

## No Place Like Home

### Improving Adoption Services in England

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#### Executive Summary

The need to ensure a secure, safe and stable home environment for every child cannot be overstated. For many of those children for whom the state has to provide long term 'looked after' care, the chance of an adoptive home offers the best opportunity to benefit from the stability and security of which they have been deprived. Yet, despite significant financial investment and considerable political will, the number of children in care who have been successfully adopted across England has fallen in recent years. Following an increase from 3,100 adoptions made in 2001 to 3,800 in 2005, improvement has not been sustained. The number of successful adoptions made fell back to 3,200 by 2008, only to recover slightly to 3,300 by 31 March 2009. Yet a sharp downward trend is likely to return in 2010, given that only 2,500 children were placed for adoption at 31 March 2009, representing a 13% decrease from the previous year. Thus it can be assumed that the number of successful adoptions recorded at 31 March 2010 will reflect this decline.<sup>1</sup> The starkness and seriousness of this situation has been reinforced by recent research commissioned by the Department for Children, Schools and Families (DCSF). This indicates that, despite good intentions, perhaps as many as 25% or just over 1000 of those children with adoption recommendations at any one time are never found an adoptive family.<sup>2</sup>

Responsibility for the adoption of children out of long term care across England lies firmly with Local Authorities (LAs). While Voluntary Adoption Agencies (VAAs) can recruit families and provide support, only LAs have the authority to place a child for adoption. At present, a balanced approach which harnesses the potential of both the public and voluntary sectors is not being applied to the provision of adoption services. Many LAs are failing to place real emphasis on applying strategic commissioning to the shaping and development of adoption services. This is despite a raft of policy guidance from central government on the issue of joint commissioning across children's services in recent years. Consequently, the development of a more innovative, diverse and advanced provider base is being hampered. LAs are not as aware as they could be of the capabilities of the voluntary sector,

while VAAs believe they are being given no guidance as regards the capabilities they should be focused on developing.

In light of this poor approach to commissioning there is a reluctance on the part of LAs to invest in the services of VAAs. This report contends that this unwillingness is of central importance in understanding the poorly performing adoption statistics set out above. Cost lies at the heart of this reluctance, with the failure to factor in the public sector's own fixed overhead costs going some considerable way to undervaluing the market. Should a LA use a VAA to source and match a potential adoptive family with a child, they must pay that VAA an inter-agency fee of £23,842. Should they procure those same services from another LA, the fee only amounts to £12,660.<sup>3</sup> Should they do so themselves, or from a fellow LA via a consortium arrangement, the cost is perceived as negligible.

Consequentially, LAs are less inclined to procure services from the voluntary sector and as such only turn to what is perceived as the most expensive means of placing a child, i.e. via a VAA, once all other options have been exhausted. 66% of VAAs recently interviewed during the course of a report indicated a decrease in services purchased by LAs.<sup>4</sup> This is compounded by the fact that in the vast majority of cases, LAs transact with VAAs on a spot purchase rather than contract basis, building volatility into the market place. Unsurprisingly perhaps, VAAs are facing severe financial pressures with 40% recently indicating that their future viability is in jeopardy.<sup>5</sup> Recent anecdotal evidence indicates that some long established voluntary agencies have indeed had to close their doors due to financial difficulties.

The situation, however, need not be so bleak if a realistic and accurate perspective is brought to bear and acted upon. Recent research commissioned by the DCSF itself has indicated that the actual costs of a VAA sourcing and matching a child amounts to £36,905. The actual cost to a LA was estimated to be virtually the same at £35,340.<sup>6</sup> Therefore the inter-agency fee is grossly underestimating the value of the adoption 'market', starving VAAs of financial oxygen and leaving LAs under a false impression as to the costs involved in matching and securing a successful adoption placement. This study acknowledges that there is as yet a lack of evidence indicating the longer term savings that could be enjoyed if more children moved out of long term care into stable adoptive homes. However, in terms of a most rudimentary comparison, it will indicate that the true cost of delivering a successful adoption would pay for itself within an 18 month period if set against the £25,000p.a that it costs for a child to remain in long term foster care.

This report does not advocate the sole use of VAAs in delivering adoption services. Rather it encourages a partnership approach to provision which sees LAs acknowledging the expertise of the voluntary sector and making full use of it. VAAs have been shown to be better at sourcing families for 'difficult to place children': those children over 4 years old, those from an ethnic minority, those who are part of a sibling group. VAAs are widely

acknowledged as being highly effective in supplying a broad range of adoption support services, both to those families and adoptees that they have historically dealt with and to those who have been matched by LAs themselves. Looked at in the round, VAAs have a well proven track record, backed by statistical data which is gathered on a regular basis by the Consortium of Voluntary Adoption Agencies. Of those placements made through VAAs in 2008, only 6% broke down, despite the fact that the voluntary sector handles a proportionately higher number of difficult cases.<sup>7</sup> When last reviewed, LA arranged placements experienced a disruption rate of 20%.<sup>8</sup> Evidently the voluntary sector has much to offer.

We would **recommend the following**:

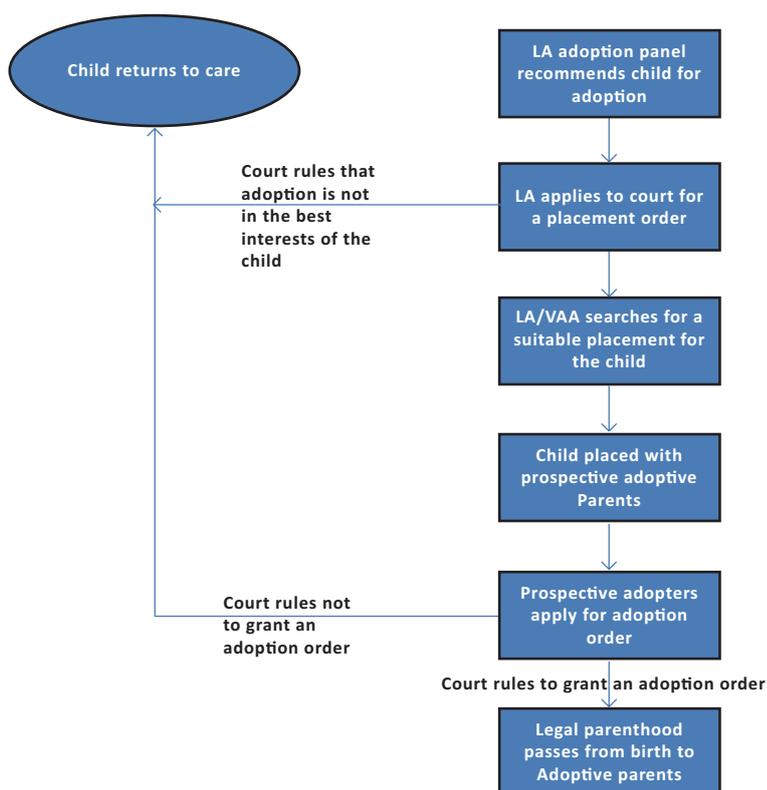
1. All adoption agencies, both public and voluntary, should be made fully aware of the most recent breakdown of costs associated with adoption as set out in the latest DCSF commissioned report, *Adoption and the Inter-Agency Fee* (2009). At the same time, there should be greater recognition on the part of LAs that the real cost of securing a successful adoption placement for a child could be recouped in as little as 18 months when set against the £25,000p.a cost of a child remaining in long term foster care. Though greater empirical research is needed, LAs should also acknowledge the longer term cost savings that could be accrued should a child grow up in a stable adoptive home rather than through potentially less stable foster care.
2. In light of the greater recognition of the actual costs associated with adoption, revision of the inter-agency fee is required so that VAAs can be placed on a more sustainable financial footing. A variable fee should be introduced based on a range of payments with a lower inter-agency fee applying to those cases deemed easier to place, e.g. single white children under the age of four, and a higher fee for those cases deemed most difficult to place, e.g. a sibling group of minority ethnic children all older than four years of age. The Consortium of Voluntary Adoption Agencies should have the clear support of central government in bringing forth any changes so that LAs are in no doubt as to the need for reform. If necessary central government should revert to Chapter 2, Section 11 of the Adoption and Children Act 2002, which gives it the right to regulate inter-agency fees.
3. LAs should engage more fully with the voluntary sector at the initial stages when adoption services are being commissioned and scoped out as well as using VAAs to ensure the successful delivery and provision of those services.

