Salary Overpayments Benchmarking Providers

Introduction

Employers have a duty to determine employees' pay correctly. Controls are therefore needed to ensure payments made to employees are accurate and overpayments are avoided. However, sometimes errors occur resulting in incorrect salary payments to employees. Where overpayments do occur, controls should be in place to identify and recover them promptly.

This benchmarking will assist organisations in assessing their level of overpayments and arrangements by comparison to others. Benchmarking often indicates the questions that should be asked rather than providing all the answers. For example, a low level of overpayments could mean either:

- preventative controls are highly effective and that overpayments are not happening, or
- detective controls are weak, and overpayments are not being identified.

The number of overpayments can be an indication of issues with financial management. Audit findings have identified previously that overpayments occur due to a lack of prompt management action, and our benchmarking over the years has consistently identified this as the main cause for overpayments.

360 Assurance, Audit Yorkshire and MIAA are three NHS Internal Audit consortia and we have worked collaboratively to review a broad range of providers across our constituent regions. This report compares the salary overpayments of 35 organisations across the Midlands, Yorkshire and the North-West, being 18 acute and 15 non-acute providers and 2 ambulance services. We reviewed gross salary overpayments data, for the financial years 2022/23, 2023/24 and 2024/25. The combined total of overpayments in 2024/25 was £10.5 million.

Key Findings

- 18 organisations reported an increase in the number of overpayments during the past year, 15 reported a decrease and 2 reported no change.
- The most common reason for overpayment is late notification of staff leavers.
- In 2024/25, 10 organisations made payments to individuals who never commenced their employment.
- The use of specific forms to notify of leavers appears to be effective, with the lowest number and value of overpayments reported by organisations where these are used. However, one organisation uses a combination of Manager Self Service and forms and has a significantly lower value and number of overpayments compared to others.
- A number of organisations have a formal oversight committee or group and the percentage of overpayments recovered is consistently higher where formal oversight is in place.

Overpayments per 1,000 Whole Time Equivalent (WTE)

The charts below present the total number of overpayments and the total value per 1,000 WTE for each organisation, sorted from the highest to lowest amounts in 2024/25, with equivalent values for 2022/23 and 2023/24 to see the trend.

Number of overpayments per 1,000 WTE


Overpayments value per 1,000 WTE
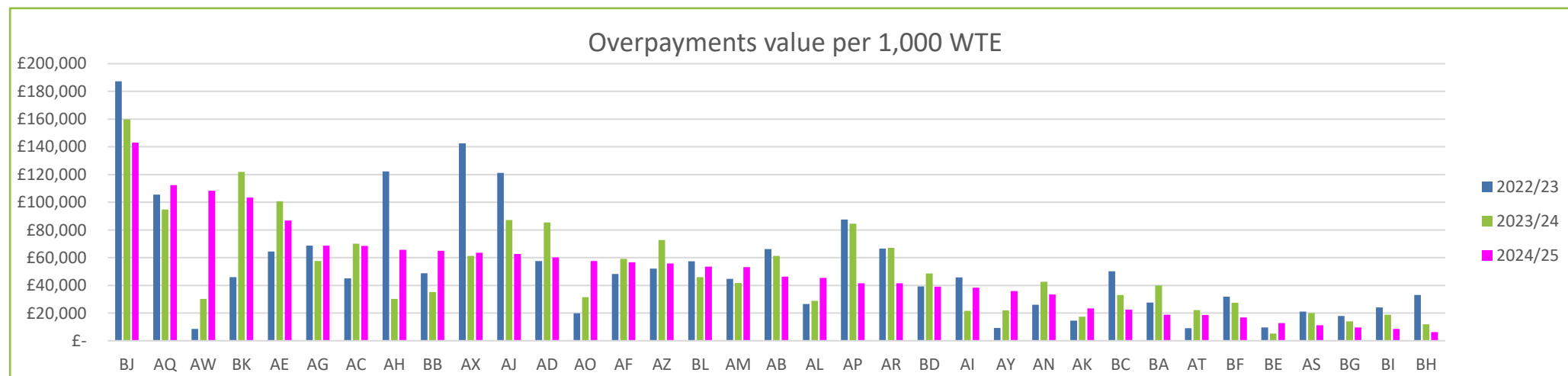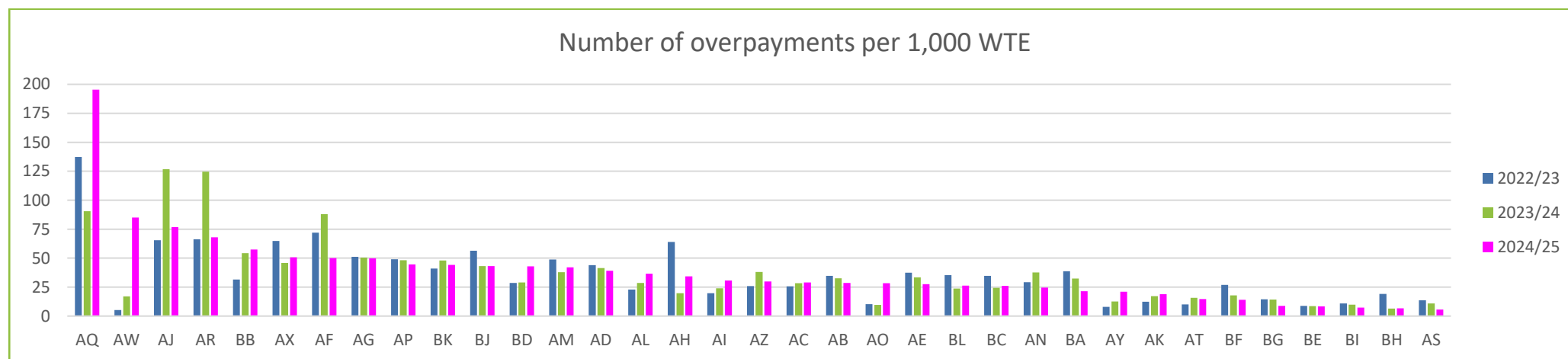
(Note: Not all organisations provided WTE workforce figures for each year. For consistency and simplicity we have calculated the overpayments per 1,000 WTE staff using the latest WTE figure provided. For those organisations that have provided WTE figures for all three years, this may mean there is a marginal difference between overpayments divided by the actual WTE figure and the figure used in this report.)

