



Comptroller and Auditor General
Report on Value for Money Examination

Department of Social and Family Affairs

Rent Supplements

April 2006

© Government of Ireland 2006

This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Department of Social and Family Affairs, the Health Service Executive and the Department of the Environment, Heritage and Local Government. Where appropriate, the comments received were incorporated in the final version of the report.

Report of the Comptroller and Auditor General

Rent Supplements

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a value for money examination of the operation of rent supplement payments under the Supplementary Welfare Allowance scheme.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large circular flourish above the 'P'.

John Purcell
Comptroller and Auditor General

6 April 2006

Table of Contents

	Page
Summary of Findings	8
Rent Supplements	
1 Introduction	13
2 Increased expenditure on rent supplements	16
3 Managing the risk of excess expenditure	25
4 Administration and associated costs	32
5 Operational controls	38
6 Addressing social housing needs	52
Appendices	
A Rent supplement expenditure in the Clonmel Community Welfare Service area	62
B Rent supplement recipients by nationality group	64
C Current rent limits for rent supplement assistance	65
D Payment of rent supplements to nominees	66
E General overview of the Rental Accommodation Scheme	67

Abbreviations

CWO	Community Welfare Officer
EFT	Electronic funds transfer
HSE	Health Service Executive
ISTS	Integrated Short Term Schemes System
PDT	Post draft transfer
PPSN	Personal Public Service Number
RAS	Rental Accommodation Scheme
SCWO	Superintendent Community Welfare Officer

Summary of Findings

Summary of Findings

Rent supplement payments are made to persons who rent private accommodation but are unable to afford the cost. The payments are means tested.

The Department of Social and Family Affairs (the Department) is responsible for policy, legislation and the provision of funding in relation to rent supplements. However, claims for payment of rent supplements are processed and administered by Health Service Executive (HSE) staff in Community Welfare Service offices, generally operating out of the local health centre network.

This examination was undertaken to

- › identify the factors that gave rise to the rapid increase in expenditure on rent supplements in the period 2000 to 2005
- › establish if the Department managed the scheme with due regard for economy during the period
- › ascertain how the scheme is administered and the associated costs
- › review operational controls over the scheme
- › review rent supplements in the overall context of social housing provision and the recently introduced Rental Accommodation Scheme.

Increased Expenditure on Rent Supplements

In the six year period 2000 to 2005, a total of €1,636 million was paid out by the State on rent supplements. Expenditure increased from €151 million in 2000 to €369 million in 2005.

The examination concluded that about one third of the overall increase can be explained by increases in the number of recipients. This increased from 42,700 at the end of 2000 to 60,100 at the end of 2003. Since then, the number of recipients of rent supplements has stabilised at the higher level.

The remaining two thirds of the increase in spending is related to increases in the average rent supplement payment. This went up from around €73.70 a week at the end of 2000, to around €24.40 a week at the end of 2005. The bulk of the increase appears to be related to increased rents paid by rent supplement households with a small part due to changes in the kind of housing units rented because of the changing composition of rent supplement households.

Managing the Risk of Excess Expenditure

The Department sets rent limits as a means of controlling the level of expenditure on rent supplements. Different limits apply for different household types and different areas, reflecting the variation that occurs in market rents. In 2005, rent limits were generally at, or a little below, corresponding average market rates.

In practice, tenants (and landlords) have little incentive to agree rents below the rent limit levels. At end 2005, 84% of rent supplement recipients were paying rents equivalent to the relevant rent limit. Given the number of households dependent on rent supplement, and a combined expenditure on rent estimated at around €440 million a year, the Department should have considerable potential to influence market rents in certain segments of the market, through the rent limits it sets.

Rent limits were increased for most household types and in most areas in response to the rapid increases in market rents in 2000/2001. Market rents fell about 10% between the start of 2002 and the end of 2004, but the Department did not bring down the rent limits. Selective lowering of rent limits when market rents fell could have resulted in lower expenditure.

The Department did not maintain information in a form that would enable it to readily isolate the factors giving rise to increased expenditure on rent supplements in the period 2000 to 2005. Given the variation and volatility in rents, the Department needs to adapt its electronic recording systems to capture and report information on the factors underlying cost fluctuations in order to monitor trends and effectively manage the scheme.

Administration of Rent supplements

Rent supplements is one of a wide range of supplements payable under the Supplementary Welfare Allowance scheme. While the scheme is administered by the HSE on behalf of the Department, there is no service agreement between them setting out service levels and targets to be achieved. Such an agreement should be put in place.

As well as meeting the full cost of supplementary welfare payments, the Department paid the HSE €45.7 million in 2005 for its administration of the scheme. The payments were based on a long-standing cost recovery formula, but this may no longer be an accurate estimate of the costs incurred by the HSE in administering the scheme.

There is considerable variation in the way that rent supplement payments are made in different regions. The Department and the HSE intend issuing revised guidance to all Community Welfare Service staff on how the Supplementary Welfare Allowance scheme should be administered.

Operational Controls

At claim processing stage, there is considerable variation between Community Welfare Service areas in the application of controls over rent supplement claims. The HSE and the Department need to take measures to introduce greater consistency in the application of checks on claims.

After claims are put in payment, a significant amount of review is happening at Community Welfare Service area level and overpayments of rent supplements are being detected as a result of this control work. However, there is a need to make this more effective by developing methods to identify the extent of fraudulent or unwarranted recourse to the scheme.

The prompt removal of such cases from payment assumes an added importance in circumstances where recovery of overpayment is unlikely – whether due to a lack of means on the part of the claimant or lack of effective prosecution.

Very few prosecutions have been brought against persons alleged to have carried out frauds in rent supplements cases. The Department and the HSE should sort out the impediments that currently prevent prosecutions being taken, and adopt a policy of prosecuting quickly in serious fraud cases.

Meeting Social Housing Needs

Rent supplements started out as a scheme to assist households that had a short-term need for assistance in meeting their housing costs until their temporary difficulties had been resolved. In practice, many of those who are granted rent supplements remain as recipients for extended periods. This examination found that around 70% of those in receipt of rent supplements at a

point in time are likely still to be in receipt of rent supplements one year later. Around 55% of those in receipt of supplements are likely to be still in receipt of rent supplements two years later.

Rent supplements has evolved into a major social housing assistance programme in its own right. Around the time of the last census of population (2002), households dependent on rent supplements accounted for up to one-third of publicly-assisted housing provision nationally. The contribution of rent supplements towards social housing is significantly greater than the national average in some areas.

Despite the sizeable role that rent supplements plays in providing social housing assistance, the Department considers that rent supplements should be primarily a form of short-term income maintenance. It has set no explicit objectives in terms of the housing impacts that the scheme should achieve, or the kinds of housing need that it is intended primarily to address through the scheme.

In July 2004, the Government decided that local authorities will assume responsibility for meeting long-term housing assistance needs of households receiving rent supplements. A new scheme — the Rental Accommodation Scheme — has been established to deliver on that objective. The Department of the Environment, Heritage and Local Government, which has primary responsibility for overall national housing policy and for policy in relation to social housing, expects that all local authorities will initiate the Scheme by the middle of 2006.

Based on the current profile of rent supplement households, it is estimated that around 30,000 rent supplements recipients will transfer to the Rental Accommodation Scheme. However, the rate of transfer has been slow. Up to the end of 2005, only 505 recipients had transferred to the new scheme — and almost all of these were tenants living in voluntary housing units. While a central objective of the Scheme is the achievement of better value for money in the provision of accommodation for households who would otherwise avail of rent supplement assistance, no specific targets have been set in relation to the savings to be achieved under the Scheme.

Rent Supplements

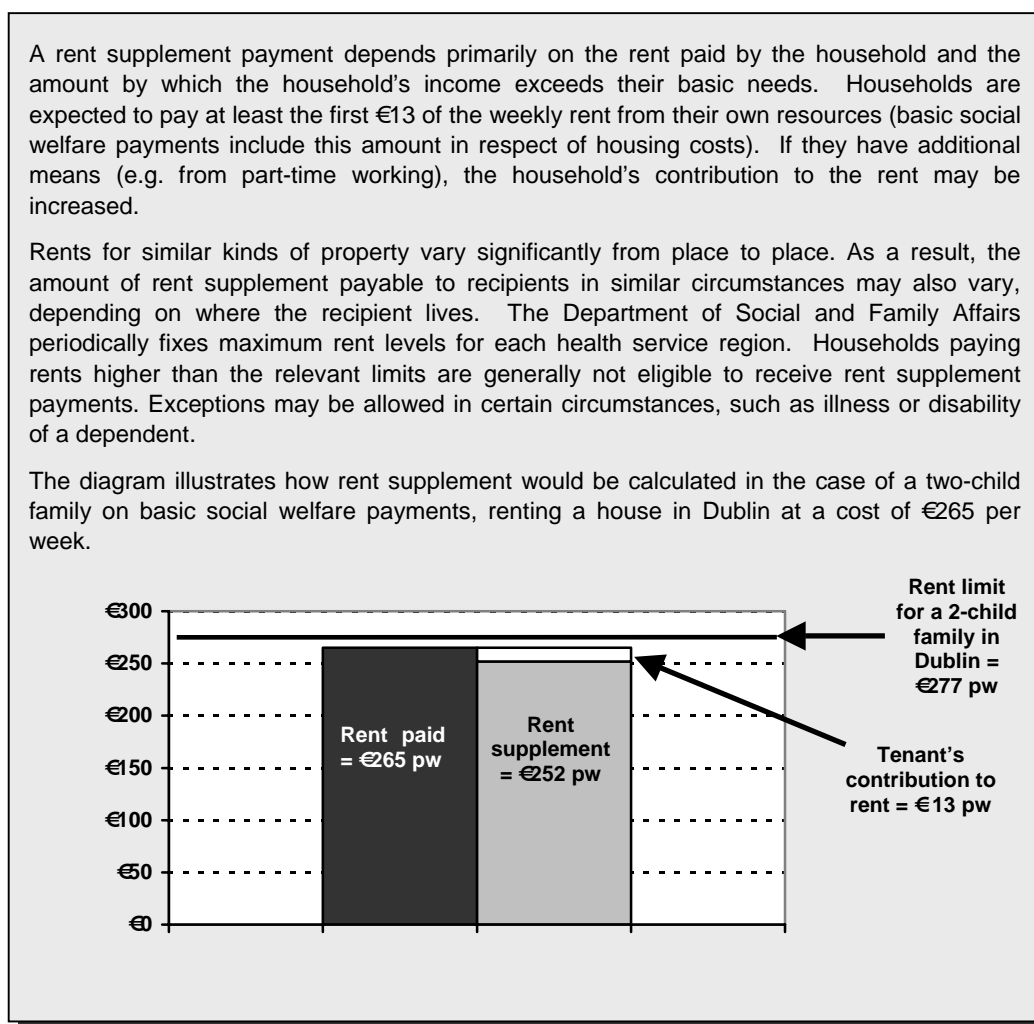
1 Introduction

1.1 Under the Supplementary Welfare Allowance scheme, rent supplements¹ may be paid to persons living in private rented accommodation who have difficulty in meeting their rent payments.

1.2 Entitlement to rent supplements is means tested and almost all recipients of rent supplements depend on social welfare or on employment support payments as their main source of income. Households in private rented accommodation where there is an adult in full-time paid employment are not normally eligible for rent supplements. Persons renting local authority housing units — irrespective of their source(s) of income — also are not eligible for rent supplements because the rents they pay under the local authority differential rents systems take account of their income.

1.3 Rent supplement payments are not based on fixed-rate amounts — they reflect the level of rent paid by the recipient, less assessed means. Figure 1.1 illustrates how rent supplements are calculated.

Figure 1.1 How rent supplement payments are calculated



¹ Other Supplementary Welfare payments — depending on client entitlement — include a basic income payment, mortgage interest supplement, diet-related supplements and one-off emergency needs payments.

Trend in Scheme Expenditure

1.4 Expenditure on rent supplements has grown very quickly in recent years, increasing from €51 million in 2000 to €369 million in 2005 (see Figure 1.2).

1.5 Spending on rent supplements increased much more than spending on other Supplementary Welfare Allowance payments. By 2005, rent supplements accounted for almost 59% of the expenditure under the Supplementary Welfare Allowance scheme. This was up from 51% of the total in 2000.

Figure 1.2 Expenditure on rent supplement payments and on other supplementary welfare payments, 2000 to 2005

Year	Expenditure			Total
	Rent supplements	Basic income support ^a	Other supplements	
	€ million	€ million	€ million	
2000	150.7	85.5	58.7	294.9
2001	179.4	113.6	70.6	363.6
2002	252.2	145.1	87.6	484.9
2003	331.4	160.5	95.9	587.8
2004	353.8	158.6	89.2	601.6
2005	368.5	167.3	92.9	628.7
Total	1,636.0	830.6	494.9	2,961.5

Source: Department of Social and Family Affairs

Note: a Figures shown are net of sums recovered from other schemes, where basic income support payments were paid pending decision on claims for other schemes.

Administration of the Rent Supplement Scheme

1.6 All the costs of the Supplementary Welfare Allowance scheme are borne by the Department of Social and Family Affairs (the Department). However, unlike other welfare schemes, which the Department administers directly, the Supplementary Welfare Allowance scheme is administered on behalf of the Department by the Health Service Executive (HSE). The scheme is delivered through the HSE's Community Welfare Service, which generally operates out of the local health centre network.

1.7 The Department provides funding to the HSE to meet the costs of administration of the scheme. In addition, the Department has provided computer links in all Community Welfare Service offices, networked into its own Integrated Short Term Schemes (ISTS) system — the system used to make payments under all of the Department's short-term social welfare schemes.

1.8 Persons applying for rent supplement usually make their applications, in person, in the local Community Welfare Service office. Community Welfare Officers (CWOs) check the application and the supporting documentation provided. The CWO may make further inquiries (e.g. with the landlord) and may arrange a home visit to verify the details of the tenancy. When the necessary information has been gathered, the CWO assesses the eligibility and entitlements of applicants, and enters the relevant case details on the ISTS system. The rent supplement payments are subsequently issued through the ISTS system at the appropriate intervals.

Scope of the Examination

1.9 This examination was undertaken to

- › identify the factors that gave rise to the rapid increase in expenditure on rent supplements in the period 2000 to 2005
- › establish if the Department managed the scheme with due regard for economy during the period
- › ascertain how the scheme is administered and the associated costs
- › review operational controls over the scheme
- › review rent supplements in the overall context of social housing provision and the recently introduced Rental Accommodation Scheme

1.10 The roles of both the Department and of the HSE in planning, managing and delivering the rent supplement payments were reviewed.

Methodology

1.11 The work on the examination was carried out by staff of the Office of the Comptroller and Auditor General. The main elements of the work included

- › analysis of ISTS data about rent supplement cases at the end of each year from 2000 to 2005, and about rent supplement cases that closed in the course of each year²
- › analysis of data on household composition, housing type and rent levels, extracted from case files in the Clonmel Community Welfare Service office for two samples of rent supplement cases selected randomly from the end 2000 and end 2004 case loads (200 cases for each year)
- › review of the administrative and control procedures followed in Community Welfare Service offices in Galway, Clonmel, Mulhuddart and the Specialised Housing Unit (based in North Cumberland Street, Dublin), including an audit of 50 case files selected randomly from cases live at end 2004 in each location (i.e. a total sample of 200 cases)
- › a review of reports concerning Supplementary Welfare Allowance, rent supplements and social housing.

Structure of the Report

1.12 Chapter 2 looks at the factors that resulted in growth in the level of expenditure on rent supplements. Chapter 3 looks at how the Department monitors and controls scheme expenditure. Chapter 4 looks at how claims are administered and the associated costs. Chapter 5 examines the way in which control is exercised over rent supplement payments. Chapter 6 reviews how rent supplements have become a major instrument in delivering accommodation to those in need of social housing.

² ISTS is a 'live case' system. It does not retain details of closed cases. In order to maintain a historical record, the Department downloads selected items of information about each case currently live at set intervals. The amount of information downloaded about rent supplement cases has increased over time.

2 Increased Expenditure on Rent Supplements

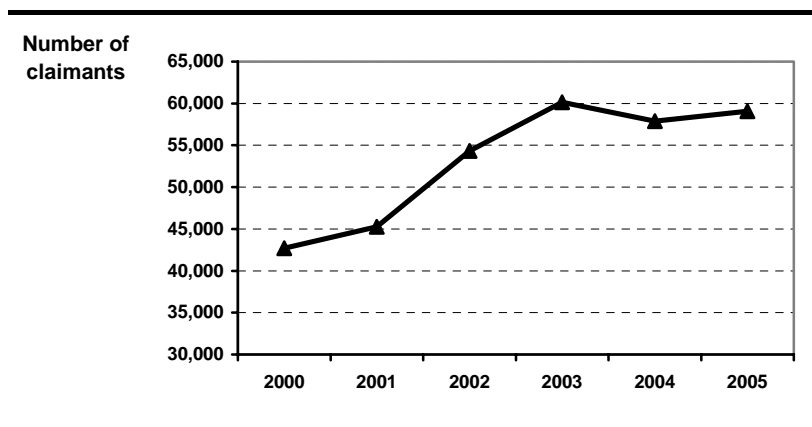
2.1 Identifying the reasons for changes in expenditure on rent supplements is not clear-cut. Changes in the number of claimants and the associated cost implications are easy to monitor, but changes in household composition can also significantly affect the type of accommodation needed, with potential cost implications. In addition, payments of rent supplements to individuals are based, not on fixed national rates set by the Department, but on the rents paid by individual recipients, which vary depending on the location and type of accommodation used. This chapter examines which factors contributed most to the increases in expenditure on rent supplements in recent years.

2.2 Changes between the end of 2000 and the end of 2005 in the profiles of rent supplement recipients and in the payments they received were analysed to identify the impact of each factor on expenditure levels. In that five year period, the amount of rent supplements being paid out increased from an estimated €3.14 million a week to an estimated €7.26 million a week — an increase of 132%.

Recipients of Rent Supplements

2.3 At the end of 2000, the total number of recipients of rent supplements stood at around 42,700.³ By the end of 2005, the total number of recipients was around 59,100 — an increase of around 38%. As Figure 2.1 shows, all of the increase occurred between end 2000 and end 2003.

Figure 2.1 Number of claimants of rent supplements at year-end, 2000 to 2005



Source: Analysis by Office of the Comptroller and Auditor General

2.4 Comparisons of the end-year number of claimants mask a very high level of turnover of claims for rent supplements. About half of all live claims terminate each year and are replaced by newly approved claims (see Figure 2.2).

