

Adoption and the Inter-agency Fee

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University



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Introduction

Local authorities (LAs) and voluntary adoption agencies (VAAs) arrange adoptions in England. LAs place children for adoption with their own approved prospective adopters (an 'internal placement') or with approved prospective adopters provided by another local authority or by a VAA (an 'external placement'). VAAs also place a very small number of children relinquished into their care for adoption.

Where an external placement is made, an inter-agency fee is charged. This fee enables the agency, which has recruited and approved the prospective adopters to recoup their costs. The fees in 2008 were:

- £12,660 for an adoptive family approved by another LA (from 1 April 2007 to 31 March 2008)
- £19,889 for families from VAAs with an additional fee of £3,315 to cover post adoption services (the post adoption support module).

London LAs and VAAs are also able to charge an additional 10% London weighting. The fee structure is further complicated by sibling placements, so that the fee is multiplied 1.5 for two children and doubled for three children. A quarter of the fee is charged for the fourth and each additional child. However, the support element of the fee is charged at the full rate for each child including those placed as a sibling group. The inter-agency fee is paid in two instalments; 66% on the day the child is placed, 34% on the anniversary of the placement or the making of an adoption order.

In reality this means that if a local authority recruits, assesses and approves an adoptive family and another LA then 'purchases' this placement the LA receives income of £12,660. If the LA has to 'purchase' an adoptive placement from a voluntary adoption agency (VAA) the charge is £23,204. However, if the adoption order is not made within a year there is scope for the agency to continue charging until the order is made. This is calculated using the second (34%) payment and on a pro-rata basis and is intended to take account of the continued supervision of the placement. Our understanding has been that this amount is far more likely to be recouped by VAAs than by LAs. Fees are further complicated by consortium arrangements. Some LAs 'trade' families with other LA consortium members for less than the agreed fee, or in some cases trade at no cost. There are financial disincentives built into the current scheme that operate against using an approved VAA adopter.

As part of its work to establish a fairer playing field between LAs and VAAs, in 2006, the DCSF (then the 'DfES') commissioned *Deloitte* to review local authority commissioning of VAAs¹. This review made the following key points:

- LAs did not make good use of the potential of VAAs to provide approved prospective adopters.
- There was a lack of joint working between LAs and VAAs. This was making it difficult for VAAs to plan the provision of their services to meet the needs of LA commissioners.
- The lack of joint working and poor LA commissioning appeared to be weakening the financial viability of VAAs. Deloitte thought this could lead to the closure of some agencies.

These findings led to the DCSF commissioning this study to examine in greater depth the inter-agency fee.

¹ www.everychildmatters.gov.uk/search/RS00032/

Terminology

To aid understanding we have included descriptions of terms used throughout this report.

Direct and indirect expenditure

The terms 'direct' and 'indirect' are used in this study, as they are used in business to describe:

- a) the costs directly attributable to delivery of adoption service (direct)
- b) the overhead costs (indirect)

'Direct' work includes all client related activity: work involving face-to-face contact with the clients and that carried out in connection with cases such as recording, telephone calls, meetings etc. In the financial accounts of adoption teams, the majority of expenditure on transport was incurred through visiting service users, and therefore was treated as 'direct' costs. Indirect expenditure is that which is not associated with casework but with the general running of the organisation.

It is important to note that social workers use the terms differently. Practitioners use the term 'direct' to mean tasks that involve actual contact with service users and the term 'indirect' for work that is related to cases but is carried out in the office, such as recording.

What did we understand by 'overheads'?

'Overhead' or 'indirect' costs are those that are associated with the overall functioning of an organisation working within its usual range i.e. not expanding or reducing its capacity to produce. Concerning adoption services, overheads are costs that do not usually change with the number of placements or adopters recruited. Examples of overheads are the costs of renting premises, heating, lighting, recharges or notional amounts for computer support services, finance departments, personnel services, senior management and office running costs including cleaners.

Abbreviations

FTEs - Full time equivalent employees working solely on the provision of adoption services.

LAs Local Authorities

SLA- Service level agreement

*VAA*s Voluntary adoption agencies

Chapter 1 - History of the inter-agency fee

The Adoption Act (1976) required LAs to provide a comprehensive adoption service for the first time. Until then the responsibility for parts of adoption services had been almost entirely held by the VAAs. While government policy encouraged the development of LA services, it was recognised that:

- knowledge and expertise in adoption lay within VAAs;
- VAAs employed more experienced staff and had higher payroll costs than LAs.

Therefore, to ensure that children continued to be placed, the inter-agency fee was created.

The inter-agency fee, originally known as the '*Reimbursement of Costs Scheme*' was established in 1978 in England and Wales and in 1981 in Scotland. The original aim of the scheme was to encourage inter-agency co-operation, so that children with special needs could be placed with an adoptive family who had been recruited and prepared by a different agency than that of the child's. The fee was based on the average expenditure of family finding, preparation and placement work and was agreed with the Local Government Association.

The fee in 1978 was £3,370. Originally, each child placed for adoption incurred a fee, except for infants under the age of 18 months who were excluded from the scheme. In order to protect the fee against inflation the agreed rate was linked to 50% of point 19 on the social work salary scale, increasing automatically each year in line with nationally negotiated salary increases. Over the years, the scheme has been regularly reviewed. Each major review has been dominated by concerns that the fee has not accurately reflected the expenditure incurred by the voluntary sector.

The first review of the scheme (1982) involved negotiations between the VAAs and the Local Government Association on the inter-agency fee. Agreement was reached that a key principle of the scheme was that the fee was intended to meet most, if not all, of the expenditure incurred by agencies in family finding, preparation and placement of a child with special needs. The scheme was refined by the introduction of a sibling group fee at the rate of one and a half fees for two children and two fees for a group of three or more children. Babies were still excluded.

The second review (1984) was a more detailed review and occurred because of the realisation that the increasing complexity of cases, greater demand for post adoption support, new inspection requirements and a more demanding regulatory framework were increasing the costs for VAAs. During the review, the VAAs attempted to quantify their work by dividing the tasks and elements that made up an adoptive placement into six discrete modules. They expected all placements would involve four core modules: a) selecting and preparing a family for the child, b) linking, c) introductions and placement, and d) support to the placement up to the making of the adoption order. In addition, LAs could purchase two optional modules: one, focussing on the preparation of the child before placement and the other on working with the birth family. The fee for these latter modules was to be negotiated on a case-by-case basis. Following discussions between the VAAs and the Local Government Association, an amended scheme was introduced in July 1986. The fee was increased to 50% of point 24 of the social worker's salary scale. Babies still remained outside the scheme.

The third review (1990-1) involved further discussions to re-negotiate the fee. To the negotiations was brought evidence of the success of the scheme: over a five-year period (1982-89) there had been 838 children placed using the inter-agency fee. However, VAAs were concerned that the fee had again fallen significantly behind their actual expenditure and they produced evidence from a survey that indicated that the costs of providing a family placement were double the inter-agency fee. Therefore, it was agreed that a working party would be set up to conduct further research into the costs of adoption. Until the working party reported, it was agreed, as a stopgap measure, that the fee would be increased from August 1st 1990 to 50% of point 31 of the social worker's salary scale (then £7551) plus 10% London Weighting for London agencies.

The working party comprised representatives of four LA and four VAAs with the Audit Commission sending an observer. The group met ten times and their brief was a) to consider the implications in respect of the overall costs of adoption work and make recommendations regarding the need, if any, for additional funding and b) to agree a set of principles. It is interesting that the minutes of the working party meetings show that individuals had concerns about how the focus on 'costs' might lead to a more market approach to adoption. Some individuals were of the view that adoption was not a commodity to be traded, whilst others argued that understanding expenditure was the first step in making adoption work more cost effective. These opposing views remain today.

After much debate, six principles underpinning the inter-agency fee were agreed by the working party:

- the fee should meet most, if not all, the costs of the family finding task;
- additional London weighting should be paid to London agencies in recognition of heavier salary costs;
- a sibling group of two should command a fee 1.5 times the rate and a sibling group of three or more merited two times the rate;
- charges for immediate planned and agreed post adoption work on specific cases were not included in the modules and could be subject to individual negotiations;
- a new two-stage contract should be developed to achieve earlier billing and settling of accounts, as the slowness of LAs in settling accounts had a serious impact on VAAs.
- the scheme should be reviewed every three years, during which time all parties agreed to work within the limits of the scheme.

The working party hoped to produce "uncontested" evidence of the 'costs' of providing adoptive placements. To do this, Warwick Business School² was commissioned to survey the social workers employed in the four LAs and VAAs adoption agencies. Each agency selected four recent children's cases that had had an adoption recommendation made by an adoption panel and a further four to reflect current post placement support work. Social workers were asked to retrospectively record how many hours they had spent working on the cases, using the module approach developed in the second review. Data were also collected on the basic characteristics

² Rattan A (1991) *Inter-agency reimbursement of costs scheme: survey to establish the costs involved in inter-agency adoption of special needs children*, Warwick Business School.

of the children and their adoptive families. In addition, the working party examined the quality of practice. A set of standards were created and social workers were required to report whether they were able to meet these. Standards were not intended to be idealised notions of what might be achieved but realistic levels of good practice. For example, in relation to “paperwork relating to the child and to the family” the standard read, “the typed paper work containing all the required information is concise, clearly set out, easily understood and circulated on time”. If the reply was that the standard had not been met, workers were required to identify if they would have needed more time, training, greater experience, support from managers, or services from other professionals. In the event, all of the respondents to the survey recorded that their own work had met the standard required!

The study had a number of limitations. Family finding was viewed as an on-going process and not specifically attributable to one particular child’s placement. Therefore, the costs of recruitment were not identified but were bundled up with overheads. Work associated with disruptions was also omitted. Nevertheless, it was one of the first attempts to quantify how many social work hours were spent on specific tasks. The study concluded that it took on average 523 hours of social work to place a child for adoption. However, most inter-agency placements did not involve preparation of the child or working with the birth family and when these two modules were excluded it took an average of 242 hours of social work for each placement. The study also showed that an adoption social worker made about four placements a year.

The report was presented to the working party. There was some concern that the time spent on some activities, such telephone calls might have been under-estimated and other work, such as recruitment, had not been included in the original survey. The number of hours identified in the study left a great number of hours ‘unaccounted’ (180 hrs) and the group decided to allocate the ‘missing hours’ arbitrarily to the modules **giving a total of 422 social hours per placement**. They eventually concluded that all work directly connected with the case was ‘direct activity’ and everything else was a fixed cost and therefore an overhead.

The working group made the following statement about overheads:

It was further agreed that the rate of overhead was likely to be higher than 100%, if all salaries other than social work salaries were counted as overheads. ...It was acknowledged that the current view among commercial organisations was that overheads were likely to be 150-200% of direct costs.³

The working party went on to suggest that an overhead rate of 160% should be applied to social workers’ time spent on adoption cases in order to arrive at a reasonable estimate of the cost of placing a child for adoption. The LAs did not accept the VAAs’ definition of direct and indirect hours or the level of overhead applied, which made the VAAs concerned at being left with ‘job hours’ that were not accounted for. LAs seemed to be supportive of the principal that they should pay for a placement, but argued that the other costs incurred (e.g. recruitment) should be borne by the agency. LAs wanted far more influence in the way services were delivered and prioritised, if the whole cost of running an agency was to be reflected in the fee.

At a joint meeting on 19th August 1992, the VAAs sought an increase which they claimed would meet their expenditure. The local authorities claimed their ability to pay increased fees was constrained by central government funding and offered no more than the equivalent of 2 years inflationary increases on the 1990 fee level. Further, they suggested that negotiations could be

³ Minutes of the Working Party for Comparative Analysis: Reimbursement of Costs Scheme, 1st October 1991

opened on a case-by-case basis working from the revised fee level. The VAAs argued that the proposed fee was so far removed from their actual expenditure that it served no useful point in starting from it. Neither did they want individual bargaining. The VAAs met in 1992 and decided to set up an organisation (the Consortium of Voluntary Adoption Agencies CVAA) which would agree and charge the same fee.

The fee for local authorities remained attached to 50% of point 31 of the social work salary scale (NJC). This had been the stopgap agreement in 1990. The CVAA placement fee was raised in 1993 and set at 65% of NJC salary scale point 34. There it remained until it was raised in 2005 to 65% of point 38.

How should overheads be calculated?

The issue of overheads has been contested in every review of the inter-agency fee. VAAs have accused LAs of not knowing how much they spend on services and of not understanding the costs of the infrastructure (such as finance departments or legal teams) which enable their adoption teams to function. VAAs state that they know their unit costs, because they have to pay rent for premises and the costs of all the services a VAA uses. This, they claim, is one of the reasons VAA services are more expensive than those of a LA. On the other hand, LAs argue that VAAs are not efficient and are wasteful of resources.

There is very little information on the actual levels of overheads in social care, and is difficult to find published data on comparable commercial activities to adoption. However, it is worth noting that in a description of its special report on overheads, *Unlocking Overhead Value*⁴, the Institute of Chartered Accountants states that “up to 66% of the cost base in a service industry can comprise overheads”. Moreover, with regard to overheads in relation to salary costs, universities in their Full Economic Costing of research projects charge ‘estates’ costs and ‘indirect’ costs (essentially premises and running costs) of around £6,000⁵ and £38,000 per FTE per annum. This is equivalent to approximately 80% of salary costs (including superannuation and National Insurance) depending on grade.

In contrast, one widely used estimate for LA overheads is 15% of the salary of social workers, regardless of job grade. This is the approach taken by the PSSRU series *Unit Costs of Health and Social Care* (Curtis, 2007⁶) and was based on the work of Knapp, Bryson, and Lewis (1984)⁷ who completed a detailed analysis of childcare services in one LA. It is useful to consider how the figure was derived in order to understand how it was calculated and what additional costs need to be included to produce a robust estimate of overheads.

What did Knapp and colleagues include in their calculations of ‘overheads’?

Although Knapp and colleagues (1984) are widely quoted as providing a figure of 15% of salary as a value for overheads, they did not state this explicitly in their report. Others derived this value from their results. In their overhead calculations were included the time of one clerk (administrative cost) evenly shared between an average team (9.6 members) giving a value of £0.34 per social worker per hour. To this was added the time of the team leader apportioned to each social worker at 5 minutes of team leader’s time per hour of social worker’s time, thus

⁴ Devlin and Partners: http://www.develin.co.uk/MANAGEMENT_BOOKLETS/mb4.htm

⁵ This is an approximate charge for ‘office’ based research, specialist equipment and laboratories are more expensive.

⁶ Curtis, L. (2007) *Unit Costs of Health and Social Care*, University of Kent, PSSRU

⁷ Knapp, M., Bryson, D. and Lewis, J. (1984) *The comprehensive costing of childcare: the Suffolk cohort study*, Discussion paper 355, University of Kent

giving an additional £0.68 per hour. Knapp suggested adding these values to the hourly costs of social workers. This was not shown in the report but was been done by others to obtain the often quoted 15%overhead value. This method is summarised in the table below.

Table 1.1 - Hourly costs of social care staff in 1984

	Direct Cost	Overheads			
Job Grade	Hourly Cost*	Team leader	Clerical	Total Cost	Overhead as % of total cost
Welfare assistant	4.63	0.68	0.34	5.65	18.1
Level 1	5.32	0.68	0.34	6.34	16.1
Level 2	5.71	0.68	0.34	6.73	15.2
Level 3	6.76	0.68	0.34	7.78	13.1
Team Leader	7.75				
			Mean Overhead %		15.6

*developed from Knapp et al (1984) Table A1.1

The 15% overhead estimate excluded many other costs, for example, management, accommodation, HR, computing and so on. These were excluded due to the difficulties in obtaining accurate figures and because of lack of relevance to the particular aims of Knapp’s study. Until 2007, the PSSRU published the unit costs of different types of social work activity connected to providing services for children and families. It is important to note that the PSSRU publication⁸ adds ‘capital overheads’ of £2,413 to social worker costs. This is “based on the new build and land requirements for a local authority office and shared facilities for waiting, interviews and clerical support annuitised over 60 years at a discount rate of 3.5 percent” and represents around 7% of a social worker’s salary cost.⁹ Thus, using this form of estimate, the total cost of overheads increases to 22%. However, this is still unlikely to reflect all costs, since management charges, HR and other running costs are not included.

⁸ Curtis, L and Netten, A Unit Costs of Health and Social Care , Kent, PSSRU, published annually

⁹ Social worker’s salary taken as the midpoint of the scale i.e. £33,099

Chapter 2 - Aims and methods

The aim of this study was to consider whether the inter-agency fee was a good reflection of the expenditure incurred by LAs and VAAs. Within this broad aim, the study also intended to:

- estimate the costs for adoption agencies in the statutory and voluntary sectors of recruiting and preparing adopters and placing children in adoptive families;
- estimate the costs of providing adoption support post placement and post order for children placed after 2002;
- estimate the overheads of adoption agencies;
- make recommendations for the best method of payment of the inter-agency fee.

This study was not able to cost all the processes involved in 'adoption', as the parallel processes that involve the child's social worker (writing the child permanency report, direct work with the child etc) are not part of the inter-agency fee.

Study design

Estimating local authority expenditure is complex and full of pitfalls. This study involved separate pieces of work that were later linked. The Hadley Centre (University of Bristol) led the study, the Centre for Child and Family Research (Loughborough University) had responsibility for the work on understanding agency overheads, and Peter Thurston in collaboration with Bristol contributed his expertise in accountancy to examine agency financial accounts. The study utilised a) financial accounts from LAs and VAAs b) activity data (outputs) from the LAs and VAAs c) interviews with adoptive parents and d) data from a range of other sources.

The Bristol sample of LAs (n=8) and VAAs (n=10)

All the ten LAs working with Elaine Farmer and her colleagues¹⁰ in a separate study of 'Linking and Matching' agreed to extend their involvement and share their financial data with the Hadley Centre, University of Bristol. However, two LAs withdrew very quickly because of being restructured. The eight remaining LAs comprised three shire councils, three unitary authorities, a metropolitan district, and a London borough. Ten voluntary adoption agencies (VAAs) were also recruited. These were a mix of faith-based agencies, large national charities offering a range of welfare services, and small agencies whose only business was adoption.

The Loughborough sample of LAs (n=7) and VAAs (n=10)

At the same time as the work was being undertaken at Bristol, Loughborough University were working separately on the financial accounts of two LAs and seven VAAs to estimate overheads. It was agreed that the work of the two research teams would benefit from being combined and would also reduce the demands made on LAs to supply data. Consent was gained from five of the eight LAs in the Bristol sample to share their financial data with the Loughborough team. Data from some of the Bristol VAA sample were also supplied to the Loughborough team, but

¹⁰ Farmer, E., Dance C. Ouwejan, D. and Beecham K (2009) Linking and Matching in Adoption, study funded by DCSF in the Adoption Research Initiative.

often from different regional office accounts. So for example, a large national charity supplied financial data from their south west teams to Bristol University and from their Northern teams to Loughborough University. In total, the Loughborough team had separate financial accounts for seven LAs (three metropolitan district councils, two shire councils and two unitary authorities) and 10 VAAs. There were no London boroughs in the Loughborough sample.

The Bristol and Loughborough teams had a *shared* sample of five LAs and three VAA teams. A further five LAs and fourteen VAA teams supplied data to only one of the teams. Therefore, in total data were supplied by ten LAs and 17 VAA adoption teams.

Data collection

There were three types of data collected.

Financial accounts from adoption agencies

All ten LAs and 17 VAA adoption teams were asked to provide details of all their expenditure connected with running a domestic adoption services from 1st April 2004 to 31st March 2007. This period was chosen because 2004/5 saw the number of children being placed for adoption peak, and since then there has been a downward trend in placements and adoptions. Expenditure may vary with outputs (such as the number of placements or the number of sibling groups) but is also due to factors not directly related to adoption such as local policy changes. A three-year view of accounts was thought to allow these factors to be taken into account in our estimations.

However, very few LAs were able to provide accounts over this period. Most had been re-structured at some point and this made comparisons across the years impossible. Therefore, we had to select the most recent year, which in most cases was 2007-8, and we used Treasury figures to uprate¹¹ the accounts from LAs who could only supply 2006-7.

The information provided varied from detailed itemised accounts of annual expenditure to more broadly categorised summaries. Most VAAs were able to provide details of expenditure on premises such as rent, heating and lighting and so on, but this was beyond the remit and control of adoption teams who were often working in buildings shared by many other teams and agencies. Estimates of these costs were made, where possible, from additional information provided by the sample agencies in conjunction with published data on the LAs. The way these estimates were arrived at, are described in detail in chapters five and six.

Activity data from agencies

Alongside the collection of financial data, the Bristol sample of 8 LAs and 10 VAAs were also asked to provide numerical data on their activities during 2004-2007. They were asked for the number and characteristics of approved adopters, number and characteristics of children placed, and those receiving adoption support. This was more easily provided, but some LAs were unable to provide all the data requested such as the total number of adopters receiving support or the number of children with an adoption recommendation waiting for a placement.

¹¹ HM treasury deflator available at www.hm-treasury.gov.uk/data_gdp_fig.htm

Telephone interviews with adoptive parents

The inter-agency fee includes an amount for post placement support and an 'optional' additional cost (£3,315 per child) for post order support. To understand more about the quantity, quality and adequacy of the support provided a sample of adopters from the Bristol sample of LAs and VAAs were interviewed by telephone.

Sample of adoptive parents

The Bristol sample of adoption agencies were asked to post letters inviting adopters to participate in the study. In order to recruit a sample that would contain adopters who had had children placed for different lengths of time, letters were sent to the first five adopters who had children placed with them during each of the financial years from 2005 to 2008.

