



# POLICY SUBMISSION

**Submission to the Interdepartmental  
Committee on the transfer of the  
administration of SWA rent and mortgage  
supplementation to Local Authorities**

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## 1. Introduction

The Combat Poverty Agency provides a statutory centre of expertise on policy and practice to tackle poverty and social exclusion. A key element of its work is advising government on all aspects of economic and social planning pertaining to poverty, of which social housing and, in particular, rent and mortgage supplementation, are vital components.<sup>1</sup> The increased importance in recent years of supplementation in social housing provision has given rise to many policy concerns. Hence, the decision by the Minister for Housing and Urban Renewal at the Department of the Environment, Ms Liz McManus TD, to review the scheme and to invite submissions on such a review is to be warmly welcomed.

This review is also timely given recent developments in the wider policy framework. First, the enhanced recognition of social rented housing in overall housing policy, as indicated in the reformulated statement of housing policy from the Department of the Environment:

*to enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment, and, as far as possible, at the tenure of its choice.*<sup>2</sup>

Second, the decision by government to formulate a national anti-poverty strategy, with the specific aim of identifying public policies which have a perverse effect on poverty, such as those based on narrow departmental boundaries. The goal here is the

*mainstreaming anti-poverty action so that all government departments and agencies will target poverty and social exclusion in their policy-making and include the people affected by poverty in this process.*<sup>3</sup>

And third, the improved delivery of public services as part of the government's strategic management initiative (SMI) for the civil service, with the goal of delivering a quality customer service.<sup>4</sup> These policy initiatives provide the guiding principles for the review of rent and mortgage supplementation and proposals emanating from the review should reflect wider government objectives in regard to social housing, poverty eradication and public administration. The committee's procedures for consulting with claimants on its brief are especially important in the context of the national anti-poverty strategy and the SMI.

In this submission, the Agency draws on its knowledge of national poverty trends from its ongoing household survey research programme, in conjunction with the Department

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<sup>1</sup>The Combat Poverty Agency Act 1986 sets out four Agency functions, including policy advice, research, public information and project support and innovation.

<sup>2</sup>Department of the Environment (1995), *Social Housing - The Way Ahead*.

<sup>3</sup>Speech by Proinsias de Rossa, Minister for Social Welfare, in Dail Eireann, 22/3/95. This initiative, referred to as the National Anti-Poverty Strategy, is being prepared by the Interdepartmental Policy Committee on Local Development, which includes a representative of the Department of the Environment. See enclosed documentation for more details on the strategy.

<sup>4</sup>Government of Ireland (1996), *Delivering Better Government*, Dublin: Government Publications

of Social Welfare and the Economic and Social Research Institute.<sup>5</sup> The Agency also uses its insights into the role of Supplementary Welfare Allowance (SWA) as the safety net of the welfare system. This includes a major research report on SWA in 1991, which examines payment patterns under the scheme, along with claimants' experiences of applying for assistance.<sup>6</sup> More recently, the Agency has initiated a survey of recipients of SWA rent supplement, which gathers information on their housing needs, their experiences of claiming SWA and the costs and quality of the accommodation they receive.<sup>7</sup> The Agency also has first-hand experience of the scheme through its involvement in local anti-poverty initiatives, such as the Third Poverty Programme, the Area Based Response to Long-term Unemployment and the Community Development Programme. These diverse information sources leaves the Agency well placed to comment on reform of rent and mortgage supplementation.

The submission argues for a root and branch review of rent and mortgage supplementation, beginning with the enhanced delivery of the scheme at local and national levels, and including the integration of the scheme in a uniform housing income scheme and the identification of a role for subsidised private rented accommodation in mainline social housing policy. The submission has two main parts: part one sets out the context for reform of rent and mortgage supplementation and notes some concerns about the brief of the interdepartmental committee; part two proposes an agenda for reform of the scheme, structured around the three themes of service delivery, streamlined housing income support and an inclusive social housing policy. The Agency would be happy to expand on its proposals by means of an oral presentation.

