



# **Pre-Budget Submission to the Department of Employment and Social Protection**

**7 July 2017**

## **1. Introduction**

Threshold is a national housing charity with regional advice centres in Dublin, Cork and Galway. We provide frontline services across Ireland to people with housing problems in the private rented sector. Our primary objective is to prevent homelessness by advocating for tenants through our advice services and through our dedicated national Tenancy Protection Service. Our vision is an Ireland where everyone has access to affordable, secure, suitable and good quality housing.

It is our experience that the best way to deal with the problem of homelessness is to prevent people from becoming homeless in the first place. Through our services we are aware that the most significant cause of increased homelessness has been through people losing their homes in the rented sector. Low and middle income households are finding it increasingly difficult to access affordable secure private rented housing.

The introduction of new Rent Supplement (RS) limits in July of 2016 in urban and rural areas was warmly welcomed by Threshold. Through our frontline services we observed first-hand the immediate relief these expanded caps had on those facing significant rent increases. These substantial increases worked towards alleviating financial issues faced by families and households across the country and prevent many from entering homelessness.

We also welcomed the opportunity these new caps brought to normalise the situation for our clients who were 'topping up' over the RS limits. We had a longstanding concern that the practice of 'topping up' was placing many RS tenants in dire poverty. The need to keep a roof over their heads meant that many of our clients resorted to using social welfare payments, intended for other essentials - such as food, heating, clothing and education, - to pay under the table amounts to landlords. The increased RS limits by the Department have proved a significant anti-poverty measure in this regard.

Threshold believes that the increased level of predictability, as a result of the rent freeze in 2015 and the rent certainty measures introduced in December 2016, makes it possible to keep RS payments level with market rents without impacting negatively on the market or on the Department's budget. As the case studies from our services indicate, in spite of increased RS levels it is still necessary to keep payments under review on an ongoing basis for both urban and rural areas. Again while our close work with the Department through the Interim Tenancy Sustainment Protocol (ITSP) can assist those at immediate risk of homelessness, we believe close monitoring of limits is necessary to ensure access to homes for those most in need and the alleviation of poverty.

## **2. Threshold's Engagement with the Department of Employment and Social Protection**

Threshold enjoys a positive working relationship with the Department of Employment and Social Protection and the relevant local authorities to support families facing eviction, in particular those facing unaffordable rent increases. Threshold provides those at risk of economic eviction with information and advice on the rent supplement (RS) scheme. Through the Interim Tenancy Sustainment Protocol (ITSP) agreed with the Department, Threshold facilitates access to additional financial support for households in receipt of RS who are at risk of homelessness. We support and advocate for clients throughout the ITSP Protocol process, from application stage right through to tenancy sustainment.

Threshold is also well placed, due to its expert knowledge of the rental market and mediation in landlord and tenant relationships, to ensure that rent uplifts are a measure of last resort. Building on our existing relationship with the Department, Threshold can provide our expertise on tenancy law, including illegal rent increases, and advice on alternative housing solutions, to ensure that RS recipients are not put at risk of homelessness.

Since the establishment of the ITSP Protocol Threshold has referred 2,973 cases to the Department. As of the end of June 2017 Threshold has 828 active ITSP cases. The Protocol mandates rent uplifts for six months. After the initial 6 months expires, Threshold staff carry out a review of each individual case. The review involves linking in with both the tenant and the landlord to confirm that the tenancy is still in place and that there are no outstanding issues within the tenancy. After this review is carried out, Threshold will submit an application to the Department requesting that the higher level of rent supplement be continued for a further six month period. Due to the success of this Protocol, Threshold has become the point of contact for clients in receipt of ITSP payments for other issues relating to their tenancy, whether it be notice of terminations or minimum standards breaches. The valuable support and mediation Threshold provides between landlords and a tenant has a positive impact of tenancy sustainment and contributes greatly to homelessness prevention.

We urge Department staff to utilise the Protocol with Threshold in order to ensure that RS recipients who need the uplift can avail of it, have their tenancies protected and stay in their homes. While Article 38 discretion is an avenue open to Department staff, Threshold's Tenancy Protection Service (TPS) also provides frontline engagement with RS recipients faced with rent increases. The ITSP Protocol process is a highly successful homelessness prevention measure which Threshold is fully

committed to supporting, alongside all the other homelessness prevention interventions provided by the Department.

