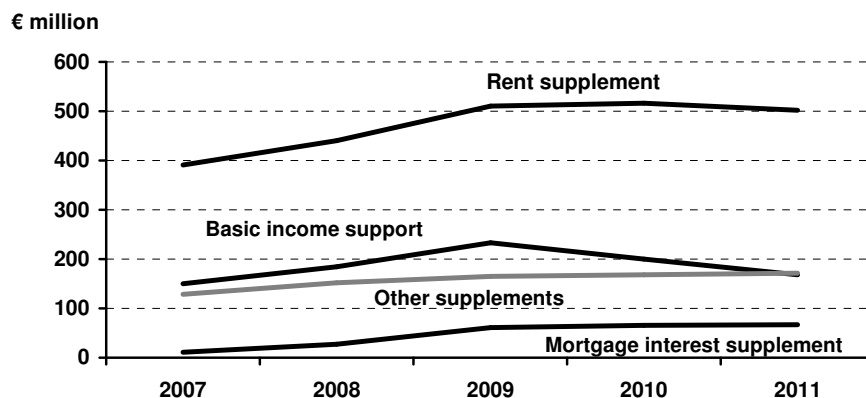


24 Supplementary Welfare Allowance

- 24.1** The Supplementary Welfare Allowance Scheme is the 'safety net' within the overall welfare system. It is aimed at persons whose means are insufficient to meet their needs and those of their dependents. The main purpose of the scheme is to provide immediate and flexible assistance to persons in need who do not qualify for welfare payments under any other State scheme.
- 24.2** An individual will normally qualify for Supplementary Welfare Allowance if they are living in the State, satisfy a habitual residence condition and a means test, have applied for any other relevant benefit or allowance they may be entitled to, and have registered with Solas (formerly FÁS) if they are of working age. Payments consist of basic income support and/or a supplement in respect of certain living expenses a person may not currently be able to meet. The supplements available include payments to assist with rent, mortgage interest, heating, special dietary requirements, exceptional or urgent needs, and back to school expenses.
- 24.3** Up to October 2011, the Supplementary Welfare Allowance Scheme was administered by the Community Welfare Services Division of the Health Service Executive (HSE) on behalf of the Department of Social Protection (the Department). On 1 October 2011, the Community Welfare Service staff were formally transferred to the Department, which now has direct responsibility for the scheme administration.
- 24.4** Total expenditure on Supplementary Welfare Allowance (excluding administration costs) amounted to €911 million in 2011. Three categories of payment accounted for 81% of all expenditure on the Supplementary Welfare Allowance Scheme in 2011. They are
- basic Supplementary Welfare Allowance — a weekly allowance paid to those awaiting a decision on an application under another social welfare scheme or who do not qualify under any other scheme (total expenditure in 2011 was €169 million)
 - rent supplement — support towards the cost of private rented accommodation (total expenditure in 2011 was €503 million)
 - mortgage interest supplement — support for homeowners towards mortgage interest payments (total expenditure in 2011 was €67 million).

- 24.5 Between 2007 and 2011, overall expenditure on Supplementary Welfare Allowance increased by 33%. Figure 24.1 shows the trends in the categories of Supplementary Welfare Allowance.

Figure 24.1 Expenditure on Supplementary Welfare Allowance 2007 to 2011^a



Source: Department of Social Protection statistical information reports

Note: a Scheme administration costs are not included.

- 24.6 This chapter reports the results of a review of the Department's progress in relation to the introduction of a risk-based control policy in relation to Supplementary Welfare Allowance. It also examines the effectiveness of controls designed to prevent invalid claiming of supplementary allowances and the Department's management of payments of rent supplement in the context of decreases in market rents.
- 24.7 The audit fieldwork included a review of the Department's overall control policy in relation to Supplementary Welfare Allowance. It also included visits to two local offices, in Galway and in Bishop's Square (Dublin), to examine the implementation of controls in respect of a sample of claims in payment. Trends in prevailing market rates for rent were also analysed.

Scheme Control Strategy

- 24.8 The Department's Fraud Initiative 2011-2013, published in September 2011, set out an approach to control of individual schemes which includes an initial quantification of the level of excess payments, the identification of the risks in each scheme and the development of an appropriate control policy.
- 24.9 The Department monitors the level of excess payment for individual schemes through the conduct of periodic surveys. These surveys involve a thorough review of a random sample of claims in payment to establish if the claimant is being paid the right amount. The results of these surveys provide useful information in relation to the underlying level of payments in excess of entitlement and allow the Department to assess the effectiveness of its current control policies.

Quantification of the Baseline Level of Fraud and Error

- 24.10** The Department has not conducted a fraud and error survey in relation to Supplementary Welfare payments, since taking over direct responsibility for administration of the scheme in October 2011.
- 24.11** A fraud and error survey was carried out in relation to rent supplement in 2007 by the HSE.¹ Samples of cases were examined in four HSE regions. The survey found excess payments amounting to 2.9% of total expenditure in the sample, with 2.2% relating to fraud and 0.7% relating to error. The HSE compared the result to an exercise carried out in 2005 by the UK Department of Work and Pensions in respect of a similar (housing benefit) scheme, which had estimated that excess payments accounted for 5.2% of expenditure. On the basis of the survey results, the HSE categorised rent supplement as a low to medium risk scheme.
- 24.12** The Accounting Officer stated that the timing of a fraud and error survey in relation to Supplementary Welfare Allowance is being considered as part of a general review of control procedures relating to the scheme.

Scheme Risk Assessment

- 24.13** At scheme level, the nature of risks attaching to each type of welfare payment varies. In some schemes, relatively high assurance can be taken from pre-processing checks, and eligibility may not be likely to change subsequently. In other schemes, there is a risk that welfare payments may continue despite changes in circumstances and qualifying conditions. In addition, new forms of payment like electronic funds transfer may introduce new risks since they reduce the level of human contact. As a result, it is important to periodically identify the major risks attaching to individual schemes, in particular, where significant changes have occurred in the economic environment or the scheme delivery methods.
- 24.14** The most recent risk assessment on Supplementary Welfare Allowance was completed in 2008 by the HSE. The Department has stated that it is currently updating the risk assessment documents for all areas, including Supplementary Welfare Allowance, to take account of new legislation and procedures and practices.

