

Appendix 1 - Tenancy Services Report

1 Budget Monitoring

Overall rent collected to the end of June is below budget at £15,425,823 against a budgeted figure of £15,569,600. This means that there is currently a shortfall in income of just under £200,000 compared to the expected budget. However, as has previously been mentioned, factors such as the timing of payments can have a significant impact on these figures. Similarly, the overall figure is made up of different areas of income, which are performing differently. Figure 1.1 below shows the difference between budget and actual income for the main income headings, and the overall difference.

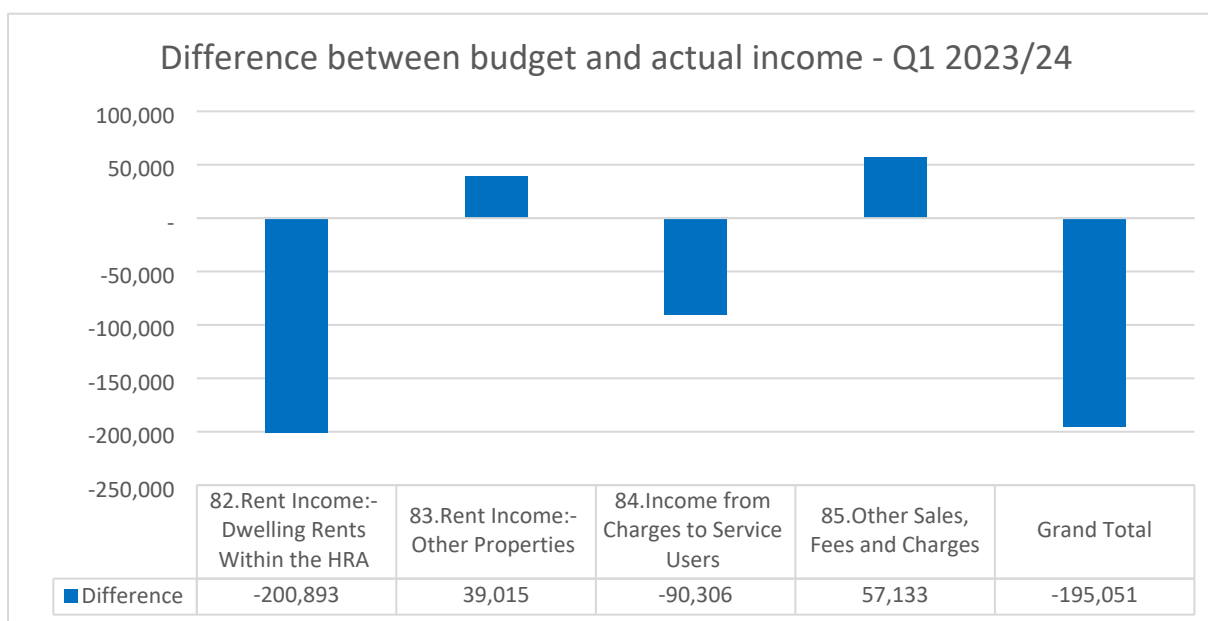


Figure 1.1 - Difference between budget and actual income, Q1 2023/24

Income for dwelling rents (i.e. council homes) shows the largest variation between budget and actual income, at just over £200,000. It is interesting to note that the shortfall identified here is very similar to the value of payments due falling just after the end of the period (identified in section 2 below), and there is a potential correlation between these two figures. In contrast, rental income from other properties (e.g. lockup garages) is above budget for the period, suggesting that tenants perhaps pay for these properties in advance.

When considering arrears, one area that is not regularly discussed is the writing off of tenant arrears. This usually applies to the arrears owed by former tenants where there is no realistic prospect of recovering the debt. In this case, the arrears are 'written off' as unrecoverable, and the debt no longer considered as arrears on the account (although debt can be written back on to an account if contact is made in future). The Scottish Housing Regulator collects the level of write-offs for each landlord as part of their annual return, and figure 1.2 below shows initial figures for the most recent year collected (2022/23).

