

# The Highland Council

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| Agenda Item | 6        |
| Report No   | AC/25/25 |

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

**Date:**                   **12 November 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 building on the previous progress reports presented to this Committee on 28 November 2024 and 28 May 2025. Members are reminded that this work follows the audit report on the Review of the Payroll Control Environment originally considered by this Committee on 13 June 2024.
- 1.2 For 2024/2025, total overpayments amounted to £624k giving a payment accuracy rate of 99.86%. Overpayments for 2025/2026 to 30 September 2025 are £224k delivering a payment accuracy rate to 99.91%. Overpayments for the period April 2024 to September 2024 were £287k.
- 1.3 In delivering one of the 10 high recommendations reported in the Audit report, recovery responsibilities were transferred to the Revenues & Commercialisation team to support recovery of the 0.14% overpayments (as a % of total staff costs) for 2024/2025 and the 0.09% overpayments for 2025/2026. Notable improvements include tracking and collection processes. More than 60% of overpayments have been collected with the remainder at various stages of recovery / plans.

## **2. Recommendations**

- 2.1 Members are asked to:
  - i. **Note** the progress made including a payment accuracy rate of 99.91% for 2025/2026 for the period to September 2025.
  - ii. **Agree** that a report is taken to the Audit Committee on 27 May 2026 which will report on 2025/2026 performance.

## **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. Additional measures implemented**

- 5.1 Previous progress reports have included details of the work being done to support the delivery of improved performance. These include the completion of the agreed actions, a comprehensive lean review undertaken specifically focused on identifying overpayments and various others such as reviewing the leaver process and communications. It is important that the commitment to continuous improvement remains and this section outlines the further efforts being undertaken.
- 5.2 An enhanced management dashboard widget in MyView now enables managers to view information that has been saved but not yet submitted to payroll.
- 5.3 Additional reporting checks have been introduced and integrated into the payroll process to monitor and action instances where information has been saved but not submitted for payroll processing.
- 5.4 In response to views expressed by Members at May's Audit Committee, the monthly newsletters now includes an ongoing theme centred on overpayments, with practical guidance for managers on how they can help reduce them.
- 5.5 Twice yearly establishment checks are underway, during which managers review their direct reports to confirm the accuracy of contracted hours, annual salary, and other key employment details. These checks are essential for maintaining data integrity, ensuring correct pay, and supporting effective workforce planning. The next round of establishment checks is scheduled for March 2026.

- 5.6 The primary cause of salary overpayments is late notification to the Payroll Team. Given that notice periods are in place, whilst the payment accuracy rates are high there is always the opportunity to improve. The approach being followed includes raising awareness of notice periods, payroll cut-off dates, and manager responsibilities. Detailed information is shared with the relevant Assistant Chief Executive as to overpayments in particular late notifications and supports conversations with said managers as required.
- 5.7 Key messages are being reinforced through newsletters and Viva Engage reminders. Salary overpayments performance is also discussed at Operational Management Team meetings chaired by the Chief Executive and at Cluster Service Management Team meetings chaired by the Assistant Chief Executives.
- 5.8 We continue to work closely and collaboratively with trade union representatives to ensure effective communication and shared understanding on key issues. Their cooperation throughout this whole process is appreciated and has undoubtedly contributed to the material improvements being delivered in this service area.

## 6. Overpayments

- 6.1 The table below shows the overpayments during the period April to September for 2024/25 and 2025/26 and positively reports a reduction.

| Overpayments |           |           |          |
|--------------|-----------|-----------|----------|
| April – Sept | 2024/2025 | 2025/2026 | Change   |
| YTD Total    | £287,034  | £223,884  | –£63,150 |

- 6.2 The next table provides this information at a Cluster level and also Cluster and Council payment accuracy rates. It also includes an initial estimate to year end of £447k compared to £624k prior year. With the ongoing efforts as detailed in this report, it is envisaged that this further reductions in overpayment could be delivered.

| Overpayments | To Sep 2025 (£) | 2025/26 (pro rata) (£) | % overpaid   | Accuracy         |
|--------------|-----------------|------------------------|--------------|------------------|
| Corporate    | 5,125           | 10,250                 | 0.03%        | 99.97%           |
| People       | 179,654         | 359,308                | 0.12%        | 99.88%           |
| Place        | 39,104          | 78,208                 | 0.06%        | 99.94%           |
| <b>Total</b> | <b>223,883</b>  | <b>447,765</b>         | <b>0.09%</b> | <b>99.91%</b>    |
|              |                 |                        |              |                  |
|              |                 |                        |              | 2024/2025 99.86% |

- 6.3 Notwithstanding the high payment accuracy rates as detailed above, the primary reason for salary overpayments is late notification of changes etc. to Payroll. As reported at section 5 detailed information is shared with the respective Clusters to enable them to better understand performance and to take proactive steps to support

improvements. Positively, payment accuracy rates are high and improvements are also being delivered.

## **7. Recovery**

- 7.1 The transfer of responsibility for Salary Overpayment recovery from Payroll to Revenues & Commercialisation in June 2024 has enabled more effective tracking, monitoring, and collection. This change has resulted in improved oversight and more effective recovery processes. The recovery rate exceeds 60% with the remainder either included in recovery plans or actively being pursued by the Revenues & Commercialisation team.

Designation: Assistant Chief Executive - Corporate

Date: 29 October 2025

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