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PACT Domestic Adoption and Fostering

SROI Evaluation



Cass Business School
CITY UNIVERSITY LONDON



PARENTS AND CHILDREN TOGETHER



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Opening Remarks from PACT's Chair

As it comes up to a hundred years of fantastic social work in Thames Valley PACT has so much to celebrate. Its history of great achievements is not just that: a history. It is a story that is continuing, growing, developing to meet the challenges of our modern society and its children.

Amongst the many facets of its work, three were selected for examination by Jim Clifford, Cass, and Baker Tilly, and by our own team, in this fascinating "Action Research" project. Our Alana House Women's Community Project, and its outstanding work amongst women at risk of offending, and the child health and obesity work at the Witney Children's Centre were two of these. The third is covered in this report: our Domestic Adoption and Fostering Services, and the outstanding work that team does training and supporting parents for children from the care system: both those with few challenges, and those with extreme ones.

I wonder how many people dismiss adoption and fostering services with a sympathetic smile and a vague memory of baby adoptions in the 1960s. Adoption in this day and age is rather different, and PACT's work embraces and tackles that difference.

...and that difference, tackled so ably by PACT, has a value: to you, to me, and to our society. With around £1m of social and economic impact from every couple approved, we cannot dismiss this, although we should afford ourselves that smile.

We haven't just finished a hundred years of fantastic work, we are just starting a hundred years of high impact work for the generations of the future, through our adoption and fostering programmes.

This is, surely, the Voluntary Sector in action bringing real value to our society.

Malcolm Fearn
Chair
Parents and Children Together

Foreword from the Chief Executive of Parents and Children Together

It is, thankfully, widely recognised amongst child-care professionals, politicians and the general public, that permanence, and stable care in a family setting are essential to a child's development. However that recognition all too often falls short of being translated into action in the provision afforded to children and young people for whom care in their birth family is not an option.

We are blessed with a considerable amount of informed research by academics and practitioners dating back to, and building upon, the ground-breaking work of Bowlby from the 1940s onwards. This shows us that these children need a particular parenting style, embodying varying degrees of revisiting the missed experiences of the past, known as “developmental reparenting”, combined with sound boundary setting and consistent attention, if they are to develop and grow as they need to.

Increasingly I hear concern expressed amongst those involved in this field, in the Voluntary and State sectors, and amongst adoptive parents and foster carers, that these aspects are not recognised in a number of placements, and it may well be that this is one factor behind the worryingly high breakdown rates in general State-administered adoptive placements.

PACT, in common with its reaction to other social needs in the past, continues to tackle this head-on. This study shows the striking effects that we are achieving by this. We knew, from our experiences with individual children and families, that this was life-changing, and the right way to go, but had not understood the size of the economic effect achieved by it.

Seeing value added in excess of £1m per family approved, adding up to over £20m a year, has further energised our work in this field, and the realisation of what a good application of our charitable resources this represents. It undoubtedly coloured our views in making the recent expansion of services by embracing the former operations of Childlink, which now form our South London branch.

We are grateful to Jim Clifford, of Baker Tilly and Cass Business School, for supporting us in this review, for challenging us and guiding the development of this report. I would add to this my personal thanks to those PACT staff and others who participated in the study.

There is so much to improve in the way our society cares for those for whom their family can no longer meet their needs. We, I am sure, can find further areas in which to develop our own provision, but this study confirms what we already believed: we are pointing in the right direction, and ahead of many in delivering that.

Jan Fishwick
CEO
Parents and Children Together

Introductory Comments from Jim Clifford

This is a time when there are suggestions from cash-constrained Local Authorities that adoption provision should be taken back in-house. However there are no apparent plans for dealing with the challenges of the apparent lack of State agency capacity to approve the volumes of parents needed, nor for training them to make adoption more sustainable, as it achieves in the voluntary sector, PACT's offering stands out.

Basing their approach on the understanding that has emerged in child developmental work particularly over the past fifteen years, PACT have found the way to deliver significant improvement in long-term outcomes when measured against the National standard being achieved. This is enhanced by a deep engagement with potential parents for children in care that enables them to embed that understanding in an ability of the parents to deliver it. This is backed up by sound support from the PACT team.

The social and economic benefits are measured, conservatively, at £20.6m for the twenty couples that, on average, are approved, and with whom children are placed, each year. This number is before adding the additional capacity bought by the move in 2010, which saw the former Childlink team join PACT. The fostering services, which are smaller, but similarly growing, generate just under £1m a year from five placements.

This study does not follow through to presenting the outputs as a ratio to inputs, as that would tend to draw a misleading comparison with other organisations, and draw attention away from the values being achieved in absolute terms.

Following the work by new economics foundation over the past decade, and latterly the Scottish Enterprise-sponsored work, the Social Return on Investment methodology has been published in a Cabinet Office paper. Leading commentators and researchers, including nef, New Philanthropy Capital, SROI Network, and ourselves and Cass Business School recognise that, although there are some wrinkles to be ironed out, this as a practical and workable solution to demonstrating social impact. With such a need to focus on this during times of cuts in public funding, and increased social pressures, this is needed now more than ever. It is rightly described by NPC in their recent position statement as "an incredibly useful tool."

The methodology used in this research project, and indeed the majority of similar projects we are undertaking, is Action Research, also known as Action Science. This allows the organisation to be supported by the researcher in learning about itself. In this context, it gathers quality information, from those that best understand it, building in relevant, validated third party data, and giving the organisation the knowledge to be able to embed it in its performance monitoring systems: all in one go. It works, and delivers results cost-effectively.

SROI can become a process-driven exercise in which the answer emerges as a function of the process. It can also suffer from the use of financial proxies that have a poor correlation with the outcomes they attempt to measure, or are based on over-enthusiastic assumptions, and a lack of robustness in linking outcomes to the activities in which they originate. This is not the case here. The evaluations have been developed with real thought, care and prudence, and are soundly based on validated underlying data, with conservative assumptions where such are necessary. It fairly represents the very valuable contribution of PACT to all involved in the adoption and fostering triangle, and to the wider UK economy in the fields evaluated.

This is a carefully-constructed, conservative, informed and exciting piece of work that adds to our understanding of social impact. I look forward it both informing the ongoing development of the SROI methodology, and becoming the foundation for more focussed development of PACT's valuable mission.

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Jim Clifford is Head of Charity and Education Advisory Services, and Chairs the Public Sector Group at Baker Tilly. He was the lead author of the social impact protocol for Sector Skills Councils, published early in 2010, and a number of other similar reports. He is undertaking research into evaluative protocols for transactional decision making (linking Social Impact with conventional valuation and brand valuation) with Professors Palmer, Harrow and Bruce at Cass Business School's Centre for Charity Effectiveness. He is also a director of the Centre for Public Scrutiny.

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Definitions of Terms

The following definitions apply throughout this document, unless the context requires, otherwise:

Term	Definition
CRB	Criminal Records Bureau
GP	General Practitioner
GVA	Gross Value Added (a measure of economic productivity after deducting direct costs such as employment costs)
NEET	Not in Education, Employment or Training
PACT	Parents and Children Together, the operating name and brand of the Oxford Diocesan Council for Social Work Incorporated, a registered charity number 285214
SROI	Social Return on Investment

1. Executive Summary and Key Findings

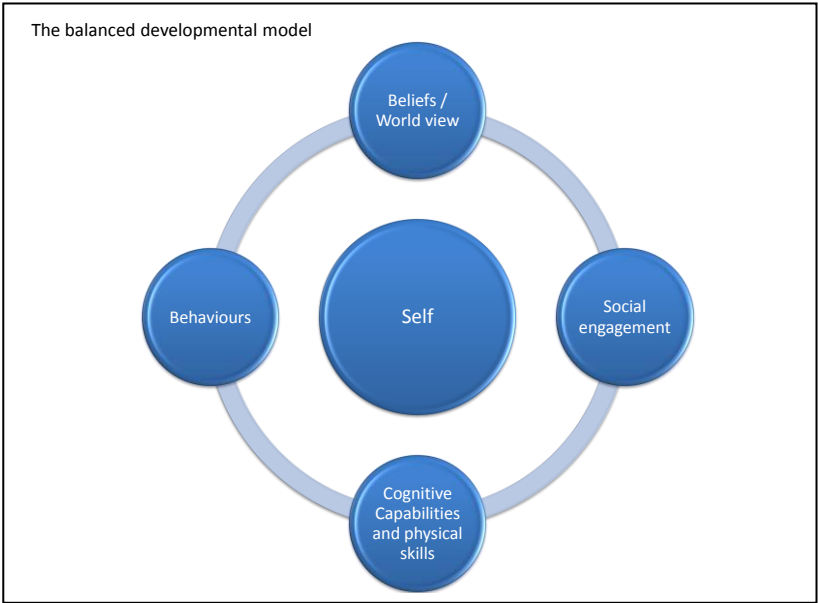
Background to this report

- 1.1 Parents and Children Together (“PACT”) was founded in 1911 as the Oxford Diocese’s Social Action arm. It exists to build and strengthen families and increase the life chances of children and young people especially those from more vulnerable backgrounds.
- 1.2 PACT’s values are key to what it is and what it does. It works to a values framework known as ISHAPE that defines who it is, and has been developed in conjunction with a wide cross section of its staff and managers to embody the values and ethos that makes them what they are. ISHAPE takes the five outcomes from “Every Child Matters – Outcomes for Children”, broadens them to fit PACT’s slightly greater remit, and adds **I**ndependence: a key element both in its thought and approach, and in its ability to get alongside parents and their children, without any ties to State or other bodies that would impede it doing what is right. The five ECM outcomes are:
- ▶ Be **S**afe
 - ▶ Be **H**ealthy
 - ▶ Enjoy and **A**chieve
 - ▶ Make a **P**ositive Contribution
 - ▶ Achieve **E**conomic Wellbeing
- 1.3 PACT brings the wide ranging skills and experience of its staff and managers together in a variety of projects, all focussed on the needs of children and young people at risk. This work ranges from domestic and International adoption, through long-term fostering, to Children’s and Family Centres, Before and After School Clubs, Community projects, work with the Travelling Community, and one-to-one and other forms of direct family support.
- 1.4 In the 1950s, Council members highlighted concern for the numbers of very young mothers, many under seventeen, and their need for support for themselves and their children. In response to this need, PACT established itself as an Adoption Society in 1953, and began placing babies directly with adoptive families. In 1954 it placed 128 children, which had grown to 481 by 1969. Thereafter the numbers reduced as society’s understanding for unsupported single mothers improved and many more single parents found that caring for their babies was a viable choice. The 1976 Adoption Act required Local Authorities to provide their own adoption services and by the mid 1980s the organisation had relinquished its placements of babies to the local authorities.
- 1.5 However, the requirement for placements for children with exceptional needs remained clear and the society reorganised itself to recruit families for particularly vulnerable children: those who were no longer infants, who required placement with siblings, had a disability, or came from black and minority ethnic families.
- 1.6 So PACT’s response to adoption and fostering followed the developing needs of the society in which it operated, and that is the situation we see today.

1.7 Looking to its present provision in this field, the services selected for evaluation were PACT's domestic (UK) adoption and permanent fostering programmes. Each year PACT approves between 15 and 20 families for domestic adoption and 1 or 2 families for permanent fostering. In the last year that fostering capacity has been increased by a recruitment programme. It is expected that at least four families a year can be brought to long-term (permanent) fostering in future, and it is this level that has been considered in this report.

1.8 A developing body of research over the last fifty years has shown that, for secure and sound development a child needs balance between four elements:

- ▶ Beliefs and a world view that balances what is safe and good with what is unsafe, and sets the child in a positive position within that
- ▶ Social engagement with adults that is positive, supportive and nurturing, and which the child seeks and expects to find so, and with peers that is caring, sympathetic and attuned to each other's needs, and which finds pleasure in that interaction
- ▶ Cognitive capabilities and physical skills that are developed and honed in a nurturing environment, in the appropriate escalating order that defines normal human development, with the brain structure and body development that goes with it.



- ▶ Behaviours that allow the child to balance the need to protect his or herself whilst remaining open to the pleasures and fun of life.