- a) LA Adoption Teams should be encouraged to apply more thoroughly the commissioning guidelines set out in documents such as the *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*.
  - b) LAs should adopt a procurement route other than spot purchase when securing the provision of adoption placements and adoption support services from VAAs. LAs should procure placements from VAAs on a more reliable on-going basis.
4. LAs should pay regard to the budgeting process surrounding foster and adoption services in the following ways:
- (a) As far as possible, LAs should view fostering and adoption budgets as a whole to incentivize an increase in the number of adoptions each year. In addition, LAs should manage these budgets over a three to five year period, so that the constraints imposed by an annual spending program are avoided. Coordinating the budgeting of these two services in such a way, combined with a greater understanding of the long term costs of children's services, would give LAs the manoeuvrability that they need to invest a greater amount up front to ensure more successful adoptions are achieved. They would also benefit from savings in the longer term as fewer children remain in 'looked after' care.
  - (b) LAs should consider introducing a concept of funding following the child, ensuring that funding is ring-fenced around the requirements of individual cases and that capital is only spent when it is being used to develop an individual child's care career. This would encourage LAs to undertake a cost-benefit analysis of adoption and foster care, enabling them to acknowledge that investing more initially in trying to get an individual child adopted will reduce both the likelihood of that child remaining in foster care until adulthood, and the costs associated with that scenario.
5. LAs, aided by national government, should follow the example set by Consortium of Voluntary Adoption Agencies (CVAA) in terms of collecting data on the subject of adoption. There needs to be an improvement in the quality, quantity and frequency with which data is collected.

## Introduction

Before embarking on an examination of the key issues affecting the interplay between LAs and VAAs, an understanding of the overall adoption process is important. An outline of this process is highlighted in the table below.

**Figure 1: Process outlining the adoption procedure**



Two key issues affecting the potential successful outcome of adoptions can be identified from the process outlined above:

1. **Whether or not the Courts will agree with the LA's adoption panel and make a placement order, followed by the subsequent adoption order.** There are clear, statutory requirements on LAs to undertake a full assessment of an individual child's

suitability for adoption and to present these to the Court where a rigorous and comprehensive process is employed. Those LAs consulted during the course of this report understood the need for such a process. However, concerns were expressed that Courts are being unduly focused on Human Rights legislation and are placing the interests of the birth parents over those of the child. Those LAs consulted felt that, as such, the legal system was imposing unnecessary delays on the course of the adoption process being applied to a child, running the risk that they are older before coming forward for placement. This in turn makes the job of finding them a successful adoptive home more difficult and reduces the likelihood of longer term success. While this issue is highly pertinent, it goes beyond the scope of this report and will not be addressed in it. Further subsequent research should however address this issue.

2. **The extent to which LA's can secure a successful match, either by sourcing an adoptive family itself or through another LA or by employing the services of a VAA.** The public sector's decision on whether or not to procure the services of the voluntary sector and the means of conducting business with a VAA, should that route be decided upon, form the basis for this report.

It should be noted that anecdotal evidence indicates that the challenges facing adoption as outlined in this research also apply to services in Scotland, Wales and Northern Ireland. However, due to data limitations this report only relates to the provision of adoption services in LAs across England.

### **A disappointing trend**

When set against long-term foster care, the evidence indicates that adoption provides the more stable home environment through which children are more likely to have positive psycho-social outcomes.<sup>9</sup> Research highlights the higher levels of emotional security, sense of belonging and general well-being expressed by those growing up as adopted compared with those fostered long term.<sup>10</sup> There are relatively few studies which contrast the perceptions of adults who had grown up in long-term fostering with those who had been adopted. Yet in those which have been undertaken, the adoption group emerges as having done significantly better. In one study, for example, 57% of those formerly fostered rated their ability to 'cope with current life' as 'very good' to 'good', compared with 90% of those adopted.<sup>11</sup> A Swedish study undertaken in 1990 contrasting a group of young adults, some of whom had gone into long-term foster care and others who went into adoption, found that 'maladjustment' in the foster group was two to three times more frequent.<sup>12</sup> These and more recent studies do acknowledge that foster care continues to have a definite place for a range of children who require long-term plans. However it is widely recognized that adoption provides the more stable solution and hence should be encouraged and facilitated as far as is possible, while maintaining the necessary rigors of the adoption process.

Despite this, trends appear to be moving in the opposite direction. The number of 'looked after' children (children in the care of LAs) has remained almost static over the course of the past 5 years at approximately 60,000. Yet approximately 73% of these children were in a foster care placement as at 31 March 2009, up year on year from 65% at 31 March 2001. Conversely, in the same period, the number of children adopted has remained virtually static fluctuating only slightly between 5% and 6% of the total number of all 'looked after' children.<sup>13</sup> Many children who would be better placed in an adoptive home continue to grow up in the care system. A study undertaken in 2007, for example, revealed that from a sample of 7,399 children who had entered care under the age of 11, 26% were still in care on average five to six years later.<sup>14</sup> While not all of these children would have been suitable for adoption, the question needs to be asked: why are so many such young children remaining in long term care and not being given the chance of adoption?

## The Changing Face of Adoption

The longer term historical narrative behind these current adoption rates has certainly not been a static one, with the shape of adoption services altering considerably over the course of the past 30 years. In 1975 only 7% of all children adopted had come from a background of long term foster or residential care. By 2003, that number had risen to 71%, primarily due to the sharp reduction in the number of babies of unmarried mothers given up for adoption; this was driven by the decrease in stigma associated with illegitimacy and single motherhood and the increased access to contraception and abortion.<sup>15</sup>

The Adoption Act 1976 marked a juncture at which regulation began to take account of this changing scene. Historically the primary responsibility for adoption had lain almost entirely with VAAs. Now the Act imposed a mandatory requirement on LAs to provide a comprehensive adoption service for the first time. It recognised that the emphasis was becoming less about providing homes for relinquished babies and more about securing stable homes for both infants and non-infants for whom abuse or neglect had resulted in them being looked after by LAs. With a focus on 'permanent placement' this approach included the successful use of adoption for a much wider range of children, including those who were older with more complex needs, than had previously been thought possible.

In spite of these developments, by the 1980s the focus had shifted off adoption. It was increasingly felt that in most cases the family would provide the best place for children and that the parents, supported by LAs, should exercise responsibility in deciding what was best for them. As such, the Children Act 1989 placed the emphasis on partnership with parents, support to families and strong child protection. The focus on 'permanence' was reduced, and the emphasis placed on adoption decreased.<sup>16</sup> By the mid-1990s the emphasis had changed yet again. Drawing on research, the Government encouraged LAs to develop a more balanced range of services for children in need and 'looked after', alongside their existing child protection services. The Quality Protects programme (which involved an investment of £375 million over three years) was intended to help LAs develop a balanced range of service, and secure greater stability and better outcomes for 'looked after' children. One aim was to return adoption to the mainstream of children's services, maximizing its use while minimizing delay; the Local Authority Circular, "*Achieving the Right Balance*" report on adoption practice sought to achieve this.<sup>17</sup>

The momentum for improvement directed from the centre continued in 2000 when the Prime Minister's Performance and Innovation Unit undertook a major policy review of adoption services provided for 'looked after' children across the UK. Its primary purpose was to address whether there should be more use of adoption as an option for 'looked after' children and whether the process could be improved in the interests of the child. Overall, the report concluded that the government *should* promote an increase in adoption, and that there was scope to

increase the number of 'looked after' children adopted each year.<sup>18</sup> The aftermath of the publication of that review saw the introduction of the Adoption and Children Act 2002, replacing the 1976 Adoption Act, and the injection of £70 million for LAs to invest in adoption services.

By the early 2000s, therefore, the drive from central Government towards more effective adoption services delivered within Local Authorities was pronounced. From the point of view of LAs at least, these policy and funding commitments seem to have had some success. The percentage of children for whom adoption orders were secured after being placed via LAs increased from 80% of the total number of adoptions made in 2001 to 84% of the equivalent total in 2009. Yet, despite the considerable investment and political will, the actual number of successful adoptions has dwindled in recent years. Following an increase from 3100 adoptions made in 2001 to 3,800 in 2005, that number fell back to 3,200 by 2008, only to recover slightly to 3300 by 31 March 2009. Yet a sharp downward trend is likely to return in 2010 given that 2,500 children were placed for adoption in at 31 March 2009, representing a 13% decrease from the previous year. Thus it can be assumed that the number of successful adoptions that will be recorded at 31 March 2010 will reflect this decline.<sup>19</sup>

The starkness of this situation has been highlighted by a recent report, commissioned by the Department for Children, Schools and Families (DCSF), *'Adoption and the Inter-Agency Fee'*. This was undertaken by Dr Julie Selwyn and others at the Universities of Bristol and Loughborough (referred to throughout this paper as the *'Selwyn Report'*). This report indicated that, despite good intentions, perhaps as many as 25% of those children with adoption recommendations at any one time are never found an adoptive family.<sup>20</sup> The *Selwyn Report* did stress that this statistic was an estimate, due to the lack of any data collated formally by DCSF. Despite this, none of those consulted during this report disagreed with the 25% suggested. Assuming that the 3,200 children adopted in 2008 amounted to 75% of those recommended for adoption, 25% equates to just over 1,000 children. Of this number, it would be fair to assume that 10% experienced a breakdown during placement for a variety of reasons and that in a further 10% the courts decided that an adoption order should not be granted.<sup>21</sup> Taking these assumptions into account, that still left an estimated 800 children who could have been adopted but were not because suitable placements could not be found. The statistics for ethnic minority and older children are equally bleak. A 2007 report of older children with adoption recommendations found that 27% were never placed, while in 2008 research highlighted that 29% of minority ethnic children with adoption recommendations had their plans changed away from adoption.<sup>22</sup> Local Authorities are finding themselves under a variety of pressures including costs and staffing problems. Combined with an approach to adoption provision which does not harness the potential of the voluntary sector as well as it could do, the consequence is that fewer children are currently being put forward for adoption than should be the case. Evidently there remains room for considerable improvement.

