
To: Finance, Resources and Customer Services Policy Board

On: 2 September 2020

Report by: Director of Finance and Resources

Heading: Salary Adjustment Policy

1. Summary

- 1.1. The Council's payroll makes salary payments to just under 10,000 council employees and operates five regular pay cycles; weekly, fortnightly, four weekly and two monthly runs.
- 1.2. The Council has a duty to pay employees accurately and timeously and must maintain effective systems of internal controls to ensure protection of public funds
- 1.3. Salary overpayments featured in the Audit Scotland Report, Safeguarding Public Money on 11 April 2019. The case study presented was drawn from the Audit Scotland annual Management Report of May 2018.
- 1.4. Following these reports, the Council committed to review its procedures for recovery of overpayments and subsequent to that review has now developed a Salary Adjustment Policy ;The purpose of this Policy is to outline the steps which Payroll Services will take to recover any overpayment of salaries/ wages and make clear the actions to be taken should an underpayment occur.

2. Recommendations

- 2.1 It is recommended that members of the Board
 - Note the contents of the report
 - Approve the Salary Adjustment Policy attached at Appendix 1

3. Background

- 3.1. As part of their 2017/18 payroll systems review, Audit Scotland carried out specific audit work to review the controls in place to prevent salary overpayments. The results of this audit work were reported in Audit Scotland's Renfrewshire Council Management Report 2017/18. This report was tabled at the Audit, Risk and Scrutiny Board on 29 May 2018. The report highlighted recommendations for improvement, this included a review of procedures for recovery of salary overpayments.
- 3.2. On 11 April 2019 Audit Scotland included salary overpayment information from the Renfrewshire Council Management Report 2017/18 as a case study in the Safeguarding Public Money Report.
- 3.3. Following the review of procedures, the need for a Salary Adjustment Policy was identified. A working group of senior officers representing, HR, Payroll and Legal Services progressed the creation of this policy, intended to formalise officer responsibilities across the organisation.

4. Salary Adjustment Policy

- 4.1. The purpose of the policy is to outline the steps which Payroll Services will take to recover any overpayment of salaries/ wages and make clear the actions to be taken should an underpayment occur.
- 4.2. The policy aims to ensure that Payroll Services have systems in place to recover overpayment of salaries/ wages and aims to ensure that all staff are treated equally and with consistency where an overpayment/underpayment has occurred.
- 4.3. Key responsibilities of employees, managers and Payroll services are clearly stated within the policy, detailed in section four.
- 4.4. The policy covers the key points in relation to the process to recover overpayments and to rectify underpayment of salary in sections five and eight
- 4.5. Recognising that there may be scenarios where employees could face financial difficulty as a result of an overpayment, section six of the policy details support available
- 4.6. An Equality Impact Assessment has been carried out and agreed with the Policy & Commissioning team and no issues have been identified that require mitigating actions. The Equality Impact Assessment will be reviewed as data becomes available following introduction of the policy.

Implications of the Report

1. **Financial** – Minimising occurrence of salary overpayments and maximising the recovery of overpayments, reduces debts owed to the Council
2. **HR & Organisational Development** – Change of procedure for employees in relation to recovery of salary overpayments
3. **Community/Council Planning** –
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** - The Recommendation contained within this report has been considered in relation to its impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report.
8. **Health & Safety** - None
9. **Procurement** – None
10. **Risk** - None
11. **Privacy Impact** – None
12. **Cosla Policy Position** – None
13. **Climate Risk** – None

List of Background Papers

- (a) None

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RENFREWSHIRE COUNCIL
FINANCE & RESOURCES
SALARY AJUSTMENT POLICY

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1. Purpose of Policy

- 1.1 The purpose of this Policy is to outline the steps which the Council's Payroll Team will take to recover any overpayment of salaries/ wages and make clear the actions to be taken should an underpayment of salary/wages occur.

2. Aim

- 2.1 The Council endeavours to pay staff correctly for work undertaken. Where an overpayment/underpayment does occur, a clear process requires to be followed to reclaim salary/ wages owed to the Council or salary/ wages owed to the employee. The Payroll Team has systems in place to recover overpayment of salaries/ wages and aims to ensure that all staff are treated equally and with consistency where an overpayment/underpayment has occurred.

3. The legal position

- 3.1 In accordance with the Employment Rights Act 1996 and subsequent amendments, a deduction from the employee's salary/ wage can be made by the employer in relation to an overpayment of salary/ wages or an overpayment in respect of expenses incurred by the employee in carrying out their employment. This is detailed within the Council's Statement of Particulars, applicable to the appropriate employee group.
- 3.2 All contracts of employment issued by the Council advise that the Council will recover any overpayment of salary/ wages.
- 3.3 The Council has a duty to ensure that employees are remunerated correctly and accordingly will take reasonable steps to correct any underpayment timeously.

4. Responsibilities

4.1 Employees

- 4.1.1 It is the responsibility of all employees to advise their line manager immediately should they suspect any errors in payment.
- 4.1.2 All employees should recognise that if they have been overpaid, regardless of how the error originated and it is their contractual responsibility to repay this money to the Council.
- 4.1.3 It is the Council's responsibility to pay any underpayment due to the employee.

