



Comhairle Cathrach  
Bhaile Átha Cliath  
Dublin City Council

# **Report of Housing Strategic Policy Committee Working Group on Rental Model and Rent Arrears**

**October 2020**

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## Brief and Remit of Group as agreed at SPC:

The Working Group will:

- a) Analyse the current rent model as implemented by Dublin City Council
- b) Consider the feedback from the Symposium on Public Housing on the discussion on rent models
- c) Consider key elements of a future rent model that would accommodate a concept of public housing that would include a broader range of income levels eg. BER rating, local amenities/facilities, space/size, car parking spaces, go-car provision)
- d) Consider the appropriate relationship between rent and housing maintenance
- e) Consider how Dublin City Council could transition to a revised rent model
- f) Draw up a revised public housing rent model for consideration by the Housing SPC and ultimately for agreement by Dublin City Council

Following a discussion on rent arrears at the Finance SPC, the Working Group also incorporated a review of rent arrears with a view to making recommendations on the prevention and recovery of rent arrears.

Any recommendations made with regard to a new rent model would be viewed as applicable to a housing model with increased income eligibility to support the work of the Working Group on Public Housing.

### **Working Group Members and Structure**

Working Group Chairperson: Cllr Alison Gilliland

Members of the Working Group: Cllr Mary Callaghan, Cllr Donna Cooney, Cllr Pat Dunne, Cllr James Geoghegan, Cllr. Criona Ni Dhalaigh (until her stepping down in September 2020), Cllr. Tina McVeigh, Cllr. Cieran Perry, Claire McManus (RIAI), Karen Murphy (ICSH) and Aine Wellard (PPN); The Chairperson of the Finance SPC, Cllr Seamus McGrattan, attended the Working Group meetings on rent arrears.

The work of the Working Group was supported by Tara Robertson (Housing Rents), Michael Clarke (Housing Anti-Social Policy Unit) and Aisling Browne (Housing Allocations).

### **Working Group Meetings**

The working group met on six occasions to date:

- 9<sup>th</sup> June 2020 (online)
- 19<sup>th</sup> June 2020 (online)
- 3<sup>rd</sup> July 2020 (online)
- 30<sup>th</sup> July 2020 (in City Hall)
- 4<sup>th</sup> September 2020 (online)
- 7<sup>th</sup> October 2020 (online)

To follow is the report and recommendations of the working group.

## DCC Differential Rent Scheme Overview

The weekly rent charge is determined in accordance with the 2019 Dublin City Council Differential Rent Scheme which directly links the rent charged to household income. Rent is calculated at 15% of the principal earner's weekly assessable income, which exceeds €32.00 in the case of a 'single person' principal earner and €64.00 in the case of a 'couple' principal earner (principal earner is the occupant with the highest assessable income).

Subsidiary earners pay 15% of income which exceeds €32.00 (€64.00 in the case of a "couple"). Rent is charged on a maximum of 4 subsidiary earners and the rent charge for each subsidiary earner is capped at €21. There is a rent reduction of €1 per dependent child

The assessable income of either a principal earner or of a subsidiary earner will, in general, be that person's normal weekly wage and/or social welfare payment, net of income tax, P.R.S.I. and Universal Social Charge (USC) payments (where applicable). Income from the following sources will be included in assessable income:

- Employment including self-employment,
- Social insurance/social assistance payments and allowances,
- Health Service Executive allowances, FAS training allowances,
- Payments under the Community Employment Programme and
- The Back to Work scheme and
- Income from any pensions or other sources.

All regular income and payments in the nature of pay, including shift allowance, travel allowance, bonus, commission and overtime will be included in assessable income. Pension Related Deductions, Superannuation. Pension Fund payments or any other deduction apart from income tax, P.R.S.I. and Universal Social Charge payments (where applicable) are not deductible from a person's normal weekly wage for the purposes of calculating rent.

Self-employed are assessed on an assumed net income – Taxi/Hackney Drivers and Non Trade/Other businesses are assessed on €500, while Tradesmen are assessed on €560.

### Income thresholds

At present income thresholds apply that take into consideration the family status of the household and the number of children. These income thresholds range from €35,000 (single person) to €42,000 (3 adults with 4 or more children)

### Notification of Income Changes

Tenants must notify the City Council immediately of any changes in household income or in household circumstances (e.g. changes in the number of occupants including newly born babies, changes in the employment status of household members etc.).

