

# Threshold Pre-budget Submission 2013

To:

Department of Social Protection

September 2012

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## 1. Introduction

Threshold makes this submission to the Department of Social Protection (DSP) for consideration as part of the forthcoming Budget 2013. We ask that the Minister uses this Budget to protect people at risk of homelessness and those seeking to move out of homelessness by making no further reductions to the rent supplement scheme. Our submission highlights the negative impacts of the last year's rent supplement cuts, how this was exacerbated by a haphazard approach to implementation, and how rent supplement reductions have affected both landlord and tenant behaviour.

The submission begins with a brief summary of our recommendations followed by case studies of Threshold clients and how the rent supplement changes in Budget 2012 have impacted on them. The next section describes Threshold's work with clients of the DSP and the benefits of our work. Our recommendations for Budget 2013 are detailed in Section 5 and concluding remarks are made in the final section.

## 2. Summary of Pre-Budget Submission 2013

**Despite assertions to the contrary, Threshold knows rent supplement cuts are making people homeless. We're dealing with people who have been left with no other option because they can no longer afford to pay their rent. We have also received an unprecedented number of queries from third parties including elected representatives, state agencies, voluntary agencies and the families and friends of tenants affected by the cuts. Changes to the rent supplement scheme have never generated as much concern.**

Rent supplement tenants have either become homeless or been placed at risk of homelessness by the changes made in Budget 2012 to the rent supplement scheme. This is due to a lack of properties within the rent supplement limits and landlords refusing to accept further reductions in rent. The negative effect of rent supplement changes has been incremental, arising from 20-25% reductions in rent supplement limits and more than doubling of tenant contributions in recent budgets.

Single people, in particular, are at placed at most risk of homelessness as they are largely confined to living in bedsit accommodation. Threshold believes that many bedsits would not exist if the DSP did not continue to pay for substandard accommodation. The DSP does not engage directly with landlords around the price and quality of the properties they provide under the rent supplement scheme. The DSP representative is supposed to ensure that the property is up to standard but due to historical resource issues this function has never been adequately carried out. As a result, many tenants have been placed in the hands of unscrupulous landlords who routinely flout the law.

The rent supplement scheme is not fit-for-purpose as tenants receive support based on their welfare status rather than on their income. The scheme is therefore unfair to those low income groups who are excluded and generates poverty traps for those who qualify. It is Threshold's direct experience that the manner in which this payment operates creates a poverty trap and prevents people who want to do so from working. The transfer of this *de facto* housing assistance programme from the Department of Social Protection to local authorities has been sought as part of the IMF/EU/ECB Programme of Assistance to Ireland and both the Minister for Social Protection and Minister of State for Housing and Planning have stated their commitment to doing so.

#### **Threshold's recommendations for Budget 2013:**

- **No further changes to rent supplement limits and minimum contribution**
- **Review of impact of rent supplement limits on single adult households (including one parent families and parents with part-time access to children) and certain geographical areas leading to reversal of previous changes where necessary**
- **Immediate transfer of rent supplement scheme to local authorities to ensure that it operates as a housing support as it should**

### **3. Impact of Rent Supplement Reductions on Threshold's Clients**

Threshold sees first-hand how vulnerable tenants often fail to secure move-on accommodation and how the fear of becoming homeless leads others to make desperate housing choices that negatively impact on their quality of life (all names below have been changed):

- Jane had been living in South County Dublin for two years. As she has part-time access to her child, she had been assessed as having a two-bed housing need. However due to the cut backs in rent supplement she received a letter saying she was only entitled to a bedsit. During this time Jane's rent supplement was stopped and she was given notice. Before Threshold could lodge an appeal, Jane panicked and accepted the first property available to her. Jane had previously been homeless and was terrified of returning to homeless services. Jane cannot stand up straight in certain areas of her bedsit. Her daughter can no longer stay or visit as the flat is unsuitable for a child.
- Laura a 50-year-old single woman, as advised by the DSP, asked her landlord for a reduction in her rent once the rent supplement cuts came into effect. He refused. She's living in bedsit accommodation, and has been unable to find any other property within her available budget. In an attempt to avoid homelessness, she has begun making 'top-up' payments to meet the full amount of the rent. As a result, she's falling behind on other bills and struggling to buy household basics each week.
- Michael became homeless five years ago. In February, he came to our Access Housing Unit (AHU) looking for help with his housing difficulties. The AHU began looking for accommodation for him in March. Despite accompanying him to several viewings, however, we have been unable to source good-quality accommodation for him within his €475 rent cap. As a result, he continues to reside in homeless accommodation.
- Susan is a single mother with two children. Rather than focus on getting her daughters ready for the return to school in September, she has spent the summer worrying about how to make ends meet. Due to the rent supplement cuts, the family will probably have leave their current home – where they have lived for six years – and move to another area. If that happens, her children will have to change schools.
- Moira, a single parent with two children (one with a physical disability) was living in private rented accommodation in Galway for three years. When the new rent limits came in, she

