

Threshold submission:

**Supplementary Welfare Allowance-
Review of Maximum Rent Limits**

to Department of Social Protection

July 2014

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Introduction

Threshold is a national housing charity that provides housing information, advice and advocacy services for people with housing problems and people at risk of homelessness. Last year our advisors dealt with 20,000 housing queries from tenants living in the private rented sector.

Threshold makes this submission to the Department of Social Protection (DSP) for consideration as part of the Review of Maximum Rent Supplement Limits. As a result of previous changes to rent supplement and a changing rental market, Threshold's national service has encountered the following:

- Individuals and families becoming homeless as a result of rising rents;
- There is an increased prevalence of top-up payments to cover the difference between rent supplement (RS) limits and market rents;
- Landlords are displacing RS tenants and no longer accepting RS payments.

Summary of Recommendations

We ask the Minister for Social Protection to protect RS tenants, people at risk of homelessness and those seeking to move out of homelessness and specifically to:

- Support the introduction of rent control as a measure to give greater stability and certainty to rent supplement recipients who face increased difficulties in accessing and retaining homes in the current rented market;
- Make no further reductions to maximum rent supplement limits or rent supplement payments and do not increase recipients' personal contributions;
- Increase rent supplement limits in a targeted way to take account of the difficulties for rent supplement recipients in high demand urban areas;
- Increase the maximum rent limits for single people to take account of the need to access one-bed accommodation and recognising that accommodation with shared facilities was abolished on 1st February 2013;
- Show greater flexibility for parents with part-time access to children who need additional space in order to meet their parental responsibilities;
- Ring-fence any budgetary savings made under the rent supplement scheme as a result of improving economic conditions to provide greater flexibility for households that face difficulties in retaining or securing accommodation;
- Extend the current homelessness prevention protocol for families in Dublin to single person households and to other urban centres including Cork, Galway and Limerick;
- Restore the face-to-face aspect of the rent supplement application process and increase flexibility for DSP Representatives to exercise discretion;
- Expedite the introduction of the Housing Assistance Payment (HAP) for long term recipients of rent supplement;
- In anticipation of HAP, treat people who are homeless as a special category and introduce an interim arrangement that would enable them to avail of higher maximum rent limits;
- Introduce clear guidance for DSP Representatives to deal with circumstances where receivers are appointed to properties with rent supplement tenants;
- Prioritise social welfare appeals related to rent supplement and better utilise the local review process to avoid the necessity for appeals.

1. Rent Supplement Tenants Face an Increased Risk of Homelessness

The inadequacy of RS limits, significant increases in rent levels, and the practice of topping up RS payments to bridge the gap between rent limits and the actual rent have placed tenants at increased risk of homelessness.

a) Misalignment of Rent Supplement Limits and Market Rents

RS limits have become increasingly out of kilter with the market since 2012. Cumulative RS reductions of 20-25% and a more than doubling of tenant contributions were implemented between 2009 and 2012. While average rents fell across the country in 2008 and 2009, they quickly stabilised in urban areas from 2010 to 2012, and since then they have been on an upward trajectory in the main urban centres. RS has not kept pace with these changes, despite the 10% increase in urban rent limits introduced in June 2013.

According to property website Daft.ie, the rate of nationwide average rent rose from 2.2% at the end of 2012 to 7.1% at the end of 2013, mainly driven by an 11.2% annual increase in Dublin rents. Rents in Cork and Galway increased by over 4% and rents in Limerick by 3.6% with only Waterford seeing a 0.6% decrease. Rental affordability has deteriorated further in 2014, with an annual increase of 9% in average rents nationwide at the end of the first quarter, including 14% in Dublin, 6% in Cork and Galway, 5% in Limerick and 1% in Waterford. The Private Residential Tenancies Board (PRTB) rent index for Q1 2014 showed a similar trend with rents nationally 3.5% higher than the same time in 2013 and rents in Dublin up by 8.4%.

