



## **Pre-Budget Submission**

**to:**

**Department of Social and Family  
Affairs**

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## **Introduction**

Threshold is a national housing organisation that provides information, advice and advocacy services to people with housing problems, especially those living in the private rented sector. Our Access Housing Unit helps people move out of homeless hostels and shelters and into private rented accommodation. We also campaign for a better housing system by conducting research and promoting policies that address the needs of the most vulnerable.

Ireland has gained a reputation for marked income inequality on the one hand and high house prices and rents on the other, a combination that has made life extremely difficult for those who missed out on the economic opportunities of the past decade. Welfare and housing policies must be much more proactive in alleviating the strain on those who have been excluded from the benefits of the Celtic tiger.

Threshold's recommendations to the Department of Social and Family Affairs focus on: 1) how the operation of rent supplement scheme may be enhanced to meet the needs of vulnerable households; and 2) the need for an additional income support measure to help low-paid workers with their housing costs.

## **Operation of Rent Supplement Scheme**

The rent supplement scheme continues to be the main access point for people in housing need who cannot afford to pay for it out of their own resources. Moreover it will be the source of support for longer term recipients until the Rental Accommodation Scheme (RAS) is fully implemented. It is important therefore that the rules for accessing and remaining on rent supplement neither exclude those in need nor discourage people seeking opportunities to become more independent.

## **Supply of Rental Accommodation**

Threshold recently conducted a survey of all bedsit accommodation and one bedroom units (priced at €162 per week or less) advertised in the local media in four urban areas. Advertised lets in Dublin, Cork, Galway and Limerick were monitored during 14-25 August 2006. [The survey report is appended.] The findings confirm the experience of Threshold's placement services, that low cost housing for single person households is scarce. Moreover, few landlords in that market segment will consider applications by home seekers on rent supplement.

The consequence is that some households move into substandard dwellings and/or pay a rent above the ceiling without notifying their CWO. This in turn undermines tenancy sustainability and chances for the individual to build a positive future. Changes in the operation of the Rent Supplement Scheme by the Department of Social and Family Affairs could improve the prospects for rent supplement recipients seeking homes in the private rented sector.

According to Threshold's survey, the prices advertised for a decreasing supply of bedsits have risen well above the current ceilings for rent supplement in Dublin and Cork. By August 2006 these ceilings had been

fixed for more than a year. The Department should look at ways to enhance the responsiveness of rent supplement ceilings to market changes by more frequently checking prevailing rents at the lower end of the market and by closely observing local markets. This could be done by regularly monitoring the rent levels of new tenancies registered with the Private Residential Tenancies Board and by gathering local information provided by housing services such as Threshold's Access Housing Unit and regional placement services.

The current practice of paying rent and rental deposits in arrears puts rent supplement recipients at a disadvantage when seeking accommodation. Many tenants find it hard to get accommodation because landlords do not accept rent supplement. Rent supplement can be financially unappealing to landlords because it is paid in arrears rather in advance which is the norm for the rented sector. In addition, delays in getting a decision on eligibility for rent supplement creates problems for some tenants who successfully find accommodation. The procedure for tenants accessing rent supplement is complicated and it can take up to six weeks to get a decision. This is a long time for a landlord to potentially wait for a payment. According to Threshold's recently published Annual Report 2005, some clients who experienced delays last year were threatened with eviction or received insufficient notice to leave.

The Department of Social and Family Affairs should consider paying rent supplement in advance, either directly to the tenant or directly to the landlord (as is the practice with the new Rental Accommodation Scheme). This change would put prospective rent supplement tenants on a more equal footing with other home seekers. Landlords would have little justification in rejecting rent supplement recipients if they could comply with market practice about deposits and rent payments. The Department would then be in a position to look at ways of outlawing this practice. One such mechanism that could be endorsed by the Department would be to amend the *Equal Status Act* to prohibit discrimination on the basis of source of income, in addition to the existing nine grounds.

### **Access for Homeless Persons**

During 2005 Threshold's Access Housing Unit (AHU) supported 143 people, including 44 children, to move out of emergency homeless accommodation and into longer-term rented accommodation. The AHU could have helped more people, especially single homeless people, if the administration of rent supplement was adapted to more effectively address the needs of people seeking to move out of homelessness. Threshold recommends that Homeless Person Units (HPU) in Dublin and other cities should retain management of the supplement for an initial period of three months. This practice would enable the HPU to build relationships with settlement organisations such as the AHU and provide the flexibility about rent limits and deposits that facilitates home seeking.

