

REQUEST FOR DMPC DECISION – DMPCD 2016 20

Title: Write offs

Executive Summary:

This paper sets out the detail of irrecoverable debts for the period from 1 April 2013. It asks DMPC to approve the write off of debts valued at £110,529.32, and to note the actions to reduce future incidents of write offs.

Recommendation

The DMPC is asked to approve the write-off of the irrecoverable debts as set out below.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

[Handwritten Signature]

Date

1 / 3 / 2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

1. Introduction and background

- 1.1. The Deputy Mayor for Policing and Crime has the delegated power to write off all debts considered irrecoverable. This report provides the detail and recommended debts for the period from 1 April 2013 to be written off.
- 1.2. Further reports on write-offs will be submitted on an annual basis.

2. Issues for consideration

- 2.1. Only after all possible actions have been taken will MPS propose the write off of debts. Examples of where debts are not recoverable and proposed for write off include instances of bankruptcy/insolvency/administration, the debtor is untraceable, and where a County Court Judgement has been issued but the court is unable to pursue the debt.

- 2.2. In order to minimise future write offs the MPS will implement the following:

- Payroll and HR will communicate more and work together with managers to ensure that changes in working hours/arrangements and leavers are notified in a timely manner;
- Improved procedures to better capture changes in rostering are being made
- Improved controls in respect of credit checks on potential trade customers

- 2.3. The summary analysis of the recommended write-offs is set out below. The cost of the write-offs is £110,529.32

Summary	Write-Off Value (£)
Bankruptcy / Insolvency / Administration Order	24,181.02
Low value cash discrepancy	1.67
Payroll related overpayments	83,980.81
Uneconomical to pursue	1,780.15
Untraceable debtor	585.67
Total	110,529.32

- 2.4. Trade Bankruptcy/Insolvency/Administration Order

- 2.4.1. This relates to one major debt for £24,181.02 (22% of total recommended for write off) and is recommended for write-off as a result of the company entering administration.
- 2.4.2. Policing services were provided for a boxing event in June 2012 at a value of £53,175. An invoice was submitted and when payment was not forthcoming a payment plan of 5 payments of £10,635 was agreed and 2 payments made. Subsequent cheques were late and bounced. Legal action took place and judgement was awarded for £32,345 and a further payment of £8,164 was received. In August 2013 MPS was notified that the company had gone into administration with large debts and few if any assets.

- 2.5. Payroll related overpayments, £83,980.81 (76% of total recommended for write off)

2.5.1. There are a 69 payroll and pension related overpayments. The total value of proposed payroll and pension related overpayments to be written off is £83,980.81 accumulated over a number of years, against an annual payroll budget of £2.5bn. The analysis of these write offs is as follows:

- Approximately seven per cent relates to items which are deemed uneconomical to pursue via the Small Claims Court.
- Fifteen per cent of the value relates to payroll overpayments where MPS are deemed to be in part responsible, and as a result 50% of the debt is being written off.
- Untraceable debtors account for twenty four per cent of the payroll overpayments,
- Twenty three per cent of the payroll overpayments have been subject to County Court Judgements (CCJ's) and no further action is available to the MPS.
- Not in the interest of MPS to pursue accounts for seventeen per cent of the overpayments,
- Pension related overpayments which all relate to overpayments arising from late notification of the death of a pensioner and inability to recover the cost cover ten per cent, and
- Former officers subsequently declared bankrupt and overpayments not able to be recovered relates to four per cent

2.6. The remaining two per cent relates to items uneconomical or unable to pursue.

2.7. Further detail can be found in Appendix 1

3. Financial Comments

3.1. The cost of writing off these irrecoverable debts is £110,529.32. This will be funded from within MPS resources.

4. Legal Comments

4.1. The MOPAC scheme of consent and delegation at clause 4.8 provides authority to approve the write off of all debts considered irrecoverable. The DMPC may therefore approve the recommendations set out in this report.

5. Equality Comments

5.1. There are no equality implications

6. Background/supporting papers

6.1. MPS Report Appendix 1

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form – No

If yes, for what reason: Confidential Information

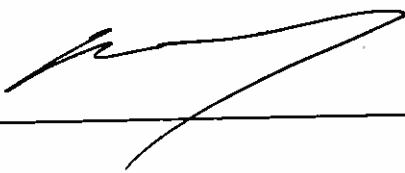
ORIGINATING OFFICER DECLARATION:

	Tick to confirm statement (✓)
Head of Unit: Rebecca Lawrence has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Strategic Finance and Resource Management team has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date

01/03/16

Not Protectively Marked**WRITE OFF OF IRRECOVERABLE DEBTS****Report by the Director of Commercial and Finance****Executive Summary**

Following a comprehensive review of trade debtors and salary/pension overpayments, the MPS are seeking approval from the DMPC to write off debts of £102,462 which are irrecoverable and debts of £8,067 which are considered too uneconomical to pursue. The general approach in the MOPAC Group is to recover any trade debts and salary/pension overpayments and it is uncommon for debts to be written off. Each case here has been considered on its own merits. Going forward a number of initiatives are underway to keep pay and pension overpayments to an absolute minimum.

