

LONDON BOROUGH OF BRENT

GENERAL PURPOSES COMMITTEE - 4 SEPTEMBER 2003

REPORT FROM THE DIRECTOR OF HUMAN RESOURCES & DIVERSITY

FOR DECISION

ALL WARDS

WELFARE LOAN SCHEME

1. SUMMARY

- 1.1 This report reviews the existing welfare loan scheme and proposes a more robust framework for dealing with applications.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee agree the terms and conditions for the welfare loan scheme as set out in the Appendix to this report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications for the changes proposed in this report.

4. STAFFING IMPLICATIONS

- 4.1 The revised scheme would ensure staff are able to gain sympathetic consideration when faced with extreme emergencies requiring financial assistance.
- 4.2 At any one time across the authority there are usually approximately 15 loans outstanding.
- 4.3 The Trade Unions have been consulted on the revised scheme.

5. LEGAL IMPLICATION

Legal Services has advised on the revised scheme and the terms and conditions attached at Appendix 1.

- 5.2 If the revised scheme is to be communicated to staff it would be advisable to make it clear that the Council reserves the right in the future to amend or terminate the scheme following consultation with the trade unions.

6. DETAIL

6.1 Introduction

The Council offers a Welfare Loan Scheme under arrangements going back to the early 90s. This provides that full-time and part-time employees (other than those on probationary) can apply for a loan to assist them when they find themselves in financial difficulty as a result of unexpected expenditure. The scheme also specifically provides that service units may consider requests for loans for assistance to:

- (i) visit elderly relatives
- (ii) pay funeral expenses
- (iii) attend weddings or funerals abroad

The current scheme provides for Unit Directors to consider such requests but Unit Directors are required to gain the approval of the Chairperson of the appropriate committee.

The maximum amount of loan available is £1,000 and is repaid over a maximum period of 3 years. Interest is charged at 1% above the current base rate of the Council's bankers, fixed for the full term of the loan.

6.2 Review of the scheme

The review of the scheme identified that there was a lack of clear terms and conditions for the Welfare Loan Scheme. This had resulted in uncertainty for applicants and managers. Accordingly, terms and conditions have been prepared to reflect current practice and also provide clarity on the criteria for loans. These are attached at the Appendix to this report. It is the view of officers that these terms and conditions will provide a clearer and fairer scheme for employees across the Council. The Unions have been consulted on the terms and conditions and have indicated that they are in agreement with them.

The main changes are:

- The scheme now provides a broad definition of the circumstances where an application for a welfare loan would be considered, ie where any 2 of the following are satisfied:
 - the applicant is faced with expenditure which he or she could not reasonably have anticipated
 - the welfare loan is sought for a one off event
 - the applicant will suffer significant financial difficulty without the benefit of a welfare loan
- The following are listed as examples that would fall in the above criteria:
 - visit elderly or ill relatives, whether overseas or in the United Kingdom
 - meet the cost of a relative's funeral or
 - attend a funeral which is held overseas
- The scheme makes clear which officers may agree welfare loans, including in the case of community schools (paragraphs 6, 7 and 8). Applications must be approved by the manager of the Unit in which the applicant is employed and the Service Area Director. This approval process will ensure that an officer at a very senior level is involved and also an officer with knowledge of the applicant's personal circumstances.
- In the event of an employee being employed by another employer as a result of a Tupe transfer, the outstanding loan (and interest accrued) will be transferred to that employer.

- Employees with Welfare Loans are required to give notice to Exchequer Services where there is likely to be insufficient salary to meet the monthly deductions from salary, ie in the case of an unpaid maternity leave or other absence. It will then be the employee's responsibility to make arrangements to continue the repayments. In the absence of this, the loan will become payable in full.

The main provisions of the scheme which remain unchanged are:

- The scheme is available to all full-time and part-time employees of the Council (including teachers and employees on fixed term contracts) except those undertaking a probationary period.
- The maximum amount of the loan available under the scheme is £1,000 repayable over a period of up to 3 years.
- No employee is permitted to have more than one welfare loan outstanding at any one time. However, the employee is permitted to make an application for a further loan to increase the amount outstanding on the loan to a maximum of £1,000.
- Interest on a welfare loan is charged for the duration of the repayment period at a fixed rate of 1% per annum above the current base rate of the Council's bankers. Employees are responsible for any tax payable as a consequence of their receipt of a welfare loan.
- Except in exceptional circumstances, all applications must be supported by a written quote from the vendor or other documentation supporting the amount of the loan requested. Where such documentation is not available, the applicant must give reasons for this on the application form together with a statement in support of the application.
- The employee will be required to repay in full the balance outstanding where their contract of employment with the Council ceases except where they intend to join another local authority and that employer agrees to take over the total amount of the loan or where there is a Tupe transfer.

The Committee is asked to agree the revised Welfare Loan Scheme on the basis of the changes set out above.

