



## Pre-Budget Submission – Threshold

### Rent Supplement

According to figures from the 2002 census there was 141,459 households, living in private rented accommodation (over 11% of all households). Many are confined to live in poor quality housing due to low incomes and a shortage of social housing. Contrary to popular discourse, the Economic and Social Research Institute in 2003 found that the private rented sector and not house purchasers faced the greatest affordability problems. “Private sector tenants are burdened with higher housing expenditures than any other tenure category and experience considerable financial strain as a result.”

Government changes to rent supplement in last two years have caused severe problems for many people who need but cannot afford private rented accommodation. The Estimates for 2004 contained three cutbacks in eligibility for rent supplement that have created confusion and widespread hardship. These cutbacks should be reversed:

- **The six month rule denies an applicant assistance if s/he has not been renting for the previous six months unless they could prove that they were homeless or are assessed in housing need.**
- **The full-time work disincentive denies an applicant assistance if one member of a couple works more than 30 hours per week, even though household income is low.**
- **The choice restriction rule denies assistance to people who refuse offers of local authority housing or who leave such accommodation without reasonable cause.**

Rent supplement levels were fixed under new regulations introduced in the 2003 Estimates. Under the restrictions, each health board introduced maximum rent levels above which rent supplement would be denied. A limited improvement was granted in 2004. Many people in need, particularly single people and small families with children living in urban areas, have experienced acute problems as a result.

Threshold's Access Housing Unit (AHU) helps people who are homeless to move out of emergency services and into private rented accommodation. The rent cap has severely restricted the AHU's work to help people get back on their feet. Surveys conducted by the AHU in both March and September 2004 found the average cost of a bedsit was €121, whereas the maximum allowable rent cap in Dublin is €115. It is now almost impossible to find single accommodation at this price.

Homeless sector studies have shown that it costs about €20,000 per annum to maintain someone in the homeless sector. Even if the rent cap was raised to €130, the annual cost would be only €6,760. The state still saves money and homeless people have an opportunity to become part of mainstream society and have a chance to fulfil their potential.

Threshold's survey of rent supplement recipients in Cork reveals significant numbers of people paying 'top-ups' to landlords from their social welfare payments to keep their rented accommodation, forcing them to forgo other basic necessities.<sup>1</sup> Others said that they had to accept accommodation that was sub-standard.

- **Rent Supplement restrictions must be reversed as a priority.**
- **Rent caps must be increased to reflect the real cost of renting. Guidance on 'reasonable rents' should be revised in consultation with organisations dealing directly with the market such as Threshold's Access Housing Unit.**
- **Rent caps should not restrict people who are homeless moving out of emergency accommodation and into the private rented sector through placement services such as Threshold's Access Housing Unit. This flexibility already exists but does not always happen in practice, and should be made explicit.**
- **The needs of the 'working poor' who experience housing affordability problems requires urgent attention.**

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<sup>1</sup> Report to be published.

## **Social Housing Output**

According to the most recent Housing Needs Assessment, completed in March 2002, there was 48,413 households assessed in need. Over two-thirds (67%) have a household income of less than 10,000 euro per annum. While housing completions increased to a record high of 68,819 units in 2003, only 6,587 additional social housing units were provided for people in housing need - 4,972 by local authorities and 1,617 by housing associations.

The Government's National Development Plan commitment of 40,100 additional local authority starts (including acquisitions) by 2007 will not be met based on current output levels. Given the level of activity during 2000-2003, local authority starts during 2004 to 2006 would need to increase drastically. Similarly, without increased public support housing associations cannot make the target of 15,500 completions set out in the Plan.

- **Capital spending on the provision of social rental housing in 2005 should enable starts to rise to at least 10,000 units.**

## **Housing Waiting Lists and Local Authority Assessments of Social Housing Need in 2005**

The commitment to develop a housing access target in the NAPS Review, *Building an Inclusive Society*, has not been fulfilled. An open policy-making process is required immediately where the costs involved in reducing waiting times for households in housing need are analysed, and ambitious yet realisable targets set. The initiative would build on the Social and Affordable Action Plans prepared in 2003 by local councils.

The review of the integrated strategy on homelessness, the social and affordable action plans and monitoring of the implementation of Part V of the Planning and Development Act are initiatives where participation of organisations representing the target groups should be closely involved. In the spring of 2005, another housing needs assessment will be organised by the Department of the Environment, Heritage and Local Government. It is important that this exercise provides comprehensive and detailed information about the nature and extent of housing need.