In a child which enjoys a stimulating and nurturing environment with engaged, loving and overtly caring adults, free from the excessive danger from which trauma comes, these four elements arise naturally. In the absence of that the child does not, and cannot, develop properly and in balance.

1.9 From the child with minimal effects from a very short period of neglect or trauma, to the most damaged, delayed and traumatised, the role of a permanent foster or adoptive parent is to put that right. The great joy of this is that, through a structured approach to parenting tailored to the individual child's needs, those developmental gaps can be filled, and the traumas addressed. This may involve



specialist therapeutic input, or may not: either way this special approach to these special children can, and must, change lives.

- 1.10 However if these difficulties are not rectified, the lack of sound developmental input stays with the child and leaves them detached from society, and hating or denying themselves. This situation means that they are ill-equipped for, indeed for many incapable of participating in, adult life.
- 1.11 This is, then the foundation of PACT's work with these children and their families. The effects of that work, in terms of primary and secondary outcomes, are explained in this report, and those secondary outcomes are evaluated for their economic effect. This manifests itself in moving the young people concerned from outcomes of continued, in many cases life-long, needs for State intervention and support, lower educational attainment, and lower contribution in the workplace, to a full engagement with, and contribution to, society.
- 1.12 This report has been produced with the researcher working with a team from within PACT, including representatives of Domestic Adoption and Fostering, and two other PACT areas of work: the Alana House Women's Community Project, and the Witney Children's Centres. Reports on these two other evaluations have been published separately. The approach used Action Research methodology (see Appendix A) for gathering and testing data and assumptions.
- 1.13 This report includes:
- ▶ An overview of social impact and other key methodologies used in this work
 - ▶ An analysis of the activities and outcomes of the work in Domestic Adoption and Fostering
 - ▶ An overview of how those outcomes may be measured using financial proxies
 - ▶ An overview of the results of the evaluation, and
 - ▶ A detailed presentation of the models and assumptions used in the evaluation
 - ▶ Summaries of stakeholder feedback from the focus interviews that were undertaken across the three projects in parallel with the SROI analysis.
- 1.14 To the greatest extent possible, Baker Tilly has obtained evidence to support inputs and assumptions used in the evaluation models. This has included making reference to a wide range of studies from the fields of social science, health, and public finance. Where no, or limited, evidence has been available, PACT has used assumptions that it believes to be reasonable as inputs to the model, and Baker Tilly has reviewed and challenged those assumptions during the course of the research.
- 1.15 PACT management have reviewed the contents of the report and the models and have agreed that, to the best of their knowledge and belief, the assumptions used for the purposes of this report are accurate and reasonable for use in the context of this SROI project.

Results of the evaluations

- 1.16 In this exercise we have identified a smaller number of key assumptions and worked with the project representatives to develop a prudent result at a high level. We believe that it is important to present a more defensible, prudent analysis than one which is overcomplicated and risks overstatement.
- 1.17 Detailed models and commentary thereon are included as Appendix B to this report. These are based partly on the direct effects of PACT's work in enabling families to start and sustain placements of children

which would otherwise remain in State-sponsored care, and partly on the life course analysis for children leaving the care system or otherwise, as explained in section 4. This gives a route by which complex outcomes covering a variety of cost centres can be blended to form summarised typical life courses, which can in turn be used to evaluate economic or social gains from moving young people from one life course to another. This is a form of analysis used to considerable effect in other social studies on the effects of drug abuse, or being NEET, and works well in this context.

1.18 The results of the analysis are as shown on the following page for domestic adoption:

Summary Table for PACT Adoption	NPV (£)
Additional capacity achieved per annum	17,135,903
disruptions	1,351,233
Increased educational attainment	22,845
Reduction in NEET population	3,069,069
Displacement: Loss of tax revenue from fostering	-1,022,805
Total evaluated	£20,556,244

1.19 The equivalent for long-term fostering is as follows:

Summary Table for PACT Long-term fostering	NPV (£)
Additional capacity achieved per annum	0
Incremental gain on replacements for State approvals from reduced disruptions	0
Increased educational attainment	26,215
Reduction in NEET population	644,038
Displacement: Loss of tax revenue from fostering	0
Total evaluated	£670,253

1.20 These evaluations recognise deductions for:

- ▶ The time value of money – that is it uses a discounted cash flow approach to discount flows in later years to achieve an equivalent current value
- ▶ Risk that outcomes are not achieved – in the conservatism of estimates taken

- ▶ Deadweight – recognising that, for some, the positive effects attributed largely to permanent, stable placement might be achieved without it
- ▶ Alternative attribution – the amount of the gains achieved that are attributable to third parties, although with PACT for the most part acting as a catalyst for change in these areas, the alternative attribution is minimal over and above the discounts applied to outcomes in other areas, and the costs to the State already taken into account in the detailed figurework
- ▶ Displacement – where there is a cost, by way of economic disadvantage, associated with the gain. In this case it is primarily the raised cost of care support for a young person following the breakdown of permanent placement that, but for PACT's work might never have happened in the first place.

1.21 The evaluations have been arrived-at on a conservative basis. In particular this has been done in the following areas:

- ▶ The upper end of the cost scale for children in care (those in, or approaching, secure accommodation) has been discounted, despite there being indications in PACT case histories that some of the children they place could otherwise have expected to get to this level of need
- ▶ No increase in the probability of being NEET is accounted-for for those whose placement by State agencies breaks down, despite the likelihood that this is the case
- ▶ Modest educational achievements are assumed for children in permanent, stable placements, that still do not achieve the same levels as for the whole of the rest of the population, either in terms of the proportions of that cohort going on to achieve level 4 qualifications, or the proportion that avoid being NEET at aged sixteen to eighteen.
- ▶ The level of disruption (placement breakdown) in PACT placements, which is assumed to continue at the upper end of the range in its past experience, despite the evidence being that that relates to one or two extreme attempts at placement that may not ever have been sustainable, and would not have been attempted in the State system.
- ▶ Not taking into account the higher levels of multiple placement undertaken by some PACT adopters, and only considering up to two children placed at a time in a proportion of the cases.

Conclusions from the evaluations

1.22 In the words of New Philanthropy Capital, in their positioning statement on SROI^A, published in April 2010, it is an “incredibly useful tool.” This is apparent here, as a significant financial value, based on soundly researched third party data, emerges.

1.23 Assumptions have been made in coming to the figures in this analysis, and it is undoubtedly true that, even with their being made conservatively, there is some chance that there may be elements of overstatement in a few of these. However the levels of gain are so great in total or per person that it is virtually impossible to envisage a situation where the gain was reduced to anywhere near the costs of providing the services.

1.24 The gains, after alternative attribution, amount to £20.6m from a year's activity in domestic adoption, and a further £670k from long-term fostering. These figures are before PACT took on the former activities of Childlink, and doubled the twenty family a year running level taken into account here, and the growth of its fostering operations from a base of four families a year. These figures are relatively insensitive to the

^A Copps, J. and Heady, L.. (2010) *Social Return on Investment: Position Paper, April 2010*. London. New Philanthropy Capital

various assumptions made in arriving at them with the exception of the foster care rates assumed. These are considered further in Appendix B. It should be noted that the results are not sensitive to the assumptions made in interpreting the evidence available on disruption rates.

- 1.25 The gain from these services clearly dwarfs the cost to the State: indeed these figures are the net ones, after taking into account the £25,000 inter-agency fee, and the occasional payment of adoption support allowances.
- 1.26 In addition, the results give an impression of the effect of stable placements that survive the test of time: ones that are based on therapeutic parenting and permanence, and which disrupt, returning the child to care, more rarely than for the general population. It suggests that this is worth some £410k per child (p.49).
- 1.27 The words of the stakeholders in the focus interviews perhaps sum up what PACT achieves in this, as in all of its services: “...stunning in what they do.....”, they “...help[s] you hang on in there when things are really, really tough.....”, they “...do it well – they deliver.....”.
- 1.28 For these young people, and for the effect of them on the State and economy, PACT’s work and support is truly “...life-changing.....”.

2. Introduction

Understanding the Services

- 2.1 Adoption and Fostering are a means by which a family life can be offered to children who have been unable to remain with their birth families due to a variety of factors. In the cases with which PACT work this is usually because children have been removed through statutory intervention; for International placements they have been deemed suitable for adoption overseas by their country of origin or they have been relinquished
- 2.2 PACT is a registered adoption and fostering agency. The services it provides are primarily aimed at prospective adopters and foster carers; children placed for adoption and fostering; adopters and foster carers; adopted children and young people; adult adoptees and agencies involved in adoption and fostering practice. Intercountry adoption features strongly alongside its UK programmes.
- 2.3 PACT is a registered charity and its services are not for profit. Its history and ethos determines its current practice which is child-centred, and focussed on providing a high quality service to all stakeholders in the pursuit of permanent placements for children in the care system and / or unable to live with their birth families.
- 2.4 PACT runs its Adoption and Fostering service from two sites: Head Office in Reading and London Diocesan House, Pimlico, London. There are five main practice areas that operate within the department.
- ▶ Domestic (UK) Adoption
 - ▶ Permanent Fostering
 - ▶ Intercountry Adoption
 - ▶ Post Adoption
 - ▶ Adoption Support
- 2.5 In addition to these areas PACT also operates numerous contracts on behalf of local authorities running various components of adoption and fostering services. We are currently developing a model to work in partnership with local authorities which will allow us to manage and run their adoption departments.
- 2.6 Across the two offices currently PACT employs 7 FTE Senior Social Workers; 3 Practice Managers; 4 FTE Administrators; 1 Social Work Assistant and 1 Recruitment Officer. A Director oversees the



department and an Assistant Director is currently being appointed. Additionally there are 40 contract Social Workers who undertake a range of work for the department.

2.7 FACTS, our Fostering & Adoption Consultation and Therapeutic Support services operate as an umbrella organisation within PACT and are overseen by a Practice Manager and co-ordinator. A fleet of therapists and professionals are engaged on a self employed basis and carry out work with children and families according to need. At present all families fostering or adopting through PACT are entitled to three sessions before additional funding is secured. PACT's centenary fundraising project is aiming to create a bursary for FACTS which will improve access and availability to services. Additionally external agencies are now able to commission support through FACTS.

2.8 PACT's work in domestic adoption dates back to the 1950's and it has significantly changed and evolved over the years to its current look. major component of our work involves working with adopted adults wishing to access their historic records of which we have 10000+, including those from Childlink Adoption Society, Latter Day Saints and the Oxford Diocese.

2.9 The primary focus of the domestic adoption team is to recruit and assess adopters who can offer permanent homes to many of the children in the care system waiting for new families. We tend to focus on families from BME backgrounds and families who can care for older children; sibling groups and children with disabilities. The team have recently undertaken a project to enhance the PACT assessment model which is firmly rooted in the concepts of therapeutic parenting. The new PACT PAR (Prospective Adopter Report), further focussing on the key issues that we know makes adoption placements a success.

2.10 Since 2000 PACT has undertaken permanent fostering work. Many of the children placed have gone on to be adopted or secure permanence through Special Guardianship Orders. We are currently actively recruiting new carers as well as those who can offer Short Break care and in 2011. The campaign is our most successful yet. PACT is a member of the Fostering through Social Enterprise group of agencies.

2.11 PACT recognises that without Post Placement Support the outcomes for successful long term adoptive placements are greatly reduced. The same is applicable to our foster families. In addition to FACTS the team offers a service that is second to none. Support services offered by PACT routinely from the point of placement include:

- ▶ 24 hour out of hours phone support all year round.
- ▶ Regular one day workshops focusing on issues interest to adoptive / foster families.
- ▶ Listening, support and advice for individual member of the family including children and where appropriate, members of the extended family.
- ▶ Linking adoptive / foster families who have had similar experiences and the creation of a formal information bank for new carers.
- ▶ Approaching local authorities for additional information regarding specific children's histories.

Quotes from Foster Carers and Adopters

"We found PACT to be the most professional, responsive, flexible and informed agency we have come across."

"We have made some lifelong friends as a result of the courses. It is useful to know we have someone to talk to, who fully understands what we are talking about, because they are going through it too."

