The Fostering Network

Practice Information Notes

The purpose of Practice Information Notes is to review current information and knowledge, outline the key issues and examine the implications for foster care, and provide best practice recommendations for fostering service providers and links to key documents. Each service will decide on practice based on the needs of the young people in its care and its foster carer population.

Practice Information Note

Long-term savings for children living with foster carers

This Practice Information Note will focus on **long-term savings** and the process for enabling these savings to be best managed for children on their behalf until they turn 18. Alongside these savings, financial skills, education and money management should be available to young people to enable them to be better able to manage saved funds themselves as they grow and develop and in the future.

Financial skills, education and money management for children and young people is fundamental in ensuring that they are equipped and prepared for adult life. Being confident in managing finances and empowered to be in control has many positives for young people as well as being instrumental in supporting young people to avoid financial risk and associated penalties in adulthood. Fostering services should ensure financial planning and financial education awareness is made available for children and young people, supported by those who care for them, as a key part of their care plan.

Savings are important for young people and can be either long-term or short-term in nature. Short-term savings are defined as those made when saving for specific items/occasions. They are aimed at modelling good savings behaviour and can be in place when the experience of care is expected to be short-term. Long-term savings can in general be defined as the process whereby savings are put aside for a long period of time for future expenditure.

In the context of this Practice Information Note we are further defining long-term savings as those covering a period of a least 12 months whereby a child or young person meets the eligibility criteria for a Junior ISA/Child Trust Fund for children in care.

The purpose of this *Practice Information Note* is to:

- Promote the benefits of **long-term savings** for children and young people in care.
- Recommend that long-term savings should be seen as part of good corporate parenting and should be funded in addition to the foster care minimum allowance.
- Recommend that local authorities, as the responsible authority, deduct savings at source for all eligible children in their care, and link these to a long-term savings plan. This process is to be defined as the centralisation of savings.
- Recommend that local authorities provide ongoing financial education specific to the needs of children and foster families.
- Encourage good practice across foster care in relation to the centralisation of savings.

Legislation, Regulation and Statutory Guidance

- **UK:**
    - Child Trust Funds Act 2004
        - Section 3(10)
    - Statutory Guidance Junior Individual Saving Accounts and Child Trust Funds for Looked After Children
- **England:**
    - The Children Act 1989
    - Children and Social Work Act 2017
    - The Children Act 1989: Guidance and Regulations Vol 2: care planning, placement and case review
    - Fostering Services National Minimum Standards: Standard 12 - Promoting independence and moves to adulthood and leaving care
- **Northern Ireland:**
    - The Children (Northern Ireland) Order 1995
    - The Foster Placement (Children) Regulations (Northern Ireland) 1996
    - A Life Deserved: "Caring" for children & young people in Northern Ireland
- **Scotland:**
    - Children (Scotland) Act 1995
    - Guidance on Looked After Children (Scotland) Regulations 2009 and the Adoption and Children (Scotland) Act 2007
- **Wales:**
    - Social Services and Well-being (Wales) Act 2014
    - The Local Authority Fostering Services (Wales) Regulations 2018 and accompanying Code of Practice
    - The Regulated Fostering Services (Service Providers and Responsible Individuals) (Wales) Regulations 2019 and accompanying Statutory Guidance

Key points

- The long-term wellbeing of children is paramount. Supporting a child's transition to adult life is a key part of promoting their long-term wellbeing. To support this transition as part of good corporate parenting practice, and to promote consistency and fairness, local authorities and fostering services should ensure that children in care have savings made on their behalf.

- Fostering services should adopt clearly stated, widely disseminated and accessible savings policies that include provision for centralised long-term savings and ensures applicability to all children in care who meet agreed criteria. Some children cared for in foster care may transition between foster care and another care setting on one or more occasions, for example, between foster, kinship care or residential care.

- It is important to recognise that some care providers also offer more than one type of care placement and so will benefit from having a common policy for employees, carers and children. To reduce unnecessary administration and to reduce any risks that could arise from having different arrangements in place, fostering services should look to ensure that their policies harmonise and mirror, as much as possible, the arrangements developed for children cared for across various settings.

- The long-term savings plan should not be regarded as a substitute for statutory and additional leaving care support and benefits that young people may be entitled to.