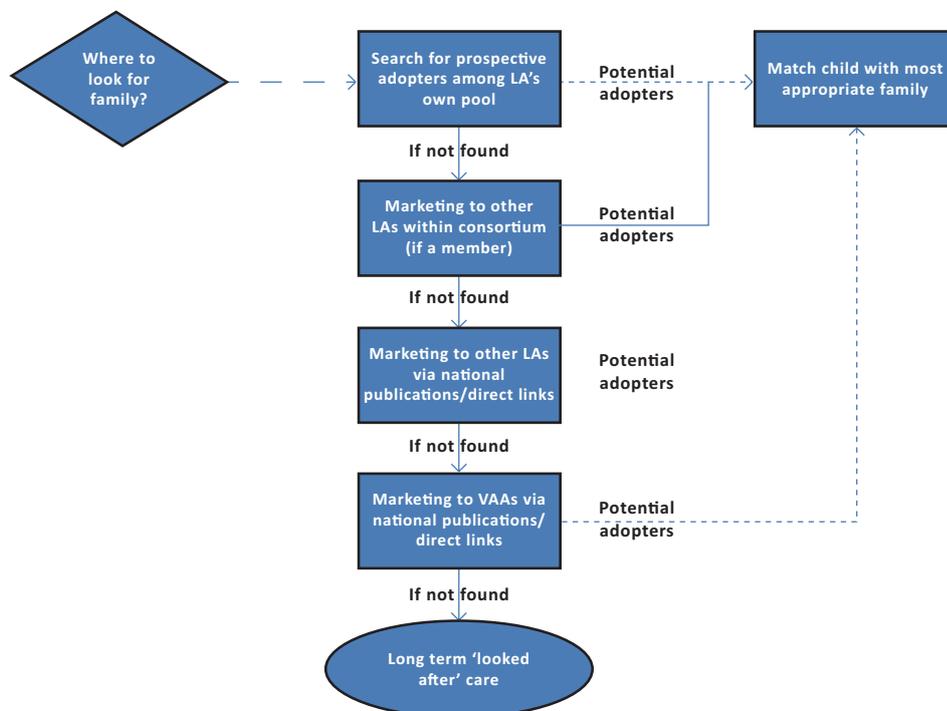
## Delivering adoption services

With the introduction of the Adoption Act 1976, the delivery of adoption became a mandatory responsibility of LAs. Within their respective areas, each LA had to maintain a service designed to meet the needs of children who may be adopted, of those who wished to adopt a child, as well as the needs of birth parents and former guardians.<sup>23</sup> The Adoption and Children Act 2002 reiterated these requirements, while modernizing the whole existing legal framework for domestic and inter-country adoption. The Act underpinned the Government's drive to improve the performance of the adoption service and sought to encourage more people to adopt 'looked after' children by helping to ensure that the support needed was available.<sup>24</sup>

From 1976, therefore, Government policy has encouraged the development of LA-led adoption services. In strategic terms, however, this drive continued to acknowledge that, historically, a great deal of knowledge and expertise in adoption lay within the voluntary sector, and continues to reside there. Guidelines from central Government have also recognized this and have sought, in some measure, to encourage a successful working partnership between the public and the voluntary sectors. The *National Minimum Standards for Adoption Services* state that delay in placing children be avoided by urging social workers to co-operate "*closely and timeously with....consortium partners and local voluntary adoption agencies to find approved adopters who can meet the needs of the child.*"<sup>25</sup> Central Government has sought to draw attention to the degree to which that co-operation has taken place. Since 2006, two significant independent studies into the state of relations between LAs and VAAs have been commissioned by the relevant Government department – '*Commissioning Voluntary Adoption Agencies – An Independent Review*' undertaken by Deloitte (referred to in this paper as the *Deloitte Report*) and the *Selwyn Report*. Yet despite these reports and the guidelines that have been set out, the decision to work with voluntary organizations ultimately remains with local government, and legislation promotes co-operation only in so far as authorities themselves consider it appropriate.<sup>26</sup>

LAs have a range of options at their disposal when placing a child for adoption, as outlined in the table below:

**Figure 2: The process of finding a placement**<sup>27</sup>



As indicated, LAs can place children for adoption with prospective adopters that they themselves have approved or, if in a consortium, that a member of that grouping has approved (an ‘internal placement’). Alternatively, LAs can place children for adoption with approved prospective adopters sourced by another Local Authority, or with those who have been approved by a VAA (in both of these latter cases, an ‘external placement’.) There are currently 177 Adoption Agencies registered in England, 27 of which are run by the voluntary sector (see Table 1).<sup>28</sup>

	England	Wales	Scotland	Total
Local Authorities	150	32	22	235
Voluntary Adoption Agencies	27	3	1	31
<b>Total</b>	<b>177</b>	35	23	266

In the case of an external placement being made, an inter-agency fee is charged. Originally referred to as the 'Reimbursement of Costs Scheme', the fee was established across England and Wales in 1978. With the original intention of encouraging co-operation between the public and voluntary sector, the scheme was designed to provide a means of allowing an external agency to recoup the costs of recruiting and approving prospective adopters. Unsurprisingly, the degree to which the fee actually covered those costs has been an area of contention ever since. Originally set at £3,370, the fee was based on the average expenditure of family finding, preparation and placement work and was agreed with the Local Government Association. The agreed rate was linked to a certain point on the social work salary scale, rising automatically each year in line with nationally negotiated salary increases to protect it against inflation. Major reviews of the fee, involving representatives of both the public and voluntary sectors, have been undertaken on three occasions since its inception. On each occasion the dominating concern was that the fee had not accurately reflected the expenditure incurred by the voluntary sector, whichever came first.<sup>30</sup>

Today, inter-agency fees continue to relate to the national salary scale for social workers, as agreed by the National Joint Council (NJC) for local government in conjunction with the CVAA. These fees are then published annually by the British Association for Adoption and Fostering (BAAF). Under the Adoption and Children Act 2002, central Government does have the right to prescribe and regulate inter-agency fees. Yet so far, it has chosen not to do so, leaving this matter effectively to the self-regulation of local government.<sup>31</sup> The following fees have been applicable from 1 April 2009:

- **£13,138 for an adoptive family approved by another LA.** This is an estimated 50% of point 31 on the NJC salary scale
- **£20,640 for families from VAAs with an additional 1/6 of the fee to cover a package of post adoption order services. This total is therefore £24,080.** This is an estimated 65% of point 38 on the NJC salary scale.<sup>32</sup>

Under guidelines set out by BAAF, the first third of the fee is designed to cover the work until the prospective families are approved for adoption; the second third covers the work the family's agency does with them to prepare them for a particular child, until the date of placement; the final third covers the support by the family's agency to the family until an adoption order is made or for one year, whichever comes sooner.<sup>33</sup> The fee is paid in two parts, with 66% being paid on the day the child is placed and 34% on the anniversary of the placement or the making of the Adoption Order.<sup>34</sup>

A summary reading of these figures would indicate that it appears substantially less expensive for a LA to procure an adoption placement from another LA than from the voluntary sector. Yet critical new research has unearthed

that the actual differential between the cost of public and voluntary provision is relatively small, due primarily to Local Authorities underestimating their own costs. A deeper analysis at a later stage of this report (see page 18) will discuss these actual costs and indicate that these inter-agency fees are grossly under-valuing the provision of adoption services as a whole and, as a consequence, leading to VAAs heavily subsidizing the public purse.

Government policy and financial arrangements pay some degree of regard for the skill base inherent within the VAAs, yet a joined-up approach to the provision of services remains far from the norm. The inter-relationship between LAs and VAAs continues to be highly underdeveloped. With due cause VAAs contend that, driven by a false accounting of their costs as referred to above, LAs are increasingly depending on internal placements alone to meet their adoption needs, cutting off the voluntary sector as a source and thereby restricting the number of potentially successful matches between children in long term care and waiting adoptive families. Of those VAAs recently interviewed in research undertaken for the CVAA, 66% reported a decrease in services purchased by LAs, especially in terms of placements for 'looked after' children. In that same report, 40% of voluntary agencies were concerned or very concerned with regards to their long-term sustainability.<sup>35</sup> The future contribution of the voluntary sectors thus lies in jeopardy. Meanwhile, the number of successful adoptions delivered across the country struggles to reach even the levels attained some five years ago.

### **The role of Voluntary Adoption Agencies (VAAs)**

The changing face of the adoption over the past 30 years has impacted the role which VAAs are expected to play. Having evolved to a very great extent from the relinquishment of infants, often at birth, adoption has come to be regarded as the best means of providing a family for children who have been abused and neglected. The challenges have therefore become all the more diverse. However, it would seem that service delivery has not caught up with these challenges. In essence, a more balanced delivery model which successfully combines the resources of the public and voluntary sectors and which puts both on a stable footing is required in order to provide an adoption service equipped to match the expectations that have been put upon it.