Various charges may apply which are specific to the property such as heating and boiler maintenance. A €3 waste management charge per week applies to all flat complexes where there is a universal bin. The charge also applies to part V properties.

### Minimum and Maximum Rents:

- The minimum weekly rent charge based on the Social Welfare payment of €203.00 is €25.65
- There are 1,188 tenants on the minimum rent charge
- There are no tenants on the maximum weekly rent charge of €423, relating to dwelling size as per table below.

<b>Dwelling Size</b>	<b>Maximum Weekly Rent</b>
Bedsit (i.e. 1 room)	€257.00
1 Bedroom (i.e. 2 rooms)	€301.00
2 Bedroom (i.e. 3 rooms)	€313.00
3 Bedroom (i.e. 4 rooms)	€401.00
>3 Bedroom (i.e. > 4 rooms)	€423.00

The weekly average rent charge is €69.70 in a DCC property while the average weekly market rent in Dublin for Q1 2020 was €433.75 (RTB Q1 2020 Rent Index). The current highest DCC weekly rent charge is €265.87.

### Differential Rent Scheme for new public housing model:

The current system was reviewed and the following elements discussed:

- The average income levels of DCC tenants
- The interaction between the principal earners and subsidiary earners and their respective rent charges
- The fairness of the differential rent scheme
- How/If the current differential rent scheme could be applied/adapted to income levels above the current income thresholds

It was agreed that first and foremost the current differential rent scheme was very fair and equitable. It provided a secure long-term tenancy that charged a rent consistently proportionate to household income levels. This is particularly pertinent where household income may fall due to unemployment or retirement or where household members may leave the tenancy.

It was deemed unfair that an additional rent levy be applied for what might be considered advantageous housing characteristics such as a high BER rating, extensive local amenities/community facilities, greater floor space/size, provision of car parking spaces or go-car provision. It was recommended that DCC should be more cognisant of tenants in lower BER rating tenancies that may suffer from fuel poverty.

At present capital costs for social housing are provided by central government through a variety of financial schemes and partnerships while the cost rental model of housing proposes that rent levels are

set in such a way as to meet both capital and maintenance costs over the loan term. The current differential rent system applied to social housing tenants makes a significant contribution towards housing maintenance.

The Working Group envisaged that any differential public housing rental income should at least meet all housing management and maintenance costs including administrative and personnel costs but acknowledged that by setting a public housing rent level at the similar rate to the current DCC differential rental level so as to ensure universal proportionate affordability capital/loan costs for a public housing model would need to be directly subsidised by the state or cross-subsidised by an extended HAP system.

<b>Income</b>	<b>€10,556 (single SW)</b>	<b>€35,000</b>	<b>€45,000</b>	<b>€55,000</b>	<b>€65,000</b>	<b>€70,000</b>	
<b>% of occupants in each income bracket</b>	30%	20%	20%	15%	10%	5%	
<b>Number of units/tenancies</b>	60	40	40	30	20	10	
<b>Rent pw for single tenant</b>	€25.65	€96.16	€125	€153.85	€182.70	€197.12	
<b>Rent pw- Principal plus 1 subsidiary earner</b>	€46.65	€117.16	€146	€174.85	€203.70	€218.12	
<b>Rent x 4 week month for principal earner</b>	€102.60	€384.64	€500	€615.40	€730.80	€788.48	
<b>Rent x 4 week month – Principal plus 1 subsidiary earner</b>	€186.60	€468.64	€584	€696.40	€814.80	€872.48	
<b>Total income pa per income category based on principal earner only</b>	€80,028	€200,012.80	€260,000	€240,006	€190,008	€102,502.40	<b>Total income pa: €1,072,556</b>
<b>Total income pa per income category based on principal earner plus one subsidiary earner</b>	€142,428	€243,692.80	€303,680	€272,766	€211,848	€113,422.40	<b>Total income pa: €1,287,837</b>

## Recommendations

The Working Group agreed the following recommendations for the adaptation of the current differential rent scheme applicable to a new public housing model with increased income eligibility thresholds.