The chart below shows the average overpayment value, ordered from highest to lowest based on the 2024/25 value. Where an organisation has a low value of overpayment per individual this could indicate a process error that affected a large number of employees in a particular month and/or that overpayments are detected swiftly after the error has occurred.

Average value per overpayment
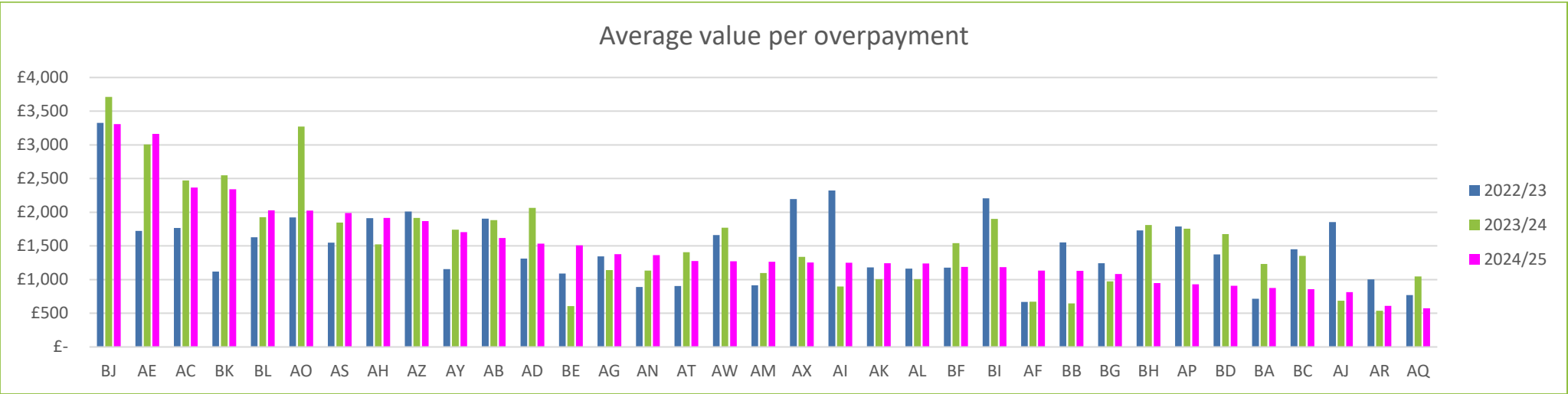
The chart below shows the change in overpayment value over the last year from 2023/24 to 2024/25.
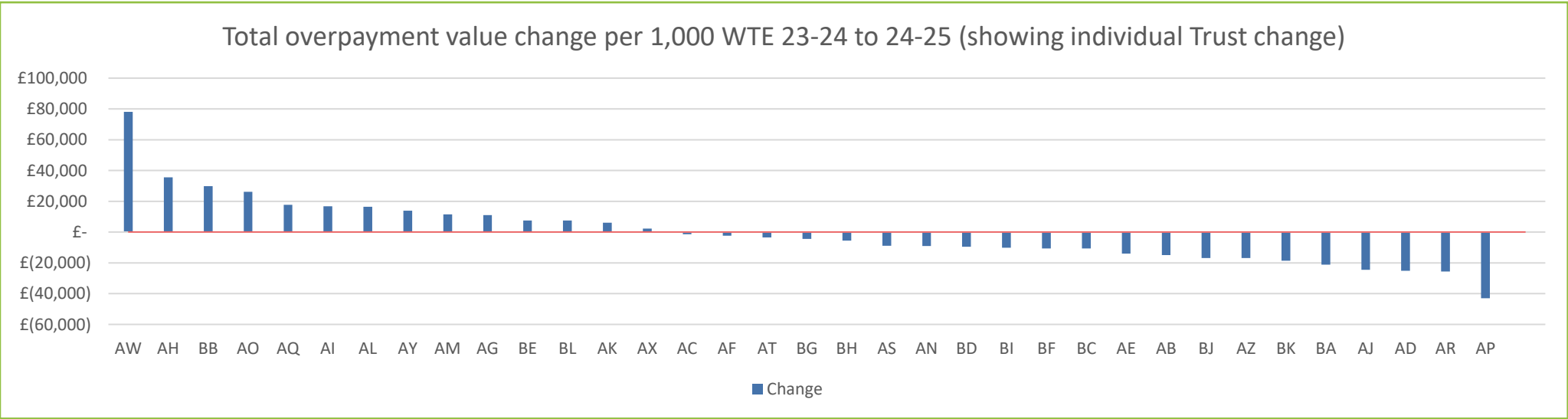
Total overpayment value change per 1,000 WTE 23-24 to 24-25 (showing individual Trust change)