"Thank you to our Social Worker who went over and above the call of duty to come and support us this weekend."

- ▶ Advocacy work where families are requesting a service from another agency including contributing to funding requests where appropriate.
- ▶ Support / advice for contact arrangements including helping with letterbox exchanges and supporting families during direct contact.
- ▶ Access to a Play Therapist to visit on placement from Jacqui Shoultz.
- ▶ Bi annual newsletter with articles of current interest to adopters and foster carers.
- ▶ Annual event for adoptive parents and foster carers.
- ▶ Local groups e.g. Reading & London adopters' group.
- ▶ Adoptive / foster father's group.
- ▶ Training on specific issues. Recently offered training includes event for relatives and friends on supporting adoptive parents, training on attachment from an experienced adoptive family who have received training from Family Futures, a session on transitions in education and how to manage them.
- ▶ Informal "buddying" scheme where experienced adopters offer support to new adopters.

3. Concepts and methodologies used

Social Return on Investment (“SROI”)

- 3.1 The SROI methodology has been developed in order to help organisations to “[measure and quantify] the benefits they are generating” (per Lawlor, Neizert & Nicholls writing in the SROI guide, 2008^B). This approach was piloted in the UK through the Measuring What Matters programme during 2002 and has evolved since then as further work has been done to develop the framework around it.
- 3.2 It is increasingly being seen as an “incredibly useful tool”^C by a number of organisations and key commentators within the Third and Public sectors in the push to measure and evaluate social impact..
- 3.3 There are three ‘bottom line’ aspects of social return:
- ▶ *Economic*: the financial and other effects on the economy, either macro or micro;
 - ▶ *Social*: the effects in individuals’ or communities’ lives that affect their relationships with each other; and
 - ▶ *Environmental*: the effects on the physical environment, both short and long term.
- 3.4 Our primary focus has been on economic and social benefits, rather than environmental benefits, as any environmental benefits generated would appear, for PACT, to be too far removed from the intended purpose of the original services provided and appear to be too difficult to measure reliably. Where environmental benefits arise from the work of PACT, we have noted the nature of the benefit as an unmeasured additional benefit.
- 3.5 The benefits of using SROI include:
- ▶ *Accountability*: organisations are able to give both the numbers and the story that supports them;
 - ▶ *Planning*: SROI provides a change management tool to assist in the direction of resources towards the most effective services and to assess the viability of potential additional services;
 - ▶ *Cost and time effectiveness*: the measures produce an analysis of the most cost and time effective activities; and
 - ▶ *Simplicity*: impacts can be reduced to a simple comparison of the cost of funding PACT and the benefits that flow from its core activities to facilitate analysis and give a clear indicator of types and ranges of success.
- 3.6 SROI takes total measurable outcomes, discounted to present value where the benefits occur in the future or are recurring over a period of time, and deducts:
- ▶ *Deadweight*: Outcomes that would have occurred regardless of the intervention;
 - ▶ *Alternative attribution*: Outcomes that arise as a result of intervention by others; and

^B Lawlor, E., Neizert, E., and Nicholls, J.. (2008). *Measuring Value: a guide to social return on investment*. London. New Economics Foundation.

^C Copps, J. and Heady, L. 2010. *Social Return on Investment: Position Paper, April 2010*. London. NPC. From www.philanthropycapital.org

- ▶ *Displacement*: Outcomes that are negated or compromised by disadvantages arising elsewhere either in terms of social, economic or environmental damage.

3.7 A review of academic work and practical examples of SROI in use by the Third Sector suggests that the measures fall into three patterns, which we have used in this work:

- a. *Economic benefit created*: where there is an impact on earning capacity or productivity;
- b. *Costs saved or not wasted*: where the intervention results in a saving, either in the cost of another intervention or in a consequential cost (e.g. introducing prevention to save on the cost of a cure). This may be seen in either removing the need for or increasing the effectiveness of an alternative intervention; and
- c. *Alternative or cheaper sourcing*: where one intervention directly replaces another more expensive one.

3.8 In identifying these benefits, a key underlying requirement is to consider not only the positive contribution that PACT makes, but also the economic damage that is avoided by having it in place. Much of our report involves the quantification of the damage to stakeholders that would result based on these implications. By avoiding this damage, PACT contributes to the economy just as meaningfully as where the effect is an incremental benefit.

Addressing issues concerning the use of SROI

3.9 Overall, we feel that SROI is a vital tool to provide the Third Sector with a means to evaluate its wider contribution to Society. However, there are several issues to consider when applying this, that are worthy of mention:

- a. SROI, as it is typically presented, tends to ignore the risks associated with the benefits generated. In the course of our work with PACT, we have encouraged the project representatives to consider the achievable benefit created, and to build in reductions to assumptions to account for risks, where necessary;
- b. A robust SROI analysis must consider the proximity of the benefit created to the actions of the organisation that is seeking to claim ownership of that benefit. We have encouraged the project representatives to focus only on outcomes that are directly attributable to their activities and, where necessary, obtained evidence of the link between the outcome and PACT's activities;
- c. SROI is typically presented as a ratio of the value of the benefits achieved per pound spent to achieve those benefits. This may be useful internally to each organisation as a measure of performance relative to prior periods. However, the use of this ratio to compare organisations is inherently flawed due to sector and organisation-specific factors that reduce the level of comparability between organisations. Hence, we do not present the results of this report in the form of a ratio;
- d. There is a danger that organisations seeking to evaluate their impact using SROI may create calculations that are extremely granular to the extent that they become open to accusations of 'spurious accuracy'. In this exercise, we have identified a smaller number of key assumptions and worked with the project representatives to develop a prudent result at a high level. We believe that it is important to present a more defensible, prudent analysis than one which is overly complicated and risks overstatement; and

- e. SROI does not take account of the interrelationship of Social Impact and brand value. By creating greater Social Impact, the recognition and perceived quality of an organisation's brand is likely to improve, thus increasing the value of that brand. In turn an entity with a stronger brand may use that to enhance the social impact of its project work. We have noted that PACT believes that it has a strong, well-recognised brand in the area it serves, a position which appears to be supported by the views of stakeholders (Appendix C) which augments its ability to deliver positive outcomes.

Research methodologies

- 3.10 We have worked with an SROI Project team from PACT to carry out an Action Research process (see Appendix A). In this we commenced by holding a meeting with the SROI Project team to determine the key services that the relevant PACT projects and centres provide, the outcomes of these services and the beneficiaries. Three further meetings were held, interspersed with the SROI Project team testing out the conclusions from each interview by practical application in their work, then reporting the results back to the next meeting.
- 3.11 Based on this research, we have discussed with the SROI Project team potential means of evaluating the impact of these services by substituting financial measures (proxies) for the outcomes described. We have relied on the data and assumptions provided by staff at PACT in our analysis; Baker Tilly have acted to facilitate PACT's understanding of the methodologies we are using to evaluate the impact but are not responsible for the assumptions used in the evaluations shown in this report.

4. Overview of evaluated activities

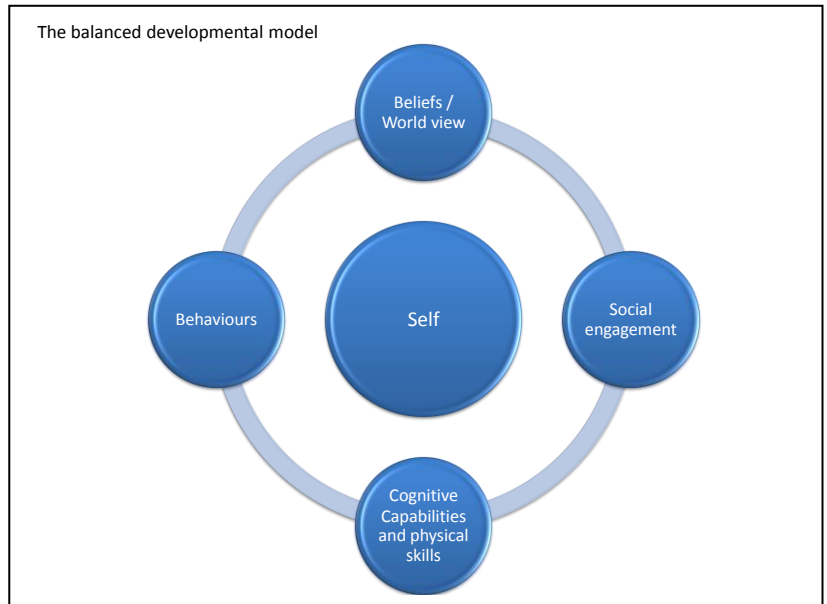
Overview of evaluated services

- 4.1 The services selected for evaluation were PACT's domestic (UK) adoption and permanent fostering programmes. Each year PACT approves between 15 and 20 families for domestic adoption and 1 or 2 families for permanent fostering. In the last year that fostering capacity has been increased by a recruitment programme. It is expected that at least four families a year can be brought to long-term (permanent) fostering in future, and it is this level that has been considered in this report.
- 4.2 PACT, along with other agencies, promotes adoption and fostering as positive life choices for people who may have the required skills to parent a child not theirs by birth. Through networking, promotion, advertising and reputation we seek out appropriate applicants and then prepare them and assess their suitability to adopt or foster.
- 4.3 PACT's role is then to work with local authority partners to identify suitable children who can be matched for adoption or fostering placements with our approved carers. Social Workers support carers through the process to placement and provide an intensive level of support at that point in order to stabilise the placement and ensure it long term success.
- 4.4 A range of additional professional services are available to all children and families at the different stages of the process via FACTS (Fostering & Adoption Consultation and Support Service).
- 4.5 However to focus on the simple acts of approval of families and the placement of children is to miss the key point of successful permanent placement. These children have been through so much, and have had so little of those interactions with caring, engaged adults necessary for successful development, that they need major therapeutic intervention embedded in a very special form of parenting to give them a chance.
- 4.6 Research into the psychological states of children from neglectful or abusive backgrounds has moved on significantly over the past fifteen years. The original work by Bowlby in the 1940s has been developed by many over the time since then. Perhaps the greatest steps forward, however, have occurred since the advent of brain scans and other non-intrusive means by which researchers have been able to examine the not just the behaviours of their subjects, but the brain structures and activity that lie behind them. The work on development and attachment has been added-to over the last five years by that of Bessel Van Der Kolk and others on developmental trauma.



4.7 For secure and sound development a child needs balance between four elements:

- ▶ Beliefs and a world view that balances what is safe and good with what is unsafe, and sets the child in a positive position within that
- ▶ Social engagement with adults that is positive, supportive and nurturing, and which the child seeks and expects to find so, and with peers that is caring, sympathetic and attuned to each other's needs, and which finds pleasure in that interaction
- ▶ Cognitive capabilities and physical skills that are developed and honed



in a nurturing environment, in the appropriate escalating order that defines normal human development, with the brain structure and body development that goes with it.

- ▶ Behaviours that allow the child to balance the need to protect his or herself whilst remaining open to the pleasures and fun of life.

In a child which enjoys a stimulating and nurturing environment with engaged, loving and overtly caring adults, free from the excessive danger from which trauma comes, these four elements arise naturally. In the absence of that the child does not, and cannot develop properly and in balance.

4.8 From the child with minimal effects from a very short period of neglect or trauma, to the most damaged, delayed and traumatised, the role of a permanent foster or adoptive parent is to put that right. The great joy of this is that, through a structured approach to parenting tailored to the individual child's needs, those developmental gaps can be filled, and the traumas addressed. This may involve specialist therapeutic input, or may not: either way this special approach to these special children can, and must, change lives.

