

Adoption and the Inter-agency Fee

Key issues for inter-agency placements in England and Wales

This study is part of the Adoption Research Initiative (ARi), a group of major research projects commissioned by the former Department for Education and Skills (DfES). The dissemination of key messages from the initiative was funded by the Department for Education.

The study was undertaken by Dr. Julie Selwyn and her colleagues at the University of Bristol, Dr. Joe Sempik and his colleagues at the University of Loughborough, and an independent accountant. Data was gathered during 2008–09.

This summary is drawn from a longer research brief and the full report of the study¹. It reviews the methodology and findings of the research and highlights key messages for adoption agencies and commissioners of children's services.

Information about other resources from the study is available at the ARi website: www.adoptionresearchinitiative.org.uk

1. Background to the study

Local Authorities (LAs) and Voluntary Adoption Agencies (VAAs) arrange all adoptions in England and Wales. LAs place children for adoption with their own prospective adopters ('internal placements') or with prospective adopters recruited by another LA or by a VAA ('external placements'). Where an external placement is made, an inter-agency fee is charged. The fees in 2007–08 were:

- £12,660 for an adoptive family approved by another LA.
- £19,889 for a family approved by a VAA with an additional fee of £3,315 to cover adoption support services (the adoption support module).

¹ This summary was drafted by Mary Beek, Professional Adviser to the Adoption Policy team, Department for Education, in consultation with the research team.

The inter-agency fee, originally known as the 'Reimbursement of Costs Scheme', was established in 1978 in England and Wales. Since its inception, the fee has been the subject of ongoing discussion between LAs and VAAs. There have been three previous reviews of the fee, none of which reached a satisfactory conclusion.

Over the last decade, there has been an expansion of LA provision and improvements in the quality of services. The VAAs have continued to make a significant contribution to adoption services. Many of them specialise in placing older children, sibling groups and minority ethnic children. During 2007–08, the 27 English VAAs placed 622 children with adoptive families. They were responsible for 46% of all the potential matches made through the Adoption Register and they contributed £3.7m to adoption services from their own resources.

However, a dwindling number of referrals from LAs to VAAs means that many VAAs have deficit budgets and fear for their future viability. While referrals to VAAs have reduced, there are still some children for whom adoption is the plan but an adoptive family is never found^{2 3}.

This study was commissioned in response to these issues, together with concerns about inconsistencies in the use of VAA placements and uncertainties about the costs involved.

² Farmer, E, Dance, C., Ouwejan, D and Beecham K. (2009) *An investigation of linking and matching in adoption*, report to Adoption Research Initiative, www.adoptionresearchinitiative.org.uk.

³ Selwyn, J., Quinton, D., Harris, P., Wijedasa, D., Nawaz, S., Wood, M., (2010) *Pathways to permanence for black, Asian and mixed ethnicity children*, BAAF:London.

2. What was the purpose of the study?

The main aims of the study were to:

- Estimate the costs of recruiting and preparing adopters and placing children in adoptive families.
- Estimate the costs of providing adoption support post placement and post adoption order.
- Estimate the overhead costs of adoption agencies.
- Consider whether the inter-agency fee is a good reflection of the expenditure incurred by VAAs.

3. Terminology used in the study

Direct costs

These are the costs directly attributable to the delivery of an adoption service.

They include the salary costs of all client related activity: work involving face-to-face contact with service users and work carried out in connection with cases such as recording, telephone calls, sending emails and attending meetings.

Overhead costs

Overhead costs are those that do not usually change with the number of placements made or adopters recruited. Examples of overheads are the costs of renting premises, heating, lighting, computer support services, finance departments, personnel services, senior management and office running costs including cleaners.

4. How was the study done?

The study involved separate but interlinked pieces of work. Information was gathered from:

- a) Financial accounts for 2007–08 from adoption teams in 10 LAs and 17 VAAs.
- b) Annual statistics from 8 LAs and 10 VAAs.
- c) Telephone interviews with 61 adoptive parents.
- d) Data from various statistical returns required by the Government.

5. What were the key findings?

The costs of placements

- The study found that the average cost per adoptive placement (including overheads) for both LAs and VAAs was about £36,000. Therefore, the inter-agency fee paid by LAs to VAAs

was approximately £13,700 less than the true cost of a placement.

