

An introductory guide to fostering finance with FCA Scotland

An essential guide to allowances, tax,
National Insurance and claiming benefits



0141 646 4805

www.fcascotland.co.uk



You make a difference

We make sure you have the financial support to match.

We know that the main motivation for foster carers is to help children thrive. We also know that this takes a lot of hard work and commitment, as well as money – for food, clothes, entertainment and the opportunities that make a big difference.

We support you at every step and this includes making sure that you are fairly recompensed. Money matters, and that's why we give you generous payments and allowances to help meet the costs of caring for a child and to recognise your professionalism and expertise.

This isn't designed to make you rich, but it will enrich the experience of fostering for both you and the children you care for.

This guide explains a little more about the payments and rewards you will receive. Importantly, it also explains what this might mean for your tax and national insurance, as well as how it might affect any benefits you claim, or wish to claim.

In most cases, foster carers pay no tax at all, and can continue to claim benefits exactly as before. However, every situation is different, and we hope this guide will be helpful for you as you work things out.



Payments and rewards for foster carers



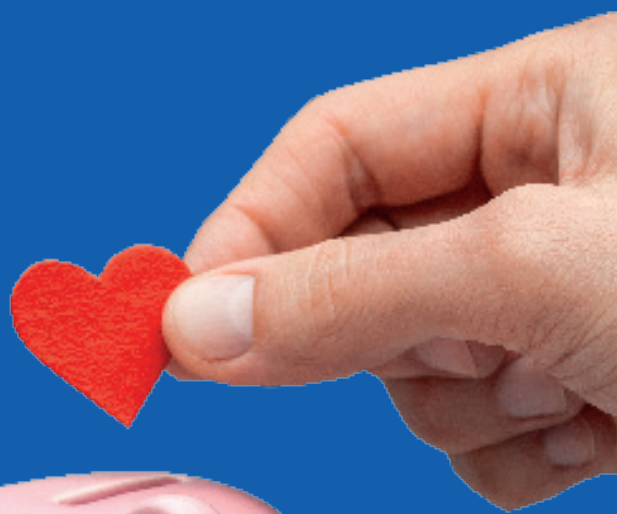
Key facts at a glance

- All foster carers receive a weekly allowance to cover the costs of childcare
- This is paid when a child is in your care
- The amount varies, depending on the age and needs of the children you look after
- In all cases, FCA Scotland pays a generous allowance, plus a range of additional financial benefits
- Fostering allowances are paid every two weeks
- Foster carers are classed as self-employed and must return a complete self-assessment tax return each year

When you look after a foster child, you're responsible for buying them food, clothes and providing them as many opportunities as possible including entertainment, days out and holidays. And because there's another person in your house, it's likely that other bills will increase.

FCA Scotland gives you money to cover these costs. Not only will you be making a difference that lasts a lifetime to one of the thousands of vulnerable children that come into care each year, you'll receive a generous, usually tax-free financial support package that leaves you free to focus on what matters... family.

What's more, we regularly review the fees that we pay to foster families and make every effort to take in to account the rising cost of living and impact of inflation, as well as paying our existing bonuses and benefits.



A generous weekly allowance...

Foster carers receive a weekly payment when a child is placed with them


The fee comprises of two elements:

- The child allowance is to cover all expenditure in relation to the child
- The foster carer fee is a reward payment for undertaking the fostering task

The tables below provide guidance on our range of current weekly fees* which are dependent on the age and needs of the young person, contractual arrangement with the placing local authority and short-break entitlement chosen by the foster carer:

Weekly Fee and Allowance	
Placement Type	Weekly Payment
Team Parenting	£494.13- £509.74
Standard	£408.66 - £450.01
Solo	£631.82 - £672.56

**Fees correct from April 2024. Foster carer allowance and fees are reviewed annually*



Being one of the largest and most reputable agencies means we are a trusted partner for local authorities throughout the UK. Our services are in high demand across the country, which means once you become an approved foster family with us, it won't be long before you'll have a child in your care as and when you are ready for them.



Extra rewards and incentives...

(You go the extra mile for us, we do the same for you)

Summer and Winter Bonuses

At FCA Scotland we acknowledge and value the work you do as foster carers. You go above and beyond for children and young people every day and we do the same for you. That is why we award two bonus payment each year of £250 in summer and £250 in winter. This is paid to every foster family that have been approved for more than 6 months with us.

Additional Rewards for Loyalty and Service

We recognise and value our foster families and therefore reward your loyalty. In addition to the summer and winter bonuses, we also offer an annual appreciation bonus from £150 up to £1,000 depending on length of service with us. Not just that, but you'll also receive gifts for each milestone you hit, along with our annual appreciation day with events and days out local to you.