4.9 However if these difficulties are not rectified, the lack of sound developmental input stays with the child and leaves them detached from society, and hating or denying themselves. The long-term outcomes for such children are poor, as shown in the following table:

Outline of keys for a stable upbringing as a foundation for future life		
A child needs.....	Lack of these looks like...	Long-term outcomes without the right support
1 developmental building blocks substantially sound	disrupted development / missing blocks	Physical and other feelings, and reactions fit "normal" profiles
2 positive social interactions developed and the ability to replicate them is formed	negative social interaction models	Seeking chaos: making self-harming and other destructive life choices:
3 child receives endorsement and validation of their feelings and reactions	demeaned / humiliated / made to feel worthless	- lifestyle - health - criminality - relationships (personal, social, work)
4 absence of trauma, or resolution of that trauma	developmental traumas unresolved event traumas unresolved	Unresolved traumas impede normal reactions and control all responses
5 educational input and stimulation	ineffective or missing educational input	Educational underachievement

4.10 The emergence of therapeutic parenting models has been embraced by PACT, and embodied in its training and support programmes for adoptive and foster parents. These come with a series of deliverables that can change lives. These are shown, together with their primary and long-term effects in the following table.

PACT trained parents deliver what the child needs		
Key deliverables	Primary effects (outcomes)	Secondary or long-term effects (outcomes)
Therapeutic parenting	Redevelop physical feelings and capabilities	Social integration: participating in and contributing to society
Permanence	Reframe beliefs of the world, others and self	Sense of belonging, and identity; the foundation and security of a permanent family with all that affords in terms of support and care.
Consistency and boundaries	Develop self-awareness and emotional literacy	Self-awareness, self-confidence, self-control, motivation, moral sense of right and wrong, and social positioning all developed
Personal support	Form and manage relationships	Forge and hold positive relationships; manage difficulties within those;
Educational support	Build skills and the confidence to use them	Educational and workplace achievement. Full capabilities realised.
Developmental re-parenting to reconstruct lost building blocks / PLACE-based parenting	Develop ability to: produce and sense oxytocin regulate stress (cortisol) and self-soothe	Develop balanced social reactions and personal emotiponal and behavioural capabilities; re-form appropriate brain pathways in the most damaged chidlren
Additional therapeutic input as needed	Resolve specific difficulties	Deal with specific traumas so that they do not continue to dominate the child's life with everpresent trauma triggers that inhibit normal life and re-traumatize

Note: The listed interventions, brought together by PACT in a broad-based therapeutic parenting package tailored to the needs of the child, work together to achieve the outcomes listed.

4.11 This review considers, and evaluates the effects of, this very different form of parenting which PACT, together with a number of other forward-thinking agencies, brings to adoption and long-term fostering.



5 Summary of evaluation approaches

5.1 Section four above gives an overview of the range of services provided by the relevant elements of PACT, and indicates how the impact upon the longer-term outcomes for families and the children they adopt or foster. This section focuses on the domestic adoption and long-term (permanent) fostering services, both of which involve:

- ▶ a considerable degree of therapeutic capability embedded within the parenting, to act effectively in a remediation of the past hurts and life experiences for the child, particularly around attachment and developmental trauma;
- ▶ a clear commitment to permanence, which is recognised by Beek and Schofield^D amongst others to be essential for an effective re-integration into society, and growth to a stable adulthood.

5.2 The evaluations focus on certain key areas as follows:

- ▶ The saving in foster care costs by the State when the child is put into an unfunded, or lower-funded placement

It is generally the case that adoptive placements are unfunded by the State. Where adoption allowances are available they are generally means tested against severe constraints which mean that only those on the lowest incomes qualify. Very few (on average less than 10%) of the PACT adopters qualify.

As against this, foster care allowances rise as the child gets older. Part of this allowance covers the living costs of the child with the rest being an allowance to the foster carer for their time and effort. There are two principal sources of foster care: Local Authority registered and regulated carers, and privately registered and regulated ones, with their registration through charities such as PACT, or commercial organisations with the appropriate authorities. The latter generally charge more than the former.



There is a cost to achieving the adoptive placement from a public funding perspective. The placing Local Authority currently pays a fee of just over £20,000 on placement, with a further sum of approximately £4,000 on adoption^E. This covers costs of approval of and training the adopters, and supporting them through, and after, the adoption.

None of this applies to long-term fostering since it is a State-funded service. In contrast, it is assumed that, as explained below, there is no incremental cost on the State of a PACT foster placement since

there is limited Local Authority capacity, and if a PACT fosterer is removed, they can only be replaced in overall terms by another charity or private sector fosterer.

^D Beek, M., and Schofield, G.. (2004). *Providing a secure base in Long-Term Foster Care*. London. BAAF. And Schofield, G., and Beek, M.. (2006). *Attachment handbook for foster care and adoption*. London. BAAF.

^E PACT management, and accounting records

- ▶ The effect in terms of incremental care costs from reduced disruption levels in PACT placements that replace State adoptions

Disruption is the term for the breaking down of a permanent placement with the effect that the child is taken back into care. This is reported (Rushton and Dance (2004)^F and Selwyn and Ors (2006)^G) as occurring in around 33% of Local Authority-approved cases. However these figures include familial adoption (by a step-parent), which have an inherently lower breakdown rate since the child is still with one birth parent. The true figure for third party adoptions (the context here) is understood to be around 40%, although some quote higher figures at 50%.

After a disruption the child's re-entry to care is more difficult than if they had not been placed for adoption. This is because they have been told they are to be taken on and cared for permanently, and have then been let down. The disruption could be viewed as implying that the child is not able to be parented. This compounds feelings of loss and worthlessness from their past, leaving them with lower self-esteem, and less trusting of adults than ever. This frequently means an escalation of need, with higher foster care costs than would have been the case if they had never been placed in a permanent situation.

This area of State gain (in public funding) applies to placements that would have been made in the State system if not made by PACT, but which would have disrupted into an increased cost of maintenance more easily.



Again, since both services are State funded, the fostering model shows no gain under this heading. This might perhaps be tempered by the likelihood that, with enhanced training, and support, the PACT fosterer is more able to sustain a

difficult placement and make improvements for the child that reduce the likelihood of a disruption, and escalating care costs. This gain has not been evaluated.

- ▶ The benefits in terms of increased earning expectation from higher educational attainment for the child given a stable permanent family background

The reports on NEET (not in education, employment or training), that is principally Godfrey, Hutton and Ors (2002)^H and McNally and Telhaj (2007)^I, indicate that children emerging from the care system have a strong propensity to fall into this category. Indeed 75% of LAC children leave care without any qualifications, and this is taken to be an indication of NEET status. The comparison is 6% in the general population (Godfrey p.16). It is assumed that only 65% of those leaving care are NEET, to allow for some of those who are unqualified being nevertheless in employment,

^F Rushton, A. and Dance, C.. (2004). The outcomes of late permanent placements. *Adoption and Fostering Journal*. Vol. 28 No. 1. Pp.49-58.

^G Selwyn, J., Sturgess, W., Quinton, D., and Baxter, C.. (2006). *Costs and outcomes in Non-Infant Adoptions*. London BAAF.

^H Godfrey, C., Hutton, S., Bradshaw, J., Coles, B., Craig, G., and Johnson, J.. (2002). *Estimating the cost of being "not in education, employment or training" at age 16-18*. York. Social Policy Research Unit.

^I McNally, S. and Telhaj, S.. (2007). *The cost of exclusion: Counting the cost of youth disadvantage in the UK*. London. Prince's Trust.

notwithstanding the likelihood that some of the qualified 25% go on to be NEET. Much of the basic effect of this is dealt with under the next category, which draws heavily on evaluation in Godfrey, Hutton and Ors (2002). By contrast this section looks at the access to higher education that many enjoy, with all that that entails in terms of uplifted earnings potential (McNally and Telhaj (2007) p.43). With the profile of PACT adopters including a significant number of parents with higher, or professional, qualifications, there is a reasonable likelihood that their adopted children will indeed have an option of higher education.

Subject to the point mentioned below about the greater likelihood of termination of a foster placement than an equivalent adoptive placement, which has not been reflected as it cannot be reasonably estimated at present, we have assumed that this applies equally to permanent fostering as it does to adoption.

- ▶ The wider benefits of moving the child out of a situation in which they have a high likelihood of a life path that leads through low educational attainment to low employment expectation and beyond

This picks up the distinction between the “NEET” path and that of the broader, and more successful, life courses of the non-NEET young person, so well described by Godfrey and Hutton in their comparative case studies from p.59 onwards. These give additional publicly funded costs of around £300,000, or £84,000 at present value as the difference between NEET and non-NEET. However this omits the incremental earnings which, as indicated in Table 8 on p.56, are around the same sum again. These are apparent from the life courses described in the case studies, as well as from anecdotal evidence from PACT’s own post-adoption experience.



For the present evaluation these have been modelled from first principles by considering how an individual’s earnings might vary over time, distinguishing between the moderately qualified person coming out of a permanent placement, and the unqualified person coming out of care. Taking only the incremental proportion (69%) that the studies confirm marks the difference between those exiting care and the general population, this perhaps understates the true difference. However it does derive a present value that relates to the Godfrey and Hutton’s public finance figure in broadly the same ratio as her resources to public finance figures in the total spend sections of that report. Notwithstanding this, for prudence, and to take account of the accepted point that there will be some who are unqualified at 16 but nevertheless not NEET, we have taken an incremental proportion of only 59%.

This also applies in a permanent foster placement, provided the placement is sustained. Given these are regulated, and funded, by Local Authority Social Services teams, whereas an Adoptive placement is self-regulating, they have different risks of breakdown. Either can be terminated by the parent, and arguably it is similarly unlikely in either case for a committed parent to do so. However with the Local Authority also able to terminate the placement, there is an additional risk of this happening in a foster placement. The increased risk of foster placement termination by the Local Authority has not been

taken into account in this evaluation as there is insufficient evidence to be able to estimate the number of occasions on which this happens.

This approach is perhaps in contrast to the figures in Hannon, Wood and Bazalgette (2010)^J. However these latter are not directly comparable for the following reasons:

- ▶ they are prepared for a different purpose, to look at direct effect on the Treasury, rather than the wider effect on the economy;
 - ▶ they do not include the full productivity gain from employment, focussing solely on the tax payments arising from this;
 - ▶ they note, but do not account for the repayability of student loans;
 - ▶ they do not account for the time effect of money, nor indeed, attempt to allocate the measured costs to years;
 - ▶ they do not extend beyond the age of thirty years.
- ▶ As displacement, there needs to be taken into account the loss of tax revenue from the foster care earnings saved, to the extent that these are taxable.

Only part of the cost of a foster carer is represented by outgoings for the child. The balance is taxable. An estimate of the tax revenue needs to be made, and partially offsets the saved costs of foster care.

This does not arise in the case of long-term foster care, where it is assumed that the cost of fostering paid to the foster carer matches the cost of the alternative carer that might otherwise be used. In this it is assumed that, with limited Local Authority carers, and little apparent scope to approve and support more, if a PACT adopter is not available, that reduction in capacity is only capable of being replaced out of the private or charity sectors.

5.3 The question of alternative attribution is an interesting one. It is true that the State, through the placing Local Authority, affords some support services to the placement. However this study takes the view that the costs in supporting adoption are certainly no more, in most cases, than the costs of supporting an equivalent Local Authority placement or a long-term foster placement. Indeed, with the exception of higher therapeutic cost funding in the probably rare case where such are fought-for by an adopter and agreed by the Local Authority, the costs of supporting an Adoption are significantly lower than a State-funded short- or long-term foster placement.

There is an argument that the personal support networks, and the individual efforts of the adopter create the gain as much as does PACT. However this study takes the view that PACT is the catalyst of making such support and services available, and so the gain is wholly attributable to it.

Hence the gains from adoption or fostering with PACT's enhanced training and support are treated as wholly attributable to PACT.

5.4 Areas of cost not evaluated include:

- ▶ the possibility that the poor health profile typical of NEET, and hence care-leaving, youngsters may result in increased end-of-life care costs, or differences in working life or overall life expectancy;

^J Hannon, C., Wood, C. and Bazalgette, L.. (2010). *In Loco Parentis*. London. Demos.

- ▶ the potentially higher likelihood of longer term offending amongst those growing up in care;
- ▶ knock-on effects on the next generation's expectations, which are expected to be more positive if the child grows up in a permanent placement, with all that that potentially means in changing the pattern of neglectful parenting generation after generation that so many in care suffer.

