

# Interest free loan scheme

Interest free loan scheme to enable colleagues to improve their financial resilience with integral welfare support.

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## Key details

<b>Does it work?</b>	Untested – new or innovative
<b>Focus</b>	Organisational
<b>Topic</b>	Diversity and inclusion Ethics and values Organisation including workforce
<b>Organisation</b>	<a href="#">Durham Constabulary</a>
<b>HMICFRS</b>	HMICFRS. 2023. PEEL 2023–25. <a href="#">'Police effectiveness, efficiency and legitimacy. An inspection of Durham Constabulary'</a> .
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<b>Region</b>	North East

## Key details

<b>Partners</b>	Police Community safety partnership Criminal justice (includes prisons, probation services) Education Government department Health services Local authority Voluntary/not for profit organisation
<b>Stage of practice</b>	The practice is implemented.
<b>Start date</b>	April 2023
<b>Scale of initiative</b>	Local
<b>Target group</b>	Workforce

## Aim

- to use the His Majesty's Revenue and Customs (HMRC) Better Budgeting Loans and Emergency Loans beneficial loans scheme to support colleagues seeking to improve their financial resilience, helping to manage personal and organisational risks, and acknowledging that improving rewards can help make Durham an employer of choice
- limited pay rises and the cost of living crisis meant exploring how other businesses attracted, retained and supported their staff. Research via the internet showed some of the UK's most successful businesses used this scheme to offer support, including the purchase of travel passes and supporting further education
- the accounting background of Durham's assistant chief officer led him to explore this, initially with colleagues specialising in tax. This was the catalyst that generated the Better Budgeting Scheme,

which has been extended and developed to create the current scheme

- in 2023 the force consolidated the strengths of earlier schemes, eliminated potential barriers and developed the added values the scheme could bring with the overall aim of contributing positively to colleague wellbeing

## Intended outcome

The interest free loan scheme recognises the correlation between finances, mental health and personal resilience at a personal level, and the potential risks and benefits at an organisational level, and seeks to positively influence them.

The scheme includes the following elements:

- it aims to help colleagues make better informed choices specific to their unique personal circumstances
- it includes an element of additional confidential welfare support, adding care into the scheme
- for those coping well financially, it offers cost-effective ways to avoid interest charges and make money go further
- for those who may be beginning to struggle financially, it offers help with purchases and may help break a cycle of persistent debt
- for those not coping well financially and potentially those most at risk of unmanageable debt, it offers budgeting advice signposting to help to maximise their income and direction to support services, as well as exploring how an interest free loan can help them
- for those in crisis financially and who often have other circumstances impacting them simultaneously, a loan may be part of a package of support. Some officers and staff in financial crisis may be attracted to the loan options when they are not necessarily in their best interests, for instance where it could cause an ongoing debt management plan to fail, or where their budget indicates that repayments will be difficult to manage. While the loan may be a workable option, the discussion with welfare can ensure that the force appropriately protects and cares for colleagues to support them to fulfil their personal, professional and ethical obligations with minimal risk to themselves and the organisation

## Description

### HMRC Better Budgeting and Emergency Loan schemes

The HMRC beneficial loans scheme is widely used by a diverse range of employers. However, policing presented constraints and risks specific to the sector, including being publicly funded, the impact of the Code of Ethics, potential personal and organisational risks, in addition to a commitment to recruit, retain and better support colleagues to develop the workforce.

In 2017, the force adopted a cautious and robust approach when introducing the Better Budgeting and Emergency Loan schemes. By 2022, it had seen some success but the force was concerned that only 5% of colleagues were using the schemes. Against the backdrop of the cost of living crisis, and uplift seeing student officers often taking a drop in pay to join the police service, in 2022 the force reviewed the schemes.

## Interest free loan scheme

The commitment at an executive level from the assistant chief officer has been crucial to launching and developing the schemes. The force also consulted with key stakeholders in professional standards and finance, and were able to confirm that organisational risks were being well managed by current provisions. The force then revisited the HMRC rules to scope opportunities and potential improvements that might be offered to colleagues via the schemes, and importantly also any compliance limitations. The force also consulted a cross-section of staff groups at various stages of training, experience and shifts to better understand why people were not inclined to use the previous schemes.

