

Comprehensive Review of Expenditure
Thematic Evaluation Series

Social Housing Supports



CENTRAL EXPENDITURE EVALUATION UNIT
LÁRAONAD MEASTÓIREACHTA CAITEACHAIS

Summary Overview: The State is involved in a range of interventions in the housing sector, both in terms of direct provision of housing, and support for rented and private accommodation. The expenditure from the Exchequer is via both direct expenditure and tax expenditures. Expenditure ranges from construction and renovation/regeneration of housing/accommodation, to supports to persons in difficulty meeting their accommodation needs to tax expenditure support. Approx €1.35bn is spent by the Exchequer a year on "social housing supports" for the purposes of this paper.

This paper recaps the development of policy in the social housing area, and highlights a large number of recommendations from various expert reports in recent years, noting which recommendations should be revisited and where possible implemented. In light of these recommendations, and informed by consultations with officials in relevant areas, the main conclusions and recommendations reached in this paper are as follows:-

The rationale for continuing with some interventions such as Local Authority housing, and traveller accommodation and support remain as the market failure persists where beneficiaries have insufficient income to provide their own accommodation.

- State interventions in the housing market should only continue where there is a significant market failure.
- While there is a continuing rationale for some interventions such as Local Authority housing and traveller accommodation, the continued rationale for other interventions such as sites subsidy or tenant purchase is not evident. In other cases it would seem more appropriate that the measures should continue in a modified form such as Rent Supplement (RS) and Mortgage Interest Supplement (MIS).
- A wide range of recommendations advised by various Expert Groups are still outstanding and many of these should be implemented. The recommendations include reducing the maximum level of RS, underlining the short-term nature of RS support, limiting duration of eligibility for MIS, and discontinuing a number of tax interventions.
- The Department of the Environment, Community & Local Government's (DECLG's) June 2011 Housing Policy Statement is a coherent work programme for the development of housing policy over the short to medium term. This focuses on removal of disincentives to purchase, creation of a well regulated private rental sector, the stand down of affordable housing programmes, the move to greater provision of leasing options and focusing remaining capital programmes on regeneration and special needs.
- As part of the new Housing Policy Framework and in the context of the transfer of RS recipients to social housing, structural savings should be actively pursued to reduce in real terms the cost of RS as the payment transfers to the local authorities. Application of differential rents (meaning increased contributions from households and reductions in market rents) has the potential to reduce costs.
- The number of Government interventions in the housing market should be reduced, to minimise distortions in the market and simplify administration.
- Against a background of a re-prioritising away from a construction-based model to a leasing model for addressing housing need, there are limits on the scope for effecting major current savings in this area without curtailing service levels. Nevertheless, rigorous implementation of outstanding recommendations, with some re-prioritisation of service provision, should allow for medium term savings of approx. €100m (7%) to be targeted.
- For equity reasons, additional options should be considered to realise savings in the housing area more generally, in particular through accelerating the withdrawal of various tax reliefs, and/or reducing, phasing out tax reliefs and resolving legacy issues. It is estimated that it might be possible to reduce tax expenditures by approx. €350m.

1. Overview and Introduction

This paper on Social Housing Supports is one of a number of cross cutting papers which was prepared by the Central Expenditure Evaluation Unit of the Department of Public Expenditure and Reform on foot of a request for cross cutting papers as part of the Comprehensive Review of Expenditure 2011. Housing supports are funded by the Department of Social Protection, the Department of the Environment, Community and Local Government, Health Service Executive (HSE), the Local Authorities and borrowing from the Housing Finance Agency (HFA) resources. There are also supports provided by a number of tax expenditures. The paper does not explore the entire framework in the State for the provision and funding of social housing or State assistance toward private housing needs. It considers a select number of areas and takes into account the potential for Exchequer savings and better delivery through reconsidering of recommendations made in a series of reports could be implemented which indicate areas where there may be possible savings including through efficiencies and streamlining.

Outline of paper

Section 2: outlines what is meant by 'social housing supports' for the purposes of this paper

Section 3: looks at current housing policy

Section 4: notes progress made at reforming the system

Section 5: asks if there is a continuing rationale for the interventions

Section 6: outlines demand and the supply of 'social' housing

Section 7: notes potential savings arising

Section 8: broadens the debate to highlight some equity considerations

Source of data

Material for this paper has been sourced from a range of published documents and reports, and various internal material supplied by the Social Protection Vote and the Environment Vote within the Department of Public Expenditure and Reform. Material supplied by relevant Departments and Offices for their draft CRE reports were also used where appropriate. A bilateral meeting was also held between officials of the Department of Public Expenditure and Reform and an official of the Department of the Environment, Community and Local Government prior to the commencement of drafting this paper. Consultations were also undertaken with various officials within the Department of Public Expenditure and Reform and those views were taken on board in the preparation of this paper. Material was also supplied from various Tax sections from the Department of Finance.

2. Scope of 'social housing supports'

Government is involved in a range of interventions in the housing sector which influence accommodation supply and demand. It ranges from interventions in home ownership, rental accommodation, providing subsidies in certain areas, and introducing regulation to promote standards in accommodation.

Government intervention crosses the spectrum of incomes. Mortgage Interest Relief would primarily be availed of by those in (or formerly in) the higher income deciles who are (or were) in a position to afford to purchase a home. On the other hand, support for the provision of rental accommodation would in general target those lower income deciles and those who have insufficient income to meet their accommodation needs.

What does housing support mean? Housing support by government could include a variety of things including:

Home ownership

- Support for private home ownership [e.g. mortgage interest relief. If the homeowner in difficulties mortgage interest supplement]
- Support for tenant purchase of local authority dwellings
- Support for affordable home purchase
- Tax exemptions [e.g. for principal private residences]

Rented accommodation

- Support for private rented accommodation [e.g. rent relief, rent supplement, rent a room relief to the tenant, Section 23 related schemes]
- Publicly provided accommodation [local authority social housing, housing provided by approved voluntary and cooperative bodies]
- Publicly supported accommodation [leased by the local authority from the private sector for people who need it]
- Supports for the homeless
- Provision of traveller accommodation

Regulatory structures

- Regulatory supports such as the *Residential Tenancies Act*, the Private Residential Tenancies Board, creation of minimum accommodation standards and their enforcement, Part V of the *Planning and Development Act 2000*, code of conduct for Mortgage Arrears.

Subsidies

- Subsidies such as supports for older people and those with disabilities, housing adaptation grants, energy efficiency grants.

What does Social Housing Supports mean for the purposes of this paper?

Section 10 of *The Housing (Miscellaneous Provisions) Act 2009* outlines the scope of housing services which may be provided by a local housing authority. Appendix 1 lists these services. Section 19 of *The Housing (Miscellaneous Provisions) Act 2009* provides a definition of social housing support:

“..... social housing support may include all or any of the following:
(a) dwellings provided by a housing authority under the *Housing Acts 1966 to 2009* or provided under Part V of the Planning and Development Act 2000, other than affordable housing;
(b) dwellings provided by an approved body;
(c) the sale of a dwelling under *Part 3*;
(d) entering into and maintaining rental accommodation availability agreements;
(e) the provision of sites for caravans referred to in section 13 of the Act of 1988 and any accommodation provided to travellers under the Housing (Traveller accommodation) Act 1998;
(f) the provision of sites for building purposes under section 57 of the Principal Act.”

For the purposes of this paper the term ‘Social Housing supports’ is taken as having a broader meaning, and to include:

- Dwellings provided by a local authority (other than affordable housing);
- Dwellings provided by approved bodies such as publicly funded housing associations;
- Tenant purchase of local authority dwellings;
- Publicly supported rented accommodation;
- Rental Accommodation Scheme (RAS);
- Provision of traveller accommodation including sites;
- Support for the homeless;
- Mortgage Interest Supplement;
- Rent Supplement.

There is a considerable amount of Exchequer spend on social housing supports each year. It is estimated that this spend could be around €1.35bn if the spend on housing services and social welfare housing supports are included. [The figure would rise to approx €2.5bn if some tax expenditures on housing are included. See Section 8 for an outline discussion on equity considerations] Table 1 presents an estimated breakdown of spend on social housing supports using latest available data.

Table 1: Expenditure on social housing supports.

		Source of data	Comment
Dept of the Environment, Community and Local Government/Local Authorities			
Housing services	€805.53m	Feb. 2011 REV	Current €287.03m (incl. €125m allocation for RAS) Capital €518.5m
Dept of Social Protection			
Rent supplement	€465.54m	Feb. 2011 REV	
Mortgage Interest Supplement	€77.23m	Feb. 2011 REV	
Sub-total	€542m		The total excludes expected Budget 2011 savings from Rent Supplement of €60m.
Total approx	€1.35bn		

A more detailed breakdown of the Housing Programme descriptions is provided in Appendix 2.

3. Housing policy

Department of the Environment, Community and Local Government/Local Authority Housing Policy

The draft CRE report of the Department of the Environment, Community and Local Government notes '*The Key objective of all social housing programmes is to provide good quality, affordable accommodation to those who cannot provide it for themselves, through the most cost effective mechanism for the State*'.

The Minister for the Environment, Community and Local Government and the Minister for Housing and Planning published a new Housing Policy Framework statement on 16th June 2011. This Framework reflects the content of the Programme for Government and sets out the principles to underpin the development of housing policy in the medium term.

The new housing policy framework will serve as a work programme for the development of housing policy over the short to medium term. The new framework focuses on:

- the removal of incentives to purchase;
- the creation of a viable and well regulated private rental sector containing quality housing provision;
- the standing down of affordable housing programmes;
- the move to greater provision through options such as the Rental Accommodation Scheme and the long term leasing initiative;
- the remaining capital build programmes to focus in particular on regeneration and projects that cater for special needs; and
- bolstering the role of the voluntary and co-operative sector.

Housing services is a large expenditure item in the budget of the Department of the Environment, Community and Local Government. There has been a large reduction in the total expenditure on the housing budget over the past number of years. The provisional outturn for 2008 was current €194.509m and capital €1,515.499m. This compares with a total allocation of €805.53m (current and capital) in the 2011 REV. This allocation includes spend on homeless accommodation, traveller accommodation, regeneration of social housing, housing investment, supports for social housing provided through the voluntary and cooperative sector. [It also includes some provision for housing adaptation grants for the disabled and the elderly, funding for the Housing and Sustainable Communities Agency, and energy efficiency grants]. While the capital budget has reduced significantly there was a growth in the current expenditure (see table 2): a growth in current expenditure can be explained by the reorientation of spend from construction of homes to leasing homes.

Table 2: Trend in current and capital housing expenditure

€m	2008	2009	2010	2011
	Outturn	Outturn	Outturn	REV Feb 2011
Current	195	231	235	287
Capital	1,515.5	1,160.5	830.1	518.5

Source: Department of the Environment draft CRE Report and Published Estimates Reports

A breakdown of the current spending on housing is presented in table 3.

Table 3: Breakdown of Department of Environment current spend on housing

	percentage of total housing current
Local authority leasing	8%
Accommodation for homeless	18.6%
Loan Charges on Capital Loans and Subsidy Scheme	25%
Rental Accommodation Scheme	43.5%
Remaining nine subheads	4%

Numbers are subject to rounding

Source: Department of the Environment draft CRE Report

To date, social housing provision has been funded primarily through a combination of capital grants and loans from the Housing Finance Agency (HFA). The greater utilisation of leasing should ensure better value for money in the current housing market. Provision of housing through current expenditure more realistically reflected the ongoing nature of such provision and should gradually reduce the accumulation of debt by the HFA (loan book of €4.45bn, housing element is €4.2bn).

A number of measures have contributed to changes in the structure of social housing provision in recent years.

Table 4: Summary of Changes to Structure of Social Housing

Year	Measure
2004	Rental Accommodation Scheme – introduced with the purpose (i) eliminating long-term dependence on the Supplementary Welfare Allowance rent supplementation scheme, and (ii) enhancing local authority response to long-term housing need. The Scheme has involved local authorities taking over responsibility from the former health boards for the accommodation of households in receipt of Rent Supplement continuously for a minimum of eighteen months
Feb 2009	A reorientation of housing policy from construction to acquisition and leasing with the introduction of the Social Housing Leasing Initiative. The new leasing programme has allowed for reduction in capital allocation.
2009	Local Authorities begin to utilise unsold affordable housing for social housing purposes.
2009	The administrative functions of the <u>Rent Tribunal</u> were transferred to the Private Residential Tenancies Board.
2009	<i>Housing (Miscellaneous Provisions) Act 2009</i> - The Act provides for the making of housing services plans and new provisions on the assessment of social housing needs and updating housing authority management and control powers, including the adoption of anti-social behaviour strategies. It also broadens the choices available to those seeking social housing by providing a more developed legislative basis for the Rental Accommodation Scheme and by expanding paths to home ownership through the new incremental purchase scheme.
2010	Incremental Purchase Scheme became operational. It will replace the existing Tenant Purchase Scheme in 2012.
2010	Housing Finance Agency put a facility in place to allow for direct lending to approved housing bodies.
2010	The <u>Housing and Sustainable Communities Agency</u> (HSCA) was established and is operating on an administrative basis pending legislation establishing it on a statutory footing. It rationalises the functions of the National Building Agency (NBA), the Affordable Homes Partnership (AHP) and the Centre for Housing Research (CHR). The AHP and the CHR have been closed down and the NBA is in the process of being wound down.
2011	The <u>Limerick Northside and Southside Regeneration Agencies</u> are being serviced by a single executive, and resources freed up through this will be reassigned to deliver the Phase 1 implementation plans for Limerick Regeneration. The Agency will be re-integrated into the new Limerick Local Authority by 2014.