2.5 The number of new claims allowed in 2001 is estimated at 25,100. This increased to an estimated 35,600 in 2003 — about 42% more. Reflecting the changes in eligibility, the number of new claims awarded fell back in 2004 and 2005 to under 30,000.

³ This includes some 3,600 cases (about 8% of the total) where the claimant had previously received payments, but where payment had been temporarily suspended. Excluded are about 250 registered applications awaiting decisions on payment, and around 600 applications that had been disallowed, but were still retained on the system pending the outcome of appeals.

Figure 2.2 Turnover of rent supplement cases, 2000 to 2005

	Number of rent supplement claims					
	2000	2001	2002	2003	2004	2005
In payment on 1 January	41,900	42,700	45,300	54,300	60,100	57,900
Allowed in year	*	25,100	33,600	35,600	27,400	29,600
Closed in year	*	22,500	24,600	29,800	29,600	28,400
In payment at end December	42,700	45,300	54,300	60,100	57,900	59,100
Total in payment in year	*	67,800	78,900	89,900	87,500	87,500
Average claims in payment	42,300	44,000	49,800	57,200	59,000	58,500
Allowed cases as % of average	*	57%	67%	62%	46%	51%
Closed cases as % of average	*	51%	49%	52%	50%	49%

Source: Analysis by Office of the Comptroller and Auditor General of ISTS data of end year and closed cases

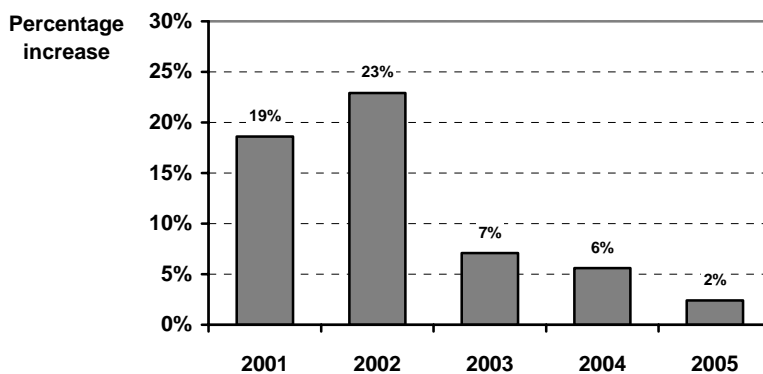
Note: * Data about closed cases in 2000 is incomplete. As a result, the number of claims allowed cannot be reliably estimated for that year.

2.6 The number of claims that closed also increased between 2001 and 2005, but in percentage terms remained broadly in line with the number of claims in payment. Individual recipients whose incomes or housing situations change may withdraw from their claims or have their claims stopped by the relevant CWO. However, claims are also closed when recipients leave an accommodation unit. If they are entitled to rent supplements in their new accommodation, a new claim is created. In 2005, an estimated 57% of the claims allowed were as a result of an address change.

Average Rent Supplement Payments

2.7 The average rent supplement payment at end 2000 was around €73.70 a week. By the end of 2005, this had increased to €124.40 a week — an increase of around 68%. Consequently, while the (38%) increase in the number of recipients represented a significant factor in the increase in expenditure on rent supplements, the combined impact of other factors was greater.

2.8 Figure 2.3 shows the annual percentage increases in the average rent supplement payment from the end of 2000 to the end of 2005. This indicates that most of the increase in the average payment occurred in 2001 and 2002. The average payment has continued to increase since then, but at a significantly more moderate rate.

Figure 2.3 Increases in average rent supplement payment year-on-year, from end 2000 to end 2005

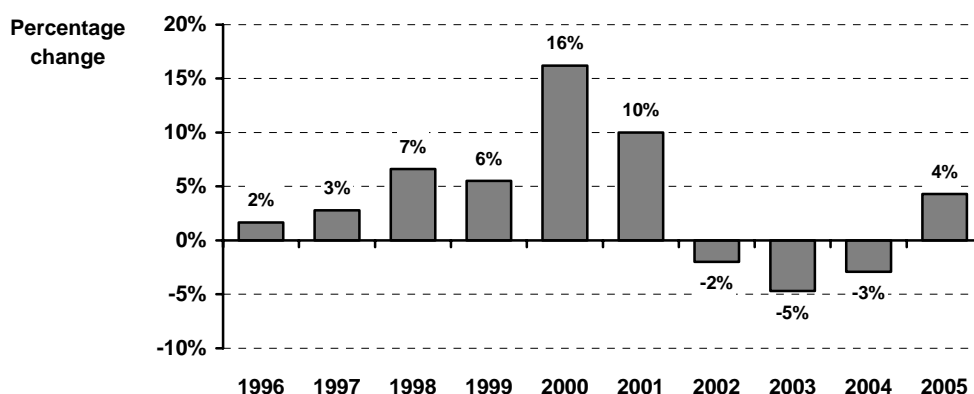
Source: Analysis by Office of the Comptroller and Auditor General

Rents for Private Residential Property

2.9 Rent supplement payments are based on the levels of rent paid under the claimants' tenancy agreements. Changes in rent levels for private rented property therefore potentially influence the level of expenditure under the rent supplement scheme.

2.10 Private residential rents increased at a steady but moderate rate in the late 1990s, but accelerated sharply around the turn of the century (see Figure 2.4). Rents increased by 28% in the two years 2000 and 2001. In the following three years, market rents declined again by about 10%, only beginning to recover during 2005. By the end of 2005, average rents were just about 4% higher than the levels prevailing at the end of 2000.

Figure 2.4 Change in average market rents year-on-year, from end 1995 to end 2005



Source: Central Statistics Office Consumer Price Index for private rented accommodation

2.11 The trends in average market rents suggests that a large part of the rapid increase in the average rent supplement payment in 2001 and 2002 may have been associated with the carry-over effect of increases in average private sector rents in 2000 and 2001. The carry-over effect is likely to have arisen as existing rent supplement tenancies were replaced by new tenancies at higher rents, because of address changes or when new claims were allowed.

2.12 While the impact of the rapid increase in rents in 2000 and 2001 is discernible in increases in average rent supplements in the following years, it is notable that average rent supplements increased considerably more than rents. In addition, the reduction in market rents in the period 2002 to 2004 did not translate into reductions in average rent supplements in 2003 to 2005, although they may have helped to slow the increase.

2.13 The Department has stated that, in its experience, the market segments that provide much of the accommodation supported by rent supplement dependent households, and particularly one-person households, are not susceptible to price reductions in the same way as, for example, lettings of new accommodation or accommodation at the top end of the market. It believes the lower end of the market is much less prone to wide price fluctuations by virtue of ongoing tenant demand and a persistent lack of suitable supply.

Geographic Distribution of Recipients

2.14 Rent levels vary substantially from area to area. Shifts in the geographic distribution of rent supplement recipients from low rent areas to high rent areas could therefore potentially result in a significant increase in expenditure on rent supplements.

2.15 Data from Daft.ie, a popular residential property letting website⁴, indicates the scale of the variations in average rent levels in Dublin, Cork, Galway and Limerick. For example

- › Rents for residential properties in Cork and Galway are, on average, about 30% below rents for comparable properties in Dublin. Rents in Limerick are, on average, about 45% below their Dublin equivalents.
- › Within the Dublin region, average rents also vary considerably from area to area. Depending on the type of property, average rents in the most expensive postcode areas were 25% to 80% higher than those in the least expensive postcode areas.

2.16 Nationally, the average rent paid by rent supplement recipients at the end of 2005 was around €143 per week. County-by-county, the average rent varied from around €85 per week (in Sligo) to between €175 and €180 a week in Dublin, Kildare and Wicklow. Rents paid were not recorded on ISTS in 2000, so it is not possible to analyse trends in average rents between 2000 and 2005. Lack of data about the mix of accommodation types also prevents analysis of the differences in rents paid by rent supplement recipients for each kind of accommodation unit in different areas.

2.17 A drop in the proportion of recipients living in the East region in 2001 and 2002 may have helped to offset somewhat the increase in expenditure on rent supplements in those years (see Figure 2.5). Conversely, there was a relative increase in the percentage of recipients living in the East region in 2003, which is likely to have contributed to an increase in the average rent supplements in those years. However, the regional distribution at the end of 2005 was quite similar to the distribution at the end of 2000, and so is unlikely to account for much of the change in weekly expenditure on rent supplements during that period.

Figure 2.5 Regional distribution of rent supplement recipients, end 2000 to end 2005

Health region	2000	2001	2002	2003	2004	2005
	%	%	%	%	%	%
East	44	40	40	43	44	43
Midland	4	4	4	4	4	4
Mid west	7	7	7	7	7	7
North East	5	6	6	6	5	5
North West	4	5	5	5	4	5
South East	9	10	10	10	10	11
South	15	16	15	15	14	15
West	11	12	12	11	10	10
Total	100	100	100	100	100	100

Source: Analysis by Office of the Comptroller and Auditor General

4 Analysis based on *The Daft.ie Report*, Quarter 3 2005. The Daft.ie website started in 1997 as the Dublin Accommodation Finder, and expanded to cover all areas in 1999. It states that, currently, around 30,000 properties are advertised on the site at any one time.

2.18 Differences between counties in the rate of change in the number of rent supplement recipients between the end of 2000 and the end of 2005 could also potentially result in a shift in the geographic distribution of rent supplement households. The number of recipients in Dublin (which has over one third of the total) increased closely in line with the national average. The number of recipients doubled in Offaly and Leitrim, and the increase in numbers was over 50% in 14 counties. In contrast, the number of recipients fell by 10% in Sligo, and was unchanged, or increased by less than 20%, in four other counties. Overall, the changes in the proportion of recipients of rent supplements in each county between the end of 2000 and the end of 2005 had only a minimal impact on the average rent supplement paid, because they effectively cancelled one another out.

Tenants' Contribution to Rent

2.19 The contribution rent supplement recipients make towards their rent depends on their household income, and the households' assessed income needs. The minimum contribution tenants are expected to make from their own resources is €13 a week. This applies irrespective of location, amount of rent paid, or accommodation type because basic welfare payments are considered to include €13 a week towards housing costs.

2.20 Based on ISTS data, rent supplement recipients at end 2005 were paying an average of just under €2 a week towards their rent. County-by-county, the average contribution by rent supplement tenants varied from around €8.50 a week in Waterford to €6.20 a week in Wicklow.

2.21 Rent supplement assisted tenants paid around 15.4% of their rent themselves at the end of 2005. The average percentage contribution ranged from around 12% in Dublin (where the average rents paid are among the highest) to around 23% in Sligo (where average rents are lowest).

2.22 Rents paid only began to be recorded on ISTS from 2002 on. Analysis indicates that at the end of 2002, rent supplement assisted tenants paid around 17.4% of their rent themselves, compared to the 15.4% contribution rate at end 2005. The higher contribution rate at end 2002 reflects the practice up to that date of allowing some rent supplement tenants to pay rents in excess of the rent limits. However, rent supplement payments were based on the relevant rent limits, so the drop in the tenants' percentage contribution between 2002 and 2005 did not affect the average rent supplement payment.

Sources of Income

2.23 Almost all recipients of rent supplements depend on social welfare payments as their main source of income (see Figure 2.6). The main income support schemes upon which they depend are unemployment-related schemes, one-parent family schemes, basic supplementary welfare payments and disability-related schemes. Very few recipients of rent supplements are recorded as having income from sources other than welfare or back-to-work scheme payments (e.g. earnings from employment, self employment or farming; or maintenance payments).

2.24 The distribution of income sources of rent supplement recipients changed relatively little between 2000 and 2005. The main change was a reduction in the proportion of rent supplement recipients whose main source of income was from a back-to-work/education scheme, which fell from 13% to 6%.

Figure 2.6 Distribution of rent supplement cases, by main source of income of claimants, end 2000 and end 2005

Main source of income	2000	2005
	%	%
Unemployment-related schemes	25	25
One parent family payment	21	23
Supplementary welfare	20	17
Illness/disability-related schemes	13	17
Back to work/education schemes	13	6
Old age pension	3	3
Other welfare schemes	4	5
Other sources of income	1	3
No income/not recorded	0	1
All live cases	100	100

Source: Analysis by Office of the Comptroller and Auditor General

Risk of Poverty Trap

2.25 Rent supplements are not normally payable to households where any household member is in full time employment. If a member of a rent supplement household takes up full-time employment (i.e. 30 hours a week or more of paid employment), the rent supplement payment normally ceases. Where rent costs are high relative to expected earnings from employment, the potential loss of rent supplements may consequently deter recipients from taking up employment opportunities, thus creating a 'poverty trap'. Seeking to avail of a combination of income support and rent supplements may represent the greater economic advantage for many individuals with poor long-term employment prospects or expectations. The costs of childcare to facilitate taking up of employment opportunities may add further to the disincentive to seek work.

2.26 The Department has introduced a number of measures in recent years to remove disincentives to taking up employment and to assist in the transition from welfare to work.

- › The means test has been eased by the introduction of 'income disregards'. Where a rent supplement recipient has income from part-time employment or a training scheme, up to €60 a week may be retained for household spending before the tenant's contribution is raised above the €13 minimum weekly payment. Since January 2006, half of the next €30 a week may also be retained, with the other half considered to be available to pay rent. Income from earnings in excess of €90 a week is considered to be fully available to meet rent commitments, and the rent supplement payment is reduced accordingly.
- › Since 2000, rent supplement recipients who take up employment through approved schemes, such as the back-to-work allowance scheme or community employment scheme, are allowed to retain part of their rent supplements for up to four years. Subject to total household income not exceeding €317.43 a week, rent supplement payments are tapered i.e. 75% in year 1; 50% in year 2 and 25% in years 3 and 4. In addition, some allowances (such as lunch, travel and childcare allowances) paid to participants of certain schemes are disregarded in the calculation of household income for means test purposes.
- › A person who has been unemployed for 12 months or more, and who moves from a welfare payment to full-time open market employment earning up to €317.43 a week may also receive rent supplement payments on the same tapered basis. (A job paying the national minimum wage rate for a 40 hour week would yield gross wages of €306 per week.)

The Department considers that, taken together, these arrangements provide a reasonable package of support to rent supplement recipients making the transition from welfare to work.

Household Composition of Recipients

2.27 In general, the housing requirements of families with children are greater — and therefore likely to be more expensive to meet — than those of couples or of individuals. A shift in the composition of the households dependent on rent supplements could consequently result in a significant change in the level of expenditure.

2.28 Neither the household composition of rent supplement recipients, nor the kind of accommodation being rented, are recorded on the ISTS database. Details of age, gender and marital status are recorded but, at best, these are only proxy indicators of household composition. For example, knowing that a recipient's marital status is 'single' (or 'divorced' or 'widowed') gives no clear indication if the person is living with children.

2.29 The pattern of recourse to rent supplements is different for men and women (see Figure 2.7). Typically, male claimants are older than female claimants — at end 2005, men in receipt of rent supplements were 41 years old on average, and women were 34 years old on average.

2.30 The growth in claims for rent supplements was faster for women than for men. At end 2000, there were almost as many male claimants (20,500) as there were female claimants (22,200). By end 2005, the numbers had increased to 25,200 men (up 23%) and 33,900 women (up 53%).

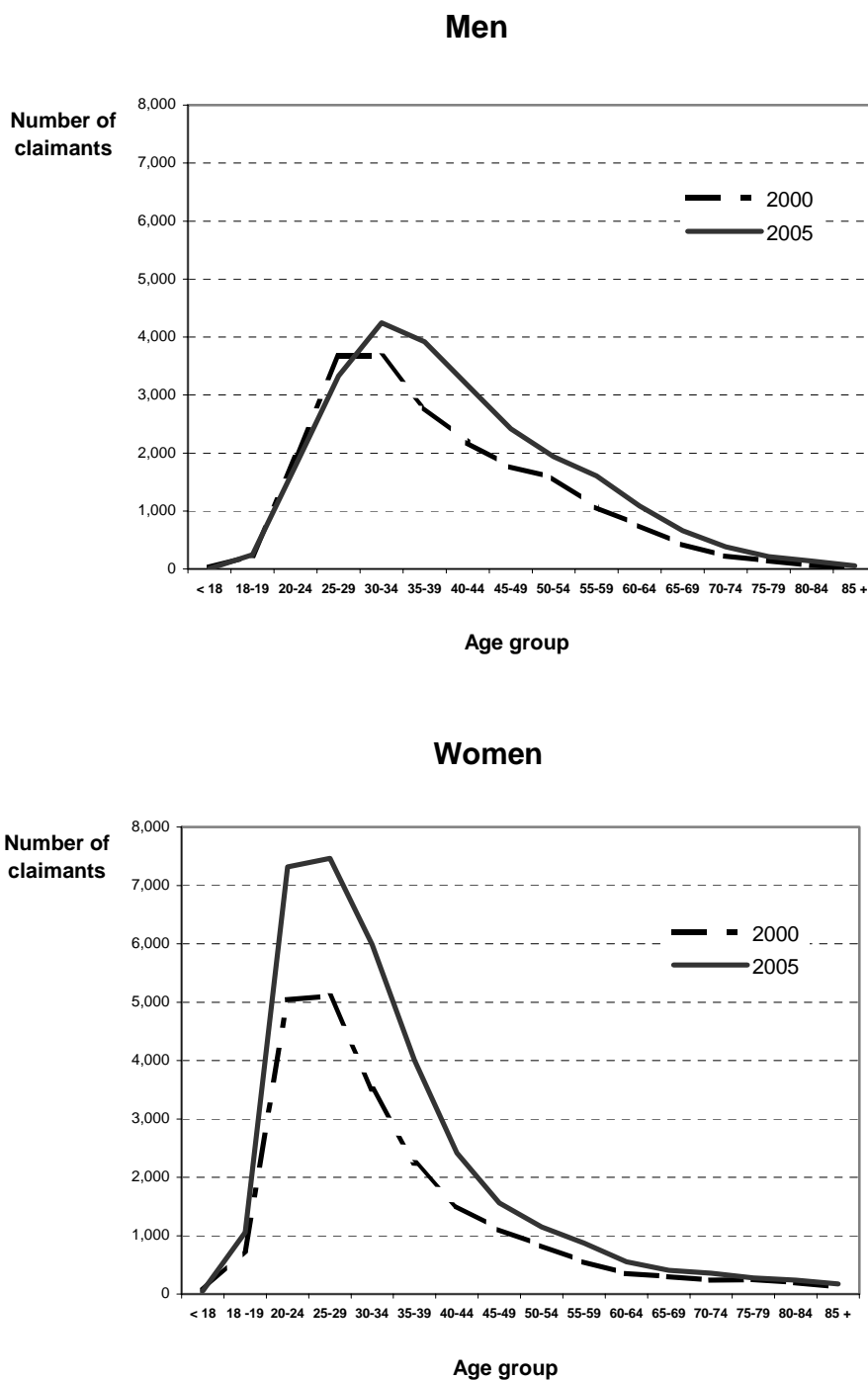
2.31 The most striking change in the period 2000 to 2005 in the age distribution of claimants is in the number of young women aged 20 to 39. Factors in the increase in women claiming rent supplements include

- › long-term changes in the pattern of household formation by young women, associated with the trends towards more births outside marriage and more one-parent families headed by young women
- › women born during the peak in the birth rate in the late 1970s and early 1980s reaching household formation age.

