

Lambeth Children's Homes Redress Scheme Update

Report summary

This report provides a summary update on the position of the Lambeth Children's Homes Redress Scheme (the Scheme) as at the 31 March 2022. The Scheme closed to new applications on 1 January 2022 with a final total of 2,238 applications having been made to the Scheme as at the closing date.

Although the Scheme is now closed to new applications existing applications continue to be processed through to conclusion. More than 74% of the applications received have now been processed through to conclusion with a total of £82.5 million having been paid in redress compensation, both Harm's Way payments (HWP) and Individual Redress Payments (IRP) directly to applicants.

Finance summary

The total Scheme expenditure to 31 March 2022 is c£117.5 million, comprising:

- £82.5 million paid in redress compensation directly to applicants (£15.5m HWP & £67.0m IRP),
- £12.2 million in respect of applicants' legal costs (paid to solicitors),
- £5.9 million for the council's own legal costs in processing applications,
- £7.6 million on applicant expenses, instruction of medical experts and social records chronology,
- £9.3 million on administrative & staffing costs.

The final estimated costs associated with all of the applications received to the Scheme (i.e. the expenditure to date and those estimated redress payments, legal and associated disbursement and administrative costs that have not yet been paid in respect of applications still to be processed) is expected to be within the range of £153m to £177m. This is based on an actuarial view and is dependent upon the final assessment of the outstanding cases.

1. CONTEXT

- 1.1 This report provides a status update on the Scheme as at the 31 March 2022 with the figures contained within this report representing the position as at this date.
- 1.2 The Scheme closed to new applications on 1 January 2022 having been open for a period of four years from 2 January 2018. The Scheme provides survivors of physical and/or sexual and/or psychological abuse (whilst resident in a Lambeth Children's Home) with an alternative dispute mechanism for obtaining compensation without having to go through the Courts. The Scheme covers all Children's Homes which were run by Lambeth Council until the Homes were closed in the 1980's and 90s.
- 1.3 In addition to financial compensation, eligible applicants to the Scheme are also entitled to receive a formal letter of apology from the council, a meeting with a senior officer, access to advisory services and the provision of personalised counselling support. In addition to counselling support available under the Scheme.

2. PERFORMANCE

Applications received

- 2.1 At the close of the Scheme to new applications on 1 January 2022 a total of 2,238 applications have been received. A total of 477 new applications were received during 2021 (including those applications received on the last day of 1 January 2022).
- 2.2 A breakdown of the application types received is shown in the following table:

| Application type | No. of applications received | |
|----------------------------------------|------------------------------|---------------|
| | Total | % |
| Both Harm's Way and Individual Redress | 1,778 | 79.4% |
| Harm's Way Only | 333 | 14.9% |
| Individual Redress Only* | 127 | 5.7% |
| Total | 2,238 | 100.0% |

Table – application numbers

*Individual Redress only applications relate to applicants who are either deceased or were a visitor to a Lambeth Children's Home.

- 2.3 A significant volume of applications was received in the final month that the Scheme was open equivalent to the number received in the previous 10 months. The following chart shows the numbers of applications received each month over the duration of the Scheme:

