



Children's



Endeavour



Trust

Salary Overpayment and Underpayment Policy

The Children's Endeavour Trust comprises:

- Abbot's Hall Community Primary School
- Bosmere Community Primary School
- Broke Hall Community Primary School
- Chilton Community Primary School
- Combs Ford Primary School
- Freeman Community Primary School
- Springfield Junior School
- Whitehouse Community Primary School

Document Control

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1. INTRODUCTION & PURPOSE

- 1.1 The Trust has a responsibility to ensure that employees are paid correctly, but on occasions overpayments and underpayments occur for a variety of reasons. When this happens the Trust will either recover the overpayment or make a payment in line with this policy.
- 1.2 Employees also have a responsibility to check their payslip for accuracy and advise their Headteacher when the payment is different to the expected contracted payment.
- 1.3 If an overpayment is considered to have been brought about fraudulently then the matter will be investigated.
- 1.4 This policy outlines the process that will be followed when a member of staff receives an incorrect salary or expense payment, including payment to third parties such as childcare vouchers.
- 1.5 The purpose of the document is to ensure that:
 - a) overpayments and underpayments are identified and either recovered or paid in a timely manner; and
 - b) a transparent, fair and consistent approach is followed when an incorrect salary payment is made.

2. SCOPE & DEFINITIONS

- 2.1 This document applies to all staff employed within, or ex-employees of The Children's Endeavour Trust and relates to payments made via the payroll.
- 2.2 For the purposes of this policy, a salary overpayment or underpayment covers any payment made through the payroll to an employee.
- 2.3 The Advisory, Conciliation and Arbitration Service (ACAS) advise an employer should not deduct money from their employee's wages without letting them know. Section 14 of the Employment Rights Act outlines an employer's right to recover a salary overpayment without the prior written agreement of the individual, if it is to recover an overpayment of wages or expenses.

2.4 The Theft Act 1968 indicates that although an individual may not set out to obtain additional salary intentionally, by keeping it and treating it as their own (i.e. spending it) they may be guilty of theft.

2.5 The following definitions are used within the policy:

2.5.1 **Error Types;** are the ways in which an employee can be incorrectly paid. They may include, but are not restricted to:

- An overpayment of salary;
- An underpayment of salary;
- An incorrect expense;
- A duplication of payment; and
- A deduction made in error.

2.5.2 **Overpayments;** are where an employee, or ex-employee is paid an amount in excess of their contractual entitlement. The likely causes of an overpayment include, but are not restricted to:

- A termination notification not being completed, received or actioned on time;
- Late or lack of notification of sickness absence;
- Staff not returning from maternity leave;
- An error being made;
- A late change notification; and
- Incorrect salary banding.

2.5.3 **Salary/Wages Adjustment** are amendments made to pay, to recover monies overpaid in the current or previous month only.

2.5.4 **Debt** is an unrecovered overpayment made to an ex-employee.

2.5.5 **Underpayments** are where an individual has received less pay than contractually due. The likely causes of an underpayment include, but are not restricted to:

- A variation to contract notification being submitted or actioned after the payroll cut-off date;
- A change of contract being notified late;
- An incorrect salary banding; and
- A late submission of expense claims, additional hours, etc.

2.5.6 **Basic Pay;** is an individual's contractual pay before any additions are added.

2.5.7 **Third party payments;** means a salary sacrifice made to a third-party provider, for example Childcare Vouchers etc.

3 ROLES AND RESPONSIBILITIES

3.1 **Employees** are expected to:

- Submit accurate claim forms in a timely manner;
- Ensure the current tax code issued by HM Revenue and Customs is being used for the calculation of their salary;
- Ensure they understand their salary entitlement;
- Check their annual salary statement from the Trust and also their payslip every month to ensure that it appears accurate; and matches the payment received within their bank/ building society account;
- Raise pay anomalies with their Headteacher using the payroll escalation process set out in paragraph 4.9;
- Escalate the matter where pay anomaly enquiries do not receive an adequate response from the Payroll Team within 10 days;
- Remain aware of their position and obligations under this policy for the resolution of overpayments of salary.