Social Housing Supports provided directly by Local Authorities

A useful summary of the current policy about *dwelling provided by local authorities and the publically supported rented accommodation (RAS)* in the area can be found in the Capital Review (2010):

“The medium term objective of D/EH&LG is to maintain a social housing stock comprising of traditional social housing units with an increase in the number of leased units (provided by both housing authorities and voluntary bodies) to allow for flexibility in responding to social housing needs. This will result in a rebalancing between current and capital expenditure: with an increase in leasing, current expenditure will rise. As the annual current expenditure costs of leasing a unit are lower than the upfront capital costs of constructing one, the fall in capital costs will exceed the current expenditure increase required. Leasing costs will become a nondiscretionary item however and will increase over time in line with increases in the stock of leased units contracted and the level of the rents payable by Local Authorities. The capital programme can then increasingly focus on the provision of expenditure for the major regeneration schemes planned in Limerick, Fatima Mansions and the ongoing Ballymun scheme.

While the current move to secure additional housing units through leasing rather than new build or acquisition is supported, the new policy approach should not rely solely on leasing. The depletion in the public housing stock that this would entail, coupled with demographic

pressures which will become manifest in the medium-long term would lead to a heavy burden on current expenditure. The policy approach pursued by D/EH&LG will therefore be to adjust the balance between leased and acquired and built units. This approach can be reviewed as broader developments occur."

The Department of the Environment, Community and Local Government's draft CRE stresses the core relevance of RAS and leasing to ensure a supply of accommodation to meet social housing need. It envisages that over the next five years or so, the two separate schemes will be replaced with a suite of leasing options from the short term (5 years) to the long term (20 to 30 years).

The future of RAS will depend upon the proposals being developed by a multi-agency steering group to integrate the systems for providing Rent Supplement and social housing supports. The Department of the Environment, Community and Local Government intends to bring a Memorandum to Government in the Autumn when the work of the group is more sufficiently advanced proposing that the scheme integrating the supports is approved with a draft commencement date of 2013 to allow time for complex issues such as direct deduction of rents at source, amendment of IT systems, monitoring, enforcement and amendments to legislation to be resolved. This approach will also need to achieve significant savings.

Under the proposed integrated system Rent Supplement would continue to be paid to households who are already in the private rented sector but who, because of a loss of income through unemployment, require a short term income support to pay their rent. A period in the region of 18 to 24 month is envisaged as being appropriate for someone to stay on Rent Supplement after which a pathway to housing support would be put in place. Households with an assessed housing need will be dealt with by the local authority rather than applying for Rent Supplement. The applicant would source their own accommodation within the private rented market [as they do at present for Rent Supplement] but with the authority paying the rent on behalf of the tenant. Key differences between this segment and Rent Supplement are as follows:

- there would be no barrier to members of the supported household securing full time employment,
- the rental payment made by the tenant would be based on the differential rent for the area,
- the authority would pay the landlord the rental payment [on behalf of the tenant], subject to limits on the level of contribution,
- there would be direct deductions at source [from social welfare payments] of the tenants contribution to the rent and these would be passed from the Department of Social Protection to housing authorities,
- the authority would be responsible for ensuring that the property met private rented standards and that relevant registration and taxation requirements were complied with.

The view of the Social Protection Vote is that, in addition to the above, it would also include:

- Income from part time work where there is receipt of a working age social welfare payment. It should be considered as part of the contribution to their housing provision. The Vote considers that the differentiated rent to be paid reflects the total work income of the household – whether that is pay, social welfare or a combination of both.

It is considered by the Department of the Environment, Community and Local Government that all public bodies involved in the work on this new integrated system recognise that the system will have to deliver savings on how the current system provides housing support. The Economic Assessment of the scheme which will accompany the Memorandum to Government in the Autumn will address the issue of efficiencies and savings.

In the interim, **delivery of RAS should continue to be streamlined.** The Department of the Environment, Community and Local Government draft CRE report notes that '*the average amount of time required to process a [RAS] case was five months*'. This would seem to be excessive and that processing time should be able to be reduced.

Dwellings provided by approved bodies such as publicly funded housing associations

The Department of the Environment, Community and Local Government intends that approved housing bodies (AHBs) will have an increasingly prominent role in the delivery of social housing. The *Strategic Review of Capital Funding Schemes for Voluntary and Cooperative Housing* (September 2009) recommended that:

- AHBs should seek a wider range of funding options;
- Greater use should be made of the sector's existing asset base to allow them access private finance;
- Leasing options represented an effective funding model for AHBs; and
- AHBs should look to explore options to allow them cross-subsidise social housing with more commercially based housing projects.

Some of these recommendations are already in train. AHBs have played a significant role in delivering under the leasing initiative and have brought a number of proposals to the Department of Environment, Community and Local Government involving the use of private finance while some are now actively gearing up to access HFA funding. While it is envisaged that AHBs will eventually obtain private sector capital funding, in the interim the HFA will lend directly to AHBs in line with criteria laid down by its Credit Committee. The wind-down of the Capital Loan and Subsidy Scheme will require that AHBs focusing on the delivery of mainstream social housing (i.e. non-special needs) will have to look to alternative funding sources, including loan private finance and HFA funding. It is likely that relatively few AHB's (probably less than ten) will have the necessary financial expertise and governance capacities to operate in such an environment. It is, therefore, anticipated that the coming years could see a number of mergers of housing bodies, others will simply have to change the way they do business and there will probably be an increased participation in social housing delivery here by large-scale housing associations from other jurisdictions with experience in the use of private finance.

Key to the increased involvement is the **need for more structured regulation of the voluntary and cooperative housing sector**. The Department of Environment, Community and Local Government is working on a scoping paper setting out options for the regulation of the sector. It is envisaged that this will be published in Autumn 2011.

Tenant purchase of local authority dwellings

Local authority tenant purchase has been a feature of the Irish housing system since the 1930's with the first national scheme being introduced in 1973 and the current scheme in operation since 1995. In excess of 240,000 local authority houses have been sold under the various tenant purchase schemes to date. Table 5 shows the level of sales in recent years.

Table 5: Sale of LA dwellings under tenant purchase scheme

Year	Number of units sold
1994	505
1995	950
1996	2,284
1997	2,139
1998	2,006
1999	2,256
2000	1,844
2001	1,411
2002	1,195
2003	1,567
2004	1,652
2005	1,738
2006	1,855
2007	1,231
2008	596
2009	209

Source: Environment Vote, D/PER

However, even when the rate of tenant buy-out has been high (for example, a high point was reached in 1989 when over 18,000 units were bought out by sitting tenants), the full economic costs of the scheme may be hidden. This is because although the scheme provides a relatively straightforward means of generating a ready income, the net purchase price under the scheme tends to fall well short of the replacement cost of a local authority dwelling.

Due to the existing tenancy agreements tenants acquire significant rights when in situ. This limits local authorities flexibility in allocating or reallocating the property. Tenant purchase was seen by the Local Authorities as a way of raising income given the lack of flexibility.

Tenants of a local authority house for at least one year may apply to the relevant local authority to purchase it either outright or by way of shared ownership. The price of the house will be its market value, as determined by the local authority, in its existing state of repair and condition, less discounts. The structural condition of the house is taken into account and any increase in the market value due to improvements made to the house by the tenant will be disregarded in calculating the price. The existing Tenant Purchase Scheme comprises:

- 30% discount consists of a 3% discount for each year of tenancy up to 10 years.
- Closer to 50% discount in reality when market value is determined and other factors are taken into consideration by the local authority.
- The scheme is in the process of being wound down by 2012. It will be replaced by the Incremental Purchase Scheme.

Incremental Purchase

Incremental Purchase Scheme (IPS) is based on the development of the 'shared equity' concept whereby a purchaser builds up an equity stake in a new local authority house in an incremental fashion in return for purchasing a stake in the unit upfront and taking over responsibility for the maintenance and insurance of the dwelling. Broadly speaking, the scheme provides that an applicant would take out a mortgage to purchase a specified proportion of the dwelling. The purchase price is the all-in cost to the housing authority of providing the dwelling (construction, land and legal costs). The remaining equity remains as a charge on the property in favour of the housing authority to be released to the purchaser in 2% per annum increments (the first 10% as a lump transfer after the first 5 years) over a period of time. The scheme has been operational since June 2010 but no purchases have taken place to date. This would appear to be as it is considered to be less generous than the existing scheme. The discount bands are:

Income below	€20,000	– 60% discount;
Income of	€20,000 - €29,999	– 50% discount; and
Income above	€30,000	– 40% discount.

The Department of the Environment, Community and Local Government has indicated that they will draw up defined eligibility criteria for the Scheme to ensure that mortgages undertaken under the Incremental Purchase Scheme are by households who can support home ownership.

The housing stock should be fully utilised. Local Authorities should include clauses in their tenancy agreements which allow periodic review of housing need. For example a 3 bed dwelling may have been assigned to a family 25 years ago on the basis of their need at the time. With the progress of time, the family structure may have changed and their needs may have changed. If all the children have left home, it may be more appropriate for the family to downsize into a smaller dwelling.

The decision to allow the sale of local authority dwellings to tenants and their families reduces the potential housing portfolio available to authorities – although there can be some social benefits in

terms of families putting down roots and integrating into an area. The draft CRE report from the Department of the Environment, Community and Local Government cites an Indecon (2007) report which *'found that once a social house is transferred to a tenant an implicit transfer of property rights occurs because of the guaranteed tenancy and the capacity for that tenancy to be transferred between generations'* **it would seem equitable that if a person who is in social housing and whose income increases to such a level as they can afford to purchase a home in the market, that they should pay (i) the full market value of the home or (ii) the tenancy should revert back to the council and the person purchase an alternative dwelling.**

There can be some cash flow benefits from selling dwellings to tenants, as it reduces the costs of maintenance and renovations for the property as the property ages. The draft CRE report from the Department of the Environment, Community and Local Government cites the Indecon report *"led to a further study on the cost of maintaining a house in long-term State ownership compared to selling it to a tenant after 10 years. It was found that it is less costly for the State to sell the property than retain it, due to the substantial ongoing costs on repairs and maintenance, which increase significantly as the property ages."*

The scope for incentivising the tenant to maintain the property as part of their tenancy agreement should be explored. For example, carrots or sticks could be used, a carrot could be free plants for the best maintained complex/street or a stick could be that tenants have to pay say the first €50 towards call outs for any repairs, maintenance, or replacements.

The policy of leasing dwellings will put the burden of maintenance and repairs on the landlord. It will allow for greater control by local authorities of properties available for tenant purchase.

Provision of Traveller accommodation including sites

The Housing (Traveller Accommodation) Act, 1998, obliges each of the major local authorities to adopt and implement five year plans for the provision of accommodation for Travellers in their areas. The accommodation provided can range from local authority housing, group housing schemes, permanent residential caravan parks and transient halting sites or assistance or incentives for Travellers to build, purchase or improve the private home of their choice.

The capital allocation for traveller accommodation is €15m in 2011 (down from €35 in 2008). This recoups 100% of the capital cost of traveller specific accommodation and services to local authorities, including:

- constructing, redeveloping and refurbishing serviced permanent residential caravan parks;
- providing temporary and transient residential caravan parks;
- constructing and refurbishing group housing schemes;
- constructing / acquiring housing for Travellers in certain circumstances;

- recoupment to local authorities of 50% of the cost of providing caravans to Travellers in emergency cases;
- recoupment to local authorities of a special grant of €3,810 payable to Travellers for the first time purchase of a house; and
- recoupment to local authorities of a special grant of 10% of the cost up to a maximum of €640 to a Traveller family who are purchasing a caravan for the first time.

The vast majority of Traveller families are accommodated in mainstream housing (standard social housing, private rented accommodation, private houses assisted by local authorities, and housing funded from their own resources) in line with preferences expressed under the housing needs assessment process and as included in local authority Traveller Accommodation Programmes.

The current allocation of €6.4m in 2011 (down from €7.2m in 2008) funds the recoupment of:

- 90% of the salary and expenses of social workers (currently 57 in number) employed by local authorities and voluntary bodies to work with Travellers; of this number, 5 are employed by voluntary bodies who work with Travellers;
- 75% of the salary of caretakers i.e. that portion of the caretakers' salary which relates to time spent on maintaining halting sites or group schemes;
- 50% of actual expenditure on routine repair and maintenance costs (labour and materials) (less rent and service charges received) subject to a maximum eligible expenditure of €640 per bay, per year, for halting sites only; and
- 50% of actual skip hire expenditure, subject to a maximum eligible expenditure of €381 per bay, per year, for halting sites only.

The Environment Vote advises that **rationalisation of traveller services coupled with exploration of shared services by local authorities could generate possible current and capital savings of €7m.**

Support for the homeless

Under the Homelessness Strategy, local authorities and HSE are regarded as primarily jointly responsible for catering to the range of needs of homeless people. Local authorities have responsibility for the provision of accommodation (90% of such costs which are recouped from Department of the Environment, Community and Local Government) for homeless persons as part of their overall housing responsibility while the HSE are responsible for the health and in-house care needs of homeless people.

