

The Highland Council

Agenda Item	13
Report No	AC/37/24

Committee: **Audit Committee**

Date: **28 November 2024**

Report Title: **Payroll Overpayments Update**

Report By: **Assistant Chief Executive – Corporate**

1. Purpose/Executive Summary

1.1 At the Audit Committee on 13th June 24, Members considered an Audit Report on the Payroll Control Environment and agreed that an update report would be brought to the November Committee to illustrate progress and inform Members of monies recovered.

The overpayment figure of £863,436.08 (22-23) reported in June was a gross figure. Further analysis has determined the actual net overpayment figure is £614,092.53.

1.2 The Internal Audit Report identified 10 High Priority Actions and to date all have been delivered on time with only future dated actions outstanding, paragraph 5.1 refers. Improvements have included the development and implementation of robust policies and procedures, regular digital establishment checks, comprehensive training and improved reporting.

2. Recommendations

2.1 Members are asked to:

- (i) Note the progress in relation to the Audit Recommendations agreed in June 24 Audit Committee including all actions have either been completed on-time or remain on target.
- (ii) Note that a further update report will be taken to June 25 Audit Committee.

3. Implications

3.1 Resource implications are detailed throughout this report.

3.2 Legal – In the event that a voluntary agreement is not reached, Section 13 Employment Rights Act 1996 entitles the Council to make deductions from an officer's wages for the purposes of reimbursement in relation to overpayment of wages. The Council may also seek to recover overpayments through court action.

3.3 Risks will be mitigated by the timeous notification of changes to the Payroll Team.

3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) – there are no implications.

3.5 Gaelic – there are no implications.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children’s Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a monitoring and update report and therefore an impact assessment is not required.

5. Follow-Up Actions Taken to Address Overpayments

5.1 The table below provides an update on the actions reported and agreed to this Committee in June 24. Positively, all actions have either been completed on-time or remain on target. 6 have been completed, 1 partially complete (part done, and part not yet due) and 3 which are not yet due.

Recommendations	Summary of work since June Audit	Current Status
H1 Payroll changes to be notified early and accurately. Late notification monitored.	<ul style="list-style-type: none">• Monthly Payroll briefing sessions are delivered.• MyView and budget checking incorporated into existing training provisions eg. Management Connections.• Traineasy catalogue updated with improved HR and new Payroll modules.• Comprehensive budget holder training developed and to be delivered monthly from December 24, including managers dashboard, monthly budget checks and access to staff records.• 6 monthly establishment checks using electronic Microsoft forms.• MyView App launched with Payroll check reminders.• Comprehensive training materials issued to Senior Managers and Trade unions for cascade to manual workers.• Lean lite Review undertaken of Joiners, Movers and Leavers process.• Payroll cut off dates published on The Highland Council site and via Viva Engage.• Regular HR and Payroll updates, guidance and advice published via Viva Engage.	Complete

H2 Determine whether large spans of control are increasing overpayments.	Analysis of current budget Holder (and Line management) span of control arrangements to review current practice and consider any amendments or actions as may be appropriate. This is on the basis that any real outliers identified earlier could be tackled. This action will be undertaken jointly between Finance and HR.	Due 31/12/24
H3 Reinstate sample checks on Payroll processing to identify training requirements. Managers to take responsibility to check that instructions to Payroll have been implemented.	<ul style="list-style-type: none"> • Sample checking of HR Forms reinstated. • Training needs identified and training provided accordingly. • Manager responsibilities have been documented in the budget holder training. • Reminders issued via Management Connections and Corporate Communications 	Complete Complete
H4 Remind employees of their responsibility to check accuracy of salary.	<ul style="list-style-type: none"> • As above - Reminders issued via Management Connections and Corporate Communications. • New contracts include a paragraph regarding recovery of overpayments. 	Complete
H5 Remind and train Managers regarding their responsibility to check salaries of their direct reports.	As above see H1	Complete
H6 Regular and strengthened Establishment checks	6 monthly establishment checks using electronic Microsoft forms.	Complete
H7 Align budget and salary processes to check for inaccuracy.	A review will be undertaken of the process to prepare salary budget profiles and confirm these against the 'establishment'. This will include the alignment of the new service structures and the implementation and development of the new Finance system.	Due 30/04/25
H8 Review and update Policy and procedures for recovery of Overpayments.	<ul style="list-style-type: none"> • Responsibility for recovery of payroll overpayments transferred from the People section to Revenues & Business Support. • A corporate payroll overpayment recovery policy implemented. 	Complete
H9 Standardise process function and skills to administer the recovery of overpayments.	<ul style="list-style-type: none"> • As above, see H8. • Monthly Dashboard presented to ACE's showing overpayments for their clusters. • Trend analysis reporting to track and monitor improvements. • Focused working group was formed with key stakeholders across the business. 	Complete

	<ul style="list-style-type: none"> • Dedicated resource to tackle backlog. • A review of the existing ledger coding structure will be undertaken to support systematic reporting and monitoring. 	Due 30/04/25
H10 Explore a system-based approach to the management of employee.	Process improvement is also currently being addressed as part of the HRPP Project and the Socitm review.	Due 30/04/25

5.2 A lean review has also been undertaken place on payroll processes specifically focused on preventing or improving early identification of overpayments. A summary of improvements which are being taken forward include:

- (i) Contractual change process - changes to HR forms will:
 - enable corporate finance colleagues to be notified of staffing changes from managers which will have budget implications to ensure staff are operating within budget
 - link manager email address to Global Address List to remove manual updating of record
 - be more user friendly and quicker to complete as only change information will be required
 - provide new e-form developed for establishment.
- (ii) Corrections to post to post reporting
 - new e-form developed and submitted to generic mailbox.
- (iii) Leaver process
 - change in process flow to enable payroll to more easily identify when overpayment is notified
 - payroll deadlines linked to leaver form.
- (iv) Improved communication on process HR form guidance
 - HR form guidance on MyView
 - information (video and poster) issued to staff to check payslips
 - revised process for establishment checks.

6. Administration of overpayments

6.1 The work on overpayment and recovery has been directed and overseen monthly by a group of Senior Officers across the Council. Moreover, the responsibility for the recovery of payroll overpayments transferred from the People section to Revenues & Business Support in June 24.

6.2 The process review identified that late notification to the Payroll Team of changes is the most common cause of overpayments.

- 6.3 Reflecting the work undertaken since the June 24 Audit Committee, the net value of overpayments being created is reducing. The estimated outturn for 24/25 is £472k compared to £614k prior year which is approximately 25% reduction. It is also important to note that £472k is 0.11% of the budgeted staff costs.
- 6.4 Proactive action is also being taken to collect all overpayments with repayment arrangements in place or being arranged. For example, for the period from April 24 to October 24, £76k of the £275k created has already been recovered with the balance in various stages of recovery.
- 6.5 As part of our ongoing monitoring and review process, it is proposed a further report will come back to the committee June 25 to assess the continued progress and effectiveness of the measures put in place

Designation: Assistant Chief Executive - Corporate

Date: 13/11/2024

Authors: Angela Mackenzie, Pay & HR Transactions Manager and Elaine Barrie, Head of People