More generally, local Community Welfare Officers (CWOs) at present are not utilising to best advantage their ability in exceptional circumstances, including housing a homeless person, to exceed the rent ceiling (Circular No. 03/05,

4.3). Limited awareness of this provision has created much uncertainty about its applicability to individual cases. This leads to time delays that impede access to housing. CWOs should be given further guidance so that agencies such as the AHU can rely on the provision where necessary to create a tenancy.

Other research by Threshold identified scope for increased referrals to AHU of couples and families living in emergency accommodation (*Couples and Families in B&Bs: Potential for AHU Referrals*, Homeless Agency, 2005). A change in practice is required so that the AHU and HPU can expeditiously assess the needs of potential AHU clients before those households become settled in homeless accommodation. The advantages of HPU involvement in a fast track assessment process for the AHU would be that suitable families could be immediately assisted to move into stable long-term accommodation while expenditure on emergency homeless accommodation could be minimised.

### **Needs of Lone Parent Families**

A forthcoming joint research report by Threshold and OPEN (One Parent Exchange and Network) funded by the Combat Poverty Agency will describe a number of problems faced by lone parent families on the rent supplement scheme. Complaints about poor quality housing conditions and indications that some landlords are failing to register with the Private Residential Tenancies Board highlight the necessity for much closer co-operation between CWOs, the PRTB and local authorities. Landlords that benefit from the rent supplement scheme should be compelled to comply with the law on minimum dwelling standards and the *Residential Tenancies Act 2004*. The Department should also encourage CWOs to maintain an active role in ensuring that properties approved for rent supplement comply with these legal regulations.

### **Gaps in Income Related Housing Support**

A growing number in Ireland who experience housing affordability problems are the 'working poor'; they are employees on or near the minimum wage who cannot buy a home of their own, even at a discounted rate, but at the same time are ineligible for rent supplement because they work more than 30 hours per week. While government has developed affordable housing schemes for workers who cannot afford to buy a house at market prices, the only assistance provided for private renters on low incomes is a modest amount of tax relief. Yet there are immediate adverse consequences if prevailing rents require tenants to spend more than one third of their income on housing costs; this situation is most likely to occur for single person households living in larger cities. As pointed out in NESc's report, *Housing in Ireland: Performance and Policy* almost one third of all jobs in the Irish economy are forecast to require less than upper secondary schooling to be adequately performed and their earnings levels are likely to remain modest.<sup>1</sup> The Department of Social and Family Affairs should consider extending the rent

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<sup>1</sup> NESc 2004, *Housing in Ireland: Performance and Policy*, p. 106

supplement scheme or introducing a new income support programme to help people in low-paid jobs with their housing costs.

## **Recommendations:**

### 1. Enhanced administration of the Rent Supplement Scheme would facilitate access to housing by those in need:

- a. Paying rent in advance rather than in arrears would make it easier for rent supplement applicants seeking accommodation and make it harder for landlords to reject rent supplement tenants.
- b. Clearer guidance would enable CWOs to respond promptly and sensitively in the case of exceptional needs and help homeless persons compete for private rented accommodation.
- c. Three month retention by Dublin's Homeless Persons Unit (and similar units in other cities) of responsibility for rent supplement decisions in the case of clients of agencies such as the Access Housing Unit would enable more tenancies to be created, reducing the number people who are homeless.

### 2. Rent caps must reflect the real cost of renting:

- a. Rent ceiling increases to €140 per week in Dublin and €115 per week in Cork are recommended on the basis of a recent market survey by Threshold [See appendix].
- b. Guidance on 'reasonable rents' should be revised in consultation with the Private Residential Tenancies Board (PRTB) and organisations dealing directly with the market such as Threshold's Access Housing Unit and regional placement services.

### 3. Closer co-operation between CWOs, the PRTB and local authorities is essential to enforce landlord obligations towards tenants on rent supplement.

### 4. The Equal Status Act should be amended to prohibit discrimination on the basis of source of income and socio-economic status.

### 5. An investigation is necessary to find ways of ensuring that the working poor are able to obtain affordable rental accommodation, including consideration of an income support programme that is sensitive to local housing costs.

