The National Minimum Fostering Allowance
&
Fostering Payment Systems

GOOD PRACTICE GUIDANCE

DfES
July 2006
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Introduction

The first national minimum allowance for foster carers was announced in July 2006, in order to enable fostering services to take account of the rates in planning their budgets for 2007-08. Part of a wider package of measures to improve support for foster carers, the national minimum allowance sets a clear benchmark for payments to all foster carers. Part 1 of this guidance explains the background and scope of the national minimum allowance.

We know, however, that the level of allowance is only part of the story for foster carers. Equally important are the efficiency, transparency and consistency with which payments to reimburse expenses are decided upon and made. Part 2 of this guidance sets out a good practice framework for fostering payment systems and offers ideas and case studies from a range of areas. We are grateful to the many fostering services, foster carers and children and young people who helped us develop this and intend it to serve as a useful resource for all involved in fostering. Any comments on this guidance should be sent to: Choice.Protects@dfes.gsi.gov.uk
Part 1: The National Minimum Allowance

1.1 The national minimum allowance is a term used to describe the basic core allowance that foster carers receive to cover the costs involved in looking after any fostered child.

1.2 It is intended to set a benchmark for payment rates to all foster carers. The actual level of allowance that any foster carer will receive will depend on a number of factors, in particular the specific needs of an individual child. The introduction of the national minimum allowance is therefore intended, in essence, to provide a safeguard for foster carers. It has more substantial implications for those local authorities and fostering providers currently paying below this level. We expect variation above the minimum to continue and do not expect any fostering service to lower its allowances in response to the establishment of the national minimum allowance.

1.3 The national minimum allowance is capable of application to all foster carers approved by a fostering service registered in England and who are caring for a looked after child. This includes approved foster carers who are friends or family of the child and short break or respite carers.

1.4 The rates for 2007-8 are set out in the table below. The rates will be uprated annually in line with inflation and revised rates published by the Department periodically.

<table>
<thead>
<tr>
<th></th>
<th>Babies</th>
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<th>Primary</th>
<th>Secondary (11-15)</th>
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<td>102</td>
<td>113</td>
<td>129</td>
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<td>114</td>
<td>127</td>
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<tr>
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<td>116</td>
<td>119</td>
<td>132</td>
<td>150</td>
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1.5 From April 2007, in order to ensure proper transparency about fostering allowance rates, it will be necessary for all fostering services to publicise their allowance rates, clearly separated from fees (the ‘reward’ element of fostering payments). Progress towards the meeting the minimum rate will be monitored through inspection. During the passage of the Children Act 2004 through Parliament, the responsible Minister made clear that, if sufficient progress was not made, the Government would consider enforcing the national minimum allowance through regulation.

Setting the level of the national minimum allowance

1.6 The rate of the national minimum allowance has been informed by available research into the cost of a child, taking account of extra costs associated with children in foster care. Adjustments have been made to reflect comments and suggestions made during the consultation, including:
• an addition to compensate for the fact that fostered children are less likely to have money spent on them by grandparents or other family members or friends
• an increase in the level for 16 to 17 year olds to reflect higher costs associated with this age group
• an addition for household bills, which can be significantly more costly for foster carers than for other parents.

**Beyond the national minimum allowance**

1.7 The methodology for calculating these rates took account of the regular costs incurred by all foster carers. However, there are significant elements which are not covered in the national minimum allowance, but which will apply to the majority of foster carers. These are:

• the additional costs of birthdays; Christmas / other religious festivals;
• the cost of holidays;
• start-up costs associated with a new child arriving in placement (for example the cost of buying furniture or equipment such as prams) and other larger ‘one off’ items required during the course of the placement (for example replacement of a cot with a bed as the child gets older).

1.8 There are reasonable arguments for such costs to be reimbursed through separate payments to carers and not integrated into the weekly allowance. Fostering providers will need to consider how best to meet these costs in their payments to their carers.

1.9 There are a number of other costs which may not be incurred by all foster carers, but support with the expense may enable some carers to look after more children, or a child with particular needs that they would not otherwise be able to care for. These include:

• housing costs such as the cost of an extension or adaptation to the home;
• the cost of acquiring a larger car.

1.10 Ways that local authorities might help with this type of cost are also considered in this good practice guidance.
Part 2: Good practice in payment systems

2.1 Payment delivery is closely linked to foster carer satisfaction. The efficiency of payment systems, the respect foster carers are shown when they apply for funds and the way errors are resolved can feel as significant to foster carers as the level of the allowance itself. This is why good practice in payment systems was a central focus of our consultation on a national minimum allowances for foster carers. The framework we set out in the consultation paper was well received by foster carers and fostering services alike. We received some extremely helpful suggestions and examples of exist practice which we have taken on board in this guidance.

