

Agenda Item No Additional
Overview & Scrutiny Committee
24 September 2024

Title: Q1 Budget Update 2024/25 – Housing Update
Lead Officer: Victoria Bamber – Principal Accountant
Portfolio Holder: Councillors Adkins & Chilvers
Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder		Councillor Adkins Councillor Chilvers
Finance	19/09/2024	Victoria Bamber (Responses) Steven Leathley / Betty Gong (Original Authors)
Legal Services		N/A
Chief Executive		Chris Elliott
Director of Climate Change		Dave Barber
Head of Service(s)	20/09/2024	Andrew Rollins/Lisa Barker
Section 151 Officer	20/9/2024	Andrew Rollins
Monitoring Officer	21/09/2024	Graham Leach
Leadership Co-ordination Group	N/A	
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		
Accessibility Checked?	Yes	

Summary

Further to the Q1 Finance Report a few queries have been raised by Councillors in relation to the adverse budget variances published which are in relation to the Housing General Fund (GF) and the Housing Revenue Account (HRA).

This report to Overview and Scrutiny Committee contains explanations of the variances and the associated countermeasures that are already in place to ensure that these variances will be mitigated at the end of the financial year and forecast as such in future quarterly financial reporting to Cabinet.

Recommendation

That Overview and Scrutiny Committee consider the below points and explanations.

1 Current year variances - General Fund Housing Adverse Variance of £398K

- 1.1 The Table below extracted from the Q1 Budget report notes that there is a forecast £398k Adverse budget variance.
- 1.2 Upon receiving queries from the Committee further work has taken place between the accountancy team and service managers to provide responses. In particular, the accountancy team have focused upon reviewing financing from grants and reserves, and the impact that injecting income from these sources into the cost centres on the finance Ledger has upon reducing the forecast variances previously reported.
- 1.3 The following table has been extracted from the Q1 Report

Department / Portfolio	Budget	Forecast Q1	Variance	Reserves	Adjusted Variance
General Fund	£000	£000	£000	£000	£000
Customer & Digital Services	1,379	1,622	243	62	305
Finance	2,190	2,122	(68)	0	(68)
Housing Services - GF	3,928	4,326	398	0	398
Neighbourhood & Assets	8,867	9,084	217	0	217
People and Communication	21	(14)	(35)	3	(32)
Place, Arts & Economy	11,238	10,895	(343)	0	(343)
Safer Communities, Leisure & Environment	6,708	6,654	(54)	10	(44)
Strategic Leadership	2,651	2,347	(304)	431	127
General Fund Total	36,982	37,036	54	506	560

1.4 The below table shows a further breakdown of the variances into separate cost centers:

Quarter One Variations		£000	Favourable (F) / Adverse (A)
Housing Services - General Fund			
1.1.4.1	Homelessness/Housing Advice	142	A
1.1.4.2	Rough Sleeping Initiative	107	A
1.1.4.3	Private Sector Housing	155	A

1.5 Responses to the queries received are provided below.

1.6 Housing Services – General Fund.

1.6.1 Temporary Accommodation (Ref 1.1.4.1)

1.6.1.1 Variance Explanation from the Quarter 1 Budget Report

The main grant expected for the current year being the Homelessness Prevention Grant. Budget on grant and how the grant is utilized needs to be reviewed at Budget setting for 25/26.

1.6.1.2 Updated Explanation

The variances are covered by a grant, due to be received in full later in the year which will reduce this variance. The Government pays in quarterly instalments and requires returns from the Homelessness Team to release funding which is generally in arrears but when received will offset the costs.

This information may not have been easily available on the Finance System as the previous years financial audits have not been completed so the opening and closing balances of the reserves have not been finalised. It should also be noted that there are also some outstanding year end accruals which will net off when invoices are paid but invoices are still awaiting payment as not yet received.

Further work has taken place to assess these values, which has now been incorporated into the forecast.

1.6.2 Rough Sleeping Initiative (Ref 1.1.4.2)

1.6.2.1 Variance Explanation from the Quarter 1 Report

RSI Year 3 Payment lower amount to be received than last year. Funding from Stratford for P3 is expected in the next quarter.

1.6.2.2 Updated Explanation

This RSI scheme is a separate Grant funded scheme in its own right. There have been some miscoding issues on the part of the Homelessness Team and as a result, training will be provided to ensure costs are correctly allocated to the relevant funding source. Government have advised that the grant claim for this scheme would receive £400k originally which was budgeted but this has been reduced to £222,300 due to changes to a taper being applied. The budget is being adjusted on the finance system to reflect this grant award reduction. The associated costs will reduce in turn to meet available grant. Upon update of the budgets (which will be completed by Q2), the variances will be removed.

It is noted this change was after the Council set its budgets in February due to late notification of budget changes from government. This RSI scheme is a shared bid with Stratford DC so further work is needed to adjust the budgets at both Councils.

1.6.3 HMO Licenses (Ref 1.1.4.3)

1.6.3.1 Variance Explanation from the Quarter 1 Report
HMO License renewals in year is expected to be significantly lower than 23/24 and with a handful of new applications. A new process was adopted in 23/24, and with the license operating on a 5-year cycle, most of the income was received in that year.

1.6.3.2 Updated Explanation
A further £45k in HMO income has been received in year into a reserve that needs to be transferred into the cost centre, which will reduce any variances currently published. However, the change in licence model introduced last year will see there being a significant spike in HMO renewals every 5 years due to the need for all current properties requiring a licence. Future years between the 5 year cycle will see much reduced income levels, which will be reflected according through the budget setting process and Medium Term Financial Strategy.