Historically, VAAs developed around the basis of philanthropic concerns and a desire to ensure that children given up for adoption were found suitable homes. While these core elements remain, commercial awareness has become as much a part of the voluntary context as philanthropic motivation.

Currently a balanced approach to the provision of adoption services is missing. VAAs consulted during this research indicated that they are very unsure of the role which they believe LAs wish to see them playing. A failure to apply a well thought out and planned approach to the shaping and development of services lies at the heart of the imbalance. This situation has emerged despite a raft of policy guidance from central Government on the issue of

joint commissioning. Introduced under the Children Act 2004 as part of the *Every Child Matters* agenda, Children's Trusts were designed to provide integrated front-line delivery organized around the child, young person or family rather than professional boundaries or existing agencies.<sup>36</sup> Yet, the opportunity to use these Trusts as forums, through which the voluntary and public sectors can engage on how to develop children's services in general, let alone on the specifics of adoption, has not been taken. According to a recent Audit Commission report, there was 'little evidence that Children's Trusts have improved outcomes for children.'<sup>37</sup> Nor have the Trust's brought about the breakdown of the silo approach which seems to apply to the delivery of children's services as a whole (see page 16). In 2006 the Government published the *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*. LAs and VAAs were consulted during this research on the extent to which this framework has been applied to adoption services. In large part, it was reported that the framework has not been applied, and that a proactive approach to the commissioning of adoption services has not been undertaken.

Hence, despite statutory guidance which encourages engagement with the voluntary sector, in the majority of cases LAs are failing to regard VAAs as partners with whom they can undertake needs assessments and service planning. Of the 16 VAAs interviewed during the course of the *Deloitte Report* in 2006, half felt that more inclusion at an earlier point in the scoping of services would help them improve their offering, ultimately enhancing the outcomes for children.<sup>38</sup> All of the VAAs consulted in the course of this report agreed that this lack of engagement around commissioning continues to persist and that LAs need to play a more strategic, enabling role, working alongside VAAs to map out those adoption services which might best be suited to their particular area. Instead, VAAs are being left in a vacuum as regards what services they should provide, and are being given little opportunity to identify and occupy a space within the adoption market that plays to their strengths and complements the overall provision of adoption services.

### On the margins of the market place

Unsurprisingly, this lack of engagement with the voluntary sector has been compounded by a reluctance to conduct business with it at all. All of the VAAs consulted during the course of this research said they faced a predominant in-house mentality from within LAs with respect to the actual provision of services. The *Selwyn Report*, which examined the inter-agency fee, also indicated the limits of public/voluntary engagement. Only one of the sixteen VAAs consulted during the *Deloitte Report* had a Service Level Agreement with a LA to provide adoption placements. (This was the case of Darlington Borough Council, who operated an arms length contracting arrangement with Durham Family Welfare for the provision of suitable adoptive parents for children. This SLA came to an end in early 2009 and has not been renewed. For more detail refer to page 23). In all other areas, requests to VAAs to provide placements were made on an ad-hoc, spot purchase basis, leading to uncertainty of demand.<sup>39</sup> This backs up evidence collated in 2007 on behalf of the CVAA by RedOchre (referred to in this paper as

the *Redochre Report*), which identified that the majority of voluntary agencies (66%) were reporting a decrease in services purchased by LAs, particularly those relating to placements.<sup>40</sup> This continues, in spite of the fact that the number of children being adopted fell to a ten year low in 2007-08.<sup>41</sup>

Further decline has also been noted in some areas of adoption support services. In addition to providing support for families approved by VAAs, the voluntary sector's acknowledged body of expertise in this field has ensured that it also undertakes work of this nature for LAs on a commissioned basis. In particular, the Adoption and Children Act 2002 makes it a statutory requirement that birth parents are offered the option of post adoption support services from a body independent of that charged with the adoption of their child.<sup>42</sup> As such, many LAs have commissioned the services of a VAA for the provision of this specific area of support. Yet, eager to encourage more adoptions, the Act also gave greater emphasis to adoption support more generally. In the initial years, a clear trend developed amongst LAs to use VAAs for specialist services as often the LA did not have the resources to provide them itself. These services include intermediary services, providing information on birth relatives to adopted persons aged over 18, who were adopted before 30 December 2005; the re-assessment of prospective adopters who have experienced disruption during the adoption process; independent chairing for disruption meetings, investigation and complaints; and approving prospective adopters for inter-country adoption. Despite this, the CVAAs latest statistical breakdown indicates that, across adoption support services as a whole, the number of new referrals from the public to the voluntary sector has declined by almost 40% in the period 2006/07 to 2008/09.<sup>43</sup> The reasons behind this drop are as yet unclear, though it might be connected to the increasing skills with LAs as they seek to build up their own experience in respect of supporting families that they have approved. It might also be linked to more referrals being passed to a growing number of Adoption Support Agencies. These voluntary bodies, some of whom used to participate in the placement market, focus solely on providing independent adoption support thus reducing the demand for VAAs to deliver this service.

## Marginalization Explained

Our research has identified two main factors which are reinforcing the marginalization of the voluntary sector.

### 1. Poor approaches to provision

#### The process

Once a child has been approved for adoption, a LA will make every effort to find a suitable placement for it from amongst the parents that they themselves have assessed. This in itself would seem a sensible approach. Crucial, however, is the decision which a LA takes if a suitable adoptive family cannot be found within the first three

months following the child's approval, beyond which time the child's profile can be placed on the national Adoption Register. Beyond this point the search moves onto the regional and eventually national stage. Unable to place a child within their own boundaries, a particular LA will search for a match amongst those families assessed by a neighboring LA. Failure in this instance might see them take an inter-regional approach by seeking a family from a LA in another area of the country. These arrangements have proven to be effective for small LAs in particular, where being constrained by geographical boundaries means that a child may be more effectively placed outside of its area. Increasingly, LAs have entered into a series of consortia arrangements with other LAs to best facilitate this integration. To some degree these arrangements are an indication of a more highly evolved means of delivering a public service and should not in themselves be dismissed. One LA consulted during the course of this report indicated that they treated their own pool of adopters and those of their fellow consortium members as one, referring to it as a whole from the outset. Yet, to date, outside of the Harrow/Coram partnership, LAs have largely failed to incorporate any voluntary sector players within their consortia arrangements, thus solidifying the hegemony of one sector while marginalizing the other.

When consulted in 2007, several LAs reported a preference for using in-house provision, which included sourcing placements from neighbouring LAs for no cost through the means of a consortium arrangement. LAs felt that this approach ensured that placements were easier to arrange and quicker to access because they were within closer geographic proximity. Thus the job of matching a child to a family involved fewer travel hours for social workers, keeping costs down.<sup>44</sup> Furthermore, as outlined earlier, LAs have benefited from a significant degree of investment from central Government over the past decade and, perhaps understandably, in part feel the need to justify the additional funds received in recent years by bolstering internal services rather than drawing upon those provided by VAAs. LAs are also eager to build up their own experience with respect of supporting families that they have approved and as such will be inclined to keep such provision in-house when possible.

Fundamentally, however, a complete understanding of the approach to the provision of both placements and support services requires an appreciation of cost. This issue will be addressed in more depth further on in this report. In essence, however, the placement route followed by many LAs tends to follow a clear linear pattern and has evolved because it ensures that LAs only have to turn to what is perceived as the most expensive means of placing a child - i.e. via a VAA - once all other options have been exhausted.

### The effect

Such a linear approach to adoption placement might appear financially sensible to LAs who have to account for budgets on an annual basis and are under pressure to keep within costs. Yet, inadvertently it is failing to put the interests of the child first and is storing up the potential for a greater number of children to remain in more costly

foster care for the long term (a summary of the annual cost of foster care compared to the cost of an adoption placement is addressed on page 16). Critical in understanding this matter is the fact that this linear approach creates delay in the process of searching for a potential adoptive home and of placing a child in that home. Delayed decision making has been shown to have a strong influence on the likelihood of being adopted with it commonly understood that the younger a child is, the easier it is to place.<sup>45</sup> The older the child, the more likely it will be that the child's early experiences will impact on their capacity to attach to the adoptive family. Recent research indicates that almost two-thirds of children adopted by strangers had last been in care before their first birthday. Around 55% of all children adopted in 2007 (by both LAs and VAAs) were aged between one and four years old. More than one-quarter (26%) of children adopted in 2007 were aged between five and nine.<sup>46</sup> Statistics specific to VAAs prove no exception to this trend. 61% of all children placed by VAAs in 2007/08 were between the ages of one and four. 29% of those children placed were between the ages of five and nine and only 1% were over ten years old.<sup>47</sup> Thus, by relying upon such a linear and filter approach to identifying those children who are the more difficult to place, rather than ascertaining, perhaps from birth, which children have the potential to become hard to place, and then immediately referring those cases to a VAA, the current system applied by LAs is unintentionally lowering the number of children leaving long term care for adoptive homes.