## **2. The context for reform of rent and mortgage supplementation**

Rent and mortgage supplementation has come to the fore in government circles in recent years with the rapid growth in expenditure under this scheme.<sup>8</sup> Official concern has been heightened because of the unanticipated, unplanned and unmonitored nature of this growth.<sup>9</sup> What was originally designed as a residual means of income support - providing immediate and short-term assistance with otherwise unmet needs - has become, by default, a mainstream housing income support, catering for 39,000 households at an annual cost of £60m. By comparison, public rented housing has

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<sup>5</sup>The 1987 household income survey is reported in T Callan *et al* (1998), *Poverty and the Social Welfare System in Ireland*, Dublin: CPA. The results on the 1994 survey will be published later this year.

<sup>6</sup>F Mills *et al* (1991), *Scheme of Last Resort: a review of Supplementary Welfare Allowance*, Dublin: CPA

<sup>7</sup>The study surveyed 125 recipients in Dublin, Cork and Limerick (city and county). An advisory committee for the research included a representative of the Department of the Environment, Mr Joe Allen. A draft of the final report will be forwarded to the Interdepartmental Committee shortly.

<sup>8</sup>The extent to which there has been a parallel increase in the number of recipients of supplementation is unclear, because of the paucity of administrative records. Indeed, there is some evidence from health board staff to suggest that the growth in expenditure in recent years has been driven mainly by higher rent levels.

<sup>9</sup>T Fahey and D Watson (1995), *An Analysis of Social Housing Need*, Dublin: ESRI, p199

93,000 households and costs £70m.<sup>10</sup> Those availing of rent supplementation are mainly one person households, with lone female parent households representing a second and much smaller category of beneficiary. Recipients of mortgage supplementation are, by contrast, households with children, again including a significant proportion of female lone parents. This suggests that supplementation caters for a client group which is in part excluded by local authorities, and in part seeking alternative accommodation (eg due to a transient need or the poor quality of public housing). Its complimentary role is evidenced by the fact that only 40 per cent of rent supplemented households are estimated to be on the local authority housing lists, through universally sharing the same low income characteristics as those officially recognised as in need of housing.<sup>11</sup>

The niche assumed by rent and mortgage supplementation is not without its difficulties. These relate to the quality and quantity of accommodation available, the exclusion of low paid households and the operation of a poverty trap, and the guidelines governing assessments of housing need and eligible rent. These issues have been highlighted in a succession of reports on the scheme by social policy organisations.<sup>12</sup> Recently, the government-appointed Review Group on the Role of SWA in relation to Housing has given official endorsement to many of these issues.<sup>13</sup> Its overall conclusion raised very fundamental issues of social housing policy: the undesirability of having two contrasting approaches to the assessment of social housing need and to the allocation of resources to meet this need, as currently exists with rent and mortgage supplementation and local authority housing.<sup>14</sup>

The government response to these various external and internal critiques of rent and mortgage supplementation has been virtually negligible. Hence, the significance of the otherwise rather modest commitment in the *Programme for a Government of Renewal* - the policy statement of the current administration - to administer all forms of social housing assistance under the local authorities. This commitment was expanded upon in the 1995 policy statement of the Department of the Environment, *Social Housing - The Way Ahead*, which proposed the setting up of an interdepartmental committee to examine the issues involved in this reform. This committee was established by the Minister for Housing and Urban Renewal in May 1996.

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<sup>10</sup>This figure includes rental income, but excludes capital expenditure on new housing.

<sup>11</sup>*Ibid.*

<sup>12</sup>Commission on Social Welfare (1996), *Report of the Commission on Social Welfare*, Dublin: Government Publications; NESC (1988), *A Review of Housing Policy*, Dublin: NESC; NESC (1990), *A Strategy for the Nineties: Economic Stability and Structural Change*, Dublin: NESC; F Mills *et al* (1991), *op cit*; NESC (1993), *A Strategy for Competitiveness, Growth and Employment*, Dublin: NESC; D Guerin (1993), *Claiming Rent Supplement: theory and practice in Cork city*, Dublin: Threshold; NESF (1995), *Quality Delivery of Social Services*, Dublin: Government Publications; T Fahey and D Watson (1995), *op cit*.

<sup>13</sup>Review Group on the Role of Supplementary Welfare Allowance in relation to Housing (1995), *Report to the Minister for Social Welfare*, Dublin: Government Publications.

<sup>14</sup>*Ibid*, p14.

Neither of the government statements quoted above is quite clear as to the substance of the reform package. The brief of the interdepartmental committee is thus rather vague, with considerable scope for interpretation, including a minimalist approach which would only focus on the delivery of the scheme at the local level. This approach would, in the Agency's view, miss a unique opportunity to undertake a broader review of the scheme, including (i) the coordination of policy and planning at national level, (ii) the links between supplementation and other forms of social housing assistance, and (iii) the contribution of subsidised private rented accommodation to the achievement of social housing policy.