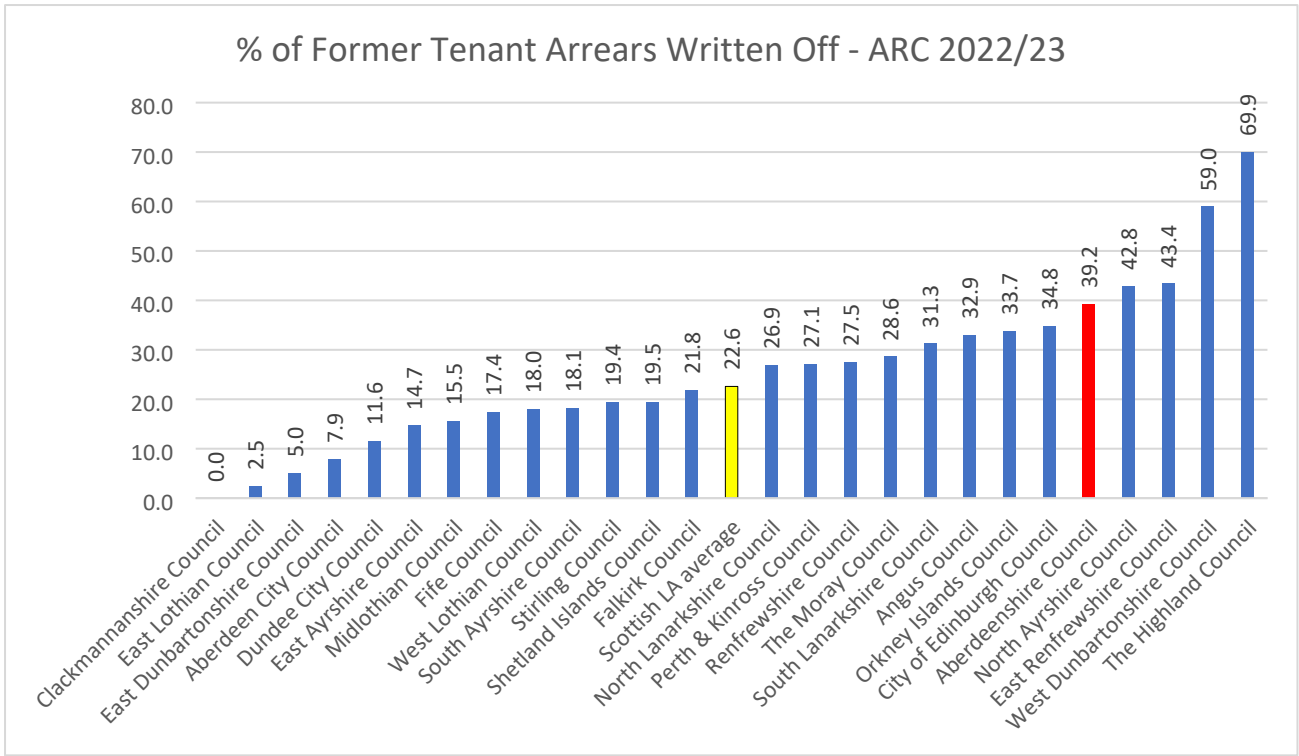


Figure 1.2 - Former Tenant Arrears written off by landlord, 2022/23

As this chart demonstrates, the proportion of former tenant arrears written off by each landlord varies significantly within the year, ranging from 0% for Clackmannanshire up to 69.9% for Highland. Aberdeenshire’s level of write-offs in 2022/23 is higher than usual, due to review of former tenant arrears by our debt collection agency.

While write-offs reduce a landlord’s arrears balance overall, they do not have a significant impact on performance on current tenant arrears (since they are almost always applied to former tenants). However, when a current tenancy closes, it is moved to former tenant arrears, which does take it out of the current arrears indicator reported below. Although individual accounts are unlikely to impact significantly on the total arrears owed, it is worth bearing in mind that arrears figures are influenced by this movement in accounts over time.