5.5 The domestic adoptions services' evaluation, that is the annual gain from the work done by PACT in this area, described in detail in later in this document, may be summarised as follows:

Summary Table for PACT Adoption	NPV (£)
Additional capacity achieved per annum	17,135,903
disruptions	1,351,233
Increased educational attainment	22,845
Reduction in NEET population	3,069,069
Displacement: Loss of tax revenue from fostering	-1,022,805
Total evaluated	£20,556,244

5.6 The long-term fostering evaluation, similarly analysed in more detail later, may be summarised as follows:

Summary Table for PACT Long-term fostering	NPV (£)
Additional capacity achieved per annum	0
Incremental gain on replacements for State approvals from reduced disruptions	0
Increased educational attainment	26,215
Reduction in NEET population	644,038
Displacement: Loss of tax revenue from fostering	0
Total evaluated	£670,253

5.7 The sensitivity of these results to key assumptions, analysed in detail in Appendix B, shows that the most material assumption is the mix and level of underlying fostering costs. In this, assuming 30% more of the cohort, at all levels, can be managed within lower cost or State provision reduces the total adoptions outcomes to a value of £16,537,399. In addition, if all fostering rates for over-8's are cut by 50% against the levels assumed, the total comes down to £9,587,159.

5.8 It is notable, particularly given the apparently differing views amongst commentators about disruption rates in general State administered adoption, that the outcomes are relatively insensitive to this. If the assumed National disruption rate for children aged four and over is cut from 40% to 25%, the overall total for evaluated outcomes only falls by £688,226, or £22,942 per child placed, averaged across the whole cohort of placements.

However, in reality, this difference relates solely to the children that ought otherwise have been placed for adoption by the State. In this context, then, the value per child of the reduction in disruption rate from 40% to the Voluntary Sector average of 5% is £413,607. Cutting the assumed National average to 25% brings this down to £285,347 per child (detailed figures are shown in Appendix B).

These figures would be perhaps significantly high for older placed or more damaged children.

6. Conclusion

Results of this evaluation

- 6.1 Adoption and long-term fostering are models for parenting children that have long histories, in the UK and beyond. With insufficient capacity in the State system to approve all of the adopters and approve and manage all of the foster parents needed by the children in the care of the State, the Voluntary Agencies continue to be key to the delivery of services, as they have for much of the Twentieth Century. Latterly they have been joined by the private sector foster providers.
- 6.2 Both services have had new demands placed upon them by society as the mix of children coming into care has changed. Since the 1960s, an increasing number of older children, with consequently increased exposure to abuse and neglect have found their way into the system, and new baby and infant adoptions, the majority type in the 1950s and 1960s, have declined.
- 6.3 Increasingly it has been realised in medical and therapeutic circles that these children need additional help to allow them to recover from their past experiences, and achieve the developmental stages essential to be fully functioning adult members of society.
- 6.4 PACT is amongst a perhaps small group of agencies that embraces the advances in the research of these interventions achieved through the mid 1990s and early this century. It trains its adopters and supports them in delivering a model of parenting in which elements of therapeutic intervention are embedded in the parenting. It also affords parents a degree of post-adoption support that is not available in the State system.
- 6.5 This report evaluates the effect both of the additional capacity that PACT brings to the State and society, and the effect that its increased levels of training and support have on the success rate of its placements. It has been developed in the course of a wider study of the interaction of social impact evaluation with conventional commercial valuation and brand evaluation, but also stands alone as a complete piece of research in its own right.
- 6.6 It was developed using an Action Research methodology in which a four-member research team from PACT staff and project managers, including the Head of Adoption and Fostering, were led in the research by Jim Clifford as an independent researcher. They examined three areas of PACT's work, including this one, and a view of the impact of that work emerged, and was able to be evaluated with the support of the researcher.
- 6.7 The research was supplemented by a short series of focus interviews clarifying service users' and other agencies' views of the impact of PACT's work. These elicited such comments as: "... stunning in what they do....", "...so supportive....", and "...helps you hang on in there when things are really, really tough....". The feedback strongly supported the view coming from the main research.
- 6.8 The outcomes achievable by these services have been examined from the plans of PACT in undertaking the project, from the considerable earlier and current research in the field of child development and therapeutic interventions, and from the experience of those involved, both PACT personnel and service users. They have been evaluated using SROI methodology, and based upon life-course analysis for those children, young people and families who receive this support, set against the experience of those who do not.

6.9 Appropriate deduction has been made for:

- ▶ The costs incurred by the State in securing this provision from the voluntary sector;
- ▶ The fact that, whilst the disruption (placement breakdown) rates are very significantly lower than the National (predominantly State placement) average of 40% to 50%, there are some disruptions (averaging below 5%)
- ▶ The likelihood that a small number of the PACT adopters would, had they not chosen to work with the voluntary sector as approvers, have been acceptable and capable of being approved in the State sector, notwithstanding capacity limits there.

6.10 In the absence of longitudinal studies tracking the life-courses of adoptees after they are eighteen, a general assumption about this has been taken from the qualitative accounts emerging from the experiences of those involved. This is that the benefits of a long-term, stable and effective placement bring the young person closer to the expected outcomes for a general member of the population, than the experience of on growing up and leaving care at sixteen, with its high propensity to be NEET, and disaffected, at that age. Notwithstanding that knock-on effects on the next generation’s expectations, which are expected to be more positive if the child grows up in a permanent placement.

6.11 Notwithstanding that all of the assumptions have been taken at the lower end of the acceptable range of alternatives, it is still conceivable that some of them might prove to be excessive. However the analysis’ conclusions are insensitive to most of the assumptions made. This is clear from the absolute level of most of the lines of analysis against the running costs of the service, and the cost to the State of placements with Voluntary Sector approved parents represented by the inter-agency fee, currently assumed at £25,000, and a modest level of adoption allowance to support parents in costs.

6.12 The gains to the Economy from the approval, training and subsequent support of twenty adopters a year, net of that cost to the State of securing the Voluntary Sector placement, is summarised as follows:

Summary Table for PACT Adoption	NPV (£)
Additional capacity achieved per annum	17,135,903
Disruptions	1,351,233
Increased educational attainment	22,845
Reduction in NEET population	3,069,069
Displacement: Loss of tax revenue from fostering	-1,022,805
Total evaluated	£20,556,244

6.13 The equivalent gain from PACT fostering, lower than the adoption one because of the ongoing costs to the State of paid foster care, and the continued bearing of the maintenance costs of the child, is summarised as follows:

Summary Table for PACT Long-term fostering	NPV(£)
Additional capacity achieved per annum	0
Incremental gain on replacements for State approvals from reduced disruptions	0
Increased educational attainment	26,215
Reduction in NEET population	644,038
Displacement: Loss of tax revenue from fostering	0
Total evaluated	£670,253

6.14 Since completing this research, PACT has expanded its domestic adoption services by taking on the equivalent operations of the former Childlink. These have roughly doubled its operating capacity, and therefore arguably its social impact in this area.



Appendices

A. Notes on Action Research

Action Research, or Action Science as some, including Gummerson^K prefer to call it, is a recognised and respected research approach originating in the social sciences arena, which involves the researcher and the researched jointly learning in and investigating the research area. Whilst primarily a qualitative methodology, it can be constructed in such a way as to gather and test data with levels of validity that would constitute scientific research (as opposed to casual enquiry) whilst retaining the proximity to that data that best comes from working with those who are involved with it.

The researcher works with the researched jointly to investigate an issue of common interest. Together they gather data, test and validate it, and draw interpretations and conclusions from it.

Action research is hence an iterative research methodology that is intended to bridge the gap between theoretical research and the practical realities of the real world. As Gustavsen puts it:

“The point is to understand the world as it is by confronting it directly; by trying to grasp the phenomena as they really are.”^L

Reason and Bradbury (2001) define Action Research as *“a participatory, democratic process concerned with developing practical knowing in the pursuit of worthwhile human purposes, grounded in a participatory worldview... It seeks to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to issues of pressing concern to people, and more generally the flourishing of individual persons and their communities.”* (2001, p.1).

In simplistic terms, Action Research is collectively learning from experience by sharing that experience with others and taking action to bring about change by building on that experience.

In our work with PACT, it has been vital that we gained an understanding, not just of how its activities could *theoretically* be benefiting the local area, but of how it creates benefit in practice. Theoretical research on SROI methodologies gives us a view on where the benefits may lie, but only through an iterative process of discussing, developing and refining our understanding can we get a true picture of where the benefits of PACT's activities actually lie.

The process of conducting Action Research may be summarised using the diagram shown below:

^K Gummerson, E. 2000, *Qualitative Methods in Management Research*. 2nd Ed. Thousand Oaks, Ca. Sage Publications

^L ‘New Forms of Knowledge Production and the Role of Action Research’, Bjorn Gustavsen, *Action Research 2003*; volume 1 at p.153



The diagram shows an iterative five stage approach to Action Research. We describe below how our approach fits with this model:

1. **Observation:** from our initial discussions with PACT, it is clear that a lack of understanding of its Social Impact may weaken their position when negotiating with funders and State-based purchasers of its services, thus damaging their ability to continue their work. However, it is also clear that by improving awareness of the extent of their impact on the local area, PACT can further improve its brand recognition, and therefore, potentially, its user base;
2. **Reflection:** by using Social Impact measurement tools such as SROI, we believe it is possible to begin to increase understanding of the benefits PACT generates;
3. **Data gathering:** we have discussed the services that PACT provides with a team of project representatives, and the outcomes these services produce and identified the key beneficiaries. We have discussed a range of possible methods of evaluating these services using the three models discussed at §3.7 of this report to cover the concept of value from the perspective of all key stakeholders;
4. **Test claims and conclude:** many of the assumptions used in the evaluation models (Appendix **Error! Reference source not found.**) are based on data gathered by PACT's management information systems. We have obtained copies of the supporting records for such data. Where, an assumption was required, we have encouraged PACT to be prudent in order to avoid overstating benefits. In some cases, assumptions have been informed by data from external sources combined with the use of judgement. We have obtained copies or records of any research;
5. **Monitor improvements:** it is hoped that this work will result in improved awareness of PACT's activities among stakeholders (including funders), and therefore address the risks identified at stage 1 of the process.

Having reached a stage where an improvement is expected, the iterative nature of Action Research allows for further studies to be carried out in future to build on the work presented in this report, including ongoing measurement of benefits and the use of similar methodologies to assess proposed future projects.

Clearly, wherever data already exist to quantify a benefit, they are to be used. However, the absence of observed data, Action Research allows us to gain an accurate perspective on the real benefits that are generated. In some cases it will be impossible to observe the impact, as to do so would require a comparison between a world in which PACT exists and one in which it does not, all other factors being equal. Clearly such comparison will never be possible, and so we must rely on the common-sense and judgment of PACT, based on their real-world experience.

Where data may be, but is not currently, observed, our work allows us to refine the list of useful data that may be gathered in future as a basis for refining the measurement of the economic benefit that is generated. This project may therefore act as a platform for identifying further Action Research projects that will develop detailed measurement tools.

Any outline of a research methodology would be incomplete without looking at broader criticisms of it in management science circles. Criticisms of action research are several, but most emanate from proponents of statistical sampling and questionnaire-based research methodologies. In brief, these tend to surround the following areas, each of which is shown with a brief response related both to theory and to this research in particular.

How can you assert validity when all the data is of internal origin?

Bypassing the theoretical debates about the validity of different data sources and the extent to which all are, to some degree, partly objective and partly partisan, the key point here is that the data is not all of internal origin.

Many of the measurement criteria within the financial proxies are:

- ▶ from publically available data sources, often validated Government data;
- ▶ from appropriately structured pilot studies;
- ▶ from research appropriately undertaken by the subjects' own research team; or
- ▶ separately sense-checked or reviewed by the research team.

It is not true research because the researcher influences, and is involved in the outcome.

It is true that the researcher is involved in the sense that "the action researcher... may help clients make more sense of their practical knowledge and experience..."^M.

This is consistent with the second of the seven principles of SROI: Measurement with people.