However, one LA and one VAA did not post the letters and therefore the total sample frame was 240. Of these, 71 adopters responded (30% response rate) giving their consent to be interviewed. As we have found in other studies, few adopters with children newly placed, responded to the letter inviting participation in the study. This is probably because this period is a very busy one when families are adjusting to their new status. Due to adopters' changing family circumstances, 61 (25%) of those who replied were eventually interviewed. Their details are shown in table 2.1 below.

Table 2.1 - Adopters interviewed by agency, number of children placed and length of placement

Time in Placement	Local Authorities			Voluntary Adoption Agencies		
	Single placement	Sibling placement	Total	Single placement	Sibling placement	Total
Less than a year	4		4	-	-	
1 to less than 2 years	5	4	9	12	8	20
2 to less than 3 years	4	2	6	5	6	11
more than 3 years	3	3	6	2	3	5
Total			25			36

Other sources of data

From our previous work on the 'Costs and outcomes of non-infant adoption',¹² we knew that understanding variation would be important and therefore we drew on as wide a range of sources as possible.

Survey data

We had access to data obtained by Farmer and colleagues who conducted a national postal / electronic survey (2008)¹³ of adoption practice, as part of their 'Linking and Matching' study. Responses were received from 72 LAs and 17 VAAs. For our study, a new qualitative analysis was undertaken of additional text responses and comments submitted in that survey. The analysis focused on identifying particular practices or circumstances that might have an impact on costs and could help to explain variation.

¹² Selwyn J., Sturgess, W. Quinton, D., and Baxter C. (2006) *Costs and outcomes of non-infant adoptions*, London, BAAF

¹³ Famer E, Dance C, Ouwejan D (2008) Linking and matching survey op cit

Other relevant sources

To provide more background and contextual understanding of the relationship between LAs and VAAs, we were given access to the final report completed by RedOchre on behalf of the Consortium for Voluntary Adoption Agencies (CVAA). We also had discussions with management consultants who had been commissioned by a VAA to advise on business planning and diversification.

Financial data were also extracted from the on-line PSSEX returns (2006-7), and CIPFA (benchmarking social care) provided anonymised data on weekly fostering costs collected in Autumn 2008 from 61 English LAs. These data related to 15,000 looked after children - that is about a quarter of all looked after children in England and included an estimate of overheads.

A few people who were involved in the inter-agency fee negotiations in 1990 are still in practice today. We are grateful to them, especially Jeanne Kanuik and Norman Goodwin for sharing their knowledge and for supplying the minutes from those meetings and the original Warwick Business School report.

Analysis

The first stage of this study involved ensuring that all the processes involved in finding an adoptive family, placing a child and providing support were identified so that no elements would be omitted from cost estimates and to identify where the number of social work hours spent on tasks and costs had already been calculated. This exercise demonstrated that the biggest gaps in understanding expenditure were in recruitment and assessment of adopters, in the provision of support (both post placement and post adoption) and in agency overheads.

Surprisingly, there was a great deal of consistency in the number of social work hours calculated in relation to key social work tasks developed in our previous study of Costs and Outcomes (Selwyn et al 2006) and Farmer and colleagues study in 2008. This is important, as the 2006 study was a detailed bottom-up costing in one local authority before the introduction of the Adoption and Children Act, while Farmer and colleagues' work calculated expenditure post Act from case files and interviews in ten LAs and from national survey data.¹⁴

Analysis of financial data

The top-down data provided by LAs and VAAS were carefully checked item by item with the appropriate person(s) in each agency. This was to ensure nothing had been omitted and helped us to understand the very different ways in which agencies presented their budgets. The VAA accounts were also checked against their accounts submitted to the Charity Commission.

The data were recoded into six categories: employee, client related direct payments, agency function, establishment, other, and income (see Appendix I). Each set of accounts were checked before and after coding by both the Bristol and Loughborough teams for errors or discrepancies. Those discrepancies that were identified because of researcher error were corrected and those where the recoding had revealed queries were followed up by additional calls or visits to agencies.

¹⁴ Completion of child's permanency report 20 hours in both studies, completion of prospective adopters Form F assessment 74 hours (Selwyn) and 64 hours (Farmer)

Data were entered into Excel and an expenditure summary created for each agency. These were then combined to produce mean values and percentages for the whole sample. The advantage of using the mean is that variation is smoothed out and in the expectation that under and over statements will not lead to inaccurate estimates.

In this study, the one expenditure most readily available and identifiable for each agency was the payroll cost and number of full-time equivalent employees (FTEs). All agencies provided full details of payroll expenditure of adoption teams and we were confident of its accuracy. Vacancies within teams, incomplete data on staffing levels and use of part time and temporary sessional staff made payroll costs preferable to staffing levels, which were less certain and precise.

Throughout the debate on the costs of adoption, overheads have been viewed in relation to payroll or salary costs. For example, the costs of overheads based on the work Knapp and colleagues (1984) are shown as percentages of salaries in the PSSRU (2007) publication. In a people business, such as adoption, the majority of overhead costs are likely to vary in accordance with the number of FTEs. A typical overhead cost was therefore calculated based upon the payroll in each agency. These calculations are described in detail in the appropriate chapters.

Analysis of interview and activity data

Numerical activity data were entered into SPSS for an analysis of frequencies and associations. Excel was used to calculate the number of hours spent providing support and the costs associated with this. Thematic analysis was undertaken of the qualitative material from interviews.

Limitations of the research

It was not always possible to disentangle other types of work from domestic adoption work. Some teams (including the VAAs who are increasingly diversifying) also provided a range of assessments such as special guardianship, inter-country adoption and kinship. Every effort was made to ensure that 'like' was being compared with 'like', by asking agencies to estimate how much of their workloads involved other tasks. Nevertheless, it is likely that this has produced errors. Data provided was for a top-down analysis and therefore we were unable to calculate some items such as social worker's time not spent on casework. Calculations have been based on the accounts from only one financial year (2007-8). Although we were not made aware of any exceptional circumstances, three years would have provided more assurance.

Chapter 3 - Adoption today

In comparison with foster care, adoption provides a much more stable home and enables most children to have good psycho-social outcomes (Biehal et al. 2009; Sinclair et al. 2007, Selwyn et al. 2006).¹⁵ There are 177 adoption agencies registered in England that family-find for children who need an adoptive home, (see table 3.1 below).

Table 3.1 - Adoption agencies in Great Britain that provide child placement services

	<i>England</i>	<i>Scotland</i>	<i>Wales</i>	Total
Local Authorities	150	32	22	235
Voluntary adoption agencies	27	3	1	31
Total	177	35	23	266

However, many children are never found an adoptive home. There were 1,714 children referred to the adoption register in 2007. We do not know how many of these children were identified for a potential match by the register or whether their own LA were able to find adoptive parents either in-house or through consortium arrangements. We do know that the register provided a potential match for 199 children over the same time.¹⁶

The available evidence suggests that many children who need adoptive families remain looked after. Our recent study¹⁷ found that 29% of minority ethnic children with adoption recommendations had their plans changed away from adoption, with most remaining in the care system. Similarly, a previous study¹⁸ of older white children with adoption recommendations also found that 27% were never placed.

Many children, who would be better placed with adopters, grow up in the care system. Sinclair's study¹⁹ of the foster care system found that 26% of his sample of 7,399 children had entered care under the age of 11 and were still in care on average 5-6 years later. The possibility of a return home was remote and many were not in stable placements and had challenging behaviour. Of course, not all these children would have been suitable for adoption, but questions need to be asked about why such young children are growing up in the care system.

The weight of evidence supporting the effectiveness of adoption as an intervention led to the governments circular (LAC 98(20)) reaffirming the place of adoption in mainstream child welfare services. A major policy initiative followed with a new Adoption and Children Act (2002), improved regulations and £70 million in government grants over three years for LAs to invest in adoption support services. The investment has seen an expansion of services and an improvement in the quality of service delivery (Neill et al 2007)²⁰

¹⁵ Biehal, N., Ellison, S., Baker, C., and Sinclair, I. (2009) Characteristics, outcomes and Meanings of three types of permanent placements , report to DCSF Adoption Research Initiative, Sinclair I. et al (2007) *The pursuit of permanence*, Jessica Kingsley Publishers, Selwyn et al (2006) op cit.

¹⁶ Adoption register annual report 2007, Leeds, BAAF

¹⁷ Selwyn et al (2008) Pathways to permanence for black, Asian and mixed ethnicity children , report to DCSF Adoption Research Initiative

¹⁸ Selwyn et al (2006) Costs and Outcomes of non-infant adoptions, London BAAF

¹⁹ Sinclair I., Baker, C., Lee J., and Gibbs I (2007) *The Pursuit of Permanence* , London Jessica Kingsley Publishers

²⁰ Neill, B., Lorgelly, P., Sellick, C., Healey, N., and Young, J. (2008) Supporting the birth relatives of adopted children and supporting post-adoption contact in complex cases: a study of service provision, cost and outcomes, Report to DCSF Adoption Research Initiative.

Despite this, in 2007-8, only 3,200 children were adopted from care and this was the lowest for 10 years. There are many factors influencing the decline, such as the introduction of a new Special Guardianship order and the public law outline but analyses of these are beyond the scope of this research. However, one factor has been the perception that the inter-agency fee is expensive.

A common approach in family-finding (reported in previous studies of adoption and confirmed during telephone interviews in this study) is for LA adoption agencies to first look in-house, then to local consortium arrangements, then to advertise and finally - if no families can be found - to approach the VAAs. This process takes time, delays can occur and during this time the child may be moving from one short-term foster carer to another.

Delayed decision-making has been shown to have a strong influence on the likelihood of being adopted (Selwyn et al 2006).²¹ We know that the older the child, the more difficult it is to find a family, and the greater the likelihood that the child will have more emotional and behavioural problems. Anecdotally, we have heard stories of decisions made to leave a child 'looked after' rather than use a VAA placement, because the inter-agency fee budget had been used-up. VAAs believed that LAs perceived the fee as excessive and this view was supported by findings from an earlier survey conducted on behalf of CVAA by RedOchre where VAAs thought they were seen as the last resort.²²

Results of the RedOchre survey

In 2007, RedOchre surveyed 16 VAAs and reported that:

- each VAA was unique operationally and philosophically;
- 66% of VAAs reported a decrease in adoptive placements in the previous year and that in their view this was because of the inter-agency fee;
- 40% of VAAs expressed concern about their long term viability;
- 60% of VAAs stated that they never recovered all their expenditure.

The RedOchre team described the relationship between LAs and VAAs as often tense and uncooperative with limited commissioning of adoption services. Several of the VAAs had a service level agreement (SLA) with LAs to provide birth parent support, but only one of the 16 VAAs had a SLA to provide placements. Requests to VAAs to provide adoptive families were ad-hoc spot purchases, and it was difficult to predict demand. This in turn led to uncertainty about how many adopters VAAs should be approving, as there were ethical concerns about keeping adopters waiting in a pool if there was little chance of them ever having a child placed.

The RedOchre team also undertook site visits to five VAAs and it was their opinion that they were better managed than similar sized charities in other sectors. The team recognised that this might have been because agencies had volunteered to be visited (self-selected) and/or because the high level of regulation in adoption encouraged better management. RedOchre concluded

²¹ Selwyn et al (2006) op cit

²² RedOchre is a social enterprise and works with individuals and organisations that deliver social change. It provides consultancy, organisational support and training for the Third Sector and public agencies

that inter-agency fees remained contested and that VAAs perceived LAs as seeing the fee as excessive, especially when LAs were subject to rising costs and pressure for budgetary restraint.

The contribution that VAAs make to adoption work

During 2007-8, the 27 English VAAs²³ provided adoptive families for 622 children and 14% of all adoption orders made during that year involved children placed with a VAA approved adopter. Forty-six percent of all the potential matches identified through the adoption register were with VAA approved adopters and it is recognised that children on the register are the hardest to place. During this period, the VAAs also reported that the number of children being placed was increasing and this perhaps suggests that practice under the new legislation and court protocols has begun to settle down. Placements made by the VAAs were reported to be stable. The disruption rate during 2007-8 was low (6%) with most happening in the early stages before the making of an order.

However, the CVAA annual return also showed that the number of months VAA adopters were waiting before placement, has continued to grow. Fourteen percent of approved adopters waited longer than 18 months before a child was placed. This may be related to the diversity within the VAA pool of approved adopters: 26% of those approved have an adult of minority ethnicity, 50% are willing to take a sibling group, and 12% are single adopters. We know from research²⁴ that social workers often prefer two parent 'traditional' adoptive families, and therefore single adopters may wait longer or never get a placement.

Adoption support is a key part of VAA services and agencies received over 5,000 new referrals for support during the year from adopted adults, birth relatives and adoptive families. VAAs stated that they contributed £3.7 million to adoption services and this income did not come from local authority grants, contracts or inter-agency fees.

Summary

- Research shows that most adopted children have far more stable placements than children brought up in foster care and have good psychosocial outcomes.
- Government has invested in LA adoption services and this has seen an expansion of LA provision and improvements in quality.
- Use of the inter-agency fee is sometimes budget-led rather than child-centred practice. LAs perceive the fee as expensive.
- During 2007-8, the English VAAs placed 622 children with adoptive families and their families were identified in 46% of all potential matches through the adoption register.
- The 27 English VAAs contributed £3.7 million to adoption services from their own resources.
- A sizeable proportion of VAAs are concerned about their future viability.
- Commissioning of services from VAAs is underdeveloped.

²³ Consortium of Voluntary Adoption Agencies statistical returns 2007-8

²⁴ Selwy et al (2008) op cit

Chapter 4 - Variations in practice, income and expenditure

Before we examine the budgets of LAs and VAAs in detail, it is important to consider reasons why spending patterns differ. This chapter draws on a range of sources: the text responses to Farmer and colleagues' (2008) national survey of 'Linking and Matching', previous research findings, telephone interviews with staff in the Bristol sample of 8 LAs and 10 VAAs and an examination of their financial accounts.

The size of the LA and local demographics were reasons often given by LAs in Farmer and colleagues' survey (2008) for using more external adoption placements. Those with a large geographical area were able to place most children (about 90%) with their own LA approved adopters. Other LAs who were small, or who had a transient population (such as seaside areas), usually placed most (some placed all) of their children outside the LA boundary. LAs needing placements for minority ethnic children often had to place outside the authority, for reasons of safety, because local minority ethnic adopters had been drawn from the same small communities where children had lived.

Some of the smaller LAs chose to 'balance their books' by recruiting and approving adopters and 'selling' their adopters to another LA in the same position, who would in return provide adoptive homes. A few LAs were able to make a profit by 'selling' more adopters than they needed for their own children.

We place almost all our children in-house and provide placements for about the same number again of children from other local authorities. We rely on placement income to fund posts in our adoption service (large shire county).

The structures and tasks of social work teams were also likely to affect the costs of running the agency. Most LAs had the traditional approach of a child's social worker and a family placement worker working in tandem to place the child for adoption. Case responsibility continued to lie with the child's social worker while the family placement worker's role was to support the adopters. Some LAs reported that they moved case responsibility to the adoption team as soon as the Care order / Placement order had been made. In these LAs, only one worker had case responsibility for the child *and* for supporting the adoptive family. The LAs who operated this model thought it reduced unnecessary duplication, provided greater consistency, and brought additional benefits of being able to better engage with birth families.

Two LAs in the Bristol sample used this model. A very small percentage (approx 1.5%) of their budget was spent on inter-agency fees and the majority of their children were placed internally. Whether this arrangement 'saved' money is complex. Although the payroll costs in the two teams were at the high end of the LA range, there were savings because the costs of a children's social worker did not need to be added. To illustrate, if we take a simple case where the child's social worker is involved from the time of the adoption recommendation/placement order until 12 months later when an adoption order is made, the saving per adopted child would be approx £4,259 per child.²⁵ However, this is only part of the story because family placement workers in these teams placed fewer children per FTE. On average, each worker made one placement a year whereas teams using the dual approach placed three children per FTE.

²⁵ This has been calculated using data from Selwyn et al (2006) 'Costs and outcomes of non-infant adoptions', London BAAF. Social worker's time at £45.31 per hour x 94 hours adoption work activity = £4,259

One VAA staff member commented on this policy of transferring cases to the adoption team after the making of the placement order:

The social worker who visits adoptive families has often no knowledge of the children - disastrous!

This study did not aim to evaluate different models of providing services. It cannot comment on the benefits or otherwise of this approach, but we have provided this example to illustrate the complexity of linking costs to outcomes. We are not able to comment from our data as to whether this model did provide greater consistency and better services to birth parents.

Some LAs and VAAs split different functions into separate teams whereas others combined. There were three typical models:

- three separate teams with each one providing either recruitment, placement or post adoption support
- two teams with one responsible for both recruitment and placement and a separate post adoption support team
- one team delivering all adoption services.

Using the activity data supplied by agencies on average the majority of work (60%) was in the period pre-adoption up to the making of the adoption order, 18% was post-order reacting to requests for support and proactive (planned support) up to 18 years of age and 10% was providing adult services. The remaining time was spent on other related activities.

Differential practice

Farmer's survey produced examples of variation in practice across all adoption activities. In relation to recruitment activity, some LAs did not recruit adopters for a general pool of approved adopters but only recruited for specific children. Prospective adopters who approached these LAs were often advised to contact other agencies. This may be a good policy for a particular LA, but the agency, for example, may turn away ethnic minority adopters (much needed elsewhere) because their waiting children are white. Such an approach also does not take into account the way that prospective adopters may change during the preparation process. For example, in realising that they are willing to take older children or able to parent those with more complex needs.

This variation in recruitment practice was evident in the amounts spent on recruitment in the eight sample local authorities. Spending ranged from £4,000 - £48,000 per annum. Those who spent less on recruitment made greater use of the inter-agency fee.

There were many examples in Farmer's survey of different practice in relation to the assessment of prospective adopters. One LA used two workers to undertake each assessment: while recognising that it doubled staff time (and therefore these costs) they believed it improved the quality of assessments and ultimately provided better placements for children. Other adoption agencies (LAs and VAAs) used specific measures and techniques such as the Adult Attachment interview. This particular interview was reported as costly in terms of staff training (£1,000 per person), the time in conducting the interview (10 hours per couple), and in the interpretation and scoring of interviews. Several agencies commented that they were using a variety of assessment techniques because the current competency framework assumes previous parenting experience when many prospective adopters are childless.

VAA's also commented in the survey responses about what they perceived to be a growing practice among LA children's social workers of visiting several approved adopters before making the match. One manager stated:

The growing tendency to visit more than one family when considering a match is, in my view, unnecessary. Match should be made on paper, then family visited, if not suitable, second choice visited...

Another, in the same vein, highlighted the impact this could have on prospective adopters who were being considered for a match:

It may be necessary for adopters to meet the foster carers or other professionals before a final decision is made. Some adopters go through this arduous and emotionally draining process several times before being 'selected' for a child.....I believe a great deal of precious social work time is wasted because children's workers insist on having a wide choice of potential families and visiting several families even if they have one or two which seem excellent on paper.

LAs commented that some VAA's did not allow their adopters to be approached by the LA if a placement order had not been made and that there was great variation in VAA practice:

enormous variations in practice between agencies can sometimes make inter-agency placements very difficult and time consuming.

There was also variation in the management of children's adoption plans - some LAs reviewed the plan every three months while others stated that it might be changed after "a couple of years" if a family had not been found.

Telephone interviews with professionals

Each set of financial accounts sent by the sample agencies was discussed with at least one senior member of the agency's staff to ensure that we understood the items that had been included in each category. For example, some category names had been set up many years ago and bore no relationship to what the money was actually being spent on! These discussions alerted the researchers to variations in the actual budgets and in their management and the main differences are outlined below.

Staffing in adoption agencies

The eight LAs in the Bristol sample employed a total of 117 adoption social workers (including managers) and the ten VAA's had 147 social work staff. The average number of social work staff was similar: LAs 14.6 and VAA's 14.7. However, the VAA average was skewed by two large national charities and VAA's tended to be smaller agencies. The lowest number of staff in a LA adoption team was nine whereas in VAA's it was 3.6. This latter VAA had a small core staff team but bought-in additional help as and when needed. LAs did pay fees to professionals for additional help, such as completing assessments if the team were busy, but there was less reliance on non-core staff.

As reported in the original 1991 working party documents, we also found that VAA staff tended to be better paid than LA staff. This may have been because VAA's recruited more experienced staff, but we were not able to test this hypothesis from the data.

In some LAs, managers reported that their team had to run at 90% staff occupancy so that they would come in on budget at the year-end. Therefore, if a social worker left there was never a great hurry to replace them. We know from research (Selwyn et al 2006; 2008) that where children do not have a social worker, plans are often not acted upon and delays can occur.

What do we know about the costs of running an adoption panel?

The data supplied did not provide sufficient detail to calculate the unit costs of running panels. Calculating the cost of adoption panels was particularly tricky because a) some were permanency panels and dealing with long term foster care, kinship etc, whereas others only considered adoption b) the costs of training panel members were often bound up in general staff training and c) some LAs separated out the expenses of employing the panel chair, whereas others combined them with senior staff. We estimated from the data available that the expenditure for each panel was £4,000. This was calculated by one large LA supplying data on the expenditure incurred for room hire, salaries for administrators and the chair, training, and fees and expenses for panel members and medical advisors. It does not include overheads or the costs of attendees, such as the professional advisor to the panel, whose attendance is part of their role.