asked her landlord for a decrease but he refused as he couldn't afford it. Moira moved to grotty, substandard accommodation – the only place she could afford - otherwise her payment would be stopped. Along with the normal disruption, her disabled child is greatly upset by the move and by the transport difficulties with getting to school.

- John suffers from schizophrenia and is on disability benefit. When he asked the receiver in charge of his landlord's property to reduce his rent, they did so for the duration of the notice period only. Threshold negotiated on his behalf but they wouldn't budge. They informed John that after the two months the rent on that accommodation would be €600 in line with market rent. John found the moving process very stressful and eventually secured a place at €450, as no other tenants had expressed an interest in this tiny bedsit with a pull out sofa bed.

#### **4. Benefits of Threshold's Work to Department of Social Protection**

Threshold provides free, confidential and professional housing advice and advocacy services through our advice centres in Dublin, Cork and Galway. Threshold is interfacing with a considerable proportion of the private rented population and particularly rented households supported by the Department of Social Protection. Last year, we made over 23,000 interventions on behalf of clients with housing problems. Our priority is to broker solutions in order to minimise the risk of homelessness and to ensure that vulnerable people achieve the best housing outcomes possible. This approach is highly successful and cost effective for both the individual and the state. Despite the increasing complexity of housing problems presented to Threshold's advisors, last year we achieved a 75% success rate in preventing homelessness where tenancies were at immediate risk.

Threshold works with an increasing volume of people who receive welfare payments from the Department of Social Protection. The number of welfare recipients seeking Threshold's help increased by 5% from 36% in 2010 to 41% in 2011. This figure will be considerably higher in 2012 as we have experienced a surge in queries related to last year's reductions in rent supplement payments. Clients sought our advice and support when their rent supplement entitlements were being reviewed. We helped them to navigate through the process of satisfying the DSP's requirements and negotiating with their landlord. The difficulties associated with these changes are described in detail later in this submission.

Threshold provides a number of important services that assist clients in receipt of welfare payments. Our housing advisors help people who have become unemployed to identify rent supplement as a possible support. We guide them through the application process and make direct contact with DSP representatives where necessary. Threshold also intervenes in situations where a tenant has occupied a property but a delay in processing payment has meant that they are in rent arrears and face the prospect of becoming homeless. Our housing advisors make direct contact with DSP staff in order to explain the risk facing the tenant and to negotiate a solution.

Many of our clients have difficulties beyond their housing problem – including health, mental health, addiction, literacy and language difficulties – which means they are unable to secure accommodation on their own without Threshold's help. Our Access Housing Unit in Dublin has assisted over 700 people who have experienced homelessness to access accommodation under the rent supplement scheme. We have developed a bespoke service, in co-operation with DSP,

Homeless Persons Unit, Department of the Environment and Dublin City Council, to accelerate the transition of rent supplement households to the Rental Accommodation Scheme (RAS) and, where possible, to bypass rent supplement altogether. Arising from our success in Dublin, Threshold in Cork has recently established an Access Housing Unit which will also place an emphasis on preventing homelessness occurring as well as supporting homeless people to move on to longer-term housing solutions.

We are aware that housing problems may arise in the course of dealing with other issues. Threshold receives a high volume of client referrals from DSP staff, Citizens Information Centres, MABS, local authority housing sections, voluntary organisations, local councillors and members of the Oireachtas. We dealt with 954 third party referrals in 2011 and this is recognition of our expertise in the area of housing. We support advisors in other agencies by ensuring they have the correct information to advise their client and, in the more complex cases, by enabling them to refer the client directly to Threshold.