If the researcher facilitates the better collection and interpretation of data from the researched and leaves them with an understanding and knowledge to enable them to embed that in future action, then this active involvement must be seen as a virtue and not a weakness. It improves the understanding of data gathered and at the same time, seeks to embed the results in the organisations (the final stage of the SROI process).

Berg^N summarises the strengths of action research in these fields as follows:

- ▶ "a highly rigorous, yet reflective or interpretative, approach to empirical research;
- ▶ the active engagement of individuals...in the research enterprise;

^M Gill, J. And Johnson, P. 2002. Research Methods for Managers. 3rd Ed. London, Sage. p.92.

^N Berg, B. 2009. Qualitative Research Methods for the Social Sciences. 7th Ed. Upper Saddle River, NJ. Pearson. .248.

- ▶ the integration of some practical outcomes related to the actual lives of participants in this research project;
- ▶ a spiralling of steps...”.

We have found, in this study and other similar ones, that Action Research provides an ideal foundation approach for developing a Social Impact Evaluation and embedding it in the organisation.

B. Detailed notes on evaluated activities

- 1.1. The detailed evaluation models used have followed the SROI methodology, and developed from the detailed understanding of the operations of the charity arising from the Action Research group's work.
- 1.2. Domestic adoption has been evaluated as follows.

Supporting data on numbers	Additional capacity achieved per annum		
"Phone call list" of applicants	40		
Less: initially declined as unlikely to place	-2		
Less: declined because of lack of capacity or lost during early stages of process	-18	Couples taking two children	50%
Adopters accepted and taken to approval	20		
Less: representing parents that would otherwise have been approved by a Local Authority	-3		
Net additional adopters	<u>17</u>	Equivalent multiple to get number of children placed	150% 25.5
		Less: disruptions in PACT placement (assumed)	5% -1.275
		rounded to the nearest whole number	<u>24</u>
Savings in LAC costs for foster care:			
Assumed average age at placement	4 years old		NPV per child (£)
Giving	0 years of the under 3	band of	
	4 years of the Age 3-8	band of	99,867
	4 years of the Age 8-12	band of	217,572
	6 years of the Age 12-18	band of	513,534
	Aggregate per child		<u>£830,973</u>
Discount rate	3.50%	Less: L.A. costs of placement:	
		£20,000 paid to PACT for placement year	1 -19,324
		£5,000 paid to PACT for adoption year	2 -9,498
		£5,000 supervision costs for L.A. in year	1 -4,831
		£5,000 supervision costs for L.A. in year	2 -9,498
		£5,000 annual adoption allowances for children out of the total placed	2 -54,603
			<u>£733,219</u>
			NPV total (£)
		Total for all children placed in that year	17,597,244
		Less: incremental costs of disruptions	5%
		assuming disruption at age	6 -461,341
		Total, net of incremental costs of disruptions	<u>£17,135,903</u>

- ▶ Of total approaches progressed beyond initial enquiry of around forty a year, PACT takes forward around twenty^o. Some of the others fall away during the pre-study workshops, and others cannot be accommodated due to capacity issues. PACT is taking steps to address its capacity restrictions, and is expecting currently to expand the number of adopters that it can support on the domestic front.
- ▶ Of these twenty, PACT estimate, from information supplied by the couples or singles looking to be parents, that around three of every twenty are people who could have been accommodated for approval as adopters within the Local Authority system. These have chosen instead to be approved and supported through PACT.

^o PACT statistics, and management comment

- ▶ Some couples take a single child, but others take more than one in a family group. Whilst threes, fours, or even more are seen on occasion, ones and twos are more usual^P. It is assumed that half of the couples approved will take two children.
- ▶ This gives twenty-six children placed with parents who would not have been approved in the State system. Given there are more children awaiting placement than are ever placed (around 40% of the 4,000 available for adoption are not placed – BAAF statistics from 2004), these twenty-six are truly incremental placements.
- ▶ Of the twenty-six, it is estimated that up to 5% may disrupt, based on PACT's past and current experience. They will re-enter the care system with a consequently higher care need. This is deducted as an incremental cost of disruption.
- ▶ It is assumed that the child is placed, on average, at age four, which is around the midpoint of PACT's current placements profile, which generally ranges from birth to ten^Q. This matches National expected profiles.
- ▶ The foster care costs avoided are estimated based upon the matrix shown in the next table. This blends the costs of Local Authority and private foster care, or low and high need (the two are not the same distinction, that is private foster care does not always provide higher needs care, nor State lower needs, but they have been aggregated for the sake of this analysis). Percentage splits between the two have been estimated based on PACT managers' experience of Local Authority and charity sector care and low and high needs mixes. Costs escalate as the child gets older, and this is also reflected. It should be noted that these cost estimates are not just the costs paid to the foster carer, but also the supervision costs and other incidentals. As a marker, State funded provisions of between £400 a week and £6,000 for secure placement give a comparison^R.
- ▶ The post-disruption costs, with their skewing towards the higher needs end of the scale, have also been estimated, as well as distinguishing between shorter-term costs whilst awaiting a permanent placement, and longer-term foster care.

^P PACT statistics and management comment

^Q PACT placement statistics

^R PACT management guidance and various BAAF statistics

Escalating cost spiral		Low need or State provision	Higher need or private
Assumptions as to cost matrix		£ p.w.	£ p.w.
Age 3-8		400	800
Age 8-12		1,000	2,000
Age 12-18		2,000	4,000
Splits:	Pre-placement	70%	30%
	Longer-term	50%	50%
	Post-disruption	30%	70%
Incremental costs post-disruption			
	Age 3-8	Age 8-12	Age 12-18
Post-disruption, less longer term	£80	£200	£400
Blended costs			
	Age 3-8	Age 8-12	Age 12-18
Pre-placement	£520	£1,300	£2,600
Longer-term	£600	£1,500	£3,000
Post-disruption	£680	£1,700	£3,400

- ▶ The analysis also deducts the costs to the Local Authority which they pay for PACT's approval and support services. Whilst this pricing is under debate at present with all members of CVAA, with a recent study indicating that this £25,000 service costs the CVAA member or the equivalent Local Authority around £35,000⁵, the current pricing has been used for these purposes.
- ▶ It is also assumed that two in every year's cohort of children receive a modest adoption allowance, a profile which is rarely exceeded, in the experience of PACT's managers.
- ▶ The next examination is of those three singles or couples who would otherwise have been approved by their Local Authority. In this case the incremental gain is predominantly due to the significantly lower disruption rate in these highly trained and supported placements.
- ▶ Of the four children placed through this route, in the Local Authority system it is assumed that half of these would have disrupted. It is further assumed that those disruptions would occur some two years post-placement. Whilst this is PACT's experience of the pressure point, beyond which the adoptions, properly supported, tend to turn and settle, there is a case for arguing that the disruptions can occur at one of the later pressure points: puberty or early teens. To model this point more accurately would require further information about the process of disruption and the prognosis for young people post-disruption that we do not believe is available. It would also not significantly change the broader picture shown by the analysis, albeit modelling a later disruption would:
 - ▶ reduce the post-disruption costs of care;

⁵ Selwyn, J. and Wijedasa, D.. (2009). *Adoption and the Inter-Agency Fee*. London. DCSF.

- ▶ in a number of those cases jump the individual up the care needs scale to a more expensive care package;
- ▶ possibly move some into secure care or remand systems, which are higher cost again;
- ▶ significantly reduce the prognosis for a successful life course, with all that entails in post-eighteen costs and depleted societal contribution.

We have therefore remained with the model of disruption (on those occasions when it happens at all) two years after placement, and assumed that the child will not go to another adopted placement.

Incremental costs post-disruption for the additional adopted children			
Assumed age at disruption		6 years	
and assuming that a further placement is not arranged but that long-term prognosis is as for a general LAC child			
			NPV (£)
0 years of the	under 3	band of	0
2 years of the	Age 3-8	band of	7,903
4 years of the	Age 8-12	band of	38,200
12 years of the	Age 12-18	band of	200,997
Totalled as present value at the date of disruption			<u>247,100</u>
And as a PV at placement - per child			<u>230,671</u>

- ▶ In addition to the care costs saved by adoption in cases where disruption would otherwise have occurred, the timing of a PACT placement means that the child exits the care system some ten to twelve weeks more quickly than they would have done if placed with a Local Authority adopter. This is essentially because PACT adopters are already approved and trained by the time the child is ready to be placed, whereas Local Authorities often approve parents to order, after this date.
- ▶ All of these factors are combined in the model of public funding gain for PACT replacement adopters in the following table:

Supporting data on numbers	Incremental gain on replacements for State approvals from reduced disruptions		
"Phone call list" of applicants	40		
Less: initially declined as unlikely to place	-2		
Less: declined because of lack of capacity or lost during early stages of process	-18	Couples taking two children	50%
Adopters accepted and taken to approval	20		
Less: additional parents that would not have been approved by Local Authorities through lack of capacity or otherwise	-17		
Net additional adopters	3	Equivalent multiple to get number of children placed	150% 4.5
		Less: disruptions in PACT placement (assumed)	5% -0.225
			4
The evaluation is focussed on the completed placements from those that would otherwise have disrupted assuming State adoptions disrupt in 40% of cases, that is an incremental disruption rate of 35% ...and the quicker placement for the whole population			
1.4 Incremental disruptions (care costs)			
assuming an age at placement of	4 years		
assuming an age at disruption of	6 years		
Giving:	0 years of the	under 3	band of 0
	2 years of the	Age 3-8	band of 62,707
	4 years of the	Age 8-12	band of 264,144
	6 years of the	Age 12-18	band of 623,458
		Aggregate per child	950,309
Less:		Incremental costs of placement supervision	0
		Present Value per child	950,309
		Cost for whole cohort of incremental disruptions	1,330,433
	4 quicker placements than would be possible in State system	10 weeks	
	Additional LAC care costs		
age	4	at 5200 for each child	
		giving:	20,800
Total for alternatively sourced placements			<u>£1,351,233</u>

- ▶ The educational attainment model picks up an estimated 30% of adopted children that might achieve level four qualification. Essentially this assumes that successful adoptions will, by the time the child is eighteen, be offering the same opportunities as those of the rest of the population. The argument that residual difficulties remain (particularly in adoption by under-trained adopters with little real knowledge of therapeutic parenting) that may impede the child's realising that opportunity does have some merit. However we have assumed that this effect is countered by:
 - ▶ the level of training for PACT adopters being towards the higher end of the scale, and
 - ▶ the increasing tendency for children (even adopted children) of professional or level four qualified parents themselves to attain level four qualification.
- ▶ *The uplifted* earning capability for level four (HE from 'O'level or equivalent) is assumed to be 48% as against 18% of GVA and retirement age is assumed at the current political objective of seventy.

Increased educational attainment

Enhanced earning and economic capacity as a result of higher educational attainment as against the modest educational attainment assumed in the standard case for the NEET assessment			
Total incremental placements	24	retirement age	70
Assumed Level 4 achievement level for adopted population	30%		
Assumed Level 4 achievement level for LAC children	1%		
GVA for general population	£21,688	PV	<u>£22,845</u>
Enhancement for level 4 achievement	48%		
Enhancement for O level achievement	18%		

- ▶ The next area is that of NEET propensity amongst young people exiting the care system. Again it is assumed that adoption at an average age of four puts the child back on an even footing with the general population by age eighteen, and so able to attain a reasonable mix of earnings, consistent with level two qualification. The selective uplift of some of that population beyond that is dealt with in the section above.
- ▶ It splits the outturn between primary carers and those not taking time out or reduced working time for this. The percentages are judged based upon:
 - ▶ the broad profiles in the case studies from Godfrey and Hutton (2002);
 - ▶ PACT managers' experience with their adopters over a period.
- ▶ The periods over which work takes second place to caring are taken to be twenty years, and working life continues until seventy.
- ▶ GVA used is for the general south of England population per ONS statistics for 2009, the latest published set.
- ▶ The incremental tax revenue, as a means of public funding yield on the uplifted earnings is also allowed-for, over and above the £45,000 of resource income assumed in the base workings.

Reduction in NEET population

It is assumed that there is a significant correlation between spending childhood in care and being NEET at aged 16-18.

This is to be used as a proxy for enhanced achievement following permanent placement.