1. Rent charge will be 15% of principal earner income across all income levels
2. €21 maximum rent on subsidiary earners to remain
3. Maximum 4 subsidiary earners to remain
4. Abolish maximum rent levels

## Application of 15% on all income levels

The model above assumes a mix of incomes with the maximum income eligibility for a **single** applicant to be €70,000 in a new public housing complex of 200 units. In the model 50% of tenants earn below current social housing income thresholds while the remaining 50% of tenants earn incomes ranging from €35,000 and €70,000.

A basic application of 15% on all principal income earners would result in the following average weekly rent levels for the principal earner.

## Accessibility

Dublin City Council's Corporate Plan also commits to fulfilling its Public Sector Equality and Human Rights Duty (Irish Human Rights and Equality Act, 2014, S42). Dublin City Council Rent section recognises its obligation under equality and disability legislation to communicate in an appropriate and accessible way with those tenants who have a disability. The working group acknowledged the need to review practice through the lens of physical, mental and sensory disability to ensure tenants are not excluded from communications regarding their tenancies including their rent.

## Recommendations

In particular the working group recommends that

- Disability awareness training to be continued among DCC Housing staff
- Develop a mechanism to ascertain if tenants have additional needs to the usual methods of communications.
- Meet the needs of tenants who require alternative forms of communication, in particular the offer of braille documentation, telephone/digital communication and large print options for partially sighted tenants
- All communication be reviewed from the perspective of language and a plain language communication policy adopted to support tenants that may have literacy difficulties
- An appropriate identification verification protocol be implemented that enables visually impaired tenants to verify the identity of staff on house calls.
- An appropriate communication protocol be put in place to allow tenants with speech impairments to communicate effectively with DCC
- A protocol for liaison between the DCC social welfare section and the rent section be developed to support tenants with disabilities

## Arrears Prevention and Recovery

The working group analysed, in as far as statistics allowed, the relationship between income, length of time in arrears and amount of rent in arrears, the general causes of rent arrears, the rent arrears communication process and the rent recovery procedure.

### Statistics and activity

- Dublin City Council (DCC) has at present 24,700 rented tenancies
- Approximately 67,000 people reside in these tenancies
- The weekly average rent charge is €69.70 (€279 .00 per month)
- The number of accounts with assumed incomes is 3788
- The number of accounts with assumed incomes in arrears is 3077 – total amount of arrears on these account €12,963,693
- Net arrears as of 28<sup>th</sup> September 2020: €33,107,269.66

### Activity in 2019

- 30,132 letters issued to Tenants for rent arrears
- 165 Tenancy Warnings issued
- 56 applications for Possession progressed to Legal Department for Court Hearing dates
- 4 Possession orders granted – one eviction

### Activity in 2020

- 31 Tenancy Warnings were issued pre-Covid
- 1 eviction took place in May 2020
- 125 cases with Legal Department awaiting court date
- 28 cases which had court dates for November 2020 have been adjourned again due to Covid. Currently prioritising cases to be heard this year.

### Causes of Rent Arrears:

- ▶ Rent arrears are often caused by under-declaration of income and non- payment or insufficient payment of weekly rent charge.
- ▶ All Tenants are required under the terms of their Tenancy Agreement to report any changes in household income or composition in real time – failure to report changes in household circumstances is a major contributor to arrears.
- ▶ In order to pro-actively remind tenants to submit income details, accounts are reviewed at least once every two years and Household details are sought. Non-return on Household details is a major contributor to arrears.
- ▶ In the interest of fairness and equity to the many tenants who inform us of changes to income and to avoid the unintended consequence of rewarding/encouraging non-declaration of income, it is DCC's policy to apply retrospective debits where undeclared income comes to our attention

## Statistics (Principal Earners/level of arrears/time in arrears) July 2020

- Current Rent Arrears: €36m
- 41% of Tenants have a clear rent account or are in credit
- 26% of Tenants in arrears owe less than 500 Euro.
- 15% of Tenants in arrears owe between 500 Euro and 2,000k.
- 14% of Tenants in arrears owe between 2,000k and 7,000k.
- 3% of Tenants in arrears owe between 7,000k and 11,000
- 2% of Tenants in arrears owe between 11,000k and 19,000k.
- 0.4% of Tenants in arrears owe between 19,000k and 27,000k.
- 0.1% of Tenants in arrears owe over 27,000k

Of those in arrears, over 40% were in agreements as of end December 2019.