Development of a Control Policy

- 24.15** The challenge of a risk-based strategy is to combine information from the assessment of environmental and scheme based risks to develop a policy that ensures control activity is targeted so as to review cases where the risk of overpayment is highest. The Department's control policy for Supplementary Welfare Allowance requires a detailed checklist to be followed when processing applications and investigating entitlement under the scheme.² A management audit is carried out on a random sample of 5% of transactions for the current month and 1% of transactions for the previous three months. The aim is to check whether entitlements have been properly established and whether standards and guidelines are being complied with. Reviews of continuing entitlement are required at different frequencies.

¹ The survey process and results were not audited by this Office.

² The control policy was developed prior to the transfer of direct responsibility for scheme administration from the HSE to the Department.

- For basic Supplementary Welfare Allowance payments, the policy requires that claims should be reviewed weekly in cases where the claimant is awaiting a decision on an application under another scheme. Otherwise, claims should be selected for review on the basis of other risk factors including the likelihood of change in the client's circumstances, means or needs.
- For rent supplement and mortgage interest supplement, all claims should be reviewed twice yearly, with one being a comprehensive review including a home visit if necessary and the other being a financial and family composition review.

Integration Changes

24.16 The Department has implemented a number of changes in the control system since taking over responsibility for administration of the scheme. The restructuring of the Department's regional activities into thirteen divisional areas, each with a divisional manager, is expected to result in a greater level of consistency in service delivery and more effective control functions. Planned initiatives include

- the delivery of training, from September 2012 onwards, to staff administering Supplementary Welfare Allowance, which will cover control issues including file administration and the proper maintenance of records
- the compilation of a summary checklist for use by managers in the Community Welfare Service which will deal with overpayments and recovery, data protection, system management and file maintenance
- the establishment of a working group to consider control procedures specific to Supplementary Welfare Allowance which will examine current practice, identify risks and recommend improvements. The Department expects that by the end of 2012 the work of this group will be finalised and recommendations made will begin to be rolled out.

Basic Supplementary Welfare Allowance

- 24.17** Between 2007 and 2011, total expenditure on basic Supplementary Welfare Allowance increased by 12%. The number of recipients increased by 26% over the same period.

Figure 24.2 Basic Supplementary Welfare Allowance^a 2007 to 2011

Year	Recipients (at 31 December)	Expenditure €m
2007	27,380	150.4
2008	35,550	184.5
2009	42,780	233.5
2010	37,500	200.0
2011	34,600	168.8

Source: Department of Social Protection statistical information reports

Note: a Excludes direct provision allowance.

- 24.18** Figure 24.2 sets out the net expenditure on basic Supplementary Welfare Allowance after taking account of any amounts recouped from other schemes. In many cases, interim basic Supplementary Welfare Allowance payments are made to claimants who are awaiting decisions on claims under other schemes. If the claim under another scheme is subsequently approved, any interim amounts paid under basic Supplementary Welfare Allowance are recouped from the other scheme. In 2011, the amount recouped from other schemes was €137 million.

Take-on Controls

- 24.19** In order to prove entitlement before basic supplement claims are put in payment, a claimant is required to provide a variety of documentation and evidence including
- claimant identity — applicants 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
 - claimant means — means testing is carried out as part of a claim assessment to establish the incomes of the claimant and of other household members
 - habitual residence — a number of factors are used to establish whether the claimant is habitually resident in Ireland.³

³ The five factors taken into account are the length and continuity of residence in Ireland or the Common Travel Area (if less than two years, a claimant is considered not to be habitually resident), the length and purpose of any absence from Ireland, the nature and pattern of employment, the applicant's main centre of interest, and the future intentions of the applicant, as they appear from all the circumstances.

- 24.20** The operation of take-on controls was reviewed in relation to a sample of ten basic supplement claims at each of the two local offices visited during the audit. The controls in relation to claimant identity and habitual residence were found to be operating effectively. However, records of means testing did not have copies of bank statements on file in five cases in Bishop's Square and in two cases in Galway.
- 24.21** The Accounting Officer stated that training scheduled to commence in September 2012 will address issues including file administration and the proper maintenance of records.

Control Over Claims in Payment

- 24.22** The Department's control reviews of interim pay cases involve a weekly check on whether a decision has been made in relation to the primary claim. It entails matching declared data on a claim against up-to-date data on the computer system e.g. ensuring that the primary claim remains open and is not in payment. It may also entail examining and validating that any income or means likely to change from week to week has not changed. If any change has occurred, a basic supplement claim would fall to be altered or terminated.
- 24.23** Where a claim under another scheme has been disallowed, the recipient can make a claim for basic supplement based on ineligibility for payments under mainstream schemes and having means below minimum levels. Such cases account for about one quarter of all claims in payment. Subsequent case review dates are set by the departmental case officer and will depend on the nature of the case. For example, if the claimant is ill but not entitled to Illness Benefit, the claimant's next appointment with a medical consultant will be inserted as a review date.
- 24.24** A sample of 20 basic supplement payments was examined (ten in each local office) to establish if the cases had been reviewed for continuing entitlement as required. In all cases, there was evidence that a satisfactory review had been conducted within the required timeframe.

Overpayments⁴

- 24.25** Details of the overpayments recorded in relation to basic supplement for the period 2009 to 2011 are set out in Figure 24.3.

Figure 24.3 Recorded Overpayments of Basic Supplementary Welfare Allowance 2009 to 2011

Year	Number of cases	Overpayments recorded	
		Total €000	Average €
2009	620	863	1,392
2010	1,048	1,501	1,432
2011	903	1,648	1,825

Source: Department of Social Protection

⁴ Prior to 2009, all overpayments of Supplementary Welfare Allowance were recorded together so it is not possible to separately identify overpayments that related to basic supplement.

