

Housing Demand – Unforecast Spend Q4 2024/25

Summary Briefing

Housing Demand Audit Report Summary 16.01.26

1. Background & Financial Impact

During the final quarter of 2024/25, the Housing Demand budget experienced a significant and unexpected rise in spending.

The yearend forecast increased from £2.2m to £3.6m, before later being reduced to £3.3m through emergency mitigation actions.

This unplanned increase of £1.4m was mainly due to hotel and nightly let accommodation costs, which rose sharply and unexpectedly.

The underlying reason for the jump was that our forecasting tools and systems were not able to keep pace with real time changes, leading to a gap between expected versus actual spending.

2. Key Drivers of the Overspend

a. Market Forces

External pressures — including global conflicts, increased migration, and the impact of the energy and cost of living crises — caused:

- higher homelessness rates
- reduced availability of affordable private rented homes
- rapidly rising accommodation costs

The Council was not yet operating in the nightly paid market, and had no families in hotels, but demand surged suddenly and sharply.

Homeless approaches doubled, and the ICT system simply could not handle the volume of emergency placements.

b. System & ICT Issues

Our core housing system, Open Housing, was not suitable for managing emergency or nightly paid accommodation.

This forced teams to rely on manual processes and multiple spreadsheets, which created:

- data quality issues
- forecasting risks
- limited management oversight
- difficulties capturing and sharing accurate information

c. Legal Pressures

The Council is legally required to house homeless families, including new priority groups such as victims of domestic abuse.

Households had to be placed in chain hotels, moving every two weeks, creating high volume and administrative pressure.

These pressures meant the Council was often working reactively, rather than proactively.

d. Spreadsheet Dependency (off system)

Teams were forced to rely on temporary spreadsheets, which were never designed to forecast budgets, track rents, or monitor invoices.

This created gaps in understanding the true financial position.

It also meant the Housing Demand team carried the burden of operating a system they were not resourced or trained to manage.

e. Operational Challenges

Placements and invoices being recorded manually made it easy for:

- invoices to arrive late
 - spending to fall into the wrong month
 - forecasts to become inaccurate
 - discrepancies to grow between expected and actual costs
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3. Breakdown of the £1.4m Unforecast Discrepancy

Internal audit identified the specific causes:

- **VOIDS:** £0.396m
- **Multiple room use:** £0.252m
- **Breakfasts:** £0.038m
- **October rate discounts not applied:** £0.103m
- **Rough sleepers / SWEP:** £0.015m
- **Under accrual from previous years:** £0.146m
- **Other forecasting errors:** incorrect formulas, rate issues, timing issues, etc.

A loss of experienced finance staff with proprietary knowledge of Housing Demand also increased risk.

4. Accommodation Strategy & Procurement

The Council began transitioning from high cost, poor quality chain hotels to block-booked hotels and self-contained nightly lets to improve stability and living conditions.

These options, while sometimes more expensive per night, provide:

- safer and more suitable spaces for families
- cooking facilities
- reduced upheaval
- improved wellbeing outcomes

However, reliance on spreadsheets meant costs were sometimes captured late or in inaccurate periods.

5. Financials & Rate Negotiations

In 2024, the Council procured 209 properties for temporary accommodation. Through renegotiated rates, spending reduced from £5.97m to £5.4m (projected). However, mismatches between Housing Supply forecasts and Finance's reporting created variances of up to £800k, caused by timing issues, rate changes, and procurement volume shifts.

6. Quality & Compliance

All temporary accommodation is now subject to compliance checks, including:

- safety assessments
- ownership verification

Complaint levels are now low, showing improved quality and oversight.

7. Actions Taken Following the Audit

7.1. New Housing Rents System (ARA)

The old system was no longer fit for purpose, so the Council procured the ARA Module of MRI Homelessness/Jigsaw in December 2024, with a go live date of June 2025.

Data from spreadsheets has been uploaded, and cleansing work completed to ensure it is accurate.

Parallel running will continue until at least February 2026 to ensure reliability before fully shutting down the old processes.

7.2. Strengthened Financial Controls

The Council reviewed and reduced assumptions for:

- repairs
- maintenance
- legal fees
- removal services
- bad debt provisions

It also removed unfilled posts from the forecast and reviewed Housing Benefit entitlement using more accurate data.

7.3. Operational Improvements

Key improvements include:

- removing a single point of failure in payment processing
- issuing additional transaction cards
- improving placement and invoice tracking
- auditing documents and clarifying reporting roles across teams

7.4. Procurement & Accommodation Strategy

The move away from chain hotels towards block-booked hotels and nightly lets supports family wellbeing and stabilises supply.

Premier Lux is the only remaining block-booked hotels, retained for cost and quality reasons with other providers supplied as a on-demand provision.

The **East London Partnership** introduced standardised caps for nightly rates to maintain consistency and control cost pressures.:

- 1 bed: £45
- 2 bed: £65
- 3 bed: £85
- 4 bed: £100

However, boroughs continue to outbid each other with incentives as high as £10,000 to secure a property.

7.5. Compliance & Quality Assurance

Regular compliance checks ensure good standards, and complaint levels remain low — particularly important for families and vulnerable residents.

7.8. Outcomes Achieved

- **Improved Data Quality and Forecasting**

New systems and data cleansing work have significantly improved forecast accuracy.

- **Reduced Financial Risk**

Renegotiated rates, new income streams, and tighter controls have reduced projected spend and closed reporting gaps.

- **Stronger Operational Resilience**

Better payment processes and integrated systems have reduced risks and improved reliability.

- **Better Compliance and Service Quality**

Accommodation now meets statutory requirements and provides better outcomes for families.

- **Continuous Improvement**

Further enhancements are underway, particularly around cost reduction, procurement efficiency, and regional collaboration.