2.2 For fostering services the challenge lies in balancing two key requirements, which can sometimes seem to exist in tension:

- the creation of a system with the flexibility to respond promptly and effectively to the individual needs of the young person and the circumstances of the foster carer;
- the need for clarity and consistency, so that the entitlements of foster carers are transparent, carers know that decisions are made fairly and there is a clear audit trail for payments.

2.3 Both of these important requirements demand that strong information and financial management systems underpin the way payments are made; so that flexibility does not generate confusion.

2.4 We recognise that fostering services have developed a range of different systems to manage their allowances to foster carers, where these are effective they must be allowed to continue. Our aim is not to prescribe one model for agreeing, delivering and reviewing payments. Rather we have identified a series of overarching principles, which underpin all good payment systems, intended to get to the heart of what matters and what works.

2.5 The following sections of the guidance address in more detail how these principles might be realised in some of the key processes of any payment system. In this section we identify some of the models and ideas that foster carers and fostering services have found effective. We hope that these provide a useful, practical resource for everyone involved in fostering.

Good practice principles

2.6 The following principles underpin efficiency and effectiveness in payment systems:

1. *Paramountcy:* payments to foster carers are treated with the same importance as salaries to staff;

2. *Planning and review:* payments are discussed at the pre-placement meeting and subject to ongoing review to ensure they reflect the needs of the young person;
3. **Responsiveness**: systems are able to respond promptly to a range of circumstances, including necessary additional costs and emergency placements;

4. **Transparency**: there are clear statements about entitlements, decision making processes and payment methods;

5. **Consistency**: all payments follow explicit policies;

6. **Simplicity**: systems are easy to understand and operate

7. **Comprehensiveness**: systems address all areas of payments to carers;

8. **Centrality**: there is ownership and oversight of the system by one person with the understanding and ability to ensure consistency;

9. **Informativeness**: systems are capable of providing management information required for budget control, DfES information requirements and CSCI inspections. They are capable of generating the information needed by individual foster carers for accounting and tax purposes, for example details of payments made and dates, clearly separating fees and allowances.

**Key processes in effective payment systems**

2.7 Some of the key processes that particularly influence the satisfaction of foster carers and others about the way that allowances are decided and paid are identified below.

**Effective communication about allowances and other expense payments**

2.8 All fostering services are required by Standard 29 of the National Minimum Standards to have a written policy on fostering allowances, which is well publicised and provided annually to each carer. Standard 29 also requires that, before a child is placed, the carer receives clear information about the allowances and expenses payable and how to access them.

2.9 We know that many fostering services already provide detailed guidance about allowances, fees and equipment with explicit statements regarding criteria and authorisation systems. However, inspections carried out by the Commission for Social Care Inspection (CSCI) have identified a lack of understanding amongst foster carers in some areas about payment systems. Some were unaware, for example, of the additional allowances and expenses that they could claim.

**Good practice suggestions**

2.10 A number of steps were suggested by foster carers and fostering services to build awareness of allowances and other payments relating to expenses, which fostering services may find helpful:
- Providing foster carers and potential foster carers with clear information during recruitment and approval processes about financial entitlements and how payments work. It is good practice for allowances and fees to be presented separately.

- Providing information in foster carer handbooks, on websites, at support groups and through Foster Carer Associations. As well as standard entitlements, this could include the criteria and timescales for decision-making regarding discretionary payments. It might also be useful to publish information about the equipment and other resources provided by the fostering service. This information would need to be updated regularly and discussed as appropriate during supervisory visits with social workers.

- Providing foster carers with clear information about their financial entitlements during the investigation of any allegations, when children may be removed from a placement and/or carers are suspended from taking further placements.

- Accompanying information about allowances with information about a range of other financial issues, including benefits, taxation and pensions; support that may be available from voluntary organisations and support for care leavers.

- A named contact within the fostering team able to provide information and advice about allowances and other financial matters can be a valuable resource for foster carers, helping them to steer their way through complex systems.

- Providing foster carers with an annual end of year statement of payments for tax purposes, separating out allowances and fees.

**Case study**

In **Oxfordshire** a financial assistant is based in the main county office and her phone number is widely publicised to foster carers, for example it is printed on all remittance advice slips. She takes calls from foster carers regarding a range of financial matters, including benefits. She also attends support groups and other events to talk to foster carers about finances and raise awareness about their entitlements. The Service manager meets quarterly with finance officers and foster carers to troubleshoot and considers queries or clarification issues.