## **Threshold Survey of Rents Advertised Relevant to One Person Households In Dublin, Cork, Galway and Limerick August 14-25, 2006**

### **Main findings**

The survey of advertised lets open to low income one person households took place in four cities, Dublin, Cork, Galway and Limerick during weekdays between 14 – 25 August 2006. It revealed problems of availability and affordability.

Access to affordable housing for low income single person households is constrained by the scarcity of bedsit accommodation in all the cities. It is not just the limited number but also the relatively high prices demanded that impede access in Dublin. The most frequent rents for Dublin bedsits are in the €131-140 per week range. Similarly relatively few units in Cork are advertised at rents within the local rent ceiling.

For welfare-dependent home seekers landlords' resistance to rent supplement greatly reduces the accessible supply. Over the two week period, across all bedsits advertised, irrespective of price, only 18 out of 90 advertised bedsit/studio units in Dublin, 11 out of 22 units in Cork, 6 out of 10 units in Galway and 3 out of 8 units in Limerick would consider rent supplement.<sup>2</sup>

The survey's expansion to encompass lower-priced one bedroom accommodation revealed some additional units advertised at rents above but in the vicinity of the current rent ceilings. Again, however, landlords typically rejected rent supplement applicants.

### **Recommendations**

- The rent cap for self contained bedsits in Dublin should rise to €140 per week.
- In Cork the ceiling should rise to €115 per week.
- Insufficient information is available from the surveys to indicate appropriate revisions to the bedsit caps for Galway and Limerick cities. The small size of their open markets at the bottom end highlights the importance of more detailed investigations to determine appropriate rent ceilings.
- Threshold's report *Seeking a Home on Rent Supplement: Experience in Cork City in 2004* reported that one fifth of the rent supplement recipients surveyed had reported to their CWO a lower rent than they were actually charged. Placement services, such as those in Threshold's southern and western region offices not only help vulnerable clients avoid taking on unsustainable tenancies, but they also are a means of obtaining reliable information about the rental

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<sup>2</sup> There were also two cases where the landlord's position on taking rent supplement was unknown.

market at the bottom end. Such services should be given greater governmental support.

- Action to introduce new accommodation sources is essential to counteract the small, and ever-reducing amount of bedsit and small flat accommodation available to one person households on low income. The rent supplement scheme needs to enable one person households to compete for one bedroom accommodation.
- Measures to change landlord attitudes about letting to rent supplement recipients, such as ending the CWO practice of paying in arrears, need to be considered urgently.
- In addition, the prohibition of discrimination under the Equal Status Act should be expanded to encompass discrimination on the basis of socio-economic status and source of income, a reform that Threshold has long been advocating.

### **Access to bedsit accommodation**

The available bedsit segment is small in all the cities and apparently only a fraction of it is advertised in the daily city newspapers and home locator websites. The smaller populations in the three regional cities, and the associated importance of informal networks for accessing accommodation, may partly explain the exceptionally low numbers of units advertised in the daily city newspapers and websites that were surveyed. But the fact remains that open market supply is very limited (Table 1). Even in Dublin less than 100 bedsit/studio units were advertised over the two week period compared with a count of 450 one bedroom flats and apartments advertised on DAFT.ie on a single day (23 August).