Lifetime costs of NEET at 16-18	£300,000	Individuals achieving permanence	27.075 incrementally
.....termed at Present Value	£84,000	Less: disruptions	-1.275
			26

Percentage of population leaving care with no qualifications	65%
Percentage of general population with no qualifications	6%
	59%

Assume that the difference represents the gain from sustained placement of

	NPV (£)
This gives an estimated lifetime cost saved at present value of	£1,288,560

However this is only the public finance cost element. In addition there is the additional working capacity generated.

Assume that working capacity, as a percentage of the National average GVA, is

	With placement	Without placement		
In every two persons:			for a working life of	52 years
Carer profile: twenty years part-time or lower paid,	40%	10%	assuming that this applies to first	20 years
later working full time, or part time in lower paid job	70%	40%	for the remaining	32 years
Non-carer profile	80%	40%	for the full	52 years
National GVA				£21,688
Discount rate	3.50% and an assumption that a difference is made for			<u>59% of the placed persons</u>
Incremental NPV of first	20 years		blended for average of two types	42,123
Incremental NPV of remaining	32 years		blended for average of two types	<u>24,223</u>
Giving a total, blended for average incremental earning capacity, at gross GVA, of				66,346
Add: lost incremental tax revenue, at an assumed	10%		based on the excess over the estimated base earnings taken into the public finance	
		£45,000 figures		<u>2,135</u>
Net incremental gain in GVA (post-tax) per person placed				<u>68,481</u>
Giving a total for all persons placed in a year of				<u>£1,780,509</u>
And a total for this heading of				<u>£3,069,069</u>

Note: the "with placement" figures are assumed to include, in the first twenty years' element, the effects of delayed engagement with employment or training.

- ▶ Against this comes the displacement effect of the loss of tax revenue on the foster care income. This assumes that, with tax free allowances for foster carers at their 2003-4 rates of £10,000 plus £200 to £250 per week per child, the majority of lower-cost single or two-child placements will fall out of tax. However those above a breakpoint of a little over £500 a week may do. Hence it has been assumed that 65% of the fostering fees relate to the costs of keeping the child or young person, leaving the remainder as income for the carer. It is assumed that around 15% of that net income will be taken in tax. This has been reached assuming that tax-free allowances take some of the remainder out of tax, probably around 12%, and the balance is subject to tax at escalating rates that will fluctuate around, say 20% to 25% overall over the period. Compounded down this gives a rate of between 10% and 15%.

Displacement: Loss of tax revenue from fostering

		NPV (£)
Total fostering fees assumed at present value	19,482,002	
Assumed percentage of costs relating to outgoings	65%	
PV of gross deemed earnings of foster parents	6,818,701	
Assumed equivalent net tax rate, including NI	15%	
Tax revenue at present value		<u>£1,022,805</u>

Assuming the tax regime remains as it is currently, much of the foster care allowances stay outside the tax net. Specifically £10,000 plus £200 to £250 per child is exempt. This is likely to cover most of the funds received by a parent with one or two children, as is the case with the majority of PACT carers.

- 1.3. The domestic adoption service, based on the areas analysed above, and assuming twenty parents a year are approved, taking thirty children at age four on average, generates over £20m a year of value. This can be summarised as follows:

Summary Table for PACT Adoption	NPV (£)
Additional capacity achieved per annum	17,135,903
Disruptions	1,351,233
Increased educational attainment	22,845
Reduction in NEET population	3,069,069
Displacement: Loss of tax revenue from fostering	-1,022,805
<u>Total evaluated</u>	<u>£20,556,244</u>

- 1.4. Long-term fostering has been evaluated in a similar way as described below

- ▶ Whilst the tables of numbers of parents and numbers of young people placed are similar to the outlines under the adoption headings, the initial gains from savings in foster care fees, of course, do not apply. The number tables show fourteen applicants a year, being either:
 - ▶ new applicants to be foster carers; or
 - ▶ existing foster carers coming back because they can take another child once their existing child has gone beyond age eighteen.

Where a child replaces another before the latter is eighteen, this does not count in these workings as a new placement, as it assumed that all are in care:

- ▶ from an average placement age of eight;
- ▶ to a final age of eighteen.
- ▶ It is also assumed the adoption disruption rates also apply to long-term fostering. This probably makes sense in view of the similarity in the approach to parenting and therapy.

Supporting data on numbers		Additional capacity achieved per annum	
"Phone call list" of applicants	14		
Less: initially declined as unlikely to place	-2		
Less: declined because of lack of capacity or lost during early stages of process	-8	Couples taking two children being new applicants and existing ones coming back for another child	50%
Foster carers accepted and taken to approval	4		
Less: representing parents that would otherwise have been approved by a Local Authority	0		
Net additional foster carers	<u>4</u>	Equivalent multiple to get number of children placed	150% 6
		Less: disruptions in PACT placement (assumed) rounded to the nearest whole number	10% -0.6
			<u>5</u>
Savings in LAC costs for foster care:			
Assumed average age at placement	8 years old		

- ▶ The other categories of economic value applying are as for the adoption model. The first is increased educational attainment to level four qualification, leading to a prospect of enhanced earnings.

Increased educational attainment			
Enhanced earning and economic capacity as a result of higher educational attainment as against the modest educational attainment assumed in the standard case for the NEET assessment			
Total incremental placements	5		
Assumed Level 4 achievement level for PACT placed population	30%	retirement age	70
Assumed Level 4 achievement level for LAC children	1%		
GVA for general population	£21,688	PV	<u>£26,215</u>
Enhancement for level 4 achievement	48%		
Enhancement for 0 level achievement	18%		

- ▶ The next stage is to move to the distinction between the propensity to NEET outcomes at sixteen to eighteen for the majority coming from care, and the outcome of a permanent, therapeutic placement through PACT. As with the adoption outcomes, the values for public costs saved, and additional economic value generated through productive work are from the Godfrey and Hutton (2002) report, adapted as outlined in the earlier section.

Reduction in NEET population

It is assumed that there is a significant correlation between spending childhood in care and being NEET at aged 16-18. This is to be used as a proxy for enhanced achievement following permanent placement.

Lifetime costs of NEET at 16-18	£300,000	Individuals achieving permanence	6 incrementally
.....termed at Present Value	£84,000	Less: disruptions	-0.6
			<u>5</u>
Percentage of population leaving care with no qualifications		65%	
Percentage of general population with no qualifications		6%	
		59%	
Assume that the difference represents the gain from sustained placement of			NPV (£)
This gives an estimated lifetime cost saved at present value of			<u>£247,800</u>

However this is only the public finance cost element. In addition there is the additional working capacity generated. Assume that working capacity, as a percentage of the National average GVA, is

	With placement	Without placement		
In every two persons:			for a working life of	52 years
Carer profile: twenty years part-time or lower paid	40%	10%	assuming that this applies to first	20 years
later working full time, or part time in lower paid jobs	70%	40%	for the remaining	32 years
Non-carer profile	80%	40%	for the full	52 years
National GVA				£21,688
Discount rate	3.50% and an assumption that a difference is made for			59% of the placed persons
Incremental NPV of first	20 years	blended for average of two types		<u>48,338</u>
Incremental NPV of remaining	32 years	blended for average of two types		<u>27,797</u>
Giving a total, blended for average incremental earning capacity, at gross GVA, of				<u>76,134</u>
Add: lost incremental tax revenue, at an assumed	10%	based on the excess over the		
		£45,000 estimated base earnings taken into		<u>3,113</u>
Net incremental gain in GVA (post-tax) per person placed				<u>79,248</u>
Giving a total for all persons placed in a year of				<u>£396,238</u>
And a total for this heading of				<u>£644,038</u>

- ▶ By contrast, since there is no net difference in foster care costs, there is no displacement arising from the lost tax revenue on this.

Displacement: Loss of tax revenue from fostering

		NPV (£)
Total fostering fees assumed at present value	0	
Assumed percentage of costs relating to outgoings	60%	
PV of gross deemed earnings of foster parents	0	
Assumed equivalent net tax rate, including NI	15%	
Tax revenue at present value		<u>£0</u>

- 1.5. The overall result for long-term fostering of four new adopters sustaining five new ten-year placements a year is summarised as follows:

Summary Table for PACT Long-term fostering	NPV(£)
Additional capacity achieved per annum	0
Incremental gain on replacements for State approvals from reduced disruptions	0
Increased educational attainment	26,215
Reduction in NEET population	644,038
Displacement: Loss of tax revenue from fostering	0
Total evaluated	£670,253

Sensitivity Analysis

Various assumptions have been made in the course of preparing the above analysis. Some relate to estimates made by the Action Research group in coming to the view of outcomes, and some are around the interpretation of statistics and other research used in the analysis.

In order to assess the extent to which these assumptions are material, potentially key assumptions have been identified. Each has been varied within what appears to be a reasonable range, and the effect on the total valued outcomes under the study has been recast.

The assumptions identified, and the results of flexing them are as follows:

	20 family Adoption Model	4-family Fostering
	£	£
Base Valuation	20,556,244	670,253
Key Assumptions subject to flexing:		
A) <i>Percentage of couples taking two children</i>		
50% base dropped to 0%	14,313,736	no change
B) <i>Age of placement (base = 4 for adoption; 6 for fostering)</i>		
2	19,541,635	
8	21,181,459	no change
11	19,154,188	
Note: the profile here results from the interaction between the higher fostering costs for older children against the shorter discounting periods.		
C) <i>State Disruption Rate (based = 40%)</i>		
If reduced to 25%	19,868,018	no change
from reductions: Disruptions	1,351,233 → 781,047	
NEET Population	3,069,069 → 2,951,028	
D) <i>Mix of Fostering Costs between State/Low band and Private/Higher</i>		
	Proportion	
	<u>at State Costs</u>	<u>Flexed to</u>
Pre-placement	70%	100%
Long term	50%	80%
Post disruption	30%	60%
Together with a 50% reduction in fostering costs above the age of 8		
	16,537,399	no change
E) <i>Age at disruption (against a base of 6 year old)</i>		
to 8 year old	20,691,044	
to 11 year old	20,764,350	no change
F) <i>Marginal effect on population at age 16 to 18 (against a base of 59%)</i>		
to 39%	19,476,221	444,308
G) <i>Effect of attaining Higher education</i>		
30% of population vs 1% for LAC to	20,540,489	652,173
48% income enhancement at level 4 to 28%	20,541,014	652,776

The most material assumption is the mix of fostering costs (assumption D above). It is particularly notable that the total outcomes are not particularly sensitive to the assumed level of disruptions in the State adoption provision, which is an area where there are different interpretations of the limited statistics available.