Introduction

This Practice Information Note seeks to ensure all children and young people cared for have parity and equality of opportunity and recommend that fostering services across the UK save long-term for the children they care for by way of centralised deductions at source. Whilst there are many examples of good practice by foster carers in facilitating savings for the children in their care, this recommendation is in response to concerns raised and evidenced by stakeholders who The Fostering Network have consulted with. It found that the practice of placing the onus on foster carers to save on behalf of the children in their care is inconsistent, at times creates avoidable challenges and in many cases is not working effectively across the sector. As such, it is reported that children are missing out on their entitlements. The Ombudsman ruling in regards to Bridgend County Council (2016) highlights the importance of the monitoring and administration of savings.

The Fostering Network are committed to collating practice and evidence and providing comprehensive details of the issues and matter arising relating to savings. See Savings: practice resources and evidence.

Centralised savings

The Fostering Network understands centralised savings as the process by which the local authority as the responsible authority, pays a set, regular amount directly into a central account for the purposes of long-term savings for children who are in care continuously for more than 12 months.

It is required and expected that savings are made for children who are cared for. Concerns have been expressed across the sector over many years about the variations and some poor sectoral practice in relation to savings. It was noted that some children are not having

any savings made for them[1], savings 'going missing 'or being 'mismanaged'[2] and also the inequity in the amount of savings children in similar circumstances accrue.

It is imperative that to ensure the best outcomes for children and care leavers, and for children and young people to be empowered to be confident and in control of their own finances that they are supported by those caring for them. The local authority will be best placed to ensure all eligible children are included and that finances are managed appropriately by those delegated to care for and support children and young people.

Research has been undertaken by The Fostering Network in relation to savings for children and young people. This includes consultation with fostering services and young people in 2019, and with foster carers through our State of The Nation survey 2021. It is further supported by anecdotal information through our member helpline and engagement with member fostering services. It indicates that a significant majority of fostering services would welcome the introduction of centralised savings and many are working towards this if not already in place.

Independent fostering services and the children they care for appear to be more negatively impacted by the variations in practice in this area given that they are commissioned by a range of local authorities.[3]

The Fostering Network's State of the Nation 2021 found:

- two in ten services pay for children's long-term savings in addition to the foster carers' allowance
- three quarters of services deduct long-term savings for the child from the usual weekly fostering allowance
- over half of services stated that foster carers save on behalf of the child
- over a third of foster carers said that their allowances do not meet the full cost of looking after a child.

The requirement to save for children in care should be provided in addition to the weekly allowance and should not detrimentally impact on the amount of money available to care for children in general. In Wales, England and Northern Ireland national minimum foster care allowances are in place. In Scotland we continue to lobby for a national minimum to be in place. Foster care allowances include an element for pocket money, but not long-term savings. Therefore, deductions should not be taken from the weekly national minimum foster care allowance to put into long-term savings.

The Fostering Network therefore calls on all governments of England, Wales and Northern Ireland to review the allowance levels to ensure it covers the full cost of caring for a child and for the government in Scotland to implement a national minimum foster care allowance.

The long-term saving plan

This centralised deduction is referred to as the **long-term savings plan** and is undertaken by the child's responsible authority which will facilitate the process of ensuring all eligible children are included.

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[1] Survey results (The Fostering Network, 2019) indicate that as many as 7.5% of participant services did not save for the children in their care.

[2] A few services made mention of cheques not being cashed up to four years after the child/young person involved moved placements.

[3] The Fostering Network, 2019 – summary survey results

All children who have been looked after for any continuous period of 12 months or more are eligible for a Junior ISA. In England, the average duration period of being cared for in 2021 was 908 days (Department for Education) As such, a significant proportion of children will benefit from a centralised approach to long-term savings.

The Fostering Network propose that all eligible children in care have a **minimum** flat rate of **£5** per week[4] set aside and saved centrally for them in an account and where appropriate for the savings to be transferred to their Junior ISA (JISA) or Child Trust Fund (CTF). This should be index linked, i.e. adjusted according to the value of the retail price index, an inflation measure. At the age of 16 a young person can make investment decisions in relation to their JISA or CTF, but it will only become fully accessible to them when they reach the age of 18.

The recommended amount is aimed at minimising any undue burden on the amount of money available to care for children in the face of increasing budget constraints and which could potentially be affordably resourced from additional funds.

The suggested weekly minimum of £5 for the maximum period of 18 years would total approximately £4,680 excluding interest. This would meet the current threshold for reductions in benefit entitlements[5], which fostering services have identified as a concern for a significant minority of care leavers. There is an annual HMRC limit of £9,000 for putting monies in JISAs and CTFs and those saving on behalf of young people should also be aware of the impact on potential benefit entitlement should additional savings be made.