What was and was not included in the financial accounts

The amount spent on running the office (heating, lighting, rent, insurance etc) was omitted from many LA budget sheets or a nominal amount was given. Adoption agencies in LAs often shared their buildings with other children's services teams and the LA had one budget for all the buildings they were responsible for - museums, schools, swimming pools, etc. Therefore, the adoption managers did not know what it cost to maintain their premises. VAAs were usually more able to identify this expenditure but also had hidden subsidies. This was particularly the case for faith-based agencies, which, for example, might be paying a peppercorn rent on a building attached to the church and receiving utilities free of charge.

The economic downturn and increased life expectancy has had a big effect on 'pension pots' and many agencies had deficits in this area. Most VAAs included in their accounts the increased agency contributions needed to meet these deficits. Local authority budgets omitted this expenditure. Most of the VAAs included the expenditure that had been incurred because of the regulations around registration and inspection. This was also omitted from all the LA budgets and could not be identified. We know that a significant amount of staff time is spent preparing for an inspection - one VAA estimated that their chief executive spent four weeks in preparation and that many other staff were involved in this exercise.

We also found, as did RedOchre, that there were few service level agreements (SLAs). Only one of the LAs in the sample had SLAs with voluntary agencies to provide birth parent support and additional therapeutic support to adopted children.

Differences between LAs and VAAs in roles and tasks

Although LA adoption agencies and VAAs might be thought of as essentially doing the same task, in some key aspects they were different.

- Local authorities spent on average 44% of their total expenditure on adoption allowances, start up grants and other direct payments to adopters. This was in contrast to the VAAs where direct payments accounted for less than 0.1% of total expenditure.

- Only LAs paid inter-agency fees.
- In relation to post-order support and the tracing of birth relatives, VAAs carried a greater share of the historical legacy for placements made over the last eighty years.
- The promotion of contact between adopted children and their birth families has seen the annual growth of 'letterbox' services. The amount of post passing through these services was striking. For example, one large shire LA passed on 1,550 letters each year. This work involves not only reading and sometimes censoring letters, but also giving counselling and advice to those sending and receiving them. LAs managed the bulk of this work.

Variation in expenditure within LAs

The proportion of expenditure on direct payments to adopters varied from 29% to 64% of the total adoption budget. The LA that spent the lowest proportion on direct payments to adopters had made a policy decision to make larger start-up grants but to pay lower regular adoption allowances.

Inter-agency fees were only paid by LAs to VAAs and accounted on average for 7.7% of total expenditure by LAs on adoption services. Again, there was variation in the expenditure on inter-agency fees and the proportion of the budget ranged from 1.5% to 18%. Expenditure by local authorities on direct client payments and inter-agency fees is summarised in Table 4.1 below.

Table 4.1 - Eight local authorities' mean expenditure on direct payments to adopters and inter-agency fees

	Mean Expenditure (£)	Mean Percent of Total Expenditure
Direct payments to adopters	763,069	45.5
Inter-agency fees	114,087	7.7
Total Expenditure	14,135,169	

Historical arrangements also had an impact. For example, in two LAs all the costs associated with medical examinations of children and the preparation of adoption medical reports were met by children's services and not by the health authority. One large LA reserved £100,000 annually in the adoption budget to meet these costs. In most other LAs, these costs were met by health. In another LA, there was a specialist adoption medical service and the experienced specialist adoption paediatrician provided comprehensive child assessments and offered support to adopters. This was a good example of health and children's services working together.

The current financial situation has seen a reduction in income for VAAs from investments and donations. While income has been decreasing, some agencies reported that the cost of providing services has risen. An example given by LAs and VAAs was of the shift away from professionals giving their time for 'free' to adoption agencies. Panel members, for example, were increasingly expecting time spent reading papers and attending panel meetings to be fully reimbursed

Variation in the use of income

There were differences in the way income was treated. Some LAs allowed their adoption teams to retain the income 'earned' in inter-agency fees to develop adoption services. This gave an incentive to recruit. Other LAs held income centrally and distributed it across all services.

Some VAAs put the 1/6th post adoption support module (£3,315) immediately into the following year's accounts and it was therefore spent, while others ring-fenced the money for likely future adoption support work.

Strategies to reduce costs

Over the last ten years, LAs have joined in consortiums in an effort to drive down costs. These enable some LA activities such as training events and preparation groups to be shared and regional exchange days held to feature children. Local authority consortiums have enabled the joint funding of some recruitment posts. The competition between VAAs has prevented such developments.

Did any of these variations make a difference to outcomes?

The sample LAs and VAAs supplied activity data and this was checked with the statistics published by DCSF derived from the SSDA903 returns. The table 4.2 below shows the average number of children adopted annually by each LA. This was averaged over five years (2004-2008) to ensure that one particularly high or low year did not wield undue influence.

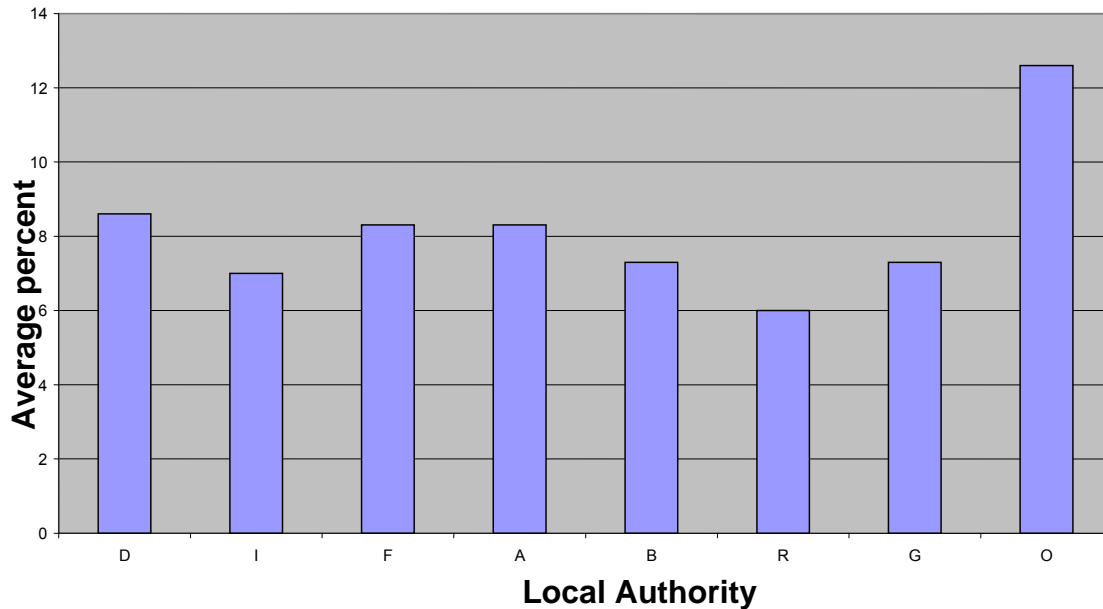
Table 4.2 -The average number of children adopted in each Local Authority 2004-8

Local Authority	Average number of children adopted each year
A	83
B	23
D	23
F	27
G	37
I	23
O	51
R	30

Although this shows variation in the numbers adopted, it is important to consider these numbers within the context of each LA's population of children who are looked after. Examining the percentage of looked after children²⁶ adopted over the same time period gives a rather different picture (see figure 4.1 below)

²⁶ Analysis included only those looked after for longer than six months

Figure 4.1 - The average percentage of looked after children adopted in each Local Authority 2004-8



Regional percentages were about 7-8% over the same period and therefore most of the LAs followed their own area's pattern. However, local authority 'O' stood out placing about 13% of its LAC population in adoptive placements.

We also examined the relationship between the number of children adopted, the number of adopters recruited and the number of FTEs employed in each of the LA adoption teams (see figure 4.2 below). LAs 'G' and 'O' were nearly three times more effective at placing children for adoption than authority D. These LAs were also able to place children at a lower cost per placement (see figure 4.3 below), as they were also four times less expensive than those of Local Authority D.

Figure 4. 2 - The average number of adopters recruited and children placed annually per FTE in each Local Authority

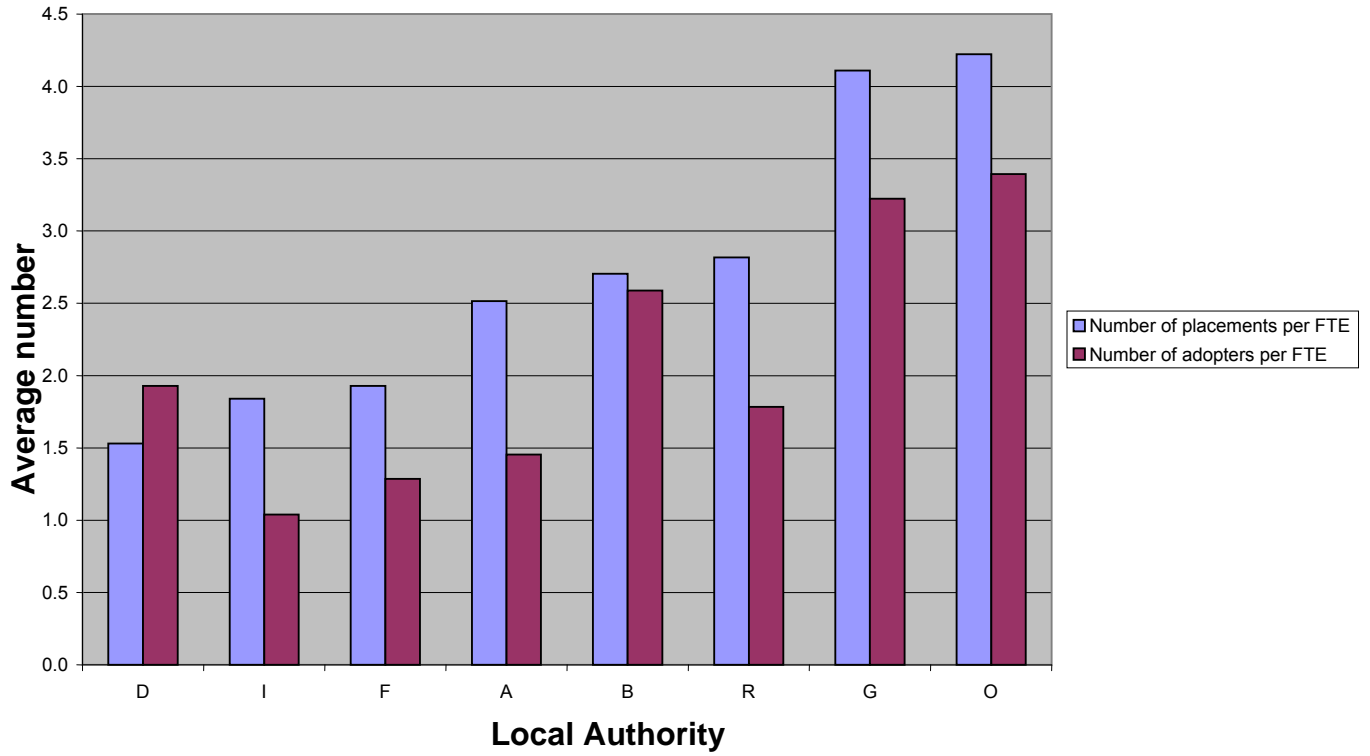
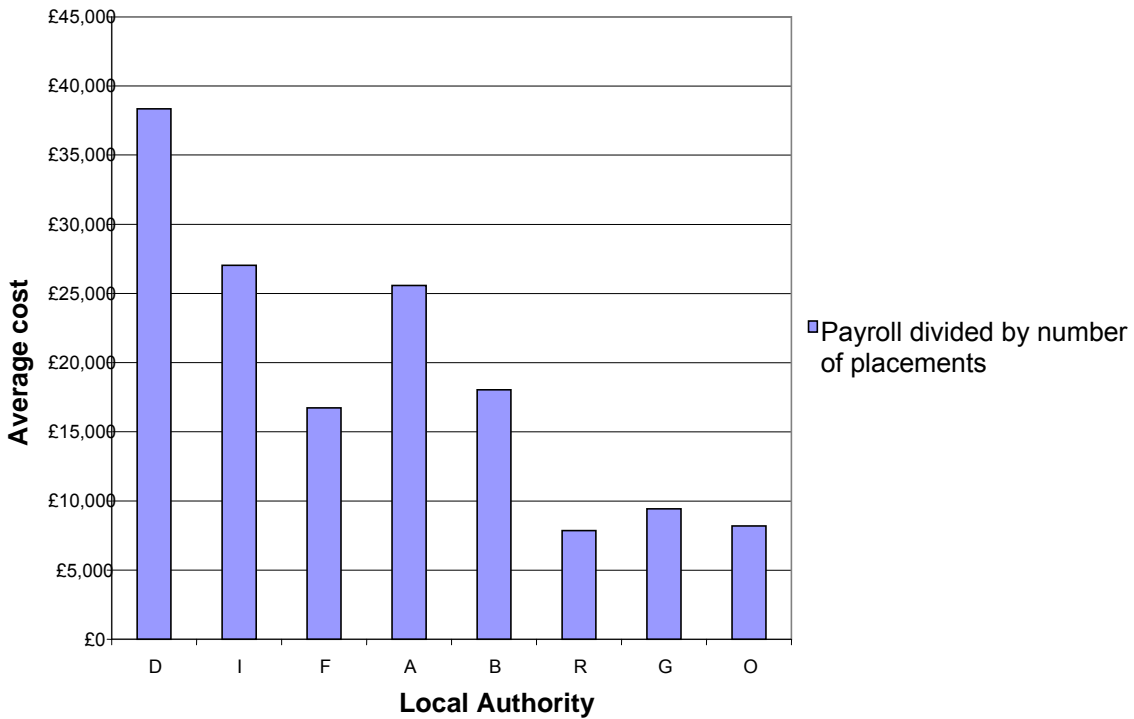


Figure 4.3 -The average cost of each adoption per FTE in each Local Authority



The agencies with the lowest payroll costs per placement by number of FTEs tended to be those that spent a greater proportion of their budget on inter-agency fees. This was rather surprising given that LAs perceive the fee as being expensive and pushing up their overall costs. However, we will show in Chapter 6 that because the inter-agency fee does not reflect the costs of placing a child for adoption internally or externally, LAs who made greater use of the inter-agency fee actually saved money.

We asked the team managers of LAs 'G' and 'O' why they thought their teams were doing so well. One manager thought that by having a separate recruitment team the family placement team was able to be more productive. By removing the need to cover 'duty' and the day-to-day activities that were involved with the recruiting, assessing and preparing of prospective adopters, the permanency team could focus on ensuring the child was properly prepared and placed with a family quickly. Indeed, there was a statistically significant relationship between having a recruitment team and having lower payroll costs per placement.²⁷

The other authority (which did not have a separate recruitment team) attributed the team's performance to a 'can do' culture within the team. This culture had been fostered by the use of Quality Protects money to provide laptops and other equipment and good management, which in turn had led to innovations in the team's practice. The team had set its own internal targets in response to the local public service agreement (LPSAs) initiative. Targets had been set high with each team member aiming to complete seven assessments of prospective adopters each year. Although LPSA has now ended the motivation to continue to reach the target still remained. Both managers agreed that having a stable, enthusiastic and experienced team with internally agreed targets were very important elements of the success.

Summary

- LAs and VAAs are essentially carrying out the same task of family finding, placing children for adoption and supporting placements. However, they also differ in that only LAs make direct payments to adopters and pay inter-agency fees and they are responsible for the majority of contact arrangements. VAAs carry more responsibility than LAs for the historical legacy of adoption.
- Variations in LA adoption practice and costs were explained by social work managers as being affected by the size of the authority, local demographics, the structuring of social work teams and historical arrangements.
- The financial accounts from LA adoption teams often omitted the costs of running the office, inspection and registration costs, and the increased expenditure needed to meet pension scheme deficits.
- There was only one LA with a service level agreement with a VAA.
- The proportion spent on direct payments to adopters ranged from 29%-64% of the total LA adoption budget. Inter-agency fees accounted for 1.5% -18% of the budget.
- Two LAs were nearly three times more effective at placing children for adoption and were four times less costly than the worst performing LA.

²⁷ Mann-Whitney $p=.021$ $z=-2.039$

- LAs that had a separate recruitment team were statistically more effective at placing children.
- LAs with the lowest cost per placement by number of FTEs also tended to be those who spent a greater proportion of their budgets on the inter-agency fee.
- The two best performing LAs had a stable, enthusiastic and experienced staff team, motivated by a good team leader, with internally agreed targets and a culture where “doing” was expected.

Chapter 5 - Overhead (Indirect) Costs of Adoption Services

This chapter focuses on the analyses of LA and VAA overhead (indirect) costs using the financial accounts supplied to the Loughborough team. Further information was gained during telephone interviews and meetings with staff in these agencies.

Views and Perceptions of Overheads

We discussed overheads with the managers of seven LAs and ten VAAs and met very differing attitudes. One view expressed by LA managers was that overhead costs are difficult to apportion to specific teams such as adoption, as when such costs are allocated this is usually arbitrary. For example, the IT costs in one participant's authority were allocated centrally to each directorate and then apportioned to each team: "(sometimes) it may be on the basis of spend (by the team) or on the number of computers used by the team". There appeared to be "no perfect way for the division of IT costs". When charges were related to the actual number of computers then there was the difficulty of knowing how those computers were used. Relating overheads to expenditure of a unit or group was also considered imprecise.

The method for allocation of costs of central services was considered by LA staff to be inaccurate. The following comments made by a senior member of staff relate to overhead costs charged to one authority's adoption team:

The above apportionments have been arrived at by a number of means e.g. accountancy - 25% of total cost allocated to the [central core] and the remainder split equally between the four council directorates, payroll - allocated according to the number of staff, I.T - the cost of maintaining major systems allocated to the main user Directorate and Legal - allocated according to some historical time records kept by the service etc. - none of which are regarded as that refined/accurate and are under review (again) but it is very difficult to come up with any methodology that is both simple to use and that also produces results that successfully stand up to more detailed challenge/scrutiny. Within [our directorate], we don't necessarily accept that any of the above are reasonable charges.

Thus, any comparisons of expenditure incurred by LAs in order to achieve benchmarking data, was generally considered to be a complex and difficult exercise as the structures and local factors varied significantly, as did any methodology employed in allocating overhead costs.

Another LA interviewee considered that overhead costs were not relevant to adoption (or any other specific services) because the infrastructure and establishment processes were an inherent part of the authority. These were paid as part of a wider service that the authority provided:

I don't agree with collecting costs of overheads - I don't think it's a relevant consideration for the services we provide. What we are looking at is what is the most cost-effective way to provide a service...overheads are not relevant. [They may be] relevant when other service providers [not LA] do not have the multifunctional capabilities of [of a LA] and use overheads to explain the differences between costs [of voluntary and LA services].

He went on to comment that the most important consideration was the marginal cost²⁸ of providing support for the adoption team rather than average costs²⁹. Because all systems were in place, such marginal cost would therefore be zero. He continued by saying that if the difference in adoption costs between LA authorities and VAAs was due to overheads, it would still not be economical to use a VAA since the costs of running the other functions of the authority would remain. Downsizing and outsourcing services would not save costs unless very large reductions in staffing and / or service provision were made. Whilst some in the LAs regarded overheads as irrelevant to the provision of services, others considered them important in enabling transparency and a “level playing field” in which the costs of the different organisations could be compared:

I think there should be parity between local authorities and the voluntary agencies...I don't know how the local authorities have got themselves into the position where the voluntaries are charging ten thousand more for adoption.

The structure and management hierarchy of larger organisations (local authorities in particular) divides control of expenditure to a greater extent than smaller ones. Running and other overhead costs can be spread among a large number of different teams and individuals and consequently only nominal, fixed fees may be charged for central services, premises, management charges and so on. However, in smaller organisations with fewer teams such costs are more likely to be apparent and to represent the true costs of goods and services purchased. For example, in this study, costs of cleaners, building maintenance, security, and vehicle maintenance were more likely to be shown in the accounts of VAAs than in those of LA adoption teams.

The issue of overheads is therefore a contested one; the difference in views may reflect both the type of organisation (i.e. LA or VAA) and the position of an individual within that organisation.

Identifying the ‘overhead’ costs of adoption agencies

Overheads were not readily available from LAs and therefore needed to be estimated. The accounts supplied by LA adoption teams frequently did not include the costs of running the teams, or their budgets contained a low notional figure for these services. Such costs were often beyond the control or responsibility of adoption team managers and were managed centrally. For example, in the original accounts sent to the research teams, two LAs recorded no costs at all for premises (rent, heating, lighting, maintenance etc) and one a cost of only £698. In contrast, the VAAs were smaller organisations where the management team was often directly responsible for all the overall running costs, including premises, maintenance, cleaning and so on. Occasionally, in large national charities, nominal fees were paid to the central organisation for services such as IT and HR.

Where possible, estimates of overhead costs were made using other sources of data, and explanations of how this was achieved follows. Where estimates were made for expenditure not included in the financial accounts this is clearly stated.

²⁸ ‘marginal cost’ refers to the cost associated with one additional unit of production; in this case the cost of one more adoptive placement. The argument is that since all services and salaries have already been paid, the cost of such a placement is, therefore, zero.

²⁹ ‘average cost’ refers to the total cost of production (the total cost of the adoption service in this case) divided by the number of units or items produced (the number of adoptive placements).