Another concern relates to the prescribed role for local authorities (and by extension the Department of the Environment) in the reform package. The ability of local authorities and the department to administer rent and mortgage supplementation depends on two, as yet unclarified issues: first, the capacity (human, financial and technical) of the 88 local authorities and the department to provide a national system of housing income support;<sup>15</sup> and second, the status which rent and mortgage supplementation will be given vis-a-vis other, more restrictive, social housing options administered by these bodies. The proposed administrative transfer should not occur until these basic questions are satisfactorily addressed.

### **3. An agenda for reform of rent and mortgage supplementation**

The interdepartmental committee on the transfer of the administration of rent and mortgage supplementation provides a unique opportunity for social housing policy to 'catch up' on the hitherto largely unrecognised role of subsidised private rented housing in social housing provision. There are three levels at which the brief of the committee can be considered: the quality delivery, at local and national levels, of rent and mortgage supplementation as a public service; the integration of rent and mortgage supplementation with other forms of housing income support, removing anomalies and poverty traps and bringing a coherence to public subsidisation of housing; and the recognition of subsidised private rented accommodation as an instrument of social housing policy, thereby defining its role vis-a-vis other options and promoting policy measures which would enhance its contribution.

#### **3.1 Quality delivery of rent and mortgage supplementation**

Reform of the delivery of rent and mortgage supplementation is undoubtedly an urgent requirement. The current situation, whereby supplementation is delivered under the framework of SWA - a residual income support scheme, with a high degree of local discretion - is seriously deficient from a public service viewpoint, despite recent improvements.<sup>16</sup> A strategy for enhancing the quality of service delivery is provided in a recent report by the National Economic and Social Forum (NESF), and subsequently endorsed as part of the SMI.<sup>17</sup> NESF proposed a package of client-oriented practices,

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<sup>15</sup>For example, the 'secretative, bureaucratic and anti-consumer' attitudes of local authorities was highlighted by various groups, including the Ombudsman, in a recent conference on the application of the government's strategic management initiative in the public service (*Irish Times*, 7/6/96 and 8/6/96).

<sup>16</sup>These include national guidelines for the operation of rent and mortgage supplements, computerisation of supplementary welfare allowance, and access to an independent appeals system.

<sup>17</sup>NESF, *op cit*; Government of Ireland (1996), *Delivering Better Government*, Dublin: Government Publications.

linked to local and national administrative reform, in order to enhance the delivery of social services. This package is now applied to rent and mortgage supplementation.

### 3.1.1 ***integrated local delivery***

Integrating the delivery of rent and mortgage supplementation with other forms of social assistance at the local level is key to an enhanced service. *A first step is to establish a one-stop-shop housing information and advice service, which would include rent and mortgage supplementation along with other social housing options.* Indeed, such a service has already been identified as part of the new role for local authorities in housing provision.<sup>18</sup> A one-stop-shop is not simply a matter of having available in one location details on all forms of housing assistance. *To be effective, a one-stop-shop must incorporate a number of client-oriented practices, such as are outlined in the accompanying diagram.*

A logical follow-on from this structure would be to *allocate responsibility to local authorities for assessing applications for rent and mortgage supplement. These tasks should be integrated with related local authority responsibilities under the charter for the private rented sector, ie landlord registration, minimum standards, provision of rent book, etc. A further task would be to provide a wider welfare service to clients, as originally intended under SWA.* The critical ingredient in the effective implementation of these tasks is the quality of staff. *This requires the development of a specific expertise and grade within the housing section of local authorities, to be titled 'housing welfare officer'.* These staff would be separate from the general administrative staff within local authorities and would be modelled on the professional grades in the health boards and the Department of Social Welfare (community welfare

#### ***Components of a one-stop-shop housing information and advice service***

Impartial provision of information on all forms of social housing assistance (ie no attempt should be made to route people towards certain options)
Clear and simple material, using a diversity of media techniques
Accessible and attractive premises, with opening hours that suit users' circumstances and adequate facilities for confidential discussion of queries
Provision of free-phone facilities
Well-trained staff, who are courteous, considerate and efficient
A pro-active approach to addressing the information needs of vulnerable groups
On-going consultation with client groups on the quality of service being provided and on ways to improve service delivery
An outreach facility, whereby the service is not confined to a single location, but can be targeted at areas or towards groups with a high level of demand
Liaison with other statutory and voluntary information sources, including a referral role where relevant

<sup>18</sup>Department of the Environment, *op cit*.