Practice example: Wales

In Wales many fostering services are working towards an agreed amount of savings per child, per week. These are taken at source by the local authority finance team and paid directly to the Share Foundation managed account. Foster Carers are also provided with the account details to enable them to pay in additional money, in some areas foster carers are advised to pay any unused allowances into the account. For example, if a young person does not wish to attend clubs or activities these funds can be added to the savings account.

Centralised Savings, The Share Foundation, JISA and CTF's

The Share Foundation (TSF) has been contracted by the Department for Education to open and manage JISAs for children in care across the UK since 2012, and who have been notified to TSF by the relevant authority.

[4] The £5 was derived from midway between £5-10 which was the most frequently occurring range found in our research. £7.50 is the midway point but we deducted £2.50 to allow for a minimum amount to be available for shorter term savings whilst keeping within the average of £7.50

[5] As at April 2021 savings above £6000 will reduce benefits up till the threshold of £16,000 above which no benefits will be paid: Benefit and pension rates 2022 to 2023 - GOV.UK (www.gov.uk)

"It enables us to open an account for every child and young person under 18 throughout the United Kingdom who has been in care continuously for at least one year and who doesn't already have a Child Trust Fund. Local authorities are required by Government to provide us with the necessary details so that we can open these accounts, drawing down £200 from the Department for Education." (The Share Foundation)

Under current legislation these JISA accounts can only be opened for children in care by TSF. Foster carers and local authorities do not have the requisite level of parental responsibility for a child in their care to **open** a JISA, however each account will have a unique reference number, held by the local authority, and this can be shared to allow additional contributions to a child's account as required.

Since 2017, TSF have assumed responsibility for CTFs where there is no-one in a position of parental responsibility for the child (or if the person with responsibility is deemed unsuitable to manage the CTF – a decision resting with the local authority).

There is an opportunity to link this process of centralised transfers and other routes of saving to a child's JISA or CTF if the child was born between 1 September 2002 and 2 January 2011. There are two types of JISAs: Cash or Stocks & Shares - you can have one or both types at any one time, but only one of each type. Both types of accounts are opened in the name of the individual child, and only the child can withdraw the funds after their 18th birthday.

In addition, TSF are tasked to raise additional funds for the savings accounts and to provide and support financial education for children in care. They also have a range of useful factsheets for children, parents and carers, including how to pay additional one-off or regular funds into the child's savings account.

Financial Education

Financial skills, education and good money management is fundamental for children to ensure that they are equipped and prepared for adult life. In Wales it is explicitly noted within Welsh Regulations that foster carers are expected to enable and support children and young people to manage their money. It is included in Government policy across the UK, and Welsh and Scottish Governments make specific reference to this to be included in the pathway plan for young people.

The Fostering Network has identified free resources available to help children and young people in care to build their knowledge and confidence with money. The resources deliver effective, relevant and age-appropriate financial education to children in care and young people about to leave care. These are contained within 'Savings: Practice, Resources and Evidence'.

TSF, among other organisations, has a reputable and highly recommended and accessible programme of financial education called 'Stepladder of Achievement' available for all children in care and aimed at supporting services with the financial education of their children in care. TSF also publishes the Top 30 Local Authorities by Account Value.

Operating a centralised savings scheme: things to consider

The Fostering Network notes that an increasing number of fostering services are opting to save centrally. We would encourage all services to adopt centralised savings, at source by the responsible authority, but recommend for those contemplating centralised savings or wishing to update their existing schemes to consider the following processes:

1. Reach cross service agreement to introduce centralised savings and identify a local champion suitably empowered to take appropriate decisions in relation to implementation.

2. Consult with stakeholders, including care-experienced children and young people about the proposal. Areas for consultation include:
    a. Which children are to be included or excluded and why? Some services for example have excluded children on short breaks or subject to care order at home with parents. One of the benefits of centralised savings is that where the deduction from source is done by the responsible authority it can include children across the range of provision.

    b. What will be the policy in relation to recovering missing savings money occurring before the introduction of centralised savings? Some authorities have made a commitment to recover all monies due, others have set limits on how far efforts to recoup savings will go.

    c. What will be the policy in relation to specific circumstances for example where the child placement is made subject to a permanent or long-term care order such as adoption, special guardianship, permanence or child arrangement order.

    d. What happens to savings for children in care for less than 12 months?

    e. How can fostering services and foster carers best support, prepare and inspire and work alongside young people in care to develop financial awareness, understanding and good lifelong savings habits?

