

To the Chair and Members of the
AUDIT COMMITTEE

PAYROLL OVERPAYMENTS UPDATE REPORT – As At 30 June 2013

EXECUTIVE SUMMARY

1. This report has been produced to provide the Audit Committee with an update on the progress of recovery action in relation to salary overpayments including both current employees within the first quarter of 2013/14 and those who have since left the Council prior to the end of the last financial year and identifying the current outstanding values. The report also identifies a directorate breakdown for the current financial year and improvements made to reduce future overpayments.

The overall overpayments value for 2012/13 was £637,429.13. Of this, £180,005.64 was recovered as at 31 March 2013, leaving a remaining balance of £457,423.49. Within the first quarter of 2013/14, there have been 84 cases with a value of £62,481.78. Of this, £15,433.32 has been already been recovered, leaving a current value to £504,471.95 as at 30 June 2013.

A full review has now been completed of the outstanding salary overpayment debt. This shows that the Council is owed £504,471.95 relating to 559 individual cases. These relate to both recent cases and those that go back historically many years. 57% of all cases relate to the 2010/11 year and before.

241 cases with the value of £210k are in repayment plans and they repay on average, a total of £8,350 each month.

Of the remaining 318 cases, with a value of £294k, they have been broken down into further reasoned categories as follows:

182 cases to the value of £143k are in active recovery but have not yet led to the collection of any money;

136 cases to the value of £151k have a variety of outstanding queries and issues which have not been pursued as diligently as they should have been and therefore a programme has now been put in place to do so.

However an assessment of these cases demonstrates that it is likely that at least £76k will need to be written off as the individuals either cannot be traced, have no assets, have been declared bankrupt or for other valid reasons.

Although a further 84 cases to the value of £62,481.78 have occurred during the first quarter of 2013/14, the number of occurrences has reduced as has the overall value for additional overpayments.

RECOMMENDATIONS

2. The Audit Committee is asked to note the report and the details provided in Appendices 1 to 4 attached.

BACKGROUND

3. It was agreed at a previous Audit Committee meeting that an update report would be presented at a future meeting in relation to progress on the recovery of salary overpayments. This report contains an update and provides additional information relating to salary overpayments that have occurred during the first quarter of the current financial year, 2013/14. The source data used in generating this information was as at 30th June 2013. This enables the data to be analysed, approved and presented in preparation for the Audit Committee meeting.

OVERPAYMENTS SUMMARY

4. A full review has now been completed of the outstanding salary overpayment debt. This shows that the council is owed £504,471.95 relating to 559 individual cases. A breakdown of the reasoned categories is set out in **Appendix 1 – Overpayment categories**.
5. The summary of overpayments set out in **Appendix 2 - Overpayment Statistics** identifies the outstanding balance of salary overpayments currently in the recovery process. The report identifies a remaining balance of £504,471.95 for years up to and including 2012/13 and a further £62,481.78, of which £15,433.32 has been already been recovered, for the first quarter of this financial year 2013/14. Although a further 84 cases have occurred during the first quarter of 2013/14, the number of occurrences has reduced as has the overall value for additional overpayments.

During 2012 the Council entered into a shared service arrangement with Rotherham Council moving all pay related information and processes onto a new HR/Payroll system. It was a challenging year to transfer over 12,000 employees onto the new system and all the work that was involved in this process. As this is a new concept of employees and managers using a self-service system, a higher number of overpayments occurred in 2012/13 than was expected, however it is anticipated as managers become more comfortable using the system overpayments will reduce further as they receive regular reports relating to their staff. Twice a year managers will have to 'sign off' a report to say their staff and their salaries are correct thus providing a more robust check for accuracy.

6. A further detailed breakdown has been provided in **Appendix 3 – Directorate Summary** in respect of outstanding salary overpayments that occurred in the last financial year 2012/13, along with the top five highest overpayments made during the first quarter of this financial year, 2013/14. This data is being used via the quarterly directorate challenge meetings to assist managers to improve internal practices in reducing the level of overpayments caused by late notifications. Human Resources are investigating all processing errors and as a result effective performance monitoring is in place. In addition, processes are reviewed and

amended where appropriate.

7. A breakdown showing all write off's in respect of salary overpayments has been provided in **Appendix 4 –Write Offs**. The table identifies the total write off value, the reason and employing directorate. There were 46 accounts with a total write off value of £8,011.38 for the financial year 2012/13. All write off's have been authorised as uneconomical to recover or are out of the statutory time limit of 6 years to recover.
8. As Rotherham Council now provide and manage the payroll processing system on behalf of Doncaster through a shared service arrangement, they have a full suite of checking processes in place to reduce the incidence of salary overpayments. Managers and staff have received training but are getting used to the new system and the advantages it provides but are now able to monitor their own staff on line and efficiently in real time and these should contribute to significantly reducing any future overpayments.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

9. It is important that the Council avoids overpayments wherever possible and successfully recovers overpayments in a timely manner. This will reduce any impact on available finances for funding activities designed to meet the Council's key objectives.

RISKS & ASSUMPTIONS

10. Failure to prevent and recover overpayments will have a negative impact on resources available to the Council for the delivery of services. Actions have been taken to reduce the likelihood of errors and minimise the impact where they do occur.

LEGAL IMPLICATIONS

11. The Council's legal position with regard to recovery of amounts paid is taken into account when reaching agreements for the repayment of overpayments.