On-going monitoring, with set waiting periods and maximum times for correspondence

Contact point for appeals

officers, social welfare officers). *The recruitment, training and general human resource management of these staff should be top priority and is one where the expertise (and possibly staff) of the community welfare service should be utilised to the maximum.*

*There are aspects of rent and mortgage supplementation which would be more effectively (and efficiently) delivered by income support agencies, notably the assessment of means, the payment of benefit and the operation of an independent appeals system.* A recent report by the Comptroller and Auditor General highlights the current inefficiencies in means testing, including the duplication of tests carried out by different government bodies.<sup>19</sup> The report notes in particular the duplicate testing of social welfare and SWA claimants and proposes the integration of such schemes (eg administration by a single department or consolidation of client records, such as under the integrated short-term schemes system - ISTS) or the passporting of entitlement (eg in the UK where a means test for income support may be used by local authorities to qualify individuals for housing benefit). *Either option would be superior to the administrative inefficiency and waste of claimants' time which would arise with a separate means test for the scheme.*

Similar administrative concerns exist with regard to the payment of benefit. Under ISTS, the health boards have the capacity to pay supplements, either weekly or monthly, through a variety of methods - cheque, EFT or post draft - depending on the clients' preference. Requiring the 88 local authorities to establish their own payment systems would be very costly, as well as cumbersome for recipients. The health boards previously experienced major administrative problems in this regard, which are only now being solved with the inclusion of SWA as part of the ISTS system. These would in all likelihood be replicated and even compounded in local authorities, given their much smaller scale.

*The ISTS option is particularly attractive because of the way it combines assessment of means and payment of benefit within the one administrative system.* It appears that rent and mortgage supplements could easily be added to this system as a separate scheme. (Indeed, as all supplementation recipients will soon be part of the system under SWA, this option is even more attractive.) The outstanding question is whether these tasks should be contracted to the health boards or the Department of Social Welfare, or whether local authorities would manage the scheme directly within ISTS. *In the long-term, it would be better if the local authorities had direct responsibility for these aspects of the scheme.* This would also facilitate a comprehensive listing of all households in need of housing, an issue recently highlighted by the ESRI's analysis of the 1993 local authority survey of housing need.<sup>20</sup>

A final point concerns the roles of client organisations and of voluntary advice and advocacy groups in the local delivery of rent and mortgage supplements. The recent NESF report notes that a process of dialogue between clients and service providers is required in order to ascertain the needs of clients. *Local authorities, which are currently*

<sup>19</sup>Office of the Comptroller and Auditor General (1996), *Report on Value for Money Examination: Means Testing*, Dublin: Stationary Office.

<sup>20</sup>T Fahey and D Watson (1995), *op cit*

*developing the concept of tenant participation, should seek to extend this to private rented tenants. One option here might be to establish community development projects targeted at this sector under the Department of Social Welfare's community development programme. Voluntary advice and advocacy groups have also a distinct contribution to make in the delivery of housing and other services. A unique dimension to their role in this regard is*

*as an integral component of our democracy.....an example of subsidiarity, with the encouragement of democratic participation at community level and.....of diverse and decentralised responses to group and individual needs.<sup>21</sup>*

Given the transient and often vulnerable nature of rent and mortgage supplement recipients, the outreach and support roles of voluntary groups is especially important. *Local authorities should therefore have a formal relationship with such groups in promoting the scheme, which would include the provision of on-going funding.*

### 3.1.2 ***national coordination***

A second set of issues relates to planning and coordination at national level. Central here is the status of rent and mortgage supplementation as a mainstream scheme of housing income support. The delivery of these payments as part of SWA is no longer appropriate given the scale of demand. In practice, the discretionary nature of supplements and the variable payment regimes have been standardised over time, with the most recent advance being the publication of statutory guidelines by the Department of Social Welfare. These reforms should now be completed by *giving the supplements a clear legal status (and title), setting national minimum standards for the delivery of the scheme (eg availability, accessibility, efficiency and transparency) and by developing a pro-active information strategy to ensure public awareness of this entitlement.* Otherwise, the progress made in recent years in establishing rent and mortgage supplementation as a mainline welfare scheme may be dissipated as the 88 local authorities decide their own procedures.