Financial Year	Organisation Type	Average value of OP per 1,000 WTE	Average number of OP per 1,000 WTE
2022/23	All	£49,485	35
	Acute	£50,143	34
	Non-acute	£51,636	40
	Ambulance	£25,015	16
2023/24	All	£53,751	39
	Acute	£55,823	34
	Non-acute	£47,893	46
	Ambulance	£22,871	18
2024/25	All	£47,264	33
	Acute	£51,828	30
	Non-acute	£42,573	41
	Ambulance	£23,370	19

The table on the left shows that although acute and non-acute providers were largely aligned in respect of overpayments value per 1,000 WTE in 2022/23 this has broadened in the last two years with non-acutes now showing a £9,000 lower average value, despite having a higher volume of overpayments than acutes. Both provider types have significantly higher average values compared to the ambulance services. Over the period the average value of overpayments per WTE has marginally decreased.

Nine out of 35 organisations achieved a reduction in the value of overpayments during both of the past two years. Five organisations reported an increase in the value of overpayments during both of the past two years. The majority (21 organisations) experienced an increase and decrease in either year.

Reasons for overpayments

Our analysis of the data indicates the most common reason for overpayment is late notification of staff changes affecting pay (such as staff leavers). This has been the case in previous years' benchmarking reports and shows that despite a focus on this area it continues to be a seemingly intractable issue. Across the period eight to ten organisations each year reported paying individuals who never commenced their employment.

Number of overpayments per 1,000 WTE by reason

Chart showing bars for Acute, Non-Acute, and Ambulance across categories: Late Notification (Acute ~16.5, Non-Acute ~20, Ambulance ~14.5), Payroll Error (Acute ~2.5, Non-Acute ~6.5), Employee never attended (Ambulance ~0.5), Other (Acute ~8, Non-Acute ~14). Y-axis 0 to 25.

Legend: ■ Acute ■ Non-Acute ■ Ambulance

Average overpayment value per 1,000 WTE by reason

Chart showing bars for Acute, Non-Acute, and Ambulance across categories: Late Notification (Acute ~£30,000, Non-Acute ~£22,000, Ambulance ~£17,000), Payroll Error (Acute ~£4,000, Non-Acute ~£6,000), Employee never attended (Ambulance ~£1,000), Other (Acute ~£5,000, Non-Acute ~£6,000). Y-axis £- to £40,000.