Generous Mileage Allowance

We pay a generous mileage allowance for travel, including attendance at our training and support groups – which means you won't be out of pocket when making use of the full resources available at FCA Scotland.

**FOSTER
TALK**

#SUPPORTINGTHOSEWHOCARE



Free Membership of Foster Talk

Foster Talk offers a range of services for our foster carers including an independent helpline, discounted insurances, financial advice, and a discounted tax return service.

Foster Carer Discount Scheme

We provide all of our foster carers with access to our rewards platform where you can take advantage of fantastic discounts across hundreds of high street names, online stores and supermarkets. Not only that, you can also save money on days out for all the family too. From London theatre tickets, theme park adventures to the National Trust, Ticketmaster or your local cinema, our discount scheme will help bring down the cost of family fun.

Paid for Activities

FCA Scotland arranges its own family activities throughout the year, so you'll have a calendar of fun activities and events local to you. At FCA Scotland, you'll never feel on your own. There's always ways to meet up and chat with like-minded foster carers and share advice and experiences. Christmas time is always a special time of year, and foster carers are invited to a Christmas meal in their region, along with celebrations marking other religious festivals. We also pay for a seasonal activity too such as a visit to the pantomime or outdoor ice skating.



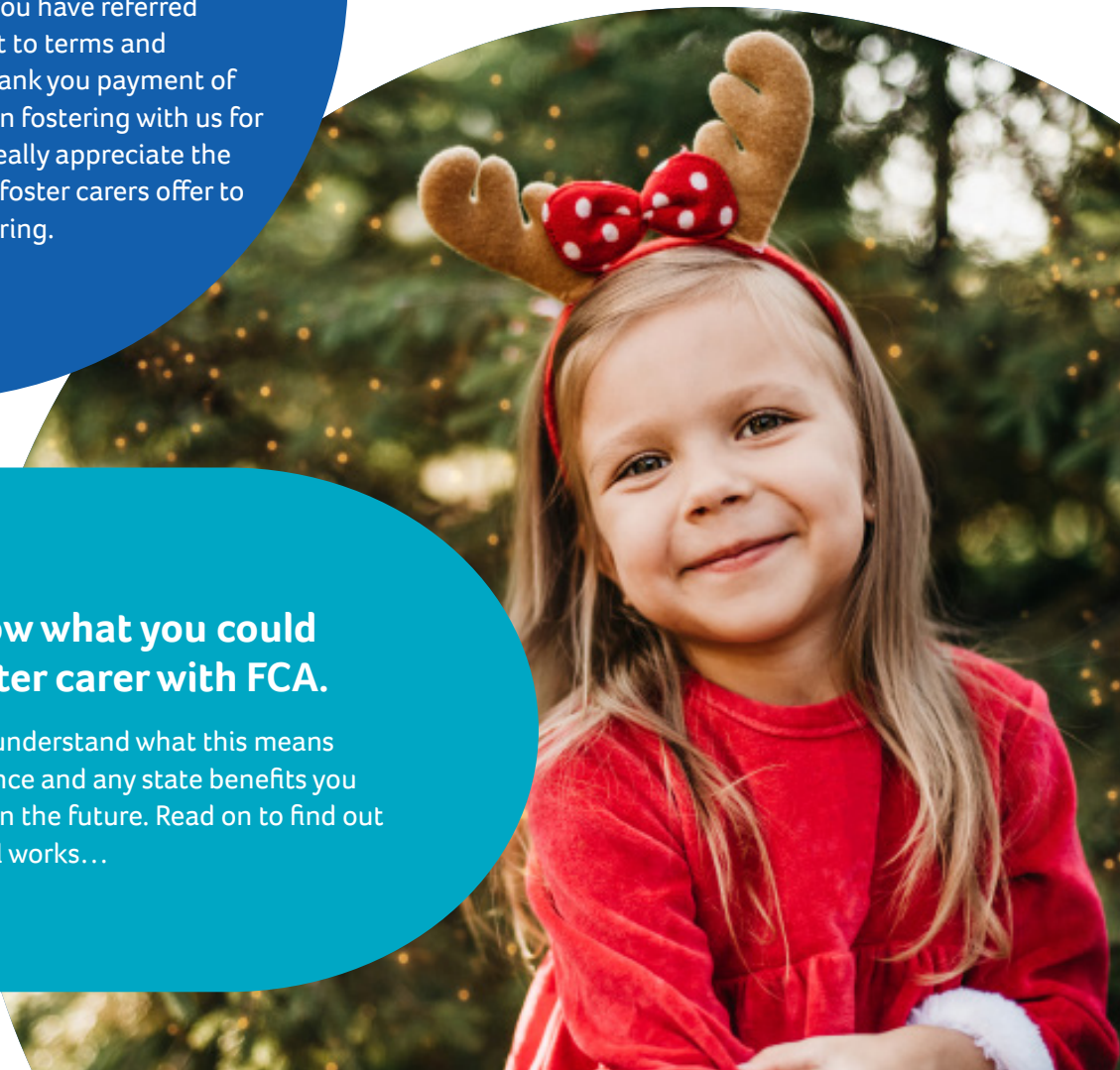
Refer a friend bonus

We know that our foster carers are amazing advocates for fostering. That's why we offer our approved foster carers a thank you payment of £1,500 when someone you have referred becomes approved (subject to terms and conditions) and another thank you payment of £1,500 after they have been fostering with us for a year. That's because we really appreciate the support that our approved foster carers offer to those who are new to fostering.



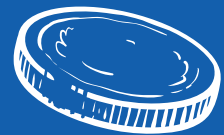
So now you know what you could receive as a foster carer with FCA.

Next, it's important to understand what this means for tax, national insurance and any state benefits you claim, or wish to claim in the future. Read on to find out more about how this all works...





How our payments and allowances might affect your tax...



Key facts at a glance

- Foster carers are classed as self-employed and must return a complete self-assessment return each year
- There may be a requirement to pay some tax, and every person's situation is unique. However...
- HMRC offers special tax relief, which means that most foster carers pay no tax at all

Foster care organisations do not employ foster carers, as the legal framework in the UK determines that foster families are self-employed. There is however a clear contract between FCA and our foster families, (Foster Carer Agreement) which outlines the responsibilities of both parties.

