.

Here are some examples of how the changes could impact you

<table>
<thead>
<tr>
<th></th>
<th>ORIGINAL MEANS TEST</th>
<th>WITH 20% INCOME DISREGARD REMOVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projected net family income (per month):</td>
<td>£ 1,988</td>
<td>£ 2,485</td>
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<tr>
<td>Total projected family expenditure (per month):</td>
<td>£ 2,984</td>
<td>£ 2,984</td>
</tr>
<tr>
<td>Disposable income (per month):</td>
<td>-£ 996</td>
<td>-£ 499</td>
</tr>
<tr>
<td>Local Authority Maximum Payment</td>
<td>£ 653</td>
<td>£ 653</td>
</tr>
<tr>
<td>Amount of payment to adopters or special guardian</td>
<td>£ 653</td>
<td>£ 653</td>
</tr>
<tr>
<td>Minus child benefit for child/children who are subject of this application</td>
<td>£ 59</td>
<td>£ 59</td>
</tr>
<tr>
<td>Final payment to adopters or special guardian:</td>
<td>£ 594</td>
<td>£ 594</td>
</tr>
</tbody>
</table>
2. Disability Living Allowance (DLA)

What do we currently do?

Currently KCC do not consider DLA payments to be part of the household income when they are made to the child for whom the special guardianship or adoption allowance is paid. When other adults and children in the household are in receipt of this benefit KCC do include this within the income section.

What alternatives have we considered regarding DLA?

We have considered whether we should continue to disregard the benefit, whether we should include all the benefit as part of the household income or whether we should automatically disregard 50% of the benefit and ask for receipted evidence of expenditure of the benefit in order to continue to disregard 100% of the benefit. We have decided to propose the following option and would like you views regarding this option only.

What are we proposing to change?

We are proposing to disregard the first 50% of any DLA paid which would not require any supporting evidence and for those wishing for the full amount to be disregarded they would have the option of providing receipted evidence of expenditure against the full amount of benefit.

Here are some examples of how the changes could impact you:

<table>
<thead>
<tr>
<th>EXAMPLE 1 - MID INCOME</th>
<th>ORIGINAL MEANS TEST</th>
<th>WITH LOWER RATE DLA PAID TO CHILD INCLUDED</th>
<th>WITH MIDDLE RATE DLA PAID TO CHILD INCLUDED</th>
<th>WITH HIGHEST RATE DLA PAID TO CHILD INCLUDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projected net family income (per month):</td>
<td>£ 2,247</td>
<td>£ 2,285</td>
<td>£ 2,343</td>
<td>£ 2,390</td>
</tr>
<tr>
<td>Total projected family expenditure (per month):</td>
<td>£ 1,783</td>
<td>£ 1,783</td>
<td>£ 1,783</td>
<td>£ 1,783</td>
</tr>
<tr>
<td>Disposable income (per month):</td>
<td>£ 464</td>
<td>£ 501</td>
<td>£ 559</td>
<td>£ 606</td>
</tr>
<tr>
<td>Local Authority Maximum Payment</td>
<td>£ 825</td>
<td>£ 825</td>
<td>£ 825</td>
<td>£ 825</td>
</tr>
<tr>
<td>Amount of payment to adopters or special guardian</td>
<td>£ 593</td>
<td>£ 574</td>
<td>£ 546</td>
<td>£ 522</td>
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<tr>
<td>Minus child benefit for child/children who are subject of this application</td>
<td>£ 89</td>
<td>£ 89</td>
<td>£ 89</td>
<td>£ 89</td>
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<tr>
<td>Final monthly payment to adopters or special guardian:</td>
<td>£ 504</td>
<td>£ 485</td>
<td>£ 456</td>
<td>£ 432</td>
</tr>
</tbody>
</table>
3. Carers’ Allowance

What do we currently do?

Currently KCC include Carers’ Allowance as part of the income available to the household.

Proposed KCC position:

We are not proposing any changes to how we include carers’ allowance in our calculations. However, KCC is concerned that not all declaration forms are completed accurately. KCC proposes that there needs to be clearer guidance to adopters and guardians stating that they must declare this benefit if they receive it for any member of their household.

We are proposing that the means test form is updated to ensure this is being declared and the claimant is asked for permission to contact any other agency KCC deems as appropriate to confirm the evidence required. This will include for example, The Department of Works and Pensions, HMRC and Child Tax Credits.
4. Child Benefit

What do we currently do?