The estimated total funding from the Department of the Environment, Community and Local Government (€53.4m), local authorities (€5.3m) and HSE (€33m) in 2011 is €91.7m, not including other public sector funding and fundraising, volunteer services etc. (for example, the Probation Service, FÁS and the Department of Social Protection also play a role in services and income supports for homeless people). The bulk of the funding from the Department of the Environment, Community and Local Government goes to the voluntary sector providers, such as Focus Ireland, Simon Communities, the Salvation Army, St. Vincent de Paul, the De Paul Trust and Crosscare, who have built up the services over the years.

New legislative provisions in the *Housing Act 2009* came into force on 1 February 2010, which put Homelessness Fora and Homelessness Action Plans on a statutory basis and are now being implemented at regional and local level. There are nine such regions and in-depth reviews of homeless services have just been completed or are close to finalisation for seven of the nine regions.

A review and evaluation of the accommodation, health and other social care supports in the Dublin region was undertaken in 2008 by the Homeless Agency Partnership (four Dublin local authorities, HSE and statutory and voluntary service providers); the proposals for reconfiguration of services in the region arising out of the recommendations of that review continue to be rolled out. It is, therefore, opportune to review the scope to identify immediate potential savings as the Dublin region budget accounted for about €37m of Department of the Environment, Community and Local Government recoupment.

Pending the finalisation of the ongoing reviews in the other areas which highlight areas where efficiencies and savings may be achieved and the implementation of any necessary changes/reconfiguration to services which will result, the Department of the Environment, Community and Local Government indicates that they would find it difficult to precisely quantify programme savings at this juncture. However, in the Department of Environment, Community and Local Government's draft CRE paper **savings of €4m are identified** which it envisages will be used to offset the increased current expenditure costs of RAS in 2012.

Department of Social Protection Housing supports

Mortgage Interest Supplement

The purpose of the Mortgage Interest Supplement (MIS) scheme, working within the overall social welfare framework, is to provide support to eligible people who are unable to meet their mortgage interest repayments in respect of a house which is their sole place of residence. The supplement assists with the interest portion of the mortgage repayments only. There are specific rules underpinning the operation of the MIS and these are set out in the review of the MIS which was produced by the Department of Social Protection in July 2010.

That review considered that the MIS provides a valuable State support to those experiencing mortgage difficulties and that the main objectives of the scheme as a short term support remained valid in the current mortgage market. It noted that the scheme has grown very substantially since 2007, both in terms of numbers which increased by 268% to the end of 2009, and expenditure which was €65 million in 2010, a more than four fold increase. The current estimated 2011 cost of the scheme is €76m. However, the report argued that expenditure was relatively low compared to other State supports such as Rent Supplement and expenditure by local authorities. The **rules governing**

entitlement to MIS are too complex and can lead to lengthy delays in decisions and the scheme as currently operated does not deliver a consistent and equitable approach to customers and requires both changes to the scheme rules and the way in which it is administered. The report noted that some people may not be able, even with MIS support, to sustain their mortgage in the longer-term. In these cases, other **housing solutions appropriate to their need must be found**. Finally, the report noted that **MIS could act as a disincentive to seeking or retaining employment due to high replacement rates**. The review set out a number of options for reform of the scheme which continue to be valid. These included policy changes, scheme changes and changes to the administration of the scheme. There are potential changes to the scheme which could be adopted which would reduce its overall cost. These include **restricting the time limit for receipt of the payment; putting a ceiling on the level of interest covered; centralising means testing and payment and amendments to the means test (including the capital asset test)**. **However, it is important that any such changes would not create spill over effects into other schemes or the financial sector with greater potential cost.**

The draft Department of Social Protection CRE report indicates that there are 19,720 recipients of MIS in 2011.

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 and who do not have alternative accommodation available to them. There is a maximum amount of rent to reflect local conditions and household composition. An individual/family may receive rent supplement if they have been living for 6 months (183 days) out of the last 12 months in one, or a combination, of the following:

- Accommodation for homeless people.
- Private rented accommodation. (It is necessary to be able to show that the rent was affordable at the beginning of the tenancy and that could have continued to pay rent but are now unable because of a change in circumstances which occurred after commencing renting.
- An institution, e.g. (a hospital, care home or place of detention).

or

- Have been assessed by a local authority as being eligible for and in need of social housing in the last 12 months. If the individual does not have a housing need assessment, they must go to the local authority to have their housing need assessed. The local authority must be in the area that the person intends to live and claim Rent Supplement. Only when an individual is assessed as eligible for and in need of housing can they apply for Rent Supplement. Rent Supplement is not payable while the local authority is carrying out a housing needs assessment

There are c.100,000 individuals in receipt of Rent Supplement. €465m is included in the February 2011 REV for Rent Supplement. However, this was intended to incorporate €60m savings in the 2011 Budget of which to date only €8m has been achieved.

The June 2011 Housing Policy Statement provides that long term recipients of Rent Supplement would transfer to RAS or a similar social housing support over time. The long term aim is to reduce dependence on Rent Supplement as individuals transfer out of it and revert to a short term housing support. Indeed, given the role of the Department of Social Protection in other important policy areas (activating the unemployed) it may be appropriate for that Department to reduce their involvement as much as possible in social housing provision. **The current approach to transferring recipients from Rent Supplement to other forms of social housing is unlikely to yield any significant savings in the absence of further action on the cost of private rented provision and on the contribution made by the recipients of the payment.** It is considered that there is potential to make savings on the annual rental paid to landlords both in respect of Rent Supplement and when individuals transfer to new forms of social housing provision; there is potential for better collection of relevant taxes and charges from landlords and there is potential for improved income from tenants though the use of differential rents. **Differential rents**, if properly introduced and managed, **have the potential to encourage movement out of the social housing sector as income improves.** Additionally, as is the case with the tax liabilities of the landlords and the rental payments of the tenants, **it is essential that there are appropriate administrative systems for collecting all tax and rent owed.**

4. Progress in reforming systems

Various suggestions have been made over the past decade for reforms or rationalisation of housing policies. Suggestions have been made by various experts including the Special Group on Public Service Numbers and Expenditure Programmes (2009), and Indecon (2005) amongst others. Relevant extracts from these reports are contained in Appendices 4, 5, and 6. The following table cites the suggested reform from the relevant report and notes whether the suggestions/recommendations were implemented in full, part or not implemented. It also provides a comment on each suggestion/recommendation.

Table 6: Selected 'social housing supports' related recommendations

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
Indecon (2005)				
Adjustments to rents are phased in and are reviewed on an annual basis				Unknown. Update awaited from D/Environment.
Support new initiatives to tenants who minimize the on-going costs of repair and maintenance. One potential option is to provide tenants with a discount of a certain percentage a year if maintenance costs are zero or set below a certain level.				Unknown. Update awaited from D/Environment.

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
Department of Social and Family Affairs, Report of the Working Group on the review of the Supplementary Welfare Allowance Scheme (2006)				
The Group concluded, on the basis of the full and successful implementation of the rental assistance arrangements decided upon by Government in July 2004 and the rent supplement scheme returning to its original intentions of a short-term income support scheme, that the short-term income support provided through rent and mortgage interest supplement payments would become the responsibility of the Department of Social and Family Affairs and, ultimately, be integrated into the unified income support payment.			X	Work on going to move recipients of Rent Supplement to RAS – but progress slow. Support the need for Rent Supplement return to be a short term housing support and all social housing provision should rest with local authorities. No need for Rent or Mortgage Interest Supplement to become unified income support payment.
Special Group on Public Service Numbers and Expenditure Programmes (2009, p93-95, 194)				
Promote rental leasing/acquisition instead of traditional construction	X			This policy has been in effect since RAS was introduced in 2004 and intensified with the introduction of leasing in 2009. The policy was formalized in the Housing Policy Framework published on 16 th June 2011.
Review the Local Authority tenancy system			X	Social Housing Assessment Regulations were introduced in 2011. Regular needs assessments for all LA tenants will be looked at in the context of the proposal for a new Housing Assistance Payment. Improvements have been made in the length of time to re-let vacant LA dwellings (see LGAS VFM Audit in May 2011). From 2012 on, each LA will agree a re-letting target.
Amend criteria for local authority housing lists		X		This will be looked at in the context of the proposal for a new Housing Assistance Payment.
Reconsider the policy of selling existing local authority housing stock		X		Was considered by the last Government as not acceptable politically.
Part V of the Planning and Development Act to be amended to provide greater flexibility to the Exchequer			X	This Review will be carried out by D/ECLG as signaled in the new Housing Policy Framework.
Rationalising housing agencies			X	Functions of the NBA, AHP, CHR and Homeless Agency have been rationalised under the interim Housing and Sustainable Communities

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
				Agency which will be set up on a legislative basis in 2011. The functions of the Rent Tribunal have been incorporated into the PRTB. Limerick Northside and Southside Regeneration Agencies will be incorporated into the new Limerick Local Authority by 2014.
Discontinue Affordable Housing scheme			X	On 13 th January 2010, the then Government agreed to close of the Affordable Housing Initiative. On 14 th June 2011 this Government agreed to stand down all existing affordable housing programmes to reflect the current affordability conditions. The wind-down of affordable housing will take place as part of a full review of Part V of the Planning and Development Act 2000.
Capital Loan and Subsidy Scheme – review to see if opportunities exist for a reduction in Exchequer support for voluntary housing bodies			X	CLSS will be wound down over 2011/2012. However, it will take a significant length of time to unwind the €1.4bn historic loan book. A long term solution for the loan book will be looked at in the context of the HFA Risk Assessment. Regarding voluntary bodies raising own finance, see paragraph above.
Rental Accommodation Scheme – new contracts should take advantage of greater value for money available in the current market	X			A guidance document on negotiation was issued by D/ECLG (August 2009) advising authorities to take account of the prevailing market conditions and the level of risk being transferred to the authority when agreeing rental prices. Dependent on the contract type and the level of risk transferred (i.e. is the local authority taking responsibility for vacancies) a discount of at least 8% below market rent is recommended in that document. D/ECLG amended procedures to will allow for more monitoring of rent levels. Based on data provided by the local authorities the average

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
				monthly rent paid to a private landlord for 2008 was €742 and for 2009 was €696. This compares favourably with the national average rent which Daft estimated for 2008 at just over €1,000 pm and €765 pm for 2009.
Discontinue the <i>Home Choice Loan Scheme</i>		X		While affordability is not an issue, availability of financing for residential mortgages appears to be through take up. NAMA may move into this field, in which case, D/ECLG will close down the scheme. Take up of the scheme has been very small to date.
Maximise efficiencies in homeless services	X			€2m savings proposed achieved since 2009 Estimates. See paragraph above for further savings to be achieved from ongoing efficiencies.
Data Collection - A robust figure for housing need is required for planning the number of dwellings to purchase, lease or construct				Unknown. Update awaited from D/Environment.
Limit duration of <i>Rent Supplement</i> Payment			X	This could be achieved by a programme of transferring recipients out of Rent Supplement to other social housing programmes
Re-examine the level of the <i>Rent Supplement</i> payment on a regional basis			X	More regional analysis on the level of payments could produce savings.
Capital Review (2010)				
A new policy approach involving a balance between leasing and building, and a radically different property market means that a substantial level of housing need can be met with significantly reduced resources	X			This policy has been in effect since RAS was introduced in 2004 and intensified with the introduction of leasing in 2009. The policy was formalized in the Housing Policy Framework published on 16 th June 2011.
VFM Review of the Mortgage Interest Supplement Scheme (2010)				
The rule preventing payment of MIS to couples where one person is working in excess of 30 hours should be removed on the basis that: a. the person suffered a substantial loss of income due to an observable change in circumstances; b. a revised means test is developed; and c. MIS will be a time bound support		X		This is a positive proposal – it would allow individuals to work to support the payment of the mortgage and linked to the time limit would reduce the cost of the scheme over time.
The rule excluding MIS where a property is offered for sale is unduly restrictive in the		X		This is a positive proposal

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
current market and should be suspended and re-introduced when the housing market recovers.				
MIS should not be provided where repayments of the capital element of the loan are being made to the lender. This will insure the borrower is not placed under additional financial stress.		X		The means test should decide suitability for MIS. If individuals can make repayments on capital under the means test, this should be allowed.
The applicant must renegotiate a six month period of forbearance with the lender before the State intervenes in providing MIS.		X		It is appropriate to delay access to a welfare payment as it may be possible for the problem to be resolved without recourse to a payment.
An overall time limited period in the region of 2 years should be introduced to ensure that MIS does not impact on behaviour in terms of seeking or retaining work and that it remains as a short term scheme		X		It is essential that a time limit is introduced to reduce the cost of the scheme and dependence on it. However a 2 year time period may be too short and it does not deal with those in receipt of the payment for longer than two years.
The current provision that allows for payment of an exceptional rate or amount of interest for a 12 month period will be reconsidered in light of any recommendations from the Expert Group in relation to standardising the rate of interest provided by the State or in light of any future State support solutions.		X		Standardising the rate of interest to be paid would be a useful step in reducing the cost of the scheme
MIS should not be payable in respect of any housing loans of other State agencies or housing authorities		X		This is a positive proposal
MIS support should not become a medium or long term housing solution.		X		This is a positive proposal
Successful applicants must be assisted to ensure that their long term housing support needs, if any, are met prior to the cessation of MIS payment.		X		This is a positive proposal and where necessary could be met through social housing support.
The minimum contribution amount should reflect individuals' financial circumstances and be consistent with the differential rent calculations established by local authorities for social housing supports.		X		This is a positive proposal
The current legal definition of mortgage interest to mean interest on loans for the purchase, repair or essential improvement of the sole or main residence of the person should remain		X		This is a positive proposal
There should be no extension of MIS to cover interest payments other than those related to the principal private residence of the individuals concerned. The current capital assessment model should be augmented to include an income / expenditure calculation for MIS applicants		X		This is a positive proposal and should apply to capital investments inside and outside the State.