Until recently, it was predominantly single people who experienced the most difficulties in securing affordable rental accommodation but this has now extended to families. Competition for family homes has driven up rents and removed the choice that previously existed for low income families. A divergence between maximum rent limits and market rents have resulted in an increased vulnerability to homelessness, actual homelessness and have made it more difficult for families who are moving out of homelessness to secure appropriate accommodation. Many landlords are increasing rents above RS limits in order to seek higher-paying tenants and others are refusing RS altogether. Threshold is asking that rent limits be increased in a targeted way to take account of the difficulties faced by RS recipients in high demand areas.

Despite assurances from the DSP that discretion may be exercised in cases of homelessness, it is Threshold's experience that this has not been common practice; Threshold does however note recent positive changes in this regard. Threshold welcomes the recent protocol arrangement introduced by the Department of Social Protection to safeguard families in Dublin who face an immediate risk of becoming homeless. In exceptional cases, the protocol allows for RS limits to be exceeded for a period of 13 weeks, and for a further 13 weeks should this be deemed appropriate, until a sustainable long term housing option is identified.

Case Study

Karen lives in Dublin 15 with her four children, one of whom has special needs. Karen came to the Tenancy Protection Service as her landlord had increased the rent two months previously. When Karen received notice of a rent increase she immediately sought to find alternative accommodation to ensure her son could remain within the catchment area where he receives medical support. Karen struggled to find alternative accommodation within rent supplement limits and had fallen into arrears over the period of the rent increase. Following Threshold's intervention, she was approved for a higher rent payment for 13 weeks by the Department of Social Protection (DSP) under the new protocol arrangement for families. An extra payment was made by the DSP to repay her rent arrears and to ensure the family did not end up living in homeless services.

Given the increased pressures faced by RS recipients in high demand urban areas outside Dublin including Galway and Cork where the supply of accommodation is dwindling, we are asking that the Department would consider extending the protocol in order to fast track and standardise cases in these areas. In the interim, Threshold welcomes the information note recently issued by the DSP to CWS staff on the use of their discretion under Article 38 where an existing RS tenant faces a rent increase in excess of the prescribed rent limits and the household cannot secure alternative accommodation and faces homelessness.

Difficulties Meeting Housing Costs and Prevalence of Top-up Payments

RS limits do not accurately reflect the true amount of rent being paid by RS recipients and insufficient consideration is being given to the additional payments being made by tenants. The practice of accepting top-up payments, where a landlord states a lower rent in order to comply with RS limits but charges a higher amount to the tenant, is widespread amongst the vulnerable clients that seek Threshold's help with one out of every two clients topping up (see text box below).

Threshold's top-up surveys 2012 -2014

- Survey of 100 RS clients carried out by Threshold in Dublin, Cork and Galway between **April – June 2012** found that **55% were making top-up payments**. Two-thirds (67%) of those making extra payments said it affected their spending in other areas.
- Survey of 125 RS clients in **January 2014** found that **47% were making top-up payments**.
- A third survey of 133 RS clients carried out from **April – June 2014** found that **44% were making top-up payments**.

Top-up payments represent a long-standing practice within the operation of the RS scheme and are integral to the emergence of material deprivation among some claimants. Top-up payments impact on the disposable income available to tenants 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 see this as the only way they can secure reasonable accommodation.

Threshold believes top-up payments should be a cause for concern to the DSP. Vulnerable tenants are being exploited by landlords and tenants are falling into arrears. Top-up payments mask the true level of rent being paid and RS limits that fail to take account of top-ups are therefore flawed. The actual rent paid by tenants will be of considerable importance in the transfer of administration of long-term RS recipients to local authorities under the Housing Assistance Payment, as it will represent the true cost of the new scheme. Threshold is also concerned about the level of rental income from illegal top-ups that may be undeclared for tax purposes and we have recently met with Revenue to discuss how this may be addressed.