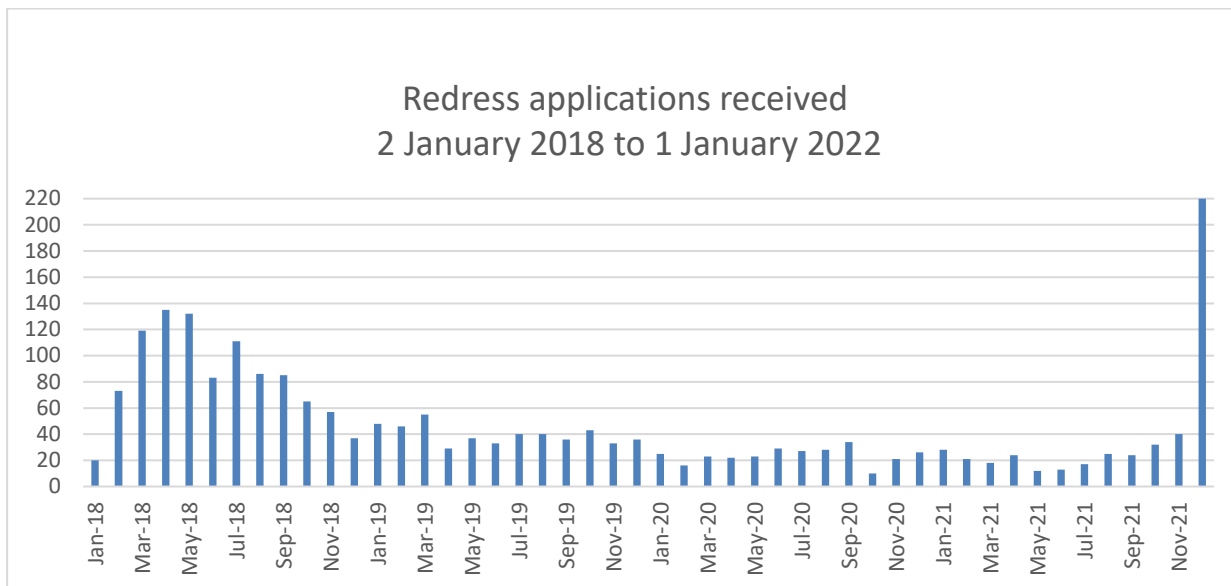


Table – Redress applications received since Scheme start

Application processing

2.4 Applications are processed in two stages, determination of eligibility and calculation of the Harm’s Way payment to eligible applicants (stage 1) and then determining the value of any Individual Redress payment due (stage 2).

2.5 Stage 1 – Verification of application and Harm’s Way Payment

The current average processing time from the receipt of an application through to the point that the Harm’s Way Payment is paid to the applicant is two months (45 working days). The average processing time has remained consistent throughout the operation of the Scheme.

2.6 84% of stage 1 applications have been processed in three months or less. Where information is missing from an application or further information is required to enable verification the processing time can take longer. In some cases, particularly for earlier placements, it is necessary for records to be obtained from archives held elsewhere which naturally takes a little longer. Around 5% of Harm’s Way applications have taken over six months to complete.

2.7 Stage 2 – Individual Redress Payment

The current average processing time from the end of stage 1 (Harm’s Way payment) to the Individual Redress payment being made to an applicant is 16 months.

2.8 Over 60% of stage 2 applications within the Scheme have been processed in 15 months or less with 76% of applications having been concluded within 18 months or less. The processing of Individual Redress applications is more complex than for Harm’s Way and requires a more detailed assessment of records and input from medical experts which takes longer. Around 8% of Individual Redress applications have taken over two years to complete.

2.9 The overall average processing time for Scheme applications from receipt of an application through to final payment of the Individual Redress payment is 18 months (2 months for HWP and 16 months for IRP).

2.10 Stage 2 – Individual Redress Payments over £125,000

The Scheme provides compensation up to a maximum of £125,000, however some complex cases where special damages for aspects such as impairment of earning capacity may result in higher awards of compensation, require a more detailed analysis of expert information. These cases over the maximum are handled in the spirit of the Scheme but naturally take much longer to process.

2.11 The average processing time for stage 2 applications exceeding the Scheme limit is 18 months. The overall processing time of these applications from receipt to final payment of the Individual Redress payment is 20 months (2 months for HWP and 18 months for IRP).

Application status

2.12 As at 31 March 2022 the processing status of all applications received is shown in the table below:

| Application Status | Total No. of applications | Applications as a % |
|-------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------|
| Open applications | | |
| Stage 1 Verification & Harm's Way Payment (Applications still being determined) | 87 | 3.8% |
| Stage 2 Individual Redress payment (HWP paid where applicable IRP still being determined) | 395 | 17.7% |
| Stage 3 All HWP and IRP paid to applicants (Finalising legal costs & costs appeals where applicable) | 83 | 3.7% |
| Over Scheme limit applications Open over £125k applications (Applications still being determined) | 11 | 0.5% |
| Subtotal open applications (A) | 576 | 25.7% |
| Closed applications | | |
| Closed – Paid HWP/IRP finalised and closed (All redress and legal costs paid) | 1,441 | 64.4% |
| Over Scheme limit applications - Paid Closed over £125k applications (All redress & costs paid) | 99 | 4.4% |
| Closed – No payment No HWP or IRP paid (Withdrawn & applications not accepted into Scheme) | 122 | 5.5% |
| Subtotal closed applications (B) | 1,662 | 74.3% |
| Totals (A+B) | 2,238 | 100.0% |

2.13 Over 74% of all applications received since the Scheme opened have now been processed through to conclusion. The remainder of applications remain open and continue to be processed at various stages as outlined in the above table.