- **Budget 2005 should set specific and measurable targets for reductions in local authority waiting lists and waiting times.**
- **Threshold and other relevant voluntary organisations should be consulted on the methods**

## **employed and information collected in the national assessment of people in housing need.**

### **Rental Accommodation Scheme**

On 7<sup>th</sup> July 2004, the Government announced new arrangements whereby local authorities will assume responsibility for meeting the long-term housing needs of people on rent supplement for 18 months or longer. Housing will be provided through a mixture of social housing, housing provided by voluntary housing associations and new-build Public-Private Partnership projects (PPPs). Local authorities will engage in contractual arrangements with existing and new landlords to provide accommodation under the scheme.

Threshold considers that the Rental Accommodation Scheme has the potential to improve the situation of people in long-term housing need, but this will depend on how the scheme operates in practice. The transfer of the existing rent supplement budget will be insufficient to fund the scheme. Additional exchequer funding must be allocated to the scheme and to local councils that administer it.

Organisations representing vulnerable groups are eager to ensure that the new Scheme will provide appropriate accommodation for people in long term housing need, and have made submissions to the authorities responsible. The commitment to incorporate the right to work in the scheme is most welcome, but other shortcomings of rent supplement in relieving affordability problems need to be addressed, in particular the problems faced by people in low paid jobs without welfare assistance.

- **The new Rental Accommodation Scheme must be adequately funded to provide accommodation for people in long-term housing need.**

## **Residential Tenancies Act 2004**

The Residential Tenancies Act is a major step forward for the private rented sector. It puts the landlord and tenant relationship on a more business-like footing; the rights and responsibilities of landlords and tenants are clearly written down; and the means of resolving disputes will be more flexible and cheaper than in the past. The establishment of the Private Residential Tenancies Board as the regulatory body for the sector is most welcome. In order to avail of the protections set out in the Act, tenants with housing problems will need advice and advocacy support to present their case. Few will be able to afford legal representation if it is required. It is crucial that Threshold and other information providers are provided with sufficient resources to meet new demands for support.

- **The government should allocate additional funding to Threshold and other organisations who can support people to take cases to the dispute resolution service established by the Residential Tenancies Act 2004.**

## **Accommodation Standards in the Private Rented Sector**

The Housing (Standards for Rented Houses) Regulations 1993 do not require a standard of housing that reflects today's living accepted living conditions. For example no refrigerator has to be provided, nor central heating; and the landlord does not have to supply a cooker, just the means of installing cooking equipment. There is no requirement for fire alarms or extinguishers. Neither have existing standards been enforced properly. Although 1,753 out of a total 4,703 inspections of private rented premises by local councils during 2003 revealed sub-standard conditions (42%), legal action was initiated only in eleven cases.

- **Private rented dwelling standards should be updated by government and effectively enforced by local authorities.**

## **Promoting investment in the Private Rented Sector by financial institutions**

A forthcoming research study by Threshold investigates the potential of Irish financial institutions investing in private rented housing market.<sup>2</sup> It is highly likely that if financial institutions were to invest directly in the sector, good quality private rented accommodation would increase and good management practices would become the standard. Yet few incentives have been put in place to promote investment in the Irish private rented sector by financial institutions. This is in contrast to the situation in countries such as the Netherlands, France, Sweden and to a much lesser extent, Britain. The Government should seek to ensure that the private rented housing market is an attractive, sound investment for financial institutions in Ireland.

- **The Government should explore ways in which institutional finance could be attracted to fund social housing through Part V of the Planning & Development Act 2000-2002, based on a UK Housing Association style of organisation;**
- **The Government should examine the potential for special purpose vehicles to promote investment in the private rented sector, specifically the ‘Property Investment Fund’ currently being investigated by the UK government;**
- **The Government should examine ways of enhancing the availability of relevant data and analysis that could prove additionally useful for financial institutions in assessing the potential of the Private Rented Sector for investment purposes.**

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<sup>2</sup> Threshold, 2004, “A Lost Opportunity: Institutional Investment in the Private Rented Sector In Ireland”

## **Urban Regeneration**

A recent survey commissioned by the Department of the Environment shows that social housing tenants are more likely than others to live in houses or flats that too small or in need of housing repairs. Also the location in which they live may be less safe and more littered than other areas.<sup>3</sup> Initiatives to regenerate social housing estates in recent years have been the source of much public discussion. It is clear that such projects cannot create sustainable developments without sufficient exchequer funding. The recent move to use Public-Private Partnership schemes as a vehicle for urban regeneration raises concerns about the ability of existing communities and prospective tenants to have an influence on developments.

- **The government should ensure that local authorities have the funding and guidance to genuinely involve local communities in regeneration projects, and to implement changes that are consistent with the needs and wishes of local communities.**

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<sup>3</sup> D Watson and J Williams "National Survey of House Characteristics and Quality 2001/02" presentation at Housing Unit Conference, 20 February 2003