2.32 While the different rates of increase in the number of male and female claimants of rent supplements are striking, the implications of the change for accommodation type requirement and cost are not obvious, and may not have been as significant. For example, the proportion of rent supplement recipients dependent on One Parent Family payments as their main source of income increased by only a small amount over the period examined — from 21% at end 2000 to 23% at end 2005.

2.33 Female recipients of rent supplements are more likely than male recipients to have dependants, and consequently have greater accommodation needs. These differences in household composition are reflected in average rent supplement payments. At the end of 2005, the average rent supplement payment to women was about 29% more than the average payment to men. (The differential was 25% at the end of 2000.) The higher proportion of women claimants at end 2005 had a slight impact on the overall average rent supplement payment — it is estimated this may have added less than 2% to the overall average rent supplements over five years.

Figure 2.7 Claimants of rent supplements, by age and gender, end 2000 and end 2005



Source: Analysis by Office of the Comptroller and Auditor General

2.34 The increased proportion of rent supplement recipients on One Parent Family payments, and the more rapid increase in average rent supplement payment to female recipients are indications that, nationally, there were some increases in the average size of households of rent supplement recipients between the end of 2000 and the end of 2005. This is likely to have given rise to an increase in the proportion of families that require larger and more expensive accommodation units, and to have contributed to the increase in the average rent supplement payment.

Conclusions

2.35 Rapid increases in average market rents (in 2000/2001) were followed by large increases in average rent supplements (in 2001/2002), which in turn were followed (in 2002/2003) by rapid increases in the number of claimants.

2.36 About one third of the overall increase in spending on rent supplements between the end of 2000 and the end of 2005 can be explained by increases in the number of recipients of rent supplements. The increase was concentrated in the three years 2001, 2002 and 2003, when the number of recipients increased from 42,700 to around 60,000. Since then, the number of recipients of rent supplements has stabilised at the higher level.

2.37 Two thirds of the overall increase in spending on rent supplements is related to increases in the average rent supplement payment. Changes in the kind of housing units required to meet housing needs, associated with changes in the composition of rent supplement households, may have given rise to a small part of the increase in the average payment. Other factors — such as shifts in the geographic distribution of claimants and the amount of the rent paid by rent supplement recipients themselves — don't appear to have contributed much to the increase. Consequently, the bulk of the increase in the average rent supplement payment appears to be related to increased rents paid by rent supplement households.

2.38 The absence of relevant data on ISTS at end 2000 prevents a full national analysis of changes in rents paid being carried out. For illustrative purposes, an analysis was carried out of case files that were live in the Clonmel Community Welfare Service at the end of 2000 and the end of 2004.⁵ This bears out the conclusion that rent increases accounted for most of the increased average rent supplement payment. The analysis found that 84% of the increase in the average rent supplements in that area was due to increases in the rents paid. Only around 12% of the increase in Clonmel was due to changes in the mix of housing types associated with changes in household composition. (Details of the analysis are presented in Appendix A.)

⁵ The particular combination of factors that led to increases in expenditure on rent supplement is likely to be different in every Community Welfare Service area.

3 Managing the Risk of Excess Expenditure

3.1 For most income support schemes, the level of expenditure incurred is determined mainly by the rates of payment set by the Department and the number of payment recipients (including dependent persons, where relevant). The Department consequently has the potential to exercise control over scheme expenditure levels through its rules on scheme eligibility and in setting payment rates.

3.2 Control over expenditure on rent supplements is more complex because the rates of payment are determined by rents paid by recipients. These depend in turn on the type and location of accommodation rented. Furthermore, rents are agreed individually between tenants and landlords in the context of a market with fluctuating supply and demand, and without the direct involvement of the Department or of CWOs. This chapter looks at how, in these circumstances, the Department monitors and exercises control over expenditure levels on rent supplements.

Eligibility for Rent Supplements

3.3 The rules on eligibility for rent supplement payment were changed in a number of ways in 2003 and 2004. These changes are likely to have contributed to the stabilising of the number of claims in payment in 2004 and 2005, following the very rapid increases in number of recipients in the preceding years.

Asylum Seekers and Refugees

3.4 In May 2003, assistance under the rent supplement scheme was restricted for persons who are awaiting determination of asylum applications, who in most cases must now avail of the direct provision system⁶, and for those who are not lawfully in the State. Since the introduction of this rule, the annual number of applications for asylum has fallen significantly — down from over 11,600 in 2002 to around 4,300 in 2005.

3.5 The total number of asylum seekers and refugees in receipt of rent supplements increased from 4,100 at the end of 2000 to around 6,400 at the end of 2002. By end 2005, the total had fallen to around 3,000 cases — about 5% of all live rent supplement cases.

Habitual Residence

3.6 Since May 2004, applicants for rent supplements must be able to demonstrate that they have been habitually resident in Ireland or Britain prior to their claim. The primary objective of this provision, which applies generally to social assistance schemes, is to ensure the system is not overburdened by persons who have little or no previous connection with the State.⁷

3.7 Analysis of the country of origin of rent supplement recipients indicates that, at end 2005, around two thirds of recipients were of Irish nationality, 10% held nationality of other EU states and 23% held nationality from non-EU states (see Appendix B). The proportions were roughly similar at end 2000.

⁶ Under the direct provision system, asylum seekers are provided with accommodation, meals and medical services. Adults in direct provision accommodation receive a weekly allowance of €19.10.

⁷ This provision does not apply to exceptional and urgent needs payments. Consequently, CWOs can provide some short-term assistance under the supplementary welfare scheme to persons not habitually resident in the State, but who are in emergency situations.

The Six-Month Rule

3.8 Beginning in January 2004, new claimants were generally required to demonstrate that they had been renting private accommodation for a minimum of six months in the year prior to making a claim for rent supplements.⁸ Where claimants couldn't demonstrate that kind of record of renting, they were generally obliged to produce evidence that they had been assessed by a relevant housing authority as having a housing need, and that they had not refused offers of local authority housing. This was designed to discourage people from leaving family accommodation that adequately met their housing needs, unless there were problems such as abuse or relationship breakdown.

3.9 The requirement on certain applicants to demonstrate a minimum six-month renting history prior to claiming rent supplements was removed at the beginning of 2005. Instead, new applicants are now required to show that they have an established tenancy that was previously within their means, but that they have experienced a change in their circumstances — such as illness or loss of employment — leading to an inability to continue paying their rent. Where an established tenancy cannot be demonstrated, applicants are referred to a relevant housing authority to have their housing need assessed.

Rent Limits

3.10 The Department sets limits on the levels of rents in respect of which rent supplements are paid.⁹ Households paying rents in excess of the relevant limits are generally not eligible to receive rent supplements payments.

3.11 Different limits apply in different areas, reflecting regional variation in rents. The Department specifies the rent limits in terms of categories of household (e.g. families with one child; couples; single persons in shared accommodation) rather than in terms of accommodation type (e.g. bed-sits, one-bedroom accommodation, three-bedroom accommodation, a room in a house share). The current rent limits are shown in Appendix C.

3.12 Figure 3.1 presents a comparison of the rent limits and average market rents in Dublin, Cork, Limerick and Galway in autumn 2005. This analysis indicates that the limits set for most household types were at, or a little below, the corresponding average market rents. The main exception is in respect of individuals living alone, where the rent limits are significantly below the average market price for one-bedroom accommodation.

3.13 The rent limits were increased for most categories of recipient and in most areas between the end of 2000 and November 2002. Thereafter, the limit for single people living alone was raised in most areas at the beginning of 2004, and again in July 2005. In general, the limits for other categories of recipient were kept at the end 2002 levels.

3.14 The aggregate increase in the limits between the end of 2000 and the end of 2005 varies from area to area, and across the different household types, but in all cases the increases were significant. For example, for families with two children living in Dublin, Cork, Limerick or Galway, the rent limits increased in total by between 12% and 26%. The range of increases for one-child families was similar. For single persons living alone, the aggregate increases were between 29% and 57%.

⁸ This requirement didn't apply to the elderly, people with disabilities, those who were homeless or who had lived in an institution.

⁹ Up to the end of 2002, rent limits were set at a regional level (and in some cases, at a local level) by the relevant health board, based on knowledge of the local private rental markets gathered by the Community Welfare Service staff.

Figure 3.1 Rent limits and average market rents

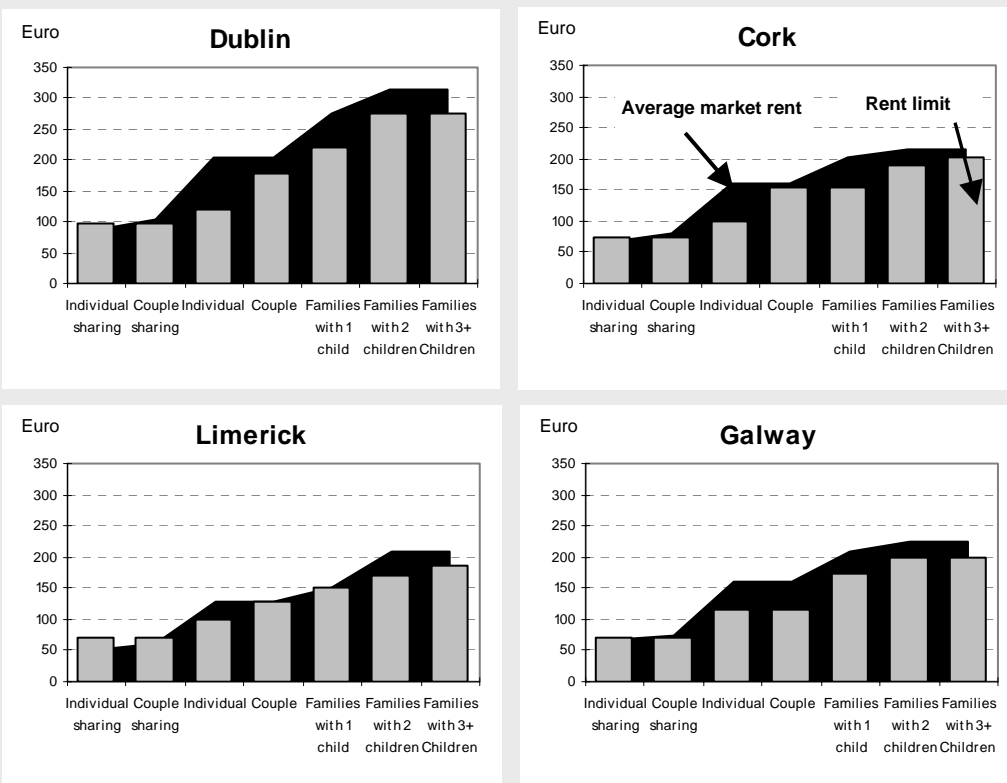
Rent limits put a cap on the amount rent supplement recipients may spend when they rent accommodation.

The rent limits are specified in terms of different household compositions and tenures e.g. families with two or more children, individuals living on their own, or individuals sharing accommodation with others.

The purchasing power implied by the rent limits can be assessed by comparing them to the average market rents for the kind of accommodation units that should usually meet the needs of each household type. For example, the rent limit that applies to a family with two children should generally be sufficient to rent a three-bedroom house in the relevant area, so that rent limit can be compared to the average cost of renting a three-bedroom house. Similar comparisons are made for other pairs e.g. families with one child in two-bedroom accommodation; couples in one bedroom accommodation; and individuals renting on their own in one bedroom accommodation.

Information about average market rents in Dublin, Cork, Limerick and Galway was taken from the third quarter 2005 Daft.ie rental market report.

The following graphs compare the weekly rent limit amounts for different family types with the weekly average market rents for corresponding accommodation types in the third quarter of 2005.



Source: Analysis by Office of the Comptroller and Auditor General

3.15 Many rent supplement recipients renting on their own are restricted to renting low-quality bed-sit accommodation, or accommodation with shared bathroom and cooking facilities. In response to this situation, the Department continued to increase the rent limits for one-person households when rent limits for other household types were being held constant. The Department has also pressed for an expansion of the availability of social housing units for single (mainly male) tenants in order to improve access to accommodation and to contain rent levels for persons in this category, who are often more vulnerable to homelessness for social and affordability reasons.

Application of the Rent Limits

3.16 The way in which CWOs apply the rent limits changed at the start of 2003. Up to then, CWOs frequently allowed rent supplement claims from applicants paying rents that exceeded the relevant rent limits, but the rent supplement payments in such cases were calculated as if the rent paid was the rent limit amount. At the end of 2002, around 34% of rent supplement recipients were paying rents that exceeded the relevant limits, but were receiving rent supplements based on the relevant rent limits.

3.17 The Department instructed CWOs that, with effect from January 2003, the limits were to be treated as a cap on the rents paid by applicants for rent supplement assistance. (Existing tenancies were not affected.) In effect, the limits changed from being a limit on the rent supplement entitlement to being an eligibility threshold. Following the implementation of the rule change, the proportion of cases where the recorded rents exceeded the limits fell quickly. By the end of 2003, 16% of recorded rents exceeded the relevant limits. By the end of 2005, this had reduced to just 7%.

3.18 The change in the application of rent limits should have reduced the average rent paid by rent supplement recipients, relative to what they would otherwise have paid. However, this did not translate into a reduction in the level of expenditure on rent supplements incurred by the Department, since the entitlements were already based on the relevant limits.

3.19 In applying the limits now, CWOs judge what kind of accommodation is appropriate for a particular kind of household, and take this into account in assessing the rent supplement application.

- › If a rent supplement applicant presents an application where the rent exceeds the relevant limit, the application will usually be refused. An applicant who is declined on the basis that the rent for the proposed accommodation is too high could seek another property at a lower price, or could try to negotiate a lower rent with the landlord of the first property.
- › Exceptions may be allowed e.g. where the CWO is satisfied that the tenancy is well established and that the assistance sought is likely to be temporary; or where the household has specific requirements (such as medical needs) that warrant a higher standard of accommodation.
- › A CWO will generally expect to see a family with one child renting a two-bedroom apartment or house, rather than a three-bedroom house; and unless the child is an infant, would usually not agree to the family renting a one-bed accommodation that cost up to the relevant rent limit.
- › If the appropriate kind of accommodation for a family unit is not available locally, the CWO may agree to the renting of a larger accommodation unit.

Impact of Rent Limits

3.20 Most rent supplement recipients pay rents at the limits. At the end of 2005, 84% of recipients were paying rents equal to the relevant limits.

3.21 The setting of rent limits was designed to control the level of expenditure on rent supplements, while allowing recipients to avail of accommodation that is suitable for their household needs in the areas where they live. However, the very high coincidence of rents and rent limits indicates that they also act as a target rent level. There is little or no incentive for landlords to provide accommodation to rent-supplement dependent households at rates below the limits. And because tenants' contributions are related to their income, rather than to the rent level, they also have little or no incentive to seek to reduce their rent outlay. In these circumstances, the rent limits set by the Department may act as a floor for rents in certain areas. When average market rents fall, unchanged rent limits may result in unplanned gains to 'rent supplement' landlords and/or increased purchasing power for tenants.

3.22 The Department effectively sets the rents paid by rent supplement recipients when it sets limits. Since rent supplement households account for an estimated one in three private residential tenancies, and spend an estimated €440 million a year on rent¹⁰, this potentially gives the Department scope to influence rent levels in the market. The change in the application of rent limits at the beginning of 2003, affecting up to one third of all rent supplement households, may even have been one of the factors that resulted in average market rents falling in 2003 and 2004.

3.23 The increases in the rent limits in 2001 and 2002 reflected the rapid increases in market rents in 2000 and 2001, but the rent limits were not subsequently reduced to reflect the drop in market rates that occurred after they peaked at the end of 2001.

3.24 The Department has stated that, in the period 2003-2004, a policy decision was taken not to reduce the rent limits in the context of the significant other restrictions that were being made to the scheme to contain costs and to improve targeting. It is satisfied that the active rent limit controls in place, particularly those embodied in regulation since 2002, had a stabilising effect on rent levels in the relevant segments of the market. The limits helped social welfare clients to obtain, and retain, accommodation at reasonable rent levels while assisting also in containing overall scheme costs. The Department is of the view that, in general terms, there was nothing more that could be done to reflect the market position without jeopardising the scope for social welfare clients to get suitable accommodation appropriate to their household needs.

Minimum Contribution to Rent

3.25 All rent supplement recipients are expected to pay a contribution of at least €13 per week towards their rent. The contribution is limited to €13 where household income does not exceed basic welfare payment levels i.e. €148.80 a week for an individual, €264.30 a week for a couple with one child, and so on. This minimum contribution condition applies irrespective of location, rent level or accommodation type, because the basic welfare payment levels are considered to include €13 a week towards housing costs.

3.26 At the end of 2000, the minimum contribution towards rent that tenants were expected to pay was €7.62 per week. The end 2005 minimum contribution of €13 per week was almost 71% higher — this is just marginally more than the (68%) increase in average rent supplement payment over the same period. Increasing the minimum contribution in line with the increase in average

¹⁰ Includes rent supplement and the contribution to rent paid by rent supplement households from their own incomes.

rent supplement payments reduced the Department's expenditure on rent supplements. If the increase had not been implemented, average weekly expenditure on rent supplements would have been about 4.5% higher at end 2005 than it actually was.

Monitoring Housing Requirements

3.27 Ready access to information about the household composition of recipients, and the kind of accommodation being rented would help the Department (and other social policy researchers) in identifying emerging trends in the rent supplement-dependent population, and in designing appropriate policy responses. Knowing about the household composition of recipients would also allow for the implications of changes in policy and practice on the level of expenditure to be identified.