7. BACKGROUND INFORMATION

Local conditions of service – Human Resources Management Guidance

Any person wishing to inspect this document should contact

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**LONDON BOROUGH OF BRENT
WELFARE LOAN SCHEME**

Terms and Conditions

1. The welfare loan scheme ("the Scheme") is available to all full time and part time employees of the London Borough of Brent ("the Council") (including teachers) except those undertaking a probationary period.
2. For the avoidance of doubt, the Scheme is also available to employees employed on fixed term or temporary contracts except that the loan period will not exceed that employee's period of employment with the Council.
3. An application for a welfare loan will be considered in circumstances where two of the three following criteria are satisfied:
 - (a) The applicant is faced with expenditure which he or she could not reasonably have anticipated.
 - (b) The welfare loan is sought for a one off event.
 - (c) The applicant will suffer significant financial difficulty without the benefit of a welfare loan
4. By way of example, a welfare loan may be granted in order to assist the applicant to:
 - (a) Visit elderly or ill relatives, whether overseas or in the United Kingdom;
 - (b) Meet the cost of a relatives funeral; or
 - (c) Attend a funeral which is held overseas
5. For the purposes of this document relative means:
 - (a) the spouse, de facto partner, parent, child, sister, brother, grandparent, or grandchild of the applicant; and
 - (b) the father, mother, brother, sister, son or daughter of the applicant's spouse or de facto partner

De facto partner means a person whether of a different sex or the same sex who lives with the applicant in an enduring family relationship but does not include the relatives listed in (a) and (b) above or the applicant's aunt or uncle.
6. Subject to condition 8 below, all applications for a welfare loan must be made on the relevant application form and be signed by the applicant, the manager of the unit in which the applicant is employed and, the corporate or service area director of the unit in which the applicant is employed.
7. In the absence of the corporate or service area director of the unit in which the applicant is employed, the form must be signed by another corporate or service area director.
8. In the case of applications by teachers and non teaching staff from community schools the relevant application form should be signed by the applicant, the Head Teacher of the school at which the applicant works and either the Director of Education, Arts and Libraries or any of his or her assistant directors.

9. Except in exceptional circumstances, all applications must be supported by a written quote from the vendor or other documentation supporting the amount of the loan requested. Where such documentation is not available, the applicant must detail on the application form the reason for this together with a statement in support of the application.
10. The maximum loan available for any welfare loan is £1,000 but the total amount loaned to any applicant will be limited to that for which supporting documentation is provided in accordance with condition 9 above.
11. No employee is permitted to have more than one welfare loan outstanding at any one time. However, an employee may make a further application in accordance with these terms and conditions to increase the total amount outstanding on his or her loan up to the maximum of £1,000.
12. Any amount approved for payment under the Scheme will be paid directly to the relevant vendor e.g. travel agent. Loans will not be paid directly to applicants and applicants will not be reimbursed for any payments made by them directly to vendors.
13. The maximum repayment period for a welfare loan is 3 years. All welfare loans will be repaid by monthly deductions from the applicant's salary. The amount of such monthly deductions will be detailed in a credit agreement which will be signed by the applicant. The credit agreement will include an authorisation from the applicant to deduction of the monthly repayments and any amounts becoming payable under conditions 15 and 18 from his or her salary.
14. Interest will be charged on the initial balance of a welfare loan for the duration of the repayment period at a fixed rate of 1% per annum above the current base rate of the Council's bankers accruing on a daily basis. Employees are responsible for any tax payable as a consequence of their receipt of a welfare loan.
15. Subject to conditions 16 and 17 below, in the event of an employee's contract of employment with the Council being terminated prior to the completion of repayment of the welfare loan:
 - (a) Prior to his or her last day of employment with the Council that employee will be required to repay in full the balance outstanding together with any interest accrued to the date of repayment; and
 - (b) in the event that such repayment is not made before the employee's last day of employment interest will be charged on the balance of the outstanding loan from the date following his or her last day of employment until repayment is made at the standard personal loan rate of the Council's bankers as at the date following his or her last day of employment.
16. If an employee intends to leave the Council to join another local authority prior to the completion of repayment of the welfare loan and that local authority agrees to take over the total amount outstanding under the welfare loan (including any interest accrued) that employee must obtain written confirmation of agreement to the transfer from that other local authority. Such written confirmation should be obtained in sufficient time to effect a transfer before that employee's last date of service with the Council. In the event that the other local authority is not agreeable to taking over the amount outstanding, the employee will be required to repay the welfare loan in full (including any interest accrued) in accordance with condition 15 above prior to his or her last day of service with the Council.

17. In the event of any employee becoming the employee of another employer in accordance with TUPE, any outstanding welfare loan (including any interest accrued) will be transferred to that employer.
18. Where an employee who is in receipt of a welfare loan will be taking unpaid maternity leave or any other absence where there will be insufficient funds to meet the monthly salary deductions, the employee must give written notice to the Council's Exchequer Services Unit of the period of absence prior to it commencing. In such circumstances, it is the responsibility of the employee to ensure that arrangements are made for continuation of the repayments. In the absence of such arrangements the employee will be required to repay the loan in full in accordance with condition 15 above prior to the commencement of the period of unpaid maternity leave or other absence where there will be insufficient funds to meet the monthly payments.