### Contending with volatility

VAAs provide a range of support and counselling services as well as working to source and match successful adoption placements. While the former set of services provide a relatively reliable means of income, their position in the overall adoption market is peripheral. Providing placements, on the other hand, is a central service offered on the part of any VAA, yet relying on it alone is a precarious business.

Should the decision be taken by a LA to procure the services of a VAA to provide a placement for a particular child, the means of undertaking that transaction, in almost every instance, is on a spot purchase rather than a contract basis. This creates volatility in the marketplace, undoubtedly having an adverse impact on the financial planning and stability of VAAs. VAAs consulted during the course of this report indicated that this model pushes all of the market risk onto them, as they see no percentage of the inter-agency fee until a placement is made. Prior to that, each VAA must cover all of the costs of recruiting potential adoptive families and take all of risk that LAs might not turn to them to use these families. Lacking the stability and framework of a contract to work within, VAAs find themselves with no means of fully predicting the pipeline of cases that may or may not be presented to them. With less demand coming from LAs, those families sourced and prepared for adoption by VAAs increasingly have to wait longer for a child to be placed with them. The CVAA expressed concern that in 2008/09, 18% of VAA approved adopters were waiting longer than 18 months before a child was placed with them, an increase of 4% from the previous year.<sup>48</sup> As a consequence, of those families who decide to withdraw from the entire process, the

disappointment of not being able to secure placement has been cited as the primary reason for their withdrawal, once again reducing the chances of successful adoptions going ahead.

To a greater extent, adoption support services are an example of one area where the voluntary sector can enjoy some degree of market stability. Of the 15 VAAs consulted as part of the *Redochre Report* in 2007, 12 had Service Level Agreements (SLAs) with one or more LAs. The LAs and VAAs consulted during the course of this report confirmed that a number of contracting arrangements are in place between both sectors to ensure the delivery of a variety of support services.

VAAs offer a range of different support services:

- 87% of those VAAs consulted during the course of the *Redochre Report* indicated that they provided training and consultancy services;
- 75% provided Re-Assessments of the Prospective Adopters who experienced disruption during the adoption process;
- named carer assessments for foster carers applying to adopt their foster child was a service provided by 63% of the sample;
- chairing independent adoption panels was provided by 56% of those VAA managers interviewed.<sup>49</sup>

However, to assume that adoption support services are one area where VAAs can rely on a dependable market base upon which to establish themselves fails to paint the entire picture. As has already been highlighted, research has indicated that the number of new referrals from the public to the voluntary sector for the provision of adoption support has declined by almost 40% in the period 2006/07 to 2008/09.<sup>50</sup> Contract arrangements, some in the form of SLAs, are in place, yet a considerable number of these relate to the provision of independent counselling and support for the birth parents, (i.e those whose child has been placed for adoption). As already indicated, this is unsurprising as statute requires that it be externally provided hence LAs tend to fall back on VAAs to ensure its provision.<sup>51</sup> Furthermore, LAs consulted during this report indicated that adoption support contracts tended to be renewed on an annual basis, thus limiting the extent to which the voluntary sector could plan and budget beyond the year. Perhaps most crucially however is that fact that those VAAs interviewed in the course of researching this report not only confirmed that LAs were procuring fewer adoption support services from them than had previously been the case but that increasingly these services too are arranged on a spot purchase basis. Hence the issue of volatility remains problematic.

The view that VAAs should capitalize on these broader adoption support services rather than rely solely on adoption placements as a means of generating income has been advocated by some parties.<sup>52</sup> However, the voluntary sector reports that such support services have a low impact on the income of their respective agencies.

VAA's forfeiting resources to focus on adoption support, at the expense of doing what they do best in finding potential adopters for difficult-to-place children, makes little financial sense. Training and consultancy services, for example, accounted for no more than 5% of turnover for VAAs in 2007.<sup>53</sup> Those VAAs interviewed in the course of this report rejected the notion that they should be forced to abandon what they considered their 'bread and butter' and argued that in some instances it was in fact harder for their support services to have the same beneficial impact if the VAA not have been involved in initial process of finding the adoptive placement.<sup>54</sup>

## 2. Dealing with costs

Central to the marginalization of VAAs is the matter of the cost associated with the adoption process, the manner in which LAs account for it and the lack of transparency surrounding it.

### Long term cost / benefit

Research has shown that LAs are not carrying out any sort of formal cost/benefit analysis with regards to adoption. The concept of funding following a particular child throughout its individual care career is currently not applied. Consequentially, there is little motivation towards attaining a fuller understanding of the costs across children's services as a whole and the cost effectiveness of a child being placed for adoption instead of remaining looked after until adulthood has not been estimated or widely understood.<sup>55</sup>

There remains a lack of recent evidence identifying the benefits of adoption over the longer terms to those children adopted out of care. From a social investment point of view, no means of equating current spending with longer term outcomes exists. The New Economic Foundation (NEF) has recently gone some way in examining how investing more directly in children's services makes social and indeed economic sense over the longer term. NEF referred to two case studies in their report and sought to apply a Social Return on Investment model to them. It concluded that for every additional pound invested in higher-quality residential care today, between £4 and £6.10 worth of additional social value could be generated over a 20 year period by virtue of bringing about improved outcomes in terms of drug and alcohol misuse, physical and mental health and youth offender rates.<sup>56</sup> Such an investigation, however, has yet to be applied to adoption spending. Although the *Selwyn Report* has gone some way to exposing the immediate cost-benefit analysis of fostering over adoption (see page 16), little has been done to attempt to quantify the broader socio-economic value of a child being brought up in an adoptive family rather than in long term care. A limited number of studies have been undertaken in this area. Based on samples taken over a five year period, DCSF statistics published in 2008 indicate that an estimated 25% of 19 year olds who have previously been in care could be categorized as NEET.<sup>57</sup> This compares to a national NEET average of 9.7% in the same period.<sup>58</sup> An estimated national resource cost to public finances could be drawn from this, yet no comparable

NEET statistics and associated costs have been sought for those young people adopted out of care. As such, a full analysis of what could be saved on other social costs if investment in adoption services were increased, awaits.

### Budgetary constraints

Budgetary constraints also represent barriers to progress. Some LAs consulted during the course of this report indicated that adoption expenditure was part of their three – five year spending plans on children’s services in general. Such an approach should go a great way to alleviating spending constraints on an annual basis. However, concerns were also raised anecdotally that the restrictions of annual budgeting continue to prevent and deter some LAs from investing in adoption, as the process of adoption requires a degree of initial expenditure beyond that which annual spending limits can afford. Such evidence indicated that decisions have been made by some LAs to leave a child ‘looked after’ until the beginning of the next financial year, rather than use a VAA placement because that years inter-agency fee budget had been used up and the ‘costs’ of foster care fell on a different team.

Situations like these continue, despite the *Selwyn Report* exposing how it would not take a radical fiscal overhaul to rectify this problem. While the securing of a successful adoption does require a higher degree of expenditure in the initial stages, that extra spend would pay for itself in the medium term due to the child in question moving out of long term foster care. According to the study, the estimated cost to a VAA of identifying and placing a child with an adoptive family was £36,905. Based on estimates at the same time, the average cost of a child remaining in foster care was determined to be £25,000p.a.<sup>59</sup> Therefore, if a LA chose to place a child in its care through a VAA, it could expect to recoup its initial outlay within just 18 months. Furthermore, this calculation takes none of the wider social benefits into account.

A lack of awareness of these key costs on the part of LAs is hampering reform. LAs consulted during this research were aware of the *Selwyn Report*, but not all had given a great deal of attention to the detailed costs set out within it. LA Adoption Team managers are not as aware of any potential longer term savings to their own budget as they could be and are therefore not in an informed position to encourage more adoptions. In any case, however, with performance of some LA adoption team managers measured against annual budgets, they cannot risk looking at the more strategic costs of not placing a child, even if they were aware of them.

A tendency to silo fostering and adoption budgets at a LA level is a further constraining factor. Foster care provision is evidently the significantly larger service in terms of expenditure. The most up-to-date breakdown is from 2006/07, when just over £1 billion was budgeted for fostering services against £190 million for adoption services. Given that fostering is by far the larger provision, it is perhaps unsurprising that it somewhat casts a shadow over adoption. Crucially, however, these budgets remain siloed off from each other at LA level. As such,

the costs of potentially searching but not necessarily finding a suitable placement for a hard-to-place child fail to get much attention, only being recognized by the relatively small adoption budget. Conversely, if a suitable placement is found and a child moves out of long term care, the savings are felt by the fostering budget. A realization of such savings should act as an incentive to encourage adoption. Yet this is not happening due, in part, to the relatively small number of adoptions involved and to the general lack of awareness around the costs of fostering and adoption in general. In conclusion, therefore, regarding the two budgets as one should create a greater incentive to save by promoting adoption.