We make regular and generous payments, which are classed as income. For this reason, foster carers must register themselves as self-employed with HMRC. This is easy to do, and Foster Talk will be able to help you, should you need any help with this.

The HMRC has a special scheme for foster carers which offers tax relief for looking after children. This scheme is called 'Qualifying Care Relief' and means that in most cases, foster carers earn below the minimum earning threshold, and won't have to pay any tax at all.



There are some factors which may affect the tax calculations.

These include:

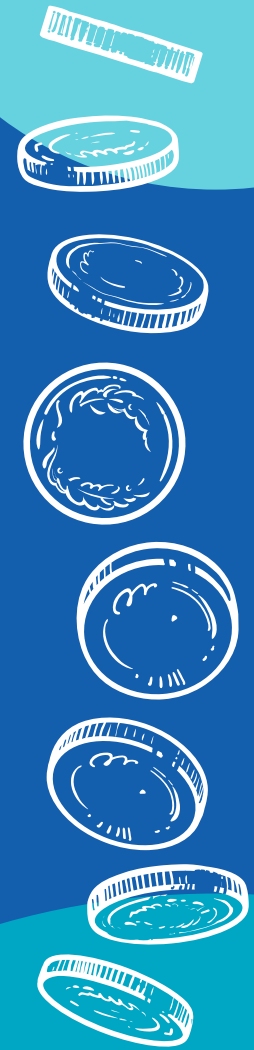
- Sometimes caring for more than one child, or for a child with special needs, may mean you will pay some tax.
- Sharing foster caring – and the fees - with another person as a partnership, which will change your tax position.
- Receiving money from other sources – for example, from a part-time job or from rental properties.
- However, generally speaking, if you aren't working in another job, you probably won't have to pay any tax at all.

A little bit more about Qualifying Care Relief...

This allows foster carers to receive payments from their fostering agency up to their tax threshold without being liable to pay any tax.

The qualifying amount is made up of 2 parts:

- a fixed amount of £18,140 for each household for a full year
- a weekly amount for each cared for child or adult
- £375 for children under 11
- £450 for children aged 11 or over



National Insurance

– the key to claiming important state benefits.

Key facts at a glance

- National Insurance funds valuable benefits, including the state pension.
- Foster carers may not need to pay National Insurance, instead qualifying for National Insurance credits, which counts towards the basic and additional state pension.
- However, foster carers may still decide to pay Class 2 National Insurance voluntarily to secure entitlement to state benefits in case you need to claim them in future.

Everybody who earns an income in the UK is liable for National Insurance contributions.

These contributions fund valuable benefits including Employment Support Allowance, bereavement benefit, maternity pay and the state pension, so they're important.

There are different classes of National Insurance. When you become a self-employed foster carer, you will automatically be registered for Class 2 contributions. In practice, most foster carers won't actually have to pay these contributions at all, because the amount they earn from fostering falls below the minimum threshold.

However, if you **don't** pay them, you might miss out on the state benefits. For this reason, many foster carers choose to make small voluntary contributions – of about £3 a week – to make sure there are no gaps in their records. This is generally paid as a lump sum once every year.

Alternatively, you may be able to apply for National Insurance credits, which adds a year to your record of contributions. Not everybody will qualify for these, as it depends on the amount you earn.