3.2 **Headteachers** have responsibility for ensuring this policy is fairly and consistently applied by those staff they manage. They are, furthermore, responsible for ensuring:

- Changes in employee contracts, including hours, bands, terminations and individual elements are completed by the Office Manager and approved on Access in a timely manner and before the pre-determined payroll deadline
- Additional hours claim forms are checked for accuracy and approved prior to forwarding to Office Manager for implementation.
- Employees are notified in writing of the changes to their contractual terms;
- The monthly pre-pay roll report is checked for accuracy and any pay errors are notified to the CFO/Payroll Assistant.

3.3 **Access Payroll** will ensure:

- that information received by the relevant cut-off date is input into ESR in an accurate and timely manner within the agreed roles and responsibilities for the trust;
- that robust checking processes are in place to identify and reduce over and underpayments;
- any payment errors are identified, and the trust is advised in a timely manner via pre-payroll reporting

3.4 **Office Managers** will ensure:

- additional hours and contract changes are input in the ESR system in a timely, accurate manner within payroll cut off dates
- Leavers forms and other relevant payroll forms are uploaded to Sharepoint in advance of payroll deadlines
- sickness absence and leave absence are recorded and administered correctly and closed appropriately
- Ensure that contracts and contract variations are completed, checked and distributed to employees.
- Ensure that contracts and variation to contracts are signed by employees and retained in their personnel files / online Access file.
- Will check pre-payroll reports and inform payroll of any errors or anomalies.

- Make sure payroll reports are authorised by Headteachers by payroll cut off dates

3.4 The Payroll Team will:

- Communicate payroll cut off dates to Office Managers;
- Ensure that changes received are input into the ESR system in a timely, accurate manner within agreed timescales for the Central Team;
- Ensure employees expectations are managed when discussing payment in relation to contractual changes;
- Will keep Office Managers informed during payroll periods and upload pre-payroll and final payroll reports in a timely manner in readiness for checking by Office Managers and Headteachers.

3.5 The Finance Team are responsible for:

- Raising invoices under this policy;
- Recording any overpayments in the trust's ledger and setting up a recovery process where it is not possible to recover via an individual's salary;
- Monitoring the recovery of all overpayments;
- Providing any information required by debt collection agencies or courts as appropriate in order that they may take relevant action; and
- Keeping track of informed authorised payments outside of normal payroll run on a monthly basis for audit reasons

3.6 Trust HR and People Committee are responsible for:

Ensuring that any significant overpayments or underpayments and any instances where fraud or theft is suspected are investigated

4 PROCESS REQUIREMENTS

4.1 Notification of overpayments and underpayments

4.1.1 Payment errors can be identified in several ways:

- the employee upon receipt of their salary identifies that an error has occurred;
- a member of the HR team may identify that an error has occurred;
- a member of the payroll team may identify that an error has occurred; and
- The Finance Team identifies that an error has occurred through budget management

4.1.2 If an individual fails to report an overpayment which they should have been aware of through for example, a check of their payslip, disciplinary action may be taken.

4.1.3 When an error in payment has been identified action should be taken as quickly as possible to rectify the error and update the HR record accordingly.

- 4.1.4 Discrepancies in pay relating to the underpayment or overpayment additional hours or contract changes must be logged with payroll through email (hr@cetrust.org.uk) or telephone (01473 455100).
- 4.1.5 Where an employee has received no pay or less than 100% of their basic pay (basic pay excludes enhancements or other additions), the query will be given a high priority status and payroll will respond within 3 working days. Calls relating to overpayments will also be responded to within three working days during term time or 5 days in the school holiday period.
- 4.1.6 All other calls will be responded to within one week.

4.2 Process for resolving overpayment errors (not third-party payments)

- 4.2.1 Once any relevant changes have been input onto the system, Access will calculate the amount of the payment error. Once the error has been verified as correct the pay adjustment process or overpayment process will begin.
- 4.2.2 If the error has occurred over a one- or two-month period, the circumstances of which the individual should have been aware of, the adjustment will be made automatically the following month.
- 4.2.3 The Payroll Team must ensure that the Headteacher is aware of the recovery and inform the employee and CEO in writing. Where the deduction will cause financial hardship an extended period of recovery can be negotiated and in accordance with paragraph 4.2.6
- 4.2.4 If the employee could not reasonably have known about the overpayment or the overpayment occurred over more than two months, the overpayment will be calculated as a gross value – this is the amount the Trust has overpaid, rather than the net amount (after tax, national insurance and pension) the employee has received. Calculating the gross value ensures that the overpayment can be processed by the Payroll Team with minimal delay. As the overpayment is recovered the ESR system will automatically reduce the employee's tax, national insurance and pension charge as appropriate.
- 4.2.5 Where a payment error has been made, the Payroll Team will write to the individual advising how the error has occurred and outline the repayment options. In all cases recovery will be sought.
- 4.2.6 Where an employee is unable to repay the full amount at the next pay interval, the overpayments team can agree a repayment for a period of up to one year.
- 4.2.7 If an individual requests a repayment period longer than one year, the matter will be referred to the CEO.