2 Performance Monitoring

Current Tenant Arrears % - Performance Against Target

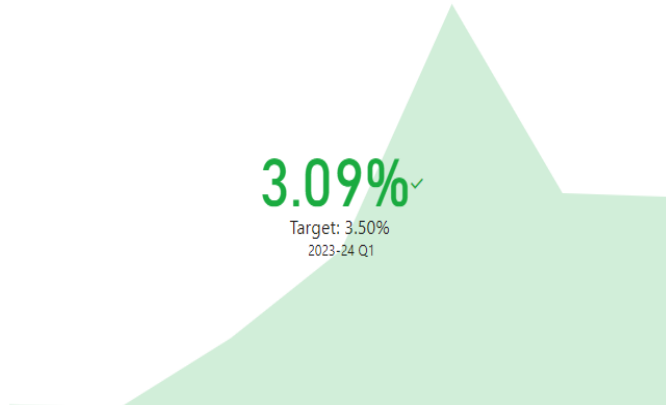


Figure 2.1 – Current Tenant Arrears vs Target (Aberdeenshire)

Current Tenant Arrears % by Period

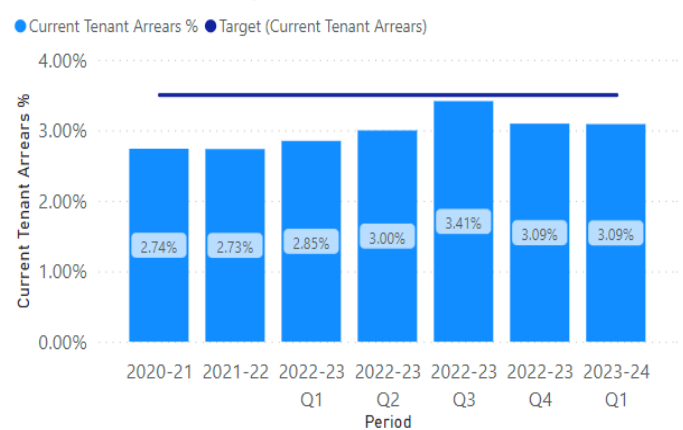


Figure 2.2 – Current Tenant Arrears (Aberdeenshire) by period

Discussion

Current tenant arrears as a percentage of the total rent due remained stable at the end of Quarter 1 in 2023/24 at 3.09%. This is consistent with the position at the end of 2022/23, and represents a reduction from the peak of 3.41% seen at the end of Q3 2022/23. While the figure remains within target, it is higher than for the same period last year, continuing the trend of increasing arrears highlighted in previous reports.

The actual arrears balance for current tenants was £2,167,070 at the end of Quarter 1 of 2023/24 (02/07/2023). However, £208,000 of this total was offset by monthly payments falling on the next day, leaving an effective balance of £1,959,251 at the end of the period. For comparison, the effective balance at the same point in 2022/23 was £1,752,896, meaning that current tenant arrears at the end of Q1 were roughly £200,000 higher than at the same time last year.

While this trend of increasing arrears is concerning, it is important to view our performance in the wider context. As figure 2.3 below shows, Aberdeenshire Council is the second-best performing council in Scotland on this measure (based on initial data from the Annual Charter Return for 2022/23), and is performing substantially better than the Scottish average of 6.55% (and the top quartile value of 4.05%). Aberdeenshire performance is highlighted in red, while the national average is yellow.