With the support of the Department of Social Protection and the Citizens Information Board, Threshold now provides a national helpline for Citizens Information Centre staff and for their clients. Over 280 queries from 67 Citizen Information Services in all 26 counties have been received in the first 6 months of the service. The most common support issues were tenancy termination, deposit retention and queries relating to housing options. The 'housing options' category includes queries around clients who are homeless or find themselves at risk of becoming homeless. The service is on target to help 500 people in its first full year who without the joint intervention of CIC staff / Threshold would have needed a greater level of support from the Department.

## **5. Threshold's Recommendations for Budget 2013**

The following sections outline Threshold's three recommendations for Budget 2013. Recommendations 1 & 2 are taken together in the first section and Recommendation 3 is addressed in the second section.

### **i) Recommendation 1 & 2**

- No further reductions in rent supplement payments or increase in rent contribution in Budget 2013
- 2012 reductions should be reviewed with regard to 1) impact on single people, one parent families and parents with part-time access, who are particularly disadvantaged in their housing and 2) geographical areas where rents are rising and where there is evidence of rent supplement recipients being excluded from the market.

Threshold makes these two recommendations for the following reasons (described in more detail below): rent supplement cuts are making people homeless; rent supplement tenants are being priced out of the market, 'top up' payments are widespread; and these problems have been exacerbated by implementation and bureaucratic difficulties surrounding the changes. Threshold believes that a reversal of some previous changes is needed to alleviate the impact on vulnerable households.

### **a) Rent Supplement Cuts are Making People Homeless**

Since the Department of Social Protection cut the maximum amount available to rent supplement recipients and increased the minimum contribution, Threshold has dealt with many people who have been forced to leave homes in which they had lived for years to find alternative accommodation within their reduced budgets.

Single people, who live on the lowest rung of the housing ladder, faced a 50 euro cut in the rent supplement limit in Dublin. Our Access Housing Unit is facing considerable difficulties when it seeks to house single people in the Dun Laoghaire Rathdown County Council area in particular. The rent limits are unrealistic when compared to market rent, for example, market rent for bedsit accommodation is €674 compared with a rent limit of €475. Our Cork office has also seen a dramatic decrease in the availability of properties. It is now so difficult for families to find three-bed properties in Cork city under the maximum rent level that they are being displaced to outlying towns, such as Mallow, Bandon and Youghal. There is a chronic shortage of rent supplement accommodation for single people in Galway and what is available is in very poor condition.

It is important for the Department of Social Protection to consider that for many people on rent supplement, where they live is their permanent home and has been for many years. They are not looking for temporary accommodation to tide them over. If they have to leave because of the rent supplement cuts, they suffer the same upset as home-owners would if they were arbitrarily asked to move out of their house.

Security of tenure of up to four years for private rented tenants was recognised in law by the Residential Tenancies Act 2004. Persistent annual cuts to rent supplement payments are now undermining this security by generating a 'churning' effect.

### **b) Rent Supplement Tenants are Being Priced Out**

The Department of Social Protection reduced rent supplement payments based on the incorrect assumption that rents are falling throughout the country. While this was true at the start of the recession, the reality for the past few years is that demand for rented accommodation – especially in urban areas – is rising and, as such, rents are rising too. This is evidenced by a contraction in the availability of properties and rising rents in the major cities of Dublin, Cork and Galway (see The Daft.ie Rental Report, 2012 Q2).

#### **Threshold Survey - Availability of Rent Supplement Properties in Cork**

Threshold's Cork office carried out a survey in July to determine how many properties advertised fell within the new rent supplement limits. On the week from 16 – 20 July there were just under 750 properties for rent in Cork. 73 properties in total were available where the property was within rent supplement limits and rent supplement was stated as being accepted, amounting to fewer than 10% of those available. While some landlords may in the end offer rents that fall below rent supplement limits, this survey does indicate the difficulties in securing rent supplement properties.