A separate issue is the funding of rent and mortgage supplementation. We have already argued that payment of the supplementation should be made through the ISTS system. *The Department of Social Welfare (or alternatively the health boards) would thus be responsible for the administration of this budget. However, the allocation for this item should be part of the overall vote for the Department of the Environment in the annual government budget.* This is important for two reasons: first, it makes transparent expenditure on rent and mortgage supplementation as part of overall exchequer funding for social housing; second, it places ultimate responsibility for the scheme with the department responsible for social housing policy. *Funding should include the administrative costs for local authorities in delivering the scheme at the local level, similar to the current practice with the health boards. Included in this should be resources for housing welfare rights by NGOs.<sup>22</sup>*

An independent appeals system is crucial in achieving a quality service. The current practice, whereby appeals are operated by the health boards, is unsatisfactory. The replication of this model by the 88 local authorities would only make a bad situation

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<sup>21</sup>NESF (1995), *op cit*, p97.

<sup>22</sup>The scope for transferring staff from the community welfare service should be explored, through it must be borne in mind that the service has little spare capacity if it is to fulfil its original mandate as a person-centred welfare support service.



worse. *What is needed is a statutory appeals procedure for rent and mortgage supplementation separate from local administration.* The choice here is between the Department of the Environment setting up its own structure, or allocating the function to the appeals office operated by the Department of Social Welfare. *For reasons of administrative efficiency and client familiarity, the Department of Social Welfare option is preferred.* Because of the backlog of cases in the appeals office (currently 4 months), *it is advisable that an immediate system of internal review of decisions be retained within the local authority structure.* The procedures for such an internal review should seek to ensure the maximum degree of objectivity and independence for appeals.

In order to ensure coherence between the different components in a reformed delivery of rent and mortgage supplements, *the Department of the Environment should convene a consultative committee of the various interests involved with the scheme, including client and advocacy groups.* The consultative committee would provide feedback on how the reformed system is working and discuss what improvements might be required. Linked to this would be *a system for monitoring the demand for supplementation operated by the Department of the Environment, which would contain information on claimants, payments and accommodation.* A model for the reformed delivery of rent and mortgage supplementation is outlined below.

***Model for reformed delivery of rent and mortgage supplementation***

	<b>Local authorities</b>	<b>Dept of the Environment</b>	<b>Dept of Social Welfare</b>
<b>Local</b>	one-stop-shop, providing advice on and accepting applications for rent and mortgage supplement  assessment of housing needs, linked to regulations re private rented housing  'housing welfare officer' grade  liaison with and support for NGOs  client consultation  internal appeals	human resource programme for housing staff	secondary information source  means test data  payment of supplement
<b>National</b>	consultative committee	information strategy  legislation, policy and minimum standards  funding	independent appeals system  overall administration of payments  consultative committee

		support for NGOs  monitoring  consultative committee	
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### 3.2 Integration of rent and mortgage supplement with other housing subsidies

So far, this submission has concentrated on the delivery of a quality rent and mortgage supplementation service. This does not address the restrictive criteria governing eligibility, assessment of means and level of payment. The questionable basis for these restrictions is reinforced by the inconsistent treatment of claimants of rent and mortgage supplementation vis-a-vis other housing subsidy schemes. Because of the complexity of the current array of housing supports, reform of supplementation is best approached in the context of an overall harmonisation of subsidies, including those which are tax-based. This can be considered at two levels: first, avoiding poverty and employment traps; and second, ensuring consistency between forms of social housing assistance. These can be usefully distinguished as issues of vertical integration and of horizontal integration.

The integration of the tax and social welfare systems, in order to promote the take-up of employment, to maximise the return from working for those on lower incomes and to generally simplify the two codes, is a key policy goal.<sup>23</sup> Both the SWA review group and the tax/welfare integration group have highlighted the deficiencies of rent and mortgage supplementation in this regard. The sole policy response to-date has been to include rent and mortgage supplements as part of a package of secondary benefits which is retained for up to three years on various employment programmes for the long-term unemployed. This is designed as a transitional measure, and therefore fails to address fundamental disharmonies in the support for housing within and between the welfare and tax regimes.