### Principal earner income bands

Income band – weekly earnings	Number of principal earners
€203.00 – €400.00	15,498
€400.00 – €600.00	6,961
€600.00 – €800.00	1,983
€800.00 – €1,000	291
€1,000+	34

### Level of arrears in household income bands

Total income per household	No. Of Tenancies	Amount owed in Arrears	% of Total Arrears
€203 - €400	5046	€4,961,159.90	13.91%
€400 - €600	3395	€6,692,626.49	18.76%
€600 – €800	2507	€7,679,640.62	21.53%
€800 - €1000	16250	€5,743,639.03	16.10%
€1000 - €1500	1806	€7,899,607.68	22.15%
€1500 +	474	€2,681,178.72	7.51%
Totals	14853	35,657,852.44	100%

### Length of time in arrears

Number of Weeks in Arrears	Number of Accounts in Arrears	Arrears amounts
1 – 4	3,418	€410,012.04
4 – 6	1,103	€349,524.29
6 – 12	1,915	€1,196,961.11
12 – 24	2,139	€2,917,146.68
24 – 52	2,424	€7,425,839.27
52+	2,698	€22,019,644.34
Total	13,697	€34,319,127.73

### Rent Arrears Recovery Procedure

#### **Stage 1: 1<sup>st</sup> & 2<sup>nd</sup> Warning Letters**

- 1<sup>st</sup> Warning letter issued after 3 weeks arrears.
- 2<sup>nd</sup> Warning letter issued after 5 weeks arrears.

#### **Stage 2: Broken Agreement/3<sup>rd</sup> warning letter**

#### **Stage 3: Issuing of a Tenancy Warning**

- If the arrears are not paid in full or an agreement has not been made or has been broken, a Tenancy Warning may be served.
- There is a 10 day waiting period after the Tenancy Warning is issued to allow for tenants to appeal the decision to issue the Tenancy Warning. The tenant must apply in writing to Dublin City Council within 10 working days.

#### **Stage 4: Court Proceedings**

- Where the arrears are still increasing and no agreement has been entered into, a Possession Application is prepared for Court.
- The EHO will notify the tenant by letter that a Court hearing is being arranged.
- Legal Department will issue notification to the tenant informing them that an application has been made to the Court for a Possession Order.
- Where a Possession Order is granted by the Court and where there is still no agreement to pay the arrears, or an agreement has been broken, the case is referred to the Eviction Office.
- The Eviction Office continues to engage with the tenant. If a satisfactory payment agreement is not reached, the Eviction Office will proceed to recover the property.

- A constant informal process takes place concurrent to the formal process, with telephone calls and house calls being key to engaging and understanding the individual circumstances of tenants.

### Arrears Management Measures

- The Arrears Management Section is staffed at present by 21 Executive Housing Officers (EHO) who are each responsible for approx. 1,300 rent accounts.
- Their job is to continuously monitor and manage the accounts and engage with the tenants at an early stage of missed payments.
- Every effort is made by the EHO to agree a realistic repayment plan with the Tenant.
- Tenants are contacted by letter, by telephone or visit by the Executive Housing Officer (EHO). Formal and informal engagement takes place.
- Through early intervention accounts falling into arrears are identified as quickly as possible and tenants are contacted to enter into an agreement so as to prevent arrears accruing.
- Tenants are encouraged to pay via Direct Debit/Household Budget.
- Tenants in arrears are advised that they can avail of professional financial advice through MABS, who can also advise them of Debt Solutions-(Debt Relief Notices).
- Quarterly Statements are issued to all tenants to keep them informed of their account balance.
- Tenants will not have routine maintenance carried out if their account is in arrears unless they have entered into and adhered to a repayment plan.
- Tenants in arrears will not be granted a transfer unless they have a clear account. Previously, the Scheme of Letting Priorities prevented tenants in arrears from making a transfer application, this was a stronger measure than the current process, whereby the transfer application is accepted and when the tenant reaches the top of the list they will not be granted a transfer until such time as the arrears are cleared.
- If any Sub-Tenant in the dwelling in question is seeking DCC accommodation in their own right their application will be put on hold until the arrears are cleared or a satisfactory agreement for repayment in place.
- The Local Government Efficiency Review Group made a recommendation in 2010 that “Social Housing Rents due to Local Authorities should be deducted directly from Social Welfare Payments”. The Housing (Miscellaneous Provisions) Act 2014 contained a section which would give Local Authorities the power to do this and also to collect rent arrears, however to date Section 53 of this Act has not been commenced.
- Where a tenant is working there is no facility to secure deduction at source from an employer.

