AGENDA ITEM 12

MPS-MOPAC JOINT AUDIT PANEL
27 July 2020

MPS Write Off of Irrecoverable Debt

Report by: The Director of Finance

<u>Report Summary</u>

Overall Summary of the Purpose of the Report

This report updates Audit Panel of trade debtors and salary/pension overpayments that are considered irrecoverable or uneconomical to pursue.

Key Considerations for the Panel

The approach for any trade debts and salary/pension overpayments is for full recovery so debts are not written off until all available options have been exhausted. The Human Resources (HR) directorate have undertaken a comprehensive review of all payroll and pension write offs and has considered each case on its own merits and have identified the cases where all possible action for recovery has been exhausted.

If, after a debt has been written off, the debtor is traced or further information is received the debt will be written back into the accounts and the debt pursued.

Interdependencies/Cross Cutting Issues

The HR Knowledge Management pages reminds all officers and staff they are responsible for ensuring their salary and allowances are correct and must report any overpayments. Line managers are also reminded of their responsibility in ensuring notification to changes to pay and allowances is timely and does not result in an overpayment.

<u>Recommendations</u>

The Audit Panel is recommended to:

a. Note the request to the Deputy Mayor for Policing and Crime for approval to write off the debts that are considered irrecoverable.

1. Supporting Information

1.1. The MOPAC Scheme of Consent and Delegation, at clause 4.8, provides that the Deputy Mayor for Policing and Crime (DMPC) has the delegated authority to approve the write off of all debts which are considered irrecoverable.

1.2 The general rule in the MPS is to recover all debts including salary and pension overpayments made to employees. Consequentially debts are not written off until all available recovery options have been exhausted. Indeed in individual cases of hardship, the MPS would prefer to consider extending the period over which staff or pensioners are asked to repay the monies, than resort to writing off the debt. Even after a debt has been written off, if the debtor is traced or further information is received the debt will be written back on and the debt will again be vigorously pursued.

1.3 MPS and SSCL staff have reviewed all the facts behind each instance before considering whether a debt is irrecoverable. Each case here has been considered on its own merits and recommendations made accordingly. Circumstances that may lead the MPS to consider a debt to be irrecoverable or not in the MPS interests to pursue include:

- In cases of bankruptcy, insolvency or where there is an administration order;
- Shared culpability where there is acceptance that the individual was incorrectly advised or was not otherwise fully aware of the overpayment, for instance where the line manager misunderstood regulations around part time pay and entitlements;
- Where the debtor is untraceable;
- Where the claims have been referred to the County Court, a County Court Judgement obtained but the Court itself is unable to pursue the debt;
- Where it is not in the interests of the MPS to pursue. The pensioner payroll write offs (£24,067.14) all arose because of legacy error in information passed to Equiniti when they took over the pension contract in 2006. Action was taken to recover the monies but it is not considered appropriate or in the interest of the MPS to pursue these two cases;
- Where the employee/pensioner can prove that there was no overpayment and that they were entitled to receive the money;
- Where the employee/pensioner can demonstrate that it would be inequitable for them to repay either part or the full amount.

1.4 In line with the MOPAC Scheme of Delegation and Consent approval is sought from the DMPC to write off £121,241.17 of debts where the debts are considered irrecoverable and £47,478.37 of debts which are considered uneconomical to pursue. These are summarised in the tables below and detailed in Appendix 1. Source documentation is available for review if required.

1.5 The values of irrecoverable debts are as follows:

Payroll and Pensions (Irrecoverable debt)	**Write-Off Value (£)**
Payroll: overpayments: MPS error	61,235.09
Payroll: overpayments: Not in MPS interests to pursue	26,104.28
Payroll: overpayments: Untraceable debtor	31,000.90
Payroll: overpayments: Death in Service	2,900.90
Total Irrecoverable	**121,241.17**

For context, this is compared with an annual pay budget of approximately £2.4 billion

1.6 There are other instances where a debt may not be entirely irrecoverable but is of a low value and/or any further pursuit of the debt through the small claims court would cost more than the value of the debt. In these cases it is considered uneconomical to pursue.

Low value/uneconomical debt (trade debtors and payroll overpayments)	**Write-Off Value (£)**
Payroll: overpayments: Uneconomical to pursue via Small Claims Court	7,905.10
Trade debtors: Uneconomical to pursue	39,580.02
Low value cash discrepancy (under and overpayments by trade debtors)	-6.75
Total Uneconomical	**47,478.37**

1.7 The objective must always be to keep write offs to a minimum. Line managers must inform HR Directorate of People and in a timely manner where employees are leaving or where there are changes in working hours/arrangements.

1.8 For overpayments where the employee is still serving the MPS, recovery is pursued actively unless it is clear the MPS is at fault. For all other overpayments the MPS has an overpayment process that has been established with intention to enable the MPS and the individual to resolve the matter and agree a reasonable payment plan without the need to start debt recovery, which could lead to court proceedings. This has been found to be very successful with early resolution and agreed repayment plans. When there is a challenge, the aim is to find an amicable resolution with the assistance of the individual's Line Manager. What is important is to recognise the human factor and the effect an overpayment has on the individual. They normally feel embarrassed by their financial circumstances and are relieved that they are treated with compassion, are listened to and an appropriate repayment plan is put in place. We extend the repayment period when required to ensure the MPS recovers the overpayment in full.

1.9 All major payroll and pension write-offs, those with large amounts, are discussed within the team which includes the Head of Policy & Reward before a decision is taken on how to proceed. All evidence is reviewed and if appropriate will seek the advice of DLS to seek recovery through the courts.

1.10 The total value of payroll overpayment write offs is £105,079.13 for 294 individuals. The write off values where the overpayment was a result of an error by the MPS or the payroll provider, totals £61,235.09 which includes £30,148.28 paid to 98 Police Officers leavers who were incorrectly paid the 2016 pay award by CGI, the then outsourced payroll provider. There was an error in respect of a new police recruit. The individual turned up at Hendon to attest but was turned away pending medical health checks. Unfortunately he was processed as having been attested so the recruitment team believed he was employed at this point by MPS. SSCL Payroll were not notified that he was not employed for a year. Also 31 new starters were placed on the incorrect pay increment on joining which resulted in a total overpayment of £5,641.04 which is an average overpayment of £181 for each officer.

1.11 The value of payroll overpayments where the debtor is untraceable totals £31,000.90 for three individuals which is mostly in respect of one individual who had applied for Voluntary Exit but was dismissed three days before their agreed departure date. Although the Cabinet Office was contacted they were not in time to stop the payment of £28,928.34 being made.

2 Equality and Diversity Impact

There are no equality and diversity implications to this report.

3 Financial Implications

The financial implications are set out in the report: total debt recommended for write off is £168,719.54

4 Legal Implications

The MOPAC Scheme of Consent and Delegation (revised October 2016) at clause 4.8 provides authority to the DMPC to approve the write off of all debts considered irrevocable. The DMPC may therefore approve the recommendations set out in this report.

5 Risk Implications

There are no direct risk implications arising from the report

6 Contact Details

Report author: Ian Percival, Director of Finance
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7 Exempt Appendices and Background Papers

Appendix 1 – Details of irrecoverable debts is exempt from disclosure under Data Protection Section 40 and Commercial Interest Section 43 of the FOIA.