- 2.14 There have been 122 applications (5.5%) that have been closed with no payment having been made. This is either due to the applicant withdrawing or deciding not to progress with their application (11 cases) or where the application has not been accepted into the Scheme due to not meeting the relevant Scheme criteria (111 cases).
- 2.15 In all cases where applicants have been notified that their application has not met the relevant criteria the applicant is reminded of their right to appeal the council's decision. Applicants are also reminded of their right to seek legal advice (if not already represented) and are assisted with signposting to other organisations that may be able to assist them in locating records that may assist their application.

Harm's Way Payments

- 2.16 As at March 2022 a total of 1,857 Harm's Way payments have been made to applicants totalling £15.5 million. The breakdown of these payments is shown in the table below:

| Harm's Way payments | No. of verified payments | Total amount paid (£) |
|------------------------------------------|--------------------------|-----------------------|
| £1,000 - less than 1 week | 23 | 23,000 |
| £2,500 - more than 1 week up to 3 months | 256 | 640,000 |
| £5,000 - between 3 and 6 months | 178 | 890,000 |
| £10,000 - more than 6 months | 1,400 | 14,000,000 |
| Total Harm's Way payments | 1,857 | 15,553,000 |

Table – Harm's Way payments

- 2.17 Over 75% of applicants making a Harm's Way application have received the maximum payment of £10,000 as they were resident in a Lambeth Children's home for more than six months. The Harm's Way Payment although paid separately is treated as an interim payment towards any further Individual Redress Payment that an applicant may go on to receive.

Individual Redress Payments

- 2.18 As at March 2022 Individual Redress Payments totalling £67.0 million have been made (including interim & over Scheme limit payments). These payments are in addition to the total Harm's Way Payments. A breakdown of the Individual Redress Payments made is shown in the table below:

| Individual Redress payments | Total amount paid (£) |
|------------------------------------|-----------------------|
| Applicant Rehabilitation / Therapy | 2,561,218 |
| Interim Individual Redress Payment | 2,279,050 |
| Band 1 | 1,297,150 |
| Band 2 | 3,921,750 |
| Band 3 | 4,398,642 |
| Band 1 (Plus Band 4) | 399,100 |

| | |
|------------------------------------------|-------------------|
| Band 2 (Plus Band 4) | 6,602,950 |
| Band 3 (Plus Band 4) | 32,024,775 |
| Total Individual Redress payments | 53,484,635 |
| Payments over £125k | 13,530,477 |
| Total IRP & over £125k | 67,015,112 |

Table – Individual redress payments

2.19 Of the total paid in redress compensation and associated legal costs to date over 76% has gone directly to the applicants as shown in the table below:

| Payment type | Amount Paid (£) | Percentage % |
|---------------------------------------------------------------------------|--------------------|---------------|
| Paid to applicants | | |
| Harm's Way Payments | 15,553,000 | 14.4% |
| Individual Redress payments | 53,484,635 | 49.6% |
| Payments over £125k | 13,530,477 | 12.5% |
| Total Paid to applicants (A) | 82,568,112 | 76.5% |
| Applicant's Legal costs (paid to solicitors) | 12,175,012 | 11.3% |
| Council's Legal costs (for processing of IRP) | 5,934,600 | 5.5% |
| Disbursements for medical experts/reports, Social care records chronology | 7,591,405 | 6.7% |
| Total Legal & Disbursement costs (B) | 25,701,017 | 23.5% |
| Grand Total (A+B) | 108,269,129 | 100.0% |

