




LIGHTHOUSE
SCHOOLS PARTNERSHIP

Recovery of Salary Overpayments and Correction of Underpayments of Salaries Policy

Non-Statutory

Policy approved by Trust Executive Team	
Signed: 	Date: 6 October 2025
Name: Gary Lewis	Role: CEO

Document History

Version	Author/Owner	Drafted	Comments
1.0	Clare Sanders	June 2016	
2.0	Clare Sanders	July 2017	Policy amended - Added Policy applies to LSP Central Team.
3.0	Louise Malik	March 2021	Scheduled policy update
4.0	Louise Malik	Summer 2023	Scheduled policy update
5.0	Natalie Fear	Summer 2025	Scheduled policy update

Review cycle	Biennial
Review date	Summer 2027

This policy applies to all schools and employees within the Lighthouse Trust Partnership.

This policy remains valid, and in operation, until a new or updated policy is published.

1. Definition

An overpayment or underpayment of salary can arise for a number of reasons such as:

- an administrative error
- Where a contractual change has occurred outside of / or missed the deadline to be reflected in the next pay period
- a misinterpretation of the conditions of service or statutory provisions
- the identification of a demonstrably incorrect salary point/grading
- wilful misrepresentation of relevant information by or on behalf of employees
- advance estimations of pay over holiday periods

The Trust operates the following policy in relation to salary overpayment and underpayments:

2. Salary Overpayments and Recovery Principles

Upon discovering an overpayment, the School Business Manager or Business Partner will make immediate arrangements to correct it, and to ensure that the employee concerned is appropriately notified and paid correctly thereafter. The Trust's procedure for dealing with specific overpayments is as follows:

Overpayment	Recovery	Notes
Income Tax	Full amount	Incorrect deduction of income tax - As directed by her Majesty's Revenue & Customs (automatic recovery via gross to net calculations)
Sick Pay	Full amount	Failure to supply medical or self-certification after 10 days of the first day sick will result in any overpayment being deducted in full from pay
Holiday Pay	Full amount	When the employee has taken more than their entitlement
Pay and Other Conditions	Full amount	The rate of recovery of the overpayment will be as set out in paragraph 3

NB: The above are illustrations of some specific overpayments and recovery principles; there are many other situations where an overpayment can occur, each having similar recovery principles.

3. Recovery Action

Once an overpayment has been established, the School Business Manager or Business Partner must discuss the recovery with the individual (and their trade union representative if required), as outlined in the individuals Contract of Employment. The individual or individuals will be advised of the recovery process and timescale

taking account of the value of money involved, the timescale of overpayment and to minimise hardship.

Note: Agreement with the employee is not a requirement to proceed with the recovery.

As a general rule, except where the amount is below £20 or the employee agrees to a higher rate of recovery, the rate of recovery should not exceed the rate of overpayments (for example if the overpayments covered 3 months, then the recovery period should be 3 months). We will aim not to make deductions that reduces an employee's pay below the National Minimum Wage, unless agreed in advance by the employee, or if the Trust is required by law to do so.

Where an employee is repaying an overpayment but leaves employment of the Trust before the full balance is recovered, the balance will be deducted from the final salary payment. Where the amount outstanding exceeds the final salary payment, an invoice for the outstanding amount will be raised by the school and sent to the employee. On receipt of this invoice, if the employee cannot repay the amount in full, they should contact the Chief Financial and Operating Officer to agree repayment terms. If agreement cannot be reached, then the Trust will implement recovery procedures. This policy will only be varied in very exceptional circumstances subject to approval by the Board of Trustees.

4. Fraudulent Overpayment

Should the overpayment arise as a result of fraud or wilful misrepresentation by, or on behalf of, the employee(s), all possible steps will be taken to effect immediate recovery. The matter will be referred to the Chief Financial and Operating Officer who will seek advice from the Trust's Internal Audit and Legal Services providers and inform the Trust Board. Such occurrences may be reported to the Police if deemed appropriate. The above arrangements in paragraph 2 and 3 will not apply.

5. Underpayments

When an underpayment has been established, where possible it will be immediately rectified in full in discussion and agreement with the individual(s) concerned.

6. Pay Adjustments relating to sickness

All pay adjustments must be made in the normal/relevant pay adjustment period. For monthly paid employees, this will be the calendar month following the reason for adjustment. Any adjustments made outside of the normal adjustment period, will invoke the recovery of overpayments as set out in paragraph 3.

In a half pay situation, employees may be entitled to statutory sick pay in addition to the half pay entitlement.