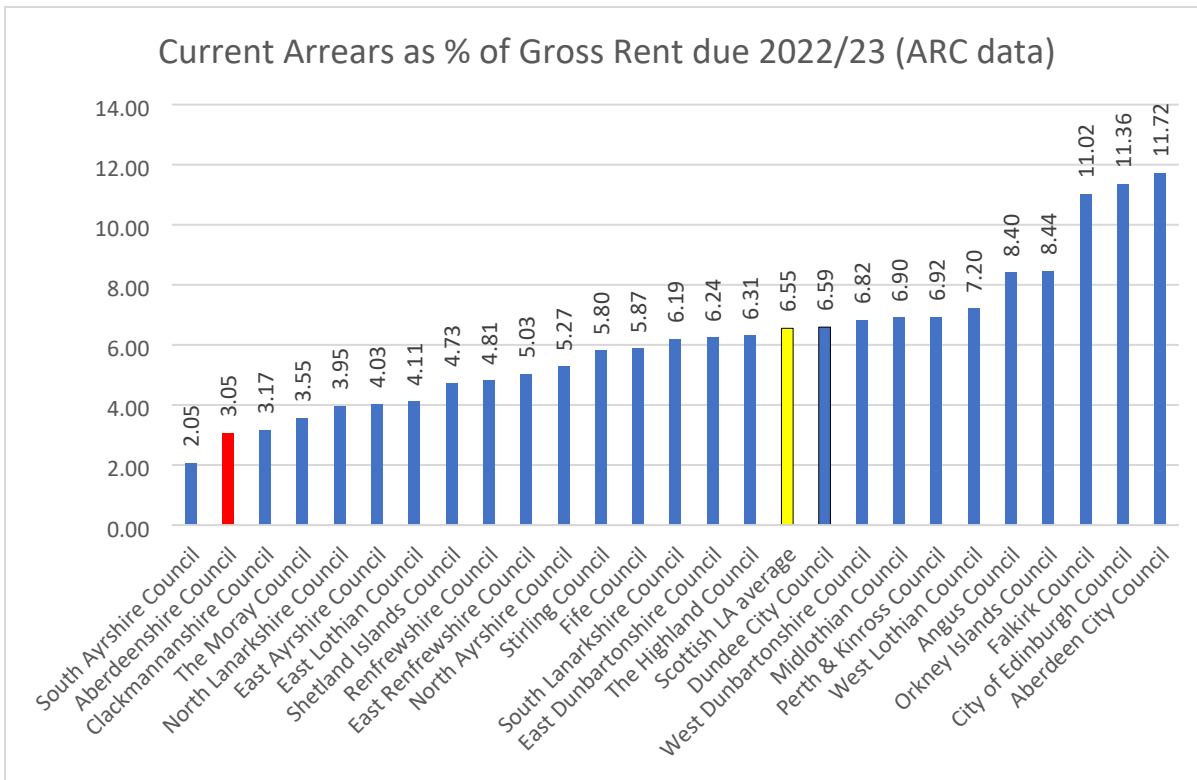


Figure 2.3 - Current Tenant Arrears % by Local Authority 2022/23

This demonstrates that arrears are an ongoing issue for all local authorities in Scotland, driven by the pandemic and subsequent cost of living crisis. This is supported by a recent report from the Scottish Housing Regulator (SHR), highlighting the challenges faced by tenants. More than half of respondents reported having difficulty heating their home in the first few months of 2023, compared to just under a third at the same time in 2022. Similarly, 40% of respondents said they had experienced difficulties in affording their rent in the past year.