24.26 As a result of increased claimloads, there has been a significant increase in the time claimants wait for decisions in relation to entitlement under primary schemes with a potential knock-on impact in terms of number and average duration of interim basic supplement payments, and the requirement for more frequent review of means in relation to this category of claimant. The Accounting Officer stated that analysis carried out by the Department in respect of Supplementary Welfare Allowance indicated that the primary reason for overpayments is non-disclosure by claimants of means, income or earnings. In response, the Department plans to

- further automate matching with commencement of employment notifications where the claimant will be notified that payment will be suspended unless they contact the Department within a specified time period
- continue data matching exercises with other Government departments and public bodies and investigation of information received in anonymous or confidential reports
- meet with staff administering the Supplementary Welfare Allowance scheme as part of ongoing training and increasing awareness of control in the Department.

Rent Supplement

- 24.27** Rent supplement is available to people in private rented accommodation who are having difficulty paying their rent and who are getting a social welfare or HSE payment, or have part-time low-income employment.
- 24.28** The number of people in receipt of rent supplement rose from just under 60,000 in 2007 to nearly 97,000 at the end of 2011 – an increase of around 62%. The annual expenditure was around half a billion euro each year from 2009 to 2011. Figure 24.4 sets out details of rent supplement claims over the period 2007 to 2011.

Figure 24.4 Expenditure on Rent Supplement 2007 to 2011

Year	Recipients (at 31 December)	Expenditure €m
2007	59,730	391.5
2008	74,040	440.5
2009	93,030	510.8
2010	97,260	516.5
2011	96,800	502.7

Source: Department of Social Protection statistical information reports

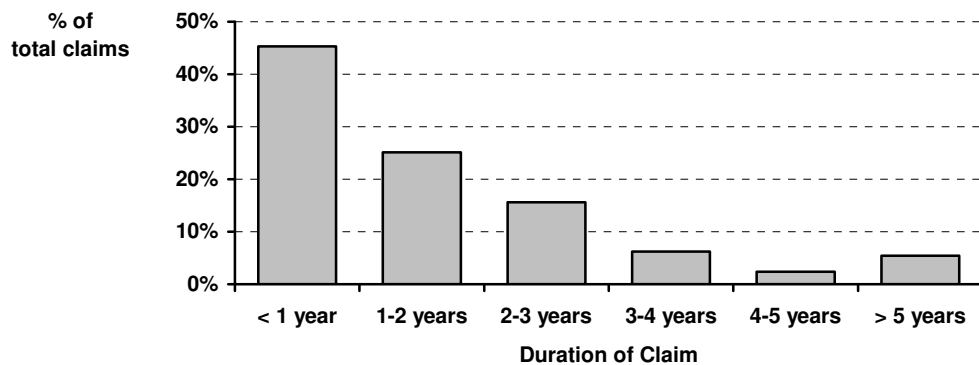
- 24.29** Rent supplement payments are not confined to recipients of basic supplement. Only around 10% of the 96,800 recipients of rent supplement at the end of 2011 were receiving basic supplement as their primary welfare payment. At the end of 2011, 14% of Jobseekers Allowance recipients, 17% of One-Parent Family Payment recipients and 10% of Disability Allowance recipients were also receiving rent supplement.
- 24.30** The Department sets maximum rent rates by reference to the location of the property and the composition of the claimant's household. Households paying rent in excess of the applicable limits are generally not eligible to receive rent supplement payments. However, exceptions may be allowed in certain circumstances, such as illness or disability of a dependent. The amount of rent supplement payable to an individual claimant is the rental cost of the property (which must be below maximum rate set), less an amount that each applicant must contribute, less any means assessed.⁵

⁵ The minimum weekly personal contribution was €24 in 2011 but increased to €30 with effect from 1 January 2012. An additional weekly minimum contribution of €5 was also introduced in respect of couples.

Target Duration of Claims

- 24.31** Rent supplement is intended to provide income support on a short-term basis, but no limit on the duration of claims is in place. In practice, less than half of the rent supplement claims at the end of 2011 had been in payment for less than one year. Around 14% of the claims had been in payment for more than three years (see Figure 24.5). In cases where recipients have changed address, the claim at the new address may have been recorded as a 'new claim' and the duration spent at the previous address may not be reflected in Figure 24.5.

Figure 24.5 Duration of Rent Supplement Claims December 2011



Source: Department of Social Protection

- 24.32** The Accounting Officer stated that it is the Department's intention to refocus the rent supplement scheme on its original objective which is the provision of a short-term income support to those who have become temporarily unemployed. The expectation is that long-term reliance on State support for rent payments will be dealt with through alternative schemes – the Rental Accommodation Scheme (in operation since 2004) and the Housing Policy Initiative (announced in 2011). In March 2012, the Government outlined the transfer of responsibility for the provision of rental assistance to persons with a long term housing need from the Department of Social Protection to housing authorities under a new Housing Assistance Payment.

Relationship between Scheme Rent Levels and Market Rents

- 24.33** In a 2011 review report, the Department estimated that it was funding approximately 40% of all households in the private rental sector under the rent supplement scheme.⁶ The State funds a further 15% of the rental market through the Rental Accommodation Scheme and the Social Housing Leasing Initiative (about 40,000 units of accommodation in total in 2011). Rental rates applied in the latter schemes are, in the main, derived using rental levels in the rent supplement scheme as a benchmark. Frequent review is important to ensure that maximum rent levels paid by the Department reflect market conditions and do not drive up rents for tenants not in receipt of rent supplement.