Four main barriers were identified:

- the perception that the schemes were only for those struggling
- emergency loans being made known to professional standards, which prompted a reluctance to use either of the schemes
- individuals not having the means to pay up front, then reclaim this expense through the Better Budgeting Loans
- minimal awareness of the schemes and how they worked

Overcoming these barriers was an essential component of the new scheme. Anecdotal evidence from those who used the schemes was very positive around both earlier schemes.

Those who had been granted emergency loans reported how they had been helped to avoid potentially unmanageable or persistent debt. Furthermore, examples of colleagues using the loans

to move away from abusive relationships showed how the financial help had been a crucial component to the support available to them via the force, hence the improvements to their wellbeing were immeasurable.

Borrowers under the Better Budgeting scheme spoke of avoiding having to make purchases using credit and so avoiding additional costs. Uses ranged from replacing irreparable white goods and purchasing better IT, to support college work and contributing to partial IVF costs. The force could see that colleagues and their families were being helped to manage unexpected costs, personal development was being supported and, in some cases, physical and emotional health – all having a positive impact on colleagues' overall wellbeing.

It also showed that the force could potentially be missing opportunities to offer additional advice, help or signposting, for example linking into counselling services, domestic abuse support services and benefits that could maximise income. Therefore, the force sought to include an opportunity to confidentially capture this in the revised process. The force had learned that the new scheme needed to continue to cater for those in crisis or struggling to cope, but also it needed to have greater universal appeal and impact so communication would be critical to achieving the aim of helping more colleagues.

The scheme now permits colleagues to borrow up to the equivalent of one month's net salary, repaying it interest free for up to 12 months, deducted directly from salary. They must ensure repayments will be manageable over the loan period and provide a receipt to confirm the loan has been used as applied for. Built into the loan agreement is an undertaking of how the force will recover any outstanding loan balance should the applicant leave the organisation.

In practice, the process begins with applicants submitting an application to the welfare department. A confidential conversation is then held between the applicant and welfare officer. If the applicant fully understands the process and is confident it is right for them, the loan agreement is passed to the pay office. The pay office checks that the loan amount is within the permitted limit, and that it is the only force loan the applicant has. If not, the application is returned to the welfare manager to review with the applicant. If the criteria are met, then the pay office pays the loan (usually on the next available pay date), and arrange repayment deductions from salary as per the agreement. The applicant has 28 days to provide a receipt to welfare. Escalation to professional standards is considered if it is suspected an applicant has made a false or misleading submission, has failed to comply with the loan agreement (for example, not provided receipts or failed to maintain

repayments) or leaves the organisation before the outstanding debt can be fully recovered.

As outlined above, the 'gatekeeping role' sits with Durham's welfare team. All applicants are offered a confidential conversation to explore whether any additional support could be helpful. This dialogue is non-intrusive, and respects those who choose not to fully engage. The conversation provides a vehicle through which the terms and expectations can be clarified with the applicant, to help them make a well-informed decision as to whether the scheme is right for them at the time. It also affirms the high-level trust and integrity that is expected and the sanctions that can/will be applied if necessary.

The purpose of the loan, and all documentation confirming the loan has been used for the purpose for which it was applied, stays confidential to welfare. In cases where someone was escaping domestic abuse or using this to support IVF, having extremely limited sharing of sensitive and personal information has proven particularly important. This process has opened up opportunities to discuss additional support options.

Maintaining an effective working relationship between welfare, finance and professional standards has meant that loans can be managed in a timely manner (for example, when payment is required in an emergency), monitored effectively, helped find solutions as issues have emerged (for example, when colleagues swap from one payroll to another), and established opportunities to make further improvements (for example, helped clear an Individual Voluntary Arrangement with creditors).

## Overall impact

The overall impact is best illustrated by explaining the way the scheme has been used and the effects this has had for applicants. For some it has meant that they have been able to swap interest-bearing lending to an interest free option, saving them money to spend elsewhere.

Since its launch, statistical data has been monitored to measure how well Durham are achieving the aims of the scheme.