Current Tenant Arrears % by Area

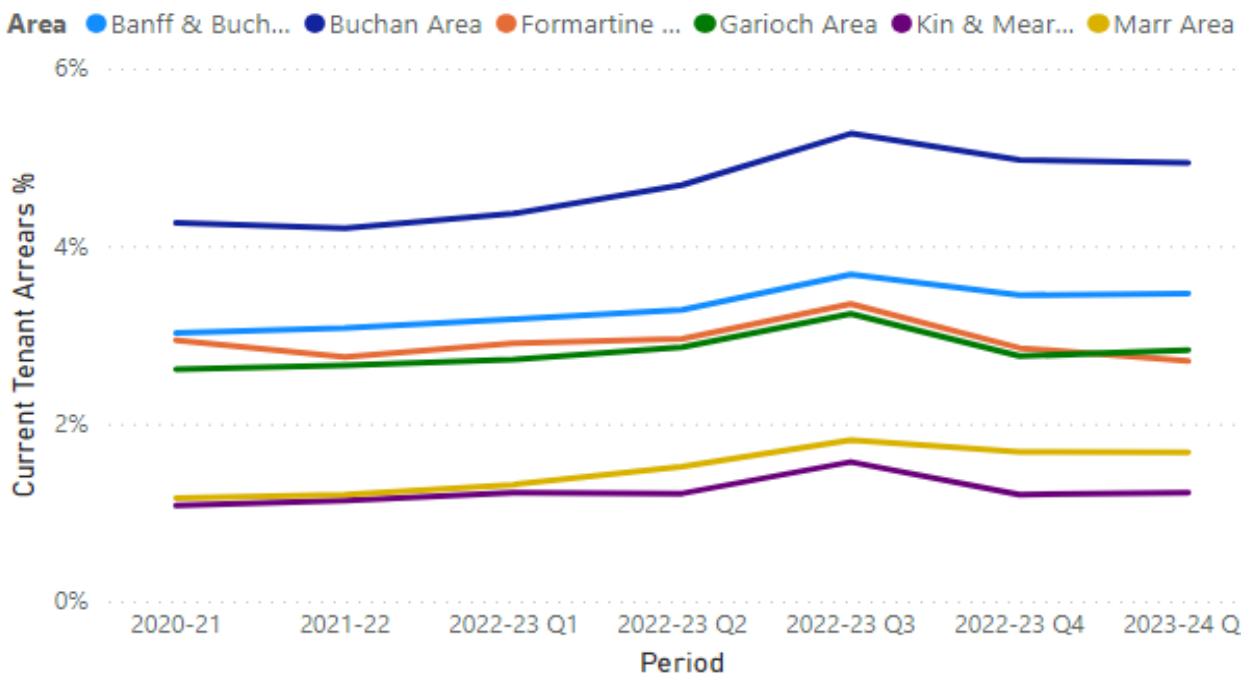


Figure 2.4 - Current Arrears over time by Area

Within Aberdeenshire, arrears levels vary significantly between areas, with higher arrears proportionally in Buchan and Banff and Buchan compared to other parts of Aberdeenshire. Figure 2.4 above demonstrates area performance on this measure over the last 3 years, highlighting the range of values between different parts of Aberdeenshire. As at the end of Q1 2023/24, the area with the lowest arrears level was Kincardine and Mearns at 1.22%, ranging up to Buchan at 4.94%. While arrears levels in Buchan are significantly higher than the rest of Aberdeenshire, they are still better than the national average by a fairly substantial margin. Therefore, while we do need to focus on managing arrears in Buchan, the wider context shows that our performance there is still relatively good.

Looking at arrears on an area level gives us useful information, but it is also worth considering performance at a settlement level to fit within a place-based approach. Arrears levels can vary considerably between towns within an area, and likely reflects the unique circumstances of each settlement. Figure 2.5 below demonstrates the relative level of arrears for settlements across Aberdeenshire, with larger circles representing a higher current arrears value. Please note that the data is limited to settlements with over 50 accounts for clarity.

Current Arrears % by Settlement (Q1 2023/24)