Legend: ■ Acute ■ Non-Acute ■ Ambulance

Points for consideration

To avoid unnecessary overpayments due to late notifications, how does your organisation hold managers to account?

How easy is it for managers to notify payroll swiftly that an employee has resigned?

Is there a requirement for managers to confirm to HR/payroll that new employees have commenced in employment?

Comparing the impact of different payroll processes

We asked organisations how payroll changes are actioned, the responses are summarised in the table to the right.

Manual/ electronic forms	ESR Manager Self-Service	Combination of manual and ESR Manager Self-Service
22	12	1

Number of overpayments per 1,000 WTE by reason and change action method (2024/25)
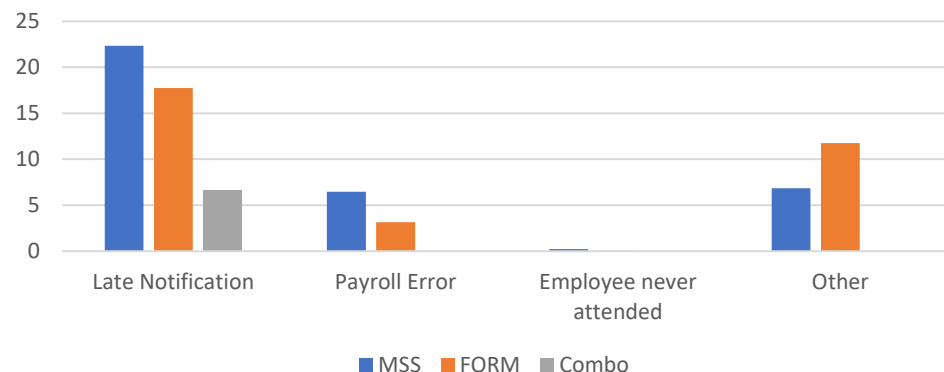
From a review of the data there does not appear to be a correlation between use of ESR Manager Self Service (MSS) or forms and the level of overpayments. However, the organisation using a combination of both forms and Manager Self Service has a comparatively low value of overpayments per 1,000 WTE and number of overpayments per 1,000 WTE (being in the lowest 4 organisations for 2024/25).

The chart to the left shows the reasons for overpayments and the processes that are in place. It shows that late notifications are the most significant reason for overpayments.

Points for consideration

Use of ESR Manager Self-Service may not eliminate the number of late notifications or payroll errors; managers are still responsible for timely completion of the process. The data shows that a combination of using MSS and the option to submit a manual or e-form may be the optimum method for getting the engagement of busy managers.

Overpayments recovered

Any organisations that did not provide data for the amounts recovered were excluded from the following comparisons; this exercise therefore includes 31 organisations.

Please note that we present the information as 'percentage of overpayments recovered'. Organisations reported the total value of overpayments in 2022/23, 2023/24 and 2024/25, and also the value of overpayments recovered in each of those three years. The two values are unlikely to correlate (ie some of the value reported as recovered during 2022/23 may relate to overpayments that happened in an earlier year). Despite this, we consider this to be the most meaningful way to present this information.

The rate of repayment across organisations has varied only slightly from 60% in 2022/23 increasing to 64% in 2023/24, and reverting to 60% in 2024/25. This suggests that a significant proportion (over one third) of salary overpayments are not being recovered by organisations.

Organisations with formal oversight

21 organisations reported that they maintain formal oversight of overpayments in the form of a committee or working group. The data shows that those organisations with a formal oversight committee or working group recovered more overpayments. This pattern has been consistent across each of the past three years. The number of overpayments occurring does not appear to be reduced where formal oversight is in place the values having fluctuated across the time period reviewed.

Average number of overpayments per 1,000 WTE by whether formal oversight is in place

