MPS-MOPAC JOINT AUDIT PANEL
5 July 2021

Write-off of irrecoverable debt

Report by: The Director of Finance, MPS

Report Summary

Overall Summary of the Purpose of the Report

Following a 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. 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 an impairment in relation to assets developed under the Mercury programme within the Counter Terrorism Policing Headquarters.

Key Considerations for the Panel

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

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.

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 £183,283.23 of debts where the debts are considered irrecoverable and £10,910.28 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 (Irrecoverable debt)	**Write-Off Value (£)**
Payroll: overpayments: Historical	145,047.23
Payroll: overpayments: MPS error	17,677.58
Payroll: overpayments: Not in MPS interests to pursue	2,352.19

Payroll: overpayments: Untraceable debtor	4,660.82
Payroll: overpayments: Death in Service	10,264.98
Payroll: overpayments: Bankruptcy/Insolvency/Administration Order	3,280.43
Total Irrecoverable	**183,283.23**

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

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	5,901.70
Trade debtors: Uneconomical to pursue	5,013.48
Low value cash discrepancy (under and overpayments by trade debtors)	-4.90
Total Uneconomical	**10,910.28**

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 £189,184.93 for 124 individuals and HR have built on previous reviews of historic cases and concentrated on reviewing historical overpayments for cases that have been outstanding for a number of years and overpayments caused by an MPS error.

1.11. The review of historical overpayments which were generated between 2007 and 2017 and the HR review found overpayments totalling £145,047.23 for 81 officers and staff. It was found that processes in these years were not as robust as required and a new process has now been put in place under the Head of Policy and Reward and Head of Payroll, Reward and Pensions.

1.12. The write off values where the overpayment was a result of an error by the MPS or the payroll provider, totals £17,677.58 which includes:

- A member of staff had raised on two occasions that they believed they were being overpaid. They were assured by SSCL that their salary was correct and it wasn't until an audit review was undertaken that the overpayment of £7,701.15 was identified. In view of the response to the individual when they raised the issue it is considered not in the interest to pursue recovery.

- An error was made for a member of staff, when they joined, and they were put onto the wrong sub code which identifies the allowances an individual is entitled to and the error was only identified during an audit review. The error totalled £7,719.96 and as it was made by the MPS, and the individual would not have known they were being paid the wrong allowance, it is not considered in our interests to pursue.

1.13. Sadly there have also been 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 £10,264.98.

1.14. The value of payroll overpayments where the debtor is untraceable totals £4,660.82 for two individuals, which is mostly in respect of one member of staff who resigned and due to the late notification of their departure they were overpaid by £3,738.61. The individual has since emigrated and they are not responding to any communication.

1.15. HR continually review payroll processes to make sure that safeguards are in place to avoid overpayments. They have engaged with SSCL and other parts of the organisation to educate and learn from mistakes to avoid them happening in the future. Where a mistake is made, HR will continue to pursue recovery action if it is in the interests of the MPS.

Notification of impairment

1.16. An impairment of £8,208,259 has been recorded during 2020/21 in relation to assets developed under the Mercury programme within Counter Terrorism Policing Headquarters (CTPHQ). This programme developed Digital Capabilities within the National Counter Terrorism Policing (CTP) network, with the value of assets held on the MPS balance sheet under the lead force arrangements for CTPHQ within the MPS. Mercury had undertaken work with IBM to develop three new tools to be used within the network. A Strategic Reset of the programme was undertaken in 2019, and under the re-scoped programme, one of these tools has been developed, with the other two tools passed to owners within the business to take forward. Following a robust review, it has been determined that the likelihood of substantial re-use of these tools has reduced, and the value of the assets on the MPS balance sheet has been reduced to reflect their true value. This impairment has been reported through CTP governance, including Investment Committee which is attended by MOPAC representatives. The Home Office have been standing attendees on the Mercury programme board and have been consulted on the approach undertaken. Approval of asset impairments is not required under the Scheme of Consent and Delegation, so this case is for noting.

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 £194,193.51 and £8,208,259 asset impairment, 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

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7. Appendices and Background Papers

Appendix 1 – Case details

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