Total expenditure

The total LA annual expenditure on providing adoption services in the sample ranged from just under one million (£964K) to £3.8M whilst expenditure by the VAAs ranged from £250K to £1.2M. Expenditure on payroll was £311K to £1.9M for LAs and £187K to £871K for the VAAs. The total expenditure is summarised in Table 5.1 (below) and illustrates the range of the size of organisations in the Loughborough sample. This is apparent in the differences in payroll costs. The LA expenditure also includes adoption allowances, one-off direct payments and inter-agency fees. These accounted for 31.9%, 14.8% and 6.0% of total expenditure of LAs on adoption.

Table 5.1 - The stated expenditure on domestic adoption services of seven LAs and 10 VAAs

Organisation	Description	Year of Accounts	Total Budget	Total Payroll
VAA 1	Regional Office, with VAA 5	2007-08	250,182.0	£187,390
VAA 2	Stand-alone	2007-08	1,044,120.6	£762,865
VAA 3	Regional Office	2007-08	373,871.5	£249,944
VAA 4	Part of larger organisation	2007-08	780,324.0	£590,093
VAA 5	Regional Office, with VAA 1	2007-08	319,744.0	£221,631
VAA 6	Regional Offices; VAA 6,7,8,9	2007-08	832,714.8	£542,821
VAA 7	Regional Offices; VAA 6,7,8,9	2007-08	433,349.5	£281,918
VAA 8	Regional Offices; VAA 6,7,8,9	2007-08	276,125.0	£199,691
VAA 9	Regional Offices; VAA 6,7,8,9	2007-08	593,284.6	£387,481
VAA10	Stand-alone	2007-08	1,222,234.0	£871,398
		Mean	612,595.0	£429,523
LA 1	Metropolitan District	2007-08	2,338,291.0	£509,737
LA 2	Unitary	2006-07*	1,226,448.0	£437,129
LA 3	Shire	2007-08	3,840,875.0	£1,942,259
LA 4	Shire	2006-07*	1,546,915.2	£404,346
LA 5	Metropolitan District	2008-09**	1,529,644.0	£311,864
LA 6	Unitary	2007-08	1,687,836.0	£808,576
LA 7	Metropolitan District	2007-08	964,341.8	£392,261
		Mean	1,876,335.9	£686,596
		adjusted to 07-08 ** budget and expenditure for 08-09 projected to year end and adjusted to 07-08		

Estimating overheads

1. Premises

Only two LAs were able to provide details of the cost of premises³⁰ and associated expenditure and one provided a nominal charge set by the authority. This information was used in conjunction with published data for a fourth authority and an estimate for premises costs was produced and applied to the sample. Whilst this may be imprecise, it represents the best estimate from the limited information available. The following worked example shows how the estimate was derived.

1. The adoption team in LA5 shares a building with the authority's fostering team. The cost of running the building (including all associated services) was reported by the LA as £90K; the building houses 21.5 posts, of which 8.5 are in the Adoption Team. Allocating costs on a per capita basis, the Adoption Team are responsible for 8.5/21.5 (i.e. 39.5%) of the costs;
 $8.5/21.5 * 90K = £35.6K$ (or £4,189 per person) i.e. 11.4% of payroll cost.
2. LA2 also shares premises with a fostering team. Upon its direction, costs were divided equally between the two teams and amounted to 10.3% of payroll.
3. LA4 gave a value of 4.7% of payroll as cost for premises. This was a nominal charge decided by the authority. It is not clear how accurately this reflects the true cost. However, it is comparable with the lower costs of premises provided by the VAAs.
4. Estimates of premises costs for LA1 were made from published budgets of the authority, which included overall costs of premises and salaries. It was determined that adoption team annual salaries accounted for 0.29% of the total council salary bill (excluding schools). These salaries include all those in the adoption team i.e. social work, administrative and other staff. Taking this percentage of total published premises costs (excluding schools) yielded a value of £3,448 per person; or 10.8% of payroll.

The remaining authorities were unable to provide full costs or estimates for premises. So, taking into account the four authorities above, the mean cost of premises was 9.3% of payroll. This was used in place of missing values for local authorities and compares with a mean value of 7.1% for the VAAs, all of which provided information.

Summary: The expenditure on premises as a percentage of payroll were calculated for LAs as 9.3% of the payroll and for VAAs as 7.1% of payroll. These values were used for all LAs and VAAs in the sample.

2. Running Costs

Taking the same approach as we had used to identify premises costs, all other establishment costs were analysed with respect to payroll. These costs included central services, IT and HQ management as well as expenditure on the day-to-day running of the office. As a percentage of payrolls for LAs, the mean value was 28.9% with a very wide range of 0.1% to 54.2%. However,

³⁰ Premises costs include 'building-related' costs such as maintenance, power, lighting and other costs (for example, rental costs for some organisations) associated with running the building but do not include annuitised capital costs of the building itself.

the lowest three values (ranging from 0.1% to 4.3%) represented incomplete data and were not included in the analysis. The mean value was used to replace missing data in three LAs. VAAs running costs ranged from 10.7 to 35.8, with a mean of 21.3%.

Summary: The expenditure on running costs as a percentage of payroll were calculated for LAs as 28.9% of the payroll and for VAAs as 21.3 % of the payroll. These values were used for all LAs and VAAs in the sample.

3. Indirect payroll

There are two aspects to indirect payroll costs. The first is the cost of staff such as managers and administrators engaged in running the business as opposed to specific involvement in children's cases. The second is the proportion of time spent by caseworkers on activities that are not related to cases.

Management and administration

For most of the VAAs, it was possible to identify roles that were concerned with running the organisations rather than with casework. These included roles such as finance officers, managers, and publicity and recruitment officers who were not involved with current cases but with recruiting potential adopters for the future. Such roles were classed as overhead (indirect) expenditure relating to management and administration.

The mean of percentage values for the VAAs for these overhead (indirect) costs was 19.8% of payroll (range 17.5% -23.2)%; for LAs data were obtained for three local authorities and gave the same mean value (19.8%; range 15.9% - 22.3%) Although information is limited for the LAs this does suggest that values are similar. Therefore, 19.8% of payroll was used to estimate this part of overhead (indirect) salary costs where there were missing values.

Summary: The expenditure on management and administration as a percentage of payroll was calculated for LAs and VAAs as 19.8% of the payroll. These values were used for all LAs and VAAs in the sample.

Social workers' time not spent on casework

Attempts to quantify the amount of hours social workers spend on casework activities and other activities not related to casework have been contentious.

The issue of 'indirect time' arose during the examination of inter-agency fees by the working party in 1991-92. They suggested that 31%³¹ of payroll costs of social workers were indirect. Similarly, an interview with the finance director of

VAA1 for this study suggested that around 30% of caseworkers' time was spent on activities other than those related to specific placements. However, these personal views were not supported by available evidence from audits or time / activity diaries.

³¹ The document presented to the working party states a figure of 44% for time not spent on casework but this percentage was an error. It was obtained by dividing 180 by 407. The 180 hours per year were described as 'unaccounted hours' i.e. not casework.

The manager of VAA3 found through an internal audit that only 0.5% of time was spent on other activities (team meetings not related to casework). This amounts to just over one day per year. Similarly, very little was reported by VAA 4 based on time / activity data covering a four-week period provided by two social workers and one adoption secretary. Excluding travel for visits, preparation for adoption panels and duty cover for colleagues (which are direct work) only around two hours were spent on team meetings. A detailed examination of activity data provided by VAA2 (which was prepared for an external audit of the agency) did not show any time spent on activities unrelated to casework. This latter claim is highly unlikely, as all staff engage in some conversation that is non-work related and have loo/cigarette breaks. However, since such time cannot be quantified accurately and it is quite likely to be similar across different organisations, it can be disregarded in a comparative analysis. It is important to remember that if absolute rather than comparative values are considered then it will be necessary to include such time in the analysis.

It is possible that the notion (and hence estimate) of indirect hours is misleading. One approach to assessing activity has been to estimate the time spent on a 'typical' case (using event records, interviews and focus groups). That time has then been multiplied by the number of completed cases to give a value for the direct (casework) hours. The difference between this and the total contracted hours gives the time spent on non-casework (indirect) activities. However, such an estimate of 'missing' or 'unallocated hours' is contentious since such an audit only includes completed cases and not all cases are typical. Hence, unaccounted for time may be that spent on more time consuming cases. Whilst research has provided estimates of time spent on different activities and processes in adoption cases, there is a lack of data, analysing the overall working time of social workers. Such analysis was well beyond the scope of the present study and would pose practical and ethical difficulties. Perceptions of time spent on casework and other activities are likely to differ depending on the viewpoint - whether that of the individual social worker, their manager, a finance director or other senior management as described above.

Additionally, social workers (in England) need to complete a minimum of 90 hours or 15 days of professional development within their registration period of three years (i.e. five days per year) to remain on the register of the General Social Care Council. This is equivalent to around 2.3% of time (assuming 220 days of 7.5 hours worked per year), although the views of participants in this study suggest that the actual time spent on professional development may be greater. An audit of staff training for 2006 - 2008 provided by LA4 showed that social workers spent an average of 13.5 days per year on training events and in team meetings, i.e. just over one day per month or 6.2% of time. We chose to use this percentage for indirect payroll costs and it was added to direct payroll costs of social workers for both LAs and VAAs, as there was no evidence to suggest that this differed between these organisations. All tables and graphs show overheads calculated using this value (6.2%) for indirect labour costs other than management or administration.

In calculating indirect labour, time other than that for training and team meetings was not included due to the uncertainty and likely variability surrounding this. The information provided by LAs and VAAs suggests that this time may not be great. However, when calculating unit costs for a specific organisation, it may be necessary sometimes to add additional indirect labour costs to overheads if they are known. As a guide, we have calculated overheads (as percentage of total expenditure, total payroll, and direct payroll) for a range of values of indirect labour of front line staff and these are shown as graphs in the Appendix 2 together with the formulae for calculating them. As mentioned above, the value for indirect labour costs (6.2% of payroll costs) is likely to be an underestimate but there is no evidence to suggest substantial differences

between the organisations (and types of organisation), hence it can be used for comparative purposes.

Summary: The cost of social workers' time not spent directly on casework was 6.2% as a percentage of payrolls for LAs and VAAs. These values were used for all LAs and VAAs in the sample.

Presenting and comparing overheads

LAs differ from VAAs in that a proportion of their budgets are spent on direct payments to adopters. The majority of these payments are regular adoption allowances and/or start-up grants at the beginning of the placements. LAs also pay inter-agency fees. Because VAAs make no similar payments these items were excluded from the LA budgets before overheads were calculated. In table 5.2 below, these payments have been removed in a stepwise manner and data are presented both with and without these payments. Overheads are given as a percentage of total expenditure and as a percentage of both direct and indirect salaries i.e. expenditure on management and administration and the cost of social workers' time not spent directly on casework are not included in the direct salaries.

Table 5.2 - Overhead Costs of Local Authority Adoption Services and Voluntary Adoption Agencies.³²

	Overheads			
		as a percentage of all expenditure	as a percentage of total payroll	as a percentage of direct payroll
A. Using accounts as presented (but including our allocation of payroll to direct / indirect)	LA	13.3	37.9	50.3
	VAA	38.8	55.9	73.7
B. Accounts with costs of premises and running costs added	LA	20.5	66.0	87.7
	VAA	38.8	55.9	73.7
C. As in 'B' but excluding: adoption allowances	LA	29.3	66.0	87.7
	VAA	38.8	55.9	73.7
D. As in 'B' but excluding: adoption allowances and inter-agency fees.	LA	32.9	66.0	87.7
	VAA	38.8	55.9	73.7
E. As in 'B' but excluding: adoption allowances inter-agency fees and all other client-related direct payments.	LA	43.2	66.0	87.7
	VAA	38.8	55.9	73.7

³² Table 5.2 contains additional overhead expenditure identified from the accounts hence the percentages shown are not equal to just the sum of percentages of premises costs, running costs and so on shown in the calculations above.

Row A The overhead costs shown in row A use the financial accounts submitted to the researchers. It has no additional costs included in the total i.e. this is the adoption budget as seen and managed by the adoption teams. Indirect payroll costs for management and administration have been allocated for all organisations (using estimates where there were missing data). Overhead expenditure appears much greater for VAAs than for LAs. For example, it appears that as a percentage of all costs, VAAs spend almost three times as much on overheads as do LAs (38.8% compared with 13.3%).

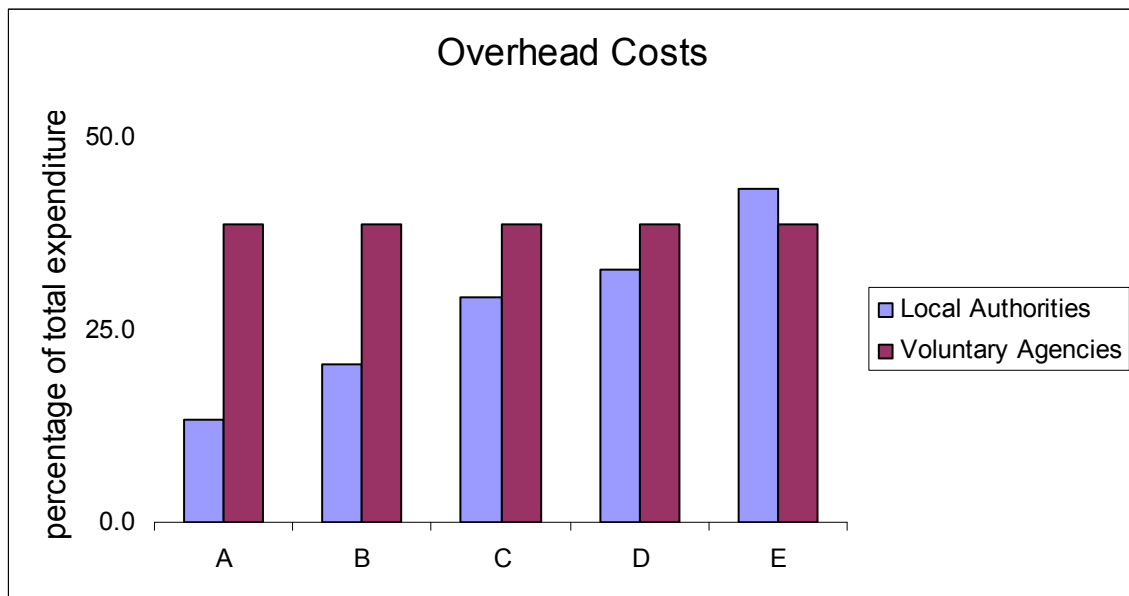
Row B When running and premises costs are estimated for those LAs, where these data were missing and included in the total, the overheads now rise to 20.5% of the total budget; and overheads expressed as a percentage of salaries are greater for LAs than for VAAs.

Row C and D Exclusion of allowances and inter-agency fees does not affect the overhead costs of VAAs (as they do not pay such allowances and fees) and do not influence overheads relative to payroll for LAs since these fees are not included in salary costs. However overhead costs as a percentage of total expenditure of LAs rise as these fees and allowances are excluded.

Row E When all such payments have been excluded, overhead expenditure accounts for 43.2% of the remaining expenditure of LAs compared with 38.8% for VAAs. Expressed as a percentage of total payroll, a way in which overheads have been usually viewed, overheads of local authorities accounted for 66% and those of VAAs for 56%.

Figure 5.1 below summarises the data in a graphical form, but here overheads are shown as a percentage of total expenditure on adoption services. The letters refer to the conditions i.e. additions and removals described above.

Figure 5.1 - All overhead costs of LAs and VAAs as a percentage of total expenditure.³³



³³ **A.** Budget/accounts as presented (but including allocation of payroll to direct/indirect)
B. Including added calculated costs of premises and running costs
C. As in 'B' but excluding: adoption allowances
D. As in 'B' but excluding: adoption allowances; inter-agency fees
E. As in 'B' but excluding: adoption allowances; agency fees; client-related direct payments

Local authority statistical returns and overheads

We also tried to verify the estimates of overheads by using data from other sources. The guidance to LAs in completing the Personal Social Services Expenditure (PSS EX1) requires the costs of Social Services Management and Support Services (SSMSS) to be entered. The SSMSS includes assessment and commissioning, general administration, and many of the groupings of overheads used in this study. Prior to 2000, SSMSS data were provided separately by LAs using the RO3 returns and such statistical data are available on the Department of Health³⁴ website. These data were analysed to give an indication of the reported levels of overheads (separate data were not available for adoption). SSMSS costs were calculated as a percentage of expenditure on all children's services for each of the LAs and a mean of these percentage values was derived. SSMSS expenditure for 1999-2000 was 11.12% of all costs. This reported expenditure was similar to the value of overheads that the sample LAs had given in their adoption accounts presented to the research team (13.3%, see Table 5.2, 'A', above).

Whilst this may give some indication of the perceived rate of overheads for services by LAs and supports the view that overheads may be perceived to be lower than they are for particular services, some caution is necessary in this interpretation regarding SSMSS. The allocation of items to SSMSS expenditure is not the same as that used for overheads in this study. Some 'overhead' expenditure may have been allocated by LAs to other categories outside SSMSS. Additionally, interpretation of guidance for what is to be included in SSMSS may vary from one authority to another and hence the allocation of expenditure to the SSMSS category is not uniform. This topic is a complex one and would benefit from additional research which explores the general issue of local authority overheads and their treatment and presentation and also the allocation of items to SSMSS (and differences in approaches between authorities).

Summary

- Because of the distribution of responsibilities and accountabilities within large organisations such as LAs, individual teams were unlikely to see the full costs of overheads or to have control over them. However, because of the smaller size of VAAs and their simpler management structure, such costs were visible.
- The level of responsibility held by those in adoption teams may also influence perceptions about the importance of overheads. If such costs are not under their control, managers may not consider them as directly relevant to the services they provide.
- The lack of inclusion of full overhead costs in the budgets of adoption teams of LAs may lead to perceptions that their costs are lower than those of the voluntary agencies. The levels of reported overheads in statistical returns may also promote this view.
- When direct payments to adopters and inter-agency fees were removed from LA adoption team expenditure, and appropriate amounts were added in place of missing data for running costs, the overheads of LA adoption teams were similar to those of VAAs, although LA costs appeared slightly higher in percentage terms.

³⁴ PSS EX1 data from 2005 onwards are available on the website of the Information Centre for Health and Social Care

http://www.dh.gov.uk/en/Publicationsandstatistics/Statistics/StatisticalWorkAreas/Statisticalexpenditure/DH_4000111
Older data are available on the Department of Health website.

- After removal of direct payments to adopters, overheads represented around 40% of total expenditure by adoption teams in LAs and VAAS.
- With regards to payroll, a comparison that has historically been made, this study suggests that the rate of overheads is around 67% of salaries for LAs and 56% for VAAs.

Chapter 6 - The inter-agency fee

Where children cannot be placed with an in-house local authority adoptive family, local authorities can place children with a VAA approved adoptive family. The inter-agency fee of £23,204 paid by the LA to the VAA is intended to cover the costs incurred by the VAA of recruiting and preparing an adoptive family (See page 1) and providing where necessary a package of support after the making of an adoption order. In this chapter, we set out to examine the cost to LAs and VAAs of placing a child for adoption and providing support up to the making of the adoption order.

The Bristol sample of 8 LAs and 10 VAAs were used for this work. It is important to note that the figures used in this chapter are not audited and because of the differing accounting approaches taken by the agencies, they need to be read as being indicative rather than exact.

Voluntary adoption agencies

Information on the number of FTEs employed in each VAA was extracted from the returns supplied by agencies together with the stated payroll, pensions, national insurance, and training and staff travel costs. As reproduced in the table below, this revealed a surprisingly high range of staff costs per FTE between the VAAs, which were smoothed out by taking an average to give a standard* number of FTEs of 14.7, and a standard³⁵ payroll cost associated with each FTE. This included expenditure on travel, mobile phones, staff training, adoption clerk, and other associated costs (NI, pension etc) of £53k per FTE.

Table 6.1 - The payroll costs of VAAs and the number of social workers employed

	PAYROLL COSTS		
	FTEs	Payroll	Cost per FTE
	No	£'000s	£'000s
VAA			
1	9	296	33
2	19	1078	57
3	44	2171	49
4	16	925	58
5	4	111	28
6	6	300	50
7	9	590	66
8	10	762	76
9	4	249	62
10	26	1322	49
TOTAL	14.7	7804	
AVERAGE	14.7		£53,088

³⁵ The term 'standard cost' is used widely by cost accountants, and is normally produced through an averaging process. There is no 'typical' or 'average' adoption agency.

The declared overhead costs for each VAA return produced an average cost per FTE of 37% (see Table 6.2). Overheads include panel costs, legal, publicity, subscriptions, adopter training and recruitment, rent, central recharges, IT and running costs and sundries. This result was compared with the analysis of the Loughborough sample overheads outlined in the previous chapter. This had produced an average overhead cost of 43%. However, in reviewing the VAA accounts, two of the VAA agencies appeared to have disclosed overhead levels substantially below what would have been expected, and further enquiries led to the conclusion that this was in fact the case. Therefore, we chose to use 43% as a typical overhead, accepting that this may be over prudent. The two agencies that had declared low overheads were not part of the Loughborough sample and therefore their accounts had no bearing on the analysis of overheads presented in the previous chapter.

Table 6.2 - Overheads as presented in the accounts, adjusted and per FTE

	Overhead (excluding direct payments to adopters)		
	Cost as provided	Adjusted cost- at 43%	Per FTE
	£'000s	£'000s	£'000s
VAA			
1	220	127	14
2	290	464	24
3	850	934	21
4	300	398	25
5	135	48	13
6	90	129	23
7	185	254	29
8	210	335	34
9	95	95	22
10	535	568	21
TOTAL	2910	3351	
AVERAGE	37%	43.0%	£22,830

Therefore, the standard cost per FTE for a VAA was a payroll cost of £53,088 and an overhead cost of £22,830 - a total cost of £75,918 per FTE.

