

Agenda Item	5
Report No	AC/9/25

# The Highland Council

**Committee:**           **Audit Committee**

**Date:**                 **28 May 2025**

**Report Title:**       **Salary Overpayments Update**

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

## 1.       **Purpose/Executive Summary**

- 1.1       The purpose of this report is to provide the Audit Committee with a follow up on the salary overpayments which initially were reported by Audit Scotland in their annual audit report. Today's report provides an update on the ongoing progress and effectiveness of the measures to mitigate salary overpayments, following the audit report on the Review of the Payroll Control Environment originally considered at this Committee on 13 June 2024. At the Audit Committee on 28 November 2024, Members considered the progress which confirmed that all actions had either been completed on time or remained on target. This report provides Members with a further update.
- 1.2       The overpayment figure for 2024/25 is £624k compared to £614k prior year as reported by Audit Scotland. The comprehensive work that has been undertaken in 2024/25 in response to the Audit will have impacted on the level of overpayments recorded. Members are reminded that the Highland Council's staff costs for 2024/25 are £457.4m giving a payment accuracy rate of 99.86% in 2024/25. This report also includes updates on improvements to collection of overpayments, which when taken into account reports that the balance of unrecovered overpayments recorded in 2024/25 is 0.07% of the staff costs.
- 1.3       It has been established that 66% of overpayments are due to late notification of changes to the Payroll section. 68% of overpayments are in respect of employees who are currently employed by the Council with 32% who have left.

## 2.       **Recommendations**

- 2.1       Members are asked to:
  - i.       **Note** the progress in relation to the Audit Recommendations agreed at June 2024 Audit Committee including all actions are now completed.
  - ii.      **Note** that a further report will be brought to the November 2025 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 Risk – 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. Progress and Actions**

- 5.1 Progress and actions have been directed and overseen by senior officers across the Council. Positively, all Audit actions agreed in the report June 2024 have been completed.
- 5.2 In addition to the completion of the agreed actions a comprehensive lean review was undertaken specifically focused on identifying 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.

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.
- (iv) A new monthly newsletter launched in April 2025 issued to all managers to remind them of their responsibilities and importance to send timely data to payroll

5.3 Responsibility for the recovery of payroll overpayments transferred from the People section to Revenues & Commercialisation in June 2024.

5.4 The table below details the overpayments in 2024/25 per Cluster. It also includes for comparative purposes the percentage of staff costs per Cluster of the total Highland Council sums. Clusters do vary in terms of the number of staff, nature of services delivered and operating environment including locations, and such contextual data can help critically appraise performance.

Cluster	24-25	% of total	% of total THC staff costs
Corporate	£12,129	2%	7%
People	£434,999	70%	65%
Place	£177,336	28%	28%
<b>Total</b>	<b>£624,464</b>	<b>100%</b>	<b>100%</b>

5.5 It is important to note that the majority of notifications to payroll are submitted timeously delivering a 99.86% payment accuracy rate. However, work undertaken has identified late notification to the Payroll Team of changes is the most common cause of overpayments, accounting for 66% of all overpayments with 11% being attributable to incorrect information being provided.

5.6 As detailed earlier, further communication and training for managers has taken place and will continue. Salary overpayments were discussed at the recent Extended Corporate Management Team meeting chaired by the Chief Executive and attended by ACEs, COs and senior managers. Salary overpayments have also been discussed at the Operational Management Team meetings which includes managers across the whole of Highland. Furthermore, senior managers within the Education Service have been engaging directly with Head Teachers as part of regular meetings to highlight the importance of submitting information to payroll timeously.

5.7 Information has been provided to Clusters on the details of overpayments including timelines achieved. Within the Education service new line management and support

arrangements for Head Teachers are currently being implemented and will assist in continuing to ensure that overpayments remain a focus for improvement.

- 5.8 As reported earlier the Revenues & Commercialisation section has assumed responsibility for the collection of overpayments that are invoiced. The overall collection rate for overpayments is 49%, which itself is an improvement on the 28% last reported to Audit Committee in November 2024. The balance of the debt is in various stages of recovery.
- 5.9 Discussions with the Trade Union representatives are ongoing and are constructive, helping to inform our future performance.
- 5.10 Significant work has been undertaken in 2024/25 in response to the Audit Report from June 2024 including detailed quality and establishment checks. This work should therefore help influence improved performance during 2025/26. Members should note that the overpayments in April 2025 amount to £14.6k compared to £65.8k for April 2024.
- 5.11 As part of our ongoing monitoring and review process, it is proposed a further report will come back to the Committee in November 2025 to assess the continued progress and effectiveness of the measures put in place.

Designation: Assistant Chief Executive - Corporate

Date: 14 May 2025

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