

**Council Tax**

Currently, bad debt provisions (BDP) of £4.856m exist [**£5.03m**- £0.174k; w/off done 01/04/15-30/09/15] for Council Tax against a potential BDP of £3.782m for debts accrued to 31 March 2015.

<b>COUNCIL TAX</b>	Arrears as at 1 <sup>st</sup> of April	Arrears as at Qtr 2	BDP	<b>BDP as at Qtr 2</b>
	£000	£000	%	£000
Pre 2008-2019	395	277	100	277
2010-2011	422	337	100	337
2011-2012	556	437	100	437
2012-2013	744	602	100	602
2013-2014	1,473	1,099	75	825
2014-2015	3,293	2,006	65	1,304
<b>Total</b>	<b>6,883</b>	<b>4,758</b>		<b>3,782</b>

**National Non Domestic Rates (NNDR)**

Currently, bad debt provisions of £1.765m [**£2.197m**- £0.432k; w/off done 01/04/15 to 30/09/15] exist for business rates (NNDR) against a potential BDP of £1.646m. Under Business Rates retention, the effect on the local authority is 30% of any surplus or deficit.

<b>NATIONAL NON DOMESTIC RATES (NNDR)</b>	Arrears as at 1 <sup>st</sup> of April	Arrears as at Qtr 2	BDP	<b>BDP as at Qtr 2</b>
	£000	£000	%	£000
Pre 2013-2014	358	278	100	278
2013-2014	714	583	100	583
2014-2015	2,259	1,570	50	785
<b>Total</b>	<b>3,331</b>	<b>2,431</b>		<b>1,646</b>

**Council Tax and Business Rates Court Cost**

Currently, bad debt provisions (BDP) of £950k (**CT £850k+ NDR £100k**) exists for Court Costs against a potential BDP of £933k. From previous years trends, this amount of provision appears to be adequate and in line with our overall provisions policy.

<b>Court Cost</b>	Arrears as at 1 <sup>st</sup> of April	Arrears as at Qtr 2	BDP	<b>BDP as at Qtr 2</b>
	£000	£000	%	£000
Pre 2012-2013	136	197	100	197
2012-2013	79	93	100	93
2013-2014	100	184	75	138
2014-2015	220	385	60	231
2015-2016	580	547	50	274
<b>Total</b>	<b>1,170</b>	<b>1,406</b>		<b>933</b>

## Housing Benefits

Currently, bad debt provisions of £5.378m [**£5.509m** - £0.131m w/off's 1/4/15 to 30/09/15] exist for Housing Benefit overpayment debt against a potential BDP of £5.937m (£3.106m + £2.834m = £5.940m).

<b>Housing Benefit DEBTORS</b>	Outstand as at 1 <sup>st</sup> of April	Outstand as at Qtr 2	BDP	<b>BDP as at Qtr 2</b>
	£000	£000	%	£000
Pre 2013-2014	462	983	100	983
2013-2014	531	682	100	682
2014-2015	2,597	1,862	50	931
2015-2016	0	1,701	30	510
<b>Totals</b>	<b>3,590</b>	<b>5,228</b>		<b>3,106</b>

<b>Housing Benefit LIVE CASES</b>	Outstand as at 1 <sup>st</sup> of April	Outstand as at Qtr 2	BDP	<b>BDP as at Qtr 2</b>
	£000	£000	%	£000
Pre 2013-2014	1,112	341	100	341
2013-2014	807	377	75	283
2014-2015	2,690	1,528	50	764
2015-2016	0	2,320	30	696
Additional Risk due to Loss of subsidy** <i>see note below</i>				750
<b>Totals</b>	<b>4,609</b>	<b>4,566</b>		<b>2,834</b>

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Over the last year there have also been new initiatives from the DWP, specifically the Real Time Information Bulk Data Matching exercise (RTI), which means the DWP is currently providing retrospective information to the authority about claimant changes not previously known to Harrow. This has resulted in a higher than normal increase in the raising of Housing Benefit overpayment debts which unfortunately is increasing the overpayments figures and will add pressure to the bad debt provision later in the year.

Additionally there is further risk to the BDP as part of the housing benefit subsidy normally received regarding overpayments (which would fund the BDP provision) is at risk. This is because the Housing Benefit LA error overpayment threshold is set as a percentage of HB annual expenditure. If the level of LA error OPs raised in year are below this threshold the authority receives 100% subsidy against the value of LA error OPs raised. If the LA error OPs exceed the lower threshold the authority receives 40% subsidy against the total value of LA error OPs raised, and above the upper threshold 0% subsidy against the total raised.

2014/15 year end LA error OP thresholds were:

Lower threshold: £689,831

Upper threshold: £776,095

Thresholds are unlikely to increase much as overall benefit is not increasing; e.g. there are no significant extra claimants.

The total LA error OPs raised for 2015/16 will not be known until the end of the financial year, but based on the previous years' information and taking into account the higher volumes of overpayments raised due to the DWP's RTI exercise, the potential loss to Harrow if the upper threshold is met could be around £0.750k, which would not be available to fund the BDP as historically has occurred. To date the LA error OP level is exceeding the rate raised in recent years and passed the lower threshold at the end of the last period ending 13/9/15.

The LA error OP rate in 2015/16 has increased due to the key reasons listed below:

- Delays in processing changes in circumstance. When the authority is notified of a change, the period between the date the authority was notified and the date the change is actioned is treated as LA error. The authority is therefore penalised for having a delay to processing changes. The backlog in Scanning & Indexing has severely impacted the service's ability to process changes in a timely manner, resulting in increased LA error.
- Increased levels of interventions. The DWP has been targeting fraud and error in the Housing Benefit system. For a number of years interventions (reviews to existing claims) have been focused on DWP matching and risk assessing claims for LAs to take appropriate action. While the LA would have liked to have done more, DWP did not fund this activity. However, with the new focus on fraud & error some funding has been made available and authorities incentivised (either through up front funding or risk of financial penalty through further LA error) to carry out more interventions. This type of work naturally identifies assessment errors which will also contribute to the level of LA error. While Harrow is seen as a site of best practice for its quality assurance processes, the complexity of the benefits system do not allow for error to be completely removed from the system. A level of assessment error will therefore always exist in the system which when found will add to the LA error as stated above.
- Pressure on resources as a result of new burdens not fully funded by DWP and implemented at short notice. As part of the fraud and error reduction initiative DWP have placed unexpected new burdens on local authorities which are not fully funded. This additional pressure on resources has also impacted on the response times for changes in circumstances, and allowing increased LA error OPs to enter the system due to processing delays.

While the Benefits Service has been working to mitigate the impact of the above, additional pressures are continuing to prevent the risk from being addressed such as reduction in processing staff by our third party contractor as we move toward the end of the contract.

As a result of the above not only has Harrow hit the lower LA OP threshold, it is very likely to hit the upper threshold. The Service is pro-actively searching for additional resources but as experienced assessors are scarce, the existing contractor continues to reduce existing resources working on Harrow work, and the newly appointed resilience contractor does not commence service delivery until November 2015, it is not possible to predict if the risks can be fully mitigated. It should therefore be noted that there is a potential risk that Harrow will lose up to £0.750k from its HB subsidy claim for 2015/16 which in turn will create an increase in the BDP of £450k in excess of the budget.