2. Availability of Accommodation within Rent Supplement Limits

The private rented sector is the second largest housing tenure in Ireland and has witnessed a dramatic increase from 9.5% of housing stock in Census 2006 to 18.5% in Census 2011. The number of RS recipients currently stands at 75,000 compared with an average of 60,000 recipients per annum before the economic downturn. RS tenants are competing with other low income working households and those who would have previously accessed home ownership with ease for a diminishing supply of rented accommodation.

The stock of properties available for rent has fallen significantly in recent years. Daft.ie reports that just 10,000 rental properties were advertised with the site in the first four months of 2014 in Dublin, compared to 18,000 in the same period in 2012. A combination of growing demand and dwindling supply, together with reductions in RS payments, are making it increasingly difficult for tenants to find and retain RS accommodation.

The most recent review of Maximum Rent Limits came into effect in June 2013. The review did recognise that rents are rising around the country, particularly in urban areas and the limits were increased for particular categories of applicants in a number of areas. However, the rate of increase in rents is such that by the time the revised were introduced in June 2013, the actual rents had already outstripped the increases.

a) Comparison of Maximum Rent Limits and Average Rents 2013

There is regular evidence from clients of Threshold that maximum rent levels are out of step with the market. A basic comparison of maximum rent limits with actual average rents drawn from the PRTB/ERSI Rental Price Index show that there is a significant gap between the two across many areas of the country.

Maximum Rent Limits 2013 vs. Average Rents 2013

Area: Dublin City	Single	Couple With no Children	Couple 1 child or one parent family 1 child	Couple 2 children or one parent family 2 children
Maximum Rent Limit	€520	€70	€ 850	€ 900
Average Rent Quarter 4 2013	One Bed €798	One Bed €79	Two Bed €1032	Three bed €1140

Area: Cork City	Single	Couple with no Children	Couple 1 child or one parent family 1 child	Couple 2 children or one parent family 2 children
Maximum Rent Limit	€485	€57	€ 700	€ 725
Average Rent Quarter 4 2013	One Bed €601	One Bed €60	Two Bed €802	Three bed €850

Area: Galway City	Single	Couple with no Children	Couple 1 child or one parent family 1 child	Couple 2 children or one parent family 2 children
Maximum Rent Limit	€475	€54	€ 700	€ 725
Average Rent Quarter 4 2013	One Bed €623	One Bed €62	Two Bed €781	Three bed €871

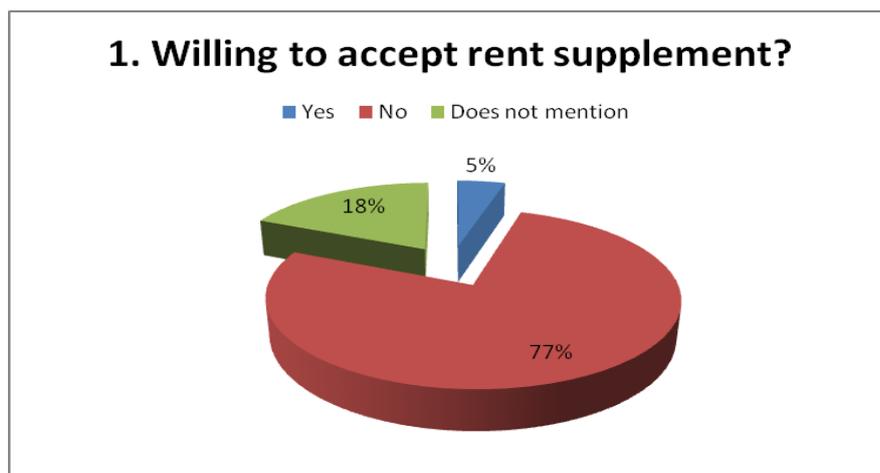
b) Threshold Rent Survey July 2014

This is a summary of a rent survey carried out by Threshold's advice centre in Cork, Dublin and Galway of properties advertised on daft.ie for the week commencing 21st July 2014. In total 346 properties were included in the survey, broken down as follows:

- Sharing 85 properties
- One Bed 81 properties
- Two Bed 90 properties
- Three Bed 90 properties

Landlord willing to accept rent supplement

Chart 1 outlines the difficulties currently being faced by RS recipients as, of the properties advertised, only sixteen or 5% were advertised as willing to accept RS.