A. RECOMMENDATIONS - That

The Deputy Mayor for Policing and Crime approves:

- That £102,462 of debts are written off where the debts are considered irrecoverable (listed in Appendix 1), and
- That £8,067 of debts are written off which are considered too uneconomical to pursue (listed in Appendix 1).

B. SUPPORTING INFORMATION

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.
2. The general rule in the MPS is to recover all debts including salary/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. The last time any debts were passed for write off was in 2013.
3. In recent months MPS staff have thoroughly reviewed all the facts behind each instance to identify which debts are 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 not in the interests of the MPS to pursue. The pensioner payroll write offs (7 cases for £8,008) all arose because of the time-lags involved in notification of death to the pension administrator and it is not considered appropriate or in the interest of the MPS to pursue these 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.
4. At Appendix 1 the items recommended for write off approval have been categorised and a brief description of the circumstances included. Source documentation is available for review if required. The majority of cases of debt relate to salary and pension overpayments. The values of irrecoverable debts are as follows:

Trade debtors (irrecoverable debt)	Write-Off Value (£)
Bankruptcy / Insolvency / Administration Order	24,181.02
Untraceable debtor	585.67
Total Irrecoverable	24,766.69

For context, this is compared with trade debtors of £14m (2013/14) £16m (2014/15). This report does not include cash losses relating to cases of theft or fraud. Such cases are maintained on the DARA Fraud Case System and reported separately.

Payroll and pensions (irrecoverable debt)	Write-Off Value (£)
Payroll: overpayments: Bankruptcy / Insolvency / Administration Order	3,258.52
Payroll: overpayments: CCJ entered	19,534.65
Payroll: overpayments: Not in MPS interests to pursue	14,574.24
Payroll: overpayments: Shared culpability	12,525.29
Payroll: overpayments: Untraceable debtor	19,794.71
Pension Payroll: overpayments: Not in MPS interests to pursue	8,007.83
Total Irrecoverable	77,695.24

For context, this is compared with an annual pay budget of approximately £2.5 billion

5. There are other instances where a debt maybe not entirely irrecoverable but is of a low value (eg. below £25) 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.

Type of low value/uneconomical debt (trade debtors and salary/pension overpayments)	Write-Off Value (£)
Payroll: overpayments: Uneconomical to pursue via Small Claims Court	6,285.57
Low value cash discrepancy (under and over payments by trade debtors)	1.67
Unable or uneconomical to pursue	1,780.15
Total Uneconomical	8,067.39

6. In line with the MOPAC Scheme of Delegation and Consent, write offs of any value are to be approved by the DMPC.

The position going forward

7. Going forward it is important to keep all write offs to a minimum. To prevent overpayments occurring in the first place, Payroll and HR will continue to work together to ensure managers inform HR (via a service request input onto the Met-HR system) in a timely manner where employees are leaving or where there are changes in working hours/arrangements.
8. This will enable the MPS payroll/pension service providers to react quickly and thereby reduce the number of overpayments. Late notifications will be reported to the relevant senior managers so that future action/training can be given to ensure line managers perform their duties in a timely manner. This month HR are due to re-circulate reminders to all line managers in advance of the next local resource planning cycle.
9. Secondly where Met HR relies on information from a separate rostering system, improvements in procedures are being made as part of a corporate review on rostering and working arrangements. The new Oracle system implementation offers a further opportunity to introduce additional system controls as well to instruct and re-enforce best practice with relevant personnel across the service.
10. To reduce the possibility of future trade debtor write offs due to Bankruptcy/Insolvency/Administration Orders, the Financial Instructions will be amended to further tighten internal controls and due diligence around credit checks on customers and ensuring those customers signing contracts are a director of the company or have a director's authority to do so.
11. In future reviews of irrecoverable debts will be performed every 12 months. Where an item is contentious or material to the Accounts, a separate report will be prepared in year.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. There are no equality and diversity implications to this report.

Financial Implications

2. The financial implications are set out in the report: total debt recommended for write off is £110,529.

Legal Implications

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

Consultation undertaken

Key stakeholder engagement (up to what level)	Supportive / Supportive with concerns / Not supportive / Not affected
Joy Lincoln, Lead Accountant, Corporate Finance	All queries/challenges from Corporate Finance have been responded to satisfactorily.
Directorate of Audit Risk and Assurance	Referred to 2014/15 DARA audit on material systems to keep w/o to a minimum.