

EAST RENFREWSHIRE COUNCILAudit & Scrutiny Committee22 June 2023Report by Director of Business Operations & PartnershipsCOUNCIL 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 Council has a statutory duty, under the Local Government Finance Act 1992, to bill and collect Council Tax. In 2022/23 £62.2m was billed for collection from approximately 40,000 households. This income provides 18.3% of the funding required to run the Council.

4. Collection rates for East Renfrewshire are consistently among the highest in Scotland and demographics of an area do play a strong part in collection levels (e.g. lower deprivation tends to correlate with higher collection). In 2022/23 collections were 97.55%, which is in the top quartile of performance in Scotland. Pre-pandemic East Renfrewshire ranked either 3rd or 4th in Scotland for collections, but during the pandemic that dropped to 6th and 9th in Scotland. Whilst all councils in Scotland were impacted by the pandemic, the impact in East Renfrewshire was worsened by implementation of a new Council Tax and Benefits ICT system in December 2020.

5. There has been significant change within the Council Tax Team over the past few years; delivering the ongoing billing and collection requirements, while supporting both Scottish and UK Government initiatives (in the past 2 years the team have delivered Low Income Pandemic Payments, Cost of Living Payments, Energy Bills Support and Alternative Fuel Payment Schemes).

6. There are various methods by which residents can pay Council Tax and 73% pay by Direct Debit. There are 5 Direct Debit payment dates each month and residents can choose the option that best suits their circumstances.

7. There are long-established processes and procedures which are implemented by experienced staff within the Council Tax team. These are subject to regular audit work. Following a direct debit collection issue in 2017, procedures were reviewed and enhanced. No further issues with the Council Tax direct debit process have been highlighted by audit since that time.

REPORT

8. Due to an internal processing error, the Council Tax Direct Debit payments that were due to be taken from residents' accounts on 28 May 2023 were taken on 26 May. Due to the 28th falling on a Sunday, and a public holiday Monday, collection by the bank should actually have been on Tuesday 30 May. This affected 12,067 Council Tax accounts.

9. Internal investigation has shown that there are a number of factors which led to this issue, with an incorrect date being uploaded into a BACS (Bankers' Automated Clearing System) transfer file which was then sent to the bank to process.

10. The issue became apparent at opening of business on 26 May when the balance of the Council's bank account was higher than expected.

11. An immediate investigation was started and the key initial focus was to assess whether there was any way to reverse the transactions. Based on feedback from the bank, if a recall request was submitted to the BACS system the refund would not reach customer accounts until the 30 May, the day the payment would have been collected. This process could potentially have resulted in the payment being taken twice. On this basis, it was decided not to attempt to reverse the transactions.

12. Communication on the Council website, phone lines and social media advised affected residents 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. Banks with a branch presence were open on 26 May and online and phone banking was available throughout the bank holiday weekend.

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

- The homepage of the Council website and Council Tax page were 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. A contact phone number and email address was also provided for any customers requiring further assistance.
- Social media (Facebook and Twitter) were updated with the same information including contact details. The Communications team monitored comments on social media, although volume was very low after 26 May.
- All councillors were advised by email.
- Council Tax phone line via Customer First dealt with 10 contacts on 26 May, and 3 emails were received via the Customer Services mailbox and the Council Tax mailbox.
- At close of business on Friday 26 May, the Customer First phone lines were diverted to a mobile phone to ensure that any calls could be answered over the bank holiday weekend and steps were taken to ensure any residents facing financial hardship as a result of their Council Tax payment having been taken early, could receive financial assistance over the bank holiday. There were no calls over the weekend regarding this issue.

- The Council Tax email box continued to be monitored throughout the bank holiday weekend. There has been no further contact regarding this issue and no formal complaints raised.
- Senior staff were on standby throughout the bank holiday weekend and received updates on the status of customer contacts (i.e. that there had been none).

CAUSE & LESSONS LEARNED

Background

14. 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.

15. There are clear operational procedures in place to guide these processes. Following a direct debit collection issue in 2017 the controls were enhanced in this area. The team is very experienced and have been operating these processes and controls without incident for several years.

16. 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

17. A management investigation is underway, and there are a number of factors which led to this issue. The investigation is ongoing and appropriate internal processes will be followed once the investigation is complete. Human error is likely to be one of the factors which led to this issue arising.

Lessons Learned & Action Taken

18. Immediate steps have been taken, with staff reminded to follow set procedures at all times, and additional compliance support is in place.

19. Internal Audit have carried out a review of the incident, with recommendations relating to the direct debit checklist, staff availability, and the PT-X (E-Pay) system currently under review. An action plan will be developed in response.

20. A management investigation is underway and there will be a full end to end review of the processes and controls. A 'lessons learned' session will take place as part of this review.

FINANCE AND EFFICIENCY

21. Council Tax direct debits from 12,067 households were collected early, on 26 May rather than on the scheduled date of 28 May, as a result of this issue.

22. To date (08/06/2023) there have been no claims for reimbursement of bank charges.

POTENTIAL IMPLICATIONS FOR CUSTOMERS

23. 12,067 households were due to pay their Council Tax on 28 May. 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, and the fact that many people would have been paid early on 26th as a result of the bank holiday, 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 May. To date we know of 1 such case (at 08/06/23). 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. There were 26 such failed payments. These will not all be directly attributable to the Council Tax issue, as failed payments happen and are followed up every month (as a comparator there were 20 failed payments in April). We will arrange to reimburse bank charges on request.

NEXT STEPS

24. We are currently:
- Answering any questions from customers who contact us regarding this error, and will reimburse bank charges as appropriate.
 - Cancelling standard arrears procedures for cases associated with this error.
 - Continuing to monitor arrangements to ensure compliance and avoid future issues.

CONCLUSIONS

25. East Renfrewshire Council has apologised unreservedly for the error which caused some council tax payments to be collected early on 26 May rather than 28 May. A proactive communications response was put in place immediately and sustained over the bank holiday weekend, including implementation of a hardship resource, to mitigate against any adverse impact for residents. Any bank charges incurred by residents as a result of this will be reimbursed by the Council.
26. The investigation into the circumstances of this event has shown that a number of factors were involved in this issue, with one of the likely causes being human error, in what is a very manual process. The management response to this issue was immediate and robust, and steps will be taken to ensure that this does not happen again.
27. There is significant reliance on human intervention in this process. Maintaining a robust control environment while delivering additional initiatives for Scottish and UK Government, requirements for modernisation/digitisation under a regime of budgetary constraints and cost cutting measures, including reduced staffing year on year, is challenging to achieve. To

prevent future reoccurrences the balance of efficiency and cost savings versus customer service, risk and control require to be recognised during budget-setting discussions.

RECOMMENDATIONS

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

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8th June 2023

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