% of overpayments recovered with/ without formal oversight
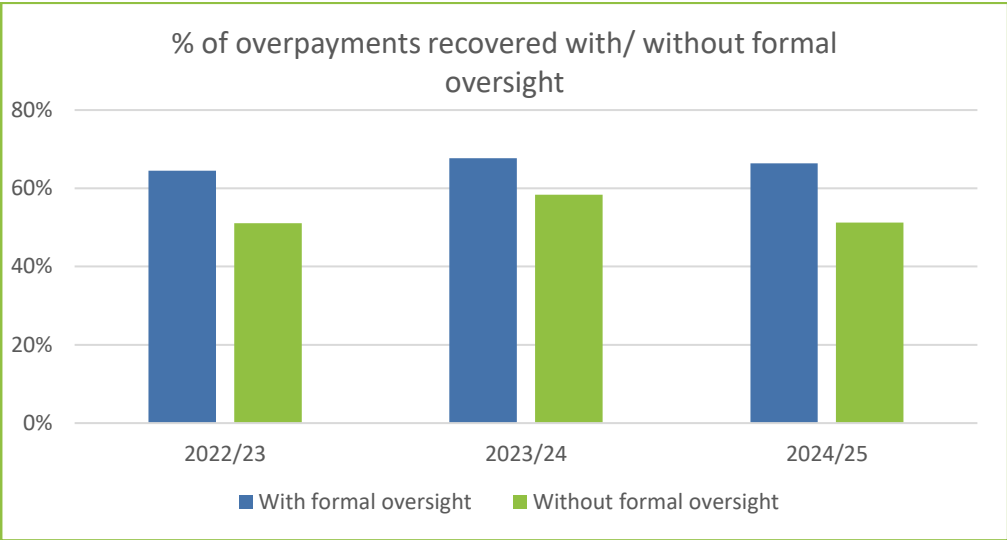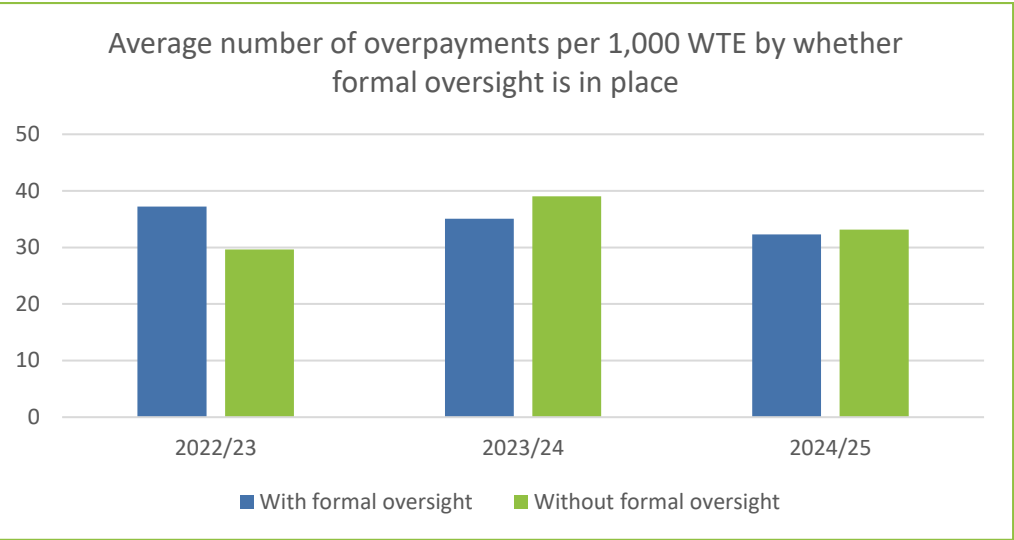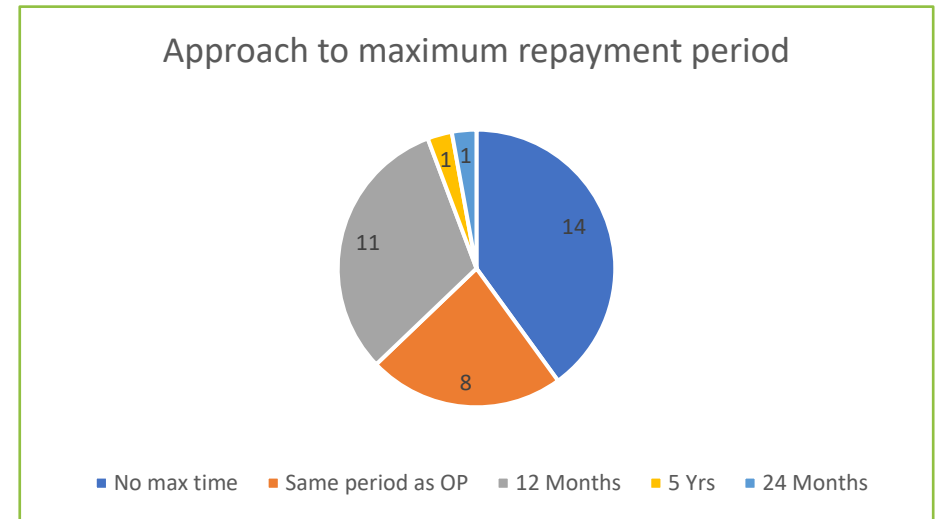
Points for consideration

Does a committee or working group have oversight of your overpayments with responsibilities for reviewing the root causes of overpayments and ensuring repayment terms match the needs of the organisation?

