

EAST RENFREWSHIRE COUNCILAudit & Scrutiny Committee25 January 2018Report by Deputy Chief ExecutiveCOUNCIL TAX COLLECTION**PURPOSE OF REPORT**

1. This report gives detail on a recent issue that affected Council Tax collection and updates on actions taken both in response to the event and subsequently to ensure that there is no further repeat of the issue.

RECOMMENDATIONS

2. It is recommended that elected members note the update on the recent issue with Council Tax collection and the steps taken in response.

BACKGROUND

3. East Renfrewshire has a strong track record for Council Tax collection, with in-year collection rates amongst the best in Scotland (3rd in 2016/17).

4. There are various methods by which residents can pay Council Tax and 74% pay by Direct Debit.

5. There are 5 Direct Debit payment dates each month and residents can choose the option that best suits their circumstances.

6. There are long-established processes and procedures which are implemented by experienced staff within the Council Tax section. These are subject to regular audit work. No issues with the Council Tax direct debit process have ever been highlighted by this audit work.

REPORT

7. Due to an internal processing error, the Council Tax Direct Debit payments that were due to be taken from residents' accounts on 28 December 2017 were taken on 22 December, 6 days earlier than they should have been. This affected 12,880 Council Tax accounts.

8. An internal investigation has shown that this was as a result of human error due to an incorrect date being uploaded into a BACS transfer file which was then sent to the bank to process.

9. The issue became apparent at opening of business on 22 December when the balance of the Council's bank account was higher than expected.

10. An immediate investigation was started and the key initial focus was to assess whether there was any way to reverse the transactions. Unfortunately the bank advised that if a recall request was submitted to the BACS system the refund would not reach customer accounts until the 28th, the day the payment should have been collected, and could potentially have resulted in the payment being taken twice. On this basis, it was decided not to attempt to reverse the transactions.

11. The most effective course of action was to advise residents to check if they had been adversely affected and, if so, to contact their own banks to request a refund of the payment. Banks would have been able to authorise this immediately under the Direct Debit guarantee and under the terms of this guarantee it is the banks who are responsible for giving a refund of a wrongly taken/early direct debit. Despite the Christmas weekend, most banks had a branch presence on 22 and 23 December and online and phone banking available throughout the weekend.

12. A summary of the key actions taken is given below:

- The homepage of the Council website was updated with details of the issue and advising customers to contact their banks if adversely affected. The Council committed to reimbursing any bank charges incurred as a result. The website was updated again on 23 December with additional information.
- Social media (Facebook and Twitter) updated as above. The Communications team responded to new areas of query arising through social media throughout the holiday weekend, although volume was very low after 22 December.
- All councillors were advised by email that morning.
- Council Tax phonline via Customer First dealt with in the region of 60 contacts on 22 December and was staffed for 2 hours beyond the scheduled 2pm finish, i.e. to deliver normal business hours until 4pm.
- The standard out-of-hours recorded message for Customer First phonelines (i.e. at holidays and weekends) was updated to include detail of the Council Tax issue and what action customers could take.
- A press statement was issued and this formed the basis of factual media coverage.
- The Council Tax email box continued to be monitored throughout the holiday weekend. Seven customers received responses on 23/24 December. Since then we have had an additional 31 contacts on this issue either to Customer First or the Council Tax team direct (*accurate at 17/1/18*).
- On 23 December, an arrangement was put in place, via the 0800 'Ring and Report' line, which is staffed 24/7 every day. This was to allow any residents facing financial hardship as a result of their Council Tax payment having been taken early, to call and request financial assistance over the holiday period. The Council website homepage was updated on 23 December to advise residents of this assistance being available. Only one resident made contact to request this assistance, but no payment was made as they later changed their mind.
- Senior staff were in regular contact as a team throughout 22 to 28 December. Their focus was to ensure that key messages had been communicated; contact from residents was being monitored and any urgent responses given and; to facilitate any hardship payments that may have been required.

- Contingency arrangements were put in place to open a Council building on 26 December should the volume of contact or request for hardship payments have been high. There was very low level contact throughout the holiday weekend so this contingency was not invoked.

CAUSE & LESSONS LEARNED

Background

13. There are 2 main parts to the processing of Council Tax direct debit files and this involves both the Council Tax system and the E-Pay system which is used to upload files to the BACS system. This is done 5 times a month throughout the year due to customers having choice over direct debit payment dates.

14. There are clear operational procedures in place to guide these processes and these have been in place for many years now. The team is very experienced and has been implementing these procedures without issue for many years.

15. This area is subject to regular audit work and there have been no audit actions highlighted regarding the direct debit process for Council Tax.

Cause

16. A management investigation into this issue has been carried out and has concluded that the root cause was human error.