When applied to the average number of FTEs, this gave the average cost for a typical VAA of £1,115,000 approximately. Typically, these costs would cover:-

- Payroll costs, including taxes, pensions, travel, mobiles phones, training, support staff working with social workers and any other miscellaneous staff costs;
- Overhead costs, including panel costs, legal, publicity, subscriptions, adopter training and recruitment, rent, central recharges, IT and running costs and sundries.

VAA's also provided details of the numbers and characteristics of the children placed for adoption in the same year as their financial accounts. These were also averaged to exclude the variations that might be expected between agencies.

However, it should be remembered that the costs of providing adoption services would tend to lag behind the actual number of adoptions achieved because of the delay in paying the second instalment of the inter-agency fee. A more accurate measure may be the numbers of adoptions achieved in the year following the financial accounts but this was our error and was not requested.

The data on children were grouped according to the known level of difficulty in finding an adoptive family. The results are summarised in table 6.3 below:

Table 6.3 - The characteristics of children placed with VAA's approved adopters

PLACEMENTS					
	Single white child	Sibling group / minority ethnicity	Under 4 years old	Over 4 years old	Total
	Number	Number	Number	Number	
VAA					
1	12	12	3	21	
2	23	17	23	17	
3	27	62	61	28	
4	20	12	25	7	
5	3	11	11	3	
6	6	2	3	5	
7	12	7	9	10	
8	4	12	14	2	
9	0	9	9	0	
10	21	30	32	19	
TOTAL	128	174	190	112	
AVERAGE	13	17	19	11	30
	Restated as		Under 4 yrs Single and white	8	
			Under 4 yrs Sib/minority ethnic	11	
			Over 4 yrs Single and white	5	
			Over 4 yrs Sibs/minority ethnic	6	

In total, the ten VAAs found adoptive families for 302 looked after children during 2007-8. The typical pattern for a standard VAA was 30 children adopted, eight being single placements of white children under four years of age, eleven were typically less than four years old, but placed as a sibling group or from a minority ethnic background. Five children were single white children over four years old and six were aged over four and placed as a sibling group or of minority ethnicity.

Therefore using a standard or typical VAA cost of £1,115,000, 30 adoptions cost £36,905 each.³⁶

In addition to finding families for thirty children for adoption, a standard VAA also recruited and assessed 25 prospective adopters and provided post adoption support services to 242 families / children. These results are derived from table 6.4 below:

Table 6.4 - VAA adopter recruitment and post adoption support activity in 2007-8

	ADOPTERS RECRUITED	POST ADOPTION SUPPORT
VAA	Number of Families	Number supported
1	19	212
2	26	800
3	58	400
4	27	92
5	12	Not given
6	6	130
7	18	98
8	20	212
9	6	24
10	55	214
TOTAL	247	2182
AVERAGE	25	242

The VAA accounts showed that on average they received an inter-agency fee of £23,204 for each child successfully placed for adoption. This compares with a cost of £36,905. These results are summarised in table 6.5 below.

³⁶ Small difference is due to rounding

Table 6.5 - The costs of providing an adoptive placement and income from inter-agency fees³⁷ for VAAs

VAA	Estimated cost	Income
	£	£
1	£423,280	£556,896
2	£1,541,540	£928,160
3	£3,104,530	£2,065,156
4	£1,322,750	£742,528
5	£158,730	£324,856
6	£429,000	£185,632
7	£843,700	£440,876
8	£1,115,400	£371,264
9	£316,030	£208,836
10	£1,890,460	£1,183,404
TOTAL	£11,145,420	£7,007,608
AVERAGE		£23,204

Thus, it can be seen that eight VAAs did not recoup all their costs. Indeed VAA3 had to subsidise their adoption services from charitable funds by over £1million during the survey year, whilst two agencies apparently made a profit. Again, these results should be read with caution due to the timing differences between adoptions and receiving the income.

The question arises as to whether the inter agency fee is/was designed to cover the total costs of an agency in a typical year. As it stands, the implication is that the fee 'expects' charitable fund raising to provide nearly 40% of the total costs involved in family finding and providing adoption support.

Local authorities

Eight local authorities provided similar information to the VAAs. The same averaging methodology was applied to their financial accounts to establish the typical costs of a LA adoption service. This, however, proved to be more challenging with two main adjustments being required to enable the information on LAs to be comparable and useable. These challenges are as follows:-

- The overhead costs reported by LAs were substantially lower than the average overhead costs calculated in the work on the Loughborough sample (see previous chapter).
 - Included in the LA adoption overhead is the cost of inter agency fees - outsourcing some adoption work to a VAA - which as revealed above appears to be understated - £23,204 paid against a cost of £36,905; and thus the returns do not show the real cost of the work.
- First, an average number of FTEs and payroll cost was established. This revealed an average 14.6 FTEs at a cost of £45,315 each (see table 6.6 below).

³⁷ For the purpose of this comparison, the income has been calculated at £23,204 charged for the adoption numbers achieved in the return year.

Table 6.6 - The payroll costs of LAs and the number of social workers employed

	PAYROLL COSTS		Cost per FTE
	FTEs	Payroll	
	No	£'000s	
Local Authority			
A	34	1942	57
B	9	311	35
C	15	808	54
D	14	437	31
E	9	335	37
F	13	613	47
G	12	392	33
H	11	457	43
TOTAL	117	5295	
Average	14.6		£45,256

The LA financial accounts submitted showed the standard overhead cost to be 43.1% of payroll costs - a result that was in line with the adjusted VAA charge. However, as we have seen in the previous chapter, while a rate of 37.9% was declared in the LA returns from Loughborough sample, there were a number of important omissions and adjustments were made. These adjustments were all in the area of internal charges for establishment costs where, in some returns, no costs were included for premises, central services and/or HQ management costs. The resulting standard overhead cost per payroll was thus increased to 66% (see page 58). The returns that form the basis for this analysis may be similarly afflicted. The difference between the two bases is as follows:-

Basis 1 - assuming standard overhead of 43%

	OVERHEAD (excl agency fees)		
	per return	at stnd cost	Per FTE
	£'000s	£'000s	£'000s
Local Authority			
A	745	835	25
B	160	134	15
C	300	347	23
D	245	185	13
E	170	144	16
F	270	264	20
G	235	168	14
H	155	197	18
TOTAL	2280	2273	
AVERAGE	43.1%	43.0%	£19,485

Basis 2 - assuming standard overhead charge of 66%

	OVERHEAD (excl agency fees)		
	per return	at stnd cost	Per FTE
	£'000s	£'000s	£'000s
Local Authority			
A	745	1301	38
B	160	208	23
C	300	541	36
D	245	288	21
E	170	224	25
F	270	411	32
G	235	261	22
H	155	306	29
TOTAL	2280	3542	
AVERAGE	43.1%	67.0%	£30,361

Both the above overhead calculations exclude inter-agency fees paid which amounted to £139,125 approx for a standard LA.

Thus, on Basis 1 with an overhead standard cost per FTE of £19,485, the total expenditure for a standard LA, including inter-agency fees, is **£1,084,000** approx. This is derived by:

Calculation: Number of FTEs x (payroll standard cost per FTE + overhead standard cost per FTE) + inter-agency fees = total LA expenditure

Actual calculation: $14.6 \times (£45,256 + £19,485) + £139,125 = £1,084,343$.

Thus, on Basis 1, the total expenditure for a standard LA, including agency fees, is **£1,084,000** approx.

The standard cost includes the following:-

- Payroll costs, including taxes, pensions, travel and miscellaneous staff costs;
- Overhead costs, including panel costs, legal, publicity, subscriptions, grants, adopter training and recruitment, rent, central recharges, IT and running costs and sundries;
- Inter-agency fees paid to outsource certain adoptions.

On Basis 2 with an overhead standard cost per FTE of £30,361, and using the same calculation as above, the cost rises to **£1,243,000** approx.

Actual calculation: $14.6 \times (£45,256 + £30,361) + £139,125 = £1,243,133$.

It was not the purpose of the work commissioned at Bristol University to investigate the accuracy of the declared overheads, so for the remainder of this chapter, we have used 43% to arrive at the standard overhead cost per FTE as it represents the financial information provided by LAs.

The number of LA adoptions generated by this expenditure, assembled in the same way as in the VAA table 6.3 above, may be summarised as follows:-

Table 6.7- The characteristics of children placed by LAs for adoption

PLACEMENTS					
	Single white ethnicity	Sibling group/ minority ethnicity	Under 4 years	Over 4 years	Total
	Number	Number	Number	Number	
Local Authority					
A	34	22	48	8	
B	18	4	18	3	
C	5	10	13	2	
D	22	13	28	7	
E	27	15	21	21	
F	8	8	14	2	
G	27	15	34	8	
H	25	9	28	6	
TOTAL	166	96	204	57	
AVERAGE	21	12	26	7	33
	Restated as		Under 4yrs single white ethnicity	16	
			Under 4yrs sibling group/minority ethnicity	9	
			Over 4yrs single white ethnicity	5	
			Over 4yrs sibling group/minority ethnicity	3	

A standard LA thus achieves three more adoptions in a year than a standard VAA.

Using the above numbers, the cost for each LA adoption is derived by:

Calculation: Total expenditure / number of adoptions = cost per adoption

Actual calculation: £1,084,000 / 33 = £33,099 for each adoption.³⁸

³⁸ The small difference is due to rounding.

However, this includes the costs of outsourcing some adoptions to VAAs for which an average fee of £23,200 is paid, but which as per the above should cost £36,905. To understand the true cost of each adoption achieved by an LA, the agency fee must be adjusted to reflect this 'true cost'.

The financial returns disclosed inter-agency fees paid as follows:-

Table 6.8 - LA expenditure on inter-agency fees 2007-8

	Inter-agency fees
	£'000s
Local Authority	
A	116
B	134
C	27
D	241
E	153
F	115
G	95
H	209
TOTAL	1090
AVERAGE	£136,250

At an average fee of £23,200, this represents six outsourced adoptions in a typical year. If the LA paid the true cost of £36,905, the total cost for a standard LA adoption agency would increase by £82,230.

Calculation: number of outsourced adoptions x (true cost of inter-agency fee - current average inter-agency fee) = total cost for a standard LA adoption agency

Actual calculation: $6 \times (\pounds36,905 - \pounds23,200) = \pounds82,230$.

Adjusting the previous calculation of the cost for each LA adoption:

Calculation: Total expenditure + true cost of VAA adoption placements / number of adoptions = cost per adoption

Actual calculation: $\pounds1,084,000 + \pounds82,230 / 33 = \pounds35,340$ for each adoption.

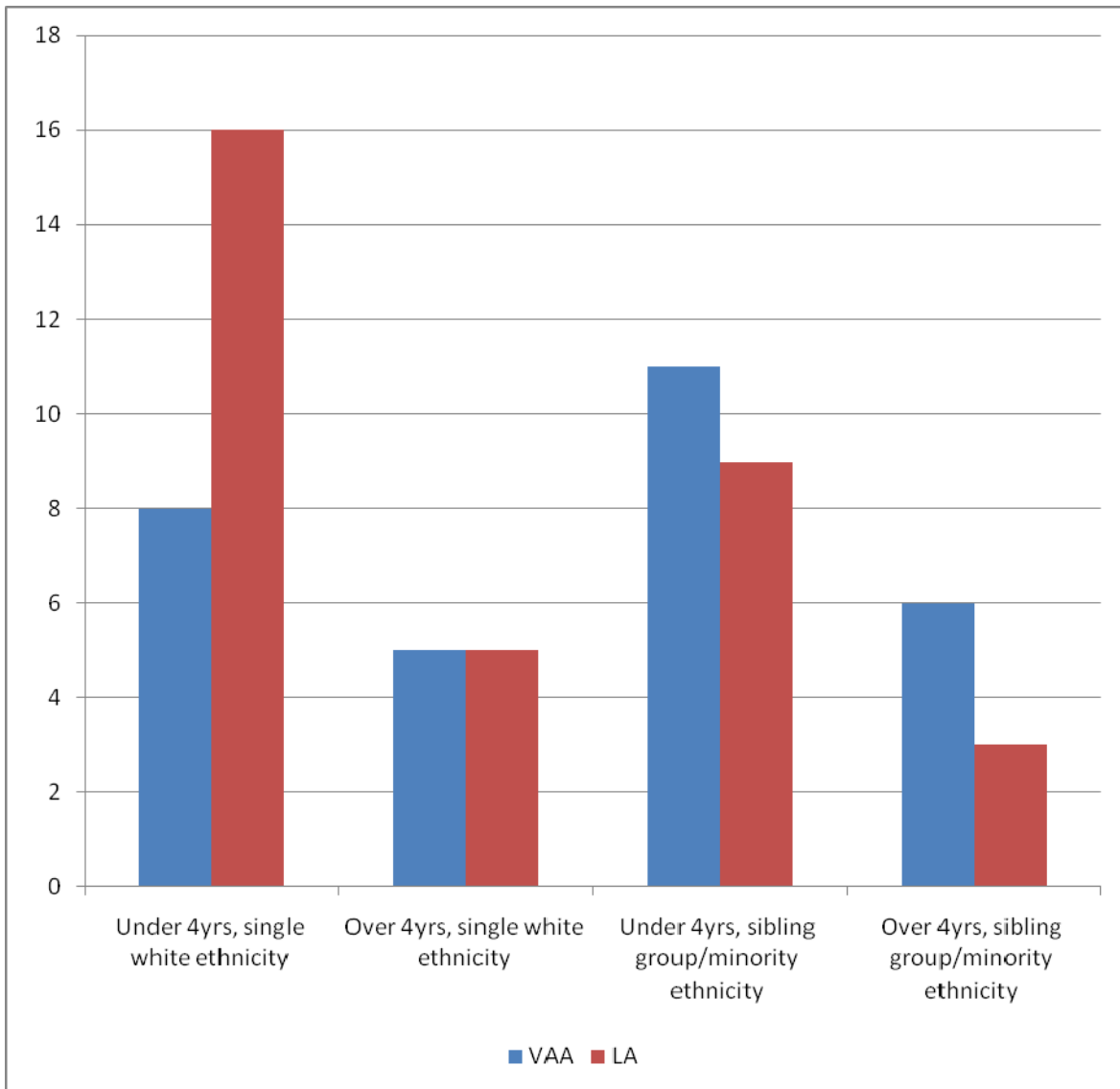
We recognise that LAs do not pay the 'true' cost but to ensure that the comparison with VAAs is made on a 'like for like' basis, the higher fee is used in the calculation.

The estimated cost for a typical LA of achieving each adoption is therefore approximately £35,340.

Comparison between a standard VAA and a standard LA

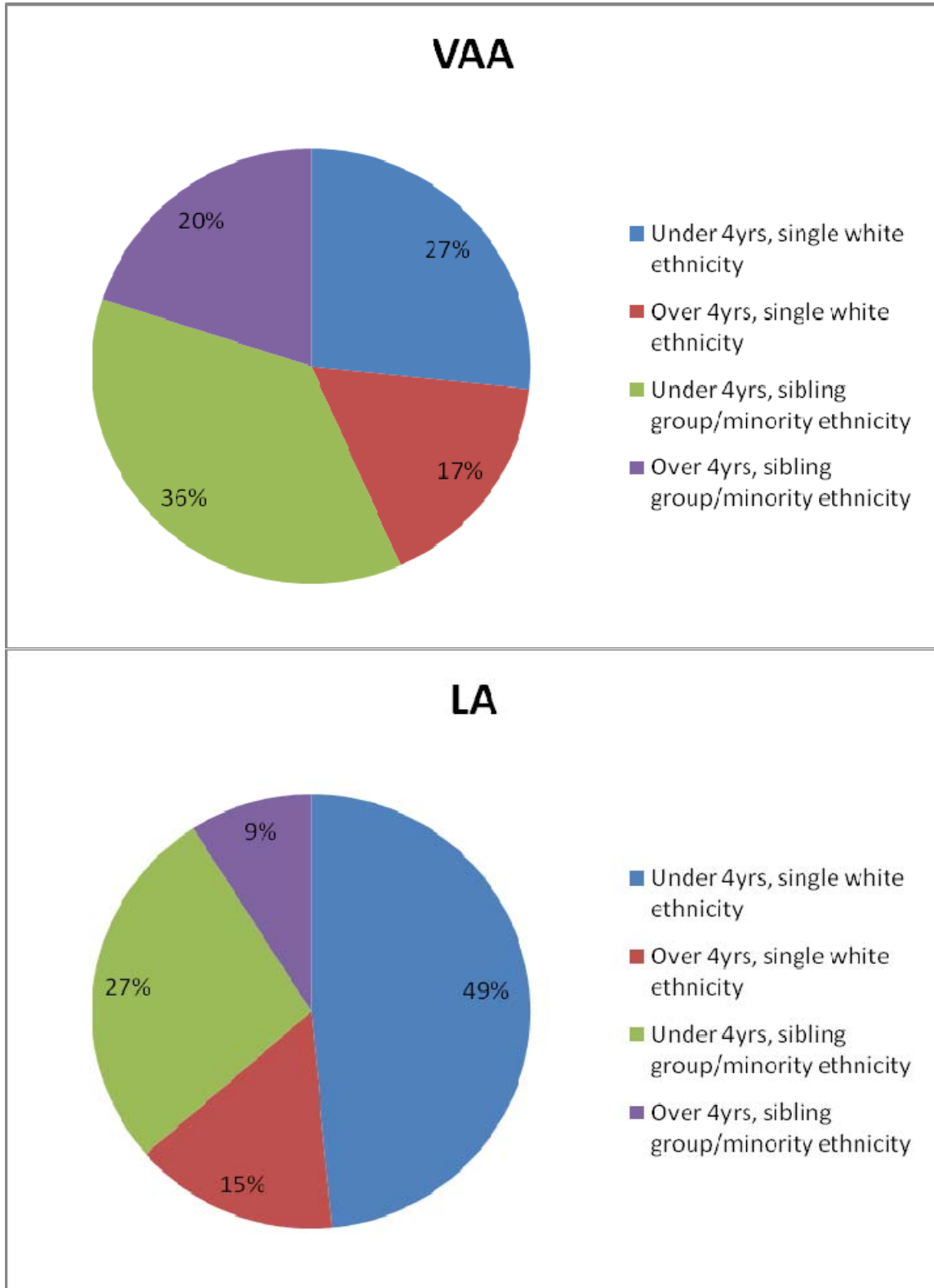
A standard VAA spends £36,905 on achieving one adoption placement and provides adoption placements for 30 children. A standard LA spends £35,340³⁹ on one adoption placement and provides adoption placements for 33 children. However, the profile of the children adopted is very different as can be seen in the figures below.

Figure 6.1 - Comparison of the numbers and characteristics of children placed with LA adoptive families and with VAA adoptive families



³⁹ If the Loughborough overhead calculation is applied this rises to £40,145

Figure 6.2 - Comparison of the characteristics of children by percentages placed with LA adoptive families and with VAA adoptive families



In order to evaluate the respective adoption costs based upon known 'difficulty' of finding a placement an estimate of the costs to the State of continuing to look after the children was calculated. In this exercise, the costs were calculated based upon a child remaining in in-house foster care for different periods of time from the time of the adoption recommendation until placement (see table 6.10 below). The 'time to adoptive placement' for minority ethnic children and white children was developed in a previous study.⁴⁰

Table 6.9 - The characteristics of the child and the costs to the local authority of children remaining looked after

Difficulty factor calculation based on characteristics of adopted child	Length of time in care from adoption recommendation until placement⁴¹	Average cost to the LA of looking after a child over time period⁴²
Under 4yrs single white ethnicity	10 months	£20,216
Over 4yrs single white ethnicity	18 months	£37,544
Under 4yrs sibling group or minority ethnicity	20 months	£41,395
Over 4 yrs sibling group or minority ethnicity	24 months	£50,058
Never placed	14 years	min £400,000

The actual cost to VAAs of finding an adoptive placement is very similar to the costs to the LA of a child remaining in foster care for 18 months. The adoptive families provided by the VAAs, which are clearly biased towards the more difficult to place children save the State approximately £25,000 for each subsequent year the child is not looked after.

However, we do need to remember that these savings are not felt immediately and while the costs of the inter-agency fee are incurred by the adoption teams the savings are experienced by the looked after teams. Whilst the costs for remaining looked after may be much higher - the estimates are purely for the purpose of this exercise - they would seem to validate the additional cost per adoption of £1,565 (£36,905 compared to £35,340) for the 30 children adopted via a VAA each year. We know that if children were not placed through a VAA, many would remain looked after and some would eventually be placed in the independent sector at a cost of £1,000-£3,000 per week. These costs are not shown. The calculations also take no account of the social return on the investment in adoption.

⁴⁰ Selwyn et al (2008) Pathways to permanence for black, Asian and mixed ethnicity children , report to DCSF.

⁴¹ Using findings from Selwyn et al (2008) Pathways to permanence for black, Asian and mixed ethnicity children , report to DCSF

⁴² Measured from the point of the adoption recommendation until the adoption placement and using £481.33 costs per week for in house foster care, not in London. It would be unlikely for children with adoption recommendations to be placed with an independent fostering agency. Unit cost developed by Loughborough University in their work on the ' Cost Calculator' and 43% overhead applied to salary costs.