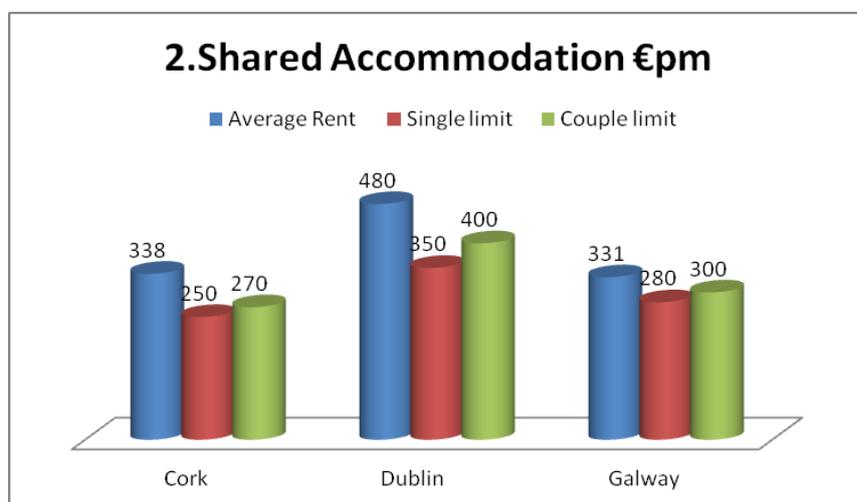
Not only must a prospective landlord be willing to accept RS but the rent must also be within set limits depending upon geographical location of the property and the applicant's family composition. In the Dublin area, Fingal County Council has a different rate compared to Dublin City, Dun Laoghaire-Rathdown and South Dublin County Councils. For the purposes of this survey the rate of the latter three local authorities is used.

Case Study

Felix presented to Threshold's Blanchardstown outreach clinic. Felix, his wife and three children have been living in their current property for six years and have been in receipt of rent supplement throughout this time. The landlord is selling the house and issued the required 112 days written notice of termination. The family have not been successful in finding alternative accommodation as they state landlords are refusing to rent to them at the current maximum rent limit of €950 per month in Fingal and cash-paying tenants are being given preference by landlords. Threshold is assisting them to source alternative accommodation but three months of the notice period has expired without success.

Sharing Accommodation

Shared accommodation covers both single applicants and couples. Chart 2 outlines the rent level being sought in Cork, Dublin and Galway.



Sharing Accommodation - single people

In Dublin three out of the thirty properties surveyed were within the rent limit with two indicating that RS was accepted. The vast majority 25 (84%) stated that RS was not accepted.

For Cork six properties were within the single person limit but none indicated that RS was accepted with 20 (67%) explicitly stating that RS was not accepted. In Galway seven properties were within the rent limit three of which indicated that RS was accepted.

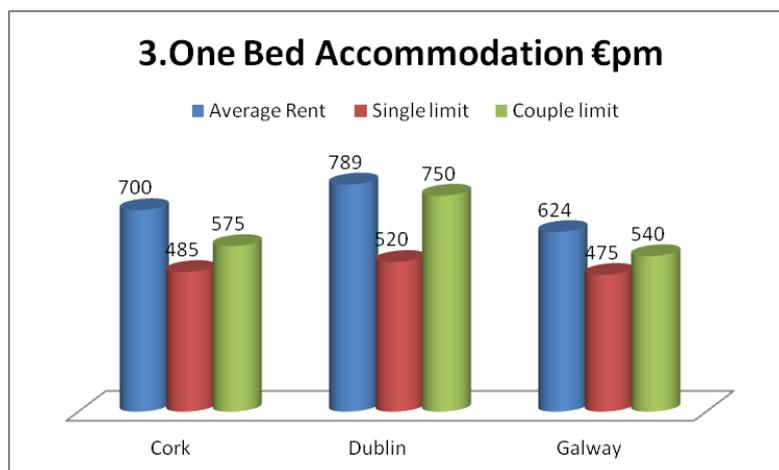
Sharing accommodation - couple

For couples in Dublin the situation is little better in that eight out of thirty properties were within the rent limits but only one stated that RS was accepted. In Cork only one property was within the limit but RS was not accepted. In Galway there were more properties available with twelve out of thirty within the rent limit. Half of these indicated RS is accepted.