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
with investment properties				
The capital element of the mortgage repayment should not be taken into account in calculating the amount of supplement payable. MIS will remain a payment in respect of the interest portion of the mortgage		X		This is a positive proposal
The MIS assessment process will be amended to ensure, whereby applicants have 'positive net worth' in properties other than their principal private residence, this will be taken into consideration when determining any amount of MIS payable		X		This is a positive proposal
The exemption of home help earnings from the MIS means test should be removed		X		This is a positive proposal
MIS should be integrated as part of a single income support scheme.		X		MIS should remain a time limited stand alone scheme
A centralised MIS Approval and Payments Unit should be established within the Department of Social Protection		X		This is a positive proposal and should help standardize the application process
The eligibility conditions regarding ability to meet loan repayments when the mortgage was commenced should be revised		X		This is a positive proposal
Guidance on the issue of ownership needs to be revised to reflect the diversity of ownership and to deal with circumstances where couples are separating and where the future ownership of the property is uncertain		X		This is a positive proposal
There should be a significant improvement in the collection and analysis of data		X		This is a positive proposal
Any amendments in relation to the conditions for MIS must be provided for, as appropriate, in primary legislation.		X		This is a positive proposal
Postponement of legal action by the lender while MIS is in payment		X		This is a positive proposal
Development of a Standard Financial Statement to be used by lenders and the State		X		This is a positive proposal
The standardising of the rate of interest provided by the State		X		This is a positive proposal
The payment of MIS directly into the mortgage account of the borrower.		X		This is appropriate but there needs to be safeguards in place to ensure that the MIS is being paid in respect of an owner occupied property.
Report of the Local Government Efficiency Review Group (2010)				
A reexamination of the profile of housing sections within local authorities				Unknown. Update awaited from D/Environment.
Exploring options for streamlining and sharing service provision in areas such as housing assessment and the inspection of buildings				Unknown. Update awaited from D/Environment.
A greater emphasis is needed at local level to				Unknown. Update awaited

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
identify and replicate best practice in housing management, with the advice and assistance of housing support structures				from D/Environment.
Housing sections within local authorities be reconfigured to reflect the more varied sources of housing supply, arising from a greater emphasis on sourcing social housing units from the private sector through RAS and long-term leasing;				Unknown. Update awaited from D/Environment.
A single building inspectorate service could be established on a regional basis to streamline the approach to the inspection of property. This should be examined to see how a single inspection could serve most if not all purposes across housing, planning, fire and other functions – this process should also be facilitated through the establishment of joint administrative areas				Unknown. Update awaited from D/Environment.
The time needed to let and re-let social housing properties be further reduced to improve supply and reduce costs, and encourage a more efficient use of housing stock;			X	Improvements have been made in the length of time to re-let vacant LA dwellings (see LGAS VFM Audit in May 2011). From 2012 on, each LA will agree a re-letting target.
The use of the professional services that are available from in-house staff, from other local authority staff on a shared service basis or from the new Housing and Sustainable Communities Agency be maximized to support the procurement and management of housing projects;				Unknown. Update awaited from D/Environment.
Housing assessments carried out by one local authority be valid in others to eliminate duplicate assessments, and the possibility of establishing specialist teams to carry out housing needs assessment on behalf of several local authorities should be evaluated				Unknown. Update awaited from D/Environment.
Social housing rents due to local authorities be deducted directly from social welfare payments to reduce overheads associated with revenue collection in this area and to substantially reduce arrears, as well as to streamline processes for local authority tenants and reduce the time they have to spend dealing with rent collectors. This should also be a condition of new tenancies;		X		Getting social housing rents from social welfare payments would ensure better payment of rents. It would need to be linked to social welfare payment system to be effective and efficient. This will be examined in the context of the proposal for a new Housing Assistance Payment.
Opportunities for partnership with other local authorities in the provision of relevant services for the homeless be explored to pool resources and improve access, as appropriate, and partnership with the HSE be continued or enhanced where necessary,				Unknown. Update awaited from D/Environment.

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
having regard to the respective roles of the agencies;				
ICT systems used by local authorities and those bodies to which they report must be made compatible;				Unknown. Update awaited from D/Environment.
The housing-related functions of town councils be transferred to county councils;				Unknown. Update awaited from D/Environment.
County councils be allowed delegate some local aspects of housing service provision to towns				Unknown. Update awaited from D/Environment.
The dissemination of best practice across local authorities be a central element of the remit of the newly consolidated Housing and Sustainable Communities Agency.				Unknown. Update awaited from D/Environment.
Centre for Housing Research (2006): Supplementary Welfare Allowance, Rent Supplement: Implications for the Implementation of the Rental Accommodation Scheme				
Address Disincentives to Exit the Rent Supplement System – Section Five found that there may be disincentives to entering full-time employment inherent to the rent supplement scheme and recommended that the Department of Social and Family Affairs should consider ways for these to be addressed.		x		The 30 hour rule above which rent supplement is not paid is a disincentive to full time work. Moving individuals from rent supplement to state supported housing with a differential rent system would help resolve this problem.
Reduce any Perverse Incentives to Qualify for Transfer to the RAS – Section Four found that there is a possibility that the introduction of the new scheme could encourage rent supplement claimants to continue claiming this payment and recommended that both Departments should monitor trends going forward in order to ascertain the extent of this phenomenon.		x		A more pro-active approach to moving individuals from Rent Supplement to socially support housing with a cut off period for rent supplement is essential to achieving a move out of Rent Supplement
Introduce Measures to Address Inflation in the Cost of Rent Supplement – Section Five found that expenditure per claimant has grown significantly and recommended that the potential of new measures to address this trend should be explored by the Department of Social and Family Affairs.		x		It would be possible to review existing Rent Supplement rates and adjust accordingly. This was already carried out in 2010. The increase in rental levels in Dublin suggests the need for analysis and changes in social welfare rates where appropriate.
Compensate Claimants for Transfer to the Differential Rent Determination Schemes – Section Five found that transfer to the RAS may imply an increase in rent for some claimants and recommended that both Departments examine the role of transitory measures to offset any rise.		x		A move to a differential rent system from the basis contribution made as part of the Rent Supplement payment is likely to increase the cost of rent. However, no transition measures should be introduced as the aim of the move with differential rent is to reflect the real cost of providing

Recommendation/Comment made by:	Implemented			
	Yes	No	Partial	Comment
				accommodation.
Monitor Cost of the Rental Accommodation Scheme – Sections One and Five found that the data made available to the authors were insufficient to support projections of future costs and recommended the continuous monitoring of costs.		x		This is appropriate.
Address Unemployment Traps Among Urban Rent Supplement Claimants – Sections Four and Six found that any disincentives to entering full-time employment may be more acute in large urban centres and recommended that this phenomenon should be addressed by the Department of Social and Family Affairs		x		This is appropriate. The Department of Social Protection estimate that 10% of those on the LR are in receipt of Rent Supplement with the balance on other schemes. The rules underpinning Rent Supplement does encourage part time working and receipt of welfare payments and it needs reform.
Prioritise Implementation of the RAS in Urban Areas – Section Five found that securing new properties under the RAS would contribute to the control of costs.				Unknown. Update awaited from D/Environment.
Ensure that Existing Concentrations of Low-Income Households are not Reinforced – Section Six found that the attainment of a good social mix under the RAS would diminish existing concentrations of low-income households. The Department of the Environment, Heritage and Local Government should work with local authorities to achieve this outcome.				Unknown. Update awaited from D/Environment.
Undertake Further Research on Critical Issues – this report has identified a number of issues that require future research and investigation including, but not limited to, the quality of the accommodation supplied under the rent supplement scheme and the extent of overcrowding.		x		Tenants source properties on which Rent Supplement is paid. There are arguments about improving the quality of such housing provision. Requiring a very high standard may reduce the supply of housing available and increase the cost to the recipient. This may not be appropriate for a short term housing support
Address Data Gaps – this report identifies shortcomings in the existing information systems and these should be addressed to improve ease-of-use and accuracy.				Unknown. Update awaited from D/Environment.
Ensure High-Quality Management Information Systems – this report has found that such systems will be required to support the necessary roll-out and ongoing monitoring of the RAS.				Unknown. Update awaited from D/Environment.

A range of recommendations by various expert groups have yet to be implemented. Although some recommendations clearly have a political dimension, it is unclear why some measures which are likely

to have efficiency or resource savings have not been introduced. It is recommended that the recommendations of these above expert reports should be reconsidered with a view to implementing where possible.

A number of other suggestions for amendments or options for change to the system were made in draft CRE reports submitted by Departments and Offices. Some of the suggestions and options for change are outlined in table 7.

Table 7: Selected suggestions for amendments or options for change in draft CRE reports

Suggestion made by:	Suggestion/Comment	Saving
Department of the Environment, Community and Local Government	To maintain current transfer rates from Rent Supplement and to increase delivery levels	None. It is proposed to increase the RAS provision in the Vote by €20m in 2012
	The homeless provision for 2012 can... be reduced to reflect efficiency gains realized through the reconfiguration of supports in Dublin.	€4m in 2012 without impacting on services
	Reducing the number of bodies/agencies under its aegis	€1m in 2012, will yield significant savings in the medium and longer term.
Department of Social Protection Rent Supplement scheme	Discussions are ongoing between the Department of Social Protection, and The Department of the Environment, Community and Local Government and the Local Authorities with a view to introducing significant changes in the way in which an individual's housing needs are met.	To be determined The Department of Social Protection indicates that the IT commitment to deduct differential rents directly from social welfare payments would be costly and in their view is not deliverable in the short term in view of existing IT priority commitments. The Department of Social Protection also indicate that there would be IT work required by the 88 housing authorities. A steering group is examining alternative methods to resolve these issues.
	Restrict access by people who are not already private rented sector tenants e.g. no access except for people on Local Authority Housing Waiting Lists or identified by the Housing Authority as being homeless	To be determined
	Limit the period of Rent Supplement payable	To be determined
	Exclude single persons under a prescribed aged (e.g. 25) from claiming Rent Supplement	To be determined
	Only allow single persons shared accommodation	To be determined
	Abolish income disregards for claimant's earned income	To be determined

Suggestion made by:	Suggestion/Comment	Saving
	Abolish income disregards for spouse/partner's earned income	To be determined
	Assess a person's income as a home help	To be determined
	Index link minimum contribution (to CPI)	To be determined
	Generally increase the minimum contribution including increases for couples. Increase the minimum contribution by €1	€5.9m (if additional contribution for couples was included savings would be higher)
	Link the Minimum contribution as a percentage of basic payments – if payment rates reduces then the minimum contribution would also reduce	To be determined
	Increase the differential between the basic rate of Social Welfare Assistance and other social welfare payment- this results in an increased tenant contribution and a reduction in rent supplement expenditure.	To be determined
Department of Social Protection Mortgage interest supplement – Refers to a number of recommendations of different reports	Mortgage Interest Supplement will become a timebound payment	It will require both primary and secondary legislation. The programme for government commitments would also need to be considered in this context.
	Remove the 30 hour rule – this will allow couples/single people who, due to economic downturn have suffered a significant loss of income and now find themselves in a distressed mortgage and require MIS support. Under current rules due to these people working a full working week they would not be entitled to MIS	
	The rule excluding MIS where a property is offered for sale is unduly restrictive in the current market and should be suspended and re-introduced when the housing market recovers	
	MIS should not be provided where repayments of the capital element of the loan are being made to the lender. This will ensure that the borrower is not placed under additional financial stress	
	The applicant should be afforded a six month period of forbearance with the lender before the State intervenes in providing mortgage interest supplement.	
	Mortgage Interest Supplement should not be payable in respect of any housing loans of other State Agencies or housing authorities	
	Successful applicants must be assisted to ensure that their long term housing support needs, if any, are met prior to the cessation of MIS payment	
Revenue Commissioners	Integrate tax collection with all payments from central funds	USC does not apply to social welfare payments. It may be possible to collect USC and or

Suggestion made by:	Suggestion/Comment	Saving
		taxes on relevant Department of Social Protection payments, HSE payments to landlords etc. It could improve Exchequer cash flow. The measure would need to be phased in. It may require legislative changes. This could be a very political matter.
	An integrated review of the effectiveness and interaction of various economic and social supports and tax expenditures could lead to improved support delivery and reduced exchequer costs E.g. Housing support including first time buyer reliefs, mortgage interest reliefs etc	
	The widening of facilities and authority to provide on-line tax clearance	Would simplify and speed up administrative processes.

The savings measures identified in the draft reports by Departments and Offices should be accepted where possible, particularly where they generate efficiencies and/or Exchequer savings. Some options may require some expenditure before a saving can be realised. Other aspects will require changes to primary and/or secondary legislation before they can be introduced. The relevant Vote sections with the Department of Public Expenditure and Reform should explore these options further and look at the cost effectiveness of potential spend to save scenarios.

