

## STANDARDISED MEANS TEST MODEL FOR ADOPTION AND SPECIAL GUARDIANSHIP FINANCIAL SUPPORT

### Introduction

1. The Department for Education and Skills has developed a model means test for adoption and special guardianship financial support. The model has been tested with various local authorities and modifications made as a result.
2. **Please note that this test is a suggested model only.** It is not a statutory requirement for local authorities to use this model in place of their existing system. However, we do recommend its use by local authorities, as we believe that the model developed is fair and that adoptive or special guardian families would benefit from a consistent approach by local authorities.
3. The model proposed is intended to deliver a standard approach to arriving at adoption support or special guardianship support payments (if not always a standard payment), so that adopters and special guardians are treated equitably within the context of what is affordable within existing local authority budgets.
4. For any queries about the model, please contact the Adoption Team on [adoption.team@dfes.gsi.gov.uk](mailto:adoption.team@dfes.gsi.gov.uk).

### Guidance on using means test model

#### *General*

5. The model is based on disposable income, and so provides a thorough analysis of the family's financial situation. Key principles of the test are set out in this section.
6. The regulations on adoption and special guardianship support services<sup>1</sup> set out that there must be no reward element in financial payments other than as a transitional provision for foster carers adopting or becoming special guardians for a child for whom they are currently caring.
7. The overall approach used in the test is a 'snapshot' of the family's

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<sup>1</sup> The Adoption Support Services Regulations 2005 (SI 2005/691) and the Special Guardianship Regulations 2005 (SI 2005/1109) both available at [www.opsi.gov.uk](http://www.opsi.gov.uk).

current circumstances. By this, we mean that if the adopted or special guardian child is already living with the prospective adopters or adoptive parents/special guardian, then the child should be included in the calculations. If the child is not yet placed with the prospective adopters/special guardian, then the child should not be included in the calculations.

8. If a family is in receipt of Income Support, we recommend that the local authority pay the family the applicable maximum payment without assessing their income/expenditure in this test. The figure paid to the family should not include any deductions for child benefit (as they are in receipt of Income Support).
9. 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. A reassessment after 3 months could then be made which would capture all of the new benefits being received. This could be the case where, for example, a child has recently been placed with the prospective adopters or special guardian, and they have not yet claimed child tax credit.
10. The test is currently worked out on a monthly basis. If local authorities prefer to use weekly figures, the model can be adapted for this.

## *PROJECTED FAMILY INCOME*

### *Section 1i - Pay*

11. This section should include basic net monthly pay, before any deductions for savings schemes, social clubs, accommodation/food and loans. However, the income figure used should exclude any payments into pension funds.
12. 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.
13. If one (or both) of the parents or special guardian receives overtime, fees, bonus/commission and/or gratuities on a regular basis (for example annual bonuses) should be included as part of the monthly payment (i.e. if the payments are annual, these should be divided by 12 to give a monthly amount to be included in the 'basic net monthly

pay' section). If local authorities are using weekly figures, the extra income should be calculated on this basis.

#### *Section 1ii – Benefits and pensions (parents)*

14. Where the parents or special guardian receive individual benefits (i.e. those that are not calculated on a household basis) these should be included in this section. If the benefit payments are currently received weekly, please multiply by 52 and divide by 12 to give a monthly amount. Benefits to be entered in this section are:
  - Employer's sick pay (after compulsory deductions)
  - Incapacity benefit
  - Statutory maternity, paternity and/or adoption pay and/or maternity allowance
  - Bereavement benefit
  - Working tax credit (if paid directly and not as part of pay and excluding any childcare element received)
  - All pension payments received
  - Other benefits
15. In relation to working tax credit, our understanding is that an employed person currently receives working tax credit within pay from his employer. If this is the case, the amount will be included in the basic net monthly pay section. All those who receive working tax credit will receive an award notice which sets out how much they will receive. This award notice will provide the information needed for this section of the test.
16. Where a childcare element is paid as part of the working tax credit, this should be disregarded for the income section of the test. The existence of this type of credit needs to be considered when completing the expenditure section on childcare (see below).
17. Any other benefits received by the parents, for example help with costs associated with disability or mobility, should be recorded in the 'other benefits' section.

