

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 30 September 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 with more than 81% of the applications received now processed through to conclusion. A total of £87.1 million has 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 30 September 2022 is c£124.7 million, comprising:

- £87.1 million paid in redress compensation directly to applicants (£15.8m HWP & £71.3m IRP),
- £12.9 million in respect of applicants' legal costs (paid to solicitors),
- £6.5 million for the council's own legal costs in processing applications,
- £8.4 million on applicant expenses, instruction of medical experts and social records chronology,
- £2.3 million on counselling services & Pre-Scheme SAR's
- £7.5 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 30 September 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 2,239 applications have been received. A total of 478 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	1,779	79.5%
Harm's Way Only	328	14.7%
Individual Redress Only*	132	5.8%
Total	2,239	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 All the applications noted in the table above were received prior to the closure date of 1 January 2022 however subsequent changes to figures may occur due to change of application type after receipt, or other administrative changes.
- 2.4 The following chart shows the numbers of applications received each month over the duration of the Scheme:

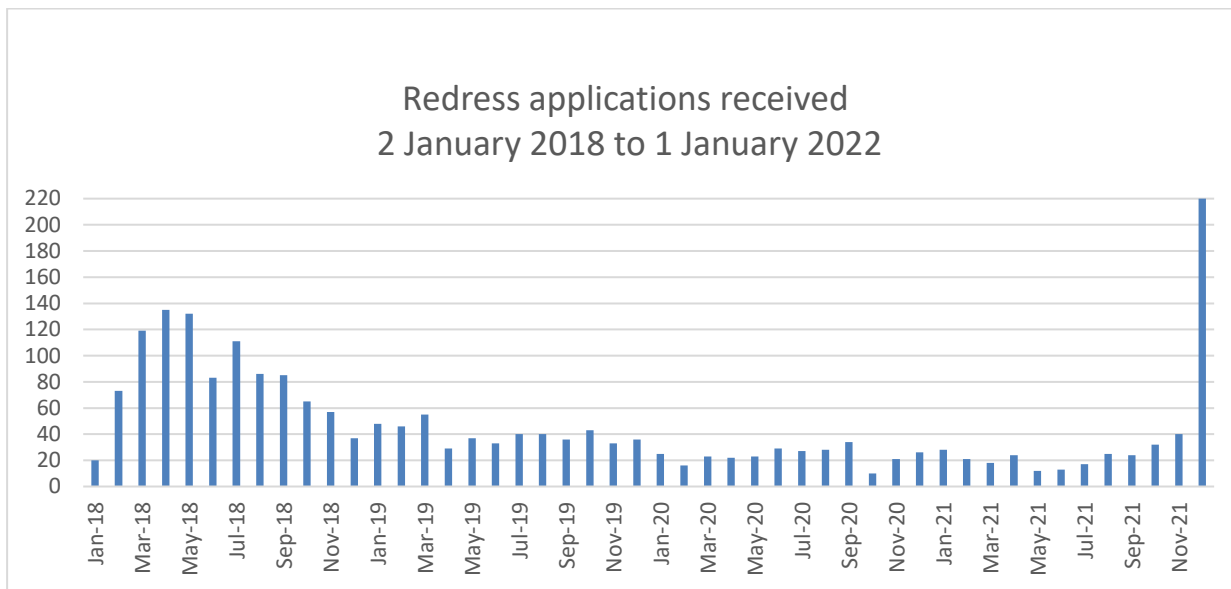


Table – Redress applications received since Scheme start

Application processing

2.5 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).

2.6 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.

2.7 82% 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 7% of Harm’s Way applications have taken over six months to complete.

2.8 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.

2.9 Over 70% of stage 2 applications within the Scheme have been processed in 18 months or less with 88% of applications having been concluded within 24 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 10% of Individual Redress applications have taken over two years to complete.

2.10 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).

2.11 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.

2.12 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

2.13 As at 30 September 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)	13	0.6%
Stage 2 Individual Redress payment (HWP paid where applicable IRP still being determined)	334	14.9%
Stage 3 All HWP and IRP paid to applicants (Finalising legal costs & costs appeals where applicable)	53	2.4%
Over Scheme limit applications Open over £125k applications (Applications still being determined)	23	1.0%
Subtotal open applications (A)	423	18.9%
Closed applications		
Closed – Paid HWP/IRP finalised and closed (All redress and legal costs paid)	1,568	70.0%
Over Scheme limit applications - Paid Closed over £125k applications (All redress & costs paid)	101	4.5%
Closed – No payment No HWP or IRP paid (Withdrawn & applications not accepted into Scheme)	147	6.6%
Subtotal closed applications (B)	1,816	81.1%
Totals (A+B)	2,239	100.0%