Looking at the interaction of supplementation with the welfare system to begin with, three separate issues stand out:

- first, the exclusion of low paid full-time employees from eligibility for supplementation, which has the direct effect of creating an unemployment trap;
- second, the withdrawal of supplement on a £1 for £1 basis where additional household income is secured through work, leading to a poverty trap;
- third, the clawback rule, whereby any income above the basic SWA rate is deducted from eligible rental income. (This can result in a loss of up to £10 per week for a single person and much more where there are dependants and can also dilute the benefit of higher welfare payments.)

In each of these instances, rent and mortgage supplementation is out of step with the mainline welfare system: low paid households are eligible for family income supplement (and, interestingly, an SWA-administered scheme, the clothing and footwear

<sup>23</sup>Expert Working Group on the Integration of the Tax and Social Welfare Systems (1996), *Integrating tax and welfare*, Dublin: Government Publications

allowance); welfare recipients are allowed retain a proportion of earnings from part-time work, while adult dependants can earn up to £60 per week without losing their allowance; and the clawback rule negates the higher payments given to welfare recipients with greater needs.<sup>24</sup> *The optimum solution would be to bring supplementation in line with prevailing practice, ie a standard means tested basis. This would not distinguish between income sources and would disregard all income up to a level at least equivalent with the highest rate of social welfare benefit (ie contributory old age pension) and ideally similar to the means threshold for medical card eligibility. It should also incorporate a tapered withdrawal for additional income.*

On the tax side of the equation, the exclusion of full-time workers from rent and mortgage supplementation and the untapered nature of tax-based housing subsidies - general rental relief and over 55 rental relief for private rented accommodation and general mortgage interest relief for home ownership - has created a chasm in housing subsidisation between tax relief and income support.<sup>25</sup> The introduction of a means-tested scheme of supplementation without restrictions would alter this situation, and lead to an interplay between the two systems. *This interplay will require further policy consideration and may necessitate a more radical overall of housing subsidisation, including the integration of tax relief and income support as a single housing benefit.*<sup>26</sup>

We now turn to the overlaps and anomalies across the various income support schemes which provide subsidised housing. The diversity of such schemes is compounded by the different housing tenures being supported under individual schemes and the various administrative bodies involved in each. In the region of 134,000 households are in receipt of housing income support, with the vast majority (two-thirds) on differential rents, and most of the remainder (30%) on rent and mortgage supplementation. Not surprisingly, there are many anomalies and inconsistencies between the schemes, in terms of who is eligible and the level of subsidy paid. There is also a lack of transparency as to the level of subsidy under the various schemes. For instance, under the differential rents scheme, rents are not based on the economic cost of public rented housing. Similarly discounted are the state-supported capital costs in the voluntary housing sector. By contrast, there is no capital subsidy for recipients of rent and mortgage supplement.<sup>27</sup> Also relevant here are the hidden costs associated with the disposal/redemption of local authority housing. In this regard, a useful guide to the relative costs of certain social housing options is contained in the SWA review group.<sup>28</sup>

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<sup>24</sup>There is also a contrast with the means tests under the differential rents and the rental subsidy schemes, which are far less punitive in their treatment of additional income and do not disallow those in full-time work.

<sup>25</sup>There are also special schemes encouraging home ownership for local authority tenants (mortgage allowance, shared ownership and house purchase), which are considered later as under 'horizontal integration'.

<sup>26</sup>This option has previously been advocated by the Combat Poverty Agency and Threshold.

<sup>27</sup>Though there is indirect state subsidy of the capital cost of home ownership and private rented accommodation through measures such as section 23 tax relief, first time buyer's grant and exemption of stamp duty for new homes and exemption of the vast majority of homes from property tax.

<sup>28</sup>Review Group on the Role of Supplementary Welfare Allowance in relation to Housing (1995), *op cit*.