6 Rent Limits Review Report 2011

Market Influence

- 24.34** Analysis conducted during the 2011 review showed a significant correlation between market rents and the Department's maximum rent supplement limits. The 2011 review concluded that since the previous review in June 2010, rental values had stabilised at or near the Department's maximum rent limits for rent supplement. This suggests that the maximum rent limits set by the Department have a significant influence on market rents.
- 24.35** The Department's report on the review of rent limits in 2011 concluded that maximum limits were generally too high. The review indicated that many landlords use the maximum limits set by the Department as the starting point for negotiations with both rent supplement tenants and non-rent supplement tenants.

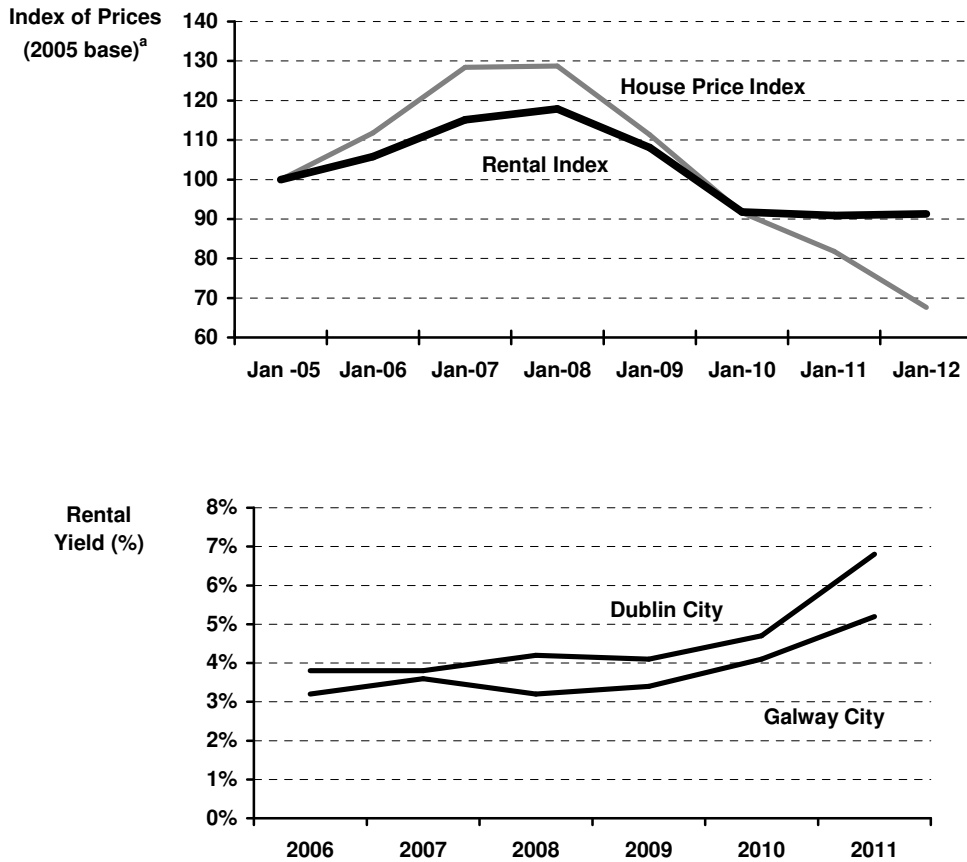
Relationship between Market Rents and House Prices

- 24.36** In a normal market, rents and house prices should generally move together – as houses become more expensive, rents would also be expected to rise. However, housing price bubbles typically involve prices getting out of line with rents for similar properties. When a bubble ends, rents may adjust less than house prices. This resolution pattern is borne out by trends in house prices and rental indicators (see Figure 24.6). This shows average rents stabilising since January 2010, while house prices continued to fall.
- 24.37** Rental yield is an important concept when considering the relationship between house prices and rent levels - it effectively measures the annual rate of return on investment in housing property.⁷ If rents are stable or increasing, a fall in house prices will increase the rental yield. Figure 24.6 shows the trends in the estimated average rental yields since 2006 in relation to housing properties in Dublin city and Galway city.⁸ In each case, the yield has increased as residential property prices continued to fall. However, this is the prospect for investors considering buying property, and does not reflect the situation for existing landlords who receive much lower rental yields relative to their original investment.

7 The gross rental yield of a property is calculated by expressing the annual gross rental income as a percentage of the market price of the house. When calculating the net rental yield, rental income is expressed net of expenses, such as mortgage interest.

8 Figures for Dublin City are the averages of North Dublin City, South Dublin City and Dublin City Centre.

Figure 24.6 Relationship between House Prices and Rent Levels 2005 to 2011



Source: CSO Residential Property Price Index and Daft.ie Rental Reports

Note: a The base is 100 at January 2005 for the house price index and the rental index.

Setting Rent Limits

- 24.38** Maximum rent limits are set on a county-by-county basis with reviews conducted every eighteen months to two years. Reviews were conducted during 2008, in June 2010 and at the end of 2011. A further review is scheduled for June 2013. The data sources used for each review included rental indices published by the CSO, rental market reports produced by private rental and sales website Daft.ie and information from the Private Residential Tenancies Board (PRTB). It is important to note that the Daft.ie data used relates to advertised asking prices and may not reflect reductions subsequently secured during negotiations. There is no firm data available on the actual agreed rents paid nationwide.

- 24.39** The review methodology applied by the Department has changed over time in order to better reflect market conditions and, in particular, rental levels applicable to rent supplement tenants. However, the Department specifies rent limits in terms of the composition of households (e.g. single person in shared accommodation; couple; one-parent family with one child) rather than in terms of accommodation type (e.g. bedsits; one bedroom accommodation; single room in a house-share).

