



**WE ARE
WATFORD**

**OVERPAYMENTS POLICY
OCTOBER 2021**



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1.0 Policy

1.1 Watford Borough Council (the Council) is required to ensure that employees and Council members are paid/remunerated correctly at all times. However, if an overpayment of salary/allowances or any other payment (either expenses and/or benefits) is made for any reason, the Council will take the necessary steps to recover the overpayment from the employee or member.

2.0 Scope and Purpose

2.1 This policy applies to all employees, ex-employees, members and ex-members of the Council.

2.2 This policy is intended to support clarity and fairness in ensuring that errors are corrected in an effective and timely manner and any overpayments are recovered.

2.3 The definition of an overpayment is where an employee or member is paid an amount in excess of either their contractual entitlement or the members remuneration scheme. Likely causes of an overpayment could include:

- A Leaver Form not being completed, received or processed on time;
- Late or no notification of payroll amendments;
- An employee taking annual leave in excess of their entitlement when leaving the Council;
- An employee not returning from maternity leave; and
- A payroll processing error.

2.4 The Council is committed to minimising the number of overpayments as far as practicable. Measures are in place to limit overpayments occurring and these are continually reviewed. The effectiveness of this will be assessed through analysis of overpayments at quarterly Leadership Board meetings.

2.5 Whilst it may not be the employee's or member's fault, it would not be acceptable for an employee or member to simply assume that they had received an increase in pay/allowances without there being some reason for them to believe that this is the case.

2.6 Any Council employee or member who suspects that they have received an overpayment must contact the HR (Payroll) team as soon as possible. Through its external Payroll provider, HR will check the employee's/member's payslip and confirm whether or not an overpayment of salary/allowances or any other payment has been made.

2.7 Where an overpayment has been identified either by the Council or by an individual employee or member, HR will ensure that the employee's or member's personal Tax, National Insurance and pension contributions, where applicable, will also be adjusted without unreasonable delay to ensure that there should be no detriment to an employee or member following recovery of any overpayment made by the Council.

- 2.8 HMRC notifies the external Payroll provider of any underpayments of Tax and National Insurance contributions. When the notification is received it is input into the HR & Payroll system by automatic data transfer and the adjustment is made in the next pay cycle. The Council has no discretion on Tax Code changes. Any queries must be addressed to HMRC directly.
- 2.9 The Executive Head of HR and Organisational Development has overall responsibility for the appropriate recovery action of the outstanding debts and may delegate specific actions to the relevant Manager, HR or the Revenues & Benefits (Debt Recovery) team, as appropriate.
- 2.10 If an individual fails to report an overpayment which they may have been aware of through for example, a check of their payslip, the Council may decide whether to carry out an investigation, which could result in disciplinary action.

3.0 Recovery from Current Employees or Members

3.1 Payment errors can be identified in several ways:

- the employee or member upon receipt of their salary identifies that an error has occurred;
- a member of the HR (Payroll) team may identify that an error has occurred;
- the external Payroll provider may identify that an error has occurred; and
- the Manager/Budget Holder identifies that an error has occurred.

3.2 When a payment error is identified, the external Payroll provider will calculate the amount of the overpayment. The HR (Payroll) team will write to the employee or member to explain the reason of the overpayment, detail the gross and net amounts and the proposed recovery through the payroll.

3.3 The overpayment will be calculated as both a Gross and Net value. The Gross value is the amount the Council has overpaid. The recovery will however, be based on the Net amount (after Tax, National Insurance and pension, as appropriate), i.e. the amount the employee or member has received. This ensures that the overpayment recovery can be processed without detriment to an employee's or member's Tax, National Insurance and pension, as appropriate.

3.4 If the error has occurred over a one or two month period, the circumstances of which the employee or member is already aware of, the overpayment will be calculated and the adjustment will be made automatically the following month.

3.5 If the employee or member could not reasonably have known about the overpayment or the overpayment occurred over more than two months, the overpayment will be calculated and a repayment plan will be agreed before any recovery is processed through the payroll. The net overpayment will be recovered in instalments from future salary payments in the same tax year.

3.6 If the employee or member considers that, due to exceptional circumstances, the timing of the repayment is not possible because it will cause financial hardship, they must contact the

HR (Payroll) team through their Manager in the case of an employee, or directly if a member before 1st of the following month to request postponement of the repayment so that a repayment plan can be agreed. This proposal will be considered on a case-by-case basis presented by the Executive Head of HR and Organisational Development in consultation with the relevant Group/Executive Head of Service.

- 3.7 If, during the period of repayment of an overpayment, the employee's salary is affected by any of the following examples: Nil Salary or Statutory Payments only or Sickness Absence on Half Pay, or Maternity Absence on Half or Nil Pay, then the overpayment may be re-negotiated subject to repeating the above process so that repayment is made at a time where normal salary is reinstated or as a Leaver.

4.0 Recovery from Leavers

- 4.1 Where an employee has been overpaid and they terminate their employment before the completion of the agreed recovery, the balance of the overpayment will be taken from the final salary.

- 4.2 If the overpayment is greater than the final salary payment, immediate payment will become due prior to leaving the Council. If no payment is made before leaving the Council and no contact is made within 14 days of leaving, the matter will be referred to the Revenues & Benefits (Debt Recovery) team so that an invoice can be raised for the balance, and the debt recovery process can begin.

- 4.3 Where a member has left the Council and it becomes apparent that they have received an overpayment of their allowance, they will be written to by HR as soon as practicable after the overpayment has been identified and asked to repay the overpaid amount in full. Revenues and Benefits will be notified so that an invoice can be raised and debt recovery commenced. Where the ex-member considers that, due to exceptional circumstances, immediate repayment in full will cause them financial hardship, they must contact the HR (Payroll) team as soon as possible so that a repayment plan can be agreed. This proposal will be considered on a case-by-case basis by the Executive Head of HR and Organisational Development. The HR (Payroll) team will then notify Revenues and Benefits of the agreed payment plan who will manage the collection of the overpayment. Where an ex-member fails to comply with an agreed payment plan or fails to repay the overpayment the process in 5.3 below will be followed.