Investing in adoption

The longer-term costs of growing up in the care system have not been subject to much analysis. To understand some of the additional benefits adoption might bring, we have drawn on the work of Godfrey and colleagues at York (2002)⁴³ who calculated the costs of being 'not in education, employment and training' (NEET) between the ages of 16-18yrs. Being NEET between these ages means that typically a young person moves in and out of employment throughout their lives and that this has a negative impact on many areas of wellbeing. For example, the risks of mental ill health are 23 times higher for a person who is NEET.⁴⁴

The York (2002) study found that about 8.5% of the general population fell into the NEET category, but that some groups, such as looked after children, were much more vulnerable to being NEET. The average cost per capita over a lifetime using 2000/1 prices was calculated as £45,000 resource costs and £52,000 public finance costs. For young people who abuse drugs or alcohol and become involved with crime, the costs nearly doubled. DCSF statistics (2008)⁴⁵ show that about a quarter of 19 years olds who had been previously looked after were NEET, and this percentage has remained steady over that last 5 years.

Comparisons with those adopted out of care are difficult because there have been no recent studies of young adopted adults. The vast majority of studies of adoption outcomes have focused on psychosocial outcomes and not on whether adopted young people are in education or training. The few studies that have examined adult adoptees adjustment (including their socio-economic status) show that their profile is similar to that of the general population.⁴⁶ However, the characteristics of children placed and the social context has changed significantly since the children who were placed in the 1960s and 1970s were followed up in these studies. Nevertheless, the information available suggests that adopted children are less likely to be NEET than those who remain looked after, and their own children are less likely to become looked after. A full social investment return analysis would provide greater detail.

⁴³ Godfrey, C., Hutton S., Bradshaw, J., Coles. B., Craig G., Johnson, J. (2002) Estimating the cost of being " not in education, employment or training" at age16-18yrs Research Brief RB346, DfES

⁴⁴ The Prince's Trust (2007) The cost of exclusion, London

⁴⁵ DCSF (2008) Statistical first release SFR 23/2008

⁴⁶ Borders, L Penny, J. and Portnoy F (2000) Adults adoptees and their friends family relations 49, pp407-418, Triseliotis, J Adoption outcomes a review . IN E.D.Hibbs (ed) 1991 Adoption: international perspectives Madison CT International university press. Maughan B., Collinshaw, S and Pickles A (1998) School achievement and adult qualifications among adoptees, Journal of child Psychology and Psychiatry , 29:5 pp 669-685

Summary

The main conclusions to be drawn from this analysis are:-

- The inter-agency fee paid per adoption was approximately £13,700 deficient. The deficiency is probably being met by VAAs from charitable funds.
- Greater numbers of children who are difficult to place are found adoptive placements by a standard VAA.

A standard VAA and LA, in a typical year and applying a 43% overhead will have the following characteristics:-

Summary of the results of the review		VAA	LA
Ave number of FTEs employed		14.7	14.6
Ave cost of providing domestic adoption services		£1,115,000	£1,084,000
Ave adoptions achieved :-			
	Under 4yrs single white ethnicity	8	16
	Under 4yrs - sibling group or minority ethnicity	11	9
	Over 4yrs single white ethnicity	5	5
	Over 4yrs - sibling group or minority ethnicity	6	3
		30	33
Ave cost per adoption		£36,905	£35,340
Ave fee per adoption		£23,204	n/a
Ave no. of families supported post adoption		242	298
Ave no. of adopters approved		25	27

Chapter 7 - The views of adoptive parents

Twenty-five adopters who were approved as adoptive parents by a local authority (LA) and 36 adopters approved by a voluntary adoption agency (VAA) took part in telephone interviews. The LA adopters came from the eight study LAs, while the VAA adopters, although approved by the 10 study VAAs, received children from LAs across the country. The interviews focused on the type and amount of support they had received during the past twelve months and their satisfaction with services. The characteristics of the interviewees are shown in Table 7.1.

Table 7.1 - Characteristics of the adopters interviewed for the study

	LA N= 25	VAA N= 36
Single adopters	2 (8%)	5 (14%)
Ethnicity of adopter		
White	23 (92%)	28 (78%)
Black	-	1 (3%)
Asian	1 (4%)	3 (8%)
Mixed White / Black	-	1 (3%)
Mixed White / Asian	-	2 (6%)
Mixed Other	1 (4%)	-
Other	-	1 (3%)
Adopted a sibling group	9 (36%)	17 (47%)
Adoption order granted	21 (84%)	34 (94%)
Time the children have been in placement		
Up to 1 year	4 (16%)	-
1 to 2 years	9 (36%)	20 (56%)
2 to 3 years	6 (24%)	11 (31%)
More than 3 years	6 (24%)	5 (14%)

There were more minority ethnic adopters interviewed from VAAs than from the LAs, and the VAA adopters had taken more sibling groups. Few adopters (16%) with newly placed children responded to the interview request, although 52% of LA adopters and 56% of VAA adopters had had the children for less than two years.

Sixteen (64%) of the LA adopters and 35 (97%) VAA adopters had children placed with them from another local authority some distance from their home. Most adopters had not considered whether this might affect the level of support they received and instead spoke about the advantages that the additional distance brought, as it gave them greater security and less chance of the birth family discovering their address. Analysis showed that distance was not a factor that explained variation in adoption support.

The children

The adopters were caring for 94 children: 36 children placed with LA adopters and 58 children placed with VAA adopters. Their characteristics are shown in Table 7.2 below. Children who were placed as part of a sibling group did not have identical histories and therefore each child is considered separately.

Table 7.2 - Characteristics of the children placed with adoptive families

	LA (N=36)	VAA (N=58)
Gender		
Male	23 (64%)	27 (47%)
Female	13 (36%)	31 (53%)
Ethnicity		
White	30 (83%)	49 (84%)
Black	1 (3%)	1 (2%)
Asian	-	2 (3%)
Mixed White / Black	3 (8%)	3 (5%)
Mixed White / Asian	2 (6%)	1 (2%)
Mixed Other	-	-
Other	-	2 (3%)
Child matched by ethnicity	36 (100%)	56(97%)

The children who were placed with the VAA adopters were significantly older (mean = 54 months, range = 8 -136 months) than the children placed with LA adopters (mean = 37 months, range = 8 -136)⁴⁷. Although not statistically significant, more children with difficult histories were placed with the VAA adopters than placed with LA adopters (See table 7.3). Adopters commented that if children had birth parents who were misusing alcohol or drugs or if there was little background information, the children had often been described to them as having 'unknown developmental prognosis'. Some adopters commented that the professional's initial concerns had quickly disappeared once the child moved in with them. For example, one remarked: "(The) pediatrician described (child) as autistic... but no concerns now, we have three wonderful children, (child) could have been written off". In such situations LA social workers may have had a dilemma of not presenting the 'worst case scenario' so that the child became 'unadoptable' but ensuring that available information was given to adopters or a best estimate was provided when nothing was known.

⁴⁷ Independent samples t-test. $t = -4.05$ (df= 59), $p < .0001$

Table 7.3 - Adopters' knowledge of the children's history

	LA (N=36)	VAA (N=58)
History of any abuse or neglect	19 (53%)	50 (86%)
Substance abuse by birth mother during pregnancy	15 (42%)	18 (31%)
Children with developmental delays or specific health needs identified before placement	9 (25%)	16 (28%)
Birth parents with mental health problems	13 (36%)	18 (31%)

In 83% of the LA approved families and 88% of the VAA approved families the adopted children had siblings living elsewhere.

Linking and Matching

There was a difference between LAs and VAAs in the way adopters first heard about the child(ren) they later went on to adopt. Only VAA adopters (28%) had been matched as result of responding to promotional magazines such as 'Be My Parent' and 'Children who Wait' or had been identified as a potential match through the adoption register (6%). None of the LA adopters had been matched in either of these ways.

Most VAA adopters (53%) had been approached by their own worker who had received flyers of waiting LA children and thought they might be a suitable match. In four cases the child's social worker had contacted the adopters after seeing profiles of approved adopters that had been circulated around LA teams. One couple had attended a Celebration Day and met the professionals who had had contact with the child. In comparison 88% of LA adopters had been told about the children via their own family placement worker or heard about them through in-house profiling events. One LA adopter had been the child's previous foster care and another had used the internet to find the child.

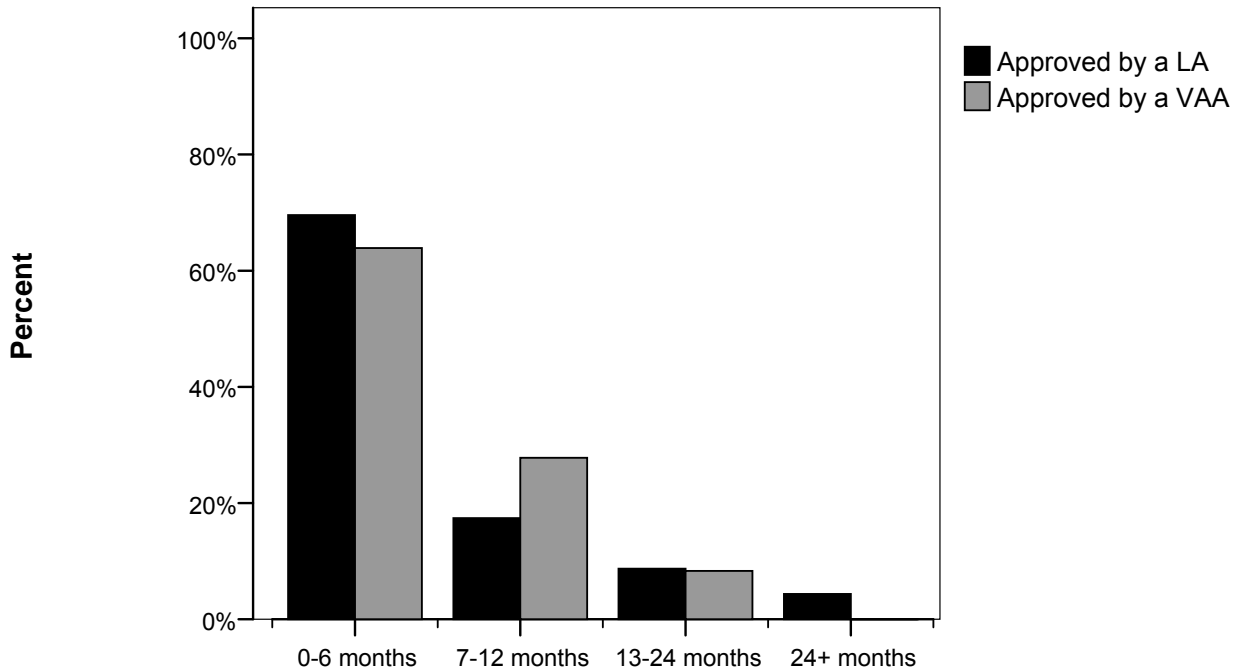
Both groups waited on average 6 months from the time they were approved until they were matched with the children (LA range : 0-36; VAA range : 2-24) see figure 7.1 below.

The majority of the adopters in both groups (LA-80%;VAA-72%) said that either they were happy with the time that they had to wait or understood why the process sometimes took longer:

We phoned the number on the advert and left a message- they rang back the same day. The LA was very well organized.... (VAA adopter).

We were encouraged to be proactive by our own social worker, so rang the child's social worker. She (child's SW) visited us, stayed for three hours, and rang 40 minutes later to say (that) we were the ones they were looking for (VAA adopter).

Figure 7.1 - The length of time in months the adopters had to wait from the approval until the match



A fifth of adopters approved by LAs and a quarter of adopters approved by VAAs were unhappy with the time that they had to wait until they were matched with the children. Most commented negatively on delays:

It took about a year. There doesn't seem to be any sense of urgency for anything at all (LA adopter).

Introductions and planning for placement

Adopters were asked about the support they had received from the child's social worker and their agency's family placement worker during the period they were first introduced to the child(ren). Virtually all (99%) had attended a planning meeting, where the plan for introductions had been made. These were described as generally well organised and helpful.

The LA was very organized, we attended a planning meeting. It was great- we felt supported (VAA adopter).

Introductions

The introductory period was usually set at 7 days or 14 days depending on LA agency practice (range: 2-21 days). In most cases, neither the children's social worker nor the family placement worker⁴⁸ were present during all of the visits. A common practice was for the children's social worker to be present at the first visit when the adopters met the child(ren) for the first time and the last visit when the adopters were taking the child(ren) to live with them, with the family placement worker being in contact by telephone. In most cases, adopters described children as being well-prepared and in two cases the foster carer managed all of the introductions with no social worker present.

Visits often began in the foster carer's home with the time spent with the child gradually increasing to include bath-times and bedtime. Children did not visit the adopter's home before moving to live there permanently if the children were very young and / or the adopters lived many miles away. A quarter of LA adopters and 39% of VAA adopters did not take the child to see their new home before the move. Adopters instead were encouraged to make a DVD of their home and community to share with the children.

The adopters described positive and negative experiences during the matching and linking period. The quality of the experience was strongly influenced by individual local authority policies. Some adopters thought that they had been left to their own devices during the introductions and would have liked more support:

(At) the first meeting we were told we would be meeting the children but the senior social worker wouldn't allow it. We were terribly upset. She was a weapon, very scary, with no people skills. We're both business people and had never met anyone like her! We'd prepared a DVD for the children of our home, but now the children have told us how scared they were, as they hadn't seen the house before the move. Because of the distance, we were booked into a hotel, no one dropped in to see us during the introduction week, but our social worker rang every night (VAA adopter).

In some cases, the VAA and the LA worked together to facilitate a smooth introductory period for the adopters and the children:

Absolutely fantastic.... Lucky with our own agency and the council was professional, organised and detailed... (VAA adopter).

Some adopters reported that the LA had a policy of hiring a cottage or booking a holiday home on behalf of the adopters. Where agencies had taken some or all the responsibility for organising the practicalities around the visits, adopters were very positive. The accommodation chosen was far more suitable for spending many hours with a child (ren. it could become more 'home like' than a hotel room:

(LA) found cottage for us and paid in advance...a brilliant experience (VAA adopter).

⁴⁸ The term family placement worker is used as a generic job title to describe adoption workers, permanency workers, etc

Reimbursement of expenses

Fifty-two of the adopters (88%) were reimbursed for their expenses incurred during introductions. The amount reimbursed ranged from £20 to £800, and this was associated with the number of introductory days and the distance adopters had to travel rather than whether they were a LA or VAA adopter.

Settling in grants

Significantly more adopters from the VAAs (89%) received a settling in grant than those from LAs, where less than half (46%) received a grant.⁴⁹ The age of the child(ren) and whether a sibling group were placed together were not related to whether the adopters received financial help. Although the range of payments differed (LA: £140-£750; VAA: £100- £1500) the average⁵⁰ payment per child (£500) made to the adopters did not differ significantly. Not all adopters wanted a payment and not all adopters who received a payment were satisfied:

My husband took three months off work and I gave up work. We're self-employed and there's no maternity package. It cost us about £6k; the money we got didn't even cover the beds (VAA adopter).

Planning support

Adopters were asked whether they knew in advance about the support that would be available to them after the placement of the children. More VAA adopters (86%) were aware of support services and knew how to access them than LA adopters (76%). The remaining adopters stated that they only had a vague idea or had no knowledge at all. In the majority of cases, it had been the family placement worker who had discussed support with the adopters, and children's social workers had discussed support with about 40% of LA adopters and 39% of VAA adopters.

Two out of five adopters (40%) from LAs and three in five adopters (58%) from VAAs were given written agreements about post placement support. Most stated that at the time they had been content with the plans that had been agreed. However, a few (14) adopters now, with hindsight, thought that the initial support plan had been insufficient:

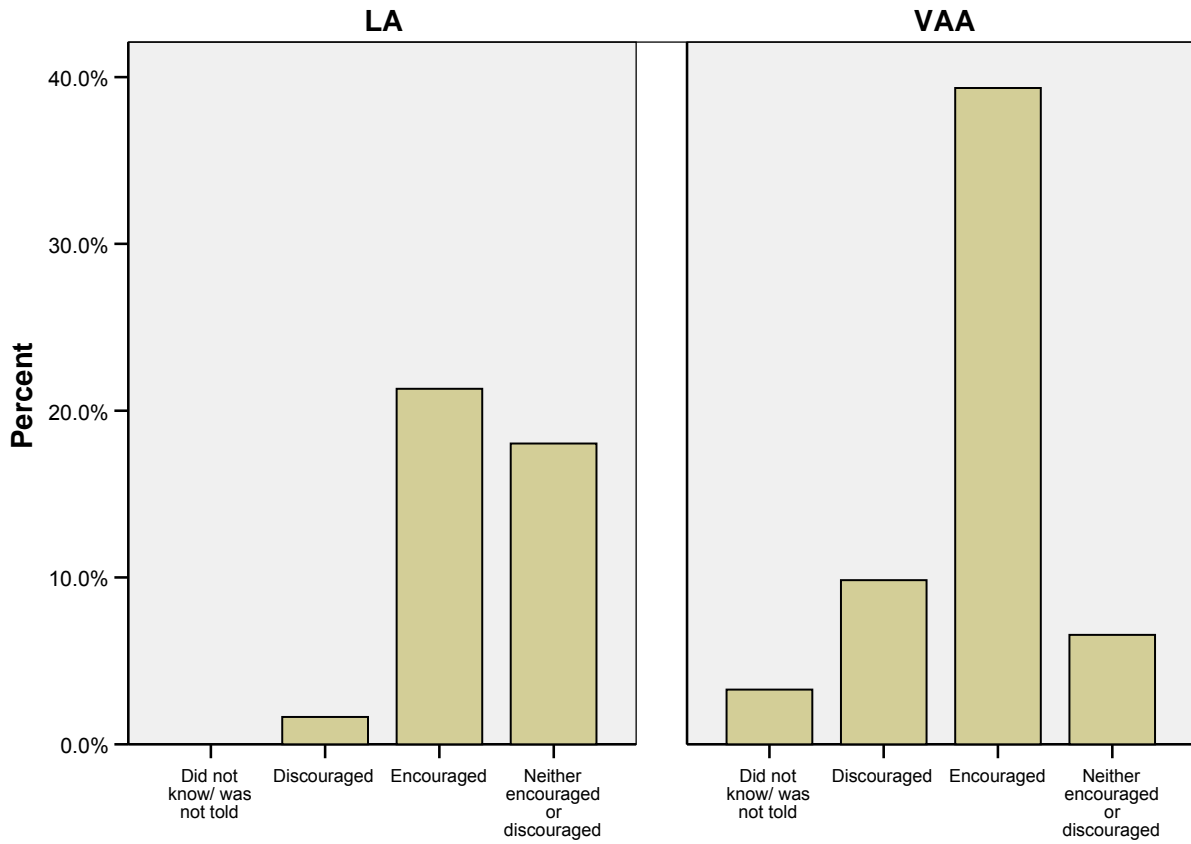
You have to know the system. We had to hunt for it... and with the LA we had to follow everything up. Form Es not accurate, missing medical info, sanitized reports. If we had known about the boy's developmental delays, support would have been planned differently (VAA adopter).

Support may have been discussed, but did adopters feel able to make use of services? The responses are shown in figure 7.2 below. Most adopters thought that they had been encouraged by social workers to use services. However, in two cases adopters spoke of being told not to ask for support, because it would not be provided.

⁴⁹ Chi square analyses. $\chi^2 = 13.15$ (df=1), $p < .0001$

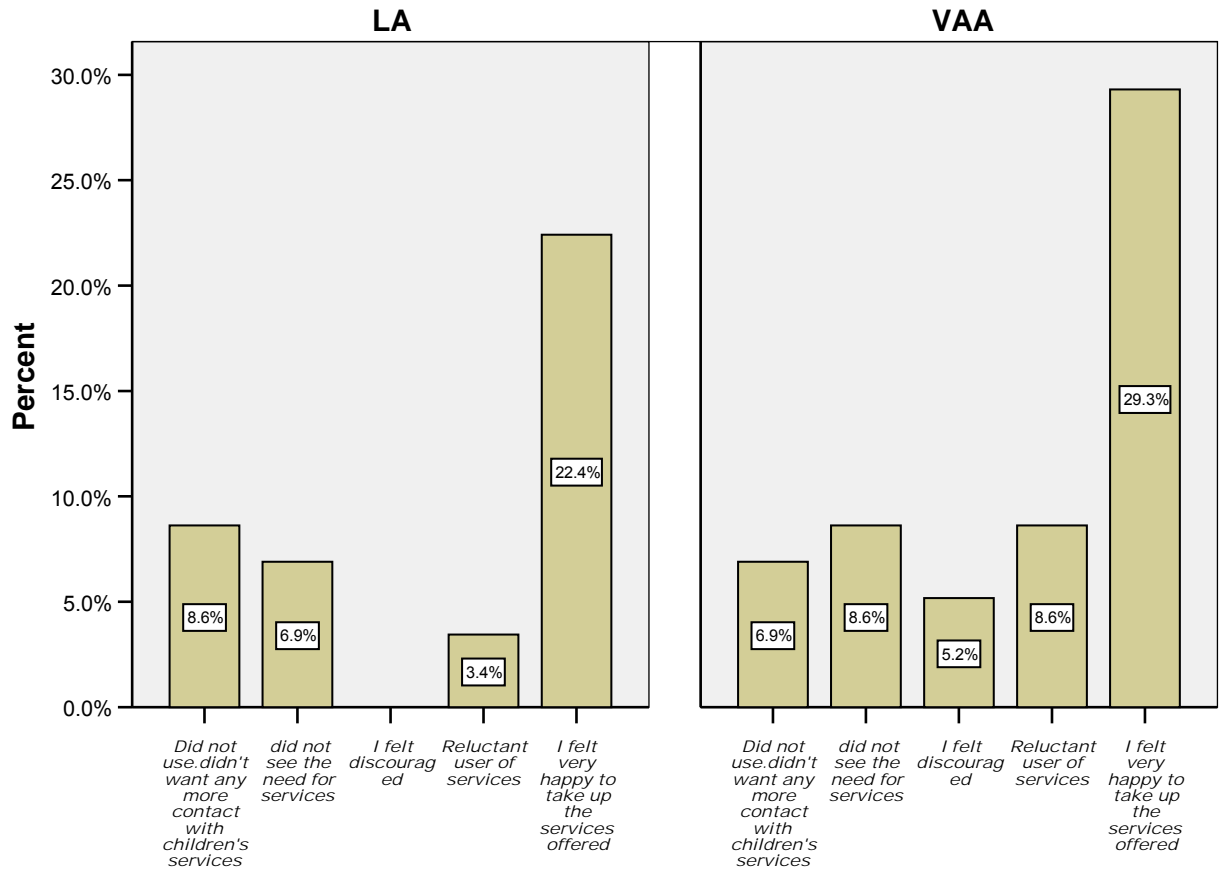
⁵⁰ mode

Figure 7.2 - Whether the adopters were encouraged or discouraged to use post placement services



We also asked the adopters how they personally felt about taking up available support services and their responses are represented graphically in figure 7.3. There was very little perceived stigma in using adoption support services. The majority of adopters stated that they were happy to use the services offered or would be happy if they ever needed to ask for help in the future.