**‘Fosterline’**, operated by The Fostering Network and funded by the DfES, provides an impartial source of information and advice for prospective and existing foster carers in England. The advice provided covers financial issues such as allowances and benefits, as well as other subjects such as allegations of abuse, benefits, training, breakdown of placements, and matters relating to the legal position of carers. The advice line is open between 9am and 5pm, Monday to Friday. The freephone number is 0800 040 7675.
Timely authorisation and payment of allowances and other expenses

2.11 Standard 29 of the National Minimum Standards for fostering services calls for payments to foster carers to be made ‘promptly and at the agreed time’. One of the issues identified during CSCI inspections and by foster carers at our focus groups concerned the delays and inconsistencies that can sometimes arise in the way payments are authorised and delivered. In the case of emergency or out of hours placements, the problem can be intensified; foster carers sometimes reported having to pay for essential goods such as clothes themselves and then not being reimbursed for long periods. The importance of speed and efficiency must not, however, compromise the need for clarity, consistency and good financial management.

Good practice suggestions
2.12 A number of key themes emerged from our consultations with foster carers and agency staff regarding improvements in the speed and efficiency with which decisions and payments are made:

- Systems that required foster carers to initiate payments by reporting placement changes directly to finance teams were popular with some foster carers and reportedly reduced delay (verification was provided by the social worker at a later point). However, it is important that the role of the social worker is not undermined and that the right links are made, particularly when placements start and end, with children’s information management systems. Some areas have made the process by which social workers input information more streamlined, while maintaining the option for foster carers to contact the finance department directly – see the case study from Richmond below.

- A number of local authorities and independent fostering providers have established systems whereby one person or team is responsible for inputting information into payment systems, or triggering payments once the information about placements has been logged. This may be harder to achieve when child-related budgets are managed separately from carer-related budgets, but good communication between care planning and fostering teams and finance staff is essential. This may be helped by locating these teams close together within the office.

- An effective IT system is vital to support the timely and accurate payment of allowances by providing reminders and notifications, retaining updated information, alerting to under- and over-payments, supporting audit trails and generating payment history reports. IT systems which are unable to handle the complexities of payments to foster carers appear to be a common problem. This gives rise to additional manual systems, inefficiencies and inconsistencies. The Integrated Children’s System (see below) presents an opportunity to address these issues and link payments to the identified need and circumstances of the child as appropriate.
- Cash floats and other models for giving foster carers immediate access to funding in an emergency might be useful – these are considered in a later section.

**Case Studies**

In **Dudley**, Foster carers record the start and end of placements on a timesheet which is counter-signed by the supervising social worker and sent fortnightly to the foster care team which handles payments internally. They have found that this system significantly reduces over-and under-payments.

All **Leicestershire** foster carers receive their payments through BACS so that payments can be made directly into their bank accounts. The Social Service Information System (SSIS) is linked to the financial payment system (FIS). Fostering social workers set up placements on SSIS whilst child care workers are responsible for confirming placements. A small dedicated team of administrators oversee the payment system. Carers have direct access to this team if, for example, they are experiencing difficulties with their payments.

**Foster Care Associates’** foster carers are paid fortnightly, four days in arrears and ten days in advance, to help them with costs. When they are unable to withstand paying out particular costs, FCA has the facility to make an immediate BACS payment based on receipt of faxed information.

**The Integrated Children’s System**

2.13 The Integrated Children’s System (ICS), which will be fully operational across England by January 2007, will provide an assessment, planning, intervention and reviewing framework for all children in need. The ICS sets out the information to be collected and enable practitioners to enter this information directly onto an IT system. Its design reflects:

- a holistic understanding of children’s development needs and the capacities of their parents or carers to meet those needs;

- a coherent process which is focused on bringing about optimal outcomes for children;

- use of the domains and dimensions in the Assessment Framework throughout the process;

- a common language for all professionals working with children and families;

- development of a single data entry system which will eliminate the repetition inherent in existing systems and will enable data about individual children and families to be used for planning at an individual and strategic level.
2.14 When fully operational the ICS has the potential to link up to the financial systems within the Local Authority, thereby triggering payments automatically.

Case Study
The London Borough of Richmond upon Thames, one of the Integrated Children's System pilot areas, is using the system to help trigger payments to foster carers. The child's social worker enters the details of the placement onto the IT system. The administrator produces a regular report showing placement start dates and agreed additional allowances, which is sent to the finance department to trigger payments. Additional checks are also in place to ensure prompt payment. The Foster care team sends a brief manual report to the administrator at the start and end of placements and foster carers can also contact the administrator directly as appropriate.

Clear, consistent decision-making processes

2.15 The importance of consistency and transparency in the authorisation of allowances – particularly additional payments and expenses is another important issue for foster carers. New carers, or those without the confidence to press for financial support, might be disadvantaged by systems which are not transparent.