FINANCIAL IMPLICATIONS

12. It has not been possible to substantiate any of the figures quoted in this report to the working papers used by HR. The figures used in these financial implications are based on an analysis of a report produced by Accounts Receivable as part of the year end close down process.
13. The total outstanding debt as at 31st March 2013 was £457k, however, some of the debt has already been provided for in a bad debt provision (all debts over 3 years old are provided for in full) and some debt relates to St Leger Homes and

Schools. The table below shows a breakdown: -

Total debt	£457,423.49
Less already provided for in Bad Debt Provision	£163,753.80
Less SLHD & Schools balances	£85,818.11
Potential cost to General Fund	£207,851.58

14. The comparable figures for previous years are £320k for 2010/11 and £484k for 2011/12.
15. The £207k represents the cost to the General Fund if all debt was written off, however, some debt will no doubt continue to be recovered. It is possible that some of the debt less than 3 years old may have been provided for in the bad debt provision, these figures assume not. Debtor accounts raised in the last year may relate to older overpayments. Legal have previously advised that when accounts aren't raised promptly our position in recovering the debt is much worse.

FUTURE REPORTING

16. On 1st April 2012, Doncaster Council entered into a shared service contract with Rotherham Council to deliver HR transactional services. Future reporting will continue to identify all overpayments but will clearly identify those overpayments that have occurred within the current financial year.

REPORT AUTHOR & CONTRIBUTORS

Maxine Le-Voguer, Head of Human Resources
Tel: 01302 737303 maxine.le-voguer@doncaster.gov.uk

Jill Parker, Assistant Director, Human Resources and Communications
Tel: 01302 737004 jill.parker@doncaster.gov.uk

Simon Wiles
Director of Finance and Corporate Services

OVERPAYMENT CATEGORIES

A full review has now been completed of the outstanding salary overpayment debt. This shows that the Council is owed £504,471.95 relating to 559 individual cases. These relate to both recent cases and those that go back historically many years. 57% of all cases relate to the 2010/11 year and before.

Figures include the first quarter of this financial year 2013/14

Number of cases	Total Value	Category/Reason
241	£210k	Repayment plans and they repay on average, a total of £8,350 each month.
182	143k	In active recovery but have not yet led to the collection of any money
136*	£151k	A variety of outstanding queries and issues which have not been pursued as diligently as they should have been and therefore a programme has now been put in place to do so
Total 559	£504k	

* However an assessment of these cases demonstrates that it is likely that at least £76k will need to be written off as the individuals either cannot be traced, have no assets, have been declared bankrupt or for other valid reasons.

OVERPAYMENT STATISTICS

All overpayments summarised below are in respect of salary overpayments that are being recovered through debtors. All overpayments that have been repaid in full are not included in the statistics below.

Figures include the first quarter of this financial year 2013/14

Financial Year	No. of Accounts		Total Overpayment Value		Outstanding Balance		Total Amount Recovered to Date	
	At June 2013		At June 2013		At June 2013		At June 2013	
Prior to April 2013	475		£637,429.13		£457,423.49		£180,005.64	
Up to 30 June 2013	84		£62,481.78		£47,048.46		£15,433.32	
Total	559		£699,910.91		£504,471.95		£195,438.96	

Please note the number of payroll deductions/accounts raised, are in respect of accounts currently in recovery action. All accounts raised and fully recovered are not included in the above figures.

DIRECTORATE SUMMARY for 2012/13

The following table shows a breakdown of the number of overpayments that occurred in 2012/13

Directorate	Number	Original Overpayment Value	Amount Outstanding	Amount Recovered
Children & Young People	29	£26,626.71	£23,268.41	£3358.30
Regeneration & Environment	54	£29,594.52	£26,925.61	£2,668.91
Adults & Communities	27	£19,183.59	£15,027.48	£4156.11
Finance & Corporate	17	£5,618.80	£5,231.44	£387.36
Schools	51	£35,168.52	£29,908.33	£5,260.19
Total	178	£116,192.14	£100,361.27	£15,830.87

The following table shows the highest five individual items, with further information on each occurring in the first quarter of 2013/14:

Directorate	Amount (£)	Date Left	Reason for overpayment
CYPS	5792.30	4.4.3013	Late notification of leaver
CYPS	2664.25	2.5.2013	Late notification of leaver
Adults & Communities	2092.79	1.9.2013	Overpaid sick pay (payroll error) plus incorrect pay number on submitted timesheet (manager error)
Schools	2049.44	6.3.2013	Late notification of leaver
Adults & Communities	1978.57	19.1.2013	Late notification of leaver

Write Offs Prior to April 2013

The table below identifies all write off's in relation to salary overpayments that have occurred to April 2013, all are either uneconomical to pursue or are statute barred due to being older than 6 years.

Directorate	No. of Accounts	Total Write Off Value	Write Off Reason
Regeneration & Environment	11	£1536.24	Uneconomical to Recover
Schools	15	£2256.24	Uneconomical to Recover
Adult & Communities	5	£813.85	Uneconomical to Recover
Children & Young People	3	£642.17	Uneconomical to Recover
Finance & Corporate Service	6	£863.68	Uneconomical to Recover
Various	6	£1899.20	Statute Barred – older than 6 years
Total	46	£8011,38	Uneconomical to Recover