- 24.40** The 2011 review established rent limits for each household type based on available data on rents for the cheapest 40% of the matching accommodation type (referred to as the 40th percentile price).⁹ A final test was conducted to check whether proposed rent limits were sufficient to obtain suitable accommodation in each county's major urban areas and limits were adjusted where necessary.
- 24.41** The 2011 review resulted in reductions in rent limits being applied to almost all categories of properties in all locations. The Department estimates that the average reduction in the limits was 12%. However, the reduction in the maximum rent levels is not expected to result in a corresponding reduction in scheme expenditure in the short term because
- the revised rent limits may not be applied to existing claimants until the next case review which can be up to six months after the change in the limits
 - claimants who are unable to agree a reduced rent with the landlord in line with the reduced limits may be given a further thirteen weeks at the higher rate to enable them to source alternative accommodation
 - in some cases, the rent paid may already be below the revised maximum rates set for the relevant county.
- 24.42** The Department estimates that the savings in 2012 arising from the revised limits will be €22 million — a reduction of 4% in total expenditure on rent supplement year on year.

Implementing Rate Changes

- 24.43** As part of the examination, the arrangements for implementing the revised January 2012 limits were examined in the two offices visited.
- In the Dublin office, staff were instructed to inform all claimants immediately of the changes to rent supplement rates. Claimants were given a period of about six to eight weeks to renegotiate their rent costs with the landlord. By the end of February 2012, the revised maximum rental levels had been implemented in full for over 90% of claims in payment.
 - In the Galway office, rent supplement reviews were conducted during May and June 2012 and customers were given until the end of June to renegotiate rents with landlords. Rent supplement payments were adjusted or suspended in cases where no reply was received. The Department stated that the revised maximum rental levels have now been implemented in full, apart from a small number of exceptional circumstances where it is deemed appropriate to pay higher amounts.

9 For example, if there were 1000 units of three bedroom accommodation available for rent in a particular county, 400 of them would be priced at rents at or below the 40th percentile price.

Data Sharing with Other Bodies

- 24.44** Since 1 January 2011, rent supplement is not payable unless the landlord has provided his/her tax reference number or has given a reasonable explanation for not doing so.¹⁰ All rent supplement application forms must include the PPSN of the landlord. The Department provides Revenue with details of all rent supplement payments, on an annual basis, with the aim of ensuring tax compliance by landlords.
- 24.45** There is currently no requirement for evidence to be provided to the Department that the landlord is registered with the PRTB. However, the Department sends data in relation to dwellings where the tenant is in receipt of rent supplement to the PRTB on a quarterly basis.
- 24.46** The Accounting Officer stated that while in general, landlords are legally obliged to register tenancies with the PRTB, certain tenancies are exempt and as a result it would not be practical for the Department to insist that a tenancy be registered with the PRTB before rent supplement is paid.¹¹ She also noted that in cases where landlords are obliged to register with the PRTB, they can register within one month of the commencement of the tenancy at a standard fee or later at a higher fee.

Take-On Controls

- 24.47** In addition to the basic documentation and evidence required to verify entitlement to Supplementary Welfare Allowance, there are three further significant requirements in respect of rent supplement entitlement.

The 'Six Month' Rule

- 24.48** Applicants must provide evidence that they have been living in private rented accommodation, or accommodation provided under a social housing scheme, or in accommodation for homeless people for six months out of the preceding twelve months. If unable to satisfy the six month rule, applicants must provide evidence of being assessed and deemed eligible for social housing by a housing authority.
- 24.49** The audit found that evidence of the claimant's compliance with the six month rule or eligibility for social housing was available in all of the sample cases examined.

Tenancy Details

- 24.50** The amount of rent paid by the claimant is the key determinant of the amount of rent supplement they are entitled to, so strong controls are needed to confirm the accuracy of the declared rental amounts. The Department's guidelines require the claimant to provide a copy of a formal tenancy agreement, rent book or other evidence that a bona fide tenancy exists, and of the amount of rent payable.

¹⁰ Section 7 of Social Welfare and Pensions Act, 2010.

¹¹ Exempt properties include dwellings let by a voluntary body or dwellings in which the landlord is resident.

- 24.51** The audit found that copies of the formal tenancy agreement or the rent book were not on file in 80% of cases examined. In those cases, the amount of the rent was confirmed only by way of the information provided by the landlords in the claimants' application form.
- 24.52** Landlords are obliged under the Housing (Rent Books) Regulations, 1993, to provide their tenants with a rent book or other documentation to like effect and local authorities carry out inspections to enforce the rent books regulations. Rent books were available in 85% of the 63,600 properties inspected between 2007 and 2010.¹² For inspections carried out in 2010, the proportion of absent rent books was only around 10%.
- 24.53** The Accounting Officer stated that the Department has recently introduced powers of enquiry for appropriate staff to formally request and oblige landlords to provide information in respect of their rent supplement tenants, principally to verify the existence of the tenancy and the agreed rent.¹³ She further stated that topics to be covered in staff training planned for delivery from September 2012 onwards will include the maintenance of proper records in respect of rent supplement applications.

Standard of Accommodation

- 24.54** The Department requires that, for rent supplement to be payable, the residence must be reasonably suited to the residential and other needs of the claimant and the rent payable by the claimant should be just and proper having regard to the nature, character and location of the residence. The Department has not developed objective criteria to assess whether individual dwellings are of a suitable standard for the rent supplement scheme. While it could not quantify the rate of refusal, it acknowledged that it is rare for an officer to refuse rent supplement on the grounds that the accommodation is not to the required standard.
- 24.55** Home visits can provide evidence that the claimant is living at the address they have stated. They can also be used to assess the standard of accommodation and its suitability for the claimants' residential needs. It was noted that the two local offices visited adopted very different approaches to the conduct of home visits. In the Dublin office, all 15 cases examined had a home visit at claim award stage. In contrast, the audit found that 14 of the 15 rent supplement claims examined in Galway had never been the subject of a home visit, either when the claim was put into payment, or at a later review stage.
- 24.56** The Accounting Officer stated that staff administering the rent supplement scheme are not required to make a judgement on whether accommodation is of a suitable standard as they are not qualified to do so. However, she noted that staff can decide that a rent supplement is not payable where the Department has been notified by a local authority that standards are not being complied with. If such a notification from a local authority relates to an existing claimant, the situation is discussed with the claimant and the Department attempts to act in his/her best interest.
- 24.57** Figure 24.7 outlines the inspection activity of local authorities over the period 2007 to 2011.