3.28 Details of the household composition of rent supplement-dependent households and the accommodation type are recorded by CWOs on the manual files compiled in relation to individual rent supplement claims. However, there is currently no provision to record this data on the ISTS database.

3.29 ISTS was initially developed by the Department in the period 1994 to 1997 as a payment mechanism for all short-term welfare schemes. Representatives of the then health boards were involved in the development process, to provide input about how the Supplementary Welfare Allowance scheme operated. They proposed that provision should be made in ISTS for recording details of household composition, accommodation type and location based on district electoral divisions.¹¹ The priority for the Department was to develop and implement the payment function, and the features proposed by the health board representatives were not included.

3.30 ISTS has been enhanced in a number of ways since its inception, and extra information specific to rent supplements (e.g. rent limit, rent paid and landlord name) are now recorded. However, a facility to record details of household composition and accommodation type on the system has not been included.

3.31 For planning and evaluation purposes, the Department has occasionally carried out data matching exercises to try to identify the distribution of household composition of rent supplement recipients, but these exercises yielded only partial estimates, with unknown margins of error.

3.32 The Department agrees that recording additional information would facilitate more detailed analysis of trends, but points out that it is not clear that different policy decisions could have been taken had additional information been available.

Conclusions

3.33 The range of policy and operational changes implemented by the Department since 2002 together succeeded in stabilising expenditure on rent supplement payments, albeit at a higher level than before. The changes generally affected new claims but the rapid turnover of rent supplement claims resulted in only a short delay in the desired impacts being substantially achieved. Earlier and more aggressive action to control rents paid by rent supplement recipients — such as selective lowering of rent limits when market rents fell — could have resulted in lower expenditure. In the absence of such reductions, there may have been a significant increase in the spending power of rent supplement households, who could now afford to rent better quality accommodation, and/or to

¹¹ Other features proposed by health board representatives, but not included in ISTS, include a payment entitlement calculator, and a measure of duration of client dependence on rent supplement.

move to relatively higher cost areas. Landlords may also have benefited by receiving higher rents from rent supplement households than they might have received from non-rent supplement households.

- > The Department was not in a position to readily isolate the factors giving rise to the increased cost of rent supplements over the period from the end of 2000 to the end of 2005. This was a fundamental weakness.

In order to monitor and manage rent supplements effectively, it is necessary to have information suitable for analysing the movement in rent supplement expenditure into its constituent parts. The Department should adapt its electronic recording systems to capture and report information that would facilitate such analysis. This would include recording

- Ø the composition of rent supplement-assisted households i.e. one-person household, couples, families with one child, etc.
- Ø the type of accommodation rented i.e. bed-sit, one bedroom unit, three bedroom unit, house share, etc.
- Ø location of accommodation, by area.

- > The change introduced by the Department in January 2003 requiring most recipients to negotiate rents within rent limits appears to have resulted in tenants in new tenancies negotiating lower rents with landlords, and saving in the amount of rent they pay.

This was a positive move on the Department's part as it helped to ensure the affordability of accommodation for rent supplement-dependent households.

- > However, the fact that the Department did not also adjust rent limits downwards when rents were reducing in the market may have led to some excess costs being borne by the State.

In order to maximise the value of its spending and avoid the risk of windfall gains to landlords, the Department needs to be in a position to promptly adjust the rent limits for new tenancies (nationally or on a selective basis), and to exploit its effective purchasing power in response to market conditions.

4 Administration and Associated Costs

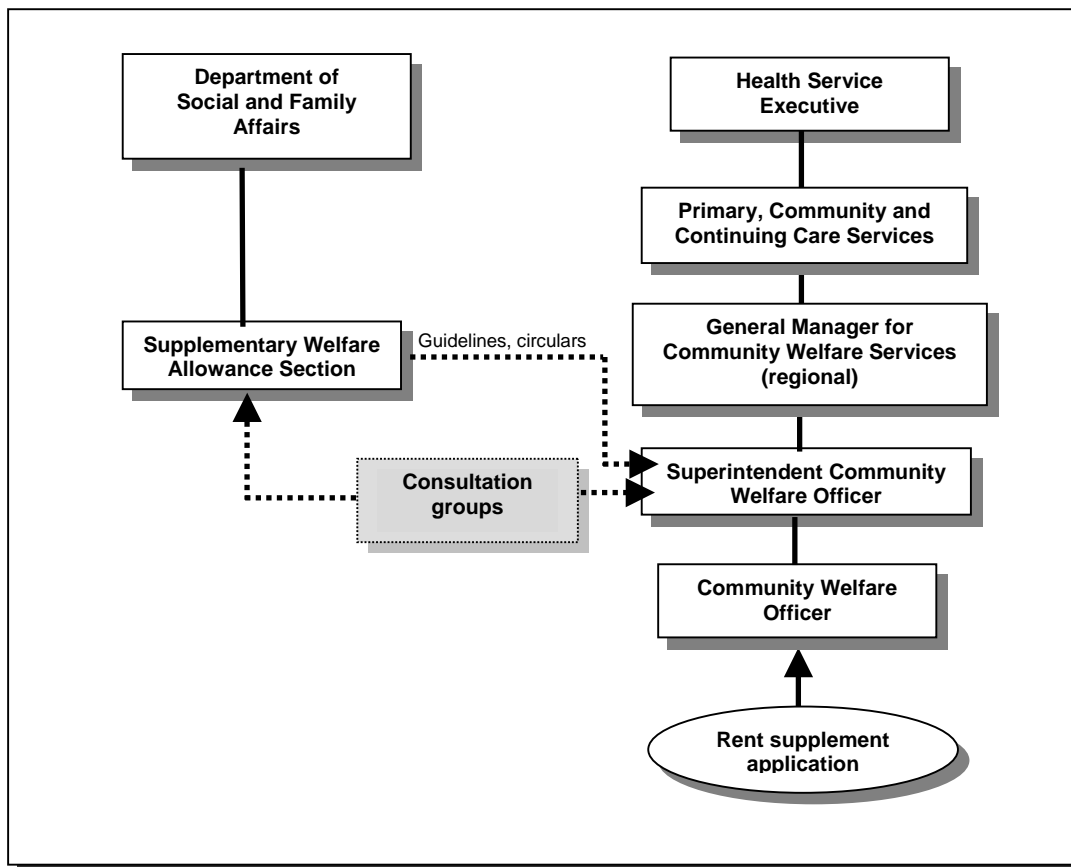
4.1 This chapter examines the suitability of the arrangements in place between the Department and the HSE for the management and administration of rent supplements, and the associated costs. It also looks at how rent supplement payments are issued.

Organisation of Rent Supplements Delivery

4.2 The Department is responsible for policy and legislation in relation to supplementary welfare payments, including the design of the organisational arrangements for payment delivery. Its Supplementary Welfare Allowance Section is responsible for developing policy proposals for the scheme, the monitoring and payment of administration costs and the analysis and reporting of expenditure trends.

4.3 The CEO of the HSE has statutory responsibility for the award of supplementary welfare payments and for the administration of the scheme. The scheme is delivered under the HSE's Primary, Community and Continuing Care Division, through the Community Welfare Service. Senior HSE managers are involved in decision making about human resource management and the allocation of resources for the Service but have relatively little direct involvement in the administration and co-ordination of the Supplementary Welfare Allowance scheme.

Figure 4.1 Organisation for delivery of supplementary welfare payments



4.4 The power to award supplementary welfare payments has been delegated to the Superintendent Community Welfare Officers (SCWOs), who manage the Service in defined geographic areas. Administration of the Supplementary Welfare Allowance scheme (including rent supplements) accounts for most of the work of the SCWOs and CWOs. In most health service regions, they carry out other functions as well, such as assessment of applications for medical cards and eligibility for nursing home subvention. In the East region, Community Welfare Service staff deal exclusively with supplementary welfare claims.

4.5 Two groups have been established to allow for consultation and information flows between the Department and the Community Welfare Service.

- › The Supplementary Welfare Allowance Advisory Group, which has been meeting since March 2004, is chaired by the Department, and includes representatives of managers and staff from the Community Welfare Service in each health service region. Its primary purpose is to achieve a consistent approach to the implementation and administration of the scheme nationally.¹²
- › The Regional Coordinators' Group, also chaired by the Department, has been meeting since June 2004 (when it replaced the ISTS Project Managers' Group and the Control Liaison Group). Regional Coordinators, all at SCWO level, have responsibility for coordination and integration of the supplementary welfare scheme (including control work) at regional level and act as liaison persons with the Department. They act as a support for other SCWOs, and have limited power to implement decisions made with regard to control of the rent supplement scheme.

4.6 The Department issues directions and guidelines on how the Supplementary Welfare Scheme is to be operated, and these are communicated directly from the Department to CWOs and SCWOs.

4.7 A 'best practice manual' for staff involved in the administration of Supplementary Welfare applications was compiled in 1997 by a project group comprising SCWOs from each of the health service regions. The manual outlined what was generally considered good practice in areas such as claim registration, assessments of eligibility and entitlement, decisions, data entry on ISTS, and overpayments and appeals. A revised manual was produced and circulated in draft to all Community Welfare Service offices in 2001. While it has not been formally adopted, the draft manual is used on a day-by-day basis by CWOs.

4.8 The Department has stated that the draft manual has recently been updated. It is currently being evaluated by the Department and the HSE, with a view to issuing it to all Community Welfare Service staff.

Scheme Administration Costs

4.9 Fifteen staff are assigned to work in the Department's Supplementary Welfare Allowance Section.

4.10 In June 2005, a total of 964 whole time equivalent staff were employed by the HSE in the provision of Community Welfare Services. Of these, 688 were CWOs, who provide the front line service to the public. There were 57 SCWOs and 219 other staff, mainly clerical staff and porters.

¹² The Advisory Group was originally established in 1992, but ceased meeting around 1998, when other groups were established in the context of implementing the ISTS system in CWO offices.

4.11 Periodic staff surveys indicate that the total number of CWOs has been relatively unchanged in recent years. At end 2001, a total of 666 CWOs were employed. By end 2003, this had increased by about 6%, to 704, before falling back to the June 2005 level of 688. Personnel involved in the provision of community welfare services have stated that, in recent years, increased applications for supplementary welfare, including rent supplements, placed considerable extra demands on staff.

4.12 The Department makes payments to the HSE each month in relation to the costs it incurs in the administration of the Supplementary Welfare Allowance scheme. The payments in 2005 totalled €45.7 million, an increase of 67% on the level of payment in 2000 (see Figure 4.2).

Figure 4.2 Payments by the Department related to administration of the Supplementary Welfare Allowance scheme, 2000 to 2005

Year	€million
2000	27.4
2001	31.9
2002	42.0
2003	43.4
2004	44.9
2005	45.7

Source: Department of Social and Family Affairs

4.13 Up to 2004, each of the health regions prepared annual estimates of its projected income and expenditure in respect of Supplementary Welfare Allowance scheme operations. The estimates were based on a formula designed to apportion the costs of the Community Welfare Service in line with the proportion of resources allocated to supplementary welfare related work in each region. In the East region, where the Community Welfare Service deals only with the Supplementary Welfare Allowance scheme, 100% of costs incurred were charged to the scheme. In all other areas, 70% to 80% of overall costs of the Service are charged to the scheme. This apportionment was based on a work-study carried out in the 1980s. Despite changes in staff numbers and in the balance of demands on the Community Welfare Service since then, the basis of apportionment has not been reviewed or revised.

4.14 When the Department receives the annual estimates, they are compared to the previous year's outturn to establish whether any changes proposed are warranted. It takes into account changes related to agreed pay awards, inflation in non-pay items and costs associated with service delivery changes, such as costs related to new buildings for the Community Welfare Service, or to special initiatives. The Department may not agree to pay the full amount sought. By year end, the total amount paid by the Department may differ from the expenditure incurred by the health region.

4.15 When this report was being finalised, both the Department and the HSE indicated a willingness to draw up a formal service agreement in respect of the services the HSE provides on an agency basis for the Department. The Department has written to the HSE requesting a centralised budget coordination process for 2006 administrative expenditure. It has also proposed the formulation of a service agreement with the HSE regarding its management of and accountability for the Supplementary Welfare Allowance scheme. It envisages this process will

include a review, and revision if necessary, of the current share of the costs of the Community Welfare Service borne by the Department in areas outside the East region.¹³

Payment of Rent Supplements

Nomination of Payees

4.16 In general, CWOs do not get involved in the relationship between rent supplement tenants and their landlords. They may sometimes intervene at the request of the tenant, but the general objective is to ensure that, where possible, the tenant retains responsibility for, and control of, their own accommodation arrangements. Intervention in the tenant/landlord relationship by the CWO may be warranted in certain circumstances, such as where rent supplement recipients are seriously impaired in their ability to manage their own affairs, as may occur where there are problems with alcohol or drug dependence.

4.17 Most rent supplement payments are paid directly to the tenant, but recipients have the option to nominate another person to receive the payment. The draft best practice manual recommends that such nominated payments should only be used where essential and should not be encouraged because of the potential disempowerment of the recipient implied in such an arrangement.

4.18 At the end of 2005, almost one third of rent supplement recipients (over 19,100 people) had agreed that their rent supplement payments should be paid to nominated persons — generally their landlords or the landlords' agents. In four counties, at least half of the rent supplement recipients had requested payment of their entitlements to nominees. In contrast, less than 15% of recipients had declared nominees in five counties. Payment nomination rates are shown, county by county, in Appendix D.

4.19 The variation in the rates of nominee payments is unlikely to be related solely to the capacity of rent supplement recipients to manage their own affairs. There may in some cases be a preference on the part of recipients to have the money sent to their landlords; and many landlords may also have a preference to receive funds directly from the Department and make it a condition of agreeing to the tenancy. CWOs may also have different views on the issue in different areas.

Payment Methods

4.20 In most health regions, over 90% of rent supplement recipients at end 2005 were paid weekly, whereas in the East region, only 39% of the payments are made weekly, with the remainder being made on a calendar month basis.

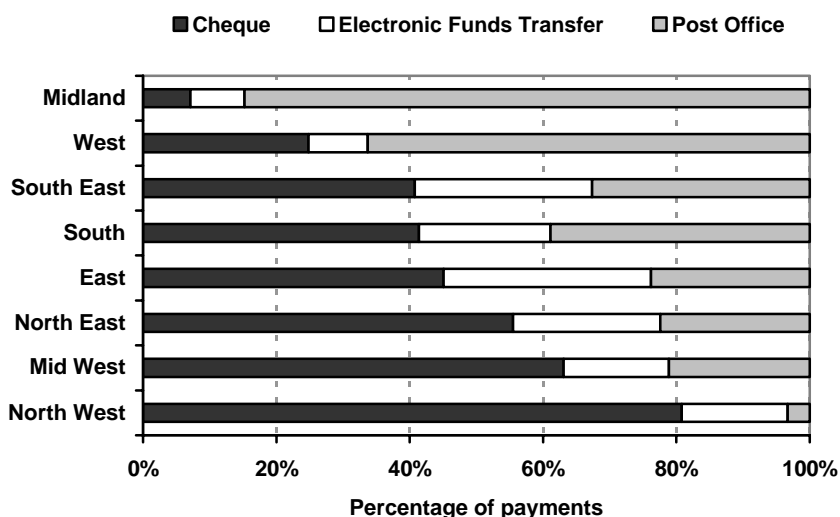
4.21 Rent supplement payments made directly to recipients are delivered by one of three methods. Nationally, at the end of 2005

- › 44% were paid by cheque, usually posted to the recipient at his/her home address.
- › 33% were paid through the post draft transfer (PDT) system, for collection at post office outlets. The recipient is required to turn up in person at the nominated post office and to present evidence of identity prior to payment.
- › 23% were paid by electronic funds transfer (EFT) directly into the recipients' bank accounts.

13 The Department already carries the full cost of the Community Welfare Service in the East region.

However, there were very significant variations across health service regions in the use of payment instruments (see Figure 4.3). In the North West region, over 80% of payments to rent supplement recipients at end 2005 were made by cheque. In contrast, over 80% of rent supplement recipients in the Midland region received their payments at post offices.

Figure 4.3 Rent supplement payment direct to recipients, by method of payment and health region, end-2005



Source: Analysis by Office of the Comptroller and Auditor General

Note: Excludes payments to nominated persons.

4.22 Where payments were made to nominated persons, payment was issued in the form of cheques in 65% of cases and as an EFT in 35% of cases. PDT payments are not used in such cases.

4.23 The draft best practice guidelines for CWOs state that the payment instrument used to make rent supplement payments should be the most cost effective and secure method of delivery, taking account of the specific circumstances in the case. While making payments through the EFT system is the cheapest of the payment options, funds flowing directly into a bank account will be unlikely to alert a CWO in the event that a recipient engaged in fraud is residing elsewhere. If the payment is directly to a landlord's account, payment could continue unless the tenant or the landlord informs the CWO when a tenancy has ended. Since neither the Department nor the HSE has a formal contract with the landlord, there may be difficulty about recovery of overpayments in such circumstances.

Conclusions

4.24 The arrangements in place for administering the Supplementary Welfare Allowance scheme, including rent supplement payments, are more complex than those for other welfare schemes. The scheme is delivered by the Community Welfare Service, with little direct involvement of HSE senior management. This reflects the practice inherited by the HSE from the health boards, and the lower priority of the scheme for senior managers, relative to 'core' health-focused activities. The Department has become involved directly with Community Welfare Service staff to try to ensure accountability and consistency in application of the scheme, but is unlikely to succeed without more active involvement of HSE management.

- > There is no formal service agreement between the Department and the HSE in relation to the Supplementary Welfare Allowance scheme.

While the current arrangements for delivery of the Supplementary Welfare Allowance scheme continue, a formal service agreement should be put in place between the Department and the HSE. This should set out

- Ø the respective roles and responsibilities of the Department and of the HSE in relation to the scheme
- Ø agreed service targets to be achieved by the HSE
- Ø a clear methodology for arriving at the level of resources to be provided by the Department to the HSE in respect of the agreed services
- Ø the resource implications if the agreed targets are not met.

- > Payments to the HSE by the Department related to the administration of the Supplementary Welfare Allowance scheme may not be an accurate estimate of the costs incurred by the HSE, particularly outside the East region.

