

Summary

Housing for the elderly in depopulated areas
(RiR 2014:2)



Housing for the elderly in depopulated areas

Background of the Audit

The prerequisites for providing housing and construction differ significantly in different parts of Sweden. A weak labour market and declining population have in some parts of the country led to a housing surplus and housing companies with financial problems. This type of housing market is usually defined as weak. Of the 290 municipalities in Sweden, 123 have, or have had, weak housing markets, according to the Swedish National Board of Housing, Building and Planning – Boverket.

Municipalities with weak housing markets may have experienced problems with both a housing surplus and a housing shortage. Housing shortages arise when the existing housing stock does not meet the needs of those households seeking new accommodation.

Demographic development in Sweden means that the share of elderly is on the increase. This development is particularly evident in municipalities that have weak housing markets. However, municipalities with weak housing markets often have limited options to offer the elderly adapted, centrally located homes with lifts and close proximity to services. Frequently the elderly are forced to live in houses and apartments with poor accessibility.

Motive: The audit is motivated by the fact that in a large number of municipalities it is difficult to meet the targets set out in the Swedish Housing Supply Act (Bostadsförsörjningslagen) to create the prerequisites for everyone in the municipality to live in good housing. In the national housing policy, the state is responsible for the legal and financial conditions while the municipalities are responsible for planning and implementation of the housing supply. However, it is not clear what responsibilities the state has if, on a municipal level, it is not possible to meet the housing responsibility.

Purpose: The purpose of the audit is to examine whether the Government provides municipalities with weak housing markets adequate means to meet their housing supply responsibilities with respect to elderly housing. The audit examines whether the Government has ensured that there are both legal - in the form of clear and equitable regulatory framework - as well as financial conditions.

Implementation: Current Government initiatives for elderly housing and weak housing markets consist of investment aid to elderly housing, activities at the Statens bostadsomvandling AB (Sbo) and restructuring aid. The Swedish National Audit Office has audited whether the Government, Boverket and Sbo have planned and implemented Government initiatives in an appropriate manner.



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The audit is based on a survey of municipalities that have or have had a weak housing market. The Swedish National Audit Office also interviewed representatives from six municipalities. In addition, the Swedish National Audit Office interviewed representatives of the Swedish Cabinet Office and the Ministries (Ministry of Health and Social Affairs), Boverket, Sbo and other related agencies and organisations. The Swedish National Audit Office has also collected and analysed data from Statistics Sweden and Boverket. In order to evaluate the possibilities provided by EU's regulatory framework for public assistance for weak housing markets, the Swedish National Audit Office has prepared a legal opinion about state aid regulations.

Audit findings

The Swedish National Audit Office believes that the Government has not provided municipalities with weak housing markets, sufficient financial and legal conditions to meet their housing supply responsibilities. Currently half of the municipalities that answered the Swedish National Audit Office's survey are unable to meet the demand for accessible housing for the elderly. Therefore the target of the Swedish Housing Supply Act to create the prerequisites for everyone in the municipality to live in good housing is not met. Furthermore, neither is the objective of the Government's housing policy of long-term well-functioning housing markets where consumer demand meets a supply of housing that responds to needs met in these municipalities. The Swedish National Audit Office believes that as the Government has not provided the municipalities with sufficient tools to deal with non-functioning housing markets, the Government has failed to provide adequate conditions in order for municipalities to meet their housing supply responsibilities. Existing Government initiatives related to housing play a part, but are insufficient to help municipalities achieve the objectives of the Swedish Housing Supply Act. The structure of the aid also needs to be partially revised.

What are the problems for the municipalities?

The Swedish National Audit Office's survey to municipalities that have or have had weak housing markets shows that about half of the respondents believe that they have a long-term well-functioning housing market. A majority of municipalities do not have a supply of housing for the elderly that corresponds with demand. This is particularly true in the chief towns in the municipalities, where above all there is access to public services, communications and shops.