Currently if a family is in employment, but earning less than the government threshold for paying tax on child benefit, then KCC deducts the equivalent amount of money to the child benefit the family receives from the financial support we provide. If a family is taxed on the child benefit they receive, because they are classified as a higher earning family then KCC does not deduct child benefit from the family.

Proposed KCC position:

We are proposing that KCC deducts the equivalent in child benefit from the fostering maintenance allowance for higher earning families as it does to all lower earning working families.

Here are two examples of how the changes could impact on you. In these examples there are 3 children in the household whom KCC pay an allowance for and the families receive child benefit payments:

Family A

They have a salary of £35,000 p.a. and receive child benefit. KCC deducts child benefit so their allowance is reduced by:
Child 1 £1076.40
Child 2 £712.40
Child 3 £712.40
Total: £2,501.20 each year

Family A will have no change in in relation to child benefit as a result of our proposal.

Family B

They have a salary of £60,000 p.a. and although they receive child benefit, they may have to pay tax on the child benefit they receive. Currently they have no deductions from their KCC allowance as a result of Child Benefit.

Under our proposals, Family B would have their allowance reduced by the same amount as Family A, a total of £2,501.20 each year.
5. Pensions

The rules for deferring for State Pension have changed if you reach State Pension age on or after 6 April 2016. You can’t build up extra State Pension or lump sum payments for any days you also get:

- Income Support
- Pension Credit
- Employment and Support Allowance (income-related)
- Jobseeker’s Allowance (income-based)
- Universal Credit
- Carer’s Allowance
- Incapacity Benefit
- Severe Disablement Allowance
- Widow’s Pension
- Widowed Mother’s Allowance
- Un-employability Supplement

With regards to over payments into pension funds, the government sets the annual amount an individual can pay into a pension fund before it impacts on their tax paid. This figure increases as pension age nears.

What do we currently do?

KCC apply exactly the same amount as the Inland Revenue. If an individual wishes to pay more this extra is not treated as a relevant outgoings.

Proposed KCC position:

KCC will assess the pension income, irrespective of whether it has been deferred as this is an accessible benefit and should have been claimed.
6. Self-Employment

The guidance KCC refers to states:

*Where one (or both) of the parents or special guardian is self-employed, the only income which should be considered is ‘drawings’ as this is the equivalent of pay from an employer. Any profit from the business sitting in a bank account (and thereby not being reinvested) should be taken into account as capital under section 1iv: other sources of income.*

**What do we currently do?**

Self-employed individuals currently only provide their latest HMRC tax return; this can often not be a full reflection of their current income from self-employment.

**Proposed KCC position:**

KCC proposes we request the last twelve months business account statements in order to properly calculate the interest paid and drawings taken from the business. KCC needs to move to a position where business operated out of personal bank accounts are no longer acceptable as it is impossible to draw a distinction between personal income and business earnings.

7. Dividends and investments

The guidance KCC refers to states:

*‘Where the family receives income from capital, savings and/or investments, this should be assessed in terms of net monthly interest only, as paid. This is the income that is routinely available to the family, and should be clearly shown on statements/similar. Any interest received from Government Child Trust Funds should not be included in this section.’*

**What do we currently do?**

Currently KCC does not routinely ask for evidence of capital, savings or investments in order to calculate the net monthly interest.

**Proposed KCC position:**

KCC is proposing that we will ask for annual bank statements to be submitted in relation to capital, savings and investments. In relation to dividends the claimant should ask for a print out from the limited company to prove what they have received which is certified by an accountant.

We also propose to add a separate declaration box for claimants to declare that all sources of income have been disclosed. All income, including lump sums from investments or dividends must be declared. KCC will then divide the sum by 12 to reflect the coming year and add this amount to the available income to the household.
8. Mortgages (and Secured Loans)

For various reasons, some adopters and guardians have several mortgages. These are not mortgages associated with additional properties, but are linked to the property where the applicant resides.

These are usually because there has been an increase in borrowing against the original mortgage or are secured loans (thus becoming a second mortgage). Traditionally KCC has taken all these mortgages into account. This is unfair to those who do not own their own property and cannot raise additional funds this way.

