

MOPACMAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

MPS-MOPAC JOINT AUDIT PANEL

4 July 2022

MPS Write-off of Irrecoverable Debt

Report by: The Director of Finance, MPS

Report Summary

Overall Summary of the Purpose of the Report

Following a comprehensive review of trade debtors and salary and pension overpayments, the MPS are seeking approval from the DMPC to write off irrecoverable debts. The general approach in the MOPAC Group is to recover any salary and pension overpayments and for each case, suitable management actions have been exhausted before reaching the decision to write-off the debt.

The purpose of this paper is to notify the Audit Panel of write-offs made during the last financial year.

For information, details are included of the write-off of obsolete stock

Key Considerations for the Panel

Audit Panel are requested to note the level of proposed write-off of irrecoverable debts and obsolete stock.

Interdependencies/Cross Cutting Issues

None

Recommendations

The Audit Panel is recommended to:

- a. Audit Panel are requested to note the level of proposed write-off of irrecoverable debts and obsolete stock.

1. Supporting Information

Write-off of irrecoverable debts

- 1.1. The MOPAC Scheme of Consent and Delegation, 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 approach in the MPS is to recover all debts including salary and pension overpayments made to employees. Consequentially debts are not written off until all reasonable recovery actions have been exhausted. 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 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 which 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 considered not in the interests of the MPS to pursue;
 - Where the employee/pensioner can prove that there was no overpayment and that they were entitled to receive the money; and
 - 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 £421,332 of debts where the debts are considered irrecoverable and £26,898 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: Legal advice not to proceed	15,988
Payroll: overpayments: Historical	319,054
Payroll: overpayments: MPS error	37,108

Payroll: overpayments: Not in MPS interests to pursue	9,155
Payroll: overpayments: Untraceable debtor	1,766
Payroll: overpayments: Death in Service	13,893
Pension Payroll: overpayments: not in MPS interest to pursue	24,368
Total Irrecoverable	421,332

- 1.6. There are other instances where a debt may 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	7,452
Trade debtors: Uneconomical to pursue	19,442
Low value cash discrepancy (under and overpayments by trade debtors)	4
Total Uneconomical	26,898

- 1.7. The objective must always be to keep write offs to a minimum. Line managers must inform HR 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 pursues recovery 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 successful with early resolution and agreed repayment plans. When there is a challenge, the aim is to find a resolution with the assistance of the individual's Line Manager. We extend the repayment period when required to ensure the MPS recovers the overpayment in full.
- 1.9. All major payroll write-offs, those with large amounts, are discussed within the payroll team which includes the Head of Policy & Reward before a decision is taken on how to proceed. All evidence is reviewed and, if appropriate, advice is sought from Legal Services to seek recovery through the courts.
- 1.10. The total value of payroll overpayment write offs is £428,784 for 232 individuals and HR have again concentrated on completing the review of historical cases (many of which have been outstanding for a number of years) and overpayments caused by an MPS error.
- 1.11 The amount for historical overpayments reflects the completion of the detailed review of all overpayments greater than six years old. Many have been carried forward for some time, with no realistic expectation of recovery. This review has been completed over the last two years with searches for any historical records

and final attempts made to establish contact with those owing monies. Where possible recovery action has been initiated. However, the review has identified 104 cases totalling £319,055 where the overpayments had passed the 6 years under the Limitation Act 1980, and DLS advise that recovery is unlikely to be successful. The historic overpayments resulted from a number of factors including a failure in processes at the time. Lessons have been learned and have informed the development of the current processes which will help prevent recurrence in the future. Now that the review is complete, and the backlog addressed, future writes-off of historic overpayments will reduce significantly.

- 1.12 Overpayments, totalling £37,108 was caused by an MPS error. This includes 12 new Band R staff who were placed on a higher Pay Spine than they were entitled too and resulted in an overpayment of £33,669. The members of staff would not have realised the error so in these circumstances it was decided that as the fault lay with the MPS we would not seek to recover the money.
- 1.13 Sadly we have also had a number of deaths in service where the overpayment exceeded the final pay to the next of kin. We do recover money if there is a credit for it to be deducted from, but in these cases there was insufficient funds to recover the overpayments which totalled £13,893.
- 1.14 A total of £24,367 for 23 pensioners were overpaid following the death of the individuals and whilst recovery is always sought occasions arise when there are insufficient funds available to repay.
- 1.15 We have had some good news with tracing 2 ex members of the MPS who are now overseas and have started to repay their overpayments and we have also had contact with an ex-member of staff whose overpayment was written-off in 2016/2017, this has now been repaid.
- 1.16 The value of payroll overpayments where the debtor is untraceable totals £1,766 for 2 individuals, which is due to the late notification of their departures.
- 1.17 HR continually review payroll processes to make sure that every safeguard is in place to avoid overpayments. They have engaged with the outsourced payroll provider and other parts of the organisation to educate and learn from mistakes to avoid them happening in the future. Where a mistake is made we will continue to pursue recovery action if it is in the interests of the MPS.

Notification of obsolete stock

- 1.18 At the start of the NUMS contract in 2016 a significant amount of stock was transferred to DHL, which was used to fulfil orders. The usage of these uniform lines was monitored on a quarterly basis which has identified a total of 424 product lines, valued at £243,664, where there has been 0% usage over the past 12 months or longer. There are various reasons for low usage including;
- Extremes in the size of ranges that there is no demand for
 - De-listed products due to rationalisation or product innovation

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 £448,230 and £243,664 uniform stock write off, which has been recognised in the annual accounts.

4. Legal Implications

The MOPAC Scheme of Consent and Delegation 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 risk implications.

6. Contact Details

Report author: Paul Oliffe, Chief Accountant, MPS

7. Appendices and Background Papers

Appendix 1 – Case details – Official Sensitive

Note Appendix 1 is exempt from disclosure under Data Protection Section 40 and Commercial Interest Section 43 of the FOIA.