12 Statistics supplied by the Department of Environment, Community and Local Government.

13 Section 14 of the Social Welfare and Pension Act, 2012.

Figure 24.7 Local Authority Inspections of Rental Property 2007 to 2011

Minimum standards for rental accommodation are prescribed by means of regulations made under section 18 of the Housing (Miscellaneous Provisions) Act, 1992. The Department of Environment, Community and Local Government introduced the Housing (Standards for Rented Houses) Regulations, 2008, which took effect on 1 February 2009. The standards specify requirements in relation to a range of matters including structural repair, fire safety, sanitary facilities, lighting, heating and ventilation. Landlords have a legal obligation to ensure that their rented properties comply with these regulations. The sanctions that may be imposed for non-compliance with the regulations were increased by the Housing (Miscellaneous Provisions) Act, 2009.

The regulations set out the criteria to be used to assess the standard of rented accommodation. Responsibility for conducting inspections and enforcing the regulations rests with the relevant local authority. The cost of inspection and enforcement is supported by funding provided out of the proceeds of tenancy registration fees collected by the PRTB.

It is a matter for each individual local authority to decide its enforcement strategy and inspection arrangements. However, in discharging their responsibilities, authorities have been asked to have regard to guidelines published in November 2007, which contain a range of recommendations including the targeting of inspection activities.^a

The number of inspections actually carried out varies between local authorities. In 2011, the number of inspections carried out by county councils ranged from 75 in Longford to 1,142 in Cork. For town councils, the highest number of inspections carried out (in Sligo) was 661, but it was noted that five town councils had not carried out any inspections in the last three years. (The Department of the Environment, Community and Local Government has pointed out that some county councils are now conducting inspections on behalf of town councils within their geographic areas).

The table below illustrates the inspection intensity and the outcome of inspections between 2007 and 2011.

	2007	2008	2009	2010	2011
PRTB registrations	202,100	206,100	234,600	231,800	260,100
Dwellings inspected^b	12,050	14,880	18,000	18,700	16,760
% of properties inspected	6%	7%	8%	8%	6%
% of properties inspected that did not meet standard	20%	19%	24%	25%	37%

Source: Department of Environment, Community and Local Government and PRTB.

Notes: a Good practice in Housing Management: Guidelines for Local Authorities – Standards in the Private Rented Sector: Strategic Planning, Effective Enforcement, (Centre for Housing Research, November 2007)

b Follow up inspections were carried out in respect of some properties, but this does not increase the proportion of properties inspected.

Control Over Claims in Payment

- 24.58** The Department's policy states that all claims in payment should be reviewed twice yearly. However, the guidelines are not specific in relation to the intensity of the review, which can range from as little as a letter seeking reconfirmation of data, to a home visit.
- 24.59** A review letter is sent to each claimant and the payment is terminated if the enclosed form is not completed and returned. Part of the form, relating to means is completed by the claimant, and the landlord completes a section outlining the rent payable. In some cases, this process may be followed up by a home visit. The audit found that
- In both locations, four of the 15 cases (27%) examined did not have evidence of a review being conducted in the previous twelve months, contrary to requirements. However, reviews had been conducted in all cases in the previous eighteen months.
 - In the Galway office, the 15 cases examined had most recently been reviewed by letter only.
 - In the Dublin office, the 15 cases received letters, and home visits were subsequently conducted in two cases, following a review of the information provided by the claimant.
- 24.60** A total of 1,520 rent supplement claimants – equivalent to around 1.6% of all claimants at the start of the year - had overpayments recorded against them in 2011. These had a total value of €1.9 million (see Figure 24.8).

**Figure 24.8 Rent Supplement Recorded Overpayments
2009 to 2011**

Year	Number of cases	Overpayments recorded	
		Total €000	Average €
2009	534	898	1,682
2010	1,331	1,795	1,349
2011	1,520	1,894	1,246

Source: Department of Social Protection

Mortgage Interest Supplement

- 24.61** Mortgage interest supplement is paid to people who are having difficulty paying their mortgage and are getting a Social Welfare or HSE payment, or only have part-time employment. Mortgage supplement assists with the interest portion of mortgage repayments only and may be paid in cases where the applicant is making capital repayments on the mortgage.
- 24.62** In 2007, the numbers claiming mortgage supplement stood at about 3,700 but this had increased to 18,700 at the end of 2011 (see Figure 24.9). Annual expenditure increased commensurately.

Figure 24.9 Mortgage Interest Supplement^a 2007 to 2011

Year	Recipients (at 31 December)	Expenditure €m
2007	3,710	11.6
2008	7,650	26.9
2009	14,720	60.9
2010	17,650	65.1
2011	18,700	67.4

Source: Department of Social Protection statistical information reports

Note: a Local authority mortgage interest supplement claims are not included in the figures shown.

- 24.63** As is the case with rent supplement, MIS is intended to be a short-term income support. Figure 24.10 sets out details, for the period 2007 to 2011, of the length of time claims have been in payment. Only 37% of claims at end 2011 had been in payment for less than a year. More than one in five of the 1,850 claims put in payment during 2007 were still in payment at the end of 2011.

Figure 24.10 Age Analysis of Mortgage Interest Supplement claims^a 2007 to 2011

	2007	2008	2009	2010	2011
Duration of claim					
Less than 1 year	1,850	5,140	9,030	7,720	6,880
1 to 2 years	820	1,190	4,020	6,200	4,950
2 to 3 years	380	550	800	2,570	4,140
3 to 4 years	210	270	400	560	1,880
4 to 5 years	160	160	160	270	410
5 years and over	290	340	310	330	440
All claims	3,710	7,650	14,720	17,650	18,700

Source: Department of Social Protection

Note: a Local authority mortgage interest supplement claims are not included in the figures shown.