5. Is there a continued rationale for various interventions in the market?

The Government should only intervene in a market if there is a market failure. This section briefly highlights the likely rationale which may have been considered for a number of Government interventions in the housing sector. This section takes into account the developments in housing policy (outlined in Section 2) and their interactions with each other. Some of the interactions seem to target the same types of beneficiaries or address a similar market failure. It notes whether there would seem to be a continued rationale for the intervention.

Table 8: Rationale for intervention

	Rationale for intervention	Is the rationale for continued intervention still valid?
Local authority housing	To address market failure (inability of persons to house themselves in appropriate accommodation)	Yes. Maximise use of existing resources. Construct accommodation only to meet exceptional needs.
Regeneration/remedial works	To address market failure (upgrade or replace dated or aged standard of	Yes. Maximise use of limited resources.

	Rationale for intervention	Is the rationale for continued intervention still valid?
	accommodation)	
Voluntary and Cooperative Housing Capital Assistance Scheme (CAS)	To address market failure (inability of persons to house themselves)	Yes. Assist with management of existing resources and delivery of housing accommodation and supports at a time of restricted public sector resources.
Traveller Accommodation and Support	To address market failure (inability of persons to fund suitable safe accommodation)	Yes. Maximise use of existing resources and provide new accommodation as required.
Communal Facilities in Voluntary and co-operative Schemes	To address market failure (support alternative provision)	Yes. Assist with management of existing resources and delivery of housing supports at a time of restricted public sector resources.
Affordable housing and Private sector market supports	Promote consumer choice Promote home ownership	No longer any rationale for delivery of affordable housing. Private supports such as grants for the elderly and those with a disability must be targeted to those with the greatest need.
Sites Subsidy	Promote consumer choice Promote home ownership	No longer any rationale for delivery of affordable housing.
Mortgage Allowances	Promote home ownership	No. Rationale for the scheme should be re-examined. The scheme gives annual payments to those on LA mortgages for the first 5 years
Tenant purchase	Promote home ownership, promote sustainable communities	No. Other tools to encourage sustainable communities should be used. Properties should be retained at a time when there are limited resources
Rent supplement	To address market failures (quality, availability), Promote consumer choice	Yes. In a limited form for a limited duration. Changes are required to move Rent Supplement recipients to longer social housing arrangements; reducing rental costs; improving tax and rental collection.
Mortgage Interest Supplement	Social objectives	Yes, in a limited form. Changes are needed to scheme to reduce costs; improve administration and limit duration

It would seem that there is no rationale for the Affordable Housing supports, Sites Subsidy Scheme and Tenant Purchase scheme continuing. They should reduce or cease or early sunset clauses should be introduced. Although withdrawal from these interventions may give rise to some political issues, it would seem preferable to withdraw from interventions where the rationale for the continued intervention does not seem valid.

6. Demand and supply of 'social' Housing

Demand

Social Needs Assessment

A statutory assessment of housing need is carried out every three years by all housing authorities in accordance with the terms of the Housing Act 1988 and involves local authorities assessing all households on their waiting lists, and those who have made new applications for housing, to determine whether they are/remain eligible for and in need of social housing support. The object of the assessment is to identify the number of households in need of social housing and to provide a breakdown of the composition of that need. The key figure that comes out of the assessment is the 'net need' figure which is a measure of the number of households that cannot be accommodated through the existing stock available to housing authorities.

Although somewhat dated at this stage the 2008 Local Authority Social Needs Assessment indicates that *'at 31 March 2008 just over 56,000 households were in need of social housing support compared to 43,000 in 2005, an increase of 30%'*. It also indicated that there were a number of particular areas of interest including the number of homeless households decreasing since 2005 and the number of special needs (older people and people with disability) households showing a substantial increase. This may be due to greater emphasis on these categories in 2008 following concerns about underrepresentation in 2005. Of the 56,000 households in need of social housing support in 2008, some 21,000 of them were in receipt of Rent Supplement assistance from the Department of Social Protection. Data for the 2011 assessment is being compiled by the Housing and Sustainable Communities Agency and will be published as soon as possible.

Waiting Lists

The Department of the Environment, Community and Local Government does not collect data on the ongoing changes in applicant numbers on local authority waiting lists on a national basis. Housing waiting lists fluctuate on a day to day basis as people are housed and concurrently new applications are assessed and approved. In addition, waiting lists for housing at any time may contain households who have been:

- provisionally placed on waiting lists pending an assessment of their eligibility and need for housing,
- households that have been assessed but whose circumstances have changed such that they no longer need social housing,
- applicants who have left the country since being assessed,
- households that have already been accommodated in other private housing, and
- duplicate applications [i.e. applicants who have applied to more than one housing authority].
- under the new system of assessment that came into effect on 1 April 2011 local authorities can apply to one authority only.

The draft CRE report from the Department of the Environment notes "*Recent affordability improvements and an increase in the quantum of supply have not resulted in lessening demand for social housing supports. The wider economic downturn has, in fact, pushed less well-off households further away from the ability to enter the market with increasing demands being placed on existing income resulting in increases in the demand for both income support (e.g. rent supplement) and housing support (social housing).*"

Supply

According to Department of Environment, Community and Local Government, housing statistics at 31st December 2009, there were 126,189 local authority housing units. A further approximately 25,000 units are supplied by the voluntary and cooperative sector. [Appendix 8 shows an extract from the Local Government Management Services Board Services Indicators report of 2011 giving a breakdown per county council of the Local Authority Housing Stock in 2009. The differences in numbers reported are likely to be largely associated with timing differences.]

In addition, there are 12,919 units being let under RAS for local authority tenants by the end of 2010 and 1,682 leasing units being let by local authorities up to the end of April 2011.

Table 9: Local Authority Housing Outputs 2004-2009

Local Authority Housing	2004	2005	2006	2007	2008	2009	2010
New Build Completions	3,539	4,209	3,968	4,986	4,905	3,362	1,209 + 917 (long term voids restored)
Acquisitions	971	918	1,153	2,002	787	727	850
In Progress and Commenced	4,342	5,355	4,603	4,059	2,492	950	Not available

Source: Department of the Environment, Community and Local Government Housing Statistics

Table 10: Voluntary and Cooperative Housing Outputs 2004-2009

	2004	2005	2006	2007	2008	2009	2010
Completions	1,607	1,350	1,240	1,685	1,896	2,011	349
In Progress	2,178	1,885	2,330	2,852	2,738	1,318	N/a

Source: Department of the Environment, Community and Local Government Housing Statistics

RAS Outputs

The total cumulative total of Rent Supplement households transferred to RAS and other social housing options by year end 2010 to 31,422 households. Of these a total of 17,658 were housed directly in RAS (in private rented or voluntary accommodation) and a further 13,764 were accommodated under other social housing options. The table overleaf gives a breakdown of activity since 2005.

Table 11: RAS Outputs

Date	Voluntary Transfers	Private/unsold Afford. Transfers	Total private and voluntary transfers	RS to Social Housing	Total transfers to RAS and social housing
End 2005	500	5	505	101	606
End 2006	1,505	828	2,323	2,113	4,436
End 2007	841	2,077	2,928	3,126	6,054
End 2008	633	3,012	3,645	3,270	6,915
End 2009	644	3,355	3,999	2,803	6,802
End 2010	616	3,642	4,258	2,351	6,609

Source: Environment Vote

Table 12: Leasing Units Provided to end of April 2011

Type Leasing	Operational	Under Construction	Funding Approved	Provisional Approved	Total Approved
Affordable	1,298	0	761	0	2,059
Standard – LA Private Leasing	285	0	124	129	538
Voluntary – Private Leasing	99	0	27	428	554
Voluntary – AHB Owned	0	84	0	57	141
Total	1,682	84	912	614	3,292

Source: Dept of the Environment draft CRE paper

It is anticipated that the leasing initiative and the RAS programme will together deliver some 4,500 units in 2011. These schemes will be the main providers of new social housing local authority units.

Voluntary bodies will continue to provide units, particularly for special needs. While the CLSS scheme is being wound down, the CAS scheme will have access to an allocation in line with that provided in 2008. Output in this sector will be reduced until new funding mechanisms from the HFA and private sector and new leasing scheme options are fully accessed by bodies in the sector who will need to build capacity in many instances to do so.

Reductions in tax reliefs for landlords [see suggestion in Section 8] combined with the introduction of a household charge or property tax and an increase in the NPPR charge could discourage some landlords from staying in the market. This could cause difficulties for social housing supply at a time when local authorities are relying on supply from the private rental sector for the supply of social housing units.

Table 13: Local Authority housing stock profile

	€m	€m	€m	€m	€m
Local Authority housing stock	2007	2008	2009	2010	2011
Opening stock	115,386	118,276	122,445	126,189	N/A ¹
Output	4,986	4,905	3,362	2,126	N/A
Acquisitions	2,002	787	727	850	N/A
Starts	4,059	2,492	950	N/A	N/A
Sales (Tenant Purchase)	1,231	596	209	N/A	N/A
Vacant Units	5,090	3,859	4,286	N/A	N/A
Units undergoing Major Refurbishment	1,025	3,186	N/A	N/A	N/A
Houses available to rent	114,133	114,133	120,557	N/A	N/A
Closing stock	118,276	122,445	126,189	N/A	N/A
Voluntary & Cooperative					
Capital Assistance Scheme					
Output	721	914	1,076	N/A	N/A
Starts	1,157	868	317	N/A	N/A
In Progress	1,432	1,419	752	N/A	N/A
Capital Loan Subsidy scheme					
Output	964	982	935	N/A	N/A
Starts	1,047	1,080	311	N/A	N/A
In Progress	1,420	1,319	566	N/A	N/A
Leased Units					
RAS	2,928	3,645	3,999	4,258	2,000 (Est.)
Leasing	Not applicable	Not applicable	Included in 2010	1,682	2,500 (Est.)

7. Recommendations and Potential Savings arising

Continue to intervene in the market only where there is significant market failure

A case exists for Government intervention in the housing market to address the main market failure which persists i.e. where beneficiaries have insufficient income to provide for their own accommodation needs. To this end interventions such as in respect of local authority housing and traveller accommodation and support should continue. The Department of the Environment Community and Local Government and Local (housing) Authorities social housing programme could be viewed largely as a redistributive measure in favour of low income households, the homeless and Travellers.

The rationale for continuing with some other interventions is not evident such as for Affordable Housing supports, Sites Subsidy Scheme and Tenant Purchase scheme. They should reduce, cease or sunset clauses should be introduced.

¹ N/A – not yet available

Implement a range of recommendations

The summary of the potential suggestions in the following table is based on revisiting various recommendations made by Expert Groups (such as the Working Group on Supplementary Welfare Allowance Scheme, the Special Group on Public Service Numbers and Expenditure Programmes, the VFM of Mortgage Interest Supplement Scheme, the Local Government Efficiency Review Group amongst others), it takes on board suggestions in draft CRE reports from Departments and Offices, and from consultations with a range of officers in Vote sections within the Department of Public Expenditure and Reform. It also takes account of whether it is considered that there is a continued rationale for the intervention. In some cases a suggestion will give rise to efficiency savings (revenue management, reduction in administration costs, maximising use of scarce resources, maximising use of housing stock). In some instances there would be a direct saving for the Exchequer in other cases indirect savings.

Table 14: Summary of Suggestions

		Benefits	Costs
	Cross Department		
1	Direct deduction of rent at source (from social welfare payments) from tenants of Local Authorities	Staff savings, more efficient collection	Costs on IT will be needed
2	Housing related functions of town councils to be transferred to county councils	Staff savings	Transfer costs
3	Possible amendments to the capital budget for housing services to be considered as part of the capital review	More efficient use of existing resources	n/a
4	More efficient use of housing stock including re-let vacant properties more quickly	More efficient use of existing resources	Maintenance costs
	Department of the Environment		
5	Part V of the Planning and Development Act to be amended to provide greater flexibility to the Exchequer.	Reduce acquisition costs for Local Authorities	n/a
6	Rationalise housing agencies	Creation of a fit for purpose agency to support housing policy. Cost savings should be achieved from the rationalisations	unclear
7	Discontinue affordable housing scheme	Work underway	n/a
8	Capital Loan and Subsidy Scheme – review to see if opportunities exist for a reduction in Exchequer supports for voluntary housing bodies	Is being wound down over 2011 and 2012	It will take time to unwind the €1.4bn loan book.
9	Discontinue the Home Choice Loan Scheme	Will be considered if NAMA enter the market on mortgage finance provision	No costs
10	Discontinue site subsidy	Work underway	n/a

		Benefits	Costs
	Local Authority		
11	Review tenancies on a periodic basis	Possible savings arising from increases in differential rents and more efficient use of housing stock.	Administrative costs
12	Reconsider the policy of selling existing local authority housing stock	Maintain stock at existing levels. No need to replace properties which would have been bought	Reduced internal capital receipts for Local Authorities at a time where local authority income is falling.
13	Amend criteria for local authority housing lists	May be done as part of the review the new Housing Scheme	n/a
14	Rationalisation of traveller services and exploration of shared services by local authorities could generate possible current and capital savings	€7m	
	Department of Social Protection <i>Rent supplement</i>		
15	Reduce the maximum level of supplement	Would reduce the cost to the State. Should help reduce private rents	No direct costs
16	Possible change 'under 30 hour' eligibility	Would support return to work activity.	Possibly some costs in that full time employees could access the payment subject to the means test
17	Supplement should be a short term support not a long term support	Savings on Department of Social Protection Vote	Transfer to Department of Environment, Community and Local Government schemes needs to ensure rent reductions; increased household contribution and better collection of tax from landlords.
18	Speed up move to transfer Rent Supplement to Department of the Environment	As above	As above
	<i>Mortgage Interest Supplement</i>		
19	Limit duration of eligibility	Would reduce cost of the scheme	Could move those who cannot pay in potentially more expensive subsidised housing
20	Standardise the rate of interest provided by the State	Would reduce the cost of the scheme	Depending on the type of interest rate set–e.g. if set at tracker

		Benefits	Costs
			rates individuals on higher rates could lose out.
21	The payment of MIS directly into the mortgage account of the borrower	No impact on the cost of the scheme	Needs controls to prevent fraud
22	The rule excluding MIS where a property is sold is unduly restrictive and should be suspended at the current time.	No impact on the cost of the scheme	No impact
23	The means test should decide suitability for MIS	This would reduce potential costs	No impact
24	It is appropriate to delay access to MIS as it may be possible to resolve the problem without recourse to a welfare payment	This would reduce potential costs	No impact
25	A number of other suggestions in cited in table 6 which have not yet been implemented could also be pursued	Any time or limiting or reduction of the payment will generate savings	If there is re-examination of claims, this would result in some administration costs

In the context of significant reductions in Exchequer funding generally across the range of programmes in Departments and Offices, implementing these recommendations fully and aggressively could generate a range of savings and efficiencies and could mitigate the impact of the scale of possible Exchequer funding reductions so that scarce resources can be focused on those most in need.