Rent Limit	Number of Properties
Single €450	13
Couple €575	18
Couple/single one child €700	31
Couple/single 2 children €715	4
Couple /single 3 children €750	7

Demand for rented accommodation is on the rise. Many young couples who traditionally would have bought homes cannot now do so for a variety of reasons including lower incomes, lack of access to credit and uncertainty about their future. Simultaneously, many of those who have been living in private rented accommodation on a long-term basis have had their wages cut or have lost their jobs, forcing them to seek cheaper accommodation towards the lower end of the market.

This has a knock-on effect for those in receipt of rent supplement. There is now more demand for rental properties overall, and more demand for properties at the lower end of the market, in particular. Against this backdrop, rent supplement recipients have been given reduced payments and been told to negotiate directly with their landlords to secure reductions in their rent.

Landlords are now also in a different position than they were three or four years ago, because many are in financial difficulties and have reached a floor in their income. Recent reports suggest that at least 25% of buy-to-let mortgages are in arrears (Davy Stockbrokers, 17 August 2012). This means that landlords that would have previously absorbed a reduction cannot afford to reduce rents further and may not be permitted to do so by their lender.

Threshold's direct experience is through our Access Housing in Dublin. The service has seen a sharp fall-off in landlords as the rent supplement levels are too low for the property on offer. Threshold only houses tenants in properties that meet the basic minimum standards.

#### **Landlord Case Study from Threshold's Access Housing Unit**

*Tony is a landlord that has worked with the Access Housing Unit over the past three years providing quality rented properties for people coming out of homeless services. He is upset and apologetic at not being able to continue to work with Threshold. He owns a number of properties in the Dublin 3 area but due to the downturn in the economy he is now making interest-only mortgage repayments. He cannot reduce his current rents or accept any new tenants in receipt of rent supplement as it would mean reducing his repayments to the bank and facing repossession. He also confirmed that if he accepted the rent reductions he would have no cash to ensure the up-keep of his houses.*

#### **c) Top-up Payments are Widespread**

The practice of accepting top-up payments, where a landlord states a lower rent in order to comply with rent supplement limits but charges a higher amount to the tenant, is described as 'rampant' and 'widespread' by Threshold's housing advisors. A survey of 100 rent supplement clients carried out by Threshold between April – June 2012 found that 55% were making a top-up payment and two-thirds (67%) of those making extra payments said it affected their spending in other areas.

The practice of topping up by tenants impacts on the disposable income available to them for essentials such as food, clothing and heating. It is now seen as being the norm by many tenants who face difficulties in either remaining in their existing tenancy or sourcing a new one. They are resigned to not being able to find accommodation under the maximum rent level and the only way they can secure reasonable quality accommodation is to top up.

Top-up payments should be a concern to the Department for three reasons 1) vulnerable tenants are being exploited by landlords and tenants are falling into arrears as a result 2) top-up payments mask the true level of rent being paid; consequently reports recommending rent supplement limits that fail to take account of top-ups are flawed 3) the real rent paid by tenants will be of considerable importance in the transfer of rent supplement to local authorities, as it will represent the true cost of the new scheme.

### **Top-up Case Study from Threshold's Access Housing Unit**

*A young married couple were discovered living and sleeping in their car in Cork City. The Access Housing Unit made an appointment to meet the couple. During the meeting the couple revealed that they had been renting a property for the previous 5 years and had to leave due to rent arrears. The landlord was unwilling to reduce the rent as requested by the DSP in July 2009 and January 2012.*

*The couple continued to pay a 'top-up' payment out of their weekly jobseekers allowance along with the increased personal contribution which increased from €18 in 2007 to €35 in 2012. The couple found that this extra payment was unsustainable and they fell into arrears. They left the property and their security deposit was forfeited in lieu of rent arrears.*

*The couple had nowhere to go, they had previously been in receipt of a security deposit from the HSE and were refused a second deposit. No financial support was available from their extended family. A family member temporarily housed their young daughter and the couple slept at the side of the road in a car.*

*The Access Housing Unit contacted a local charity and, with permission informed them of the family's predicament, and managed to obtain a security deposit. The Access Housing Unit used their relationship with a local agent to source a suitable property and the family were re-united.*

### **d) Implementation and Bureaucratic Difficulties**

The changes to the rent supplement scheme were introduced by the DSP in a haphazard way. Asking vulnerable tenants – people who have lost their jobs; people with health problems; people who experienced homelessness in the past – to negotiate rent reductions with landlord does not make sense. Many tenants were given confusing messages by their social welfare office; others were powerless as they had signed a lease agreement; some were granted three months to seek a rent reduction or move, while others were given no time at all.