Good practice suggestions

2.16 Our consultations with foster carers and agencies identified the following good practice suggestions:

- equipping all those involved in authorising payments for foster carers, with a detailed understanding of the written policies of the fostering agency, for example through training;
- recording agreements relating to payments in writing and providing the foster carer with a copy;
- providing a clear explanation when a claim is turned down;
- providing a clear and itemised remittance slip to foster carers with each payment, so that they know that accurate payments have been made.

Reflecting the individual circumstances of the child and carer

2.17 Any payment system needs to ensure that foster carers are funded to support the children in their care in a way that is responsive to the individual child’s needs and the existing resources of the carer – for example the equipment they already own. This may impact upon the level of the weekly allowance, or on the agreement of other sorts of financial support as appropriate. Systems which required regular applications for small discretionary allowances or expenses can be unpopular with foster carers and can place a considerable administrative burden on fostering services.
Good practice suggestions

2.18 The following ideas were suggested by foster carers and fostering services during our consultations:

- An in-depth discussion, for example at the placement agreement meeting, between the foster carer and the social worker – and as appropriate, the child or young person – about the needs of the young person prior to placement, can identify some of the extra expenses that the foster carer is likely to incur as a consequence of those needs. These can then be reflected in the regular allowance, or in the advance agreement of one-off payments as appropriate.

- Cash floats allocated to each foster carer – these might be particularly useful in the context of emergency placements.

- Fostering service credit cards - to which foster carers can charge larger items of expenditure. The bill is then paid off directly by the fostering service, which also monitors expenditure – thereby keeping a level of accountability. Foster carers emphasised the importance of choice; concerns were expressed about store cards limiting carers to one supplier and equipment such as pushchairs being provided as standard issue by fostering services.

- Interest free loans, particularly for larger costs (such as larger cars or home extensions).

- Fostering services arranging insurance schemes to cover foster carers up to certain amounts. This avoids the need for constant claims on household insurance policies, leading to higher premiums for individual carers.
Case studies

Warwickshire’s Children, Young People and Families Directorate has a budget and clear policies and procedures in place for the provision of grants and loans to foster carers to secure or sustain placements for looked after children. A grant up to the value of £12,500 can be provided to fund building alterations and associated costs including both parties’ legal fees. This grant is subject to legal agreement – providing the foster carer continues to foster for five years then the grant is written off. If the foster carer ceases to be approved, for example in year 3, then they would repay two fifths of the approved grant.

Interest free loans can be provided to fund building alterations and associated costs, including both parties’ legal fees, which exceed £12,500 per household. Such loans are secured by way of a legal charge on their property. Effectively the % enhanced value arising from the adaptation to their property is determined and this is then applied to the sale proceeds on disposal taking place. Each application is subject to an initial cost benefit appraisal – comparing the cost of providing the requested support over the life of the placement with the anticipated cost of not providing the necessary support (e.g. the costs should the placement disrupt. A Panel meets twice yearly to evaluate and approve bids, on the basis of clear, published approval criteria. Once approval has been given, a legal agreement is drawn up.

Blackburn with Darwen run a foster carer lease vehicles scheme, which offers foster carers the use of seven seater vehicles to help prevent transport becoming difficult or expensive.

All looked after children in Oxford City are issued with a card that gives them free access to leisure activities, such as swimming pools, in the city.

Social workers for Northumberland Children’s Services use a clear check list at placement agreement meetings that lists all eventualities, including costs that could arise. This helps the social workers not to forget anything which could become difficult if not addressed early on.

Young people's experience of fostering allowances

2.19 The young people we consulted identified some important principles about allowances from young people’s perspectives:

- Clear explanations about what they could expect, for example in relation to holidays or pocket money, were important to young people. This was not necessarily the same thing as being told about the financial support that foster carers were given in order to look after them. Young people themselves recognise the sensitivities around this. Money for holidays seemed to be a particular cause of frustration and misunderstandings. Knowing that extra holiday money was available caused disappointment if no holiday followed. This seems to
be an area where information is important and expectations need to be managed. For example, if extra money is intended to fund additional activities over the holiday period rather than specifically trips away this needs to be clear.

- They felt that it was important for older children and young people to have their own pocket money. This would help them to learn how to manage money, become more independent and make personal choices about clothes and other products. They felt that foster carers needed to support this by helping young people to develop budgeting and other life skills. How this happens in practice will need to take into account the age and abilities of the child. Encouraging young people to save in a bank account was also seen as important.

- Pocket money and the other support that fostered children receive should not be considered in isolation from the support that other children in the family receive.