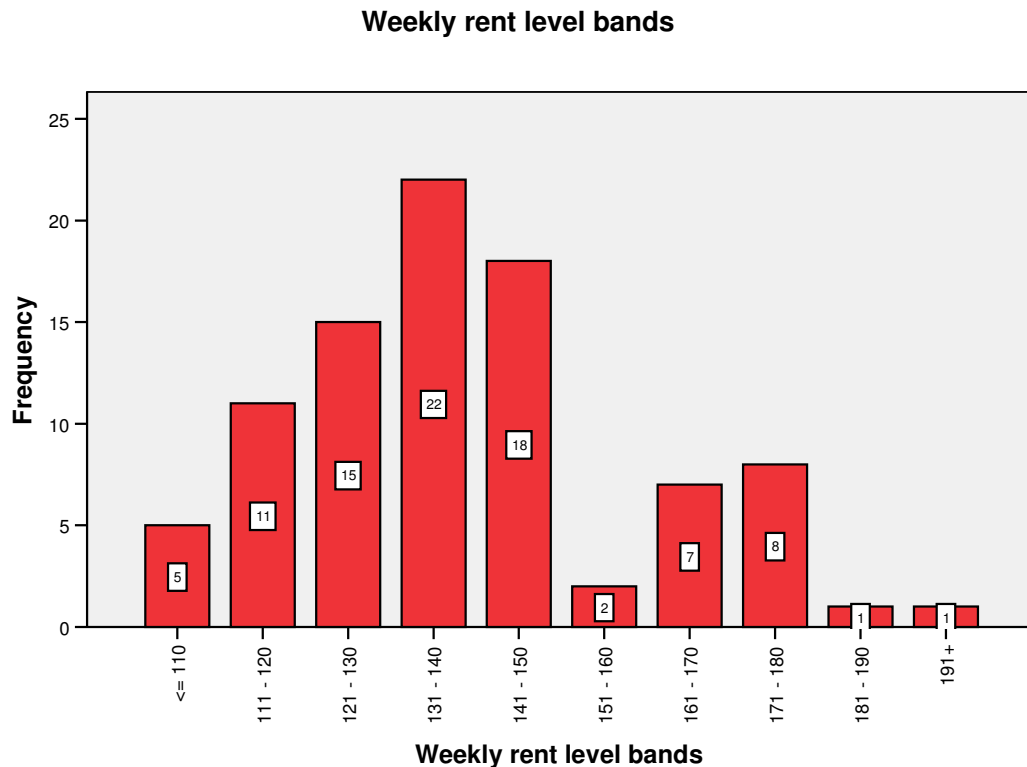
For those bedsits that were advertised during the survey period, the results for Dublin and Cork diverged from those for the two smaller cities. Almost all the bedsit units advertised in Galway and Limerick are within the relevant cap, compared with only 18% in Dublin and 36% in Cork. In Dublin only 16 units are priced at or below the local rent cap of €120 per week while the Cork survey reports eight units at or below the cap of €100 per week.

The average rent across the bedsit/studio advertisements in this survey is €141 per week for Dublin, 18% above the cap of €120; in Cork the average is €120 per week, 20% above the cap of €100 per week; in Galway bedsits average €108 per week which is below the rent cap of €115, while in Limerick the average asked is €85, also below the local cap of €100 (Table 1).

Rent levels are not the only difficulty facing home seekers. The number of bedsits advertising rents within the rent caps that would consider rent supplement tenants is negligible: 6 in Dublin; 6 in Cork; 5 in Galway and 1 in Limerick. Landlords asking more than the rent cap level are also unlikely to accept rent supplement tenants: only 1 advertisement in Galway and 2 in Limerick. Out of the 74 units advertised at more than €120 in Dublin, 12 indicate that rent supplement is acceptable. In Cork, five units out of 14 asking more than €100 per week are open to rent supplement recipients.

More careful investigation is necessary to be conclusive about prevailing rates especially in the regional cities. For example, Threshold's western region office has conducted small rent surveys in the recent past and is familiar with the market through its placement service. Office staff point out that many of the lowest priced units are in fact converted garages where the landlord will not accept rent supplement, if only for fear of detection. The agent of a major landlord in Galway informed Threshold that €150 per month currently is charged for a one bedroom apartment. Similarly the placement service in Threshold's office in Cork finds that advertised lets rarely are accessible to clients who depend on rent supplement. Both offices are seeking additional resources to undertake systematic investigations of the rental market for single person households on low income.

## Dublin Results



Although the number bedsits advertised is almost the same as in recent surveys for Dublin, the average price asked is much higher (Table 2). For example, the average reported in May 2006 was €128 per week compared with €141 in this round. Correspondingly the percentage of units advertised at rents above the cap is much greater. The distribution of bedsit rents above the current rent ceiling, displayed on the chart above, indicates that the number of eligible properties would rise if the relevant cap was increased. There is a substantial bunching of units at rents between €131 and €140 per week in Dublin. There are no bedsits for under €100 per week.

Seasonal factors could be influencing the results. Owners of bedsit properties may be anticipating student demand. DAFT's national rent series show extremely low vacancy and time-to-let for previous August months although the small number of bedsit/studios in the total lettings would have limited impact on these DAFT series.