- The inter-agency fee is similar to the cost of a child remaining looked after for 18 months.
- Overheads represented around 40% of adoption teams' total expenditure in both LAs and VAAs.
- Individual LA adoption team managers were unlikely to be aware of the full costs of overheads or to have control over them, because of the distribution of responsibilities within large organisations.
- The smaller size of VAAs and their simpler management structure made overhead costs far more visible.
- If overheads are not under managers' control, they may not take them into account when weighing up the relative costs of an internal placement compared with a VAA placement.
- LAs varied in their use of inter-agency placements. Inter-agency fees accounted for between 1.5% and 18% of the adoption budgets of LAs. LAs rarely commissioned VAAs to provide placement services. Only one LA had a service level agreement with a VAA.

Key messages

LAs and their partner commissioners need to have a clear understanding of the quality and full costs of all provision (including internal unit costs) in order to assess the value for money of services. When assessing value for money and planning adoption agency budgets, it might be helpful for the following points to be taken into account:

- Inter-agency placements are not more costly than those provided by LAs. They cost virtually the same as 'in-house' placements when overheads are taken into account.
- The current inter-agency fee for LAs because it does not include overhead costs.
- Adoption agency policies and practices which do not consider inter-agency placements or consider them only as the 'last resort' may be based on misconceptions about the costs.

Local authority variations

- There was significant variation in the performance of the sample LAs, both in terms of the number of children placed per full-time employee and the overhead costs of the adoption service.
- Two particular LAs were three times more effective (in terms of the number of children placed per full time employee) and yet were four times less costly than the worst performing LA.
- The two best performing LAs had stable, enthusiastic and experienced staff teams, motivated by good team leaders. Targets for the completion of assessments were internally agreed and team members were committed to meeting them.
- LAs that had a separate team for recruiting and assessing adopters were statistically more cost-effective at placing children than those which had combined recruitment and family finding teams.
- LAs with the lowest cost per placement by number of full-time employees also tended to be those which spent a greater proportion of their budgets on the inter-agency fee. Because the inter-agency fee does not reflect the full costs of placing a child for adoption internally or externally, LAs which made greater use of the inter-agency fee actually saved money.

Key messages

This study demonstrates that the most effective adoption agencies are not necessarily those which have the highest levels of funding for the provision of their services. It suggests that managers in adoption agencies may be able to improve the effectiveness of their services by ensuring that they:

- Retain staff and build experienced teams through ensuring that staff well being is maximised, and training opportunities are relevant, frequent and fairly distributed.
- Enable staff to focus their energies and work in depth on key tasks. This may involve a separation of the roles of assessment and family finding.
- Agree agency targets for approvals of adoptive parents, based on costing which includes overheads.
- Develop a culture of shared responsibility for meeting targets through regular team updating and discussion.
- Encourage all staff to suggest ways of streamlining systems in order to improve effectiveness.
- Share ideas and achievements with consortia colleagues to promote good practice and consistency between agencies.
- Seek inter-agency placements proactively and not as a 'last resort'. This is cost effective and can help to avoid delay in the adoption process for children.
- Recruit and assess the widest possible range of adopters to meet the needs of children needing adoption nationally. If a local match cannot be found for particular prospective adopters, it is possible that they could be successfully matched with a child from another area.

The views of adopters

Adopters' satisfaction with adoption services has implications for whether or not the inter-agency fee paid to VAAs represents 'value for money'. Sixty-one adopters (25 LA approved and 36 VAA approved) agreed to be interviewed by telephone. They had adopted 94 children - 30 children placed singly and 22 sibling groups. The key findings from the adopter interviews were as follows:

- Most adopters were satisfied with the way the introductions to the child had been managed. They spoke highly of LAs which pre-booked suitable accommodation and dealt with all the practicalities around introductory visits. The role of the foster carer was important in the child's 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 adoption social workers from LAs and VAAs and had found it very useful.
- Support from children's social workers was less well received than support from adoption workers, with some complaints about delays and inaccurate paperwork.
- The cost of providing direct social work services pre-adoption order was higher for VAAs (£2,342 for a VAA in comparison with £1,849 for an in-house placement over the same nine month period). This was because VAA adopters were visited more often and for longer and had more frequent phone contact in-between visits than LA adopters. However, the children placed by VAAs were generally older and had more difficult histories and so it is likely that additional support would have been required.
- 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. Spending on direct payments to adopters by LAs

ranged from 29% to 64% of the total LA adoption budget.