The table below outlines the difference in the advertised average asking rent and the rent limit in the respective locations for single persons in shared accommodation which is highest in Dublin accounting for 37% of the RS rate.

City	€pm difference between advertised average rent and maximum rent level	% difference between average rent and maximum rent level- single person	% difference between average rent and maximum rent level- couples
Cork	€88	35%	25%
Dublin	€130	37%	20%
Galway	€51	18%	10%

One Bed Accommodation



The difficulty with one bed accommodation is that both single people and couples may be competing for the same property with couples at an advantage due to the higher rent limit. In Dublin there were no one-bed properties within the single person rate, one in Cork and two in Galway; none stated RS was accepted.

For couples in Dublin, thirteen out of thirty (44%) were within the maximum rent level, however only one of the properties advertised indicated RS was accepted. In Cork, five properties or 17% were within the couple maximum rent level but only one of these properties indicated that RS was accepted. In Galway, there were three properties within the rent limit but RS was not accepted.

The tables below outline the difference in advertised asking rent and the rent limits in the respective locations for single persons and couples seeking one bed accommodation which

varies from 5% difference for couples but 52% for single persons.

City	€pm difference between advertised average rent and maximum rent level for single people	% difference between average rent and maximum rent level for single people
Cork	€215	44%
Dublin	€269	52%
Galway	€149	31%

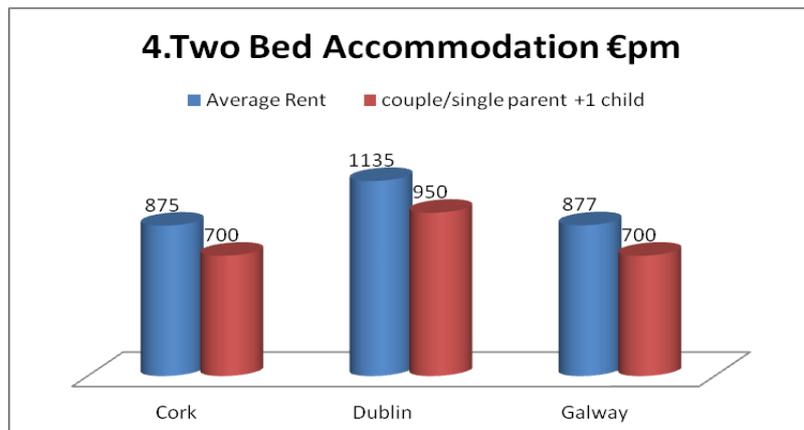
City	€pm difference between advertised average rent and maximum rent level for couples	% difference between average rent and maximum rent level for couples
Cork	€125	22%
Dublin	€39	5%
Galway	€84	16%

Case Study

Majella lives in a rented apartment in Limerick City and receives rent supplement. She pays a €60 monthly 'top up' above the declared rent. The renewal of her lease coincided with the reduction of rent supplement rates by €15 a month. Majella contacted Threshold advice centre in Cork as the landlord would not agree to a rent reduction and refused to sign the rent supplement forms. The rent supplement payment was stopped and she is forced to pay the whole rent out of her benefit income. Majella has complex medical problems and is unable to afford the costs of medicine. She has already been admitted to hospital and is afraid that her health may deteriorate further. She is unable to find any alternative accommodation that will accept rent supplement in the Limerick area.

Two bed accommodation

Only 4% of the two bed properties advertised were within their respective rent limits and accepted RS.



The table below outlines the difference in advertised asking rent and the rent limit in the respective locations for two bed accommodation suitable for couple/lone parent with one child.