Comparison of repayment periods

We asked about repayment periods across organisations. The chart indicates the responses provided from 35 organisations.

Half of organisations responded that they did not define a maximum time period. Of those that defined a period, the most common approach was equally to seek recovery over the same period of time that the overpayment arose and to seek recovery over 12 months.

One organisation advised that they defined a maximum of five years.

Approach to maximum repayment period

Legend: ■ No max time ■ Same period as OP ■ 12 Months ■ 5 Yrs ■ 24 Months

Values shown: 14, 8, 11, 1, 1

Initiatives to reduce overpayment

Organisations were asked about initiatives in place to reduce overpayments. The greatest focus group for organisations was managers and, specifically, reminding managers to complete processes in a timely fashion and how these processes could be made simpler. Actions included:

- *Establishing overpayments working group to tackle the issue*
- *HR deducting all outstanding salary sacrifice items from the last payslip if they are a leaver*
- *Reporting overpayments to Finance Committee/Board*
- *Reporting overpayments to Workforce Group/Committee to help reinforce manager accountability, rather than overpayments being seen as just a financial control issue*
- *Education of managers in training sessions and reminders*
- *Notifying managers of individual employee overpayments to support learning from errors*
- *Reporting overpayments to head of service on a monthly basis*
- *Acting on change/ leavers notification on submission even if incomplete*
- *Use of 'a power app for submitting change/termination forms and then some changes made automatically by bot and others manually'*
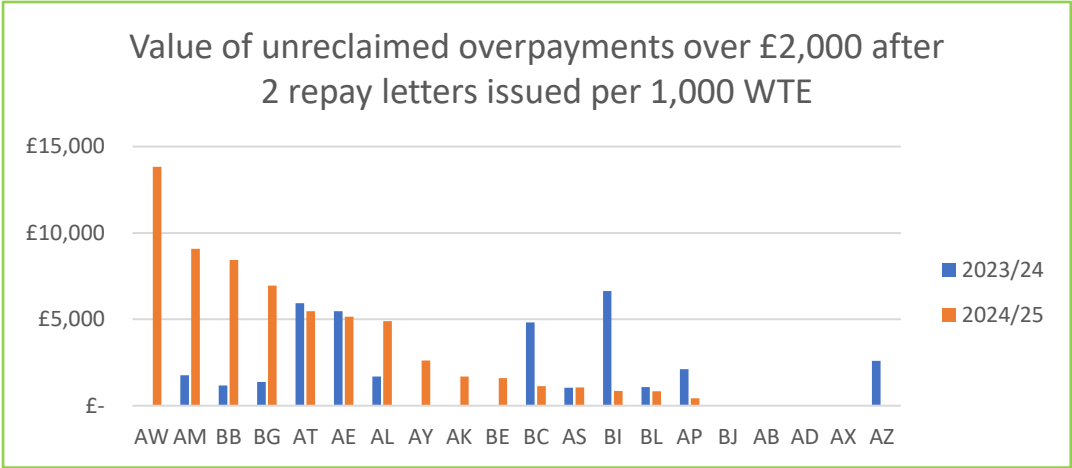
Reporting and recharging to divisions

We asked organisations to confirm whether overpayments were reported to divisions and if they were recharged to divisions. The majority of organisations reported that overpayments are recharged back, but a number reported that they did not report back to divisions even though the overpayments were charged back to them.

	Yes	No
Overpayments reported to divisions	13 (39%)	20 (61%)
Overpayments recharged to divisions	15 (50%)	15 (50%)

Counter Fraud assistance

We asked organisations if they had individuals that owed in excess of £2,000 that have failed to engage to repay after two letters had been issued. 20 organisations replied that they had individuals where this is the case, as identified in the chart. Where no corresponding value is shown these organisations did not provide values. Where your organisation has not identified these it may be that they are not collecting the data on this, not necessarily that there are no cases of this type. Your counter fraud specialist may now be able to assist in the recovery of these amounts by contacting the individuals in writing on behalf of your organisation. A pilot study undertaken across the Hampshire and Isle of Wight System has shown positive outcomes in this respect.

Value of unreclaimed overpayments over £2,000 after 2 repay letters issued per 1,000 WTE