Actively pursue efficiencies and reforms as part of the new housing policy framework particularly with regard to Rent Supplement

The Department of Social Protection operate Rent and Mortgage Interest Supplement schemes with an estimated total cost of €542m in 2011. Structural changes are required to transition recipients of Rent Supplement to social housing supports in line with the June 2011 Housing Policy Statement. The Department of Social Protection housing supports can be characterised as short term assistance to those who have difficulty affording accommodation and short term assistance to those with mortgage difficulties. This transition (of the Rent Supplement payment from the Department of Social Protection to the local authorities) with the application of differential rents (meaning increased contributions from households and reductions in market rents) has the potential to reduce the cost of such housing provision. It is expected that the average cost of social housing support should be less than the current cost of Rent Supplement. For those on Rent Supplement, there is the potential to introduce savings though reducing the level of Rent Supplement contribution payable by the Department of Social Protection and reducing the contribution paid by the Department of Social Protection to private landlords. Given the scale of the Department of Social Protection involvement in the private rental market this would have the potential to lower rent for all rented properties over time.

Implement the recommendations of the 2010 Review of Mortgage Interest Supplement

The implementation of the July 2010 review of Mortgage Interest Supplement would assist in better targeting of the scheme. It could also result in potential administration efficiencies and savings for the Exchequer. It would be possible to reduce the cost of the scheme by introducing an appropriate time limit for receipt of the payment; an upper limit on the level of interest that could be paid and re-consideration of the capital asset test for receipt of the payment. To improve the potential for return to work it may be appropriate to remove the 30 hour rule which prevents receipt of the payment and full time working. This should only be done in the context of time limiting the scheme.

Use the Department of the Environment's June 2011 housing policy statement as a work programme

The June 2011 Housing Policy Statement will serve as a work programme for the development of housing policy, over the short to medium term. It focuses on removal of incentives to purchase, the creation of a viable and well regulated private rental sector, the stand down of affordable housing programmes, the move to greater provision through leasing options, focusing remaining capital programmes on regeneration and special needs, and boosting the role of the voluntary and cooperative sector.

The new housing policy statement will see an increase in current housing expenditure with the corresponding decrease in capital expenditure that has been achieved since 2008. To date, social housing provision has been funded primarily through a combination of capital grants and loans from the Housing Finance Agency. The greater utilisation of leasing should ensure better value for money in the current housing market and a reduced capital allocation. In addition, provision of social housing through current expenditure more realistically reflects the ongoing nature of such provision and should reduce the accumulation of debt associated with providing social housing. Efficiencies and reforms that can be implemented as part of the new Housing Policy Framework, and particularly in relation to the transfer of Rent Supplement tenants, will be actively pursued.

Structural changes are required to transition recipients of Rent Supplement to social housing supports (funded from the Department of Environment, Community and Local Government) in line with the June 2011 Housing Policy Statement. It is envisaged that the average cost of the social housing support should be significantly less than the current cost of Rent Supplement. For those on Rent Supplement, there is the potential to introduce savings through lower Department of Social Protection contributions and increased contributions by recipients. The greater use of leasing should also result in savings for the Exchequer by way of reduced capital allocation. The provision of housing through current expenditure also reflects the ongoing nature of such provision.

There is a need for timely data on housing need

There is a need for timely data in respect of waiting lists so that decision makers have a basis on which to make decisions, plan budgets and forecast likely demand and organise strategies to ensure adequate supply of accommodation. Waiting lists should indicate the number of people in long term housing need (and separate out those with a short term need who are on Rent Supplement). Systems need to be improved so that the existing time-lag in compiling data is reduced or eliminated.

Target savings

Against a background of a major structural re-prioritisation away from the traditional, capital-based construction approach to addressing housing need, in the direction of a leasing model, the scope for realising significant savings in current spending in this area is very limited, unless the level of service provision is to be curtailed drastically. However in terms of expected savings from implementing suggestions from Expert reports, some scaling-back of services, and withdrawing in full or in part from a number of interventions where the continued rationale does not seem to exist, there potentially would seem to be the possibility of targeting a medium term objective of savings in the region of €100m (7%) In the nearer term, savings of approximately €15m would seem to be readily achievable under housing services, while €35m might be achievable from a combination of changes to Rent Supplement and Mortgage Interest Supplement. The broad summary of these savings is presented in table 15.

Table 15: Summary of potential savings

	Latest data on Exchequer cost	Possible savings
Dept of the Environment/ Local Authorities		
Housing services	€805m	€4m (homelessness) €4m (mortgage allowances plus site subsidy) €7m (Rationalisation of the delivery of traveller services and an exploration of shared services by local authorities could generate possible current and capital savings)
Dept of Social Protection		
Rent supplement	€465m	€30m
Mortgage Interest Supplement	€77m	€5m
Total estimated potential Saving in 2012		€50m
Savings yet to be identified on housing services, Rent Supplement, and Mortgage Interest supplement which would equate to remaining of medium term objective of 7% reduction		€50m
Medium term 7% target reduction		€100m

Note

The potential for savings from housing capital will be addressed inclusively in the Review of Capital Expenditure.

8. Equity considerations

It would seem equitable that scarce Exchequer resources should be targeted at those in most need. Many of the interventions discussed in the previous sections are targeted at those who would tend to be amongst those with the lowest incomes in society. Notwithstanding this, there are a range of other Government interventions in the housing market associated with tax expenditures. Table 16 shows that there is approx €1.2bn spend on housing support through tax expenditures.

Table 16: Tax expenditures on housing supports

Tax Expenditures		Source of data	Comment
Rent relief.	€97m	Budget book 2011	Full year cost Relief is being withdrawn over a period to the end of 2017
Rent a Room Relief:	€6m	Department of Finance	In respect of the year 2008
Mortgage Interest Relief (principal private residence).	€400m	Department of Finance	2011 estimated cost Relief is being withdrawn over a period to the end of 2017
Mortgage Interest Relief (investors) – residential properties	€730m	Department of Finance	Relates to the year 2009 Based on personal income tax returns filed by non-PAYE taxpayers for the year 2009. Estimates are based on assumption that relief was allowed at top income tax rate of 41%.
Total	€1.2 bn		

As well as the reliefs above, there are also a number of Section 23 reliefs which are buy to let schemes which might be considered broadly to have a social dimension: Urban Renewal, Town Renewal, and Rural Renewal Schemes. NESC included Section 23 (and Section 50 tax reliefs - student accommodation) within their definition of the rental sector. A recent PQ estimated that the cost of the Urban, Town and Rural Renewal schemes based on latest available information for 2009 at approximately €139.4m whereas Budget Book 2011 states that the phased abolition of Section 23 type relief would save €60m in the first year and €100m in a full year. The estimates for the costs of Section 23 are particularly tentative as the estimate could be covered in part by the horizontal measure in place for limiting the amount of reliefs that can be availed by high income people.

Table 1 illustrated that approx €1.35bn of direct Exchequer support is to areas which might be considered broadly to have a social housing dimension via expenditure from the Department of Environment, Community and Local Government/Local Authorities and the Department of Social Protection. In addition to this spending approximately another €1.2bn of support is provided to support housing/accommodation in terms of tax foregone. This distribution of spending does not

seem to be the most progressive system for distributing scarce resources. If there needs to be reductions in Exchequer funding for social housing provision by the Department of Social Protection and the Department of the Environment, Community and Local Government it would seem equitable that there would also be reductions in tax expenditures for housing.

8.1 Tax Expenditures on Social Housing Supports

Mortgage Interest relief (Principal Private Residence)

In Budget 2010, Mortgage Interest Relief (MIR) was extended up to end of 2017 for those whose entitlement to relief was due to end in 2010 or after. In addition, qualifying loans taken out on or before 31 December 2011 will continue to get relief at current levels. Qualifying loans taken out in 2012 will receive the relief at a reduced rate. The reduced rate will be 15% for first-time buyers and 10% for non-first time buyers with ceilings of €6,000 per annum for married couples and €3,000 per annum for single individuals applying in both cases. Loans taken out on or after 1 January 2013 will not qualify for MIR and the relief will be abolished completely for the tax years 2018 and subsequent tax years.

MIR is given at source regardless of income or tax paid by the individual. It is receivable at the rates noted above. It could be said that lower income groups do not have the income to be in a position to be able to buy their own homes so they tend not to avail of MIR. Those at lower incomes may be more likely to rely on other housing supports, say, by way of Rent Supplement.

(See the latest Revenue Commissioners *Statistical Report 2009*. The latest available year at the time of writing was in respect of 2009. It includes tables which outline distribution of the number of tax cases by range of income. The report is available online at <http://www.revenue.ie/en/about/publications/statistical/2009/index.html>.)

The available estimated cost of MIR on borrowings for the purchase, repair, development or improvement of a principal private residence is set out in table 17.

Table 17: Estimated Cost

Tax Year	Mortgage Interest Relief (Residential) €m
2000	199
2001*	169
2002	193
2003	221
2004	232
2005	280
2006	350
2007	545
2008	705
2009	486
2010	375
2011 estimated	400

*Short tax year.

Source: Revenue Commissioners

The possibility of withdrawing the relief at a faster rate or abolishing the relief should be explored. Given the pressures on the public purse, and the necessity to focus resources on those most in need, from an equity point of view it would seem preferable to withdraw support from those with higher incomes.

Abolishing the relief could reduce tax expenditures by up to €400m in the short term, but this would have been achieved by 2018 anyway. Withdrawal of the relief may cause hardship for some recipients of MIR, however, in order to target scarce Exchequer resources at those in most need in society, funding might be more equitably spent on those who do not have adequate means of housing themselves.

However, it should be noted, that there is a commitment in the Programme for Government to help homeowners in distress. The Government feel that there are a number of people who bought at the peak of the housing boom and are now in negative equity and whose circumstances have changed i.e. have lost their job(s). The Government will examine a number of proposals in relation to this commitment. One of these proposals relates to increasing MIR to 30% for First Time Buyers who bought between 2004 and 2008 and to finance this in part by abolishing MIR for new buyers.

A review of Mortgage Interest Relief is currently being undertaken to examine the commitment in the programme for Government and the position set out for 2012 and the following years.

Mortgage Interest Relief (investors) (MITR) – residential properties

The level of tax relief investors can claim on the interest for mortgages and loans on residential rental properties was reduced from 100% to 75% of the interest in the Finance Act 2009. This measure was introduced at a time when mortgage interest rates were at historical lows and the repayment

burden on investors had been reduced significantly. The fact that rents were falling, after a number of years of strong growth was taken into consideration in 2009 and on this basis it was decided to reduce rather than abolish this relief at that time.

The interest on borrowings used in the purchase, improvement or repair of a rental property is an authorised deduction for rental income purposes. It is estimated that MITR for residential properties may cost €730m (data for 2009). This has decreased from an estimated €1,150m in 2008. The estimate of €730m is based on assuming that tax relief was allowed at the top income tax rate of 41% thus figures provided could be regarded as the maximum Exchequer cost in respect of those taxpayers.

Section 23 type reliefs

There are also a number of Section 23 type reliefs which are buy-to-let schemes which might be considered broadly to have a social dimension. These include Urban Renewal, Town Renewal, and Rural Renewal. Finance Act 2011 provided a legislative basis for initially restricting the use of the legacy property reliefs and ultimately 'guillotining' all outstanding reliefs after 2014 subject to a commencement order. The Act requires that an economic impact assessment be undertaken in advance of the commencement of the measures.

The Programme for Government states that property tax reliefs will be reduced, capped or abolished and the Minister for Finance directed that a process be initiated to assess the possible impacts of such changes. To this end there is a public consultation underway (23 June to 29 July 2011) with a Consultation paper *Impact Assessment of Legacy Property Reliefs* on the Department of Finance website.