The Department and the HSE should jointly review the proportion of Community Welfare Service resources absorbed by Supplementary Welfare Allowance scheme work periodically, and especially at times when the volume of work associated with the scheme changes significantly.

- > The Supplementary Welfare Allowance 'best practice manual' is in draft form since 2001, but has been updated from time to time. It is apparent that practice in relation to payment of rent supplements varies considerably from region to region.

The HSE, in consultation with the Department, should issue the revised 'best practice manual' to all Community Welfare Service staff as the authoritative guide to how the Supplementary Welfare Allowance scheme should be administered. Thereafter, adherence to the guidelines should be monitored.

5 Operational Controls

5.1 Rent supplement payments operate under a complex system of rules about eligibility and entitlement that determine access to benefits under the scheme. The overall management objective is to ensure that the design and implementation of the system for delivery of rent supplements results in only those who are eligible for scheme benefits receiving them, and that the amounts paid are those to which recipients are entitled.

Control Strategy and Planning

5.2 Responsibility for control of the rent supplement scheme is shared between the Department and the HSE. The Department accepts, in principle, that it has responsibility for control strategy, but points out that since the administration of the scheme rests with the HSE, operational controls are the latter's responsibility.

5.3 The Department adopted an overall control strategy for all its schemes in November 2003. Rent supplements does not come directly within the scope of the Department's strategy but in May 2004 the Department informed Community Welfare Service staff that the principles and approach set out in the strategy should be applied to the Supplementary Welfare Allowance scheme. Development, implementation and co-ordination of the control activities form part of the job specification for the Regional Co-ordinators but they have no managerial responsibility in their health service regions (other than in their own Community Welfare Service areas).

5.4 The draft best practices manual outlines control procedures to be adopted by CWOs in the administration of the Supplementary Welfare Allowance Scheme. This document details operational level controls but does not provide a comprehensive control framework.

5.5 Planning for targeted control activities at local and area level within HSE regions appears to have been on an ad hoc basis. SCWOs report that the amount of control activity carried out has decreased significantly with the increasing Supplementary Welfare Allowance claim load. Only one CWO office visited had engaged in planning targeted control activities; implementing those activities was dependent on additional staff resources becoming available.

5.6 On the schemes it administers itself, the Department has in place a structured, co-ordinated framework for the implementation of control at different organisational levels. All staff have a responsibility for control (e.g. at the point of take on of claims) but investigative units augment and support the control work at local office level. No such support exists within the Community Welfare Service. The Department's view is that the provision of such support is entirely a matter for the HSE to organise and implement, and that it has sufficient resources from the Department to do so.

5.7 The HSE has stated that it has a number of control procedures currently in place in relation to rent supplements. It acknowledges that the potential exists to improve the current procedures. It has stated that it would welcome the preparation of a new control strategy to provide for more transparent and accountable control processes and for closer co-operation of control supports in use in the Department and in the HSE.

Reporting on Controls

5.8 In four Community Welfare Service areas visited during this examination, there was effectively no routine management reporting about the amount or type of control work being carried out, the resources used in control activity or the results achieved. The Department has

stated that it receives a negligible amount of information about control work carried out in relation to Supplementary Welfare Allowance scheme payments.

5.9 The Department sets an annual target for savings to be achieved as a result of control activity in relation to supplementary welfare cases. The target set for 2005 was €10 million, and this was divided up across health service regions in proportion to aggregate Supplementary Welfare Allowance expenditure in each region.

5.10 The concept of 'control savings' is intended to capture the amount of public money that would have been spent if control activities and reviews had not uncovered cases of overpayment. It does not refer to the amount of overpayment already incurred. The saving associated with each overpayment case detected is calculated as a multiple of the weekly amount overpaid. For rent supplements, the multiplier set by the Department is 52 i.e. it is assumed that overpayment cases would have continued for a further 52 weeks on average before the overpayment ended. The multiplier for Supplementary Welfare Allowance basic income payments is 32 (weeks).

5.11 Control savings is a poor performance measure for control activity. It was originally based on analysis carried out in the UK in the late 1980s in relation to unemployment-related welfare payments, and replicated here by the Department in 1990/91. That analysis has not been updated and no analysis was done to establish appropriate multipliers for Supplementary Welfare Allowance payments, where claims may continue even when overpayments are discovered.

5.12 The Department accepts that there is always room for improvement in the targeting of controls and related activity, but it continues to believe that control savings targets are a very useful benchmark, on the basis that they force a focus on the best return for a given control effort within the resources available.

5.13 In practice, the Community Welfare Service does not track control savings, or report to the Department the extent to which target savings are achieved. The Department has stated that it has put considerable pressure on SCWOs to make the necessary returns, and that, while this has shown some results in 2005, there is room for further improvement. In July 2005, the Department amended the ISTS system to enable CWOs who reduce or terminate claims following review to input the amounts on the system. If this recording is done, it should facilitate automatic system calculation of the control savings value.

Risk Assessment

5.14 Formal risk assessment of a welfare scheme is potentially useful in determining the type and amount of control work that it is appropriate to carry out, and can help to target control work on the areas where the risk of overpayments is greatest. Overpayments may arise because of errors made by applicants or by CWOs, or because of fraud, including internal fraud.

5.15 The UK Department of Work and Pensions operates a housing benefit scheme through the local authorities that is similar in nature to the rent supplement scheme. It has established a system for routinely examining samples of randomly selected cases as a means of identifying the level of fraud and error in benefit payments, and of establishing the effectiveness of control work.¹⁴ Based on case reviews carried out between April 2004 and March 2005, the Department of Work and Pensions found that overpayments were being made in around 16% of cases examined. The overpayments discovered included many small amounts and some large amounts

¹⁴ Reviews involving structured interviews with the selected claimants are carried out by a specialist team of reviewers, not connected with the offices where the cases are processed. Where the required interviews could not be carried out, or the required evidence was not produced, the cases were referred to the relevant investigation units.

— when they were aggregated, it was estimated that they accounted for around 5.2% of total expenditure on housing benefit. Just over half of the amount overpaid was found to be due to claimant error, a quarter was judged to be due to fraud, and the remainder was due to administrative errors.

5.16 Based on their experience locally, SCWOs and CWOs develop an understanding of the risks of fraud and error that give rise to overpayments, but this knowledge is not drawn together formally. Until recently, no formal risk assessment work in relation to Supplementary Welfare Allowance was carried out by the Department, or in the health service regions.

5.17 In conjunction with the Regional Coordinator's Group, the Department in November 2004 commenced a 'fraud and error' survey of rent supplement cases to establish a baseline level of fraud and error in the rent supplement scheme. Random samples of 250 live cases were selected in each of four health service regions. The relevant CWOs were asked to review the cases quickly and to report back with the findings. It was planned that the survey would be completed and a report compiled by February 2005. Three health service areas have reported to the Department, but one report is still outstanding. When all reports have been received, the findings will be evaluated.

Internal Audit

5.18 Internal audit work is potentially a key element in the proper control of Supplementary Welfare Allowance payments. There are no arrangements in place to allow the Department's Internal Audit Unit to carry out audit work in relation to supplementary welfare payments in Community Welfare Service offices.

5.19 Internal audit practice in the HSE varies across health service regions. In the East and West regions, the respective Internal Audit Units include the functions of the Community Welfare Service within their audit plans, and have carried out a number of audits. The level of planned audit work was limited because of lack of availability of audit staff with in-depth knowledge of the Supplementary Welfare Allowance system, but Internal Audit management have taken steps to ensure their staff are trained on the procedures and administration of the scheme. In the South East health service region, internal audit plans do not include work in relation to the Community Welfare Service, but an unplanned audit in one Community Welfare Service office in the region was carried out to investigate the concerns of staff and managers locally about the handling and lodgement of repayments made by Supplementary Welfare Allowance recipients.

5.20 The planned audits that have been carried out by internal auditors have focused on the extent to which the control procedures specified by management for supplementary welfare payments were operating. The auditors concluded that in some cases, there was an insufficient audit trail to demonstrate all procedures had been carried out. This included cases where relevant documents were not on file, documentation was incomplete and there was a lack of evidence of approval in certain cases.

Administration of Claims

Processing of Applications

5.21 Control measures put in place at the point at which rent supplement applications are made and assessed can help to prevent overpayments occurring, whether through error or attempted fraud. The focus of the key procedures is set out below.

- > **Claimant identity** — Applicants for rent supplements are required to present a Personal Public Service Number (PPSN) when making their applications, and may also be asked to produce identity papers e.g. a birth certificate or passport. With the PPSN, the CWO is able

to check on ISTS the details of identity provided by the applicant, such as date of birth, income from social welfare schemes, and dependents. It also allows a check to be made that no other rent supplement claim is currently in payment.

- › **Housing need** — Applicants for rent supplements are required to apply to the relevant local authority housing department to have their need for housing assessed, unless they fall into one of a number of exception categories (e.g. the applicant is a tenant in a voluntary housing scheme, is aged 65 or over, or is in an established tenancy and his/her circumstances change unexpectedly). To demonstrate that they have had their housing needs assessed by the relevant housing authority, applicants bring their rent supplement application forms to the relevant housing authority offices. The form contains questions for completion by the housing authority, concerning the claimant's application for local authority housing, housing need assessment and recent offers of local authority housing (if any). When the questions are answered, the form is signed and stamped by the relevant housing authority official, and the applicant brings the completed form back to the Community Welfare Service office.
- › **Tenancy details** — The rent supplement application form also contains a section to be completed by the landlord, or by the landlord's agent. This gives information about the property being rented, the tenure (sole or shared occupancy), the rent and deposit payable, and the landlord's name and address.
- › **Residency** — The best practice manual states that a home visit should be carried out, where necessary, to confirm that a rent supplement applicant is resident at the stated accommodation, and that information about personal circumstances and other occupants (if any) is accurate. Visits also potentially allow CWOs to establish that the standard of accommodation being rented does not fall below minimum acceptable levels.¹⁵
- › **Claimants' means** — Means testing is carried out as part of a claim assessment to establish the incomes of the rent supplement claimant and of other household members. Most rent supplement recipients (90%) have declared they rely solely on income from social welfare schemes. CWOs are able to verify the details of income from welfare schemes through the ISTS system and can verify earnings declared for tax purposes from another Department system. Identifying undeclared income from other sources — e.g. earnings from part-time employment in the 'black economy', allowances from family members or income from private capital — is more difficult.

5.22 Case files were examined in four Community Welfare Service offices – in Galway, Clonmel, Mulhuddart and the Specialised Housing Unit (based in Dublin north inner city). This examination revealed gaps in the application processing controls.

- › Copies of identification documents produced by claimants were found to have been retained on only 40% of the files examined. Local knowledge of, and familiarity, with claimants by CWOs was cited as the main reason for not requesting identification documents when applications were being assessed.
- › Copies of the formal tenancy agreement or the rent book were found in only 26% of cases. These documents potentially provide independent evidence that a bona fide tenancy exists, and of the amount of rent payable.
- › Home visits to verify residence were carried out within a month of the commencement of payment in 51% of the cases surveyed. However, the rate of home visiting at take-on of

¹⁵ Where sub-standard accommodation is found, the rent supplement application may be refused and the applicant may be advised to find other accommodation. The relevant environmental health office may also be notified of the condition of the accommodation.

claim was as high as 84% in Clonmel, and as low as 8% in Galway. Local knowledge of landlords/claimants and increased demand for rent supplements were cited as reasons for low rates of home visits.

- › Around 25% of the case files examined had no evidence of identity of the applicant (other than the PPSN), no independent confirmation of the tenancy details and no evidence of a home visit having been carried out around the time the rent supplement payment commenced. Evidence of all three was on file in only 12% of the cases examined.
- › In Clonmel, the practice over many years has been to refer most applicants to the housing authority for housing need assessment. As a result, over 80% of the cases examined there were found to have been referred. In the other areas visited, only 20% of rent supplement recipients had been referred to housing authorities for housing need assessment. Nationally, it is estimated that around 24% of rent supplement recipients were registered on local authority housing lists in March 2005.

5.23 The rent paid is the key determinant of the amount of rent supplements paid, so strong controls are needed to confirm the accuracy of the declared rent amounts. Currently, the main control in this respect is the requirement that landlords confirm the rents being paid. Because the prevailing rent limits are likely to be known to both landlords and tenants, there is potential scope for manipulation of applications to the detriment of the tenant or the Department (or both) in a number of ways. For example

- › Landlords could include a premium by seeking the rent limit amount when letting to rent supplement recipients, but be willing to rent at a lower price to tenants who are not reliant on rent supplements.
- › Rents recorded on the rent supplement application could represent under-declaration of the true rent being paid. This would require collusion between the tenant and landlord, and a false declaration by the landlord. It would also imply that the rent supplement recipient is paying a higher than expected contribution towards the rent. Over time, this could result in tenants being unable to meet their basic needs, or building up debt. Conversely, if tenants were able comfortably to manage higher rent payments over long periods, it could imply that they had not declared their full means.
- › Landlords and tenants may also potentially collude to declare a higher rent than is, in fact, being charged, with the benefits being shared between them. This would include situations where the landlord agrees to forgo the tenants' contribution to rent, or neglects to pursue its collection with the tenant.
- › Tenants could falsify the landlord declaration to declare a higher or lower rent than is, in fact, being paid.

5.24 CWOs are not required to establish during the processing of claims for rent supplements that landlords are tax compliant or to record their PPSNs, even where payments are made directly to the landlords or their agents. However, the Department provides the Revenue Commissioners once a year with an electronic file listing all the recorded landlords' names and addresses, and the recorded rents. CWOs do not check that landlords are on the Register of Landlords, but in the future, it is expected that information about tenancies registered with the Private Residential Tenancies Board will be available to CWOs to allow them to confirm tenancy details in rent supplement cases.

Supervisory Reviews

5.25 SCWOs carry out reviews of rent supplement case files for a number of reasons.

- › A random sample of Supplementary Welfare cases where there was a recent transaction is generated automatically each month for review by the relevant SCWO in each Community Welfare area.
- › In certain situations (e.g. where a non-standard payment is authorised), the decision to award rent supplements can only be made by the SCWO.
- › SCWOs are also required to review case files where the applicant decides to appeal the decision of the CWO, or where overpayments are identified in a case.

In the first six months of 2005, a total of 23,000 cases were selected automatically for review by SCWOs. They can record on the computer file whether or not the case has been reviewed, and if it has, what the outcome was. However, the Department does not routinely analyse the results.

5.26 Case files in the four Community Welfare Service offices visited were examined to establish if there was evidence of reviews by SCWOs recorded on the files.

- › In the Specialised Housing Unit (which deals only with rent and mortgage interest cases), SCWO reviews are recorded routinely on file, and there was evidence that 94% of cases had been reviewed at some time by an SCWO.
- › Where SCWO reviews occur, they are also routinely recorded on files in Clonmel. There was evidence on almost one third of files examined that a supervisory review had been carried out.
- › In the other offices visited, evidence of supervisory reviews was not routinely recorded. Examination of the files indicated queries or instructions by SCWOs were recorded in 17% of cases in Galway, and in just 2% of cases in Mulhuddart.

This suggests that the rate of supervisory review varies significantly from area to area.

Re-certification of Cases in Payment

5.27 Re-certification of payment involves CWOs recording their approval that the payments being made to individual recipients are properly due, and that it is in order to have the payments continue. The draft best practice manual states that CWOs should only re-certify payments 'when the process of satisfying themselves that it is in order to do so has been completed'. CWOs receive automatic warning reports from ISTS prior to the scheduled re-certification dates, notifying them that claimants' continued entitlement should be reviewed. If the claim is not re-certified by the due date, payment automatically ceases.

5.28 At the end of 2005, almost half the cases in payment (48%) were set for re-certification on a yearly cycle, and 41% were on a six-month cycle. The remaining cases were on shorter re-certification cycles. As a result, every case in payment is subject to the re-certification process at least once a year.

5.29 The fact that claims continue over periods longer than the specified re-certification cycles is evidence that CWOs do re-certify payments. However, based on the files examined, CWOs do not generally record what work they do to satisfy themselves that payments are in order when re-certifying payment.

Detection of Fraud and Error

5.30 During visits to four Community Welfare Service areas, SCWOs provided details of 25 cases of alleged serious Supplementary Welfare fraud (including rent supplements), with estimated overpayments totalling more than €630,000. Many of the cases reported were discovered through tip-offs to CWOs from private individuals, or by other agencies (such as the Garda Síochána or immigration services) in the course of their own work. Non-EU nationals accounted for 22 of the 25 cases.

5.31 Two kinds of control activity are carried out to try to identify rent supplement cases where there are overpayments, whether due to fraud, client error or administrative error

- › data matching exercises carried out by the Department
- › formal reviews of cases in payment carried out by Community Welfare staff, with varying degrees of investigation of the circumstances of cases.

Data Matching

5.32 The Department routinely matches data on its own payment systems (including data on rent supplements) with

- › data provided monthly by Revenue on persons registered as having commenced employment
- › data provided each year by third level institutions on persons in full-time education.

Where a match with a Supplementary Welfare Allowance case is found, the relevant Community Welfare Service office is notified that the payment recipient may have commenced employment or begun studying, implying that eligibility to supplementary welfare payments may have changed.

5.33 During 2004, the Department notified health service regions of 8,800 cases where recipients of Supplementary Welfare payments appeared to have commenced work. For the academic year 2003/2004, over 3,000 cases of Supplementary Welfare recipients appearing to have commenced full-time education were notified for review. Community Welfare Service offices do not record or report on the outcomes of these reviews.

5.34 The Department's data matching with the Revenue's 'Commencement of Employment' data is designed primarily to detect cases of 'working and claiming'. While this may be successful in some cases, it will not identify cases where rent supplement recipients are working under false identities, such as those described in case studies 1 and 2 (over).

Review Frequency

5.35 The frequency of review of rent supplement cases varies. In some Community Welfare Service areas, there is a policy of routinely reviewing all live cases. In others, reviews are triggered only when relevant new information about a case in payment comes to hand.

5.36 Case files were examined in the four areas visited to establish what proportion of cases had been reviewed within the preceding six months (see Figure 5.1). This revealed that

- › The highest rates of review of rent supplement cases were in the Specialised Housing Unit and in Galway, where the policy is to review every case on a cyclical basis — every four months in the Housing Unit, and every six months in Galway. In both areas, more than 90% of the cases examined were found to have been formally reviewed at least once in the preceding six months. Cases that had not been reviewed were either recently opened or had closed due to changes in client circumstances (e.g. moving address).

