



Respond! Housing Association

**Pre Budget
Submission 2011**

Introduction:

Respond! is Ireland's leading housing charity. We seek to create a positive future for people by alleviating poverty and creating vibrant, socially integrated communities. We do this through providing access to education, childcare, community development programmes, housing and other supports.

Context:

With recent announcements that €15 billion in budget cuts and tax increases will need to be made over the next four years to meet the 2014 target of reducing the national deficit to 3% of economic output, these are indeed worrying and difficult times we are living in. However, Respond! strongly believes that any cuts made in the upcoming budget should not inflict unfair or disproportionate hardship on the most vulnerable in our society; those at risk of poverty or those with low incomes struggling on a weekly basis to make ends meet. These individuals and families did not benefit from the Celtic Tiger and should not suffer because of the recklessness or carelessness of certain sectors of Irish society.

Summary of recommendations:

- Respond! strongly recommends that the capital investment in social housing and related programmes should be increased in 2011 by 20% to €820 million. This would help to meet the housing needs of almost 15,000 additional families.
- Respond! is asking for a commitment from the Department of the Environment, Heritage and Local Government that no further cuts will be made to the Management and Maintenance Allowance. This was reduced by between 20-25% in 2010 and this is impacting negatively on Approved Housing Bodies who are committed to maintaining social housing stock to a high standard.
- Respond! is calling on the National Asset Management Agency (NAMA) to allocate a portion of the €5 billion Completion Fund to Approved Housing Bodies (AHBs) to complete unfinished housing units and estates.
- Reallocate funding for the Home Choice Loan Scheme to the Social Housing Leasing Initiative to facilitate the purchase of empty houses in ghost estates / unfinished estates by Approved Housing Bodies (AHBs). The level of funding earmarked for Home Choice Loan was €500 million.
- Respond! calls for reform of the rent supplement system. In recent years, there has been a reduced emphasis on the direct public provision of social housing, while at the same time an increase in the use of the private market meets social housing needs. Respond! believes there is an opportunity to reduce the cost of the scheme through the direct negotiation of rents with private landlords. The savings could be more effectively used to support the Social Housing Funding Initiative.
- Respond! is calling on the Government to maintain the current homeless expenditure budget at €98 million.
- Respond! believes the basic social welfare rate should be increased by €5 per week for all recipients. The current social welfare payment for a qualifying adult is €196 per week, which is €28.75 below the poverty line of €224.75.
- One in three households at risk of poverty is headed by a person in employment. Respond! believes the lowest paid and those on the minimum wage should remain outside of the tax net.

Social Housing:

Recommendation 1:

- Respond! strongly recommends that the capital investment in social housing and related programmes should be increased in 2011 by 20% to €820 million. This would help to meet the housing needs of almost 15,000 additional families.

Respond! was disappointed to note that in the recent “Infrastructure Investment Priorities 2010 – 2016”¹ published by the Department of Finance in July, funding for all housing programmes was reduced from €17 billion to just under €4.5 billion. This is a reduction in funding of a staggering 275%. This funding is to cover a wide range of housing related expenditure including:

- the social housing investment programme
- the regeneration of social housing (including regeneration projects such as Ballymun and Limerick)
- the remediation of social housing (including improvement works on existing local authority housing, and energy efficiency programmes for public housing)
- provision of accommodation for Travellers
- provision of accommodation for the homeless
- support for social housing provided through the voluntary and co-operative sector
- the provision of housing adaptation grants for the elderly and the disabled

This funding allocation is clearly inadequate to deal with the growing number of families in need of housing in Ireland. Respond! dismisses the argument put forward by the Department of Finance that “falling housing prices and land values means a substantially lower allocation will be required for the programme” because in the same chapter, the Department of Finance maintains that “construction / acquisition of social housing units to be used only to replace units lost through tenant purchase”. Respond! asks the question what effect falling house prices or land values has on a capital investment programme when the Department of Finance is advocating that houses are not constructed or acquired for social housing purposes, only in very specific circumstances?

Recommendation 2:

- Respond! is asking for a commitment from the Department of the Environment, Heritage and Local Government that no further cuts will be made to the Management and Maintenance Allowance. This was reduced by between 20-25% in 2010 and this is impacting negatively on Approved Housing Bodies who are committed to maintaining social housing stock to a high standard.

The Management and Maintenance Allowance is used by Approved Housing Bodies to maintain housing and estates on an ongoing basis. The reduction of between 20-25% in 2010 (reduction depending on rural / urban area) has had a massive effect on Approved Housing Bodies and their residents. It is critical that social housing stock is properly maintained in order to prevent the deterioration of estates and communities (as has been witnessed in some Local Authority estates in the past). Approved Housing Bodies do not have the financial resources to maintain housing stock to a high standard without this allowance and any further cuts to the allowance would have catastrophic effects on communities throughout Ireland. Reducing this allowance would have longer-term costs in terms of refurbishment of housing and regeneration of communities. It would be short-sighted to reduce the allowance now.

Recommendation 3:

- Respond! is calling on NAMA to allocate a portion of the €5 billion Completion Fund to Approved Housing Bodies to complete unfinished housing units and estates.

Respond! is proposing that the €5 billion completion fund to complete viable projects currently in the NAMA portfolio be made available, not only to developers, but also to Approved Housing Bodies interested in purchasing houses / estates. With many years experience in designing and building social housing estates, we believe many Approved Housing Bodies can complete many of these unfinished estates in a cost efficient manner that will deliver value for money for the taxpayer. Respond! believes there would be a significant reduction in costs due to the non-profit stance of Approved Housing Bodies. It would also benefit Approved Housing Bodies to be directly involved in the completion of many of these estates and would afford a level of certainty and assurance not available if estates are completed by a third party.

