

Pre Budget Submission 2010

Don't Cut Rent Supplement Safety Net

What is Rent Supplement

Rent Supplement is paid to people living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources. In general, households qualify for a Rent Supplement, if their only income is a social welfare or Health Services Executive (HSE) payment.

The amount of Rent Supplement is calculated by the Community Welfare Officer (CWO) and is intended to prevent a household's income falling below the relative poverty line after paying rent.

CWO's also set a maximum level of rent which they consider reasonable. In Dublin the current maximum levels of reasonable rent range from €122 per week for a single person to €256.15 per week for a couple or lone parent with two or more children.

Claimants of Rent Supplement also pay a personal contribution of €24 per week from their household income towards the cost of the rent. Claimants are not permitted to make a further contribution or 'top-up' to their rent in addition to this.

Who Receives Rent Supplement

There are currently over 90,000 households claiming Rent Supplement. In 2006 and 2007 the number of Rent Supplement claimants was never more than 60,000 per quarter. However since 2008 the number has risen steadily quarter on quarter.

Rent Supplement and Homelessness

For a significant number of households Rent Supplement is the safety net that keeps them from becoming or returning to homelessness.

Changes to Rent Supplement in Budget 2009

In the Government's 2009 Budget announced in October 2008 the minimum contribution of households in receipt of Rent Supplement was increased from €13 per week to €18 per week.

Changes to Rent Supplement in 2009 Supplementary Budget

In the Supplementary Budget of April 2009 a number of changes were made to Rent Supplement including:

- Entitlement to Rent Supplement was restricted to households who were living in rented accommodation for at least 6 months in the previous 12 months or who were on a local authority housing list following a full housing assessment or who were living in accommodation for homeless people for 6 months in the previous 12 months.
- The minimum household contribution was further increased from €18 to €24.
- The maximum rent limits were reduced by between 6% and 10%, depending on geographical area and household size.
- Rent Supplement payments currently being made to tenants were reduced by 8%, in order to encourage landlords of existing Rent Supplement tenants to reduce their rents.

Impact of the Changes to Rent Supplement

The combined impact of the changes to Rent Supplement in 2008 and 2009 has forced greater economic hardship on many low income individuals and families. Our fear is that this increased hardship will increase the number of people at risk of homelessness.

The combined increase in the tenants' contribution from €13 per week to €24 per week represents an increase of 85%.

It is also important to note that, as confirmed by the Private Rented Tenancies Board, many landlords also require tenants to pay an additional and illegal top up to their personal contribution.

At the time of the cuts Government argued that the 8% reduction in the Rent Supplement was justified by the decline in market rents. While data exists for the rental market as a whole confirming an overall fall (Daft. ie & PRTB), there is no reliable data on rent levels for the lower end of the market where recipients of Rent Supplement generally live.

Indeed there is some evidence produced by Threshold to suggest that in high demand areas, particularly at the lower end of the rental market, rents are not falling as fast as elsewhere, if they are falling at all.

Moreover all of this information relates to new lets. There is no data in the public domain relating to rent prices in existing lets.

Since the introduction of these changes there is evidence of landlords charging their tenants an additional payment above their personal contribution to make up the difference lost from the 8% across the board reduction in rent paid (sometimes, in addition to existing illegal top-ups) This is particularly true with more vulnerable tenants who are less able to negotiate a rent cut.

These reductions in real income need to be put in the context of rising prices for a number of commodities on which low income families spend a large amount of their income. While overall prices are falling, the March 2009 CSO report highlights a 12% increase in bus fares and a 7% increase in primary and secondary education costs. In MakeRoom's view, such significant reductions in the weekly income of many of the country's poorest households puts them at risk of homelessness.

MakeRoom Recommends

In light of the significant changes made to Rent Supplement in 2008 and 2009 and the clear impact that these changes are having on low income households, we strongly recommend:

- No further cuts to Rent Supplement be included in the forthcoming Budget for 2010.
- The Department of Social and Family Affairs, in conjunction with the social partners, should conduct an impact assessment of the 2008 and 2009 changes to rent supplement on claimants before any further changes to the benefit are considered.

Appendix

The impact of existing changes to the weekly income of Rent Supplement claimants is detailed below.

Payment	Single person	Couple	Lone parent family with 1 child	Family with 2 children
Basic payment minus tenants rent contribution (€18) pre budget	€186.30	€321.90	€212.30	€373.90
Basic payment minus tenants rent contribution (€24) post budget	€180.30	€315.90	€206.30	€367.90
Basic payment minus additional 8% where landlord does not reduce weekly rent	€171.82 (where 8% = €8.48)	€301.82 (where 8% = €14.08)	€188.22 (where 8% = €18.08)	€345.82 (where 8% = €22.08)
Combined percentage reduction in basic rate of weekly income	8%	7%	12%	8%