A recent PQ estimated that the cost in terms of tax foregone of the Urban, Town and Rural Renewal schemes based on latest available information for 2009 at approximately €139.4m [Urban Renewal €93.1m, Town Renewal €18.3m, Rural Renewal €28.0m] whereas Budget Book 2011 states that the abolition of Section 23 type relief would save approximately €60m in the first year and €100m in a full year. This estimate of cost is tentative as the estimate could be covered in part by the horizontal measure in place for limiting the amount of reliefs that can be availed by high income people.

The proposed measures as set out in Finance Act 2011 are targeted only at non owner-occupiers, i.e. landlord investors in Section 23 properties. Residential owner-occupier relief would be unaffected. The proposed measures can be summarised as follows:

- Section 23 tax relief will be restricted in use to rental income from the Section 23 property only and unused relief after a ten year period will be lost;
- In addition where a Section 23 property is sold within the 10 year relevant period, the new owner gets no relief.

Consideration could be given to reducing the percentage of the relief given to investors over time or gradual, withdraw, or the guillotining the relief. Withdrawal is likely to have some equity benefits in that those who have investment property would tend to be those whose incomes are or were amongst the higher income deciles. Withdrawing the relief could contribute to a simplification of the tax system and it may reduce some administration work within Revenue so that officers are freed up to undertake other tasks. On the other hand, withdrawal could result in parties submitting legal arguments on behalf of their client investors stating their clients' expectation in relation to tax relief. Selling the dwellings before the end of the 10 year period from first being let would result in claw-back of relief. Therefore investors may be unwilling to sell investment properties. It should also be noted that there was an adverse reaction to the proposed potential 'guillotining' of the relief and officials of the Department of Finance noted that they had received several hundred letters of correspondence in reaction to the potential changes.

Rent a room relief

Tax exemption is available for rental income of up to €10,000 per annum where an individual rents out a room in their principal private residence. Where rental income exceeds €10,000, a full tax return must be made and the full amount is liable for income tax in the normal manner.

The €10,000 tax exemption is equivalent to a rent of approx €833 per month. This is higher than the average rent for 1 Beds in a range of different areas within the country highlighted in the Daft.ie *Rental Report of Quarter one of 2011*. Appendix 3 cites elements of the Snapshot of Rent Nationwide.

The relief was increased from €7,620 to €10,000 from the 2008 tax year. **There would seem to be scope to reduce the exemption limit for the relief or to eliminate the relief.** On equity considerations and on the basis that income from all sources should be subject to tax abolishing the relief should reduce tax expenditures by €6m a year. This was the view of the Commission on Taxation.

Rent relief

Budget 2011 in December 2010 provided for a gradual withdrawal of the tax allowance for rent paid by certain tenants. No relief is due to persons who began renting after 7 December 2010. This was a relief open to a single, widowed or married person who is paying rent on a sole or main residence. Eligible residences included flats, apartments, or houses. The relief excludes rent paid to Local Authorities or State Agencies or under a lease agreement with a duration of 50 years or more.

Rent relief is to be withdrawn on a phased basis over the period to the end of 2017. New claims for rent relief, where the claimant would not have been entitled to the relief in the 2010 tax year, were

not accepted from 8 December 2010. Existing claimants, that continue to qualify, will retain the reducing rates of relief until 31 December 2017. Table 18 sets out the withdrawal plan.

Table 18: Withdrawal plan for Rent Relief

Tax Year	Reduction on current amounts	Single Under 55	Single Over 55	Widowed/ Married under 55	Widowed/ Married over 55
		Maximum Amounts of Rent Relievable			
2010	-	2,000	4,000	4,000	8,000
2011	20%	1,600	3,200	3,200	6,400
2012	20%	1,200	2,400	2,400	4,800
2013	10%	1,000	2,000	2,000	3,600
2014	10%	800	1,600	1,600	3,200
2015	10%	600	1,200	1,200	2,400
2016	10%	400	800	800	1,600
2017	10%	200	400	400	800
2018	10% to 0%	0	0	0	0

Note

The above maximum amounts are cited in terms of allowances. For example an allowance of €2,000 at the standard rate of 20% would be worth €400 per annum.

The withdrawal period matches that previously commenced for MIR. **It would be possible to speed up the withdrawal period or abolish the relief.** Abolishing the relief could reduce tax expenditures by up to €97m.

8.2 Progress in reforming systems

A number of suggestions were made by The Commission on Taxation (2009) for reforms in the area of housing reliefs. These recommendations are noted in table 19 along with whether they were implanted in full, part or not implemented.

Table 19: Selected housing supports related recommendations from a tax perspective

The Commission on Taxation (2009)	Yes	No	Partial	Comment
Mortgage interest relief should be continued in the case of first-time buyers and discontinued for those who are outside this category			X	A review of Mortgage Interest Relief is currently being undertaken to examine the commitment in the programme for Government and the position set out for 2012 and the following years. The recommendation did not refer to MIR for investors in residential property.
Income tax relief for rent paid for private rented accommodation should be discontinued			X	Phased withdrawal of the relief commenced in 2010. Relief will be withdrawn on phased basis to the end of 2017.
Rent-a-room relief should be discontinued		X		Under Consideration

Similar to many of the recommendations by other expert groups mentioned in Section 4, these recommendations have yet to be implemented in full. It is acknowledged that they would have a political dimension, but given the Exchequer need for resource savings it is unclear why they have not been implemented in full.

8.3 Is there a continued rationale for intervention?

A similar exercise to that carried out in Section 5 was undertaken for a number of tax reliefs in the housing area. Table 20 briefly highlights the likely rationale which may have been considered by Government as the reason for intervening and questions whether the rationale for continued intervention seems valid.

Table 20: Rationale for Intervention

	Rationale for Intervention	Is the rationale for continued intervention still valid?
Rent relief	Promote consumer choice	No. For equity considerations it should be removed.
Rent a Room Relief	To address market failure (increase availability of accommodation, and help first time buyers to fund high mortgage payments) promote consumer choice	No. On the basis that all sources of income should be treated equally for tax purposes, the relief should be eliminated
Mortgage Interest Relief (principal private residence).	Promote home ownership	No. Due to the recession some people are having difficulties paying their mortgage. Removal of the relief could impact on these individuals repayment ability. While it would be of benefit to those who purchased in the housing boom – it may be possible to target resources to those in most need.
Mortgage Interest Relief (investor – residential properties)	To address market failure (i.e. Increase supply of dwellings for rental purposes, moderate rents, and conditional on registration with the PRTB)	No. There would seem to be an adequate supply in the market for rented accommodation. Landlords are registering with the PTRB. Although there has been some recent increase in rent levels in some areas, and taking account of the fact that some investors bought at the peak and removing the relief could result in properties being put for sale on the market. on balance there would not seem to be a continued rationale for intervention.
Section 23 reliefs	To assist to regenerate rundown areas	No. They have been terminated but there have legacy costs.

It would seem that there is no rationale for the Rent Relief, Rent a room relief, Mortgage Interest Relief (principal private residence) and Mortgage Interest Relief (for Investors) continuing. They should reduce or cease or early sunset clauses should be introduced. In the case of Section 23 which

already has ceased, the legacy issues should be resolved to reduce the future costs in terms of tax foregone.

8.4 Potential for savings arising

Although sudden withdrawal from a range of interventions in table 21 could provide tax expenditure savings of up to €1.3bn (although some of this saving would be achieved anyway over the longer term by 2018 due to phased withdrawal of some reliefs) withdrawal is likely to give rise to some political issues and might be seen as politically unacceptable. Given the fiscal consolidation required to meet the terms of our agreements with the EU and IMF it would seem preferable to withdraw from interventions where the rationale for the continued intervention does not seem valid, rather than having to resort to reductions in funding to programme areas where the rationale for Government intervention remains valid.

However, given the amount of Government interventions in the housing market, there could be unintended consequences from a sudden combined wholesale withdraw from a range of interventions (such as affordable housing, sites subsidy, Mortgage Allowances, Tenant Purchase, Rent relief, Rent a room relief, Mortgage Interest Relief (principal private residence), Mortgage Interest Relief (investor residential properties), guillotining S23 reliefs. And a similarly timed new intervention by way of a property tax on principal private residences and water charges would cause other distortions. Further consideration would need to be given to the synergies that might arise in such circumstances and the combined impacts that might arise to certain sectors of the population. Changes may also impact on the ability to maintain a viable rental sector and/or impact on the banking sector. This would need to be explored.

Given a target for a 7% reduction in social housing supports which might realise €100m in the medium term, for equity purposes reductions should also be targeted for tax expenditures. With the state subverting the housing sector by around €1.2bn through tax expenditures, it would seem equitable to target reductions of up to €350m.

Table 21: Summary of Tax related suggestions

	Department of Finance Tax related	Estimate expenditure	Possible saving
1	Rent relief: eliminate or phase out more quickly	€97m	Up to €350m
2	Rent a Room Relief: eliminate or reduce level of exemption	€6m	
3	Mortgage Interest Relief (principal private residence): eliminate, reduce or phase out more quickly	€400m	
4	Mortgage Interest Relief (investors – residential property) – residential properties: Consider reducing or phasing out or withdrawal of exemption	€730m	
5	Section 23: Tease out issues that may become apparent as a result of the consultation underway. Aim to reduce cost to the Exchequer over the medium term.	To be determined separately	

*Central Expenditure Evaluation Unit
Department of Public Expenditure and Reform
July 2011*

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The Housing (Miscellaneous Provisions) Act 2009

Appendix 1

Extract from *The Housing (Miscellaneous Provisions) Act 2009*

Section 10 of *The Housing (Miscellaneous Provisions) Act 2009* states:

"In performing its functions under the *Housing Acts 1966 to 2009*, a housing authority may provide housing services, including, but not necessarily limited to, all or any of the following—
(a) housing support provided to households for the purposes of meeting their accommodation needs, including:

- (i) social housing support;
- (ii) affordable housing;
- (iii) the granting of shared ownership leases under section 3 of the Act of 1992;
- (iv) the sale, or consent to the sale, of dwellings under section 90 of the Principal Act;
- (v) subsidies payable under section 4 of the Act of 1992 or section 7 of the Act of 2002;
- (vi) loans made under section 11 of the Act of 1992 or section 25(1) of the Housing (Traveller Accommodation) Act 1998;
- (vii) grants for works of improvement or adaptation to houses under section 5 of the Act of 1992;
- (viii) grants and other assistance for the provision of new houses or improvement works to houses under section 6 of the Housing (Miscellaneous Provisions) Act 1979;
- (ix) services provided to homeless persons under section 10 of the Act of 1988;
- (x) the provision of sites under section 57 of the Principal Act,

(b) assistance, other than financial assistance or housing support, provided—

- (i) in accordance with a homelessness action plan to households that were formerly homeless before their occupation of their current accommodation and, in the opinion of the housing authority, such assistance is necessary for the purposes of supporting those households in remaining in occupation of that accommodation, or
- (ii) to tenants of dwellings to which *section 31(1)* applies,

(c) the management, maintenance and refurbishment under *section 28* of any dwelling, building or land of which the housing authority is the owner or which is under its management and control, and

(d) the reconstruction or improvement under section 12 of the Act of 1988 of certain houses provided by housing authorities.

Appendix 2
Housing Programme Descriptions

Capital Housing Programme	Programme Description
<i>Social housing</i>	
Local authority housing	Supply of Local Authority social housing
Regeneration/remedial works	Regeneration programmes, the central heating programme and improvement works
Voluntary and Cooperative Housing Capital Assistance Scheme (CAS)	Grants to voluntary bodies to provide housing to vulnerable groups such as the elderly and the disabled.
Traveller Accommodation and Support	Provision and refurbishment of Traveller Specific accommodation
Childcare Facilities	Meets the capital costs of providing childcare facilities in both new and existing LA housing estates and other social housing projects
Communal Facilities in Voluntary and co-operative Schemes	Funding for the provision of communal facilities in voluntary and cooperative housing schemes
<i>Affordable housing and Private sector market supports</i>	
Sites Subsidy	Provides for subsidies under the 1999 Affordable housing scheme, shared ownership, the pilot market acquisition scheme etc
Mortgage Allowances	Assists house holders, for a 5 year period who are local authority tenants to become owner occupiers of other dwellings
Private housing Grants	Provides private housing grants under the housing adaptation grant scheme for older and disabled people.

Appendix 3

Extract from *Daft.ie Rental Report of Quarter one of 2011*

Table: Daft.ie Snapshot of Rents Nationwide

Area	Post code	1 Bed Rent €
Dublin	1	805
Dublin	2	949
Dublin	3	755
Dublin	4	938
Dublin	5	737
Dublin	6	750
Dublin	6W	767
Dublin	7	691
Dublin	8	759
Dublin	9	715
Dublin	10	759
Dublin	11	726
Dublin	12	693
Dublin	13	811
Dublin	14	846
Dublin	15	751
Dublin	16	889
Dublin	17	*
Dublin	18	915
Dublin	20	755
Dublin	22	726
Dublin	24	743
North County Dublin		762
South County Dublin		873
West Dublin		706
Cork City		618
Galway City		559
Limerick City		450
Waterford City		450
Dublin Commuter Counties		553
West Leinster		405
South East Leinster		476
Munster		442
Connacht		396
Ulster		380

Appendix 4

Extract of Volume II of the Report of the Special Group on Public Service Numbers and Expenditure Programmes (p 93-95, 194-195)

The Group supports the following policy measures:

B.1 Rationalise Housing policies

- Promote rental leasing/acquisition instead of traditional construction
The Group supports the D/EH&LG's policy of directing local authorities to move funding from construction of dwellings to acquiring them via leasing, rental, or purchasing of already built dwellings. In the current housing market it is possible to achieve greater value by leasing or purchasing on the market. This will increase current expenditure but will yield better value for money in the current conditions and achieve capital savings. It is noted that in exceptional circumstances local authorities may need the flexibility to construct dwellings to meet the needs of some individuals.
- Review the Local Authority tenancy system and amend the criteria for local authority housing lists

The Group considers that housing stock should be fully utilised by those with a long term housing need. The definition of housing need should be amended and the link to rent supplement should be removed to ensure that local authority housing lists cater for those with long term housing needs. There should be minimum delays between lettings of the housing stock.