Table – Total Scheme payments

Scheme appeals

2.20 As at end of March 2022 a total of 86 appeals have been received and decided by the independent appeal panel. A further 16 appeals have been received but not yet heard. The table below details the numbers of appeals that have been received in each category and the status of these:

| Appeal category | Number of Appeals | Percentage of Appeals | Appeals allowed (applicant successful) | Appeals dismissed (applicant unsuccessful) | Appeals withdrawn | Appeals pending |
|--------------------------------|-------------------|-----------------------|----------------------------------------|--------------------------------------------|-------------------|-----------------|
| Eligibility | 20 | 23% | 2 | 11 | 7 | 0 |
| Level of Harm's Way Payment | 2 | 2% | 0 | 0 | 2 | 0 |
| Level of Redress Payment | 17 | 20% | 9 | 7 | 1 | 10 |
| Level of applicant Legal Costs | 47 | 55% | 1 | 32 | 14 | 6 |
| | | | | | | |
| Total number of appeals | 86 | 100% | 12 | 50 | 24 | 16 |

Table – Appeals cases

Non-financial redress

- 2.21 The Scheme offers applicants the opportunity to access a number of non-financial redress benefits such as a letter of apology, a meeting with a senior representative of the council, access to a counselling service and access to specialist advice and help with issues including housing, welfare, benefits, further education and employment.
- 2.22 As at the end of March 2022 a total of 612 letters of apology have been requested, prepared, and sent to applicants.
- 2.23 A total of 54 applicants have requested and had a meeting with a senior representative of the council. Further meetings are being scheduled with those applicants that have requested them.
- 2.24 The table below details the numbers of referrals that have been made in respect of applicants that have requested access to the specialist advisory services:

| Specialist advisory service area | Number of applicant referrals |
|----------------------------------|-------------------------------|
| Housing | 145 |
| Further Education | 37 |
| Employment | 27 |
| Welfare & Benefits | 22 |
| Total referrals | 231 |

Table – Advisory service referrals

3. FINANCE

- 3.1 The total cost incurred in operating the Scheme (including compensation over the Scheme limit and administrative costs) as at 31 March 2022 is c£115 million. These costs are cumulative running from the start of the Scheme. A breakdown of the expenditure is shown in the table below.

| Expenditure type | Expenditure amount (£) |
|-----------------------------------------------------------------|------------------------|
| Harm's Way Payments | 15,553,000 |
| Individual Redress payments | 53,484,635 |
| Payments over £125k | 13,530,477 |
| Total Paid to applicants (A) | 82,568,112 |
| Applicant's Legal costs (paid to solicitors) | 12,175,012 |
| Council's Legal costs (for processing of IRP) | 5,934,600 |
| Disbursements (medical reports, Social care records chronology) | 7,591,405 |
| Total Legal & Disbursement costs (B) | 25,701,017 |
| Grand Total (A+B) | 108,269,129 |
| Scheme administrative expenditure | |
| Independent Appeal Panel costs | 237,473 |
| Scheme administration advice & support (Legal, audit & advice) | 1,055,133 |
| Staffing costs – Redress team | 4,733,821 |
| Operational costs (advertising, post, ICT, training, actuarial) | 458,431 |
| Counselling services | 1,320,123 |
| Pre-Scheme legal advice & support and SAR's | 1,280,291 |
| Pre-Scheme Survivors association legal costs | 243,000 |
| Sub Total Scheme administrative expenditure (C) | 9,328,272 |
| Total cost of Redress Scheme (A+B+C) | 117,597,401 |

- 3.2 As at 31 March 2022 the total projected (estimated) cost of settlement for all applications received into the scheme by the closing date is expected to be in the range of £153m to £177m (actual payments and costs already paid plus estimated payments, costs, and administrative costs in respect of those applications already received but not yet concluded). This is based on an actuarial view and is dependent upon the final assessment of the outstanding cases.
- 3.3 There remain significant uncertainties in forecasting the overall cost due to the relatively novel nature of the Scheme and the lack of comparable benchmarks given the Scheme is the only example within the UK of this type. For this reason, an expected range is provided which will be updated once the next actuarial review as at the end of June 2022 has been completed.
- 3.4 Based upon earlier actuarial assumptions the council secured a capitalisation directive from the Government to borrow up to £125 million to fund the Scheme. Given the revised financial forecast resulting from the higher than anticipated volume of applications received in the final month of the Scheme the council has written to the Department for Levelling Up, Housing and Communities to request an increase in the capitalisation directive both in terms of value and time period to cover the expected increased costs and processing timescales.