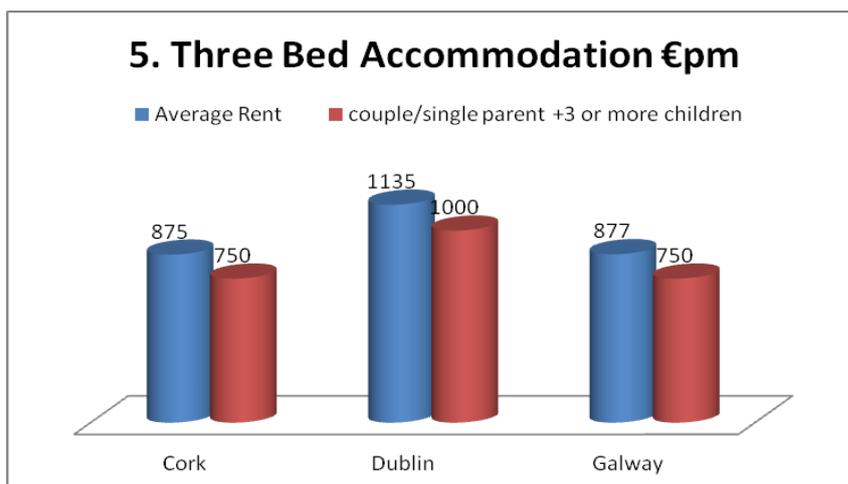
City	€pm difference between average advertised rent and maximum rent level	% difference between average rent and maximum rent level
Cork	€175	25%
Dublin	€185	19%
Galway	€177	25%

Case Study

Michelle is a lone parent with one child living in Galway city and claiming Rent Supplement. Her landlord was living abroad but had to move back to Ireland and Michelle was served with notice. She needed to live in the same area as her son had his name down for the local school. It took Michelle over two months to find accommodation that would accept Rent Supplement. The accommodation is not within the rent limit. Michelle is making a top-up payment of €150 per month.

Three Bed Accommodation

Just 7% of three-bed properties were within the rent limits (0 in Cork, 1 in Galway and 5 in Dublin). Only two out of the six within the rent limits stated that RS was accepted.



The table below outlines the difference in advertised asking rent and the rent limit in the respective locations for three bed accommodation suitable for couple/lone parent with three or more children. In Galway, for example, this is 17% above the current rent limit.

City	€pm difference between average advertised rent and maximum rent level	% difference between average rent and maximum rent level
Cork	€125	17%
Dublin	€135	14%
Galway	€127	17%

3. Administration of Rent Supplement

a) Centralised Application Processing

A recent key change in the RS Scheme has been the centralisation of the processing system, intended to introduce greater efficiency within an environment of rising expenditure. At present, Central Rent Units (CRUs) cover areas of Dublin 15, Dublin 24, parts of Dublin city, Cavan, Monaghan, Wicklow, Waterford and Kildare and operate on the basis that RS claimants gather together all the required documentation and post it to the relevant CRU. It is acknowledged that that the centralization of RS processing is intended to achieve efficiencies, thus cutting costs and providing a more streamlined service. However a number of concerns have been raised.

Threshold staff and clients report difficulties making contact with CRUs, while many clients complain of lengthy delays when waiting for a decision on their application. In addition, clients repeatedly report to Threshold that payments are suspended / terminated without any prior notice. Clients still continue to receive verbal refusals of payment without any formal written decision, making an appeal very difficult. Overall many RS claimants accessing Threshold are dissatisfied with the operation of CRUs, particularly those who require supports to complete their application e.g. those with literacy problems, or migrants who do not speak English.