Tenancies should be reviewed periodically, at a minimum at 5 year intervals, and the housing needs of tenants reassessed, regardless of income or family circumstances. Local Authority tenants should not have the right to hold a tenancy for a particular abode for their lifetime or be able to pass on a tenancy to a family member. As family circumstances change, the accommodation provided should match the circumstances, e.g. as a household reduces in size a smaller alternative should be provided.

- Reconsider the policy of selling existing local authority housing stock

The Group is of the opinion that discounts for tenant purchase should be withdrawn and local authorities should maintain a housing stock. In line with the Group's view on reviewing the local authority tenancy system, tenant purchase of local authority housing stock should be confined to existing tenants.

- Part V of the Planning and Development Act
The purchase option in Part V of the *Planning and Development Act 2000* is too rigid in its requirement that the Local Authorities must purchase a proportion of the units in each development. The Group recommends that Part V be amended to provide greater flexibility in implementation and protect the position of the Exchequer.

The Group recommends the following structural reform measure:

B.2 Rationalise Housing Agencies and Schemes

- Rationalising Housing agencies
The Group suggests that the D/EH&LG actively promote the merging of the housing agencies (*National Building Agency*, the *Homeless Agency* and the *Centre for Housing Research*) into one body. This would provide a more flexible support service for D/EH&LG and individual housing authorities and could be deployed in a more flexible manner as housing priorities evolve. It would also achieve expenditure and staff efficiency savings.
- Discontinue *Affordable Housing Schemes*

Due to the sharp improvement in housing affordability, all affordable housing schemes should come to an end and the *Affordable Homes Partnership* should be discontinued. The above measures together could save in the order of €6.2m.

- *Capital Loan and Subsidy Scheme (CLSS)*
The CLSS scheme provides finance for the voluntary housing activity of a variety of bodies. There are over 20,000 units owned and operated by these organisations. Under the CLSS, voluntary groups borrow from the Local Authority who access finance from the *Housing Finance Agency* (HFA). The repayment of the loans is recouped annually from current Exchequer funding. The system should be reviewed to see if opportunities exist for a reduction in Exchequer support for voluntary housing bodies. This may entail the scheme being replaced in its current form. It may be that more can be done by the housing bodies to raise some of their own financing based on their current portfolio of houses with a reduction in Exchequer support.
- *Rental Accommodation Scheme (RAS)*
With residential market rents declining (The latest CSO *CPI Detailed Sub Indices Release* of June 2009 shows that rents decreased by 16.4% over the previous 12 months), local authorities are in a position to negotiate better contracts with landlords participating in RAS. While existing contracts are fixed, every effort should be made to seek reductions in line with the reduction in market rates. New contracts should take advantage of greater value for money available in the current market. This will enable greater numbers to be accommodated for the monies provided.

The current rent supplement scheme impacts on the size of the housing needs list inflating actual need. Cross checking on studies of need is necessary. A robust figure for housing need is required for planning the number of dwellings to purchase, lease or construct.

- Discontinue the *Home Choice Loan Scheme*
The take-up on this scheme to date seems to be sluggish. Given the sharp fall in house prices and the fall in mortgage interest rates, conditions are more favourable for first-time buyers. It is recommended that this scheme be discontinued. There would be no saving directly from this.
- Maximise efficiencies in homeless services
The Group recommends the full implementation of the Government's *Integrated Homelessness Strategy* which streamlines and coordinates funding arrangements to ensure a clear overview of the range of services and activities in the sector and facilitate more effective and efficient use of public resources. This could generate savings of €2m.
- Data collection
The Group recommends that D/EH&LG in conjunction with local authorities rigorously assess the collection of data on housing need in a timely manner to ensure that the data reflects the reality and nuances of the situation.

Consistent with the Group's recommendation on the reduction in the number of local authorities in Section E, the number of housing authorities will correspondingly reduce from 34 to 22.

F.1 Limit duration of *Rent Supplement* Payment

Rent Supplement is a short-term income support to assist eligible persons living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources. Expenditure on this scheme has risen by 83% since 2002. The existing scheme funds the costs of short term accommodation and long term accommodation under the RAS scheme operated by the Department of Environment & Local Government and the Local Authorities. Changes to the rent supplement scheme were announced in the recent *Supplementary Budget*. From 1 June 2009:

- The maximum amount of rent for which a supplement can be paid was reduced;
- The minimum contribution which a person pays towards rent was increased by €6 to €24 a week;
- Rent supplement payments were further reduced by 8%.

From 1 June 2009, maximum rent limits were reduced by 6% to 7% on average, ranging up to 10%, depending on location and household size. The reductions reflect the downward trends in the private rental market. The revised rent limits will apply to new tenancies from 1 June 2009 and to existing rent supplement recipients either moving to new accommodation or seeking a review of entitlement from that date. The minimum contribution which a person pays towards rent was increased by €6 from €18 to €24 a week from 1 June 2009 and a further 8% reduction was made from the same date.

The Group considers that there are grounds for the State to secure further reductions in rents payable by rent supplement claimants. These should be consistent with real rent decreases in the market to ensure maximum value for money for expenditure in this area. Further work is needed to introduce greater differentials in rent supplement on a regional basis. In addition, given that the original focus of the scheme is as a short term income support the Group recommends that over the medium term claimants would be transferred to RAS after six months instead of 18 months. The Group targets savings of €35m a year

Appendix 5

Extract of housing related material from the Report of the Commission on Taxation 2009

The Commission on Taxation (2009, p.254-255) stated "*Mortgage interest relief has been part of a very generous tax regime for owner-occupied housing and there are strong grounds for considering its withdrawal having regard to considerations of efficiency and equity. We concur with the NESC view that any policy which seeks to improve affordability for buyers through offering higher levels of relief is unlikely to do so and may only result in higher prices. The discontinuation of mortgage interest relief might be expected in the longer term to help improve the efficiency of the housing market as well as releasing resources for other purposes.*

A case for retention can be made in relation to first-time buyers who, generally speaking, come to the market without the equity that is available to other buyers."

The Commission on Taxation (2009, p.255) recommended "*Mortgage interest relief should be continued in the case of first-time buyers and discontinued for those who are outside this category. The current step down arrangements for first-time buyers regarding the rate at which relief is given should continue to apply.*"

The Commission on Taxation (2009, p.255) recommended "*Income tax relief for rent paid for private rented accommodation should be discontinued.*"

The Commission on Taxation (2009, p.256-257) noted "*Rent-a-room relief was introduced in 2001 on grounds of market failure in the supply of rented accommodation. The relief may also have enabled property buyers to secure higher mortgage facilities by providing extra income on which lending levels were based. The market failure relating to undersupply of rental accommodation and rental affordability no longer applies. On equity grounds, it is inappropriate to distinguish between income from renting out a room and other income which is subject to tax. We consider, therefore, that the original rationale for this relief no longer applies and that it should be discontinued.*"

Appendix 6

Extract from *Review of Local Government Financing Report*. Commissioned by the Minister for the Environment, Heritage and Local Government, Prepared by Indecon International Economic Consultants in association with the Institute of Local Government Studies at University of Birmingham

Indecon (2005, p.xii) recommend an increase in certain charges where less than full economic costs apply, but cautioned against an overestimation of the significance of these changes as a source of increased revenues.

Indecon (2005, p.xii) noted "*Deciding on the optimal level of local authority rents given local market trends and the need for an appropriate social subsidy is difficult*"..... "*across the board differences in rents may not necessarily reflect local housing market conditions or explicit decisions in respect of the current level of social subsidy. A recent report by the National Economic and Social Council (NESC) indicated that local authority housing rents in Ireland receive a larger subsidy than public housing in other European countries. We also recognize that ability to pay and the differential rent scheme has elsewhere been highlighted as an important tool in improving social inclusion. This is an issue that should be examined as part of the on-going review of housing policy arising from the preparation of the Social and Affordable Housing Plans 2004-2008. It is important, however, that any adjustments are phased in and are reviewed on an annual basis.*"

Appendix 7

Extract of housing related material from the July 2010 Capital Review (Infrastructure Investment Priorities 2010-2016 A Financial Framework)

Housing Programme (p31-32)

"The high-level objective for this programme is to contribute to national social and economic development through the promotion of quality housing in sustainable communities, including the provision of accommodation for low income groups. The Housing Programme covers a range of activities and programmes from the social housing investment programme, the regeneration/remediation of social housing (including regeneration projects such as Ballymun and Limerick, improvement works on existing local authority housing, and energy efficiency programmes for public housing), provision of accommodation for Travellers, provision of accommodation for the homeless, support for social housing provided through the voluntary and co-operative sector, and the provision of housing adaptation grants for the elderly and the disabled.

With specific regard to social housing – which accounts for the vast bulk of expenditure in this area - the strategic objective is to address the housing requirements of those who cannot meet their own housing needs from within their own resources by direct provision of social housing, improving the overall quality of the social housing stock, and meeting the particular needs of the homeless and Travellers.

In terms of the economic justification for intervention, the social housing programme can be viewed as a straight forward redistributive measure in favour of low income households, the homeless and Travellers. A case for addressing the central market failure persists where beneficiaries have insufficient income to provide for their own accommodation needs. As discussed below however, the environment in which housing policy operates has been transformed in recent times and so the scale and nature of supports in this sector must now be reconsidered'.

Appendix 8

Status of Local Authority Housing Stock 2009

	The total number of dwellings in local authority stock	The total number of dwellings, excluding those subject to major refurbishment projects	The overall percentage of dwellings that are empty (excluding those subject to major refurbishment projects)	The percentage of empty dwellings unavailable for letting	The percentage of empty dwellings available for letting
Carlow County Council	1,548	1,512	2.45	68.24	31.76
Cavan County Council	1,853	1,841	8.37	54.55	45.45
Clare County Council	2,303	2,251	3.29	74.32	25.68
Cork City Council	8,595	8,474	4.76	87.97	12.03
Cork County Council	6,572	6,440	3.32	55.61	55.14
Donegal County Council	4,394	4,368	1.42	34.33	65.67
Dublin City Council	26,905	24,984	2.99	44.50	55.50
Dun Laoghaire Rathdown County Council	4,210	4,118	2.40	39.39	59.60
Fingal County Council	4,464	4,460	1.41	94.02	5.98
Galway City Council	2,200	2,200	5.50	47.11	52.89
Galway County Council	2,353	2,353	5.27	95.16	4.84
Kerry County Council	4,000	3,889	4.69	53.77	46.23
Kildare County Council	3,420	3,418	1.65	79.20	20.80
Kilkenny County Council	2,069	1,969	5.08	32.84	67.17
Laois County Council	2,003	2,003	2.42	65.00	35.00
Leitrim County Council	981	981	2.91a	92.98	7.02
Limerick City Council	3,136	2,778	0.11	33.33	66.77
Limerick County Council	2,041	2,040	4.96b	86.42	13.58
Longford County Council	1,873	1,848	4.41	69.33	30.67
Louth County Council	3,484	3,481	1.75	62.30	37.70
Mayo County Council	2,118	2,058	5.20	52.34	47.66
Meath County Council	2,809	2,615	5.09	56.39	43.61
Monaghan County Council	1,315	1,300	4.50	76.50	23.50
North Tipperary County Council	1,724	1,719	2.89	78.39	21.61
Offaly County Council	1,673	1,655	2.05	73.53	26.47
Roscommon County Council	1,269	1,226	5.63	71.01	28.99
Sligo County Council	2,082	1,955	3.99	84.62	15.38
South Dublin County Council	8,871	8,871	1.29	86.27	13.73
South Tipperary County Council	2,773	2,764	5.33	72.05	27.95
Waterford City Council	2,927	2,914	1.60	67.57	32.43
Waterford County Council	1,690	1,690	4.56	77.92	22.08
Westmeath County Council	1,715	1,674	2.81	84.57c	15.43
Wexford County Council	2,405	2,405	2.66	76.56	23.44
Wicklow County Council	4,414	3,649	2.74	60.30	39.69
Totals	126,189	121,903			

a) **Leitrim County Council** - There were a significant number of casual vacancies arising in 2009

b) **Limerick County Council** - This S.I. shows a movement from an average of 79.25 in 2008 to 101.25 in 2009. Limerick County Council has decided to dispose on the open market of an average of 6 houses of their existing stock that do not meet our requirements for our rental stock. This decision was made in 2009 and the sales had not been completed at end of year. Coupled with this there was a very large increase in the number of housing applications to the Council due to the closure of a very large multinational and a number of associated companies in quarter 1 2009. All applications were assessed and this process resulted in delays in allocations of houses.

c) **Westmeath County Council** - Increased refurbishment standards and energy efficiency measures being made to houses

Source: Local Government Management Services Board, February 2011