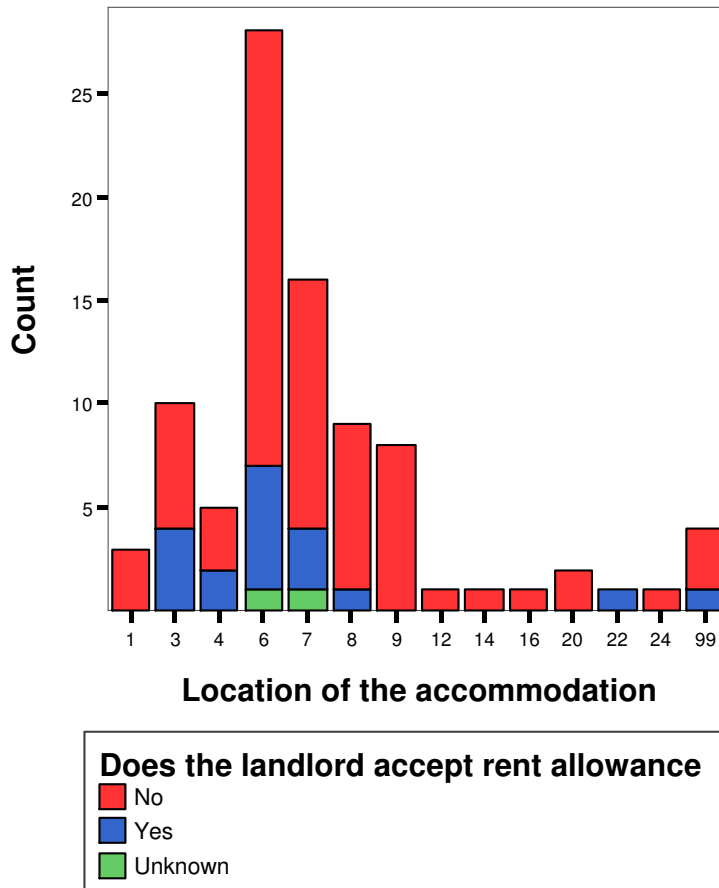
It is also worth noting a trend towards the advertisement of "double" bedsits. In our experience this is not a change in the size of units available but only in the size of bed supplied and the price. In addition it is not always been possible to distinguish between a traditional "bedsit" and an up-graded studio situated in an older property, even when the landlord/agent is consulted by phone. Only three units were advertised as not self-contained while such information could not be obtained for another three units advertised.

The distribution of bedsits across Dublin is shown on the next chart. Post code 6 is the predominant location for bedsits, including those accepting rent supplement. Dublin 3 and 7 have higher proportions of units accepting rent supplement, however.

Despite the higher rents advertised in August, the availability of units that are both at or below the cap and open to rent supplement tenants is little different from the May survey. In May there were seven such units; in August there are six, plus one where the acceptability of rent supplement could not be obtained.

Table 2

	Dec'04	Apr'05	Jul'05	Oct'05	Feb'06	May'06	Aug'06
Average rent per week	€122	€124	€130	€128	€126	128	€141
No. bedsits	160	126	136	108	94	91	90
No. above rent cap	59	59	62	61	56	53	74
No.at/below cap	41	41	38	39	44	47	16
Average of above-cap rents	€137	€137	€144	€145	€143	€145	€147



### One bedroom units

The August survey also covered one bedroom flats and apartments although in Dublin due to the large volume, only those renting for €162 or less per week were monitored.<sup>3</sup> Relatively few such units are advertised in Dublin, as shown on the summary Table 1. Only a few in each city are advertised at or below the current rent cap and acceptance of rent supplement is limited, especially in Dublin.

If the one bedroom units are combined with the bedsit/studio survey results a better indication is obtained of the supply available at prices above the current rent ceilings. Table 3 shows the change in availability as higher rent levels are considered (but ignoring receptiveness to rent supplement).

<sup>3</sup> This groups also includes exceptional studios whose descriptions clearly lifted them out of the bedsit category, for example studios in a purpose built apartment building.