### The Inter-Agency Fee

Whilst all LAs would emphasize that the best interests of the child must come first, an analysis of the approach to cost indicates that finance is, if even inadvertently, being allowed to influence decisions. The inter-agency fee is central in this respect. Each of the key pieces of research examining the financial interplay between LAs and VAAs which have been undertaken in recent years have drawn clear attention to the inter-agency fee. This controversy remains one of the key barriers to greater co-operation between the public and voluntary sectors.<sup>60</sup> Friction between LAs and VAAs persists around this issue, with the public sector believing the fee to be too expensive, but the voluntary sector arguing it is too low and that it seriously under-values adoption services.

LAs continue to perceive those services offered by VAAs, particularly with regard to placements, as the expensive option. The current cost differential, as determined by the inter-agency fee, between sourcing an adoptive family from another LA as opposed to referring to a VAA is £10,942.<sup>61</sup> A LA which is able to find a matching placement itself from within its own area will obviously regard this as an even greater cost saving, with inter-agency fees of any description having been avoided. Consortium arrangements further expose the vulnerability of the VAAs market position. Evidence gathered in 2007 indicated that regional consortiums reduced inter-agency fees further, often operating at around £9,000 per placement, some 31% below the standard inter-agency fee for LAs (as it was then) and a significant 63% beneath the inter-agency fee that would have had to have been paid to a VAA for a placement at that time. Indeed, in other instances consortia have operated a system whereby placements are traded amongst participating LAs on a no-fee basis.<sup>62</sup> Hence, it is little surprise that the services of the VAAs are undercut, becoming the option of last resort for LAs, the place to turn to for the most difficult cases when all other avenues have failed.

### Shedding new light

The issue of cost has always been central to the interplay between LAs and VAAs. However, it has only been with the publication of the *Selwyn Report* that the considerable degree to which the Inter-Agency fee arrangement is

undervaluing the adoption market place has been unearthed. The Report examined the finances of eight LAs and ten VAAs. The findings indicated that though LAs perceive the inter-agency fee as pushing up their costs, in actual fact the fee does not reflect the real costs of placing a child for adoption, either internally or externally, when overheads are taken into account. Not only was an examination of staff costs within each of the eight LAs and ten VAAs conducted but, for the first time a thorough attempt was also made at establishing overhead costs per full time employee in each of the LAs and VAAs. This addressed previous concerns voiced by the voluntary sector that LAs failed to take these costs into account when undertaking a cost comparison. By dividing each adoption body's costs by the number of successful adoptions made, the average cost per adoption placement was calculated. A breakdown of these figures is set out in Table 2 below.

<b>Table 2: Breakdown of 'true cost' of adoption placements<sup>63</sup></b>		
	<b>VAA</b>	<b>LA</b>
Average number of Full Time Employees (FTEs) employed in child placements	14.7	14.6
Average payroll cost per FTE	£53,093	£45,315
Average cost of overheads per FTE	£22,830	£19,485
Total average amount currently paid in Inter-Agency Fees per standard LA per annum	n/a	£139,125
Differential which would be paid per standard LA per annum if the true costs placement were applied *	n/a	£82,230
Total average annual cost of expenditure	£1,115,000	£1,166,230
Average number of children adopted per agency per year (Adoption Orders successfully attained)	30	33
<b>Cost per adoption placement</b>	<b>£36,905</b>	<b>£35,340</b>

\*Based on an average of 6 adoptions per LA placed through a VAA, if the LA paid the true cost of £36,905, the total cost for a standard LA adoption agency would increase by £82,230 ( $£36,905 - £23,200 = £13,705 \times 6 \text{ adoptions} = £82,230$ )

Over the course of the past ten years, guidelines on full cost recovery have been issued by central government and voluntary representatives. These guidelines have been set out to ensure that all public bodies fund services provided by the voluntary sector in a sustainable manner, by permitting the inclusion in prices of the relevant portion of overheads, and ensuring that prices are determined on a realistic basis.<sup>64</sup> However, the *Selwyn Report* clearly indicates, that such principles are not being applied to the adoption space. The Report estimated the cost of a VAA placement was £36,905. Thus, with an average inter-agency fee of £24,080 received per placement, a deficiency of approximately £12,800 has to be covered by the VAA itself, normally from charitable funds, in order

to achieve a successful placement. Unsurprisingly therefore, the voluntary sector is experiencing severe cash flow difficulties, exacerbated by the fact that VAAs receive no financial support from the public sector until a placement is made. Close to 60% of VAAs consulted during a recent study indicated that they rarely ever recover their costs.<sup>65</sup> Such a poor commercial basis also has the added implication of discouraging new players from entering into the voluntary adoption space, potentially limiting innovation, particularly with respect to finding homes for harder-to-place children. One LA consulted during the course of this research acknowledged that it was difficult to engage with the voluntary sector given that there was only one VAA within their region. The recent DCSF commissioned report indicated that several independent fostering agencies have considered developing their services to encompass adoption, believing that the expertise that they have gained in the recruitment of foster cares could be applied to the recruit adopters for harder-to-place children. However, they have been deterred by the fact that a large proportion of their costs would not be covered by the current inter-agency fee and as such have been unable to see any business sense behind a move into the adoption space.

#### Better outcomes, better value

The breakdown of the true costs of adoption as set out in the *Selwyn Report* also indicates the actual cost of a LA locating and matching an adoption placement itself. At £35,340, it was just £1,565 less than the cost to the voluntary sector, thus revealing that 'in-house' placements are almost comparable in cost terms to VAAs. Furthermore, based on these real costs, placements made by VAAs actually secure greater cost savings to LAs overall 'children in care' budgets. This has been in large part due to the fact that they are more successful at finding homes for harder-to-place children who tend to remain in foster care for a longer period of time before a potential adoptive home can be found.

Research indicates that VAA-approved adopters display a higher propensity to adopt these more difficult cases. 47% of VAA-approved adopters during 2008/09 were approved for a sibling group. 21% of those approved have an adult of minority ethnicity.<sup>66</sup> The recent research commissioned by the DSCF confirmed that 20% of children placed by those VAAs reviewed were over four years old and from an ethnic minority community or sibling group, compared with 9% of those placed by the councils.<sup>67</sup> In 2007/08, only 13.6% of all placements relating to the adoption orders made during that year were attributable to VAAs. However, in that same period, the voluntary agencies were responsible for 46% of all the matches made through the adoption register, these being the hardest-to-place children.<sup>68</sup>

The explanation behind this better performance is difficult to pinpoint. However, the experience and longevity of the social work staff employed and the extent to which they are resourced were emphasized as important factors by those consulted during the course of this report. The recently commissioned DCSF research comes closest to

providing any sort of analysis on this matter. The average number of social work staff was similar in each of the eight LAs and ten VAAs reviewed during that study (see table above, page 18), although it is important to note that the VAA sample was skewed by two large national voluntary agencies. Most VAAs were markedly smaller than LAs, yet consistency and experience were reported as being more pronounced amongst VAA staff, where small but highly focused teams had the ability to concentrate solely on finding potential adoption placements. VAA staff were also better paid than their LA counterparts, though this might have been due to the voluntary sector recruiting more experienced individuals. 2007/08 CVAA statistics noted that, year on year, annual staff turnover within VAAs stood at between just 2% and 6%. In contrast, some LAs reported that their adoption teams had to run at 90% staff occupancy to enable them to come in on budget. Social workers who left during the year were less likely to be replaced during that same financial year, creating delays in the adoption plans of some 'looked after' children.<sup>69</sup> In those cases where they are under-staffed and expected to deal with a range of children's services, one can see how social work staff in a LA might find themselves focused on fire-fighting difficult cases rather than having as much time as a VAA to look solely for suitable adoptive families. It is interesting to note that the two highest performing LAs reviewed by the 2008 report had employed staffing strategies similar to those practiced by VAAs in the search for placements. Measured as being nearly four times more effective at placing children for adoption than the poorest performing authorities and as being the public agencies with the lowest cost per placement by number of full time employees, these two LAs cited changes to staffing culture as key to their performance. One of the LAs indicated the reasoning for their high performance lay in having a separate recruitment team, rather like the sort employed in a VAA, focused specifically on the single task of sourcing and preparing families for children. The other stressed a 'can do culture' and the setting of its own internal targets as key to its success.<sup>70</sup>

Beyond the reasoning, however, VAAs have been proven to secure better outcomes in terms of placing more challenging cases, and could be said to represent better value in this regard (see Table 3 below). Though only based on a sample of eight LAs, the *Selwyn Report* sought to profile the additional value, in purely monetary terms, of a LA using a VAA to source and match its placements compared to doing so in-house. As shown in the table below, estimates of the costs to the public purse of looking after children along a range which gauged 'difficulty to place' were used to calculate the potential savings which could be arrived at.