- 2.14 Over 81% 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.
- 2.15 There have been 147 applications (6.6%) 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 (136 cases).
- 2.16 The reason for applications not being accepted is shown in the table below:

Reason redress application not accepted into Scheme	Total number of applications
Unable to verify applicant	68
Not placed in a Lambeth children's home	64
Withdrawn / Threshold not met for HWP/IRP	11
Abuse occurred whilst in foster care*	4
Total	147

Table 8 – Applications declined

*In circumstances which do not fall to be considered under the Scheme

- 2.17 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

- 2.18 As at September 2022 a total of 1,905 Harm's Way payments have been made to applicants totalling £15.8 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	33	33,000
£2,500 - more than 1 week up to 3 months	272	680,000
£5,000 - between 3 and 6 months	183	915,000
£10,000 - more than 6 months	1,417	14,170,000
Total Harm's Way payments	1,905	15,798,000

Table – Harm's Way payments

- 2.19 Over 74% 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

2.20 As at September 2022 Individual Redress Payments totalling £71.3 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	No. of verified payments	Total amount paid (£)
Applicant Rehabilitation / Therapy	617	2,903,873
IRP Uplift Payment	348	1,739,450
Interim Individual Redress Payment	266	2,302,890
Band 1	148	1,346,300
Band 2	188	3,958,950
Band 3	92	4,535,143
Band 1 (Plus Band 4)	23	384,500
Band 2 (Plus Band 4)	201	6,995,950
Band 3 (Plus Band 4)	463	32,936,075
Total Individual Redress payments	2,346	57,103,130
Payments over £125k	123	14,206,807
Total IRP & over £125k	2,469	71,309,937

Table – Individual redress payments

2.21 Of the total paid in redress compensation and associated legal costs to date c76% has gone directly to the applicants as shown in the table below:

Payment type	Amount Paid (£)	Percentage %
Paid to applicants		
Harm's Way Payments	15,798,000	13.7%
Individual Redress payments	57,103,130	49.7%
Payments over £125k	14,206,807	12.4%
Total Paid to applicants (A)	87,107,937	75.8%
Applicant's Legal costs (paid to solicitors)	12,883,399	11.2%
Council's Legal costs (for processing of IRP)	6,518,563	5.7%
Disbursements for medical experts/reports, Social care records chronology	8,393,028	7.3%
Total Legal & Disbursement costs (B)	27,794,990	24.2%
Grand Total (A+B)	114,902,927	100.0%

Table – Total Scheme payments

Scheme appeals

2.22 As at end of September 2022 a total of 115 appeals have been received and decided by the independent appeal panel. 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	31	27%	4	18	8	1
Level of Harm's Way Payment	2	2%	0	0	2	0
Level of Redress Payment	27	23%	9	12	1	5
Level of applicant Legal Costs	55	48%	1	33	14	7
Total number of appeals	115	100%	14	63	25	13

Table – Appeals cases

Non-financial redress

2.23 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.

2.24 As at the end of September 2022 a total of 644 letters of apology have been requested, prepared, and sent to applicants.

2.25 A total of 57 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.

2.26 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	176
Further Education	45
Employment	34
Welfare & Benefits	30
Total referrals	285

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 30 September 2022 is c£125 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	15,798,000
Individual Redress payments	57,103,130
Payments over £125k	14,206,807
Total Paid to applicants (A)	87,107,937
Applicant's Legal costs (paid to solicitors)	12,883,399
Council's Legal costs (for processing of IRP)	6,518,563
Disbursements (medical reports, Social care records chronology)	8,393,028
Total Legal & Disbursement costs (B)	27,794,990
Grand Total (A+B)	114,902,927
Scheme administrative expenditure	
Independent Appeal Panel costs	259,079
Scheme administration advice & support (Legal, audit & advice)	1,127,879
Pre-Scheme advice & support (Legal, audit & advice)	296,018
Pre-Scheme Survivors association legal costs	243,000
Staffing costs – Redress team	5,154,988
Operational costs (advertising, post, ICT, training, actuarial)	459,921
Total Scheme Administrative expenditure (C)	7,540,885
Counselling Service & Pre-Scheme SAR's	
Counselling services	1,351,678
Pre-Scheme SAR's	984,273
Total Counselling Service & Pre-Scheme SAR's (D)	2,335,951
Total cost of Redress Scheme (A+B+C+D)	124,779,763

- 3.2 As at 30 September 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 is periodically reviewed as further applications are concluded.
- 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.