2 Current year variances – Housing Revenue Account (HRA) £468k.

2.1 The below table shows the budget variance from the Q1 report of £468k

Department / Portfolio	Budget	Forecast Q1	Variance	Reserves	Adjusted Variance
Housing Revenue Account (HRA)	£000	£000	£000	£000	£000
Housing Services - HRA	53	521	468	0	468
HRA Total	53	521	468	0	468

2.2 This total is broken down further into a summary of major variances after known Reserve movements at the time of reporting is provided below:

Quarter One Variations		£000	Favourable (F) / Adverse (A)
Housing Revenue Account			
1.2.2	Tenancy Management	158	A
1.2.3	Warwick Response	24	A
1.2.4	Housing Repairs - Responsive	78	A
1.2.5	Housing Services	117	A
1.2.6	Renewable Energy	94	A
1.2.7	Garage Sites	36	A

- 2.3 Responses to the queries received are provided below, in respect of the Housing Revenue Account.
- 2.3.1 Tenancy Management (Ref 1.2.2)
- 2.3.1.1 Variance Explanation from the Quarter 1 Report
Current forecast of IT software cost based on last year's outturn, the annual software license fee I expected to be charged in September 2024. Budget for costs of IT software to be reviewed at budget setting for 2025/2026.
- 2.3.1.2 Updated Explanation
The service manager has advised there was a budget approved for new Mobyssoft software for 2022/23 which should have been recurrent. The Budget Accountant is looking into this further as the budget may need to be re-instated in current year which will remove £125k of this variance in-year and ensure that the software has the appropriate budget in future years.
- 2.3.2 Warwick Response (Ref 1.2.3)
- 2.3.2.1 Variance Explanation from the Quarter 1 Report
Forecast for general fees and charges predicted yearly reduction resulted from private customers leaving with only Warwick council customers in properties, income generated from sales of sundry items is not as much as pre-covid.
- 2.3.2.2 There is no updated Explanation as this explanation is correct.
- 2.3.3 Housing Repairs (Ref 1.2.4)
- 2.3.3.1 Variance Explanation from the Report
Overspend on repairs and maintenance (Reactive in nature). As at publication we have not received a response from the Housing team as to the reasons for the overspend.
- 2.3.3.2 Updated Explanation
Work is ongoing to review if these costs are likely to continue throughout the year or if this is a one-off situation. Work is also ongoing in reviewing performance against the current contract, to support the process of procuring new repairs and maintenance contracts for 2026. It should be noted that the £78k adverse position would represent an overspend on repairs of less than 1%, with the repairs budget for Housing being just short of £9m in 2024/25.
- 2.3.4 Housing Services (Ref 1.2.5)
- 2.3.4.1 Variance Explanation from the Quarter 1 Report
The overspend is the outturns in Q1 are mostly capital expenditure to be recoded to the corresponding project account. The consultancy costs would be mainly on shared ownership and forecast of this cost for the year will be £40,000 decrease against the budget.
- 2.3.4.2 Updated Explanation
This has been created by miscoding of Capital Works within the Finance System – further checks will be made on coding, but this correction will remove the variance.

2.3.5 Renewable Energy (Ref 1.2.6)

2.3.5.1 Variance Explanation from the Quarter 1 Report

As at publication we have not received a response from the Housing team to provide a forecast for Solar panel income.

2.3.5.2 Updated Explanation

Solar panel feed in tariff credits are paid in arrears upon meter readings being submitted so this variance will be removed when credits are received.

2.3.6 Garage Sites (Ref 1.2.7)

2.3.6.1 Variance Explanation from the Quarter 1 Report

Surveys on building report have completed, costs to be capitalized. Forecast not to expect any more spending from revenue budget.

2.3.6.2 Updated Explanation

Roofing on Garages can either be repairs or capital works. A miscode of capital works to a wrong revenue code has occurred. This will be rectified and will reduce the variance at year end. The Housing System works order process is not integrated into the Finance System so there is an opportunity for invoices to be miscoded where one supplier is used for both capital and revenue works. Further collaboration between accountancy and the service area will take place in the coming weeks to review invoicing and carry out apportionment work to be reflected in future monitoring information reported.

3 Revised Forecast Variance Position

3.1 The forecast outturn position once the changes outlined in the updates above have been incorporated is as follows:

3.2 General Fund

Quarter One Variations		£000	Favourable (F) / Adverse (A)
Housing Services - General Fund			
1.1.4.1	Homelessness/Housing Advice	0	-
1.1.4.2	Rough Sleeping Initiative	0	-
1.1.4.3	Private Sector Housing	110	A

Housing services has seen the forecast position improve by £294k. The impact this has on the General Fund position is as follows:

Department / Portfolio	Budget	Forecast Q1	Variance	Reserves	Adjusted Variance
General Fund	£000	£000	£000	£000	£000
Customer & Digital Services	1,379	1,622	243	62	305
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Housing Services - GF	3,928	4,032	104	0	104
Neighbourhood & Assets	8,867	9,084	217	0	217
People and Communication	21	(14)	(35)	3	(32)
Place, Arts & Economy	11,238	10,895	(343)	0	(343)
Safer Communities, Leisure & Environment	6,708	6,654	(54)	10	(44)
Strategic Leadership	2,651	2,347	(304)	431	127
General Fund Total	36,982	36,742	(240)	506	266

3.3 Housing Revenue Account

Quarter One Variations		£000	Favourable (F) / Adverse (A)
Housing Revenue Account			
1.2.2	Tenancy Management	158	A
1.2.3	Warwick Response	24	A
1.2.4	Housing Repairs - Responsive	78	A
1.2.5	Housing Services	0	-
1.2.6	Renewable Energy	0	-
1.2.7	Garage Sites	0	-
		260	A

The forecast position has improved by £208k for the Housing Revenue Account.