Recommendation 4:

- Reallocate funding for the Home Choice Loan Scheme to the Social Housing Leasing Initiative to facilitate the purchase of empty houses in ghost estates / unfinished estates by Approved Housing Bodies (AHBs). The level of funding earmarked for Home Choice Loan was €500 million.

The Home Choice Loan (HCL) scheme was first announced by Minister for Finance Brian Lenihan in the Supplementary Budget in April 2008. The aim of the scheme was to assist first time buyers who were having difficulty accessing a mortgage through mainstream lending institutions. HCL was officially launched in January 2009 under the auspices of the Affordable Homes Partnership and it was indicated at the time that €500 million was to be made available to potential first time buyers. Since that time, 111 applications have been made to the scheme, 17 applications have been approved and 4 loans have been drawn down². In spite of the very low take-up of the scheme, the cost of administration has been almost €300,000. Respond! believes the Home Choice Loan Scheme should be withdrawn and any funds that were to be made available to prospective first time buyers should be diverted instead to social housing. Approved Housing Bodies could borrow this money from the Government as part of the new social housing leasing initiative and use it to purchase existing housing stock in order to meet the social housing needs of between 80,000 and 100,000 families.



2. <http://www.kildarestreet.com/wrans/?id=2010-10-19.695.0&s=Home+Choice+Loan#g697.0.r>

Recommendation 5:

- Respond! calls for reform of the rent supplement system. In recent years, there has been a reduced emphasis on the direct public provision of social housing, while at the same time an increase in the use of the private market meet social housing needs. Respond! believes there is an opportunity reduce the cost of the scheme through the direct negotiation of rents with private landlords. The savings could be more effectively used to support the Social Housing Funding Initiative.

Rent supplement was introduced as a short-term support to assist those who experience a sudden change in circumstances but the scheme has failed in this primary objective. Currently, almost 50% of the 96,100 recipients have been on the scheme for more than 1 year and almost 20,000 have been on the scheme for 2 years or more. Almost 6% have been on the scheme for 5 years or more. As of October 2010, the cost of the scheme for this year is estimated to be in the region of €520 million, with an average weekly payment of €104. The number of people relying on rent supplement has increased rapidly in recent years and for many it has now become a long-term, permanent, housing solution. Respond! believes that the State, through Local Authorities, should directly negotiate with landlords, as it does through the Rental Accommodation Scheme (RAS offers long-term housing to eligible applicants for an agreed term and the Local Authority pays the rent directly to the landlord). In a market of falling rents where supply far exceeds demand, Respond! believes savings could be made and these should be directed towards the Social Housing Leasing Initiative. Respond! believes those in receipt of rent supplement should be provided the opportunity to live in good quality, secure, well managed and well-maintained accommodation and this is not always available in the private sector.

Recommendation 6:

- Respond! is calling on the Government to maintain the current homeless expenditure budget at €98 million.

The number of homeless people in Ireland currently stands at almost 5,000 people. In 2008 the Government launched its homeless strategy “The Way Home: A Strategy to address Adult Homelessness in Ireland 2008 – 2013” which contains a commitment to end homelessness by 2010. Unfortunately, it is clear this target will not now be met so the need to maintain funding levels for homeless services is more critical than ever.



Social Welfare:

Recommendation 7:

- Respond! believes the basic social welfare rate should be increased by €5 per week for all recipients. The current social welfare payment for a qualifying adult is €196 per week, which is €28.75 below the poverty line of €224.75³.

There are 614,672 people at risk of poverty in Ireland. The cuts in welfare rates in Budget 2010, as well as the removal of the Christmas social welfare has had a devastating effect on the most vulnerable in Irish society. They have been severely affected by cutbacks in public expenditure on services and supports in their community. It is forecasted that inflation will increase in 2011 which would impose further hardship on this vulnerable group. Respond! strongly believes this group did not benefit from the Celtic Tiger, did not contribute to the recession and should not be made to pay. Respond! endorses the view of the civil society coalition, “The Poor Can’t Pay” that believes “those earning the minimum wage or living on social welfare should not be forced to pay the cost of our present economic crisis.”⁴

Recommendation 8:

- One in three households at risk of poverty is headed by a person in employment. Respond! believes the lowest paid and those on the minimum wage should remain outside of the tax net. The tax base should be widened through the introduction of a third tax band for high earners.

The minimum wage of €8.65 per hour or €337 per week has not increased since July 2007. However, those working for the minimum wage have been subject to the income levy since 1st May 2009, reducing their income even further. About 116,000 or 6.6% of all those in the workforce are at risk of poverty⁵ and Respond! believes they should not be brought into the tax net as has been suggested recently. Those on the minimum wage are already struggling to make ends meet and this struggle will be made worse in 2011 as the cost of living begins to increase once more. Respond! also believes employment initiatives aimed at getting people back into the workforce should be introduced (especially the long-term unemployed). The Government should introduce a new Job Creation Programme whereby employers would receive Government subsidies when creating full-time employment for someone in receipt of social welfare.

Conclusion:

Respond! is making this submission at a very difficult time for all people residing in Ireland. We are aware of the difficult decisions facing our elected representatives but we ask that the poor, the vulnerable and those suffering hardship are not unfairly affected. We believe the recommendations contained in this document make economic sense and will finally go somewhere to meeting the Department of the Environment, Heritage and Local Government’s objective of creating and building sustainable communities.

3. *Policy Briefing*, Social Justice Ireland, October 2010

4. <http://www.thepoorcantpay.ie/>

5. *Policy Briefing*, Social Justice Ireland, October 2010

Notes



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