## Rent Recovery Payment Plans

At the end of December 2019, approximately 40% of all tenants in arrears had agreed to and were adhering to a rent repayment plan. Approximately 14% of tenancies in arrears have a weekly household income of below €400 per week while approximately 46% have a weekly household income of over €800 per week, therefore repayment plans range from an additional €10pw upwards depending on ability to pay. While agreeing affordable repayment plans can result in long repayment periods, establishing a regular pattern of weekly rent payment plus an agreed additional amount to reduce rent arrears is the main objective of repayment plans and a key task for the Executive Housing Officers.

## Recommendations

Following discussion and analysis the Working Group agreed the following recommendations

- ▶ Seek the commencement of Section 53 of this Act to allow deduction at **SOURCE** from social welfare and to establish a deduction at source facility from employers. With 66% of principal earners on social welfare, and a similar profile among subsidiary earners deduction at source would be the most effective tool in maximising rent collection and preventing arrears. Likewise, seek a deduction at source facility to support those tenants in employment in paying their rent charge, as is the case with the Local Property Tax. Such a facility would act as a preventative approach to rent arrears. If the Minister refuses to commence this section of the Act DCC should explore establishing a voluntary opt-in deduction at source system.
- ▶ That an opt-in deduction at source system be developed and offered to tenants in PAYE employment. This system would be targetted in the first instant at tenants in arrears who earn more than €600 p/w.
- ▶ Develop a simple training module for current tenants on their rent system and managing their finances and make the module obligatory for all new tenants
- ▶ Establish a more effective system of ascertaining changes in tenants' income levels.
- ▶ Consider an alternative treatment of rent arrears that arise due to undeclared increased income that provides the option to raise the amount owed as a charge/projected debit to be paid over the course of no more than two years (treat amount of liability as rental income due rather than arrears.)
- ▶ Inform tenants of alternative banking options other than large financial institutions in order to facilitate greater uptake of direct debit facility.
- ▶ Require all new tenants to pay rent charge by direct debit or, where possible, via the household budget scheme

- ▶ Promote greater awareness of financial advice service of MABs to support households that may be experiencing financial management difficulties
- ▶ Provide informations regarding debt relief notices for tenants in arrears of under €20k. This is a once off facility for tenants on low income, with few assets and debts of less than €20k to have debts written off in full provided they adhere to certain conditions.
- ▶ Apply the provision in the Scheme of Letting Priorities (section 2.7.2) which states that tenants must have a clear rent account in order to seek a transfer. All new transfer applications with arrears on the account will be paused until such time as the arrears are cleared. Tenants in arrears, who have a transfer application already in the system, will be notified during January 2021 that with effect from 1<sup>st</sup> April 2021, those applications will be paused until such time as the rent arrears are cleared. Managerial discretion in this regard to be exercised only in exceptional circumstances such as welfare and medical circumstances.
- ▶ Develop an early warning text alert system to advise of a debt arising after 1/2 missed payments.
- ▶ Develop of an application for mobile phones to facilitate easier payment of rent and checking of rent accounts and to facilitate communicating changes in income levels to DCC
- ▶ Develop a communications plan for publicising the importance of paying rent/returning Household Details/payment methods for rent/availability of financial advice through MABS
- ▶ Develop a protocol for liason between the local estate manager and the local executive housing officers to support tenants in arrears.
- ▶ Develop a protocol for liason between the social welfare section and the rent section to support vulnerable tenants in arrears
- ▶ Take Court proceedings to seek Possession Orders for serious arrears cases where DCC is satisfied that there are no circumstances outside the control of the household which prevent the repayment of arrears.
- ▶ The effectiveness and impact of these recommendations to reduce DCC rent arrears will be fully evaluated after one year and a report made to a joint sitting of the Housing SPC and the Finance SPC with a view to agreeing next steps. Such next steps could include commissioning an independent external body with expertise in arrears management to support DCC in reviewing arrears collection processes.