

The Highland Council

Agenda Item	5
Report No	AC/8/26

Committee: Audit Committee

Date: 27 May 2026

Report Title: Salary Overpayments Update

Report By: Assistant Chief Executive - Corporate

1 Purpose/Executive Summary

The purpose of this report is to provide Members with an update on payroll overpayments, payment accuracy, and the effectiveness of controls in place for the recovery of overpayments.

Total net overpayments have reduced from £624,464 in 2024/25 to £545,770 in 2025/26, representing a reduction of £78,694 (13%) with all three Clusters reporting reductions.

For 2025/26, overpayments represent 0.11% of the total staff costs budget, delivering an overall payment accuracy rate of 99.89%, an improvement on 99.86% in 2024/2025.

Recovery rates now exceed 70%, with remaining balances actively pursued.

These results provide assurance that payroll accuracy remains high and continues to improve, supported by strengthened controls, improved data quality, and recovery measures.

2 Recommendations

2.1 Members are asked to:

- i. **Note** the positive payment accuracy, which increased to 99.89% in 2025/26.
- ii. **Note** the reduction in overpayments across all three Clusters compared to 24/25.
- iii. **Agree** that performance information will continue to be shared with Cluster Management, and that appropriate action will be taken to support the Payroll Team being advised timeously of all changes. The sharing of performance information will be included in future Cluster performance reports presented to strategic committees.

3 Implications

- 3.1 **Resource** - Implications are detailed in section 5 of the report.
- 3.2 **Legal** - In the event that a voluntary agreement is not reached to reclaim the overpayment, Section 13 Employment Rights Act 1996 entitles an employer to make deductions from an employee'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 and establishment checks.
- 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 Overpayments Update

5.1 Total Net Overpayments – Year Comparison

The table below shows the overpayments for 2024/25 and 2025/26 showing a reduction of £78,694 compared to the previous financial year.

Table 1: Total Net Overpayments – Year Comparison

Category	2024/25	2025/26	Difference
Total Net Overpayment	£624,464	£545,770	-£78,694

5.2 Overpayments 2025/26 – Cluster Level and Accuracy

For 2025/26, the table below shows that the total overpayments are £545,770 and represent 0.11% of the total staff costs budget of £498.5m, delivering an overall

payment accuracy rate of 99.89%. This reflects an improvement on the 2024/25 accuracy rate of 99.86%, with consistently high performance across all Clusters (ranging from 99.87% to 99.98%).

	Staff Costs	Overpayment £	% Overpaid	2025/26 Accuracy	2024/25 Accuracy
2025/26	£498,481,000	£545,770	0.11%	99.89%	99.86%
Cluster					
Corporate	£37,391,000	£6,815	0.02%	99.98%	99.96%
People	£319,885,000	£403,786	0.13%	99.87%	99.85%
Place	£141,205,000	£135,169	0.10%	99.90%	99.86%

5.3 Year-to-Date Overpayment Comparison – split by Cluster

All three Clusters have recorded reductions in salary overpayments in 2025/26.

The table below sets out the year-to-date net overpayment position by Cluster, highlighting the improvement achieved across all areas.

Category	2024/25	2025/26	Difference
Total Net Overpayment	£624,464	£545,770	-£78,694
Corporate	£12,130	£6,815	-£5,315
People	£434,999	£403,786	-£31,213
Place	£177,335	£135,169	-£42,166

5.4 Percentage of Salary Overpayments in Relation to Percentage of staff costs

The table below shows staff costs and salary overpayments, per Cluster. Whilst Corporate and Place Clusters report salary overpayments at a rate lower than their respective share of staff costs, People report a higher % (64.2% of the staff costs; 74% of salary overpayments created).

People Cluster is the largest Cluster in the Council, comprising Education and Health & Social Care. On further analysis the split between the 2 Services is:

- Education has 54% of the staff costs bill and 62.8% of the Council's total salary overpayments.
- Health & Social Care has 10.2% of the staff costs and 11.2% of the Council's total salary overpayments.

Cluster	Staff Costs	% Staff costs	Overpayments (£)	% OP
Total staff costs	498,481,000			
Corporate	37,391,000	7.5%	6,815	1%
People	319,885,000	64.2%	403,786	74%
Place	141,205,000	28.3%	135,169	25%
Total overpayments			£545,770	

Late Notification Analysis: Notwithstanding that overall payment accuracy is high at 99.89%, 0.11% of payments are paid inaccurately. A comprehensive analysis undertaken confirms that late notifications is the principal cause for salary overpayments accounting for 60% of inaccurate payments. Detailed analysis is shared regularly with the respective Assistant Chief Executives across each cluster. Actions taken by clusters include directive guidance, training and potential escalation through capability procedures where payroll deadlines are repeatedly not met. These actions emphasise the importance of timely and accurate notifications.

6. Key activities supporting these improvements include:

6.1

Since the completion of the audit in May 24 a range of actions has been implemented to improve salary overpayment performance, and these have been reported to this Audit Committee on 28 November 24, 28 May 25 and 12 November 25. These updates include:

- completion of all agreed audit recommendations/actions
- a targeted lean (process) review
- strengthened leaver processes
- enhanced management information
- new MyView dashboard functionality
- additional payroll checks to support earlier identification and prevention of overpayments
- overpayments remain a key focus through regular monthly newsletters and other communications such as Viva Engage reminders, twice-yearly establishment checks, senior management oversight, and mandatory budget-holder training, supported by enhanced CiA dashboards
- ongoing engagement with trade unions continues to support effective communication and shared understanding

6.2

Establishment Checks: The first establishment check for 2026 is currently underway, with a second check scheduled to take place in October 2026. Managers verify establishment data such as contracted hours, start and finish dates, and grades. Overpayments can also be identified through this process, with the accuracy of data held improved.

6.3

Members may be aware of the Council's HR and Payroll Programme that includes a significant review and changes to the way in which existing ICT is used as well as seeking to make best use of the new enhancements available in our software. This offers numerous benefits including the recording of staff data and administering pay by automating a range of processes. The programme aims to improve system capability through enhanced self-service functionality, greater empowerment to managers, real-time processing of information, and a reduction in double handling, thereby lowering the risk of errors and overpayments. **As with any system, the accuracy and timeliness of information entered is critical.** To minimise the risk of overpayments, service users must ensure the system is updated promptly and that information is accurate at the point of entry.

7. Recovery

7.1

The transfer of responsibility for salary overpayment recovery from Payroll to Revenues & Commercialisation in June 2024 has strengthened the tracking, monitoring, and collection of overpayments. This change has improved oversight and enhanced the effectiveness of recovery activity. The recovery rate now exceeds 70% and is expected to continue to increase as the financial year progresses, with the remaining balances either subject to agreed recovery plans or actively being pursued by the Revenues & Commercialisation team. As a result, the outstanding balance represents the equivalent of approximately 0.03% of total staff costs.

Designation: Assistant Chief Executive - Corporate

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Background Papers: None

Appendices: None