5.0 Recovery from Ex-Employees

- 5.1 When a payment error is identified for an employee who has already left the Council, the external Payroll provider will calculate the net amount of the overpayment. The HR (Payroll) team will write to the ex-employee to explain the circumstance of the error and refer the matter to the Revenues & Benefits (Debt Recovery) team so that an invoice can be raised and debt recovery commenced.

- 5.2 If the ex-employee is unable to repay an overpayment immediately then the Revenues & Benefits (Debt Recovery) team may agree a repayment plan period not normally exceeding the length of time over which the overpayment was made but no more than 6 months.

Repayments over a period of more than 6 months must be agreed with the Executive Head of HR and Organisational Development.

- 5.3 In the event that a repayment plan cannot be agreed or the debtor reneges on a repayment plan, recovery may be pursued through a debt collection agency and the Courts.
- 5.4 If an ex-employee has been overpaid for more than two pay periods after leaving the Council and has not alerted either their Manager or HR to the overpayment, then this will be referred to the Fraud team for investigation. The investigation will progress independently of the payroll recovery process.

7.0 Writing Off Debts

- 7.1 In order to request that a salary/allowance overpayment or a proportion of the debt is written off, the matter must be referred to the relevant Group/Executive Head of Service and Executive Head of HR and Organisational Development.
- 7.2 If a decision to write off all or part of the debt is made, this will be confirmed in writing by the Executive Head of HR and Organisational Development and sent to the HR (Payroll) team who will notify the employee or ex-employee, member or ex-member.
- 7.3 If the decision is not to write off the debt, recovery procedures will continue.
- 7.4 Budget Holders should be aware that if recovery is not made then any outstanding amount will fall on the home cost centre.

8.0 Table of Responsibilities

Responsibilities of:	Responsibility
Employee	<ul style="list-style-type: none"> a) Accurately completing Time & Expenses claim forms in a timely manner. b) Ensuring they understand their salary entitlement. c) Checking their payslip every pay period to ensure that it appears accurate and matches the payment received within their bank/building society account. d) Raising pay anomalies with their Manager and the HR (Payroll) team immediately. e) Repaying any amounts overpaid as soon as possible. f) Remaining aware of their position and obligations under this policy.
Member	<ul style="list-style-type: none"> a) Ensuring they understand their members remuneration entitlements. b) Checking their payslip every pay period to ensure that it appears accurate and matches the payment received within their bank/building society account. c) Raising pay anomalies with the HR (Payroll) team immediately.

	<ul style="list-style-type: none"> d) Repaying any amounts overpaid as soon as possible. e) Remaining aware of their position and obligations under this policy.
Employing Department/Manager	<ul style="list-style-type: none"> a) Reporting changes in employee contracts, including hours, Band/Grade, position transfers, leavers to HR in a timely manner, by the relevant cut-off date and ideally before the effective date of the change. b) Notifying the HR (Payroll) team of leaving dates as soon as possible, paying particular attention to the fact that a portion of the monthly pay is paid in advance. The Leaver information must also include details of any under or overtaken annual leave. c) Checking Time & Expenses claims for accuracy prior to approval. d) Ensuring all amendments to pay are processed in a timely manner in accordance with the appropriate process, and payroll deadlines. e) Checking the accuracy of information provided to the HR (Payroll) team. f) Informing the HR (Payroll) team immediately when an overpayment or other unexplained discrepancy has been reported to them by an employee. g) Supporting HR, as appropriate, when overpayments are made.
Human Resources	<ul style="list-style-type: none"> a) The Overpayments Policy. b) Ensuring changes received are input into the HR & Payroll system in a timely, accurate manner within agreed timescales. c) Ensuring any Council employee who is subject to a payroll discrepancy is dealt with in a fair manner and in accordance with current employment legislation and good practice. d) Ensuring that when an overpayment has been identified, details are communicated to the employee and the Manager, in a timely manner. e) Retaining records of any overpayments to Council employees for audit purposes. These records will include: The amount owed; proposed method of repayment; proposed payment period; proposed final date of recovery. f) Processing payroll amendments in an effective and timely manner, adhering to payroll deadlines, and reducing the potential for overpayments. g) Processing recovery of overpayments on the HR & Payroll system. h) Supporting Managers and the Revenues & Benefits (Debt Recovery) team, as appropriate when overpayments are made. i) Identify and report overpayment trends with the Executive Head of HR and Organisational Development in a timely manner.

External Payroll Provider	<ul style="list-style-type: none"> a) Manually calculating the net overpayment and providing a schedule of calculations to the HR (Payroll) team. b) Processing recovery of overpayments on the HR & Payroll system. c) Explaining manual overpayments to employees including Tax and National Insurance enquiries.
Revenues & Benefits (Debt Recovery)	<ul style="list-style-type: none"> a) Raising invoices under this policy. b) Recording any overpayments in the Council's ledger and setting up a recovery process where it is not possible to recover via an individual's salary. c) Monitoring the recovery of all overpayments d) Providing monthly debt recovery updates to HR and Budget Holders. e) Escalating overpayments to other Agencies as appropriate; f) Providing any information required by Debt Collection Agencies or Courts as appropriate in order that they may take relevant action.
Finance	<ul style="list-style-type: none"> a) Recording all salary overpayments in the Council's Finance system and for monitoring recovery of these amounts. b) Querying and correcting any unusual items or unexplained variances with Budget Holders and HR.