Case studies: Rent supplement recipients working under false identities**Case 1**

A male recipient of rent supplement — an asylum seeker — was reported to the Community Welfare Service to be working under a false name and Personal Public Service Number (PPSN).

Upon investigation, the CWO discovered that the individual in question was working under the assumed identity of a female, which appeared to have escaped the attention of the employer. The fraud amounted to more than €13,000 over a two-year period. Because the claimant's employment ceased, the supplementary welfare payments continued, but an overpayment deduction was set up for €20 per week. The case was reported to the local Garda Síochána, but the claimant subsequently left the country.

The employer in question was discovered also to have another rent supplement claimant working under a false identity. The fraud in this case amounted to €3,000.

Case 2

A non-EU national in receipt of supplementary welfare and rent supplement payments was found to be working under an assumed identity and PPSN. The estimated overpayment amounted to €35,000.

The CWO discovered through interviews with other non-EU nationals that the claimant's assumed identity had been obtained from an EU national who had been brought into the country for a two-week period to apply for a PPSN and then hand it over to the claimant before leaving the country. The CWO understood that the payment method for this kind of identity fraud is either a once off payment or a weekly/monthly percentage of the welfare payment.

Figure 5.1 Percentage of cases recently reviewed in selected Community Welfare Service areas, based on a sample of live cases^a at end 2004

Community Welfare Service area	Number of cases examined	Percentage reviewed within previous 6 months
Specialised Housing Unit	50	94%
Galway	48	92%
Clonmel	48	58%
Mulhuddart	49	39%

Source: Analysis by Office of the Comptroller and Auditor General

Note ^a Five cases, where a decision was pending, or where the case had been disallowed (and may have been awaiting appeal), were excluded from this analysis.

- › In Clonmel, 58% of the cases examined had been reviewed by the CWO in the preceding six months. A six-month cyclical review target has recently been adopted, but prior to that, reviews were carried out only when new information about a case came to the attention of the CWO e.g. through local knowledge, or notification of commencement of employment through data matching.
- › Mulhuddart had the lowest rate of review of live cases — 39% of the cases examined were found to have been reviewed in the preceding six months. Reviews are undertaken in response to new information about the recipient's circumstances acquired through local knowledge, tip-offs or system alerts, but may also be triggered by the client notifying the

CWO of some change in circumstances e.g. a rent increase or change in household composition.

5.37 The review rate for rent supplement cases is higher than the review rate norms for schemes operated directly by the Department. In addition, because there is a high turnover of rent supplement cases, claim entitlement is also subject to CWO scrutiny when follow-on claims are submitted.

Review Methods

5.38 A range of procedures and approaches is used by CWOs in carrying out case reviews, and the pattern is different in each of the Community Welfare areas visited (see Figure 5.2). More than one method may be employed in reviewing an individual case.

- › In three of the four areas visited, review generally involves the CWO sending the rent supplement recipient a form to be filled in by the tenant and the landlord, and sent back within about two weeks. This requires a restatement of details about household composition and income by the recipient, and details of the tenancy provided by the landlord (or an agent). Tenants are also required to provide evidence of current household income from sources other than social welfare payments. Landlords are asked to report if rent payment is in arrears, but evidence of rent payments is usually not sought. While pursuit of arrears is a matter for landlords, seeking a copy of the rent book could assist the CWO in establishing that the tenancy is not becoming insecure due to non-payment of rent, and to avoid situations where exceptional needs payments are subsequently required to clear arrears. This could also be a useful way to verify that the tenant's contribution has been paid each week where the rent supplements are paid directly to the landlord.

Figure 5.2 Case review methods and outcomes in selected Community Welfare Service areas, based on a sample of live cases at end 2004

	Specialised Housing Unit	Galway	Clonmel ^a	Mulhuddart
	Percentage of cases			
Method(s) used in carrying out reviews				
Recipient asked to re-submit form	70%	89%	82%	26%
Re-interview of recipient	6%	2%	—	—
Home visit	77%	—	—	5%
<i>(Home visit at claim take-on)</i>	<i>(68%)</i>	<i>(8%)</i>	<i>(84%)</i>	<i>(43%)</i>
Other ^b	15%	11%	29%	74%
Outcome of reviews				
Rent supplement payment unchanged	83%	80%	76%	68%
Rent supplements increased	4%	—	4%	11%
Rent supplements reduced/stopped	13%	20%	20%	21%

Source: Office of the Comptroller and Auditor General analysis of case files reviewed in preceding six months

Notes: a Reviews in three cases in Clonmel had recently commenced, and the likely outcome was not clear. These cases were not included in the analysis of review outcomes.

b Examples of other forms of review are CWO investigations, direct contact with landlord, reassessment/recalculation of rent supplements, ISTS reviews.

- › Home visits may potentially yield information about household circumstances (e.g. evidence of household consumption at variance with declared income) and may have a deterrent effect on potential fraud attempts. However, only the Specialised Housing Unit uses home visits routinely as part of the case review process. The practice is to give the recipient about 10 days notice of the visit, but giving such extended notice provides an opportunity for any recipients who are engaged in fraud to make arrangements to be present for the visit or to remove evidence. Unannounced or short-notice visits, including early morning or early evening calls, could be more effective where recipients are suspected of working and claiming, or of subletting.
- › Inviting a rent supplement recipient to the CWO's office to be re-interviewed about his/her claim is not normally a part of the review process. In general, re-interviews are arranged only when the CWO finds a significant discrepancy in information supplied, or gets additional information from an external source or from their own investigations.

5.39 In all of the Community Welfare areas visited, control and review activity is carried out mainly by CWOs, operating in their own areas. There are no specialist investigation staff or units, as is usually the case with Department run schemes.

5.40 At local level, SCWOs have occasionally organised targeted investigations, drawing together CWOs working locally or borrowing CWOs from other areas under reciprocal arrangements. Investigations may involve a programme of unannounced home visits, or visits to places of employment. This strategy is employed where there is a suspicion of generalised fraud. Investigations may target all cases in a locality with a high number of rent supplement recipients, or specific types of claimant where local knowledge suggests a particular fraudulent practice may be in widespread use.

5.41 In areas where targeted investigations have been carried out, they are considered an effective means of maximising available resources to detect persons who may be working while claiming, not resident, sub-letting, etc. However, the level of resources available and the caseloads being managed limit the extent to which they can be implemented. CWOs do not have legal powers to enter places of employment where they suspect cases of working and claiming but they can alert the local Department inspection staff of their suspicions in such cases.

5.42 CWOs may suspend payment of rent supplements in a case under review if a recipient fails to provide required information, or if the CWO has reasonable grounds for believing that the claimant may not be entitled to payment of rent supplements. Where a suspension is subsequently lifted (e.g. if required information is provided and does not warrant a change in payment), arrears of payments then issue.

5.43 Practice around suspension of payment varied in the areas visited. When the files of cases that had recently been subject to review were examined, payment was currently suspended in 20% of cases in Galway, but in only 2% of cases in the Specialised Housing Unit and 7% of cases in Clonmel. None of the cases examined in Mulhuddart were currently in suspension.

5.44 At the end of 2005, around 4,400 live rent supplement cases nationally (about 7% of the total) were in suspension. How many of these were subsequently re-instated to payment, remain suspended or were closed is not known. However, about 1,500 cases were closed during 2005 'following general suspension' or because 'information or documentation is outstanding'. This represents less than 2% of all cases live during the year.

Outcomes of Reviews

5.45 Cases recently subject to review in each of the Community Welfare Service areas visited were examined to establish the outcomes of the reviews in terms of their impact on payments (see Figure 5.2). The main findings were

- › The review work carried out in all areas resulted in the rent supplement payment remaining unchanged in most cases.
- › In three areas — Galway, Clonmel and Mulhuddart — review work on the cases examined resulted in the rent supplements amount being reduced or stopped in around 20% of cases. In the Specialised Housing Unit, review work resulted in fewer cases where payment was reduced or stopped. This may reflect the greater frequency of reviews carried out by the Unit, and/or the deterrent effect of regular home visits. In addition, the client base of the Unit appears to be relatively settled, with longer duration tenancies and a lower rate of movement between addresses than occur in the other areas examined.
- › The relatively high proportion of cases in Mulhuddart where rent supplement payment increased following review reflects the incidence of reviews prompted by claimants seeking increases related to changes in circumstances.

Follow-up Action

Recovery of Overpayments

5.46 There is a complex system in place to manage the recovery of overpayments in supplementary welfare cases, whether due to fraud or error. Key elements of how the system is designed to work include

- › When the Community Welfare Service discovers that there has been an overpayment in a case, the CWO informs the recipient of the overpayment amount, and asks the recipient for a comment. The amount of the overpayment is then determined.
- › CWOs use stand-alone ledger systems to track repayments, whether by means of deductions or amounts received directly in Community Welfare Service offices.
- › In addition to the local ledger, the CWO should record the amount of the overpayment on the ISTS system. However, the origin of the overpayments entered on the system and the scheme to which they relate cannot be established from the ISTS system. Any agreed deductions may also be entered on ISTS and are deducted automatically when subsequent payments are made.
- › Where the recipient of a rent supplement overpayment agrees to make direct repayments, the CWO issues a receipt for each payment. Funds received are lodged by staff in each Community Welfare area into a bank account. The Department has established a bank account for each health service area.
- › A separate notification of each overpayment should be sent to the Department, which has a Central Debt Management Unit. The latter monitors debts and repayments, if any.

5.47 In practice, the complex debt management system is not working well, and consequently there is no means of accurately identifying how much overpayment of rent supplements has been discovered by CWOs, or what the rate of recovery of debts is. Some of the deficiencies noted during this examination were

- › In general, CWOs are not formally notifying the Department of overpayments they discover.

- › In three of the four Community Welfare areas visited, there was only partial recording of overpayments on the debtors' ledger system, showing overpayments due, amounts recovered and balances outstanding. In some cases, actual ledger books were used; in other cases, overpayments and repayments were recorded on locally developed spreadsheets, rather than on properly designed accounts systems.
- › There was no system in place in any of the Community Welfare Service offices visited to allow clients who had left the social welfare system to make repayments through bank giro, standing orders or direct debit. Individuals are therefore required to attend at the Community Welfare Service offices during the set opening times to make cash refunds on a weekly or monthly basis. This may be inconvenient, especially where former recipients have taken up employment, and may encourage defaults on agreed repayments.
- › There is no reconciliation of the Department's debt account and the accounts held locally of individual debtors.

5.48 The Department is planning a major overhaul of the debt management system, which has been in place since 1987. A business case for a new central overpayments and debt management system was prepared and approved as far back as 1997. Due to other information technology commitments (including Year 2000 work), the system was not developed. The project has recently been re-activated. The high level objective of the project is to implement a new central overpayments and debt management system, including overpayments arising in supplementary welfare.

5.49 The Department had a general policy that it would not seek recovery of overpayments through deductions from ongoing welfare payments if, in doing so, the debtor's means were reduced below those required to meet his/her household's basic needs.¹⁶ The policy has recently been amended so that overpayments can now be recovered through welfare deductions even if the welfare payment is brought below the assessed basic needs level.

5.50 Some recipients of rent supplements have agreed with Community Welfare staff to have significant deductions made from their rent supplement payments, even though this apparently brings them well below the minimum income level (see case study 3).

Prosecution in Fraud Cases

5.51 Payment of rent supplements and other income supports may continue following the discovery of fraud, even where the amounts defrauded are significant, based on the current financial circumstances of recipients' households. Even if deductions from entitlements are agreed in such cases, they may be unlikely to achieve a significant recovery of the overpayment identified (see case studies 4 and 5). As a result, there may be little financial risk involved in making a fraudulent claim for rent supplements. In such circumstances, prosecution of alleged fraudsters and the securing of criminal sanctions (including community-based sanctions) against convicted fraudsters may potentially be the only significant deterrent.

5.52 The HSE has statutory power to initiate legal proceedings against individuals alleged to have fraudulently claimed supplementary welfare payments. In practice, very few prosecutions have been brought against persons alleged to have carried out frauds in supplementary welfare and rent supplement cases.

¹⁶ For an individual on rent supplement, this implies a minimum income of €148.80 a week, of which he/she is required to contribute €13 towards the rent.

Case studies: Deductions from payments to recover overpayments**Case 3**

The only declared income of a rent supplement recipient is Supplementary Welfare Allowance. The family, consisting of a couple and their children, are paying €1,150 in rent each month, and have been awarded rent supplement of €1,094 per month. Their contribution to the rent is €56 per calendar month (i.e. the minimum €13 per week).

This recipient has overpayment on welfare schemes totalling €13,124 recorded against him. He has agreed to deduction of €300 per month from his rent supplement payment.

Case 4

An asylum seeker received supplementary welfare payments, including rent supplement, totalling €85,000 over four years. Through an anonymous tip-off, a CWO discovered that he was working under a false identity. Investigations revealed that the false identity had been used throughout the life of the supplementary welfare claim, but the recipient admits to having used it for only the last two years. The amount of the overpayment is therefore disputed.

As an asylum seeker, the recipient is not entitled to work in the State. He continues to receive supplementary welfare and rent supplement payments. He has agreed to deduction of €15 a week (equivalent to €780 a year) from his current payments.

Case 5

The spouse of a rent supplement recipient was discovered to be working using a valid PPSN belonging to a third party. During the time the spouse was working, the recipient received Supplementary Welfare Allowance basic income payments and rent supplement payments totalling over €30,000.

When the identity fraud was discovered, the spouse ceased working. Based on the recipient's current household means, payment of Supplementary Welfare Allowance and rent supplement continued. The recipient has agreed to a deduction of €20 a week (equivalent to just over €1,000 a year) from the rent supplement entitlement of €183 a week.

5.53 HSE and Community Welfare staff have stated that there are a number of reasons why they do not prosecute alleged supplementary welfare fraudsters. The main difficulties they identified are

- › The primary focus of the Community Welfare Service is on supporting individuals and families in difficult circumstances, including those with criminal convictions who need assistance to re-integrate into society. This ethos works against the development within the Community Welfare Service of a vigorous policy for the pursuit of prosecutions against persons who are alleged to have engaged in fraud.
- › Community Welfare staff generally feel they lack the powers, resources and expertise to carry out fraud investigations to a standard that would allow a successful prosecution to be pursued. Where evidence of serious fraud is discovered, cases have been referred to the Garda Síochána, but the latter may not be in a position to give priority to these cases.
- › HSE management expressed doubts about the likely success of the HSE in pursuing a prosecution against an individual for fraudulently obtaining welfare payments made, not by itself, but by the Department.
- › The Department wrote to the Office of the Chief State Solicitor in May 2004 to ask if the Office could provide legal services to health boards in relation to Supplementary Welfare Allowance prosecutions. The Office replied in November 2004 that it has no such role.

5.54 The Department has stated that it is committed to assisting the HSE in initiating proceedings against alleged fraudsters.

Conclusions

5.55 A significant amount of control work is happening at Community Welfare Service area level, and overpayments of rent supplements are being detected. However, it is not clear how effective the control work is, or if control activity is targeted in the areas of greatest risk.

- › The concept of control savings is a poor measure of the effectiveness of control activity.

In place of control savings targets, the Department, in conjunction with the HSE, should develop random sample based methods to estimate the extent of overpayments on Supplementary Welfare Allowance claims, and to assist in identifying the causes of overpayment. This would help to establish how successful control activity is in detecting and deterring error and fraud.

- › There is considerable variation between Community Welfare Service areas in the application of controls over rent supplement claims. Control priorities are developed locally by Community Welfare Service staff, and in some cases, the approach and activity level are dictated by local resource availability and by competing demands on CWO time.

The HSE and the Department should ensure that there is greater consistency in the application of controls over supplementary welfare payments. Where variations arise, these should be related to the assessed risks associated with the claimant population in the area concerned. Available Community Welfare Service resources should be deployed in response to the demands on the Service in each area and the associated control risks.

- › Trying to recover overpayments of supplementary welfare payments may be difficult and/or inappropriate in situations where the persons concerned are relying on basic welfare incomes. In practice, there is little risk of a meaningful financial penalty or prospect of criminal sanctions to deter claimants from attempting a claim fraud.

The Department and the HSE should sort out the impediments that currently prevent prosecutions being taken, and adopt a policy of prosecuting quickly in serious fraud cases, so that the risk of a criminal conviction and sanctions (including community based sanctions) acts as a deterrent to fraud of rent supplement.

6 Addressing Social Housing Needs

6.1 Rent supplement payments started as a way to assist households that had a short-term need for help in meeting their housing costs, until their temporary difficulties had been resolved. Since then, they have evolved into a major social housing assistance scheme, and many recipients are availing of rent supplement assistance on a long-term basis.

6.2 This part of the report looks at the objectives set for rent supplement and how they relate to overall national housing policy. It also looks at the extent to which social housing provision relies on rent supplement payments, and the duration of individual recipients' dependence on the scheme.

Objectives of the Rent Supplement Scheme

6.3 The Supplementary Welfare Allowance scheme serves as a 'safety net', or scheme of last resort, for persons with insufficient income to meet their needs, including in situations where they are awaiting decisions on mainstream income support schemes. By extension, rent supplement payments provide a safety net for households that have no other way of meeting their housing needs.

6.4 In stating its objectives for the Supplementary Welfare Allowance scheme, the Department does not distinguish between rent supplements and other forms of supplements. Rent supplements is not specifically mentioned in the statement of objectives, even though it is the largest single expenditure under the scheme. The stated objective is

to provide income support in the form of a weekly/monthly supplement to those with additional specific needs, identified either in association with other personal and social services or on an individual basis, that cannot be met from their standard minimum income.

6.5 The view of rent supplements as an income maintenance scheme is reflected in a recent expenditure review carried out by the Department.¹⁷ This included an examination of the validity of the objectives of the Supplementary Welfare Allowance scheme. The objectives were examined to establish their compatibility with a range of multi-agency strategies and programmes, such as the National Anti-Poverty Strategy, the National Health Strategy and the Primary Care Strategy. Despite the significant expenditure on rent supplements, the compatibility of the objectives of the Supplementary Welfare Allowance scheme with national housing policy was not considered in the review. However, it is now being considered in a follow-on study.

6.6 The Department of the Environment, Heritage and Local Government has primary responsibility for overall national housing policy and for policy in relation to social housing. Its statements of housing policy objectives do not include references to the objectives rent supplement payments are expected to achieve in terms of provision of assistance with housing needs.