#### *Section 1iii – Benefits (family/children)*

18. Where benefits are received by the family or household, as opposed to being paid directly to the parents, they should be recorded in this section. This is primarily for benefits which are calculated on the basis of household composition. Benefits to be included in this section are:
  - Income Support
  - Jobseeker's Allowance
  - Child tax credit per household
  - Child benefit for each child, excluding the child/children who are the subject of this assessment application

19. If a member of the household receives Income Support or Jobseeker's Allowance, the amount per household should be recorded here. Also see paragraph 8 above, where it is recommended that where the only income families receive is Income Support, the applicable maximum payment should be made to the family.
20. Benefits which should be included in this section are child tax credit received for each child, at the time that the test is applied. All those who received child tax credit should receive an award notice setting out how much they will receive.
21. Child benefit should be included for each child living in the household, excluding the child/children who are the subject of this assessment application. Current rates for child benefit can be found by clicking [here](#).
22. Housing benefit should also be excluded from this section, as it is disregarded for the purposes of the expenditure section below.

*Section 1iv – Other sources of income*

23. Where the family receive 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.
24. If the family receive income from boarders/lodgers, this should be calculated on a weekly basis (then multiplied by 52 and divided by 12 to give a monthly amount if the test is being completed on a monthly basis). To calculate the weekly income, all weekly payments for board and lodging must be added together, a £20 disregard applied and then 50% of any excess over £20 for each person deducted. This is how income from boarders/lodgers is calculated for income support purposes.
25. Examples of the approach for income from boarders/lodgers are as follows:

**Boarder/lodger 1**

Weekly payment	£55
Deduct £20 (disregard)	-£20
	£35
Deduct 50% of remainder	-£17.50
<b>Income from boarder/lodger 1</b>	<b>£17.50</b>

**Boarder/lodger 2**

Weekly payment	£60
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Deduct £20 (disregard)	-£20
	£40
Deduct 50%	-£20
<b>Income from boarder/lodger 2</b>	<b>£20</b>

26. Where the family receive income from rent on an unfurnished property, this should be calculated on the following basis: monthly income received in rent after the deduction of any costs. Deductions can be made for:
- Interest payments on the mortgage (but not mortgage capital payments);
  - Repairs;
  - Council tax (if paid by the family being assessed)
  - Agents' fees; and
  - Insurance (buildings)
27. If income is received from furnished properties, the same calculation applies as above for unfurnished property, but an extra 10% deduction from the monthly rent received can be made as a 'wear and tear allowance'.
28. The approach used in paragraphs 25 and 26 above is consistent with that used for calculating income from property for the purposes of income tax. If the person who is the subject of the assessment has completed a recent tax return, local authorities may ask to see a copy of this. The tax return should have the information needed for this section of the test.
29. Other income to take into consideration includes maintenance payments received for any child in the household and existing adoption or special guardian allowances (including enhancements for special needs) paid for any child. This latter may be paid where, for example, the family have adopted or become a special guardian for a child with a different local authority and therefore receive a separate allowance.

*Section 1v – Income relating to the child/children being adopted or becoming a special guardian child*

30. This section relates to the child/children being adopted or becoming a special guardian child only. Any regular interest on capital and/or income in which the child/children has a legal interest and entitlement should be included here. This could be, for example, a savings account, trust fund, property or other legacy.
31. Payments from Criminal Injuries Compensation Awards should not be included. Any interest received from Government Child Trust Funds should not be included in this section.
32. Please also consider any other income to which the child/children

might be entitled. This section does not record child benefit for the adopted or special guardian child, which will be deducted from the final payment resulting from this means test.

#### *Income calculation*

33. The means test spreadsheet will automatically calculate the household monthly income, and will also apply a 20% disregard to this income figure.

