

MOPACMAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

MPS-MOPAC JOINT AUDIT PANEL

19 June 2019

Write off of Irrecoverable Debt

Report by: The Finance Director

Report Summary

Overall Summary of the Purpose of the Report

This report updates Audit Panel on 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 which 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 remind 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.

Recommendations

The Audit Panel is recommended to:

- a. Note that the request for the Deputy Mayor for Policing and Crime to write off irrecoverable debts has been through appropriate MPS scrutiny, and is now being put to the Audit Panel to note.

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 (£4,120.87) 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.
- 1.4 In line with the MOPAC Scheme of Delegation and Consent approval is sought from the DMPC to write off £69,710.26 of debts where the debts are considered irrecoverable and £5,509.44 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 for trade debtors are as follows:

2016/17 Write-Off Value (£)	2017/18 Write-Off Value (£)	Trade Debtors (irrecoverable debt)	2018/19 Write-Off Value (£)
1,757.46	0.00	Bankruptcy / Insolvency / Administration Order / Other	7,208.70
2,763.00	0.00	Untraceable debtor	0.00
4,520.46	0.00	Total Irrecoverable	7,208.70

The write off for trade debtors is historically low as there is diligence around credit checks on customers. Included in the write off for 2018/19 is £7,000.00, owed by one company. A payment plan had been agreed and payments of £1,177.33 received until the company ceased trading.

1.6 The value of irrecoverable debts in respect of payroll and pension overpayments are as follows;

2016/17 Write-Off Value (£)	2017/18 Write-Off Value (£)	Payroll and Pensions (Irrecoverable debt)	2018/19 Write-Off Value (£)
29,045.88	18,459.79	Payroll: overpayments: Bankruptcy / Insolvency / Administration Order/Lost court case/CCJ entered	5,835.15
0.00	0.00	Payroll: overpayments: ET decision	4,823.17
48,236.32	6,473.73	Payroll: overpayments: Not in MPS interests to pursue	7,176.35
0.00	4,360.94	Payroll: overpayment: Custodial	0.00
0.00	0.00	Payroll: overpayments: Historical debt	36,786.07
15,678.77	19,248.33	Payroll: overpayments: Untraceable debtor	3,759.95
2,688.28	0.00	Payroll: overpayments: Shared culpability	0.00
19,473.53	3,708.39	Pension Payroll: overpayments: Not in MPS interests to pursue	4,120.87
115,122.78	52,251.18	Total Irrecoverable	62,501.56

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

1.7 In 2018/19 there was just one case where the individual former police officer was declared bankrupt. In previous years the number of cases of write off from bankruptcy or court action were higher with 17 cases in 2016/17 and 6 in 2017/18 which included a case totalling £9,400.70, where the court ruled in favour of the defendant.

1.8 During the year, an individual went to an employment tribunal as they were challenging the overpayment, which had been identified as part of the audit into flexible working. The tribunal upheld the individual's appeal.

- 1.9 In 2016/17, £48,236.32 was written off where it was not in the MPS interest to pursue. The write off included two cases where overpayments had been made over a number of years. There was a senior management review of these two cases which recommended the overpayments of £36,310 should be written off.
- 1.10 During the year, there was a comprehensive review of historical debts from 2002 to 2010, which have been dormant for a number of years. Thirty three cases were identified where there has not been any progress or contact with the individual for some time, in excess of 10 years for some and it is considered not to be in the MPS interest to continue to pursue these debts which total £36,786.07.
- 1.11 Pension overpayment occur following late notification of the death of the pensioner and the MPS will always look to recover the monies. In 2016/17 there was an overpayment of £7,261.08 and the case was referred to DARA's counter fraud team for review which recommended write off as there were no funds available from the estate.
- 1.12 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.

2016/17 Write-Off Value (£)	2017/18 Write-Off Value (£)	Low value/uneconomical debt (trade debtors and payroll overpayments)	2018/19 Write-Off Value (£)
9,176.55	3,364.84	Payroll: overpayments: Uneconomical to pursue via Small Claims Court	5,016.36
0.00	0.00	Trade debtors: Uneconomical to pursue	505.80
-19.24	0.00	Low value cash discrepancy (under and overpayments by trade debtors)	-12.72
9,157.31	3,364.84	Total Uneconomical	5,509.44

- 1.13 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.
- 1.14 Going forward we continue to review our processes and to keep write offs to a minimum. When we introduced the new overpayment process last year the intention was to enable the MPS and member of staff to resolve the matter and agree a reasonable payment plan without the need to start debt recovery, which could lead to court proceedings. We have found that this has been very successful with early resolution and agreed repayment plans. When we have had a challenge, it has been resolved amicably and with the assistance of the individual's Line Manager. What is important is that we recognise the human factor and the affect 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 too 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.

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 £75,219.70

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

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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.