What happens if you earn above the minimum threshold?

Most foster care payments fall below the minimum threshold. However, if you are below retirement age and have an additional income – for example, from another job – you might earn above this minimum level. If this happens, you will need to make Class 4 National Insurance contributions. The amount you pay each month is currently 9% of your profit above the threshold. We give some examples on page X.


As you can see, everybody's circumstances are unique, and everybody will have a different idea of what's best for them. But it's important to think carefully about your circumstances and future needs. If you're in doubt, it might help to speak to a financial adviser.



Claiming benefits when you're a foster carer



Key facts at a glance



- Foster carers are entitled to claim benefits.
- Some benefits are means-tested and depend on what you earn, but...
- ... the money you earn from fostering does not count towards means-testing.
- In most cases, the benefits you claim, and the amount you receive, will not change.

As a foster carer you are entitled to claim for benefits, just like any other person in the UK. Also like everyone, the benefits you receive, and how much you are paid, **depend on your personal circumstances**.

If you already claim benefits, it is likely that you will be able to claim the same benefits exactly as before you started fostering. This is because you **receive** Qualifying Tax Relief on your income from fostering. The only time this might change is if your financial circumstances also change. For example, if you take on another job.

There are two basic types of benefits available: Contributory benefits and Non-contributory benefits

Contributory benefits

As the name suggests, these are only available to people who have worked, and have therefore paid National Insurance contributions. These benefits include Retirement Pension, Widows Pension, Employment Support Allowance (ESA), Jobseeker's Allowance (JSA) and Maternity Benefits. Please see page X for more information of National Insurance for foster carers.

Non-contributory benefits

You don't need to have worked or paid National Insurance to qualify for non-contributory benefits. However, some of these are means tested. In other words, how much benefit you receive – or whether you can receive any benefit at all – depends on your overall income and financial status. This applies to Income Support, Working Tax Credit, Child Tax Credit, Universal Credit and Housing and Council Tax Benefit, as well as a special version of Jobseeker's Allowance.

It's important to understand that the fostering allowance and fees you receive when you're looking after a child do **NOT** count towards means testing.

You are also entitled to apply for some non-contributory benefits that are not means-tested at all. These include Child Benefit, the Attendance Allowance, Disability Living Allowance, Personal Independence Payment and the Carers Allowance, which is paid for people who are looking after a partner or relative. Each of these has different rules, but if you qualify because of your personal circumstances, you'll be able to receive the benefit. More information is available on the government's website... Browse: Benefits - GOV.UK (www.gov.uk)

Other important questions

Will I be paid when I don't have a child in placement?

Foster carers only receive a fostering allowance when they have a child in placement. There are occasionally exceptions – for instance local authorities may sometimes pay a reservation fee for when they know they are going to place a child with you.

FCA receive hundreds of referrals every day from local authorities and have a dedicated Referrals Team who match these children with the skills and experience of our foster carers.

In addition, we work closely with our foster carers whose children are approaching the date that's planned for them to move on from their care and work with local authorities to identify any potential placements that can be planned in future.

Many foster carers will save a small amount of money whilst fostering to cover any gaps in children being placed.

Can I continue to work while receiving Foster Care allowance?

Something we hear a lot from prospective foster carers is can you foster and work?

Like a lot of things, there really isn't a simple answer for this, as it depends on a lot of different aspects.

For example if you do want to foster alongside working, you might want to take into consideration things like:

- How flexible your employer is.
- How many hours you currently work
- Whether you foster as a single carer or with a partner, and if you can come up with a plan that suits everyone.
- If you are willing to foster a child with special needs who might require more care and attention.

The bottom line is there are times fostering and working can be achieved, but only if the child's wellbeing and safety aren't compromised. Having another job shouldn't detract you from your ability to carry out your fostering role; your foster child's needs must always come first.

Our generous fostering allowance for each child in your care is designed to financially support you through your career as a foster carer.

Can I apply for a mortgage with the money I receive for fostering?

Yes. Many high street lenders will offer mortgages (including through the Help to Buy scheme) based on the money you're paid for fostering. They'll also consider re-mortgages. **Most lenders will ask that you have been a foster carer for at least 6 consecutive months.** As with any mortgages, you will need to shop around to find the right deal for you.

Will I need to keep track of all the money I spend?

Normally, HMRC asks self-employed people to keep receipts to prove what they have spent in the course of their work. Foster carers are different. They don't need to keep any records of everyday expenses such as household bills, clothing and food. The only exception is if they are caring for a child who has special or exceptional needs. You should keep your expenses for anything out of the ordinary like this.



Any other questions?

If you have any other questions about how fostering will affect your finances, please do get in touch with our friendly team who can chat through your individual circumstances and provide more detailed information.





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