

## REPORT TO BUSINESS SERVICES COMMITTEE – 11 JANUARY 2024

### REQUEST TO WRITE-OFF OF IRRECOVERABLE DEBT ARISING FROM SALARY OVERPAYMENTS

#### 1. Executive Summary/Recommendations

1.1 To seek the approval from the Committee for the write-off of irrecoverable debts associated with salary overpayments that occurred during the financial years 2004/05 to 2017/18 inclusive.

#### 1.2 The Committee is recommended to:

**1.2.1 Approve the write-off of £273,728 of irrecoverable debts associated with salary overpayments that occurred during the 14 financial years comprising 2004/05 to 2017/18 inclusive, which will be met from the Payroll Overpayments Provision; and**

**1.2.2 Note the ongoing review of the overpayments process and that any current debt deemed irrecoverable each year at 31 March will be recharged back to the service/budget page the employee was part of, thus avoiding any build-up of payroll overpayments sitting in the accounts.**

#### 2. Decision Making Route

2.1 This item has not previously been considered by this or another committee. Under the Scheme of Governance Part 2A – List of Committee Powers, the Business Services Committee has specific powers to write-off irrecoverable debts of £10,000 or more.

#### 3. Discussion

3.1 Salary overpayments generally arise due to the late submission of paperwork from services advising of an employee's change of circumstances e.g., a reduction in hours of work, the commencement of maternity leave or leaving a job. Where possible, overpayments are recovered from an employee's future salary payments, however, in cases where they have left the employment of the Council, an invoice is issued.

3.2 Approximately £160,000 of salary overpayments (net amount excluding employer on costs) are identified annually, which equates to around 0.03% of the overall staffing pay bill (£479.8m in 2022/23). Based on a recent benchmarking exercise, the above percentage figure was found to be lower than the Scottish council average of 0.07%, which was calculated using data provided by 20 councils.

3.3 While the recovery process is initiated for all identified overpayments, there are cases where it is not possible to recover some or all the outstanding

monies. This may occur where former employees cannot be contacted, repayment plans are not fulfilled, or due to extenuating circumstances it may be agreed by the Heads of Finance and Legal & People that all or a proportion of the overpayment is not to be recovered.

- 3.4 Where a salary overpayment is not recovered (or only partially recovered), this also means that the associated employer on costs i.e., employer National Insurance Contributions and pension contributions, where applicable, will not be recovered.
- 3.5 The irrecoverable debt proposed to be written-off in relation to outstanding salary overpayments for the 14 financial years comprising 2004/05 to 2017/18 inclusive is £273,728, which equates to an average of £19,552 per annum. This will be met from the Payroll Overpayments Provision of £483,000 created in the accounts at 31/03/2022, and will therefore not impact on the current financial year's forecast position.
- 3.6 The process for recovering salary overpayments is currently being reviewed by the relevant teams within Finance, with the aim of establishing a more responsive and less-time consuming approach. As part of this process, any current debt that is deemed irrecoverable each year at 31 March will be recharged back to the service budget responsible for the management of the employee costs.
- 3.7 To reduce the likelihood of future salary overpayments arising, services are being provided with regular reports on the number, reason and value of such overpayments which will allow officers to identify and implement any improvements required to internal processes. Following the recent rollout of the online Manager's Portal, line managers also have access to a wide range of staffing data held within the HR/Payroll system, which will assist them with the ongoing management and administration of their subordinates.

#### **4 Council Priorities**

- 4.1 This report helps deliver all six of the Council's Strategic Priorities and the key principle that underpins them of responsible financial planning and management.

4.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland			X
Children and Young People's Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

4.3 There are no direct staffing implications arising from this report while the financial implications associated with the proposed write-off of irrecoverable debts are detailed in paragraph 3.5 above.

4.4 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. This report deals with the write-off of irrecoverable debt only. There will be no differential impact on any of the protected characteristics.

4.5 The following Risks have been identified as relevant to this matter on a Corporate Level:

- ACOPR001 - Budget Pressures (link: [Corporate Risk Register](#)). The Council's budget is under increasing pressure and therefore it is important that salary overpayments, and the associated irrecoverable debt arising, are minimised. Regular reporting on salary overpayments to services and the provision of a wide range of staffing data to managers will assist in increasing awareness of such overpayments and allow internal processes to be improved to minimise further occurrences.

The following Risks have been identified as relevant to this matter on a Strategic Level:

- BSSR003 - We live within our means and use public money to maximise outcomes for our communities (link: [Business Services Directorate Risk Register](#)). The provision of advice and guidance to services on managing their staff and the associated budgets will assist in reducing salary overpayments thus ensuring the proper use of public funds by services.

## **5 Scheme of Governance**

- 5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.
- 5.2 The Committee is able to consider and take a decision on this item in terms of Section C.2.3 of [the Scheme of Governance, Part 2A – List of Committee Powers](#), as it has specific powers to write-off irrecoverable debt of £10,000 or more.

**Rob Simpson**  
**Director of Business Services**

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Date: 19 December 2023