Senior officials within the DSP reassured Threshold that tenants would not be treated in an arbitrary way, but this was not always the case on the ground. Threshold has encountered many cases where people's rent supplement payments were delayed or stopped. We are most concerned that tenants were being asked to break lease agreements, given that a tenant who breaks their lease automatically forfeits their deposit. This makes it difficult for them to move on to new

accommodation. Threshold seeks the return of deposits, but we depend on the goodwill of landlords where a lease has been broken. Asking tenants to break a legal agreement is unfair on both tenants and landlords.

Bureaucratic difficulties did not just occur when tenants were seeking rent reductions, but even where the landlord had agreed. Threshold is aware of several cases where the landlord had acceded to the Department's request, but when no cheque payment was made they issued notice of arrears followed by notice of termination. This is exacerbated by the fact that DSP staff refuse to communicate with landlords, so no reassurances can be given that payment will eventually come. It should be the policy of the DSP to prioritise tenants where the landlord agrees to a rent reduction. The tenant and landlord have played their part; the DSP should reciprocate out of respect for the tenant's home and out of recognition of the landlord's co-operation.

## **ii) Recommendation 3**

### **➤ Immediate transfer of rent supplement scheme to local authorities**

#### **No Delay in Introduction of New Housing Assistance Payment**

In June 2011, the former Minister for Housing and Planning, Willie Penrose T.D. launched the Government's new housing policy statement and announced the transfer of the administration of Rent Supplement from the Health Service Executive (HSE) to local authorities on a phased basis. Further announcements confirming the transfer have been made by Jan O'Sullivan T.D., Minister for Housing and Planning, and by Joan Burton T.D., Minister for Social Protection. Threshold warmly welcomes the commitment to deliver on this important initiative.

Threshold believes that the transfer of responsibility from the Department of Social Protection to local authorities provides an opportunity to address a number of important issues with the introduction of the new Housing Assistance Payment (HAP) including: ensuring that people in receipt of Rent Supplement live in good quality accommodation; confirming that landlords who receive Rent Supplement are fully compliant with all of their housing, legal and tax obligations; and enhancing tenant choice by making it attractive for mainstream landlords to accept tenants on Rent Supplement. From our direct engagement with local authorities, especially Dublin City Council, we know that they are seeking to devise new mechanisms to ensure that all properties meet the required legal standards.

The transfer should not just involve shifting responsibility from one State body to another; it should also deliver better value for money and enhance the quality of housing support provided for an increasingly vulnerable sector of the population. The Rent Supplement scheme should also be utilised as a means of delivering on the 'housing first' commitment in the Programme for Government; every recipient should be able to secure accommodation that meets the standards currently required for the Rental Accommodation Scheme.

We are pleased to note that the design of the scheme appears to be concerned with the direct payment of rent supplement to landlords. We understand that the tenant's contribution will be deducted at source from their social welfare payment and the entire rent supplement payment will be paid directly to landlords. This will be a feature of the scheme, rather than an optional

mechanism like the Household Budget Scheme. While Threshold understands that there may be legal difficulties involved we believe they must be overcome immediately in the interests of vulnerable people and not allowed to impede progress in this critical area. Threshold has called for this reform many times previously as it safeguards the security of the tenancy and eliminates the possibility of top-up payments. We are also concerned that the design of IT solutions to enable deduction at source has been put forward as a possible cause for time delays. It is imperative that new Housing Assistance Payment is available to tenants in 2013.

## **6. Concluding Remarks**

Threshold welcomes the opportunity to make this submission to the Department of Social Protection and we look forward to presenting our recommendations to the Minister for Social Protection at the annual Pre-Budget Forum on 12<sup>th</sup> October. We would be pleased to supply additional information on any of the points raised in our submission.

**ENDS**