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Independent Actuarial Opinion on Value for Money of Abuse Redress Scheme

Thank you for your instructions to provide a public opinion in the above matter.

Scope of Instructions

The scope of my instructions was as follows:

- *"The financial implications of the proposed Redress Scheme, with particular attention to whether the Scheme delivers, or has the potential to deliver, Value for Money when compared to a conventional approach to handling claims for historical abuse."*

Background

I have been the independent external actuary to Lambeth's insurance fund since 2010 and am fully aware of the substantial extent of the council's historical abuse issues and the associated publicity. I am also the insurance fund actuary to 3 of the 4 councils named by IICSA, with substantial experience of abuse issues.

Work Carried Out

I have reviewed the Scheme documents, associated legal advice and counsel's opinion in detail and constructed a financial model of the expected financial dynamics of the Scheme and the litigation alternative. I have independently devised and considered a range of possible "value for money" measures, both:

- *from the claimants' perspectives (e.g. what proportion of Scheme funds will be paid as compensation vs legal costs, what the average payout would be to abuse victims etc.)*
- *from the council's perspective (e.g. the real long-term cost of having to capitalise [loan] the monies required, the time taken for the council to achieve finality for this issue, given the substantial public funds involved etc.).*

I have also carried out stress-testing of the financial dynamics to determine the comparative value for money in various "stressed"/extreme scenarios. I understand that the Scheme covers claims up to £125k only and that foster carer claims will be excluded, unless the claimant was transferred from a residential home.

Significant Uncertainties

In forming my opinion, below, I have considered the significant uncertainty arising from 3 particular matters:

- **The Council's own publicity:** *"The Council publicly <u>accepts liability</u> for historical abuse, acknowledging that it <u>failed to protect</u> vulnerable people. The Council knows that.. the number of children experiencing abuse [in Lambeth] <u>is far higher than previously identified</u>… conservative assumption is that <u>the Scheme cost is likely to exceed £60m.</u>*
  (Source: Published Council Meeting Agenda, Wednesday 19 July 2017: https://lambeth.gov.uk/sosa*)*
- **The Published Experience of Other Redress Schemes:** *The costs of similar Schemes escalated substantially from their initial estimates, once the Schemes had been activated, publicised etc*
- **Other Published Actuarial Studies of Redress Schemes:** Australia: "*It is not possible to estimate the volume of participants of a redress scheme with any certainty…Actual outcomes are heavily dependent on a broad range of largely unknown factors, including the number of victims, the number that will participate …..and severity of abuse … outcomes will be impacted by the final details (e.g. publicity etc)….There is very limited information on which to develop assumptions"*

Opinion

In my opinion, the Scheme, given the significant uncertainties, is expected to be better value for money for the council than the litigation alternative, in all but the most extreme (unforeseeable) scenarios.

I also consider that treating claims over £125k outside of the Scheme, but in a non-adversarial manner, rather than litigation, will also be better value for money, in all but the most extreme (unforeseeable) scenarios.

Yours Sincerely

John Birkenhead