3. Set up an implementation group to liaise with relevant stakeholders including foster carers and care-experienced young people. The finance department will play a key role in operations; fostering, children's and leaving care services will play a role in relation to placements, monitoring, financial education and liaison with bodies like TSF where relevant.

4. Identify the lead person responsible for implementing, embedding, strategic monitoring, evaluating and ensuring sustainability of agreed policies.

5. Determine financial accounting and administrative systems which are sufficiently robust. These should enable the identification of each eligible child, and accounting for monies deducted. These should also be compliant with data protection protocols.
    a. If you are the responsible authority a popular method that those already save centrally have adopted is the establishment of '**a virtual central savings account'**. This is set up to ringfence the amount saved per child per 'care episode'. It is important to establish that existing financial systems can in fact account in this way - some services have reported that their current systems will not allow for centralised savings. On the other hand, accounting professionals we have consulted with reported that even the average payroll system will be able to perform the function of centralised savings with ease.
    b. If a child is or becomes eligible for a JISA this should be incorporated as part of the long-term savings process. It is recommended that accurate, periodic and timely transfer of monies to TSF are made, and a named lead person is identified. The advantage of this method is that a JISA can attract funds from a variety of sources up to the annual limit and also benefit from investment and preferential interest returns. To enable this to work effectively all relevant parties should be made aware of the account's existence. Some services

send regular statements showing account movements to the young person as age appropriate.

c. The Fostering Network are not able to provide financial advice, but we are aware that some services have chosen to set up a virtual account and manage it for themselves until the child reaches 18. While this method has been cited as being the easiest to administer, services must be aware that it may not attract as favourable a rate of return as a JISA, for instance one authority applied the base rate to the pooled funds whilst another used the accrued interest to pay for the cost of running the provision.

6. Centralised savings can be particularly beneficial in minimising the variability in practice in relation to savings, for example across different independent providers.

Whichever method is adopted it is important to ensure that oversight of the savings remains an integral part of the care planning and review process. This will help to focus attention on financial planning and education needs to mitigate against inappropriate use of monies and restrictions on benefit entitlements.

The benefits of centralised savings

The Fostering Network's analysis based on research and feedback from our members and other fostering stakeholders leads us to assert that the benefits for children in terms of outcomes including equity, accountability, transparency, and potential cost/resource savings; centralised savings justify the means. Services that have already adopted centralised savings report that foster carers, young people and social workers are overwhelmingly in support of its introduction.

The Fostering Network makes the following recommendations:

- Fostering services should adopt and disseminate clear policies on savings which should include clarification of roles and responsibilities with regards to savings.
- Responsible authorities to implement centralised savings schemes linked to JISAs/CTFs administered by TSF, or equivalent.
- Fostering services to ensure that children, foster carers, social work professionals and all relevant stakeholders are informed about the role and responsibilities of TSF and facilitated to interact with them as required.
- Fostering services to make clear to all relevant parties that in keeping with the criteria laid down by TSF, only those with parental responsibility may open JISA's for children in care, money placed in Junior ISA's/Trust funds can be controlled by young people at age 16 but will not be accessible until the children for whom the account was set up reach the age of 18.
- Unless alternative arrangements are in place, all long-term savings for children to be placed in a central account pending transfer as relevant to TSF, care leaver or responsible adult. This will facilitate accountability.
- Regular updates for relevant parties including the beneficiaries, comprising of at least an annual statement of accumulated amounts including any accrued interest on savings made.

- Fostering services support, prepare and inspire young people to develop financial skills, understanding and good lifelong savings habits.

- Systems should be put in place to monitor savings for children in care by responsible local authority and relevant stakeholders and to ensure young people receive the money to which they are entitled.

- Ensure that all relevant parties including social workers and foster carers receive information and training regarding savings for children in care.

- The Fostering Network recognises the financial constraints faced by fostering services and calls on all governments of the UK to review the allowance levels to ensure it covers the full cost of caring for a child, and for the Scottish Government to implement a national minimum foster care allowance. The requirement to save for children in care should not detrimentally impact on the amount of money available to care for children in general.

- The Fostering Network is aware of concerns about the impact of accumulated savings on benefit entitlement for some care leavers. We call on the Treasury to undertake a consultation with relevant stakeholders to examine our recommendation that care leaver savers should be ignored up to an agreed threshold. This will avoid any detrimental impact on entitlements for young people.

The Fostering Network offers practice support throughout the UK. If you would like further information about practice support across the UK and what we can do to support you, please contact Sarah McEnhill, Head of Practice: sarah.mcenhill@fostering.net

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