Duration of Rent Supplement Dependence

6.7 Implicit in the concept of rent supplements as a short-term income maintenance scheme is the idea that it is designed to assist households that experience a temporary emergency in their circumstances, until an appropriate longer-term solution to meeting their accommodation needs

¹⁷ Department of Social and Family Affairs, **Review of the Supplementary Welfare Allowance Scheme: Phase 1 Report**, December 2004

can be put in place, either by the members of the household themselves, or by other social support services. However, the Department has not set claim duration targets (e.g. average claim duration, maximum claim duration), so claims can continue indefinitely. In practice, many of those who are granted rent supplement remain as recipients for extended periods.

6.8 Figure 6.1 shows the distribution of claim duration for rent supplement recipients at the end of each year from 2000 to 2005. Just under half of the claims that were live at the end of 2005 were of short duration i.e. had commenced in the previous twelve months. The pattern of claim duration was the same in 2000 and 2005. In the intervening years, the growth in new claims resulted in the percentage of short-duration claims increasing, to a peak level of 57% of all claims in 2003.

Figure 6.1 Duration of rent supplement claims, end December 2000 to 2005

Duration of claim	2000	2001	2002	2003	2004	2005
	%	%	%	%	%	%
Less than 6 months	29	32	38	35	29	29
6 to 12 months	19	17	18	22	19	19
12 to 18 months	13	12	11	14	16	13
18 months and over	39	39	33	29	36	39
All claims	100	100	100	100	100	100

Source: Analysis by Office of the Comptroller and Auditor General

6.9 The duration of a rent supplement claim at a point in time underestimates the duration of the underlying need for assistance with housing. Claimants may have had previous claims at other addresses, and the claim may continue into the future. In some cases, the long-term nature of the housing need may be apparent from an early stage.

6.10 An alternative indicator of the likely duration of need for housing assistance can be derived by estimating the likelihood that someone who is in receipt of rent supplement at a point in time will still be claiming rent supplement at a later period (e.g. one year later, two years later, etc). Analysis of the end-year data on rent supplement recipients in the years 2000 to 2005 indicates that, consistently, around 70% of those in receipt of rent supplement at a point in time are likely still to be in receipt of rent supplement one year later.¹⁸ Around 55% of those in receipt of supplements are likely to be still in receipt of rent supplements two years later. This indicates that many of the households that depend on rent supplements do not fit within the concept of having a temporary or short-term requirement for assistance with their housing needs.

Rent Supplements and Social Housing

6.11 The Department of the Environment, Heritage and Local Government provides significant funding each year for social housing delivered through local authorities and voluntary and community housing bodies. Around €2 billion was provided for social housing in 2005 (i.e. excluding spending on rent supplements).

6.12 Traditionally, housing assistance for those on low incomes has been provided mainly by local authorities in authority-owned accommodation units, on a rental basis. Those on low incomes and in need of housing assistance apply to the housing department of the relevant local

¹⁸ This may be the same claim continuing, or involve a new claim at another address.

authority. Applicants accepted by the authority as being in need of housing are entered on the housing list. Accommodation is offered to applicants on the list in order of priority, depending on the availability of housing units, household composition of the applicant, and the conditions in which the applicant household was living. Tenants of local authorities may have income from employment and/or from social welfare schemes, and rents charged are related to the ability of the tenant to pay.

6.13 Since the early 1990s, the Department of the Environment, Heritage and Local Government and the local authorities have also been supporting the provision of low-cost housing by voluntary bodies under two capital funding assistance schemes. By the end of September 2005, approved housing bodies had completed a total of around 13,200 units with the aid of the schemes.

- › Under the **Voluntary Housing Capital Assistance Scheme**, housing authorities may make loans to approved bodies in respect of the provision of accommodation for renting to eligible categories of persons – persons entitled to be on Local Authority housing lists. The scheme is administered by local authorities. The voluntary housing bodies assist in the provision of rental accommodation, generally in small units, to meet special housing needs such as those of the elderly, disabled, homeless or smaller families. Many in these groups would have a relatively low priority on the normal local authority housing list, or require extra supports in their homes.¹⁹
- › Under the **Capital Loan and Subsidy Scheme**, voluntary housing bodies provide housing for renting, particularly to meet the needs of low-income families.

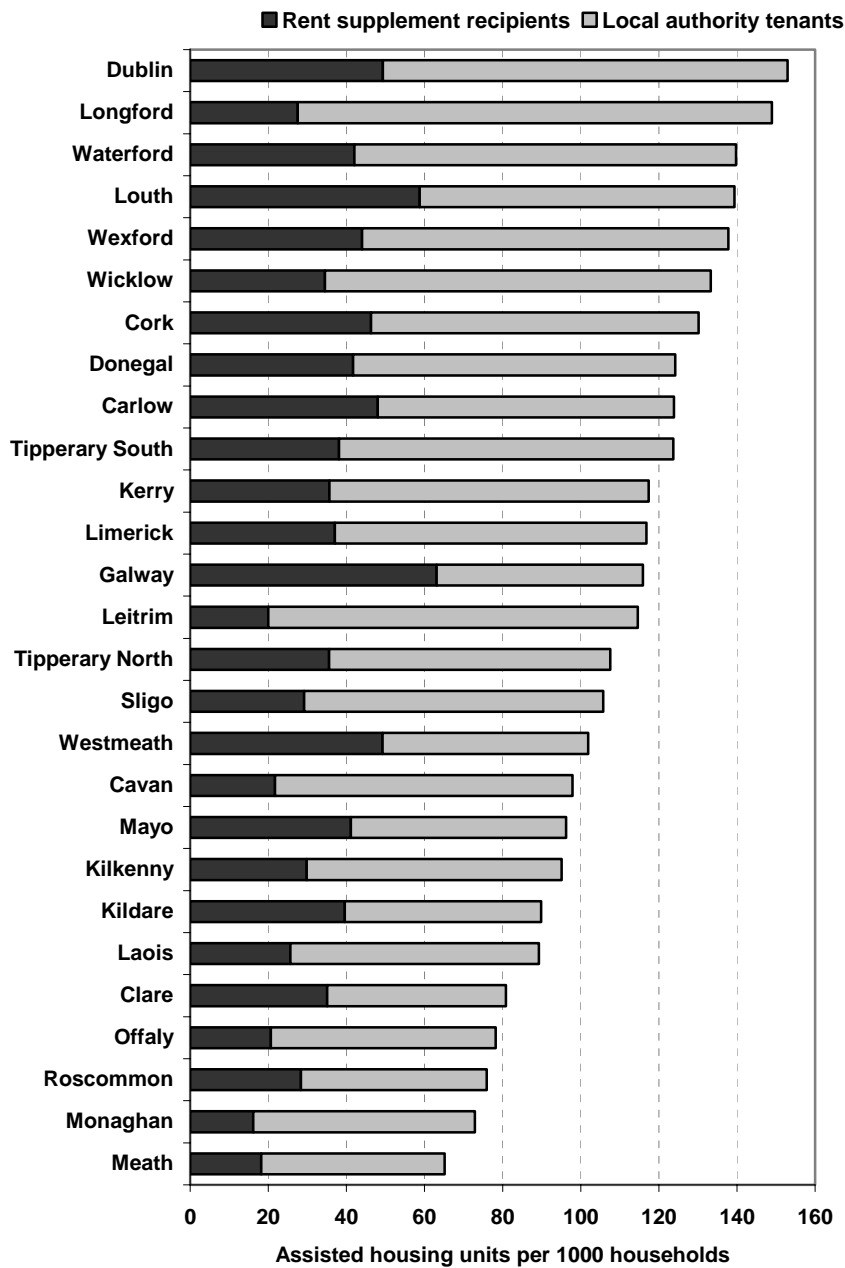
6.14 At the time of the last census (in 2002), there were around 1.28 million households in Ireland. At the end of that year, there were around 104,700 households renting local authority accommodation and around 54,300 recipients of rent supplement payments. This suggests that nationally, publicly-assisted households accounted for 124 out of every 1000 households, and rent supplement recipients accounted for up to one third of publicly-assisted housing provision nationally.

6.15 County-by-county, rent supplement recipients accounted for between a quarter and half of all publicly-assisted housing provision (see Figure 6.2). In one area — Galway City and County — there were more recipients of rent supplements (63 recipients per 1000 households) than there were local authority tenants (53 tenants per 1000 households).

6.16 The demand for local authority and voluntary housing significantly exceeds the available supply, resulting in considerable waiting lists for access to social housing. Nationally it is estimated that almost 43,700 households were on local authority waiting lists at end March 2005. In practice, the rent supplement scheme serves as a fall-back for many households waiting to avail of social housing. For others, it serves as an alternative to normal social housing provision. Since rent supplement is generally available only to those that depend on social welfare payments, there is a risk that this may give an incentive to many households in need of housing assistance to remain dependent on social welfare.

19 Eligible tenants in Capital Assistance Scheme accommodation units may receive rent supplement assistance with their rents. However, the rents and the rent assistance are restricted, in recognition of the provision of capital funding by the State for the development of the accommodation.

Figure 6.2 Rent supplement recipients and households renting from local authorities, per 1000 households, by county, 2002



Source: Census of Population 2002; ISTS database; Department of the Environment, Heritage and Local Government

The Rental Accommodation Scheme

6.17 An interdepartmental group set up to review the role of Supplementary Welfare Allowance in social housing concluded in its 1995 report²⁰ that it was not desirable to have two different and contrasting approaches to meeting social housing needs. It recommended an integrated approach to the allocation of housing resources by a single agency within a single legislative framework.

6.18 Another interdepartmental group was established in March 1996 to examine the issues arising in the transfer of the administration of rent supplement (and mortgage interest supplement) to local authorities. The group reported in June 1999²¹ and concluded that

- › Arrangements to facilitate the payment of rent assistance (where it was deemed appropriate to meet housing need) should be provided by local authorities as part of, and integrated into, social housing policy.
- › The strategic objective was to make available to local authorities a comprehensive range of social housing options, including rent assistance and the direct provision of accommodation, to meet such needs.
- › Short-term rent supplementation (up to 12 months) for those who already have their own rented accommodation but who become unable to pay the rent (due to circumstances such as loss of employment) is an income maintenance issue, and should therefore remain part of the welfare system.
- › All others with a housing need would apply in the first instance to the relevant local authority.
- › The welfare system would continue to provide a ‘safety net’ to meet urgent need in specific cases e.g. where persons need immediate rent assistance pending determination of a housing need application to a local authority.

6.19 A planning group was established in March 2000 to draw up detailed proposals for the implementation of the arrangements envisaged in the 1999 interdepartmental report. Based on the work of the planning group, the Government decided in July 2004 that local authorities will assume responsibility for meeting long-term housing assistance needs through accommodation-based approaches, including the traditional range of social housing options. This will include the development of medium or long-term contractual leasing arrangements with private accommodation providers.

6.20 The Rental Accommodation Scheme is being developed jointly by the Department of the Environment, Heritage and Local Government, the Department of Social and Family Affairs, the local authorities and the HSE/Community Welfare Service, to give effect to the Government decision. The primary objective of the Scheme is that where households in private rented accommodation have a need for long-term housing assistance, it will be provided by local authorities. Subject to review of the scheme by Government in 2008, it is planned that rent supplement payments will then be used to meet only short-term needs for assistance with accommodation costs. An outline of the Rental Accommodation Scheme is provided in Appendix E.

20 Report of the Review Group on the Role of Supplementary Allowance in Relation to Housing, 1995

21 Department of the Environment and Local Government, **Administration of Rent and Mortgage Interest Assistance**, June 1999

6.21 The Department of the Environment, Heritage and Local Government envisages that the Rental Accommodation Scheme will involve a three-way contractual relationship between the relevant local authority, the accommodation provider (private landlord) and the scheme recipient.

- › The local authority will lease suitable accommodation under medium to long-term contracts with private landlords, and will assume responsibility for making full payments to accommodation providers. Accommodation providers will be required to produce evidence to local authorities that they are tax compliant.
- › Tenants will make a contribution to the local authority towards the rent for the accommodation. The level of contribution will be linked to the Differential Rents Scheme for local authority housing for households in similar circumstances.
- › Tenants will continue to be eligible for social housing, if they so desire.

6.22 Initially, the main emphasis will be on developing arrangements between local authorities and landlords of existing rent supplement-assisted accommodation to secure long-term availability of such accommodation. However, additional accommodation will also be sourced, to maximise the response to needs and strengthen the negotiating position with landlords of existing accommodation.

6.23 The original estimate was that around 18,000 rent supplement recipients would transfer to the Rental Accommodation Scheme. This was subsequently revised to an estimate of around 30,000. The latter figure is more in line with the number of recipients of rent supplements who avail of the scheme long term, and may even be an underestimate of the numbers of persons/households who have a long-term housing assistance requirement.

6.24 The target is to have the Rental Accommodation Scheme fully operational in all local authority areas by September 2008. The Scheme was initially piloted in eight local authority areas²² and it was planned that all local authorities would initiate the Scheme in their own areas by the end of 2005. The Scheme is currently operating in 16 local authority areas and the Department of the Environment, Heritage and Local Government now expects that all local authorities will have commenced the Scheme by mid-2006.

6.25 Up to the end of 2005, a total of 505 rent supplement recipients had been transferred to the Rental Accommodation Scheme. Almost all of these were tenants living in voluntary housing accommodation units.

6.26 In the areas where the Scheme is operating, CWOs review client files of all those whose rent supplement claims are 18 months or more in payment and the details of those who may have a long-term housing need are given to the relevant local authority. Lack of relevant data in the ISTS database has slowed down the identification of rent supplement households that might be suitable for transfer to the Rental Accommodation Scheme. Ongoing accurate and efficient transfer of client information from ISTS and/or Community Welfare Services to local authorities will be necessary. Success in this data transfer will depend on agreed protocols, data system compatibility and recording on ISTS of relevant information at claim take on.

6.27 The Local Government Computer Services Board is developing a new Integrated Housing System to support operation of the Rental Accommodation Scheme. This is planned to allow local authority management to access and check client data centrally in administering cases being taken

²² The areas are those of Dublin, Galway and Limerick City Councils, South Dublin, Donegal, Offaly and Westmeath County Councils, and Drogheda Borough Council.

on under the Rental Accommodation Scheme. Tenders were sought for development of the Integrated Housing System, and a preferred bidder has been selected.

6.28 Reports on progress in developing the Rental Accommodation Scheme are to be submitted to the Government every six months. The first report was submitted to Government in July 2005. An independent evaluation of the operation of the Scheme was to have been carried out at the end of 2005. Because of the low level of transfer to date, not enough is known yet about the likely costs of accommodation provision, so a full evaluation is not yet feasible. An interim evaluation has been undertaken based on the available information and a report on the preliminary findings is being finalised.

Best Value in Social Housing Provision

6.29 A central objective of the Rental Accommodation Scheme is the achievement of better value for money in the provision of accommodation for households in need of long-term social housing who would otherwise avail of rent supplement assistance. No specific targets have been set in relation to the savings to be achieved.

6.30 The primary question around the best value for money option in the long-term provision of social housing centres on the choice between investing in direct public provision of housing or in renting accommodation, whether through rent supplement assistance or under Rental Accommodation Scheme leasing arrangements. This is analogous to the choice households with sufficient income may make in choosing to rent or buy.

6.31 The Department of the Environment, Heritage and Local Government has carried out some analysis of the relative cost of renting and investing in social housing. It has concluded that there is no easy way to determine which is more cost efficient. The discounted costs of the two options are subject to different results depending on type of household accommodation, location and conditions in the rented market. The overall comparison is also subject to critical assumptions about increases in house prices, market rents and construction cost into the future and about public policy relating to the sale of local authority housing and public finances generally. Qualitative issues relating to the value ascribed to the development of estates with mixed tenure types, issues relating to social integration and the ability to respond quickly to changing housing needs and economic and labour mobility also have a bearing on any policy decisions in this area.

6.32 The Department of Social and Family Affairs has stated that it is committed to carrying out research into the relative cost effectiveness of rent supplement and the various social housing options.

Conclusions

6.33 The importance of ensuring consistency between the various social housing programmes, including rent supplements, has been officially recognised since at least the mid 1990s, but agreement on, and implementation of, organisational changes to give effect to a more integrated approach have been slow. Development of the Rental Accommodation Scheme along the planned lines potentially will result in significantly greater integration.

- › The Department treats rent supplements as one of a diverse range of supplementary welfare payments. The scale, nature and complexity of rent supplement payments suggest that it should be treated as a separate scheme.

The Department should manage, operate and report on rent supplements as a scheme in its own right, run in parallel with the Supplementary Welfare Allowance scheme.

- › Rent supplements operates on a very different scale to that implied by the original concept of its being a payment to assist persons with a need for temporary assistance in meeting housing costs. It is, in fact, a major social housing scheme and will continue to be so for some time, even allowing for the full implementation of the Rental Accommodation Scheme as currently envisaged.

The Department should state its objectives for rent supplements in terms of the housing needs it is expected to address e.g. the target duration of support, target demographic groups, housing standards, cost of accommodation provision, etc. This should be done in conjunction with the Department of the Environment, Heritage and Local Government, so as to ensure there is consistency of objectives across all schemes for social housing provision, that there is clarity about what needs are to be addressed by which agencies, and agreement on how best to achieve the desired outcomes. Only when targets focused on housing objectives are in place will it be possible for the Department to evaluate and report meaningfully on the effectiveness of rent supplements, and on the extent to which it is acting as a safety net for other social housing schemes.

- › Rent supplements is helping to meet the accommodation needs of two social groups. The target group is those with a need for temporary financial assistance with housing costs (including persons awaiting an assessment of housing need by a local authority). The second group is those with an identified long-term housing assistance need but who cannot be accommodated at the moment, and who are reliant on rent supplement as a fall-back.

In its case recording and reporting on performance about rent supplements, the Department should try to distinguish between recipients that fit into the primary target group and those availing of rent-supplements as a fall-back scheme.

- › Further evaluation of the cost effectiveness of options for the provision of social housing is required to inform decision making.

The Department of the Environment, Heritage and Local Government should carry out or commission further analysis of the relative cost effectiveness of options for the provision of social housing. The results of the analysis should be published to facilitate public debate on the relative merits of the different social housing options.

Appendices

Appendix A

Rent supplement expenditure in the Clonmel Community Welfare Service area

The pattern of expenditure on rent supplement in the Clonmel Community Welfare Service area was investigated to establish which factors contributed most to changes in expenditure on rent supplement there between the end of 2000 and the end of 2004. Almost 400 randomly selected cases were examined — half from the case load at the end of 2000 and half from the case load at the end of 2004.

