

Policy and Sustainability Committee

10.00am, Tuesday, 25th February 2020

Pay Policy

Executive
Wards
Council Commitments

1. Recommendations

- 1.1 The Policy and Sustainability Committee is recommended to approve the Pay Policy.

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Pay Policy

2. Executive Summary

- 2.1 The Council has established pay processes and systems in place.
- 2.2 Significant improvements in the production of transaction data and analysis, has highlighted the requirement for a specific pay policy to strengthen controls and working practices.

3. Background

- 3.1 A fundamental principle relating to pay, is the right for employees to be paid correctly and at the right time. Further, employees and workers are protected by legislation (the Employment Rights Act 1996) from having unauthorised deductions made from their wages, including late payments of wages.
- 3.2 The Council's payroll system and processes are well established and are tested annually as part of the Internal Audit Plan.
- 3.3 However, late or incorrect notification to the Human Resources Division, by line managers, of employee details or pay claims, which affects pay elements, can result in payroll underpayments and overpayments to employees, which need to be mitigated and managed effectively. Additionally, there are instances of employees "banking" pay claims. This results in pay claims being paid in incorrect months, making it harder to track actual pay spend in the correct month and for service areas to budget.
- 3.4 This proposed Policy seeks to address these issues in terms of reinforcing the need for the required change in line manager and employee behaviours to ensure accurate and timely data is received for processing and seeks to recoup the costs incurred by the organisation by rectifying any pay related errors.

4. Main report

- 4.1 For our 18,000 plus workforce, the Council's pay bill averages £36m per month or over £400m per annum.
- 4.2 The Employment Rights Act 1996 (ERA) affords protection to employees and workers from having unauthorised deductions made from their wages. Late payment of wages is also included as a deduction of wages.
- 4.3 The Human Resources Division processes several thousand pay transactions every month which directly affect employees' pay. These include: leavers; joiners; changes to hours; acting up allowances; working time payments; occupational and statutory sick pay; parental leave; overtime and mileage claims and expenses.
- 4.4 Human Resources clearly and explicitly communicates the required cut off dates for payroll processing deadlines and, where possible, has automated pay forms for line managers and colleagues to use. However, due to incorrect or late notification of changes to employee details or pay claims, the Council has an unacceptable level of payroll processing errors.
- 4.5 In addition, several thousand employees do not have direct or self-service access to our Human Resources (HR) system and Council intranet and therefore, a significant number of paper-based claims need to be manually input into the HR. This too, compounds the situation due to natural human error with inputting.
- 4.6 This combination of factors and working practices results in a detrimental impact on some colleagues, who are potentially being paid incorrectly or not on time. This also results in a level of risk to the Council and additional administrative burdens upon HR due to the remedial and mitigating actions that are required.
- 4.7 This proposed Policy therefore seeks to provide further clarity in relation to the roles and responsibilities of different individuals and strengthens the required controls and measures to further improve pay processing accuracy and timeliness.

5. Next Steps

The Human Resources Division will develop a comprehensive internal communications plan to ensure the effective cascade of this new Policy and will ensure relevant documentation and processes are updated to reflect the agreed changes.

6. Financial impact

- 6.1 To reduce the amount of pay errors incurred, including the levels of overpayments to employees.
- 6.2 To cover the employee and administrative costs of correcting pay errors and drive performance improvements.

7. Stakeholder/Community Impact

- 7.1 The Council improves Value for Money.
- 7.2 Recognised Trade Unions have been consulted on this Policy.

8. Background reading/external references

- 8.1 <http://www.legislation.gov.uk/ukpga/1996/18/section/13>

9. Appendices

- 9.1 Pay Policy

Pay Policy

The Council (we) recognise that strong controls in relation to pay processing and control are essential. This ensures that employees (including employees and workers) are paid accurately and on time, and that the risk of incorrect payments being made are minimised.

This policy sets out the processes and controls to ensure employees receive correct pay at the right time. It standardises the processes that will be followed to ensure consistent and robust management of all pay related matters, for both existing and former employees. This includes the resolution of overpayments and underpayments where they do occur.

Author

Human Resources, Resources Directorate.

Scope

This policy applies to all existing and former Council employees. This also covers workers who fall under IR35 Regulations and are paid via payroll. Full details of worker types can be found on the Orb.

Purpose

The purpose of this policy is to ensure we (the Council) have fair and consistent procedures in place to prevent errors to pay, including the recovery of overpayments and payment of underpayments.

Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational requirements or change; or resulting from changes agreed through Trade Union Consultation.

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1. Appropriate practices and controls

This policy sets out our practices and controls for pay transactions. It is critical for these to be in place in order for employees to receive the correct pay within the timescales outlined. To achieve this our approach is preventative by taking steps to reduce the possibility of errors occurring in the first instance.

The main reason for pay errors is late, incorrect or incomplete submission of information. It is therefore critical that correct information is submitted to payroll by the cut-off dates, which are clearly communicated and are available on the Orb. It's the responsibility of both employees and line managers to make sure this happens accurately and on time.