Figure 7.3 - Adopters' views on taking up available support services



Plans for contact

The plans that children had for direct and letterbox contact are shown in tables 7.3 and 7.4. As can be seen, children who were adopted had more plans made for direct contact with siblings and letterbox contact with their birth mothers than planned contact of other types.

Table 7.3 - Plans for direct contact

DIRECT CONTACT WITH	NUMBER OF CHILDREN ⁵¹ WITH CONTACT PLANS		FREQUENCY OF CONTACT (RANGE) PER YEAR	
	LA N=36	VAA N=58	LA N=36	VAA N=58
Birth mother	-	1	-	1
Birth father	-	1	-	2
Grandparents	1	3	2	1-2
Siblings	8	14	1-4	1-4
Other	-	1	-	1

Table 7.4 - Plans for letterbox contact

LETTERBOX CONTACT WITH	NUMBER OF CHILDREN WITH CONTACT PLANS		FREQUENCY OF CONTACT (RANGE) PER YEAR	
	LA N=36	VAA N=58	LA N=36	VAA N=58
Birth mother	18	28	1-2	1-2
Birth father	13	13	1-2	1-2
Grandparents	10	6	1-2	1
Siblings	8	11	1-4	1-2
Other	0	2	-	1

In all cases, the letterbox contact was handled by the child's local authority. Only four adopters out of 29 were satisfied with the service. Many complained of delays and of not receiving any replies. Some of the complaints were not necessarily within the local authority's control:

Not very happy. Haven't got any letters back (LA adopter).

Not managed well by the local authority, birth parents can't read, we're sending but nothing back for the children... (VAA adopter).

⁵¹ All sibling groups had the same arrangements for contact and were counted only once.

Regular adoption allowances

At the time of the interview four (16%) of the LA adopters and twelve (42%) of VAA adopters were receiving an adoption allowance. Most of those who were not receiving an allowance thought that they had been ineligible because of their level of income. The average monthly allowance per child was a little higher for the LA adopters (mean= £346; range= £150-£444, n=4) when compared with the VAA adopters, although the range was much wider for the VAA adopters (mean= £319; range= £40-£728, n=12). A few (4) adopters complained about means testing or the manner in which financial allowances had been explained:

At first LA said they did not pay allowances I said I'm a single adopter, I can't work full time... (VAA adopter).

Regarding this adoption we were told (child) did not come with an adoption allowance (LA adopter).

Support to adoptive families BEFORE the making of the adoption order

Of the 61 adopters who were interviewed, six adoptive families (4 LA: 2 VAA) did not have adoption orders and 13 others had received their adoption orders at some point during the twelve months prior to interview. These 19 adoptive families (9 LA: 10 VAA) were asked about the support they had received from placement to order (see table 7.5.)

All the 19 adoptive families had received the statutory number of social work visits. Family placement workers generally visited more frequently than children's social workers. The VAA approved families were in receipt of twice as much support from family placement workers and had more support groups and family days when compared with the families approved by the LAs (see table 7.5 below). Support from children's social workers was very similar across both groups and the families approved by the LAs received marginally more support for letterbox contact. VAA workers were reported as being in more frequent touch by phone than LA staff. None of the families received any support for face- to-face contact.

Table 7.5 - Support received by families after the placement of the child/ren before the making of an adoption order n=19

SUPPORT ELEMENT	FAMILIES APPROVED BY A LA				FAMILIES APPROVED BY A VAA			
	SIBLING GROUP (N=2)		SINGLE PLACEMENT (N=7)		SIBLING GROUP (N=4)		SINGLE PLACEMENT (N=6)	
	FAMILIES	AVERAGE No (MIN-MAX)	FAMILIES	AVERAGE No (MIN-MAX)	FAMILIES	AVERAGE No (MIN-MAX)	FAMILIES	AVERAGE No (MIN-MAX)
Family placement worker (FPW) visits	1 ⁵²	12 (12-12)	6 ⁵³	9 (3-17)	4	23 (9-52)	4 ⁵⁴	10 (4-15)
Length of meeting with FPW (mins)	1	45 (45-45)	6	70 (30-90)	4	90 (60-120)	3	70 (60-90)
Phone, e-mail contact with FPW	1	24 (24-24)	5	22 (10-40)	4	44 (17-87)	2	36 (7-65)
Children's social worker (CSW) visits	1 ⁵⁵	0	6 ⁵⁶	12 (0-24)	4	8 (5-12)	4 ⁵⁷	9 (1-16)
Length of meeting with CSW (mins)	0	0	4	60 (30-90)	4	75 (60-120)	2	60 (60-60)
Phone, e-mail contact with CSW	0	0	3	22 (8-40)	1	30 (30-30)	2	35 (4-65)
LA support groups	0	0	4	4 (1-8)	-	-	-	-
VAA support groups	-	-	-	-	3	7 (2-13)	1	7 (7-7)
Family days, picnics, events with other adoptive families	0	0	1	3 (3-3)	0	0	1	10 (10-10)

⁵² Data missing for one family

⁵³ Data missing for one family

⁵⁴ Insufficient data for two families

⁵⁵ One family did not receive any visits from the children's social worker

⁵⁶ Data missing for one family. Two families did not receive visits as one children's social worker was part-time and one was on maternity leave.

⁵⁷ Insufficient data for two families

Support AFTER the adoption order (other than an adoption allowance)

At the time of the interview, 21 (84%) of the LA adopters and 34 (94%) of the VAA adopters had legally adopted the children. Most of the LA adopters (68%) had had all the legal costs connected with the adoption met by the local authority and were not even aware that legal costs had been incurred. In comparison statistically fewer VAA adopters (39%) had their legal costs paid⁵⁸ but both LA and VAA adopters received on average £151 per child (range £100-£250).

The time from the child joining their new adoptive family to the making of the adoption order showed little variation by type of agency (LA: mean= 8.7 (SD=3.5), VAA: mean = 10.0 (SD=4.7)). Eighty-one percent of adopters had an adoption order for their child(ren) made within a year of placement. Adoption orders were therefore being made much quicker than before the Adoption and Children Act (2002): the average time in 2000 was 14 months.⁵⁹

The adopters were asked whether they had received any support from an agency since the making of the adoption order. Services had been offered to the majority but many said they had not taken up the services offered due to time or distance or lack of need.

Table 7.6 - Support to families after the making of an adoption order

SUPPORT PROVIDED BY	APPROVED BY LA (N=21)	APPROVED BY VAA (N=34)
No support	52%	32%
LA	48%	3%
VAA	-	41%
LA and VAA	-	24%

Table 7.7 details the types of services provided post adoption order. In total 33 families received at least one service, with VAA adopters receiving more support.

The support most frequently provided was visits from the child's social worker and/or the family placement worker. Virtually all the support offered was described as useful and adopters were satisfied with the services they received.

In addition to social work services, adopters were asked about services from other agencies. Six families received support from CAMHS and reported that the help was very useful. Two children had also had help from their designated teacher and again this was said to be very useful. There was some evidence (4 cases) of unmet need, particularly where there had been no interventions while the child had been looked after. For example, one three year old child with no speech had spent 12 months in foster care. The adopter stated that the LA had refused to pay for additional language support. Her GP intervened and pushed the child to the top of the waiting list, ensuring that he would receive services urgently.

⁵⁸ Chi square analyses. $\chi^2 = 4.06$ (df=1), $p < .05$

⁵⁹ Performance and Innovation Unit Report, 'Adoption' London DH

Table 7.7 - Support received by families after the adoption order

SUPPORT ELEMENT	ADOPTERS APPROVED BY A LA				ADOPTERS APPROVED BY A VAA			
	SIBLING GROUP (N=4)		SINGLE PLACEMENT (N=6)		SIBLING GROUP (N=12)		SINGLE PLACEMENT (N=11)	
	COUNT	AVERAGE (MIN-MAX)	COUNT	AVERAGE (MIN-MAX)	COUNT	AVERAGE (MIN-MAX)	COUNT	AVERAGE (MIN-MAX)
Family placement worker (FPW) visits	3	2 (2-3)	2	4 (3-4)	6	9 (4-14)	7	5 (1-8)
Length of meeting with FPW (mins)	3	50 (30-60)	2	105 (90-120)	6	120 (60-180)	7	103 (60-180)
Phone, e-mail contact with FPW	3	10 (4-20)	3	2 (2-2)	7	20 (2-52)	5	14 (4-30)
Children's social worker (CSW) visits	2	5 (1-8)	3	2 (2-2)	6	6 (1-12)	4	3(1-6)
Length of meeting with CSW (mins)	2	60 (60-60)	3	60 (30-90)	6	95 (45-180)	4	68 (60-90)
Phone, e-mail contact with CSW	1	4 (4-4)	1	2 (2-2)	5	13 (2-28)	0	0
LA support groups	2	8 (4-12)	3	6 (2-12)	2	2 (2-2)	2	7 (2-12)
VAA support groups	-	-	-	-	8	4 (2-6)	8	4 (1-12)
Parenting classes	0	0	1	12 (12-12)	1	1	2	2 (2-2)
Support for letterbox contact	3	4 (2-5)	2	3 (2-3)	1	1 (1-1)	0	0
Support for Face to face contact	0	0	0	0	1	2 (2-2)	0	0
Family days	0	0	0	0	1	120 (120-120)	0	0

Sibling group placements and support after placement

The adoption support module of the inter-agency fee is charged at the full rate for each child - there are no reductions for sibling groups. Therefore, we examined the data (tables 7.5 and 7.6) to see whether families who had adopted sibling groups did indeed receive additional support. Although the small numbers did not allow for statistical analyses, the families who had siblings placed with them did indeed have more social work support, especially in terms of the visits made by the family placement workers before the adoption order and the visits made by the children's social workers after the adoption order. This was the case for families approved by LAs and VAAs.

Adopters' views about the support that they received

The majority (59%) of LA approved adopters were very satisfied with the support that they received from the LA:

We had a good deal. Ours was a positive experience. We were the first gay couple to adopt in our local authority

I was quite impressed with how much support was available

No complaints at all, brilliant... worst part was waiting for the order... they (LA) were always on the other end of the phone... we loved those people.

A fifth of adopters approved by LAs described LA services as generally good but with some elements that could be improved:

Good support, apart from not getting the 'essential record' of child until six weeks after placement. We were told we were the child's 5th family but we were the 17th family after 30 months in care.

We have been given 95% of support. There were some things I was unaware of. It took us two years to get an appointment with a child psychologist. Life story books were not given at placement - they were given after about a year. You should be made aware of what is available for you.

Eighteen percent of LA adopters complained about services, although not all blamed the authority:

There was prejudice in the local authority...they don't give Afro-Caribbean people a good package

I think the local authority's hands are tied most of the time by court processes or legal processes. Our social workers are nice - at the end of the day, it's not the individual's fault, it is the system that is lacking.

Adopters approved by a VAA

The majority (86%) of VAA adopters were very satisfied with their voluntary agency. They used words like 'fabulous', 'brilliant' to describe their work. About a third were also complimentary of the service they had received from the child's local authority social worker:

Our agencies always worked in partnership, we didn't feel scrutinised - a great experience

Very happy with the services...there was no difference between the (VAA) and (LA)...if we ever need support, we know where to go and who to contact

Huge amount of care has been taken by the child's social worker ... (she) is fantastic

However, more (60%) were critical of the services from the child's local authority. Adopters made comparisons between the quick response from their own VAA and the lack of a speedy response from LA staff:

As soon as we took the child home, that was it. No calls from the (LA), no visits and no information. Extremely happy with the (VAA). (VAA) social workers are very professional. (LA) paperwork very inaccurate - seems to be cut and pasted and it takes weeks and months to get things done. Paperwork was really delayed and it frustrated us.

We got the support from the (VAA) but had to chase things with the (LA). It would have been difficult if we had adopted through a (LA). (VAA) is more professional. There was a difference between the service we got from the (LA) and the service we got from the (VAA).

Extremely poor service from the (LA)...the service was not centered around the child...the child was not a priority. I actually complained twice about the social worker.... The (VAA) was recommended by friends and the social worker was very supportive and understanding. I know the SW would really put down everything if I need them. They are always there if I need them I would not have the child now if it wasn't for them (VAA). The (LA) was very negative about my chances as a single adopter. (VAA) is a fabulous agency - they do such a good job.

Social work expenditure before the making of the adoption order

We used the data relating to support to estimate the expenditure incurred by Children's Services in maintaining a child in an adoptive placement before the making of an adoption order (see appendix 3). It should be noted that these estimates are not unit costs, because they do not include the day-to-day costs of running the agency or overheads. We would also like to remind the reader that there were only pre-adoption order support data for nine LA adoptive families and 10 VAA families. Farmer and colleagues' forthcoming study of 'Linking and Matching' should provide more detailed analysis of the costs of pre-order support.

The yearly LA expenditure for each of their approved adopters ranged from £897- £4660 while VAA expenditure varied from £1,563 to £6,326 per family. The higher costs for VAAs can be mainly explained by more frequent visits and by visits that lasted longer. In two cases, VAA workers were the only social work professional visiting, as the LA was so short staffed that the VAA agreed to take on all responsibilities. This expenditure was calculated using a 12 month period. If the adoption order was made within nine months (the average reported by adopters)

the expenditure would also reduce: the average LA expenditure would be £1,849 and the VAA £2,342 (see table 7.8 below).

However, when calculating expenditure we tried to ensure that as far as possible all direct social work activity was attributed by agency. The VAA families were receiving more support from their own agency but they were also still receiving services from the child’s local authority, such as visits from the child’s social worker and use of letterbox. Therefore it is important to recognize that although the child had been placed with a VAA adopter and the LA had paid the inter-agency fee, the LA was still incurring costs for that placement. These costs were on average £800 over a nine month period.

Table 7.8 - Mean expenditure by agency and time between placement and adoption order

	Expenditure incurred by LA Adoption order in 12mths	Expenditure incurred by VAA Adoption order in 12mths	Expenditure incurred by LA Adoption order in 9mths	Expenditure incurred by VAA Adoption order in 9mths
LA adopter	£2,466		£1,849	
VAA adopter	£1,068	£3,122	£ 801	£2,342
Total	£3,534	£3,122	£2,650	£2,342

Cost of social work support per family after the making of an adoption order

Twenty-two of the 54 adopters (52% of the LA adopters and 32% of the VAA adopters) who had adoption orders were *not* receiving any support services at the time of the interview and therefore the agencies were not incurring additional expenditure (other than payment of allowances) post-adoption order. However, it needs to be remembered that this did not necessarily mean that these families would not make use of post-adoption services in the future.

The post-adoption module is £3,315 and is expected to meet the costs of providing support for at least three years. Thirty-three adoptive families were receiving services and the estimates of expenditure relate only to these families. Maintaining the trend that was seen before the adoption order, the VAA approved families (23) reported four times the support from their family placement workers compared to the LA families (10) and twice as much as group work support because they had access to both VAA and LA support groups. It was also interesting to note that there was twice as much support from the children’s social workers for the children placed with VAA adopters.

However, when expenditure was examined (see appendix 3) it appeared that the average cost of providing support over a year was higher for LAs: £2,197 compared to £1,717 for the VAAs. This was because LAs were still providing services such as letterbox support and children’s social workers were still visiting. When the costs of the LA services were estimated for the VAA adopters, the average costs of post adoption support rose to £2,820. VAA adopters too were using letterbox support, children’s social workers were visiting and they were also attending support groups run by the LA. So, for a VAA placement that was receiving support, the VAAs average expenditure was £1,717 but in addition the LAs expenditure was on average £1,103 (see table7.9).

Table 7.9 - Agency post-adoption support expenditure (excluding allowances) on LA and VAA adopters from October 2008 - October 2009

	LA Mean expenditure	Range	VAA Mean expenditure	Range	Total
LA adopter (n=10)	£2,197	£1,598-£3,155			£2,197
VAA adopter (n=23)	£1,103	£436-£2,595	£1,717	£618- £3,788	£2,820

Summary

- Sixty-one adopters (25 LA and 36 VAA approved adopters) agreed to be interviewed by telephone about adoption support. They had adopted 30 children placed singly and 22 sibling groups - a total of 94 children. Adoption orders had been made on average within 9 months of placement. This was much quicker than before the Adoption and Children Act (2002), when the average time was 14 months.
- Children placed with VAA adopters were older, had more difficult early histories and were often placed as a sibling group.
- About a third of adopters heard about the children through their family placement worker.
- Adopters waited on average 6 months from being approved to being matched with the child(ren). Their perceptions of the experience of being introduced and the plan for the hand-over of the child from foster carer to the adopters were influenced by the LA's policies. Adopters spoke highly of LAs who pre-booked suitable accommodation and dealt with all the practicalities around introductory visits. The role of the foster carer was important in a smooth transition.
- The majority of adopters were reimbursed for expenses they incurred during the introductions and received on average a £500 settling-in grant.
- Most adopters knew about the support available and how to access services and they did not attach any stigma to the use of adoption support services.
- More VAA adopters (42%) than LA adopters (16%) were receiving a regular adoption allowance. The average monthly amount per child was about £320 (range £40-£728). Adopters complained about too much LA variation in the amount of allowances.
- All the adoptive families had received the required number of statutory visits in the period from placement up to the making of the adoption order. Adopters who had taken sibling groups did receive more support than those who had had a single child placed.
- The vast majority of adopters were highly satisfied with the support provided by the family placement workers from LAs and VAAs and had found it very useful. Support from children's social workers was less well received, with complaints about delays and inaccurate paperwork.

- VAA adopters were visited more often, for a longer duration and had more frequent phone contact in-between visits than LA adopters. Consequently, the cost of providing direct social work services pre- adoption order was higher for the VAA: £2,342 for the VAA in comparison with £1,849 if the local authority used one of their own adopters over the same nine month period.
- Post adoption orders, about half the LA adopters were receiving some adoption support services. Many adopters had young children who had settled well and did not need additional support.
- The majority of VAA adopters were using support provided by their own agency. They had visits from their family placement worker and attended support groups, training days and family events.
- The expenditure (in the twelve months prior to being interviewed) on 33 families who were receiving support post adoption order was interesting. Although the VAAs were providing more direct support, some of their adopters were also using LA services, especially letterbox services. Thirty-eight percent of the placements made using an inter-agency fee involved additional adoption support expenditure for the LA.

Chapter 8 - Conclusions

The inter-agency fee is intended to recompense agencies for the work they have done recruiting and preparing adopters who are willing to parent some of the most 'hard to place' children. Since the inter-agency fee began in 1978, VAAs have argued that it does not meet the costs of the work involved. Payment for adoption raises ethical and moral concerns - for some it appears too close to the buying and selling of children. Consequently, there has been a lack of engagement with the issues and the fee has been problematic for the last thirty years. Over the years the intensity of the arguments has varied. At the present time the arguments to increase the fee are particularly vociferous.

For many reasons the number of children being adopted out of care has been reducing and this has led to some of the VAAs having end of year accounts that show a substantial deficit. These losses have been managed either by drawing on reserves or other sources of funding and / or by other parts of the organization subsidizing adoption services with the hope that the situation will improve. Some VAAs have now had deficits for more than three years. Those without other sources of funding are unable to compete and are in danger of closure leaving only the 'big' agencies. This will reduce choice and dilute expertise.

Generally, LAs believe that the inter-agency fee is too high, but this study found that LAs have under-estimated their own costs of finding an internal placement and this has influenced their beliefs about the costs of external placements. This study found that on average the fee was £13, 700 short.

The solutions to this are not obvious. If the fee is increased across the board, there would be no incentive to find placements for the 'hard to place' and this might promote placements for the 'easiest children', as they involve less work. It is important to recognise the difficulties that arise from setting a 'one size fits all' solution i.e. simply increasing the inter-agency fee to £36,905. For a VAA operating from a low cost base and focussing on 'easy' adoptions, this would give a huge boost to financial performance. This can be illustrated by applying the increased rate of £36,905 to each VAA in the Bristol sample as shown in the table below-

Table 8.1 - The impact of Increasing income to each VAA

VAA	Cost	Increased Income	Difference
	£'s	£'s	£'s
1	423,280	885,729	462,449
2	1,541,540	1,476,215	-65,325
3	3,104,530	3,284,577	180,047
4	1,322,750	1,180,972	-141,778
5	158,730	516,675	357,945
6	429,000	295,243	-133,757
7	843,700	701,202	-142,498
8	1,115,400	590,486	-524,914
9	316,030	332,148	16,118
10	1,890,460	1,882,174	-8,286

VAA 1, which according to its return managed to achieve 24 adoptions in the year, would make a sizeable profit whilst VAA8, which achieved only 16 adoptions from a much higher cost base, would still make a sizeable loss.