## **2. Summary of Recommendations**

As the leading charity in Ireland on the operation of the RS Scheme in the private rented sector we ask the Minister for Employment and Social Protection to protect RS tenants, those seeking to secure accommodation and those at risk of homelessness by implementing the following policy improvements:

Increase Rent Supplement limits to reflect current market rents

Ensure the ongoing provision of Rent Supplement as a short term income support and ensure the flexibility of Rent Supplement during the transition to the Housing Assistance Payment (HAP)

Reform the administration of the Rent Supplement scheme to reflect the realities of the rental market

## **3. Increase Rent Supplement limits to reflect current market rents**

One of the biggest barriers for RS recipients in accessing affordable housing is the dearth of supply in rental accommodation which has the effect of keeping rent levels high. As we witnessed through our frontline services, the increased RS limits introduced in July 2016 across rural and urban areas had a substantial positive impact on people facing economic evictions and the risk of homelessness. The opportunity these new caps brought to households to normalise ‘top-ups’ ensured that RS claimants were not dipping into other social welfare payments to pay rent at the expense of other necessities.

The introduction of rent certainty measures in December 2016 was warmly welcomed by Threshold as a way to counteract spiralling rent inflation. While the early indications are positive and encouraging it will take time for market forces to moderate rents. Therefore it is imperative that RS limits are reviewed to protect vulnerable and low income tenants while market rents continue to be unaffordable and out of reach. According to Daft.ie Quarter 1 2017 Rental Report, rents rose by an average of 13.4% between January and March 2017.<sup>1</sup>

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<sup>1</sup> Available at <https://www.daft.ie/report/2017-Q1-rental-daft-report.pdf>

Below are some examples of the gap between RS limits and market rent:

- A single person in Galway seeking a one bed property; the rent supplement limit is €575pm but the average rent is €735pm a difference of 28%.
- A couple in Cork seeking a two bed property; the rent supplement limit is €650pm but the average rent is €953pm a difference of 47%.
- A family in Dublin seeking a three bed property; the rent supplement limit is €1,200pm but the average rent is €1592pm a difference of 33 %.

These examples highlight that many households who depend on RS limits are struggling to meet current market rents in Rent Pressure Zones. It is our experience that the problem is exacerbated for those renting outside the main urban areas that are not protected by the 4% rent cap provided under the rent certainty measures. The clients in these areas are facing substantial rent increases of 20, 30 and in some cases 40 per cent.

#### **CASE STUDY**

##### **Rent Increase Outside the Rent Pressure Zones**

A single parent with 2 children has been living in a property in Wexford for over 5 years. She received a valid rent review notice in March 2017 seeking a rent increase from €780 to €1150. The rent supplement limit for this person's family size in Wexford is only €565. This is a 47% rent increase which is more than double the rent supplement limits.

Threshold urges that regular reviews of rent supplement limits must be undertaken to ensure that they do not fall significantly below market rents. This is especially pertinent, in relation to the Rent Pressure Zones, as it will take time for market forces to moderate rents and also due to the time it will take to increase the supply of rented accommodation to a more appropriate level.

**Recommendation 1:** Increase rent supplement limits to reflect current market rents

## 4. Ensure ongoing provision of Rent Supplement

### 4.1 Ongoing need for short term income support

The purpose of RS is to provide short term income support for people living in private rented accommodation who cannot provide for the cost of their accommodation and meet the eligibility criteria. RS continues to be the appropriate payment for people under certain circumstances and Threshold strongly urges that RS continue to exist in parallel with the Housing Assistance Payment (HAP) scheme and suggests that it is not phased out. It has been flagged through our services that some individuals who should be able to apply for RS are being told they have to apply for HAP instead. This is particularly worrying when an individual or family is at risk of homelessness and cannot avail of RS on the '*substantial change in circumstance*' ground. Quick access to RS under these circumstances is vital for those who could afford the rent at the beginning of their tenancy but find themselves unable to continue to pay the rent because of a substantial change in their circumstances, such as unemployment, during their tenancy.

### 4.2 Ongoing need for Rent Supplement during HAP Transition

The provision of RS is required while the transition to the HAP scheme continues. Flexibility is needed and tenants should not be economically disadvantaged and put at risk of homelessness while the transitional issues with the HAP rollout are ironed out. It is our experience that the transfer from RS to HAP results in tenants in some parts of the country being financially worse off.

#### CASE STUDY

##### Increased Rent Contributions under HAP

A family with 3 children in receipt of RS has been renting a property in Galway for 3 years. This family has been transferred from RS to HAP. Under RS the weekly contribution to the rent based on this family's income was €44. However under HAP the weekly contribution is €75 which is a 70% increase.

Threshold has serious reservations about the administration of HAP at present. Delays in either the transfer of tenants to, or the establishment of, HAP tenancies are resulting in arrears thus jeopardising the landlord/tenant relationship and placing tenancies at risk. There are reports that Cork County Council is still trying to process HAP applications back dated to April of this year.