17. The investigation found that whilst following the EPay process, a team member did not follow procedure and failed to select a payment date in the EPay system. Selection of a date is part of standard procedure, which had been regularly carried out by that team member, without error, over a number of years. The non-selection of a date in this instance meant that the EPay system defaulted to the next available payment date (i.e. 22 December instead of 28 December).

18. Prior to the final transfer of the BACS files to the bank, via EPay, there is a routine check by a more senior officer in the team. This check validates the number of transactions, the value of transactions from the Council Tax system via a report and the processing and payment dates from a live screen in the EPay system. In this case, an experienced officer carried out these checks as standard, but did not on this occasion pick up the incorrect date in the EPay system. The file was duly authorised for transfer to the bank.

Lessons Learned & Action Taken

19. A number of steps have been taken to strengthen procedures and checks to ensure that this issue does not reoccur.

20. The Council Tax team have carried out a 'lessons learned' session to review this issue and refresh on procedures. Staff have been reminded to follow the detail and guidance of the set procedures at all times.

21. EPay providers were asked to remove the function that automatically defaults to the next processing date if a date is not selected manually. Unfortunately they have confirmed that this is not possible.

22. We have now strengthened the internal checking procedure including use of a checklist which requires the senior officer to detail the specific checks carried out (i.e. logging the transaction volume, value and dates) rather than just initialling that a check was done. This minimises scope for error. Our Council Tax system providers (Northgate) are working on an improvement to the summary report that is checked by the more senior officer. This will ensure that all information is available from one source rather than the current requirement to check both a report and a separate system to get all the necessary information.

23. We have also introduced a phonecall to the bank to verify receipt of each EPay file and confirmation of the dates therein. This is now followed-up by checking of a BACS submission report which verifies the detail in writing. These are new steps in our processes as a result of the issue in December.

24. Internal Audit have been briefed on this issue.

FINANCE AND EFFICIENCY

25. Council Tax direct debits from 12,880 households were collected early, on 22 December rather than 28 December as planned, as a result of this issue.

26. To date (*at 17/1/18*) three residents have been reimbursed for bank charges incurred, at a total cost of £59.50. We anticipate this figure may rise over the month of January as people receive notifications from their banks, but we anticipate that the reimbursement of bank charges will cost in the region of a maximum of £250 to £500 depending on volume. This can be met from within existing resources.

POTENTIAL IMPLICATIONS FOR CUSTOMERS

27. 12,880 households were due to pay their Council Tax on 28 December. There are a range of ways in which early payment could have affected these households:

- a) Customer had sufficient funds to cover the payment and did not incur bank charges as a result. (Given the relatively low volume of contact, it may be that most customers fall into this category.) Or:
- b) Customer contacted their bank to request refund of the payment. Customer would then have needed to make contact with the Council to pay their due Council Tax on 28 December. To date we know of 61 such cases (*at 17/1/18*) and 14 of these have now been paid. The Council Tax team are contacting the remaining customers and are making arrangements for the December instalment to be paid at an agreed date, i.e. in February 2018. Or:
- c) Payment tipped customer into planned overdraft; bank charges were applied; Council received the Council Tax payment. The bank charges will be reimbursed on request. Or:
- d) The request for payment was refused at the bank as the customer had insufficient funds and bank charges were applied. We know that there were 105 such failed payments. These will be for a variety of reasons and will not all be directly attributable to the Council Tax issue. Failed payments happen every month and, as a comparator, there were 59 failed payments in November – these are followed up routinely as part of day to day business. We will arrange to reimburse bank charges on request.

NEXT STEPS

28. We are currently:
- Continuing to deal efficiently and sensitively with any customers who contact us regarding this error, reimbursing bank charges as appropriate.
 - Writing to those who had 'failed payments' to explain, apologise and agree next steps. We will not undertake standard arrears procedures for cases associated with the December error.
 - Continuing to monitor arrangements to ensure compliance and avoid future issues.

CONCLUSIONS

29. East Renfrewshire Council has apologised unreservedly for the error which caused some council tax payments to be collected early on 22 December rather than 28 December.

30. A proactive communications response was put in place immediately and sustained over the Christmas holiday weekend, including implementation of a hardship resource, to mitigate against any adverse impact for residents.

31. The investigation into the circumstances of this event has shown that the cause was human error in what is a very manual process. The management response to this issue was immediate and robust, with steps already in place to ensure that this does not happen again.

32. Any bank charges incurred by residents as a result of this will be reimbursed by the Council.

RECOMMENDATIONS

33. It is recommended that elected members note the update on the recent issue with Council Tax collection and the steps taken in response.

Caroline Innes, Deputy Chief Executive

17 January 2018

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