Administration of the Scheme

- 24.64** Although MIS is aimed at those experiencing mortgage difficulties, prior to 18 June 2012, claimants were not required to provide evidence of renegotiations with the mortgage provider. Such renegotiations could result in a period of forbearance, such as a payment holiday period, a move to interest only payments, or increasing the duration of the mortgage term.
- 24.65** In July 2010, the Department published the findings of a review of the MIS scheme. The review found that the scheme's overall objective of providing short-term income support remained valid in the current mortgage market and economic conditions, even in the presence of current forbearance policies. However, the review identified a number of issues with the operation of the scheme and made recommendations for improvement. It concluded that a high number of claimants were not contacting their lenders to renegotiate the terms of their mortgages in advance of applying for MIS support. In addition, the report concluded that MIS could act as a disincentive to seeking or retaining employment due to high income replacement rates. The report's recommendations included
- MIS should not be provided where repayments of the capital element of the loan are being made to the lender.
 - The applicant should negotiate a six month period of forbearance with the lender before the State intervenes in providing MIS.
 - An overall time limited period, in the region of two years, should be introduced to ensure that MIS does not impact on behaviour in terms of seeking or retaining work.
- 24.66** In relation to the recommendation that MIS should not be paid where capital repayments are being made to the lender, the Accounting Officer stated that this issue is currently under consideration by her Department and the Department of the Environment, Community and Local Government.
- 24.67** The Department introduced a new eligibility criterion with effect from 18 June 2012, to the effect that applicants for MIS must have secured alternative payment arrangements with their lender for a period of not less than twelve months, prior to submitting an application. The purpose of the new condition is to ensure that the eligibility criteria for the scheme reflect the forbearance arrangements set out in the Code of Conduct for Mortgage Arrears issued by the Central Bank in January 2011. The Accounting Officer stated that, as at 3 August 2012, approximately 150 applications for MIS have been refused because this condition was not satisfied.
- 24.68** In relation to the timeframe for MIS, the Accounting Officer stated it is not an appropriate long-term support and it needs to be replaced with a more sustainable solution. She stated that an interdepartmental working group on mortgage arrears had recommended the establishment of two new schemes, 'mortgage to rent' and 'mortgage to lease'.¹⁴ The Department recently announced the establishment of a mortgage to rent scheme which it is hoped will assist around 100 families in its first year.

¹⁴ Under the proposed schemes, ownership of the house transfers to an approved housing body or the mortgage lender. The existing owners then rent their homes as social housing tenants, and the State will, where necessary, subsidise the rental.

Take-On Controls

- 24.69** In addition to evidence of the claimant's identity, means and habitual residence, an application for MIS must be accompanied by details from the lending agency including the current status of the mortgage, the amount advanced, current arrears, monthly interest payments and any legal actions against the applicant. The applicant must also provide a copy of all documentation supplied to the lending agency in support of the original mortgage application.
- 24.70** A review of 20 MIS cases (ten in each local office visited during the audit) showed that
- Three quarters of cases did not have significant arrears at the time the claim was awarded.
 - In all ten cases reviewed in Galway and in six cases reviewed in Bishop's Square, the mortgage payment comprised both principal and interest, with the State funding the interest portion of the payment and the claimant funding the principal portion of the repayment.¹⁵

Control Over Claims in Payment

- 24.71** The policy and format of the review process for MIS payments is similar to that applied in respect of rent supplement. Claimants are sent a form annually. The first part of the form relates to means and is for completion by the claimant, while the second part is for completion by the lending agency and provides information in relation to the current repayment amount, the proportion of the payment which is interest and the level of arrears, if any, on the loan.
- 24.72** In a sample of 20 MIS payments (ten in each local office) examined, it was found that reviews had been conducted within prescribed timeframes in all cases. However, in both Bishop's Square and Galway, half of the sample of cases reviewed did not have a mortgage account statement on file showing the claimant's recent mortgage payment history.
- 24.73** The Department recorded overpayments totalling €271,000 against 202 MIS recipients in 2011 – around 1% of the total number of claims in payment (see Figure 24.11).

Figure 24.11 Mortgage Interest Supplement Recorded Overpayments 2009 to 2011

Year	Number of cases	Overpayments recorded	
		Total €000	Average €
2009	52	80	1,538
2010	187	281	1,503
2011	202	271	1,342

Source: Department of Social Protection

¹⁵ In the remaining four cases in Bishop's Square, the mortgage was on an interest-only basis.

Conclusions and Recommendations

Control System

24.74 The economic environment and the administrative arrangements in relation to Supplementary Welfare Allowance payments have changed considerably in recent years. Each category of payment has very different scheme risks and claimant profiles. In effect, they are separate schemes with quite different focuses administered within a common organisational structure. It may be more meaningful to view them as separate schemes, and to devise separate control policies.

Recommendation 24.1: In order to ensure that control resources are targeted appropriately, the Department should, in respect of each individual scheme

- obtain up to date information in relation to the underlying level of excess payment occurring
- identify the key scheme risks
- devise an appropriate control policy informed by an analysis of the reasons for payments in excess of entitlements.

Accounting Officer's Response: Agreed. As part of a general review of control procedures for Supplementary Welfare Allowance, the timing of the next fraud and error survey is being considered. The Department intends to conduct a fraud and error survey of one of the individual elements of the scheme (basic Supplementary Welfare Allowance, rent supplement and mortgage interest supplement) in 2013 and to conduct surveys in respect of the remaining elements in subsequent years.

Recommendation 24.2: In relation to reviews of claims in payment, the control policy for each individual scheme should outline the type and frequency of review to be completed — ranging from a desk review of claim papers, the issue of letters to selective customers, database checking, or home visits.

Accounting Officer's Response: Agreed. A working group has been established to consider control procedures in respect of Supplementary Welfare Allowance. The group is examining current practices, identifying risks and recommending improvements. By the end of 2012, the working group will have finalised its review and the resulting recommendations will begin to be implemented.