2. Roles and responsibilities

The following outlines the key roles and responsibilities of those involved in making sure employee pay is correct and paid on time:

Employees are responsible for:

- Checking their payslip each month to ensure the salary is correct. Any anomalies should be brought to the attention of the line manager immediately.
- Ensuring any claims for additional payments (e.g. overtime or travel expenses) are correctly submitted in the month they're due to be paid. Claims cannot be banked and saved for a later date, they must be submitted in the month they are due to be paid. Where these have been banked, out with exceptional circumstances, this will be investigated, payment may be delayed and it may trigger performance improvement or disciplinary action.
- We expect all employees to act in good faith where they identify an overpayment, by reporting it and working with us to resolve the issue. Failure to act in good faith is a serious matter that could lead to disciplinary action.

Line Managers are responsible for:

- Ensuring that any information relating to a change in an employee's salary is submitted to HR before the payroll deadlines stated on the Orb.
- Contacting askHR immediately should an urgent change occur at short notice after the pay deadline.
- Monthly monitoring of their budget, paying particular attention to starters, leavers and employees who have changed their working hours or pay. Any changes should be visible in salary payments. If not, this should be investigated as a priority.
- Where a pay error is deemed to have come about because of a service area's failure to meet deadlines (when they could have reasonably done so) a re-charge of £150 will be levied against the service area for each instance.

Human Resources are responsible for:

- Correctly actioning changes that affect pay in line with legislative changes, nationally or locally agreed changes and payroll deadlines and contacting line managers where an error in pay has been identified.

3. Principles of recovering an overpayment

Where an overpayment has been made in error, regardless of how this occurred, the amount will be recovered. The employee must not spend the overpayment and should contact askHR immediately to arrange the return of the overpaid amount. We do recognise that there are some occasions where the recovery of a salary overpayment can be distressing, and this will be taken in to consideration when arranging to recover the overpayment if the employee has already unknowingly spent the money.

To ensure there's a fair and consistent approach to the recovery of salary overpayments, we will apply the following principles:

- Normally there will be one pay period at "normal" pay between discovery and correction of the overpayment. This will give our employee an indication of their correct pay entitlement and enable Payroll to ensure that the correct adjustments have been made.
- Where there's a single overpayment of a large amount, and it's obvious and reasonable to expect that the employee was aware of the overpayment, recovery will normally be immediate and in full.
- Where an overpayment is discovered as an employee is about to leave the organisation, the overpayment will be recovered in full immediately. Where there remains an outstanding balance the repayment schedule set out below will be followed. Where an employee has already left and fails to follow the repayment schedule, the Corporate Debt Policy recovery procedure will be triggered.
- Out with the above exceptions, the following repayment schedule will typically be applied:

Overpayment amount as a % of basic contractual monthly salary*	Repayment period (following the one "normal" pay period)
0 to 20%	1 month
20 to 30%	2 months
30 to 40%	3 months
40 to 50%	4 months
50 to 60%	5 months
60 to 70%	6 months
70 to 80%	7 months
80 to 90%	8 months
90 to 100%	9 months
Over 100%	10 months

*Currently gross for existing employees and net for those who have left our employment.

- In exceptional circumstances, it may be determined as part of the debt recovery process that recovery of overpayments might not be pursued. Such situations will be approved, on a case by case basis, in line with our scheme of delegation. This decision will consider:
 - Whether genuine financial hardship, as opposed to inconvenience, will be caused if the debt has to be repaid within the normal timescale;
 - Whether the employee acted in good faith; and
 - Any additional information provided by the employee to support their case.

4. Underpayments

Contractual pay

If an underpayment is identified, employees and line managers must log the query via askHR as soon as the issue is identified, askHR can also be contacted on 0131 469 5555.

Where an employee has received no pay, or less than their contractual pay, then normal practice will be to resolve underpayments within 1-2 working days. This includes cases that have been identified and evidenced as unlawful deduction of wages. There may be occasions where small amounts are scheduled in the next pay run in agreement with the employee.

Non-contractual pay

Where a line manager or employee fails to submit a non-contractual claim (such as expenses or overtime) by the required deadline, or the information submitted is incorrect or incomplete, this will be paid in the next scheduled pay run.

5. Taxation

HM Revenue and Customs accept that, for current employees, overpayments that occurred in the previous tax year can be dealt with as if they arose in the current tax year, provided any payments are in accordance with current tax and National Insurance legislation.

There could be losses or gains for employees, depending on any changes in income tax, National Insurance, pension regimes or the tax coding from year to year. The value of these losses or gains is, however, unlikely to be significant in most cases.

Overpayments that have taken place wholly or partly in a previous financial year or years will be treated as if they occurred in the current year.

Employees need to contact HM Revenue & Customs for information relating to their own personal circumstances, as HR are not able to offer advice on such matters. Tax codes can only be amended when the Council is informed to do so by HMRC.

6. Legislative context

This policy is compliant with relevant legislation including.

- The Prescription and Limitation (Scotland) Act 1973
- The Employment Rights Act 1996 (formerly the Wages Act)

This policy replaces any references to overpayments and underpayments of salary contained in the Corporate Debt Policy.