
ADOPTION AND THE INTER-AGENCY FEE

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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 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).

The inter-agency fee, originally known as the '*Reimbursement of Costs Scheme*' was established in 1978 in England and Wales. Since its inception the charges associated with the fee have been at the heart of the disputes between the LAs and VAAs. There have been three previous reviews of the fee: none of which reached a satisfactory conclusion

Research¹ shows that most adopted children have far more stable placements than children brought up in foster care and have good psychosocial outcomes. Central government has invested in LA adoption services and this has seen an expansion of LA provision and improvements in quality. The VAAs also make a significant contribution to adoption services. During 2007-8, the 27 English VAAs placed 622 children with adoptive families, were responsible for 46% of all the potential matches made through the adoption register and contributed £3.7 million to adoption services from their own resources. However, the dwindling number of referrals has seen many VAAs have deficit budgets and fear for their future viability. While referrals to VAAs have reduced, there are still many children who are never found an adoptive family.

¹ 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., Baker, C., Lee J., and Gibbs I (2007) *The Pursuit of Permanence*, London Jessica Kingsley Publishers.

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

Study aims and design

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.

The study involved separate but interlinked pieces of work. The Hadley Centre (University of Bristol) led the study with the Centre for Child and Family Research (Loughborough University) having responsibility for the work on understanding local authority adoption agency overheads. The study utilised a) financial accounts for 2007-2008 from adoption teams in 10 LAs and 17 VAAs b) activity data (outputs) from the 8 LAs and 10 VAAs c) interviews with 61 adoptive parents and d) data from a range of other sources such as the PSSEX, SSDA903, CIPFA and CVAA returns (read more).

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.

There are also little published data on which comparisons can be made given that this study used a convenience sample. The sample LAs had a very similar average number of FTEs as that found in a national survey of adoption agencies (2009)² and on the whole (apart from two outstanding LAs) had placed similar number of children for adoption as their regional counterparts. Data were available from 67% of all VAAs in England.

Overheads

Part of the argument about the level at which the fee should be set is related to the overheads incurred by organisations. In relation to 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 such as cleaners. VAAs have argued that LAs do not understand or know these costs. Indeed, most of the financial accounts we examined from LAs omitted this expenditure.

Because of the distribution of responsibilities and accountabilities within large organisations, we found individual LA adoption teams were unlikely to see the full costs of overheads or to have control over them. 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 consider them as not relevant to the services they provide and lead them to the view that their costs are lower than the VAAs. The smaller size of VAAs and their simpler management structure made such costs far more visible.

We found that after the removal of direct payments to adopters such as adoption allowances and start-up grants, overheads represented around 40% of total expenditure by adoption teams in both LAs and VAAs. With regards to payroll, a comparison that has historically been made, this study found that the rate of overheads is around 67% of salaries for LAs and 56% for VAAs.

² Farmer, E., Dance C. Ouwejan, D. and Beecham K (2009) Linking and Matching in Adoption, study funded by DCSF in the Adoption Research Initiative.

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.

Variation

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.

There was a great deal of variation in how budgets were spent. The proportion spent on direct payments to adopters by LAs ranged from 29%-64% of the total LA adoption budget. Inter-agency fees accounted for 1.5% -18% of the budget. There was little use of commissioning with only one LA having a service level agreement with a VAA.

There was a significant variation in the performance of LAs in terms of the number of children placed per full-time employee and the costs of the adoption service. There was also variation in the use made of the inter-agency fee. Variations were explained by social work managers as being influenced by the size of the authority, local demographics, the structure of social work teams, different assessment practices and historical arrangements.

Two particular LAs were three times more effective at placing children for adoption and were four times less costly than the worst performing LA. 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.

LAs that had a separate recruitment team were statistically more effective at placing children. LAs with the lowest cost per placement by number of full time employees also tended to be those who spent a greater proportion of their budgets on the inter-agency fee. This was rather surprising given that LAs perceive the fee as being expensive and pushing up their overall costs. However, 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.

Views of adopters

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. Children placed with VAA adopters were older, had more difficult early histories, and were often placed as a sibling group. Most adopters were satisfied with the way the introductions to the child had been managed. They 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 between families.

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. 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. Adopters who had taken sibling groups did receive more support than those who had had a single child placed. Support from children's social workers was less well received, with some complaints about delays and inaccurate paperwork. VAA adopters were visited more often, for a longer duration and with 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 a VAA: £2342 for a VAA in comparison with £1,849 if the local authority used one of their own adopters over the same nine month period.

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. At the time of the interview more VAA adopters (42%) than LA adopters (16%) were receiving a regular adoption allowance. Adopters complained about too much LA variation in the amount of allowance paid. Most adopters knew about the support that was available, how to access services and did not attach any stigma to the use of adoption support services.

Post adoption orders, many LA 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. Although the VAAs were providing more direct support, some of their adopters were also using LA services too, especially letterbox services. Thirty-eight percent of the placements made using an inter-agency fee had additional adoption support expenditure for the LA.

The inter-agency fee

Generally, LAs believe that the inter-agency fee is too high but this study found that LAs had underestimated their own costs of finding an internal placement and this has influenced their beliefs about the costs of external placements. By examining the costs of placing a child for adoption we found that it cost LAs and VAAs on average about £36,000 per placement and therefore the inter-agency fee was approximately £13,700 deficient. VAAs also placed more older children, sibling groups and minority ethnic children than did LAs.

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

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 children who are more difficult to place, save the State approximately £25,000 for each subsequent year the child is not looked after. In addition, adoption brings additional benefits to children.

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. 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 might promote placements for the 'easiest children', as they involve less work. For a VAA operating from a low cost base and focussing on 'easy' adoptions, this would give a huge boost to financial performance. 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.

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.

Additional Information

The full report (DCSF-RR149) can be accessed at www.dcsf.gov.uk/research/

Further information about this research can be obtained from Isabella Craig, Analysis and Research Division, 4 FL-ARD, DCSF, Sanctuary Buildings, Great Smith Street, London SW1P 3BT

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The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Children, Schools and Families.