Moreover many landlords who currently have tenants in receipt of RS are hesitant to move to the HAP scheme contrary to the housing assistance equality provision introduced in January 2016. This worrying trend has been highlighted by Irish Commission for Human Rights and Equality. In 2016 the new housing assistance ground topped the list of queries about discrimination received by the under the Equal Status Acts.<sup>2</sup>

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<sup>2</sup> Available at <https://www.ihrec.ie/app/uploads/2017/06/IHREC-Annual-Report-2016.pdf>

Threshold continues to advocate for the reform of the RS scheme to ensure that information about rent supplement payments available to tenants seeking to rent a property is less visible to landlords.

#### **CASE STUDY**

##### **Landlord Unwilling to Sign up to HAP**

A client sourced a rental property in Dublin and signed a 12 months lease. She made an application for rent supplement but this was refused on the grounds that HAP is available in that area and she needs to apply for this instead.

The client had already asked the landlord about signing up to HAP but the landlord refused. The landlord was open to accepting RS however. Threshold advocated on behalf of the client with the Department advising them of this situation and requesting the approval of the RS payment to ensure the tenancy was protected.

While the rent supplement was eventually paid there was a period of 2 months where the client had no rent assistance and the tenancy nearly ended as a result.

The overwhelming impression from our clients is that landlords are reluctant to sign up to HAP because of their mistrust of the scheme, wish to avoid unnecessary delays in starting tenancies and receiving rent and also because of a misapprehension that signing up to HAP ties them into a contract with the Local Authority. These factors have contributed to tenancy breakdown and the risk of homelessness. As a result, the ongoing availability and flexibility of RS is a vital safety net for tenants in these circumstances.

**Recommendation 2:** Ensure the ongoing provision of Rent Supplement as a short term income support and ensure the flexibility of Rent Supplement during the transition to HAP.

## **5. Reform of Rent Supplement**

For many years Threshold has called for reform of the RS scheme to meet the realities of the private rented sector. Threshold contends that RS limits should be more targeted, related to submarkets or local housing market areas within each Local Authority area, and more tailored to individual circumstances. Threshold also continues to advocate for the introduction of a range of administrative reform measures that in most cases would cost little to introduce, and would lead to better outcomes for eligible RS tenants who are seeking to secure accommodation. In addition it

would increase confidence of landlords in the RS scheme. The proposed measures are summarised as follows:

- ✓ Target RS limits related to submarkets and more related to individual circumstances. The level of support available to tenants should be less visible to the market;
- ✓ Provide for the automatic payment of RS directly to landlords;
- ✓ Ensure that RS is paid in advance, rather than in arrears;
- ✓ Introduce a pre-approval mechanism for RS claimants who have been assessed by the relevant Local Authority as having a housing need;
- ✓ Review the documentation requirements for RS and provide for direct submission of confidential documents by landlords to Community Welfare Service staff;
- ✓ Ensure that information about RS payments available to tenants seeking to rent a property is less visible to landlords;
- ✓ Restore the face-to-face applications facility in local social welfare offices and ensure that adequate levels of support be given to claimants in completing their application, in order to expedite approval of rent payments to landlords;
- ✓ Ensure that eligible RS recipients are afforded an exceptional needs payment where they require a sum of money for a security deposit, and are unable to make such a payment out of their own means. The rules around how such decisions are made should be clear and consistent;
- ✓ Ensure that RS claimants are given at least 28 days' notice of the suspension or termination of RS payments;
- ✓ Place greater reliance on the local review process in respect of RS decisions, afford priority to appeals relating to RS claims, and ensure that RS continues to be paid while an appeal is pending;
- ✓ Introduce clear guidance for DSP representatives to deal with circumstances where receivers are appointed to properties with RS tenants.

## Conclusion

Threshold welcomes the opportunity to make this submission to the Department of Employment and Social Protection in advance of Budget 2017. In order to protect tenants and to prevent a continued rise in homelessness, it is critical that all RS claimants can secure a payment that reflects actual market rents. In addition, the way the RS scheme operates must be both responsive and flexible enough to provide greater security for tenants during the national rollout of HAP and the transition from RS to HAP. Threshold's Tenancy Protection Service (TPS) provides frontline, direct experience to inform policy in relation to social protection issues. Threshold deals not only with RS but the entire range of legal and policy aspects across the Private Rented Sector and we offer our information and analysis as a resource to the Department. Threshold's TPS relies on the goodwill and collegiality of the Department regarding the success of the ITSP and the uplift of RS has benefitted many people and families using our services. Indeed, the RS uplift last July had a very significant positive impact on our clients. We look forward to an ongoing dialogue with the Department and the new Minister in our areas of common interest.