<b>Difficulty factor calculation based on characteristics of adopted child</b>	<b>Average cost of being looked after per child*</b>	<b>LA Savings</b>	<b>LA Savings</b>
		<b>VAA placements</b>	<b>LA placements</b>
Under 4 yrs, single, white ethnicity	£20,216 10 months in foster care	£161,727	£323,454
Over 4 yrs, single, white ethnicity	£37,544 18 months in foster care	£187,720	£187,720
Under 4 yrs, sibling group or minority ethnicity	£41,395 20 months in foster care	£455,345	£372,555
Over 4 yrs, sibling group or minority ethnicity	£50,058 24 months in foster care	£300,348	£150,174
	Never placed minimum of £400,000		
		£1,105,140	£1,033,903
<b>Additional value of VAA adopted children profile compared to LA</b>		<b>£71,237</b>	

\*Using £481.33 costs per week for in house foster care, outside of London. Unit cost developed by Loughborough University

The saving has been calculated by applying the total number of adoptions that were achieved in each category by VAAs and LAs to the costs saved. For example, the calculation for a child who is under 4 years, single and of white ethnicity was as follows - £481.33 (cost per week of in-house foster care) x 42 weeks x 8 (VAA adoptions) or x 16 (LA adoptions).

These calculations demonstrate that VAAs record on finding homes for a greater number of difficult-to-place children results in them producing a higher overall cost saving to the public purse than was the case when LAs themselves sought to make all of the placements. A gross saving of £71,000 was calculated as a result of using the voluntary sector. With an average of 30 children adopted per VAA per year across this sample and additional cost per VAA placement of £1,565 (see page 18) a net saving of £24,000 would seem somewhat negligible.<sup>72</sup> Yet, it is important to remember that this figure is only drawn from the adoptions achieved by a sample of ten VAAs and eight LAs. Furthermore the costs of remaining in care are likely to be considerably higher than those used above. Most importantly, however, is the fact that these calculations make the case for a combined LA/VAA approach to placement provision, with each sector playing to its own strengths to ensure that the greatest number of successful adoptions is achieved for the best value.

VAAs also contend that their placements offer greater value by virtue of their record on adoption support services. The research conducted by Bristol and Loughborough Universities looked at the support given to a sample of

approved adoptive families between the placement of a child with them and an adoption order being granted. VAA approved adoptive families received twice as much support from family placement workers and had more support groups than those families approved by LAs themselves. On the basis of interviews conducted with the adoptive families, it was reported that VAA workers were in more frequent contact by telephone than LA staff.<sup>73</sup> The research uncovered that VAAs also carried more responsibility than LAs for the historical legacy of adoption. The work undertaken by VAAs in giving access to birth parent details and support to adopted people over the age of 18, not a service offered by LAs, must be considered part of this. While the majority of VAAs only offer this service to people with historic connections to them as an agency, some do also offer this service to LAs.<sup>74</sup> The *Selwyn Report* also confirmed a better track record on the part of VAAs in terms of post-adoption support. From a sample of adoptive families who had successfully attained adoption orders for their child, a greater majority of VAA adopters (86%) than LA approved families (59%) indicated that they were very satisfied with the support that they received from their respective agencies. This related to support offered both during the adoption process and in the immediate aftermath of the adoption order being brought into effect.<sup>75</sup>

It is not the purpose of this report to undertake a comparative exercise between those adoption services supplied by LAs against those provided by VAAs. A combined co-operative approach where the strengths of both sectors are brought together is advocated. However, this approach should not detract from the successful outcomes associated with VAA provision and the cogency which they bring to the argument that LAs could ensure more successful adoption outcomes if they looked to the voluntary sector in more instances to provide placements. Taken together as a whole, the adoption support services which they provide, combined with an experienced staffing culture which facilitates a higher success rate at finding homes for harder-to-place children, has ensured an average disruption rate for those placements made through the voluntary sector of only 6%.<sup>76</sup> In contrast, an estimated 20% of adoption cases placed by LAs were unsuccessful due to disruption between placement and adoption order being secured.<sup>77</sup> Figures are not, however, collected regularly on disruption rates for local LAs hence this statistic does date back to 2000 when the last estimate was calculated.

### Steps in the right direction

As demonstrated, interaction between LAs and VAAs has a considerable way to go before a balanced approach to the delivery of adoption services, which draws out the benefits of both the public and voluntary sectors, could be said to be in action. Despite this there remains room for optimism and evidence does exist of a successful working partnership arrangement being in place between a VAA and a LA to deliver the full gambit of adoption services.

## Harrow / Coram

Only one instance currently exists across England where a LA has taken the decision to work in full partnership with a VAA to deliver every aspect of its adoption services, including the provision of placements.

In 2006, the London Borough of Harrow contracted Coram, a VAA, to provide their domestic adoption service. Service delivery includes:<sup>78</sup>

- The recruitment of prospective adopters for 'looked after' children that Harrow has decided should be placed for adoption
- The provision of post-placement and post-adoption support services
- Representation on the permanency tracking panel
- Chairing of permanency planning meetings and providing consultation to social workers

Harrow has a small 'looked after' population – just 141 children during 2008. However 62% of this grouping is from an ethnic minority and 75% are older than ten years at entry to care.<sup>79</sup> These characteristics differentiate Harrow from most other LAs and from the picture across the total 'looked after' population across England in general. They also make the goal of increasing the number of successful adoptions per annum all the more challenging. Prior to the partnership with Coram, Harrow faced many of the challenges which LAs have to deal with in trying to improve the adoption rate. There was a high turn-over of staff, vacant social worker posts and consequently high usage of temporary agency staff all of which undermined the consistency of service delivery.

Three years on, the publication of an independent report into the performance of the Harrow/Coram arrangement has indicated a significant improvement in adoption service provision in the Borough, despite its higher frequency of more challenging cases. Since Coram's involvement, the number of children with a 'should be placed for adoption recommendation' has increased markedly, rising from 2% of 'looked after' children placed for adoption in 2006/07 to 14% in 2008/09. In addition, Coram have been able to match all children placed for adoption within six months of a placement order being granted. These statistics place Harrow in the top quartile of their statistical neighbours.<sup>80</sup>

The issue of volatility undermining performance has also been overcome. By virtue of the joint partnership, Coram hold a central role on Harrow's permanency tracking panel. This enables Coram as a VAA to more fully predict the pipeline of children who may be presented to them and as such they can set about finding potentially suitable adoptive families more quickly than would otherwise be the case. Thus, a more sophisticated and integrated approach to the commissioning of services has ensured more efficient and effective delivery.

The partnership arrangement has been based on a ten year contract, with a five year review point. Such relative permanence, combined with Coram having a full time on-site presence in Harrow, has ensured that any initial mutual suspicions between the two organizations have been dealt with. An environment of trust has been created whereby new approaches to commissioning and delivery can be pioneered. Since the partnership began, for example, five children have been placed with concurrent carers. In these instances Coram have been able to identify those children who might need to be found adoptive homes during the very first days of infancy, or even, in some cases, before their birth. By having an insight at such an early stage, Coram have found families willing to foster those children in the very first days of their lives without the guarantee of adoption following, while concurrently working with the birth mother, giving her every chance of having her child returned to her if she is able. The independent report into the Harrow/Coram partnership cited greater use of concurrent planning as one of the outcomes of effective joint commissioning and a model from which more children in other LAs might benefit from were it not for the lack of communication and mutual understanding between the public and voluntary sectors.

The partnership approach applied by Harrow and Coram is still therefore in the early stages of its development. However, it has already gone some considerable way towards illustrating how a more effective means of providing adoption services can be implemented. Each LA will of course display its own challenges and the very specific nature of adoption services means that no general blueprint can be applied. Yet Harrow's willingness to engage and Coram's eagerness to deliver have combined to create a partnership which other LAs and VAAs should seek to emulate.

While Harrow and Coram are unique in terms of the extent of co-operation, it should be acknowledged at this stage that others have played their part in charting the course. Up until its termination in early 2009, a Service Level Agreement between Darlington Borough Council and Durham Family Welfare (DWF) had to some degree set the scene for greater co-operation between LAs and VAAs. DWF were highlighted in the *Deloitte Report* as an example of a VAA finding and matching suitable adoptive parents for children within the care of Darlington BC. Yet there were fundamental differences between this arrangement and the one currently practiced between Harrow and Coram. DWF was not involved in working with Darlington to promote permanence planning. Rather, it simply received the referrals when the LA had completed the whole process of choosing which children should be placed for adoption. Delays thus continued and the children referred were the usual sample of children chosen by LAs. In contrast Coram are involved much earlier - chairing planning meetings within the LA, providing consultation, working with the LA - and have made the whole LA focus on permanency planning for children. In contrast the DWF model kept the VAA as outsiders and the LA 'outsourced' the work the VAA wanted.

## Recommendations

The primary issue identified by this report has been the inter-relationship between LAs and VAAs. Working co-operation between the public and voluntary sector is limited with regard to adoption services and the research outlined above has gone some way to examining some of the reasons as to why this is the case. In light of this, we would recommend the following:

1. All adoption agencies, both public and voluntary, should be made fully aware of the most recent breakdown of costs associated with adoption, as set out in the latest DCSF commissioned report, *Adoption and the Inter-Agency Fee* (2009). Inter-agency fees are currently perceived as expensive, yet they are in reality under-valuing the adoption market. The DCSF report reveals that the current top band of the fee (£23,842) is considerably lower than the actual cost to a LA finding a placement itself (£35,340). Greater recognition of these actual costs is needed on the part of LAs to overcome any false disincentive that they might have against the procuring of placements from VAAs on the grounds that such placements are too expensive.