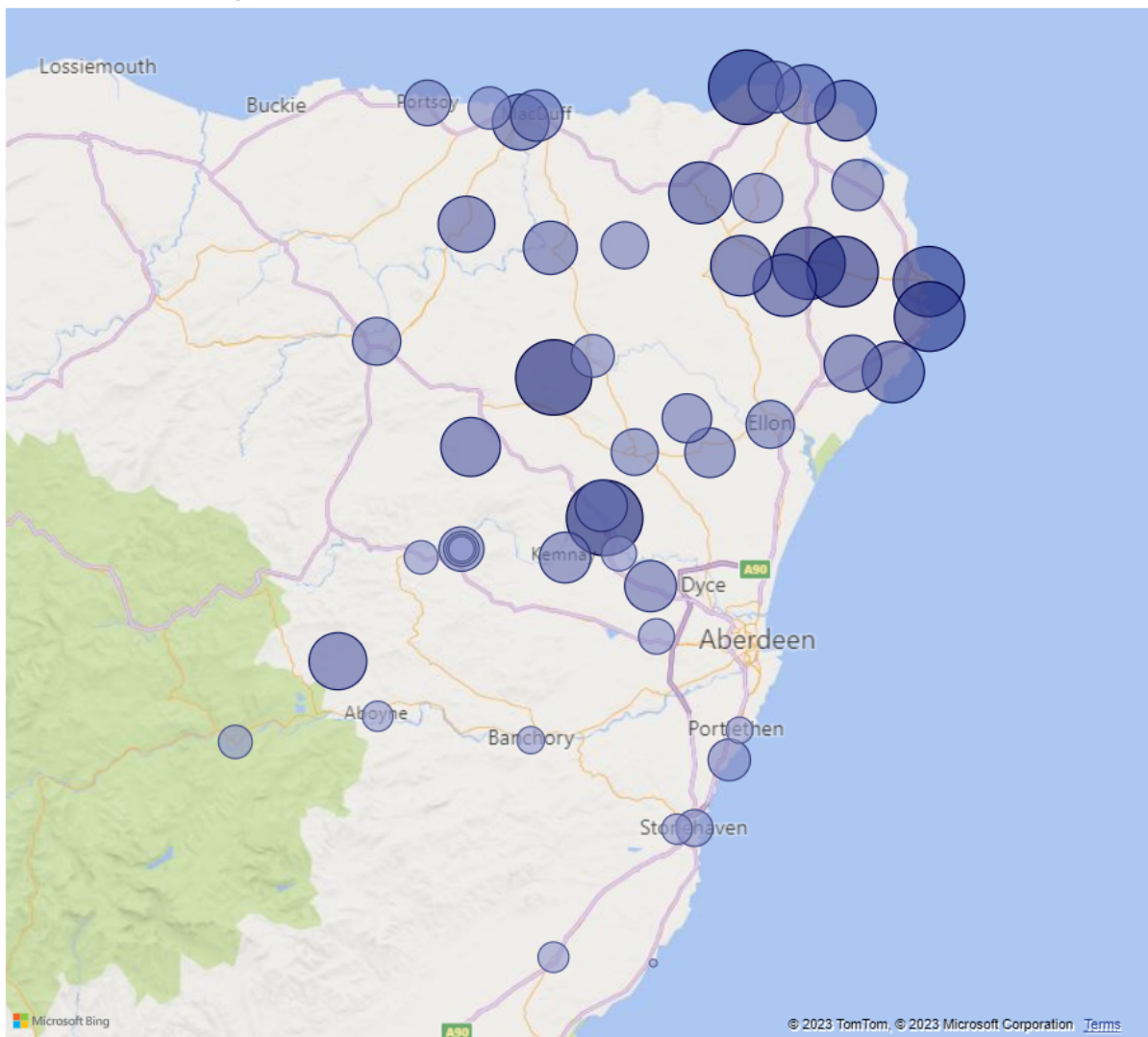


Figure 2.5 Current Arrears % by Settlement Q1 2023/24

Table 2.6 below shows a breakdown of the 10 settlements with the highest % of Current Tenant Arrears in Aberdeenshire at the end of Q1 2023/24, to complement the map above.

Settlement	Number of Current Tenancies	Current Tenant Arrears %
Port Elphinstone	94	6.59%
Rothienorman	74	6.55%
Rosehearty	145	6.36%
Mintlaw	212	5.95%
Longside	54	5.67%
Peterhead	1416	5.61%
Boddam	127	5.52%
Stuartfield	81	4.32%
New Pitsligo	146	4.25%
Cruden Bay	125	4.21%

Table 2.6 – Settlements with the highest Current Arrears %, Q1 2023/24

This highlights the point about differences within areas, since the two worst performing towns (Port Elphinstone and Rothienorman) both lie within areas that perform well overall. Both of these towns have a relatively small number of accounts, meaning that they are unlikely to influence our overall performance much, but the variation suggests unique circumstances are influencing the figures there.

Otherwise, 7 of these settlements are in Buchan, suggesting that the challenges in this area are consistent, rather than being limited to one or two settlements. In particular, arrears in Peterhead have a substantial impact on our overall performance, and any improvements here would likely serve to improve overall performance more than in other settlements.

As discussed at previous Communities Committee meetings, the Housing Service has started implanting a new software system, RentSense, which will highlight potential arrears cases to staff at the earliest opportunity, enabling early intervention and support for tenants. The software is being tested over the summer and full implementation should be complete before autumn. The use of this software will support a more targeted approach to managing tenancies and arrears.