The DCSF, and indeed the LAs who instruct the VAAs, might prefer a variable fee to encourage VAAs to focus on the harder to place children. For example, the following table shows variable inter-agency fees:

Table 8.2 - A variable fee model

MODEL AGENCY			Number of Adoptions	Fee per Adoption	Income	Cost
	Under 4 years old	Single white	8	£22,200	£177,156	
		Minority ethnicity/sibling group	11	£40,000	£440,800	
	Over 4 years old	Single white	5	£30,000	£141,120	
		Minority ethnicity / sibling group	6	£55,000	£357,280	
			30		£1,116,356	1,114,542

If these variable fees were applied to the sample VAAs it would produce the following effect on each agency:-

Table 8.3 - Impact on VAAs of applying a variable fee

VAA	Cost	Income	Diff
	£'s	£'s	£'s
1	423,280	985,800	562,520
2	1,541,540	1,375,220	-166,320
3	3,104,530	3,438,240	333,710
4	1,322,750	997,500	-325,250
5	158,730	546,971	388,241
6	429,000	261,200	-167,800
7	843,700	650,926	-192,774
8	1,115,400	595,200	-520,200
9	316,030	360,000	43,970
10	1,890,460	1,894,871	4,411

VAA 3, which during the survey year ran a programme targeted at finding homes for the hardest to place children, would be a sizeable beneficiary, whilst VAA 4, which placed mainly 'easy' children would suffer. For this exercise, we have used white children under 4 years to represent 'easy' adoptions. We do recognise that children who are under four years but come from backgrounds where birth parents have abused alcohol and drugs or suffer from mental illness

are not easy to place. The variable fee could be calculated in a number of different ways.⁶⁰ Further work would be required before any fee structure was set, but the above may help to steer this process forward.

There is a question about the generalisability of the findings, given that this was a convenience sample. There are little published data on which comparisons can be made. The sample LAs had a similar average number of FTEs as the national survey of adoption agencies (2009)⁶¹ and on the whole (apart from two outstanding LAs) had placed similar number of children for adoption as their regional counterparts. VAAs were more complex, because as other research has shown each is unique and their number of FTEs and placements showed more variation than those of the LAs. However, data were available from 63% of all voluntary adoption agencies in England and these were a mix of large national charities and small adoption agencies.

In this study, calculations were based on the available evidence and estimations made where data were missing. We were only able to obtain good quality financial data for one year (usually the latest) and this may have been subject to particular circumstances. This is likely to have introduced errors. We would suggest, if any firm decisions about increased inter-agency fees are to be made based upon the research that a suitably qualified financial expert interrogates the information supplied by the VAAs - one half day per VAA should suffice. This review should ensure that all costs are included, overheads examined and accounted for on a comparable basis, and that the break-even cost used in this report - £36,905 - is reliable.

Whilst this study presented overheads as a percentage of salaries both with and without allowances and inter-agency fees, the question as to what should be included in the calculation of overheads for setting the inter-agency fee will need to be decided with respect to the broader policy context.

The payment of the inter-agency fee

During this study we heard different views about how the fee should be paid. Some argued that the fee should be removed from the control of LAs and that there should be some sort of central 'pot' for all children with adoption recommendations. Others argued that all children, who have a permanent substitute placement agreed by a panel (e.g. long-term foster care, kinship) should automatically have a financial passport attached to them: money going with the child. Many were concerned that children's placements could be decided by LA budgetary constraints rather than by the needs of the child. VAAs wanted the whole fee paid at the start of the placement rather than in two separate amounts. LAs did not agree, as they did not want to pay for a placement that disrupted before the adoption order was made.

⁶⁰ calculated here to provide break-even income

⁶¹ Farmer, E., Dance C. Ouwejan, D. and Beecham K (2009) Linking and Matching in Adoption, study funded by DCSF in the Adoption Research Initiative.

This study raised other issues which we outline below for policy makers information:

Family finding

In comparison with foster care, adoption gives greater stability and enables most children to have good psychosocial outcomes, but about a quarter of children with adoption recommendations are never placed. Therefore, attention needs to be paid to the mechanisms that ensure that LAs have to make every effort to find a family for children who have an adoption recommendation. The adoption panel and independent reviewing officers have an important role to play in tracking and following-up children where a recommendation has been made.

Commissioning

The way adoption services are commissioned also encourages competition between VAAs. The 'market' approach to adoption services erodes the potential for VAAs working together (such as running joint training groups for adopters) which would reduce expenditure. Some LAs have been able to reduce costs through the development of consortiums and have joint-funded some adoption posts. A key difference is that LAs can trade families between themselves unlike VAAs, whose only 'customers' are LAs. Agencies should be encouraged to work together for the benefit of children.

The development of initiatives such as the London Borough of Harrow and Coram partnership show that adoption services can be improved by LAs and VAAs working together. This partnership removes the need to recruit prospective adopters from LAs, so that they can concentrate on preparing children and ensuring that legal issues are dealt with quickly. Such partnerships could be encouraged.

Expansion of services

There are a number of independent fostering agencies who have considered expanding their services to encompass adoption. These agencies see their current services offering additional benefits for children needing adoption. They believe the expertise gained in the recruitment of specialist foster carers could be utilised to recruit adopters for more challenging or older children. However, when they have considered the commercial/business case for entering into adoption work they believe that the low level of the inter-agency fee does not meet the costs involved in placing the more difficult children *and* supporting these placements for many years. The current inter-agency fee (and the fact that the fee is paid retrospectively) is a disincentive and this has limited the development of new adoption services. This in turn relegates adoption to the margins of mainstream child welfare services and, it could be argued, limits innovation.

Lack of knowledge about the costs of care

There was a lack of knowledge among managers (particularly LA managers) of the costs of providing services. Inter-agency fees were perceived as expensive although the fee is currently lower than the LA spends on placing children internally. There was little recognition of the financial costs of children growing up in the care system and the possible longer-term costs. Managers could be better informed about the costs of service provision and the relationship between costs and outcomes.

Appendix 1 - Coding framework

Code main	Main Category	Code sub	Sub-allocation	Comment
1	Employee	1	Payroll incl NI and SA	All payroll costs including National Insurance and superannuation; also includes internal temporary and sessional staff and support staff.
1	Employee	2	Other employee Costs	Costs associated with staff carrying out their work, includes personal cars/transport & subsistence; costs of training & individual staff development, mobile phones, trade unions
2	Client-related Direct payment	1	Allowances	Adoption allowances paid regularly to adopters
2	Client-related Direct payment	2	Start up grants and other payments	One off payments: legal fees, reimbursement for travel during introductions , start up grants
3	Agency function	1	Pre-placement	Running an adoption agency-Adopter recruitment, adopter preparation training, adoption panel, translators, medical and legal costs
3	Agency function	2	Post placement	Activity costs: support groups
3	Agency function	3	Historic work - adoption support	Activity cost: tracing, supporting placements in difficulty.
3	Agency function	4	Agency fees paid	Inter-agency fees paid to VAAs and local authorities
3	Agency function	5	Other fees paid	paid to external organisations for therapeutic services, birth parent counselling, historic adoptions subscriptions costs (BAAF, adoption UK), SLAs
4	Establishment	1	Premises	All costs associated with premises and accommodation, includes rent; heating, lighting, maintenance and security
4	Establishment	2	Running Costs	General office costs; includes stationery, telephone (not mobiles), printing, newsletters, staff recruitment, insurance, IT, company cars, leasing arrangements
4	Establishment	3	Central Services	Costs (often nominal) paid for corporate services such as HR, IT and payroll administration
4	Establishment	4	HQ management	Costs of senior management not included in budget
4	Establishment	5	Governance	Audit governance
6	Other	1		All other costs, small team budgets
7	Income	1	Grants	For example, government grants
7	Income	2	Fees	Adoption fees received from other local authorities
7	Income	3	Voluntary	Income from voluntary contributions and subscriptions
7	Income	4	Other	Includes income from consultancy, training and investment

Appendix 2

Theoretical curves for a range of levels of indirect labour

Figures A1 and A2 show theoretical curves showing the effect of increasing levels of indirect labour of 'front line' adoption staff on overhead costs. These are expressed as a percentage of all indirect expenditure (●), as a percentage of total payroll (▲) and as percentage of direct payroll (■). Expressions for each curve are given in Table 5.

Figure A1

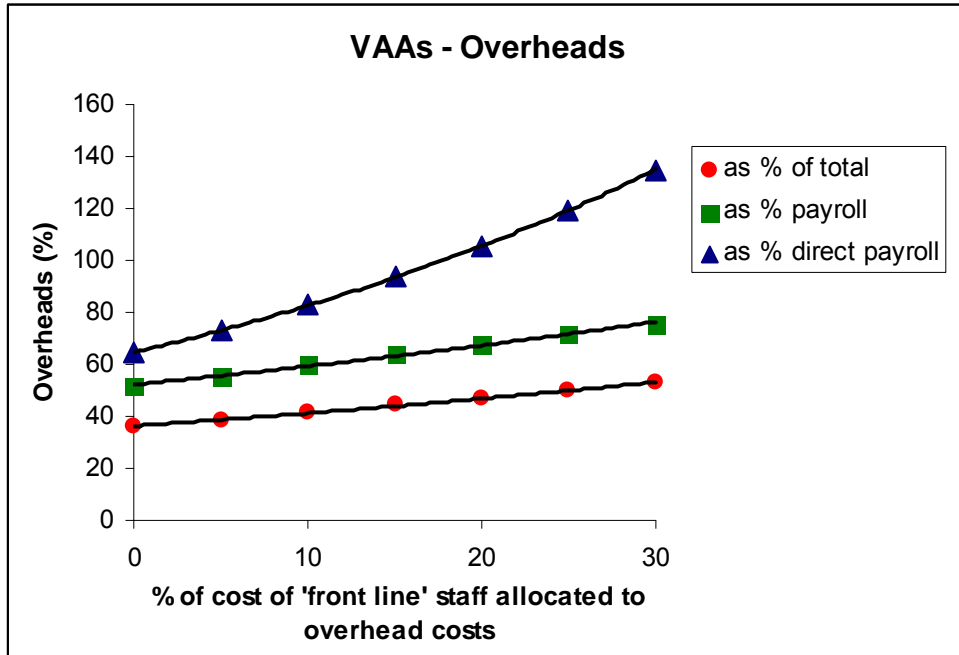
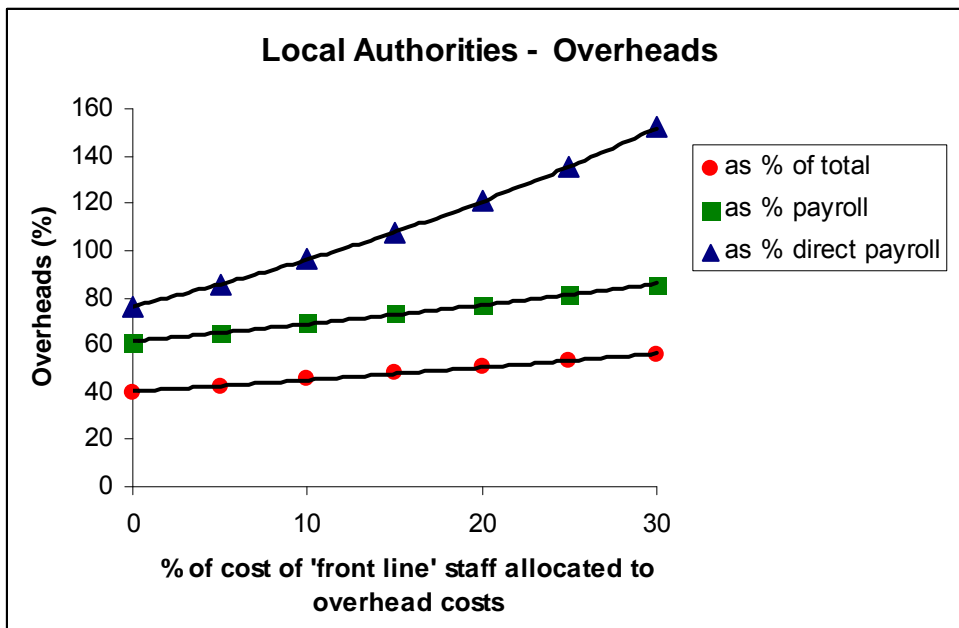


Figure A2



Formulae for calculating overhead rates for different levels of indirect labour

Formulae were derived using *Microsoft Excel* for each of the curves shown in the figures above and can be used to calculate overheads at different levels of indirect labour.

Table A1 - Formulae for the curves shown in Figures 1 and 2 above

overheads expressed as:	VAA's	Local Authorities
Percentage of all expenditure	(1) $y = 36.287e^{0.0128x}$	(4) $y = 40.399e^{0.0111x}$
Percentage of total payroll	(2) $y = 52.25e^{0.0127x}$	(5) $y = 61.705e^{0.011x}$
Percentage of direct payroll	(3) $y = 64.627e^{0.0246x}$	(6) $y = 76.484e^{0.0229x}$

where 'y' is the value for overheads, 'x' is the percentage of indirect labour of front line staff and 'e' is the base of the natural logarithm (for practical purposes within the context of this research this can be approximated to 2.718).

The formulae for the curves can be used to calculate overheads for each type of organisation and for each way of expressing them. For example, in *Microsoft Excel* the following expression (using formula 3 from the table above) would return overheads for VAAs as a percentage of all expenditure when the percentage of indirect labour was 30% (highlighted bold).

$$=64.627 *POWER(2.718,(0.0246*30))$$

Appendix 3 - Pre-adoption order: Social work hours and expenditure for support for LA approved adopters(n=9)

SOCIAL WORK SUPPORT FOR LA APPROVED ADOPTERS FROM PLACEMENT. BEFORE ADOPTION ORDER	NO OF FAMILIES	FREQUENCY PER YEAR			COST PER HOUR/UNIT ^{62,63}	COST PER YEAR		
		AVERAGE	MINIMUM	MAXIMUM		AVERAGE	MINIMUM	MAXIMUM
Meetings with family placement workers (hours)	7	10.54	2.81	18.57	45.31	477.77	127.26	841.53
Phone calls to family placement workers (hours)	6	5.69	2.46	10.00	45.31	257.70	111.45	453.13
Meetings with children's social workers (hours)	4	9.98	0.00	24.00	45.31	452.34	0.00	1087.52
Phone calls to children's social workers (hours)	3	5.42	2.05	10.00	45.31	245.39	93.01	453.13
LA support groups (hours)	4	8.60	3.16	18.47	45.31	389.81	143.29	837.10
Support for letterbox contact	3	7.86	3.35	16.00	44.74	351.51	150.09	715.81
Family days (hours)	1	6.00	6.00	6.00	45.31	271.88	271.88	271.88
TOTAL						2446.40	896.97	4660.10

⁶² Cost of client related social work hours based on: Unit costs of health and social care 2006/2007 (PSSRU). The figure has been updated to 2007/08.

⁶³ Cost of the social work time spent on one item of letterbox contact based on: Costs and Outcomes of non infant adoption (Selwyn et al, 2002). The figure has been updated to 2007/08.

Appendix 3 - Pre-adoption order: social work hours and expenditure for VAA approved adopters (n=10)

SOCIAL WORK SUPPORT FOR VAA APPROVED ADOPTERS FROMR PLACEMENT, BEFORE ADOPTION ORDER	NO OF FAMILIES	FREQUENCY PER YEAR			COST PER HOUR/UNIT ^{64,65}	COST PER YEAR		
		AVERAGE	MINIMUM	MAXIMUM		AVERAGE	MINIMUM	MAXIMUM
Meetings with family placement workers (hours)	7	22.42	5.88	70.57	45.31	1015.94	266.48	3197.81
Phone calls to family placement workers (hours)	6	10.35	1.86	21.67	45.31	469.05	84.15	981.79
VAA support groups (hours)	4	13.13	3.75	24.38	45.31	594.74	169.92	1104.51
Calls regarding VAA support groups (hours)	1	3.00	3.00	3.00	45.31	135.94	135.94	135.94
Family days(hours)	1	20.00	20.00	20.00	45.31	906.26	906.26	906.26
Cost to VAA of social work hours						3121.93	1562.75	6326.31
Meetings with children's social workers (hours)	6	9.82	1.17	18.96	45.31	445.11	52.87	859.06
Phone calls to children's social workers (hours)	3	8.29	1.11	16.25	45.31	375.56	50.49	736.34
Support for letterbox contact (units)	4	5.52	1.00	13.00	44.74	247.05	44.74	581.59
Cost to LA of social work hours						1067.72	148.10	2176.99
TOTAL						4189.65	1710.86	8503.31

⁶⁴ Cost of client related social work hours based on: Unit costs of health and social care 2006/2007 (PSSRU). The figure has been uprated to 2007/08.

⁶⁵ Cost of the social work time spent on one item of letterbox contact based on: Costs and Outcomes of non infant adoption (Selwyn et al, 2002). The figure has been uprated to 2007/08.

Appendix 3 - Post-adoption order: Social work hours and expenditure for LA approved adopters (n=10)

SOCIAL WORK SUPPORT FOR LA APPROVED ADOPTERS AFTER ADOPTION ORDER AND IN THE LAST 12 MONTHS	NO OF FAMILIES	FREQUENCY PER YEAR			COST PER HOUR/UNIT ^{66,67}	COST PER YEAR		
		AVERAGE	MINIMUM	MAXIMUM		AVERAGE	MINIMUM	MAXIMUM
Meetings with family placement workers (hours)	5	3.36	2.40	4.80	45.31	152.25	108.75	217.50
Phone calls to family placement workers (hours)	6	1.50	0.50	5.00	45.31	67.97	22.66	226.57
Meetings with children's social workers (hours)	5	3.00	1.00	8.00	45.31	135.94	45.31	362.51
Phone calls to children's social workers (hours)	2	0.75	0.50	1.00	45.31	33.98	22.66	45.31
LA support groups (hours)	5	11.22	3.40	20.40	45.31	508.41	154.06	924.39
Calls regarding LA support groups (hours)	1	1.50	1.50	1.50	45.31	67.97	67.97	67.97
Support for letterbox contact (units)	5	3.20	2.00	5.00	44.74	143.16	89.48	223.69
Parenting classes	1	24.00	24.00	24.00	45.31	1087.52	1087.52	1087.52
TOTAL						2197.21	1598.40	3155.45

⁶⁶ Cost of client related social work hours based on: Unit costs of health and social care 2006/2007 (PSSRU). The figure has been updated to 2007/08.

⁶⁷ Cost of the social work time spent on one item of letterbox contact based on: Costs and Outcomes of non infant adoption (Selwyn et al, 2002). The figure has been updated to 2007/08.

Appendix 3 - Post-adoption order: social work hours and expenditure for VAA approved adopters (n=23)

SOCIAL WORK SUPPORT FOR VAA ADOPTERS AFTER ADOPTION ORDER AND IN THE LAST 12 MONTHS	NO OF FAMILIES	FREQUENCY PER YEAR			COST PER HOUR/UNIT ^{68,69}	COST PER YEAR		
		AVERAGE	MINIMUM	MAXIMUM		AVERAGE	MINIMUM	MAXIMUM
Meetings with family placement workers (hours)	13	11.93	1.85	25.85	45.31	540.54	83.66	1171.17
Phone calls to family placement workers (hours)	12	4.31	0.50	13.00	45.31	195.41	22.66	589.07
VAA support groups (hours)	16	9.61	2.56	30.75	45.31	435.43	116.12	1393.38
Calls regarding VAA support groups (hours)	2	0.88	0.25	1.50	45.31	39.65	11.33	67.97
Family days (hours)	3	6.67	4.00	8.00	45.31	302.09	181.25	362.51
Calls regarding family days (hours)	1	4.00	4.00	4.00	45.31	181.25	181.25	181.25
Parenting classes	1	0.50	0.50	0.50	45.31	22.66	22.66	22.66
Cost to VAA of social work hours						1717.03	618.93	3788.01
Meetings with children's social workers (hours)	10	6.16	1.40	16.80	45.31	279.13	63.44	761.26
Phone calls to children's social workers (hours)	5	3.30	0.50	7.00	45.31	149.53	22.66	317.19
LA support groups (hours)	4	10.69	4.75	28.50	45.31	484.28	215.24	1291.43
Support for letterbox contact (units)	13	2.23	1.00	3.00	44.74	99.80	44.74	134.21
Calls regarding letterbox contact (units)	1	0.50	0.50	0.50	45.31	22.66	22.66	22.66
Support for face to face contact	1	1.50	1.50	1.50	45.31	67.97	67.97	67.97
Cost to LA of social work hours						1103.37	436.71	2594.72
TOTAL						2820.40	1055.61	6382.73

⁶⁸ Cost of client related social work hours based on: Unit costs of health and social care 2006/2007 (PSSRU). The figure has been updated to 2007/08.

⁶⁹ Cost of the social work time spent on one item of letterbox contact based on: Costs and Outcomes of non infant adoption (Selwyn et al, 2002). The figure has been updated to 2007/08.

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