

MEETING: 24/11/2016

Ref: 13542

ASSESSMENT CATEGORY - Improving Londoners' Mental Health

PAC-UK

**Adv: Tania Bronstein
Base: Camden
Benefit: London-wide**

**Amount requested: £122,629
{Revised request: £105,901}
Amount recommended: £106,000**

The Charity

PAC-UK became the UK's largest specialist adoption agency following a merger of PAC (London) and After Adoption Yorkshire in 2014. From bases in London and Leeds PAC-UK supports children, young people and adults placed, about to be placed, or who were placed in adoption and other forms of permanent care, as well as their birth and adopted parents, carers and their families. Services include: therapeutic and counselling interventions; an advice line; a service to support adopted and permanently placed children in schools; and training programmes for parents, carers and professionals.

The Application:

PAC-UK has seen a surge of demand for services since the Adoption Support Fund (ASF) was introduced in 2015 to meet the costs of therapeutic support for adopted children, young people and their families and carers in England. The charity needs to increase the number of frontline counsellors/therapists to address this demand, but its staff structure is inadequate to appropriately manage growing teams and caseloads. PAC-UK originally applied for a two-year grant for the wages of two new managerial posts in London, one for its Children & Families service, another for its Adults service. Since informing PAC-UK of what the Trust can consider in keeping with your guidelines (as set out below), the charity is now requesting a three-year grant for one post only.

The Recommendation:

Extra capacity would help in sustaining the quality of therapeutic services (rated as "outstanding" by Ofsted), and support PAC-UK in scaling up its successful model. Although PAC-UK's Adults Team also helps some young people in their own right (i.e not as part of the family unit), you fund up to one salary post per grant. Therefore funding for work with children and families at a level reflective of the London benefit (80% of the London office users), as is sought now, is advised.

£106,000 over three years (£34,800; £35,300; 35,900) towards 80% of the inclusive salary costs of a Children & Families Practice Manager.

Funding History

In November 2008 you awarded £50,000 over three years for a Child & Family Services Co-ordinator.

Background and detail of proposal

The impact of adopted children's early experiences (often including loss, trauma, neglect or abuse) can last a lifetime, and also affect their adoptive families. Since 2015, families with children up to the age of 21 (or 25 with SEN or an education & care plan) can apply to the ASF for funds for therapy from a variety of providers via local authorities. This new pool of funding (£21 million in 2016 and available until

2020) has more than doubled demand for intensive therapy for children and families at PAC-UK's London office, over and above services delivered under contracts with 30 local authorities (22 in London and 8 in the Southeast). PAC-UK plans to recruit more therapists to address this demand and meet their costs with fees for services paid by the ASF, and it has sensibly decided to first create a new layer of management to appropriately support frontline practitioners. It is expected that over time, earnings from a higher volume of services would absorb the costs of the managerial post.

Financial Observations

Forecast income in 2016/17 is £2,123,372, of which £1,641,445 (77%) was secured as of 31 August 2016. PAC-UK earns 83% of its income from delivering charitable activities. Under the Charities SORP, the cost of generating this type of income does not belong to "costs of generating funds" hence costs under this heading are low.

The free reserves position below arises as the result of the charity taking up a unique opportunity to purchase a property next to another already owned in 2011/12, which was financed with reserves (then above the policy target) and a bank loan. Following a merger in 2014/15, expenditure doubled, and therefore the size of the target reserves doubled too. Trustees are committed to rebuild reserves, and the charity has been generating unrestricted surpluses (post loan repayments) since the merger, although if these remain at current levels, closing the gap going forward might take time. However, unlike most applicants to the Trust that rely on unpredictable income and for which the availability of free reserves is the key indicator of viability, this charity has more reliable income via service level agreements with 42 authorities, renewed every 3 years or yearly, and income from spot contracts. Given the business model, the key concern is management of working capital, and the accounts show yearly rises in (unrestricted) net current assets and sizable deferred income turned around in the following year.

There is potential for business growth beyond the scope of the ASF. Plans to set up regional adoption agencies by the end of this Parliament would enable PAC-UK (which is recognised as a leader in its field) to bid for large regional contracts.

Year end at 31 March	2014/15 Audited Accounts	2015/16 Draft Accounts	2016/17 Current Year Forecast
	£	£	£
Income and Expenditure			
Income	1,513,123	2,154,677	2,123,372
Expenditure	1,492,839	2,128,047	2,084,415
Unrestricted Funds Surplus / (Deficit)	43,650	36,780	38,957
Restricted Funds Surplus / (Deficit)	(23,366)	(10,150)	-
Total Surplus / (Deficit)	20,284	26,630	38,957
Surplus / (Deficit) as a % of turnover	1.3%	1.2%	1.8%
Cost of Generating funds (% of income)	3,469 (0.22%)	16,566 (0.8%)	21,521 (1%)
Free unrestricted reserves			
Unrestricted free reserves held at Year End	135,383	182,807	223,879
How many months' worth of expenditure	1.1	1.0	1.3
Reserves Policy target	373,209	532,011	521,103
How many months' worth of expenditure	3	3	3
Free reserves over/(under) target	(237,826)	(349,204)	(297,224)