The guidance KCC refers to states:

‘…Include mortgage payments, made up of capital and interest, and also including any endowment payments linked to the mortgage.’

What do we currently do?

Currently, any additional borrowing undertaken by a homeowner after an allowance is agreed would automatically increase the likelihood of additional financial support from KCC as the additional mortgage borrowing or secured loan reduces the disposable household income.

Proposed KCC position:

Only any existing mortgage(s) of the property at the time of the making of the court order should be taken into consideration. Subsequent increases to, or secured loans against the property should be disregarded as lifestyle choices.

KCC will adopt a position of allowing a loan for essential maintenance works associated to the property which would not be covered under the buildings insurance policy (these could include re-wires, central heating and essential plumbing) providing KCC has been given the opportunity to agree such loans prior to these being arranged and has seen evidence that the cost of the building/maintenance work was solely met from the loan/re-mortgage and that additional borrowing for other purposes was not included in the sum of money borrowed. There would also be provision for extension costs i.e. the addition of a bedroom, if these are directly attributable to the young person/s now in their care as a result of the order.

KCC will not allow outgoings relating to second mortgages and other increased borrowing against the property for the purposes of, for example, debt consolidation, car purchase, holidays, furnishings or cosmetic improvements to the family home.
9. Car Loans & Unsecured Loans

The guidance KCC refers to states:

"Where the family pay regular monthly repayments on loans for housing improvement (e.g. extensions/new kitchens) or transport costs (e.g. new car), we suggest that these are included in this section. Local authorities will need to decide in relation to the individual circumstances as to whether a loan repayment should be included here."

What do we currently do?

KCC currently accept payments toward a car as a legitimate outgoing. Personal loans for the purchase of cars are not included in this. It is therefore currently unfair to those who choose to fund a new car using loans other than car finance through a car dealer.

There is currently no upper limit for car finance, or of limiting the time period. Therefore a family could continually upgrade their car to a new model and KCC would currently continue to accept this as a legitimate outgoing.

Proposed KCC position:

No car loans will be taken into consideration when calculating the household outgoings. The fostering maintenance element already includes a 10% element of travel.

Example Case Studies

<table>
<thead>
<tr>
<th>CALCULATION</th>
<th>ORIGINAL MEANS TEST</th>
<th>WITH CAR LOAN REMOVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projected net family income (per month):</td>
<td>£ 2,919</td>
<td>£ 2,919</td>
</tr>
<tr>
<td>Total projected family expenditure (per month):</td>
<td>£ 2,556</td>
<td>£ 2,342</td>
</tr>
<tr>
<td>Disposable income (per month):</td>
<td>£ 363</td>
<td>£ 577</td>
</tr>
<tr>
<td>Local Authority Maximum Payment</td>
<td>£ 728</td>
<td>£ 728</td>
</tr>
<tr>
<td>Amount of payment to adopters or special guardian</td>
<td>£ 546</td>
<td>£ 439</td>
</tr>
<tr>
<td>Minus child benefit for child/children who are subject of this application</td>
<td>£ 59</td>
<td>£ 59</td>
</tr>
<tr>
<td>Final monthly payment to adopters or special guardian:</td>
<td>£ 486</td>
<td>£ 380</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CALCULATION - MID INCOME WITH HIGHER EXPENDITURE</th>
<th>ORIGINAL MEANS TEST</th>
<th>WITH CAR LOAN REMOVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projected net family income (per month):</td>
<td>£ 2,281</td>
<td>£ 2,281</td>
</tr>
<tr>
<td>Total projected family expenditure (per month):</td>
<td>£ 2,888</td>
<td>£ 2,571</td>
</tr>
<tr>
<td>Disposable income (per month):</td>
<td>-£ 607</td>
<td>-£ 289</td>
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<tr>
<td>Local Authority Maximum Payment</td>
<td>£ 2,184</td>
<td>£ 2,184</td>
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<tr>
<td>Amount of payment to adopters or special guardian</td>
<td>£ 2,184</td>
<td>£ 2,184</td>
</tr>
<tr>
<td>Minus child benefit for child/children who are subject of this application</td>
<td>£ 208</td>
<td>£ 208</td>
</tr>
<tr>
<td>Final monthly payment to adopters or special guardian:</td>
<td>£ 1,975</td>
<td>£ 1,975</td>
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