- seeking to provide help to more colleagues from April 2023, in the first nine months Durham provided 69 loans – earlier schemes averaged 18 applicants annually
- the total amount borrowed in the nine months exceeded that borrowed over the previous six years – the current scheme is therefore addressing needs that earlier schemes did not

- three loans were fully repaid in that nine month timeframe, demonstrating flexibility to meet individual needs

The force shares information at training course deliveries, where Kirkpatrick Level 1 evaluations suggest there is an improved understanding of the scheme among those attending, and that the knowledge and examples shared by welfare officers who deliver the sessions is enhancing the publicity and guides we have already made available. Anecdotal feedback from informal deliveries corroborates this.

The force has observed delegates having received information about the schemes during welfare deliveries subsequently applying for loans themselves or directing colleagues to the scheme, which suggests that they find the information easy to apply.

One unanticipated outcome was achieved working with a colleague and their insolvency practitioner to conclude an Individual Voluntary Arrangement (IVA) – for the individual this was hugely impactful as it was result of the breakdown of a relationship which had become unhealthy. This emotionally freed them to move forward from a difficult chapter in their lives while working with colleagues in professional standards to manage potential organisational concerns.

Initially, the force had planned to undertake a survey in April 2024 to review the scheme and decide its viability going forward. Early indications have been sufficiently positive that it is now the intention to continue to develop the scheme as opportunities arise. Monitoring and progression are fed into our people board, through which strategic governance will continue.

The scheme won the Oscar Kilo Award for Personal Resilience in 2023.

Others have used the loans to make timely purchases that they may have otherwise postponed or needed to make, attracting additional fees including interest. Applicants have spread the cost of purchasing goods such as white goods, furniture, IT equipment, home improvements and school trips. Some purchases have had obvious impact on physical and emotional wellbeing – ranging from the purchase of a treadmill and annual fees for a sporting club, to dental work, spectacles, replacing a much-loved family pet and assisting with IVF fees.

Durham Constabulary colleagues who had used the scheme in year one were returning to use again in year two. Some were using loan for similar purpose e.g. renewal of insurances where others who initially used to reduce credit cards were now using for things like home/garden

improvements.

Significantly, the ability to process a loan payment quickly has allowed Durham to help in urgent situations, such as escaping an abusive relationship, a new colleague whose previous employer had deducted too much tax, and a student officer who had taken a drop in pay to join the police and who was then faced with emergency car repairs.

In many of these situations, engagement with a welfare officer has presented valuable opportunities to offer additional guidance, advice and support.

Other police forces, a fire and rescue service and a government security agency have contacted the force and indicated they are considering adopting similar schemes.

## Learning

- supportive executive commitment from the outset helped bring together key stakeholders
- clarity around purpose, ownership and responsibility are important
- before consulting staff regarding what they want and need, research the opportunities and limitations of HMRC compliance to best manage future expectations
- applicants sought help in quite specific circumstances, and through time Durham realised the scheme held much wider potential, which was perhaps not fully appreciated at the outset
- mindful of the source of funding, Durham adopted a cautious and robust approach that unwittingly created a barrier that deterred colleagues from using scheme. Potentially, this could have fallen short of adequately managing the risks had it not been for the welfare manager identifying a potential flaw in the process that was subsequently addressed. This also meant all key stakeholders required better understanding of the debt management/IVA/insolvency process. Professional collaboration must be ongoing
- the requirement to prove the use of the loan via a receipt or proof of purchase helps deter monies being used for purposes that may be detrimental, such as supporting a gambling addiction
- the relaunch of cycle to work or salary sacrifice schemes will impact the organisational risk management of the loan scheme, so always be mindful that decisions or initiatives elsewhere may require review. Having someone with strategic oversight such as an assistant chief officer or people board is paramount
- communication must be accessible, clear and effective. Misunderstanding undermined the success of earlier iterations of the scheme. Effective publicity materials, leaflets, engaging with



colleagues at staff briefings, wellbeing events, training inputs, wellbeing advocates, staff associations and professional standards colleagues, have all been essential

- the force wanted to invest greater time and energies into promoting the scheme but have not had resources needed. This resulted in maintaining the similar numbers and values to last year but feel scheme could help more people. Durham Constabulary plan to address this year

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## Tags

Wellbeing