Case Study

Kevin has been renting his property for over three years in County Cork and receives rent supplement having being made redundant. He is separated and one of his children has juvenile arthritis which severely restricts her mobility. A receiver has been appointed to the property and Kevin made payments to the receiver until they decided to sell the property and served a Notice of Termination. Kevin's rent supplement payments were stopped by the Department of Social Protection when Kevin received notice. Kevin requires ground floor accommodation because of his daughter's medical needs but is unable to find any landlord who will accept rent supplement. The receivers are threatening legal action to evict Kevin and he is afraid he and his children will be homeless.

b) Social welfare appeals

In cases where an application for RS has been denied, claimants are entitled to appeal this decision. Evidence suggests that a high proportion of first-instance decisions are overturned at the appeals stage. In 2012, of 5,323 appeals finalized in relation to the Supplementary Welfare Allowance, under which RS falls, some 37.3 per cent were either allowed in full or in part or resolved by way of a revised decision (Social Welfare Appeals Office, 2012:7).

However, Threshold has assisted many tenants through this process and note how the operation of the system places this group in a vulnerable housing position. RS is not paid while a dispute is under consideration, and Threshold reports that many appellants often become dependent on charity or family and friends to meet housing costs during this time. For some, their tenancy is put at risk as some landlords who are uncertain of a positive tenant outcome issue a tenancy termination notice.

Threshold would like to see greater use of the local review process in order to avoid the need for tenants to make formal appeals that can put their tenancy at risk.

4. Need for Rent Certainty to Control Rising Rents

RS limits need to be realistic, and they need to reflect the rents that people are actually being asked to pay. But the State also needs to ensure that rents don't keep continuously rising beyond affordable limits for RS recipients. To stem the current crisis in a sustainable way, Threshold has called on the Minister for the Environment to introduce a system of rent certainty ('rent control') that allows for reasonable and predictable rent increases and provides stability for both tenants and landlords.

A measure of rent control already exists under the 2004 Residential Tenancies Act. This legislation allows for rents to be reviewed annually and only to market levels. However this is not sufficient to protect tenants from the increases of 20-50% that some of Threshold's clients are facing. The PRTB has commissioned a study to look at examples in other countries – for example, where rents are related to increases in consumer price indexes - and the findings of this study will be reported to the Minister for the Environment by September.

Threshold is asking the Department of Social Protection to support the introduction of rent control as a measure to give greater stability and certainty to RS recipients who face increased difficulties in accessing and retaining homes in the current rented market.

5. Recommendations

Threshold asks the Minister to be cognisant of the prevailing supply and demand trends presented in this submission and to protect the most vulnerable in the private rented sector who are dependent upon RS to provide their accommodation and to ensure SWA limits strengthen, rather than weaken RS claimants' position in the housing market. The Minister can do this in the following ways:

- Support the introduction of rent control as a measure to give greater stability and certainty to rent supplement recipients who face increased difficulties in accessing and retaining homes in the current rented market;
- Making no further reductions to maximum rent supplement limits or rent supplement payments and do not increase recipients' personal contributions;
- Increase rent supplement limits in a targeted way to take account of the difficulties for rent supplement recipients in high demand urban areas;
- Increase the maximum rent limits for single people to take account of the need to access one-bed accommodation and recognise that accommodation with shared facilities was abolished on 1st February 2013;
- Show greater flexibility for parents with part-time access to children who need additional space in order to meet their parental responsibilities;
- Ring-fence any budgetary savings made under the rent supplement scheme as a result of improving economic conditions to provide greater flexibility for households that face difficulties with retaining or securing accommodation;
- Extend the current homelessness prevention protocol for families in Dublin to single person households and other urban centres including Cork, Galway and Limerick;
- Restore the face-to-face aspect of the rent supplement application process and increase flexibility for DSP Representatives to exercise discretion;
- Expedite the introduction of the Housing Assistance Payment (HAP) for long term recipients of rent supplement;
- In anticipation of HAP, treat people who are homeless as a special category and introduce an interim arrangement that would enable them to avail of higher maximum rent limits;
- Introduce clear guidance for DSP Representatives to deal with circumstances where receivers are appointed to properties with rent supplement tenants;
- Prioritise social welfare appeals related to rent supplement and better utilise the local review process to avoid the necessity for appeals.