- Most adopters knew about the support that was available and how to access services. There was very little stigma associated with the use of adoption support services.
- The majority of VAA adopters were using ongoing support provided by their agency. They had visits from their social worker and attended support groups, training days and family events.
- Although the VAAs were providing more direct support than LAs, some of their adopters were using LA services as well, especially letterbox services. Thirty-eight percent of the VAA placements had additional adoption support services from the LA.

Key messages

The adopters in the study provided the following pointers to good practice before and after placement:

- Pay attention to the detail and practicalities of introductions and transitions of care. This makes a significant contribution to whether or not a placement begins positively.
- Ensure that post placement visits are frequent, regular and of high quality. In this study, VAAs dedicated more time to post placement contact and visiting than LAs. Post placement support is included in the inter-agency fee paid to VAAs and the study provides evidence that it is money well spent.
- Offer or promote universal post order support through training events, support groups, family days and so on. This model is well established in the VAAs.
- Work towards greater consistency in the local and national provision of financial support to adopters. Agencies could confer with consortium partners to develop more regional consistency.

6. Some limitations and strengths of the study

Limitations

- The researchers were not always able to separate domestic adoption from other types of adoption related activity in their data collection. Some teams also provided a range of assessments such as special guardianship, inter-country adoption and kinship. The researchers made every effort to ensure that 'like' was being compared with 'like', by asking agencies to estimate how much of their workloads involved other tasks. Nevertheless, some errors are inevitable.
- Calculations were based on the accounts from only one financial year (2007–08). Although the researchers were not made aware of any exceptional circumstances, three years would have provided more assurance.
- This study used a 'convenience' rather than a 'representative' sample. However, the sample LAs had a very similar average number of full time employees to those in a national survey of adoption agencies⁴ and on the whole (apart from two outstanding LAs) had placed similar number of children for adoption as their regional counterparts. The study sample of VAAs represented 63 % of all VAAs in England.

Strengths

- The proposal for the study was independently and anonymously peer-reviewed before the work was commissioned.
- The report was independently and anonymously peer-reviewed before its publication.
- This is the first study of the adoption inter-agency fee to include a detailed calculation of the overhead costs of services. It therefore represents the most comprehensive assessment of the costs of adoption services produced to date.
- The data for the project was gathered from multiple sources.

⁴ Farmer, E, Dance, C., Ouwejan, D and Beecham K. (2009) *An investigation of linking and matching in adoption*, report to Adoption Research Initiative www.adoptionresearchinitiative.org.uk.

- The project used a multidisciplinary research team with significant experience of both costing children's services and researching adoption. All data was cross checked within the research team.

Key messages

The findings from this study need to be considered in the context of those from other research, including:

- Adoption has highly successful outcomes, with the large majority of children achieving security and stability in their adoptive families⁵.
- Delay in the adoption process can have negative consequences for psychosocial outcomes and reduces the likelihood of finding an adoptive family⁶.
- There is a strong relationship between age at placement and adoption disruption⁷.
- The cost of LA foster care is approximately £25,000 per year. Adoption is considerably less expensive than foster care and moving children from foster care frees up valuable fostering placements

Evidence from this Adoption and the Inter-agency Fee study suggests that:

- The use of VAA placements, when appropriate, can contribute to the cost effectiveness of services and help to reduce delays in the adoption process.
- Good communication between LAs and VAAs can help to ensure that VAA placements meet the needs of the children who are waiting for families.
- When LAs and VAAs work together, adoption services can be enhanced, delays reduced and permanence achieved for a wide range of children.

⁵ Biehal, N, Ellison, S., Baker, C., and Sinclair I. (2010) *Permanence and belonging*, London:BAAF

⁶ Selwyn, J., Sturgess, W., Quinton, D., and Baxter, K. (2006) *Costs and outcomes of non-infant adoptions*, London BAAF.

⁷ Rushton, A. (2004) A scoping and scanning review of research on the adoption of children placed from public care. *Clinical Child Psychiatry*, 9, 89-106.