- 4.2.8 The individual will be expected to provide appropriate information to support a request for extended repayment terms before any decision is made. On receipt of this form an interview may be arranged with the individual to discuss the overpayment and why the repayment cannot be made. The individual has the right to be accompanied by a representative or workplace colleague.
- 4.2.9 Failure to attend this meeting without good cause will mean that a decision will be made on the basis of the information available at the time. In these circumstances and decision will be notified in writing within 5 working days.
- 4.2.10 If it is agreed to extend the period of the overpayment recovery beyond one year, any agreement will be in the form of a loan.
- 4.2.11 If the individual requests a recovery period in excess of twelve months or a period equivalent to that throughout which the overpayment accrued, whichever is soonest, the matter will be referred to the HR and People Committee. If the overpayment has occurred over a period of 24 months, discussion with the of HR and People Committee and CEO will take place to decide on the appropriate period of recovery.

4.4 Leavers

- 4.4.1 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. If the overpayment is greater than the final salary payment, immediate payment will become due prior to leaving the Trust. If no payment is made before leaving the Trust and no contact is made within 14 days of leaving, the matter will be referred to the Finance Team so that an invoice can be raised for the balance, and the debt recovery process can begin.

4.5 Ex-employees

- 4.5.1 When a payment error is identified for an employee who has already left the organisation, the pay assistant will calculate the net amount of the overpayment. Payroll will write to the ex-employee to explain the circumstance of the error and refer the matter to the Finance Team so that an invoice can be raised and debt recovery commenced.
- 4.5.2 If the ex-employee is unable to repay an overpayment immediately then the Finance Team may agree a repayment period of up to six months by standing order only. Repayments over a period of more than six months must be agreed with the CFO or CEO and relevant information will need to be provided to support a request for extended payment terms.
- 4.5.3 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.

4.6 Process for resolving third party payment errors

- 4.6.1 When a deduction due to a third party, for example in respect of childcare vouchers or cycle scheme has not been made, or has been deducted at an incorrect rate, either the Payroll Team or Finance Team will contact the individual in the first instance to arrange for the additional amount to be deducted in the next pay period.
- 4.6.2 Individuals should be aware that when an invoice has been raised, statements will continue to be issued each month until the debt is cleared, even if a recovery plan has been agreed and is being met.

4.7 Incorrect payments of Tax and National Insurance Contributions

- 4.7.1 The HMRC notifies Access of any underpayments of tax and national insurance contributions automatically. When the notification is received it is input into ESR by automatic data transfer and the adjustment is made in the next pay interval. The Trust has no discretion on these recoveries. Any queries must be addressed to HMRC directly.

4.8 Underpayments

- 4.8.1 Individuals should report underpayments of salary in the same way as stated in paragraphs 4.1.3 and 4.1.4, so that the relevant team can take any appropriate action.
- 4.8.2 If the employee has received less than 100% of their basic pay, see definition given in paragraph 2.2.10, a financial hardship payment may be made. Where appropriate authorisation will be sought from CFO before the payment is made. The CFO is responsible for advising on a monthly basis all underpayments known to the CEO. At the end of the next payment interval the arrears will be made, and the financial hardship payment will be recovered.
- 4.8.3 If the underpayment is due to some other reason then the payment will be made at the end of the next payment period. Hardship payments will not be considered for non-payment of additional hours.

4.9 Escalation Process

- 4.9.1 If an employee does not receive a response from the Payroll Team within the timescales specified in paragraphs 4.1.5 and 4.1.6 the employee should in the first instance approach their headteacher, who will in turn make contact with the Trust team. They will try to resolve the issue, but if this is not possible they will escalate the matter to the CEO for review.