4.2 Employees with line management responsibility (Line Managers)

- 4.2.1 It is the responsibility of all Line Managers to ensure that any changes to an employee's employment (termination of employment; change in hours; grade position etc.) are notified through the correct channels timeously and in accordance with timetabled payroll deadlines.
- 4.2.2 It is the responsibility of all Line Managers to ensure that the correct Council procedures are followed, and any sickness/ parental/ other absences are notified through the correct channels timeously and in accordance with timetabled payroll deadlines.
- 4.2.3 Where an overpayment/underpayment does occur due to late and/or inaccurate information from the employing service, it is the responsibility of the Line Manager to review the circumstances of the overpayment/underpayment and take steps to avoid a re-occurrence. Where patterns of late notification and/or providing inaccurate information appear this should be reviewed by the appropriate Chief Officer.

4.3 The Payroll Team (Payroll)

- 4.3.1 It is the responsibility of Payroll to ensure that payments and deductions are processed accurately and in accordance with the Council's conditions of service and appropriate statutory regulations.
- 4.3.2 Where an overpayment occurs due to an error within Payroll, it is the responsibility of the Payroll Manager to review the circumstances of the overpayment and take steps to avoid a re-occurrence. The Service Delivery Manager responsible for Payroll should regularly review payroll errors as part of team quality control measures.

5. Process to recover overpayments

- 5.1 Where an overpayment has occurred, it is the responsibility of Payroll to communicate in writing to the employee.

Employees will be advised of the following in writing:

- 1) the reason the overpayment occurred;
- 2) the term over which the overpayment occurred;
- 3) a calculation of the total amount due; and
- 4) the proposed repayment schedule.

- 5.2 The Proposed Repayment schedule will follow the under-noted principles:

- the option to recover any overpayment in full will be considered initially, including additional payments due (such as mileage; additional hours; overtime etc) to reduce overpayment balance as quickly as possible;

- overpayments should normally be recovered as soon as practical, with repayment schedules normally over the same period as the overpayment occurred (unless a shorter period is agreed). Recovery will normally be in equal instalments (with any outstanding balance payable in the final payment)
- it is crucial that discussion takes place between the employee and payroll on the repayment plan as there could be potential financial hardships placed on the employee without these discussions taking place. These discussions should take place as soon as the overpayment is highlighted and could take place over the phone, in person or via email.
- where an employee leaves the Council's employment, the full balance owed will be deducted from their final pay. Where the full remaining balance has not/cannot be collected from the final pay, an account will be issued from Payroll requesting payment within the Council's 30 days payment terms.
- Should the debt remain unpaid beyond the 30-day terms, the Council will implement appropriate recovery action to collect the debt.
- The Council will always seek to recover overpayments in full.

6. Financial Hardship

- 6.1 Overpayments should be recovered in the financial year in which they occurred, where possible and practicable. However, consideration will be given to cases where the overpayment has been over a prolonged period, or where the proposed recovery schedule may cause financial hardship.
- 6.2 Should employees experience any financial difficulty as a result of an overpayment, Renfrewshire Council's Advice Works unit, can provide them with support and guidance. The contact details are as follows:-

Telephone Number 0300 300 1238

Monday - Thursday, 8.45am - 4.45pm & Friday 8.45am - 3.55pm

There is also a drop-in service at the following locations, with no appointment needed:

Advice Works

Johnstone Town Hall, 25 Church Street, Johnstone

Monday - Thursday: 8.45am - 4.45pm Friday 8.45am - 3.55pm

Renfrewshire House

Customer Service Centre, Cotton Street, Paisley

Monday - Thursday: 8.45am - 4.45pm Friday 8.45am - 3.55pm

Renfrew Health Centre
10 Ferry Road, Renfrew
Tuesday, Wednesday, Friday: 8.45am - 11am

7. Former Employees

- 7.1 Where an overpayment has been highlighted and the employee has ceased employment with Renfrewshire Council, Payroll will:
- Issue a letter to confirm; the reason for the overpayment, the period of the overpayment, the total amount due (including a calculation breakdown) and that an invoice will be raised.
 - raise an invoice for the amount due
 - Notify the Council's Finance Recovery Team of the balance due and employee details
- 7.2 The Finance Recovery Team will follow normal recovery procedures to settle the invoice payment. These procedures which may include, direct contact with the former employee for potential payment negotiation and settlement of the balance due. Where there is non-payment and/or engagement, the Council's normal follow up procedure for collection of unpaid debts would apply

8. Underpayment of Salary

- 8.1 Where an employee has been underpaid salary then the employee will be entitled to the balance of pay due. Payment can be expected in the next pay cycle immediately after the underpayment has been highlighted and confirmation paperwork received.
- 8.2 In circumstances of financial hardship or where the underpayment is significant, an immediate payment may be requested by the employee. This underpayment will be calculated by Payroll, in conjunction with the employee. As a guide, the net payment will be calculated as 65% of the gross underpayment to take account of standard tax, national insurance, and pension deductions. The net advance figure may be less where non-standard deductions are applicable. The employees' next pay will show the gross amount due and a recovery of advance amount that was given.
- 8.3 Supplementary payments will only be considered, on request, for casual hours/contractual pay where the employee has no pay for the period, or if returned from sickness absence or maternity leave. Where possible, payments will be made in the next available pay run. Supplementary payments should not be requested for overtime, expenses, or contractual changes that have been incorrectly notified to Payroll or missed Payroll deadlines. These will be processed in the next available pay run.