**Table 2 Bedsits, studios, one bedroom units advertised by rent category**

Rent/week	Dublin	Cork	Galway	Limerick
Rent cap	€120	€100	€115	€100
	No. units	No. units	No. units	No. units
Rent at/below cap	27	10	11	9
€101-115	-	+9	-	+7
€116-120	-	+3	+2	+2
€121-130	+18	+5	+5	+6
€131-140	+29	+12	+4	+3
€141-150	+34	+7	+7	+6
€151-160	+9	+6	+3	+1

### **Survey Sources**

Dublin: daft.ie, loadza.ie [Evening Herald]

Cork: Cork Echo and daft.ie

Galway: daft.ie, let.ie, Galway Advertiser

Limerick: Limerick Post, Limerick Leader, daft.ie, let.ie

<b>Table 1 August 2006 Rent Survey: Advertised Units for One Person Households</b>				
	Dublin	Cork	Galway	Limerick
<b><i>bedsit unit segment</i></b>				
rent ceiling €/week	€120	€100	€115	€100
average rent advertised €/week	€141	€120	€108	€85
No. units advertised	90	22	10	8
No. at/below ceiling	16	8	8	6
No. at/below accepting rent supplement	6	6	5	1
No at/below unknown if accept	1	0	0	1
No. at/below accept, self-contained	6	3	5	0
No. at/below accept, unknown if self-contained	0	0	0	0
No. above ceiling	74	14	2	2
Supra ceiling average rent	€147	€142	nr	nr
No. above cap, accepting rent supplement	12	5	1	2
No. above cap, unknown if accept rent supplement	1	0	2	0
<b><i>one bedroom flat/apartment segment</i></b>				
No. advertised at €162/week or less	61	40	24	26
average rent of moderately priced units	€140	€136	€132	€127
No. at/below rent cap	11	2	3	3
No. at/below cap, accept rent supplement	1	2	1	1
No. at/below cap, unknown if accept rent supplement	0	0		1
No. at €162 or less, accepting rent supplement	6	14	5	6
No. at €162 or less, unknown if accept supplement	1	1	1	1
No. ads excluded as rent unobtainable	20	1	12	4

## Appendix 1: Dublin August 2006 Bedsit Survey Statistical Analysis

### Does the landlord accept rent allowance \* The accommodation is under the rent cap

			The accommodation is under the rent cap		Total
			No	Yes	
Does the landlord accept rent allowance	No	Count	61	9	70
		% within Does the landlord accept rent allowance	87.1%	12.9%	100.0%
	Yes	Count	12	6	18
		% within Does the landlord accept rent allowance	66.7%	33.3%	100.0%
Unknown	Count	1	1	2	
	% within Does the landlord accept rent allowance	50.0%	50.0%	100.0%	
Total	Count	74	16	90	
	% within Does the landlord accept rent allowance	82.2%	17.8%	100.0%	

		The accommodation is under the rent cap	
		No Weekly rent level	Yes Weekly rent level
Does the landlord accept rent allowance	No	147.80	111.78
	Yes	143.75	113.33
	Unknown	150.00	120.00

### Distribution of the information pertaining to the accommodation

		No	No	Yes	Unknown
Does the landlord accept rent allowance	Count		70	18	2
	%		77.8%	20.0%	2.2%
Is the accommodation self contained	Count		3	84	3
	%		3.3%	93.3%	3.3%
The accommodation is under the rent cap	Count	74	16		
	%	82.2%	17.8%		

		Weekly rent level		
		Count	Mean	Standard Deviation
Location of the accommodation	1	3	143.33	5.77
	3	10	138.70	9.92
	4	5	149.80	18.83
	6	28	152.14	21.39
	7	16	128.94	19.92
	8	9	144.33	19.46
	9	8	138.88	21.03
	12	1	130.00	.
	14	1	100.00	.
	16	1	139.00	.
	20	2	138.50	.71
	22	1	115.00	.
	24	1	150.00	.
	99	4	121.75	7.89

## Appendix 2 Contextual Information on the Survey Cities

	A	B	C	D	E	F	G	H
1	<b>2002 Census Information</b>							
2	Cities	Dublin	Cork	Galway	Limerick	State	Four cities	Dub%four
3	<i>Nature of Occupancy</i>							
4	Private rented	37863	7830	5826	3290	141459	54809	69%
5	Total permanent dwelling units	180661	42647	21019	18902	1279617	263229	69%
6	<i>Type of building</i>							
7	Flat/apartment in converted or shared house	14141	2079	761	566	29258	17547	81%