## Housing income supports

scheme	housing tenure	administrative body	recipients
rent and mortgage supplementation	<i>private rented/voluntary/</i> owner occupied	health boards/Dept of Social Welfare	39,000
differential rents	public rented	local authorities	93,000
rental subsidy	voluntary	local authorities/Dept of the Environment	1,000
rent allowance	private rented	Dept of Social Welfare	1,000

The achievement of an equitable and efficient system of housing income support will be stymied while this haphazard pattern remains. A succession of reports has drawn attention to this situation, the latest being the review group on rent and mortgage supplementation. There is some divergence as to how best to proceed, with four main options being proposed:

- i) retain the different schemes but with some degree of internal harmonisation, eg eligibility criteria, means test, calculation of payment;
- ii) merge those schemes which target similar tenures, eg rent supplementation and rent allowance, and rental subsidy and rent supplementation for voluntary housing;
- iii) combine those schemes which provide a cash payment, ie excluding differential rents;<sup>29</sup>
- iv) unify all schemes into a single housing benefit, which would provide income support to tenants without regard to tenure type (this would involve charging an economic rent for local authority housing and also quantifying the costs arising in the disposal/ redemption of public rented housing).<sup>30</sup>

The first option can be rejected as an ad-hoc response which side-steps some key issues and retains the complexity of provision. Options ii and iii, which amalgamate income support schemes, have a certain logic. They also avoid the difficulties associated with quantifying the benefit provided under the differential rents scheme and dealing with a separate administrative system, the local authorities. It is nonetheless important to look at the issue from a wider social housing perspective. In this context, we can note the concern within the local authority sector regarding the negative impact of the current situation for their role as housing agencies. For example, the Lord Mayor's Commission on Housing, established by Dublin Corporation, made the following critique of the current system of housing income supports:

<sup>29</sup>This is proposed by the Commission on Social Welfare and the NES.

<sup>30</sup>This is favoured by the Lord Mayor's Commission on Housing, the ESRI and the SWA review group.

*(T)he continued operation of such a complex and incoherent system of transfers involving the Department of Social Welfare, the health boards and local authorities (is) explicable only in terms of a combination of inertia within our governmental system and a very short-sighted concern to minimise immediate exchequer costs. The current system, however, impinges upon the living conditions of many of the less well-off members of our society, is wasteful of resources in a certain number of cases, and also imposes immediate social costs and long-term capital costs that our economy cannot afford.*<sup>31</sup>

The benefits of option iv, a unified housing benefit, are that it would:

- eliminate inequities between households in different tenures;
- enable local authorities to fulfil their role as landlords;
- ensure tenants are aware of the subsidisation they receive;
- provide improved services and greater choice of tenures to tenants.<sup>32</sup>

Such a reform would also be in keeping with the role of local authorities as providers of a comprehensive and cohesive housing service, as envisaged in the policy statement of the Department of the Environment, *Social Housing - the Way Ahead*. It would also contribute to the goal that all housing schemes are administered in an open and transparent manner.

*On balance, the option of a unified housing benefit, which would replace all existing schemes, is recommended.* While this could be expensive, the potential scale of this may be exaggerated given the lack of transparency within the current system. Indeed, as the Lord Mayor's Commission points out, in the long run there may be substantial savings, as the more costly tenure options are identified, social segregation is reduced and maintenance procedures are improved. Given the current lack of clarity on this point, and the time required to examine all the issues involved, *a short-term strategy of merging all cash-based housing subsidies is suggested. This would, in due course, be followed by the integration of differential rents into a single housing benefit.*

### **3.3 Incorporation of the subsidised private rented sector into social housing policy**

A third dimension of reform of rent and mortgage supplementation is the role that subsidised private rented housing should play in overall social housing policy. Traditionally, households supported through this sector have been *de facto* excluded from conventional measurements of social housing need and thus ignored by policy. This reflects a number of factors:

- i) the dominance of home ownership as a policy goal, with the result that renting, in the public or private sectors, was presented as a second best and transitory option;
- ii) the monopoly role of local authorities in the social rented sector, coupled with a policy neglect, if not antagonism, of the private rented sector (through with some

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<sup>31</sup>Owen Keegan, (1993), 'Social housing: the role of housing authorities - the view of the Lord Mayor's Commission on Housing', *Administration*, 41,3, p285.

<sup>32</sup>*Ibid*

reform in recent years with state support for voluntary and private rented housing);

- iii) the separate administration of rent and mortgage supplementation, resulting in the omission of recipient households from the traditional assessment of social housing needs - the waiting list for local authority housing.<sup>33</sup>

Despite official neglect, subsidised private rented housing has continued to grow. This highlights the unique features of rent and mortgage supplementation as a form of social housing assistance: it is easily accessed, it is flexible and it is responsive to need. In a period when local authority housing provision was both reduced and residualised, and when new types of housing needs were emerging, rent and mortgage supplementation provided an important alternative, if not always satisfactory, route to subsidised housing.