Basic Supplementary Welfare Allowance

24.75 Almost three quarters of all basic Supplementary Welfare Allowance claims relate to people awaiting decisions on applications under another social welfare or HSE scheme. As a result of increased claimloads, there has been a significant increase in the time claimants wait for decisions under primary schemes e.g. Jobseekers Allowance or Invalidity Pension.

Recommendation 24.3: The Department should investigate the impact on the duration of basic supplement claims of increased waiting times for decisions on other schemes and consider the implications for the review policy in respect of basic supplement claims in payment.

Accounting Officer's Response: Agreed. Jobseeker claimants account for over half of basic Supplementary Welfare Allowance payments made to claimants awaiting a decision on applications under another welfare scheme. The introduction of the National Employment and Entitlements Service, currently being trialled by the Department, will reduce the requirement for recourse to basic Supplementary Welfare Allowance for jobseekers claimants.

Recommendation 24.4: In particular, it should investigate the possibility of establishing an automated link between basic Supplementary Welfare Allowance claims and claims under primary schemes so that a claimant's basic supplement claim is automatically stopped when a decision is made on his/her claim under a primary scheme.

Accounting Officer's Response: Agreed. The Department has a major programme of process redesign and modernisation, including the development of new computer systems which provide for automatic messaging between schemes. The timeline for the transfer of the Supplementary Welfare Allowance scheme to the new generation computer systems is dependent on priorities and best use of resources.

Rent Supplement

24.76 Rent supplement is, in effect, a major welfare scheme in its own right, costing around €500 million a year and relied upon by almost 100,000 households.

Recommendation 24.5: In order to manage the risk of excess expenditure, it is recommended that the Department should have better information to allow it to analyse expenditure by household composition, the type of accommodation rented and the location of the accommodation.

Accounting Officer's Response: Agreed in part. The system used by the Department to administer the rent supplement scheme does not provide sufficient detail to facilitate the level of analysis recommended. As part of a major programme of process redesign and modernisation, the Department has developed and is rolling out a new computer system, through which 70% of schemes are now being paid. The Accounting Officer stated that the timeline for transfer of rent supplement to the new system has yet to be finalised.

Recommendation 24.6: It is recommended that the Department should set out its objectives for rent supplements in terms of the housing need it is expected to address e.g. the target duration of support, target demographic groups, housing standards, cost of accommodation provision, etc.

Accounting Officer's Response: Agreed. The Department aims to return rent supplement to its original objective of providing short-term income support to people who have become temporarily unemployed. The Department is represented on a multi-agency steering group to develop proposals to transfer responsibility for the provision of assistance to individuals with a long-term housing need from the Department of Social Protection to housing authorities.

- 24.77** The Department reviews maximum rent levels paid every eighteen months by reference to market rates. The methodology used has been refined in recent years in order to arrive at a rate which is more suitable to rates applicable to rent supplement tenants.
- 24.78** The rental levels set by the Department have an impact on market rates since rent supplement tenants comprise a significant element of the rental market. The Department's analysis concludes that it is to some extent a 'price setter' as opposed to a 'price taker' in the rental market. The analysis completed in the 2010 and 2011 reviews concluded that many landlords use the maximum limits established by the Department as a benchmark in setting rent prices for both rent supplement and non-rent supplement tenants.
- 24.79** There are delays in the implementation of revised rental limits. In relation to the revised rates issued by the Department in January 2012, audit work revealed differences between local offices in the approach to implementation. One office had attempted to revise rates for all claimants within a six week period. In the other office, the changes were implemented as part of a review process conducted during May and June 2012.

Recommendation 24.7: The Department should adopt a consistent policy in relation to the implementation of revised maximum rental levels. Where the revisions lead to reductions in the amounts paid, the Department should seek to implement the changes as quickly as possible.

Accounting Officer's Response: Agreed in part. Revised rates are applicable to new applications with immediate effect and to existing tenancies at the next review, which can be up to six months later. The Department agrees that revised rates should be implemented as soon as possible. However, the Accounting Officer stated that increasing the frequency of reviews would place a significant administrative burden on the Department and would have an adverse impact on customer service.

- 24.80** In relation to Rent Supplement, specific issues were identified during the audit in relation to validation of the rent payable and assessment of the standard of accommodation provided.

Recommendation 24.8: The Department should obtain copies of rent books in order to validate the rent being paid.

Accounting Officer's Response: Agreed in part. Staff training to be delivered from September 2012 onwards will cover control issues including file administration and the proper maintenance of records. In addition, staff have recently been granted powers of enquiry to formally request and oblige landlords to provide information in respect of their rent supplement tenants. This provides a further mechanism through which the Department can verify the existence of a tenancy and validate the rent amount.

- 24.81** The discrepancy in the home visit rates in offices visited during the examination is striking, and may reflect different legacy approaches taken in HSE regions. Given the expenditure being incurred by the State on rents paid to private landlords and the vulnerability of many of those dependent on welfare assistance, it is important to ensure that accommodation of an acceptable standard is provided.

Recommendation 24.9: Occasional home visits to rent supplement recipients should be undertaken. In cases where deficiencies in the standard of accommodation are evident, the accommodation should be referred to the relevant local authorities for inspections. Results of such referrals should be monitored and taken into account in reviews of claims.

Accounting Officer's Response: Agreed. Home visits are undertaken where there is a valid reason for doing so. Where it comes to the attention of departmental staff that accommodation appears to be below the required standard, the concerns are notified to the relevant local authority for follow up. Where the Department has been notified by a local authority that standards are not being complied with, it can decide to refuse an application for rent supplement. If such a notification from a housing authority relates to an existing tenant, the situation is discussed with the tenant and the Department attempts to act in his/her best interest.

Mortgage Interest Supplement

- 24.82** Legislation was implemented in June 2012 which provides that MIS will not in future be payable until applicants have secured and complied with alternative payment arrangements with their lender for a period of not less than twelve months. The Accounting Officer stated that other recommendations made in the July 2010 report on a review of MIS are currently being considered within the Department.