There should be greater recognition on the part of LAs that the real cost of securing a successful adoption placement for a child could be recouped in as little as 18 months when set against the £25,000p.a cost of a child remaining in long term foster care. At the same time, beyond the human implications, the LAs should recognize the financial costs of children growing up in the care system and the possible longer term costs associated with this. Future research should concentrate on providing an analysis of the broader and longer term socio-economic value of a child being brought up in an adoptive family rather than in long term care. This would provide a means of evaluating current spending on children's services, including fostering and adoption, against longer term outcomes. A full social return on investment analysis for adoption spending awaits.

2. In light of the greater recognition of the actual costs associated with adoption, revision of the inter-agency fee is required so that VAAs can be placed on a more sustainable financial footing. The CVAA should have the clear support of central government in bringing forth any changes so that LAs are in no doubt as to the need for reform. If necessary central government should revert to Chapter 2, Section 11 of the Adoption and Children Act 2002 which gives it the right to regulate inter-agency fees.

The latest study commissioned by the DCSF found that on average the inter-agency fee left VAAs with a deficit of £13,700 for every placement made. An upward revision is therefore required, yet simply increasing the fee to cover the estimated actual costs to the VAA of a placement (i.e. £36,905) is rather

too crude a measure. Such a move would provide no incentive to VAAs to find placements for the 'hardest to place' children. Consequentially, a variable fee could be introduced based on a range of payments with a lower inter-agency fee applying to those cases deemed easier to place (e.g. single white children under the age of four), and a higher fee for those cases deemed most difficult to place (e.g. a sibling group of minority ethnic children all older than four years of age). It is beyond the confines of this report to outline the details of what such a payment plan might look like. Due consideration would have to be given to such a proposal by an external body of financial experts, with an agreement reached between representatives from LAs and VAAs as to how to decide where individual cases should be placed on the 'difficulty to place' scale. However, agreeing to such an approach in principal would have the following positive outcomes:

- a) Regularize the adoption placement market place by recognizing the range within it, attributing fairer value to the actual cost of the work undertaken to find adoptive homes for a range of children. This should encourage other players who are currently outside of the voluntary adoption space to move into it, in turn encouraging further innovation.
  - b) Give LAs the confidence that they would only be paying more in inter-agency fees in those instances where they were less equipped to find homes for children themselves
  - c) Put VAAs on a more stable financial footing, ensuring that the expertise that they have to offer is not lost. At the same time, VAAs would be incentivized to focus on the most difficult to place cases.
3. LAs should engage more fully with the voluntary sector at the initial stages when adoption services are being commissioned and scoped out, as well as using VAAs to ensure the successful delivery and provision of those services.
- a) While adoption is a highly specialized and niche area within children's services, LA Adoption Teams should be encouraged to apply more thoroughly the commissioning guidelines set out in documents such as the *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*. Rather than introduce yet another body into the LA commissioning space, Children's Trusts should be viewed as potential forums through which greater engagement between LAs and their local VAAs could take place. This would be dependent on the criticisms of these Trusts, as recently outlined by the National Audit Office, being acted upon and failings rectified. If this is done, Children's Trusts could provide the means through which a more formal, pro-active approach could be taken towards commissioning, giving the public sector the opportunity to work with VAAs to scope out what future adoption services should look like. On a more specific level, practices such as

those applied by Harrow and Coram, where a permanency tracking panel was set up to monitor the plans of all 'looked after' children, should become more common place. In this way the voluntary sector would have earlier sight of those children who are coming forward to be considered for adoption. VAAs can therefore start finding potential adoptive families for those children who have been identified as potentially harder to place in a more accurate and timely manner, thereby reducing the period of time between the panel's approval and placement of those children.

- b) LAs should apply a procurement route other than spot purchase when securing the provision of adoption placements and adoption support services from VAAs. The VAAs consulted during the course of this report did not necessarily regard an increase of the inter-agency fee as their primary goal indicating rather that their principal preference would rest on LA's procuring placements from them on a more reliable on-going basis, ideally via contracts. A partnership approach, such as that practiced by Harrow/Coram would place both the voluntary and public sectors on a more stable footing. Alternatively, a more flexible arrangement could apply whereby LAs identify those cases perceived to be potentially more difficult to place, perhaps even before a placement order is granted, and then transfer those cases directly to a VAA when the order is granted by the Courts. Combined with a more sophisticated approach to joint commissioning, as outlined above, this would enable VAAs to forward plan in a much more cost effective and time efficient manner as well as securing the future of a highly specialized service.

4. LAs should pay regard to the budgeting process surrounding foster and adoption services in the following ways:

- a) As far as possible, LA's should view fostering and adoption budgets as a whole. In addition, LAs should manage these budgets over a three to five year period, so that the constraints imposed by an annual spending program are avoided. Coordinating the budgeting of these two services in such a way, combined with a greater understanding of the long term costs of children's services, would give LAs the manoeuvrability that they need to invest a greater amount up front to ensure more successful adoptions are achieved while benefiting from savings in the longer term as fewer children remain in 'looked after' care.
- b) LAs should consider introducing a concept of funding following the child, ensuring that funding is ring fenced around the requirements of individual cases and that capital was only spent when it was being used to develop an individual child's care career. This would encourage LAs to undertake a cost/benefit analysis of adoption and foster care enabling

them to acknowledge that investing earlier in trying to get an individual child adopted will reduce both the likelihood of that child remaining in foster care until adulthood, and the costs associated with that scenario.

5. LAs, aided by national government, should follow the example set by CVAA in terms of collecting data on the subject of adoption. There needs to be an improvement in the quality, quantity and frequency with which data is collected. In particular, this report has drawn particular reference to a shortage of data on the actual number of children currently waiting on an adoptive home and the demographical breakdown of that group; on the disruption rate experienced by those adoption placements secured and matched by LAs themselves; and on the number of cases where a court rejects an application for a placement order.

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- In relation to data on the number of cases where a court successfully rejects an application for a placement order is not being collected from the courts. Broadly speaking, the nearest comparable court order to a placement order is a care order, made under the 1989 Children Act. This is where a child becomes looked after by the local authority if the court makes the care order. According to a publication issued by the Ministry of Justice, Judicial and Court Statistics, in 2007, out of a total of 8,273 applications for a care order, 7,624 were made, or 92.1% of applications. In 2008, out of a total of 7,640 applications for a care order, 7,077 were made, or 92.6 of applications [www.cjp.org.uk/publications/archive/judicial-and-court-statistics-09-07-2009/](http://www.cjp.org.uk/publications/archive/judicial-and-court-statistics-09-07-2009/) This does not mean that placement orders have a similar rate of being passed. Yet in the absence of any data, on placement orders we estimate that courts might disagree with the local authorities in about 10% of adoption cases.*

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<sup>26</sup> Children Act 2004, Chapter 31, Part 2, Section 10

<sup>27</sup> Diagram drawn from Deloitte, *Commissioning voluntary adoption agencies: An independent review*, DfES (2006)

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\*Based on an average of 6 adoptions per LA placed through a VAA, if the LA paid the true cost of £36,905, the total cost for a standard LA adoption agency would increase by £82,230 (£36,905 - £23,200 = £13,705 x 6 adoptions = £82,230)

Headline figures only – actually calculations carried out on an agency by agency basis. For a full analysis of the figures on entity by entity basis please refer to Chapter 6 of the Selwyn Report - <http://www.dcsf.gov.uk/research/data/uploadfiles/DCSF-RR149.pdf>

<sup>64</sup> <http://www.fullcostrecovery.org.uk/main/>

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<sup>69</sup> Op. Cit

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<sup>71</sup> Op. Cit.

<sup>72</sup> According to the *Selwyn Report* a placement made via a VAA only costs an additional £1,565. With an average of 30 placements per year made by each of the VAAs reviewed in the *Report*, this accrues to an extra spend of approx. £47,000. Deducted from a gross saving of £71,000, arrived at by virtue of the voluntary sectors more efficient approach to finding homes for harder-to-place children, a net saving of £24,000 is realised. While this calculation is a relatively academic exercise, it serves to illustrate that the voluntary sector could be harnessed to greater effect to secure better outcomes as effectively no extra cost.

<sup>73</sup> Op. Cit.

<sup>74</sup> Redochre, *Consortium for Voluntary Adoption Agencies, Review of Member Organisations: Operations, Market Position and Sustainability* (2007) – 56% of VAAs consulted over the course of the Redochre report mentioned that they only offered this service to people with a historic connection. However, 5 of the 15 VAAs consulted did also offer this service to LAs.

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### Acknowledgements

Policy Exchange would like to thank: The Hadley Trust; The Peter Cruddas Foundation, Dr Julie Selwyn, The Hadley Centre for Adoption and Foster Care Studies, School for Policy Studies, University of Bristol; and Mr. Norman Goodwin of Adoption Matters NorthWest for their help, support and comments.

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