Around €28,700 per week was being paid out in respect of rent supplements in the Clonmel area at the end of 2000 — equivalent to an annual expenditure of around €1.5 million. Payments had increased to around €53,300 a week by the end of 2004 — equivalent to annual expenditure of €2.8 million. The total increase in the spending level was 86%.

The number of recipients of rent supplements increased from 403 at the end of 2000 to 562 at the end of 2004 — an increase of 39%. The average rent supplement payment increased from around €71 a week at the end of 2000 to around €95 a week at the end of 2004 — an increase of 33%.

The composition of households depending on rent supplements changed in some ways, but the changes had a negligible net effect on the average rent. Key changes noted were

- › the biggest category of household — single individual households, whether living alone or in shared accommodation — increased from 47% of recipients in 2000 to 51% in 2004
- › families with one child accounted for 29% of rent supplement dependent households in 2000, and 31% in 2004
- › one-parent families accounted for 84% of households with children in 2000, and 92% in 2004.

The mix of accommodation types rented in Clonmel changed in a number of ways between the end of 2000 and the end of 2004. Some of the changes were related to the shifts in household composition. Changes in the kind of accommodation sought by single individual households also had an impact on the mix. Key changes were

- › 18% of rent supplement recipients were renting three-bedroom houses at the end of 2004, compared to 13% at the end of 2000
- › the percentage of rent supplement recipients in shared accommodation increased from 14% in 2000 to 18% in 2004
- › the percentage of rent supplement recipients in bed-sit accommodation fell from 7% in 2000 to 2% in 2004.

Average rents paid by rent supplement recipients increased from around €88 per week in 2000 to around €116 per week in 2004. The changes in the mix of accommodation types resulted in a 4% increase in the average rent paid. Increases in rent levels resulted in a further 27% increase in average rents.

The increase in rents matched almost exactly the increase in the rent limits (29%). In terms of individual accommodation types

- › Rents paid for one-bedroom, two-bedroom and three-bedroom units increased by between 20% and 30%

- › Rents paid by rent supplement recipients in shared accommodation increased by 34%, but shared accommodation remained the cheapest form of private sector rental accommodation for most single person households.

The proportion of the rent paid by rent supplement households themselves was constant, at about 17% i.e. around €14.90 a week in 2000 and around €19.60 a week in 2004.

Appendix B

Rent supplement recipients by nationality group, year end, 2000 to 2005

Nationality group of claimant	2000	2001	2002	2003	2004	2005
Irish	20,200	21,600	26,300	31,900	32,400	34,600
Other EU states (pre May 2004) ^a	2,700	3,200	4,000	4,500	4,200	4,200
EU accession states ^b	100	300	600	700	800	900
Non-EU states	6,300	7,800	11,300	12,200	11,600	11,900
Nationality not recorded ^c	13,400	12,300	12,000	10,900	9,000	7,500
All live cases	42,700	45,300	54,300	60,100	57,900	59,100
Of which						
Asylum seekers	3,900	4,900	5,900	5,300	3,900	2,200
Refugees	200	200	500	600	700	800

Source: Analysis of ISTS data by Office of the Comptroller and Auditor General

Note: a Nationals from any of the states of the EU (excluding Ireland) prior to enlargement on 1 May 2004.

b Nationals from any of the 10 states that joined the EU on 1 May 2004.

c A visual survey of the claimant names for a random sample of claims where nationality was not recorded suggests this group consists of persons of all nationality groups, including Irish nationals.

Appendix C

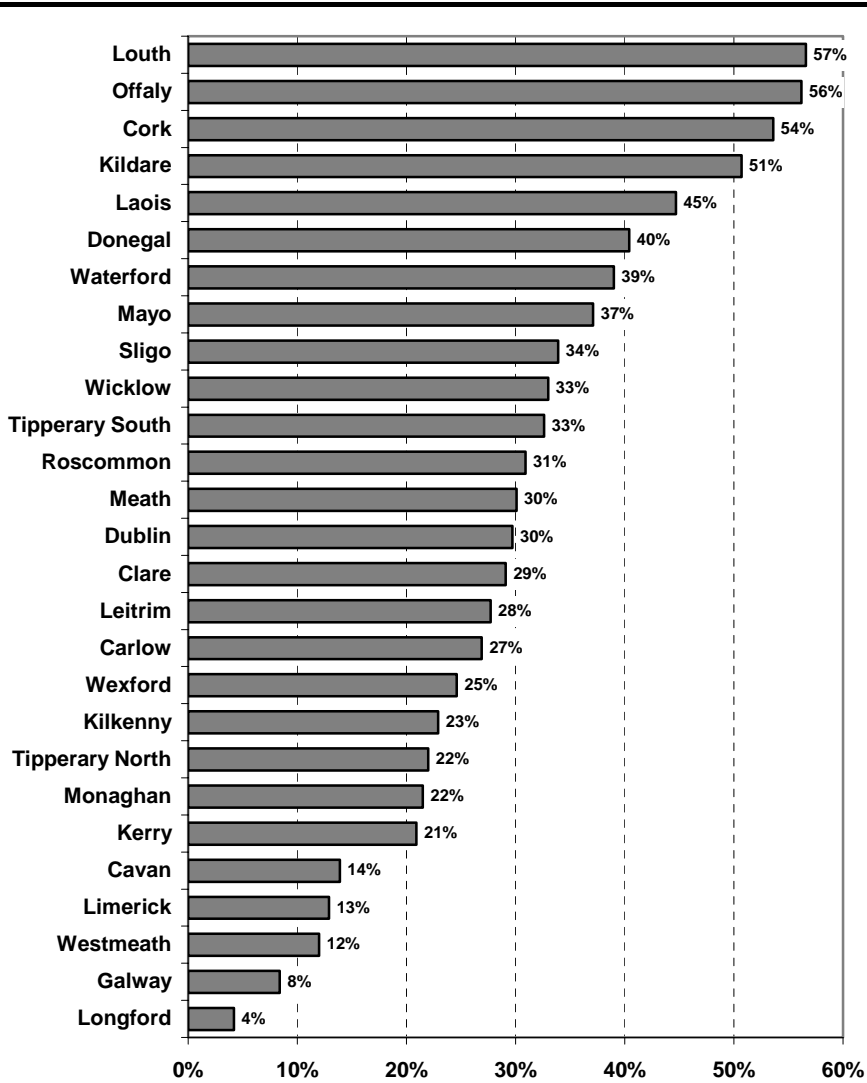
Maximum rent limits (€per week) effective from 25 July 2005 to 31 December 2006

Health service area	Household category						
	Shared accommodation		Separate households				
	One person	Couple	One person	Couple with no children	Family with 1 child	Family with 2 children	Family with 3 children
	€	€	€	€	€	€	€
East	98	98	120	178	220	276	276
Midlands: Westmeath & Longford	70	70	90	120	140	160	175
Laois & Offaly	70	70	100	120	140	160	175
Mid West	70	70	100	130	150	170	185
North East: Monaghan & Cavan	70	70	85	121	140	155	191
Louth & Meath	70	70	100	130	150	170	200
North West	70	70	85	120	140	153	170
South East	80	80	115	130	150	170	170
West	70	70	115	115	175	200	200
South	75	75	100	153	153	190	203

Source: Department of Social and Family Affairs

Appendix D

Percentage of rent supplement cases where payment is to a nominee, end-December 2005



Source: Analysis by Office of the Comptroller and Auditor General

Appendix E

General Overview of the Rental Accommodation Scheme

This overview was prepared by the Department of the Environment, Heritage and Local Government in May 2005, and is published on the Department's website.

Background

Arising from a joint memorandum by the Departments of Social and Family Affairs and Environment, Heritage and Local Government, the Government decided in July 2004 that new arrangements be put in place for the provision of housing for long-term rent supplement recipients (of 18 months plus) through the sourcing by housing authorities of accommodation from the private rented market or through other social housing measures.

The Rental Accommodation Scheme (RAS) is to be implemented over a four-year period, with local authorities progressively taking over responsibility for housing rent supplement recipients transferred to them. The transfer of long-term rent supplement recipients to RAS commenced in 2005. It is estimated, based on current figures of persons in receipt of rent supplement on a continuous basis for more than 18 months, that in the region of 30,000 persons will be assessed as to their long-term housing need with a view to their possible transfer to RAS over the four-year period.

Objective and benefits of RAS

The objective of the scheme is that rent supplement recipients will have their long-term housing need catered for by local authorities using accommodation based solutions.

The achievement of the above objective seeks to realise the following benefits

- › minimise dependence on the rent supplement scheme for recipients with long-term accommodation needs
- › facilitate social mix through providing a wider geographical spread of social housing through RAS
- › expand the amount of private rented accommodation available on a long-term basis for rent supplement tenants through the procurement of new rental accommodation on a long-term basis
- › improve the quality, suitability and usage of private rented accommodation
- › achieve better value for money in provision of accommodation for persons in need of long-term social housing
- › coordinate and integrate the efforts of local authorities, voluntary and cooperative housing bodies and the private sector in the provision of long-term housing supports
- › improve tenant choice through the creation of a graduated system of housing supports.

When will RAS commence?

RAS is being implemented on a phased basis. An initial group of eight local authorities was nominated to lead the roll-out of RAS, namely Dublin, Galway and Limerick City Councils, South Dublin, Donegal, Offaly and Westmeath County Councils and Drogheda Borough Council. The

process of transferring rent supplement recipients (who have been deemed by the local authority to have a long-term housing need) to RAS commenced in 2005.

All local authorities will implement the scheme by the end of 2005.

How will RAS operate?

Starting with persons who have been in receipt of rent supplement for 18 months or more, community welfare officers in the Health Service Executive areas will review each case and, subject to eligibility criteria, will transfer a file to the relevant housing authority for the purposes of establishing long-term housing need. Local authorities will make the determination in relation to long-term housing need.

It is expected that initially many tenants will transfer to RAS with their existing accommodation. Over time, housing authorities will build up a stock of private-rented accommodation to which they will nominate RAS recipients. Local authorities will not be expected to take responsibility immediately for persons for whom no suitable accommodation is available. Where a long-term housing need is identified, the local authority would set about sourcing suitable housing for them as quickly as possible.

Contractual relationships under RAS

RAS will involve a three-way contractual relationship between

- › the local authority and the accommodation provider (private landlord)
- › the accommodation provider and the RAS recipient and
- › the RAS recipient and the local authority.

The key to the relationships between the parties is as follows.

- › The local authority will secure accommodation through medium to long-term contracts which can then be used to provide good quality and secure accommodation for persons with a long-term housing need who are currently in receipt of rent supplement.
- › The accommodation will be available exclusively for RAS designated tenants.
- › The local authority will assume responsibility for making full payments to accommodation providers.
- › Tenants will continue to make a contribution to the local authority towards the rent for the accommodation. The level of contribution will be linked to the Differential Rents Scheme for local authority housing for households in similar circumstances.
- › Tenants will continue to be eligible for social housing, if they so desire.
- › The tenancy will be governed by a tenancy contract and will come under the Residential Tenancies Act 2004, except in relation to accommodation provided by an approved housing body.
- › Tenancies will be required to be registered with the Private Rented Tenancies Board.
- › Accommodation providers must be tax compliant and will be required to produce evidence to local authorities.
- › Accommodation will be required to meet minimum standards.

The Department of the Environment, Heritage and Local Government has provided draft contracts for local authorities. However, it will be a matter for each authority to decide the appropriate mix of contract types and to agree the terms and conditions for individual accommodation contracts.

RAS recipients accommodated under voluntary and co-operative housing schemes will be subject to different arrangements from those outlined above.

RAS and the Residential Tenancies Act 2004

Landlords and tenants under the RAS (except approved voluntary and co-operative housing bodies) will be governed by the Residential Tenancies Act 2004 and local authorities will not assume any obligation which ordinarily rests with the landlord or the tenant.

Funding of RAS

Funding for RAS will be met from savings on the Supplementary Welfare Allowance/Rent Supplement budget. Local authorities will be refunded the amount currently provided for rent supplement in each case, together with a per-case administrative fee. The funding regime is set up so as to incentivise local authorities to take responsibility for rent supplement recipients and to secure better value in the sourcing of accommodation through the use of long-term contracts with landlords. Savings arising from securing accommodation at rents below the existing rent supplement payment for the tenant concerned, can be retained by the local authority and used to defray administrative and other costs arising under the scheme.

In each case, the local authority (as agent of the household) will be responsible for making full payments directly to the accommodation provider. There will be no direct payment from the RAS recipient to the accommodation provider. Each participating household will, however, will pay a rent contribution to the local authority.

The organisation and management of RAS

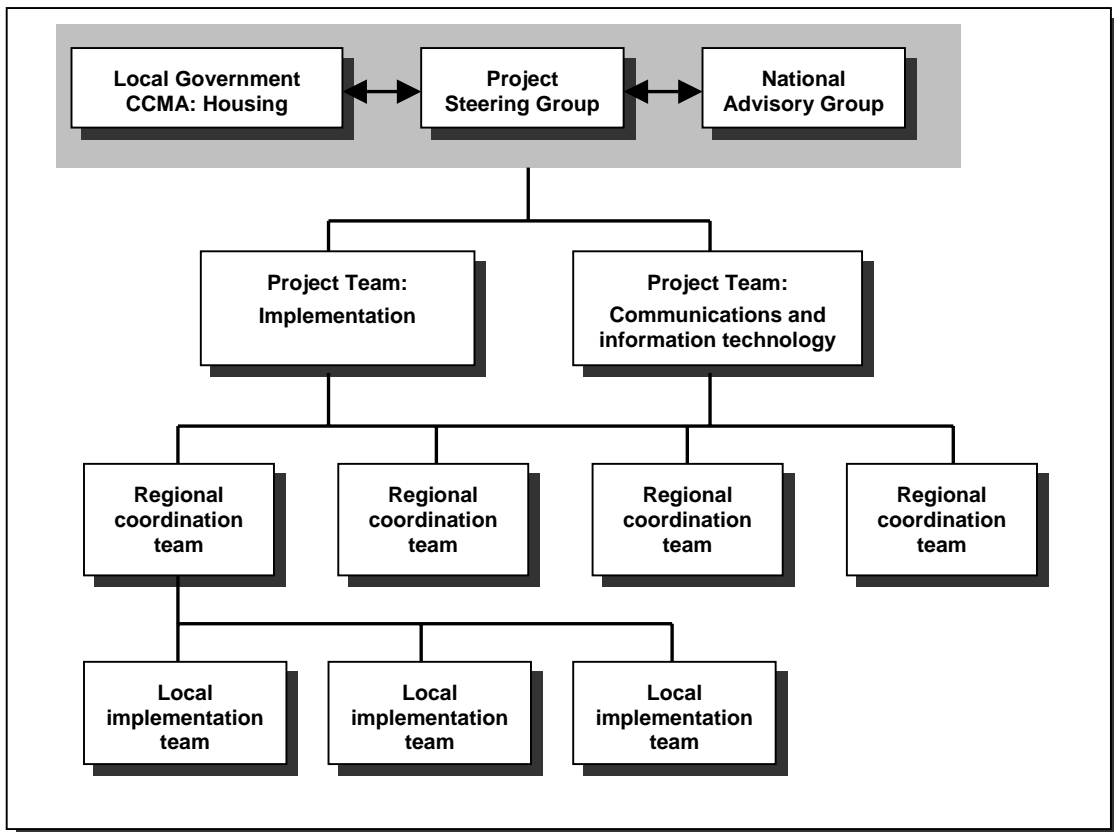
RAS is a collaborative project between the Department of the Environment, Heritage and Local Government, local authorities, the Department of Social and Family Affairs and the Community Welfare Service. While the Department of the Environment, Heritage and Local Government is charged with the overall implementation of RAS nationally, local implementation is managed by the relevant local authority. A series of co-ordinating committees and groups working at national, regional and local level have been established.

The organisational structure is illustrated in the diagram below.

A Steering Group is responsible for leading the project and overall co-ordination activities.

An Advisory Group provides input at different points in the project and serves as a vehicle for ensuring that key interests are kept informed and can input into developments in relation to the progress of the project.

Project Teams are charged with implementation of the project nationally e.g. the development of a computer system to administer the scheme, and the co-ordination of activities at national level between local authorities and the Department.



Regional Co-ordination teams have responsibility for implementation at regional level, ensuring consistency of approach between relevant local authorities. The teams will be headed by programme managers and will generally correspond geographically to new Health Services Executive areas.

Local implementation teams provide ongoing links between housing officials and Community Welfare Officers (CWOs) and co-ordinate activities for project implementation locally.

The Role of Programme Managers

Programme managers are an essential component in the implementation of RAS. They are being appointed on a full time basis to co-ordinate the transfer of tenants from the Social Welfare Rent Supplement Scheme to the Rental Accommodation Scheme (RAS) within their own areas of responsibility. Each Programme Manager will provide a direct link between local authorities in his/her area of responsibility and the Department. The Programme Manager will first co-ordinate the roll out of the RAS scheme in a designated lead authority in his/her area of responsibility, and will then progress to co-ordinate the roll out of RAS in adjoining authorities in the area.

Communications Strategy for RAS

As RAS will affect a wide range of interests a Communications Strategy has been developed to

- › develop an awareness of the RAS nationally, regionally and locally – to inform stakeholders and the general public of the existence and implications of RAS
- › educate stakeholders and the general public on the potential advantages of RAS

- › promote best practice in the development and rollout out of RAS across all local authority areas
- › provide a resource for the general public, potential participants and other interested parties to obtain information and clarify issues.

Outputs of the strategy are to include interaction with local and national media, meeting with and informing City and County Managers and Housing Directors and presentation of RAS issues at national/regional seminars — the seminars will provide a forum for the dissemination of information from the Department and also obtain feedback from practitioners. RAS information leaflets are being prepared to inform stakeholders about specific issues arising from the scheme.

Monitoring of RAS

RAS is a new scheme and its progress will be closely monitored to ensure that it is operating efficiently and effectively. In addition to ongoing monitoring by the Department of the Environment, Heritage and Local Government, local authorities will submit regular reports to the Department on the take up of the scheme. Six-monthly reports will be submitted to Government by the Departments of the Environment, Heritage and Local Government and Social and Family Affairs.

External evaluation of the scheme will be carried out at the end of 2005 and again at the end of 2008.