The effect of lowering the disruption rate from an assumed 40% to the Voluntary Sector level of 5% is, from these figures, over £413,607 per child. At a 25% assumed disruption rate, the effect is £285,347. The calculations for this are shown below:

Effect of Lowering Adoption Rate		£ per child
"State" placements assumed 4.5 for 3 adopters		
At 40%		
Inc. gain	$1,351,233 \div 4.5$	300,274
NEET-ism - previous total	3,069,069	
	$\times 4.5\% \times 40\% \div 1.8$	
	27.08	113,333
		<u>£413,607</u>
At 25%		
Inc. gain	$781,047 \div 4.5$	173,566
	$2,951,028 \times 4.5\% \times 25\% \div 1.125$	
	26.4	111,781
		<u>£285,347</u>

C. Summary of Stakeholder feedback from focus interviews

- 1.1 In conjunction with the work to develop this SROI analysis, the researcher undertook a series of focus interviews with stakeholders in order the better to understand:
 - How brand (positioning) assists social impact by enhancing service user engagement
 - How that brand (positioning) is perceived by the relevant stakeholder
- 1.2 The work in this part of the study was done in conjunction with stakeholder feedback for two other PACT project areas: PACT’s Ministry of Justice-funded Women’s Community Project at Alana House, and the Local Authority-funded Witney Children’s Centre.
- 1.3 The interviews were undertaken on the basis that the results would be published, but that any comments would not be attributable. The eight stakeholder representatives concerned were agencies working in parallel with, or supervising the work of the project, or service users (Adoption and Fostering only), . Those commenting on Adoption and Fostering were recent past PACT adopters, one of which is also a PACT occasional trainer.
- 1.4 The results of these interviews were interpreted under the headings applicable to demand driver analysis within the Brand Knowledge approach to brand valuation. These are as follows:

BK evaluation element	Comments
Economic profit	Conventionally this covers just the financial economic profits: that is those arising in the conventional valuation field, generating positive cash flows. However a charity generates additional impact and gain by use of brand, so this should probably extend to SI “profit”.
Brand premium profits	These are the element of the economic profits (and hence for a charity the Social Impact) that is attributable to the use of brand. It revolves around the demand drivers, that in this context extend across the cash flow profit and the social impact.
Category and Brand strength analysis:	This looks at the expected life of the Brand, which is a function of two elements: the expected life of the category in which it is developed and used, and the positioning of the brand in relation to the whole category.
A. Category useful life	
• Longevity	i.e. category maturity
• Leadership	Market share stability of volatility
• Barriers and churn	Competitive activity in terms of how many competitors are entering and leaving the market, and how easily this happens
• Vulnerability	What is the vulnerability of the whole category to factors such as changes in Government policy, changes in social need, norms and mores, etc ?
B. Brand Knowledge Structure	This brings the positioning of the brand relative to its category down to a single percentage based upon two factors: awareness and association.
• Awareness	The profile of the brand and the awareness of it amongst customers (service users and referrers)
• Associations	The positioning (in Bruce’s terms) of that brand: for what does it stand in the eyes of the service user or referrer ?

1.5 In the interviews the following comments emerged:

BK evaluation element	Interview responses	Interview comment
Economic profit	<p>The economic gain is around the value of the payments in respect of each adoption placement made, and, for fostering, the additional yield from the long-term fostering supported and managed.</p> <p>The gain from the adoption and fostering in SI terms falls into two areas:</p> <ul style="list-style-type: none">• The increased volume of placements through bringing additional carers to the market that would not otherwise be available, and• The increased impact on the child's life from the elements of developmental re-parenting that are embedded within the parenting style, and the reduced disruption rate as against the norm of State placement	<p>Significant variations in the appreciation of this aspect amongst interviewees. From PACT senior management, particularly after the action research element of this project there is considerable understanding of this.</p>
Brand premium profits	<p>The additional volumes and impacts arise from:</p> <ul style="list-style-type: none">• PACT's being part of the establishment, and a tried and tested CVAA-member agency (volume). This surrounds its<ul style="list-style-type: none">• Longevity• Respected position• Continued quality delivery and personal support for adopters• Local area dominance• PACT's quality of training and support of its adopters which, whether because they pick up and apply more of the therapeutic parenting, or because better quality adopters are taken on, or because they are better supported when trouble strikes, results in better outcomes, and fewer disruptions (lesser effect on volume, and greater on impacts)	<p>Clear evidence from internal and external stakeholders that this is there. Also clear from an examination of the services provided, and the other information coming through the action research for the SI element of the project work.</p>

BK evaluation element

Interview responses

Interview comment

Category and Brand strength analysis:

A. Category useful life

• Longevity

The category is fairly mature, given adoption has been around for hundreds (if not thousands) of years, and so has fostering. However it keeps reinventing itself, and has certainly done so over the last fifteen years in response to the demands of our modern social and childcare environment and priorities.

General view is that the category will continue indefinitely, or at least until:

- State provision grows to cover all need, and it is politically acceptable to remove buyer choice of agency, or
- The need to remove children permanently from their birth parents ceases.

Neither event seems likely in the foreseeable future (say fifty years).

One interviewee saw an increasing requirement as neglect becomes generationally perpetuating.

Indefinite life, or at least in excess of fifty years, seems to be all parties' view.

This aligns with the broader literature in the adoption and fostering field which suggests a permanent need, the style of delivery of which is continually changing and re-inventing itself.

• Leadership

With the need for permanence becoming more prominent, and the need for increased training and expertise amongst parents to enable them to remediate for increasingly traumatised children, domestic adoption and long-term fostering continues to hold significant market share as trusted, and tried, methods. The new alternatives are: special guardianship, and the less popular institutional solutions.

The literature underlying the SI review talks widely about these needs, notably Selwyn, Rushton and McNally and Telhaj, with many others.

The level of special guardianship is unknown to the researcher, but indications from PACT senior management are that it is not yet widespread, and will not fit every circumstance.

• Barriers and churn

Entry to the market requires both a level of legal compliance and capability, and a credibility with:

- Parents
- Placing agencies (usually Local Authorities)
- Referrers such as individual

The reality appears to be that it is a small market of small players outside the State provision supplemented by certain very large independent agencies, such as Barnados. Adoption is not highly remunerative, and perhaps for this reason the churn is low. For fostering

BK evaluation element

Interview responses

social workers and other professionals (who tend to work on past experience), other agencies, and independent datasources (principally BAAF and Adoption UK)

Of these the least informed tends to be the first, who will often approach in response to a campaign, or through a web search. They then judge whether to commit and stay or move on by the level of credibility of the first few encounters and the knowledge of the staff that they meet.

For new participant parents there are four stages to engagement with PACT:

1. Initial approach – which is fairly random, or on recommendation, unless PACT develop strong outreach and advertising programmes. Initial awareness prior to first contact seems to be from leaflets, websites and various other sources. The first call to PACT and the way it is received is key to continued engagement.
2. Staying beyond the first few discussions or meetings – true engagement – which relies on the quality of information, and the personal qualities (open, non-judgmental, informed) of the staff.
3. Sticking with the process to a successful placement and adoption or foster placement (a key point for both PACT's income, and its social impact) – which relies on driving the process, staying engaged with the parent, and problem solving as issues arise. PACT's ability to stop the adopter feeling alone, and abandoned (or attacked) by the Social Services placement team is key.
4. Providing effective after-adoption support – which relies on ability, knowledge, and, most difficult, convincing the parent that it is needed.

For returning parents, or those with the potential of being referred by other

Interview comment

there is more possibility of profitability, but the level of credibility with all three categories tends to create its own barrier to entry. To breach this requires considerable existing knowledge, which generally would appear to come from past experience of the individuals rather than anything else. With the social work environment being risk-averse post Baby P and similar cases, it is a high risk strategy for a Local Authority to place a child through any agency other than the most credible, established entities.

The four stages of engagement are clear, and PACT appears to score well against these.

The greatest concern is probably around stage four, in which the cost to the adopter (after Christopher (2002)) is considerable, and requires them to believe that:

- Their long-sought-after baby (child) is less than perfect
- Their love and care is not sufficient in themselves for the child's needs.

For the parent-referred or returning adopter, PACT (as with other established agencies) seems reasonably strong.

BK evaluation element

Interview responses

Interview comment

	<p>successful adopters or foster carers, the key steps are that:</p> <ol style="list-style-type: none">1. The returning or potentially referring parents were convinced by their experiences – there is evidence of that.2. For referring parents, they are encouraged to network in a way that facilitates their getting the recommendation out to other potential parents3. The experience of the new parent on response to a referral, or of a returning parent on re-contacting, is positive <p>New agencies tend to be break-aways from existing ones or set up by local interest groups, often around a nucleus of existing foster carers or adopters.</p>	
<ul style="list-style-type: none">• Vulnerability	<p>Low vulnerability, other than if the whole area of fostering and adoption approval was taken into the public sector. This would seem to require such a huge cultural shift that it is unlikely to be achievable, even if it was contemplated, which it is not (note Big Society and the drift towards increased involvement of the formal third and voluntary sectors).</p>	<p>It seems unlikely that there would be statutory, or extra-statutory central action away from private fostering or non-State approval of adopters. Perhaps the greatest vulnerability might be in the event of a “Baby P”-type case involving the death or near-death of a child in such a placement, and then only if the established agencies did not take decisive action to regain any trust that had been lost.</p>

B. Brand Knowledge Structure

<ul style="list-style-type: none">• Awareness	<p>Key deliverables from the category (both at individual staff and corporate levels) are:</p> <ul style="list-style-type: none">• Openness and approachability• Informed, knowledgeable, dedicated• Having the capacity to take on and deal fully and properly with the couples concerned• Communication• Ability to manage the placing authority, generally seen as under-resourced or with conflicting objectives to those of the child or the adopters• “....caring for <u>you</u>....” as the adopter <p>In this context, PACT and its staff are seen (highlighting those occurring</p>	<p>Strong awareness of PACT in the sector. They are not, however, that well known as a domestic adoption or foster agency, perhaps partly because these are overshadowed by their International adoption presence.</p> <p>Amongst the inner circle of CVAA, and other related influencers such as AUK and BAAF, they are very well known and respected, but many of the demand drivers are not apparent to the wider public or potential service users. This then relies upon a strong referrer network to get the information out there. It must be questioned whether additional publicity and profiling work, perhaps around the Childlink acquisition, for example, could yield significant benefits.</p> <p>This lower profile seems to be an issue</p>
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BK evaluation element

Interview responses

Interview comment

most frequently) as:

- Level-headed
- Dedicated
- Honest – with views, advice and options
- **Professional**
- **Understanding/empathic**
- Dedicated
- **Caring**
- Present

Finding the service-user audience is somewhat haphazard – contact points seem to include:

- Leaflets
- Website
- Personal referral

First contact is key, and the presence of other adopters on the open days, as well as having staff who are themselves adopters makes a big difference.

locally as well as Nationally.

- Associations

Clear focus on:

- The interests of the child
-but working with the parents to achieve that
- Not underplaying, but knowing how to address, the difficulties of the child
- Successful groups of parents interested in mutual support
- Prepared to take on and work with the less conventional parents
- Low disruption rates (in the eyes of Local Authorities)
- Ethical, inclusive, non-judgmental

These are highly effective in terms of value delivery and increasing take-up by service users.

However, whilst they are readily apparent once one meets PACT senior management, Trustees, or present or past adopters, foster parents, or other referrers, they are less so beyond dthta group.

How is this message to get out more widely around the local area in order to catch potential adopters and foster parents ? This is a key opportunity that needs addressing.

Additional quotes:

- “... stunning in what they do....”
- “....so supportive....”
- “....helps you hang on in there when things are really, really tough....”

Very strong focus on:

- “...taking care of their adopters.....if you’re struggling, you can’t parent the child....”
- PACT were “....the only ones to start a call with ‘how are you doing.....?’”

This aspect was seen as not addressed at all by Local Authorities (based on experience with other adopters, and of Local Authorities as placing authorities)

1.6 The overall conclusion from the feedback is that the PACT Domestic adoption and Fostering services are very effective in achieving engagement with the potential adopters or foster parents, and ensuring that they feel supported, and are trained, to be able to deliver sound, rehabilitative parenting in often very difficult circumstances. Key to their effectiveness in this are:

- the engagement, capabilities and other qualities of the staff
- the initial response from PACT workers and the consistency of that response over the whole of the service-user's experience with them
- that the independence of social services is clear, and that PACT's brand, positioning, and its reputation are clear in the market such that referrals are frequent and give the service user confidence from the experience of others..

1.7 The totality of the focus interviews covered all three PACT projects, but the similarity in feedback across these was striking. The following appeared in the summary report of that broader research^T:

Cultural and presentational service delivery points transcending the project boundaries:

- Understanding, empathic, non-judgmental
- Informed, knowledgeable, professional
- Caring for you, the individual, and reaching out to you
- Located conveniently – coming to the need, not waiting for it to come to PACT
- Creating a self-supporting community of peer support and strongly facilitating that
- Effective – getting the job done with a strong bias towards the long-term and sustainable

Key quotes about PACT and its services, selecting those which mirrored themes from several interviewees across the service lines:

- “...stunning in what they do....”
- “...helps you hang on in there when things are really, really tough....”
- “...amazing....”
- “...do it well – they deliver.....”
- “...total commitment.....”
- “...life-changing.....”

^T Clifford J, (2010). *The Evaluative Triangle: Foundation Model for an Evaluative Protocol for Transactional Decisions in the Third Sector*. Unpub. Available from the author at jim.clifford@bakertilly.co.uk

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