The approach under rent and mortgage supplementation contrasts in two fundamental ways with that of the local authorities: the assessment of need and the allocation of resources. This issue was described as follows by the SWA review group:

*In the case of SWA, once a housing need has been established, it is met immediately while in the case of the local authority approach, need is met on a priority basis in the light of available resources. As a consequence of this, SWA meets the needs of those deemed by the local authorities to have the lowest priority. It is not considered desirable to have two different and contrasting approaches to meeting social housing needs and the situation highlights the need for an integrated approach to the allocation of housing resources by a single agency within a single legislative framework<sup>34</sup>*

The contrast in approaches will become more apparent if local authorities take over the administration of rent and mortgage supplementation. The unified provision of social housing will raise immediate routing issues - what options will households with a housing need be offered or, perhaps, be given? and what criteria will be used to set rent levels, define reasonable accommodation and assess the need for housing? It will also prompt an examination of the value-for-money of the housing options available to clients. Another set of questions will relate to the quality and supply of subsidised private rented housing. To date, few of these issues have been addressed by housing policy makers, basically because they could be ignored as falling outside their departmental remit. Even where accommodation standards or supply were considered, the focus was seldom on the lower end of the market, where households on rent and mortgage supplement are concentrated. There will also be separate set of issues arising with regard to long-term mortgage supplementation.

One approach to these issues would be to relegate rent and mortgage supplementation to fall-back options, restoring the primacy of public rented accommodation. This would be a mistake on the grounds of complementarity (meeting different types and degrees of housing need) and of choice (allowing clients to pick their housing option). It might also require a residual SWA to cater for those clients who were excluded under this approach or who sought an alternative. The concept of choice, while perhaps perceived as a luxury in a state-funded housing system, is an essential tool in combating the growing social segregation between public and private tenure, as specified in recent

<sup>33</sup>T Fahey and D Watson (1995), *op cit*, pp19-28.

<sup>34</sup>Review Group on the Role of SWA in Relation to Housing (1995), *op cit*, p47.

housing policy. An inclusive social housing policy is also consistent with, perhaps even a prerequisite for, the expanded role envisaged for local authorities in the policy statement of the Department of the Environment, *Social Housing - the Way Ahead*. This includes promoting access to housing by using a variety of schemes and resources. *A strategy based on complementarity and choice of provision is thus proposed. This would be formulated at national level, with scope for adaption to local circumstances, and would inform the guidelines for fixing maximum rent levels, defining reasonable accommodation and assessing housing need.*

*Such a strategy would also include an assessment of the strengths and weaknesses of subsidised private rented housing, especially as regards quality and quantity of accommodation, followed by an action programme to address any deficiencies.* Important progress has been made in recent years in this regard, such as the charter for private rented housing, the section 23 tax incentives and the tax relief on rents. A common weakness in these measures has been their undifferentiated application within the sector, which has resulted in a widening gap in housing quality and choice between the upper (people in employment) and lower (recipients of rent and mortgage supplement) ends of the market. *A package of policy measures, targeted at the lower end of the market, offering financial incentives for achieving higher standards, and defining a social contract between the state and landlords in the provision of housing, is advocated.*

#### **4. Conclusion**

This submission has argued that the review of the administration of rent and mortgage supplementation should be approached in the context of three recent government initiatives:

- the statement of a more inclusive and equitable social housing policy;
- the formulation of a mainstreamed national anti-poverty strategy;
- the commitment to excellence in the delivery of public services.

Based on these initiatives, the review of rent and mortgage supplementation should focus on three discrete policy issues: the quality delivery of supplementation as a public service, its integration into a streamlined and equitable system of housing income support, and the incorporation of subsidised private rented housing within overall social housing policy.

The submission counsels against adopting a minimalist approach to reform, which would focus on local level delivery of rent and mortgage supplementation. It also suggests a more considered role for local authorities, with due acknowledgement to the expertise and capacity of other agencies which operate in the field of social welfare and housing support.

The views of claimants of rent and mortgage supplementation are central to the review of this scheme and there is an onus on the interdepartmental committee to put in place consultative procedures to ensure that this takes place. The Agency's survey of claimants, when completed, will be especially valuable in this regard.

The Agency is willing to supplement this submission with an oral presentation, if requested.