The municipalities have frequently found it difficult to meet the demand of accessible and modern housing for the elderly. Of the municipalities that currently cannot meet the demand for this type of housing, only ten per cent can finance new construction themselves while fifteen per cent can finance the redevelopment of existing housing. Half of the municipalities can finance individual accessibility measures, such as a lift or ramp.



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The Government initiatives are important, but are insufficient

The Swedish National Audit Office is of the opinion that the investment aid has achieved its purpose of stimulating the creation of safe and secure housing. However, on account of the structure of the aid, the purpose has not been achieved to the extent that had been possible. The Government chose to structure the aid with a range of conditions, which many municipalities considered too demanding relative to the amount of aid. The requirements have meant that the municipalities refrained from making applications. For smaller municipalities the age limit of 70 years may be particularly difficult, as there can be some uncertainty whether there are enough people interested in this age group. Municipalities that have been granted investment aid are, however, mainly positive.

In terms of Sbo, the Swedish National Audit Office assesses that activities are in line with the objective of contributing to a functioning housing market. The Swedish National Audit Office's survey shows that the municipalities that have collaborated with Sbo to a greater extent than the total selection believe they have a functioning housing market and housing for the elderly to an extent that meets demand. The municipalities are also positive to collaboration with Sbo. However, the Swedish National Audit Office, cannot judge to what extent it is the Sbo-collaboration that has led to a functioning housing market. In instances where municipalities have had contact with Sbo, but not initiated collaboration, the main reason has been financial: the economic conditions involve a too high cost. However, based on legal principles, it is doubtful whether Sbo's operations or the company's finance policy are consistent with EU state aid rules.

Furthermore, the Swedish National Audit believes that the restructuring aid may have been a significant factor for relevant municipalities, but that the development on the housing market means that the structure needs to be reviewed. Only a few municipalities have applied for aid since 2006 and the number of empty apartments has generally fallen. The municipalities that have received aid are mainly satisfied. Restructuring aid is also likely to be in conflict with EU state aid rules.

The Government has not given the municipalities sufficient legal and financial conditions

The Swedish National Audit Office estimates that currently there are no clear legal conditions for Swedish municipalities to conduct a housing policy that meets the objectives of Housing Supply Act. Above all, it is uncertain whether the municipalities have the opportunity to utilise EU's regulatory framework for services of general economic interest to support housing policy measures. The concept services of general economic interest is used when a Member State wishes to regulate a market in a manner other than one that follows market economic principles, for example, by satisfying an general interest purpose in the national housing policy. For Sweden, the Government has said that the housing supply neither generally or in parts should be defined as a service of general economic interest.



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It is not possible to determine exactly how far the Government's financial responsibility extends with respect to the housing area. However, the Swedish National Audit Office believes that it should be examined whether responsibility can be increased in proportion to what is the case today.

It is also important that the Government ensures that Boverket follows and analyses development on weak housing markets. Since the State Housing Credit Guarantee Board became a part of Boverket in 2012, no analyses of the weak housing markets have been published, even if the agency follows developments on these markets on a general level through the annual housing market survey.

Recommendations of the Swedish National Audit Office

- Based on the audit findings and conclusions the Swedish National Audit Office recommends the Government to
- Develop a framework based on the EU's concept of services of general economic interest with the aim to clarify the municipalities' options for housing policy measures and report the framework to the Commission
- Give Boverket the assignment to continuously follow developments on the weak housing markets
- Consider lowering the requirements to grant investment aid for safe and secure housing and in particular, consider lowering the 70 year age limit for the housing
- Structure Sbo's activities to harmonise with EU state aid rules. Also the issue relating to the conflict that arises when properties that were subject to a restructuring agreement are sold, needs to be examined. When Sbo's activities are adapted to EU's regulatory framework, the Government should consider providing the company with more capital
- Consider developing restructuring aid to a more flexible form of aid based on the needs of the weak housing markets. Aid should aim to help the relevant municipalities meet their housing supply responsibilities.