### *PROJECTED FAMILY EXPENDITURE*

#### *Section 2i – Home expenditure*

34. This section should include mortgage payments, made up of capital and interest, and also including any endowment payments linked to the mortgage. If the family pays rent, the monthly amount actually paid should be recorded here, after any deductions made for housing benefit. The only other outgoing which should be included in this section is council tax paid; this should be the amount paid after the deduction of any council tax benefit received by the household or discount for single adult households or second homes.

#### *Section 2ii – Other outgoings*

35. 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. Some loans may have been taken out by the adoptive or special guardian family to meet a new need incurred as a result of the adoption or special guardianship order (e.g. buying a larger car).
36. Other payments which can be included in this section include maintenance payments, payments relating to court orders, private pension contributions and national insurance if self-employed or not working.
37. The section for 'reasonable' child care costs will need to be determined by each local authority depending on (a) the circumstances of the family in question (e.g. how many hours the parents work); and (b) local costs for child care services. Costs recorded in this section should be those paid after any childcare element paid as part of the parents' working tax credit. All those who receive working tax credit will receive an award notice which sets out how much they will receive.

#### *Section 2iii – Core regular family expenditure*

38. General household expenditure on items such as food, transport,

clothes, recreation should be calculated using the Income Support allowance rates, but increased by 25%. The latest rates can be found by clicking [here](#). The calculations below are based on the rates for 2005-6 as an indication:

<b>Personal Allowance</b>	<b>Normal monthly rate</b>	<b>125% of normal monthly rate (for use in this means test)</b>
Single adult aged 16-17	£146.68	£183.35
Single adult aged 18-24	£192.83	£241.04
Single adult aged 25 or over	£243.53	£304.41
Couples both aged 18 or over	£381.98	£477.48
Lone parent aged 16-17	£146.68	£183.35
Lone parent aged 18 or over	£243.53	£304.41
Dependent children	£190.15	£237.69

39. In completing the means test, local authorities will need to calculate the appropriate figure for the family being assessed. For example, for a household with a couple (parents) and 2 dependent children the core regular family expenditure should be recorded as £952.86 (made up of couple's allowance of £477.48 and 2 allowances for dependent children of £237.69 each).

#### *CALCULATION*

40. The spreadsheet will calculate the household's monthly disposable income.
41. Local authorities will need to enter the appropriate maximum payment for the household, depending on the number and age of the child/children being adopted or becoming special guardian children, and the circumstances of the child e.g. special needs.
42. We understand that most local authorities will have a payment structure for fostering allowances consisting of a core allowance paid for all children, plus enhancements linked to, for example, special needs. This payment structure will be linked to local variations in the cost of living and individual local authority budgets. We recommend that adoption and special guardianship maximum payments are tied to these allowances. This would result in a different maximum payment in individual cases, determined by the needs of the child, against which amount the test is run.
43. After the local authority maximum payment has been entered manually, the box marked 'amount of payment to adopters or special guardian' will show the payment that the test has calculated for adopters or the special guardian. This amount is calculated on the following basis:
- Where the family's disposable income is less than £0, the spreadsheet will show the local authority's maximum payment.

This is because the adopters or special guardian have provided evidence via the disposable income calculation that shows they do not have the means to accommodate any further expenditure.

- Where the family's disposable income is higher than £0, the spreadsheet will calculate a figure that is a percentage of the maximum payment. As the disposable income figure rises above zero, the percentage of the maximum payment that the adopters or special guardian be tapered at a set rate of 50%. This rate means that for every pound of monthly disposable income a family is found to have, they will have 50 pence deducted from the monthly maximum payment.

44. We understand that many local authorities determine payments to adopters or special guardians based on the allowances they pay foster carers, and then deduct child benefit from the final amount. This is to reflect that child benefit can be claimed by adopters and special guardians but not foster carers. The appropriate amount of child benefit for the child/children who are the subject of the test should be entered into the spreadsheet. Please note that the maximum payment used to calculate the payment to adopters should not take into account any child benefit the adopters might receive (i.e. should not deduct it) as the spreadsheet allows the child benefit to be deducted after the payment has been calculated.
45. The final payment shown will be the calculation of the means test minus child benefit entered by the local authority.