



National Audit Report Summary

ON THE ASSURANCE OF HOUSING
ACCESSIBILITY TO LOW-INCOME
RESIDENTS



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TERMS AND ABBREVIATIONS

NPP – the National Progress Programme for Lithuania for the Period of 2014–2020.

MSSL – the Ministry of Social Security and Labour of the Republic of Lithuania.

SSIS – the Social Support for Families Information System Module “Būstas”.

EU – financial support from the European Union.

The national goal – the goal of the National Progress Programme for Lithuania for the period 2014-2020 – is to increase the accessibility of housing to vulnerable groups by up to 100 percent by 2020, with the aim of increasing the well-being and inclusion of the country’s residents. That goal was changed at the end of 2016 – by 2020, individuals who rent housing from natural or legal persons and are eligible for partial compensation of taxes related to rent or lease-purchase of housing, will comprise 20 percent of all individuals waiting for social housing.

The accessibility of housing to residents – the means and methods of lending support to individuals and families seeking to rent or purchase housing.

Individuals and families who have the right to receive housing rent support – these are individuals (families) whose data is included in the Residents’ Register of the Republic of Lithuania; assets (including earned income) declared during a calendar year does not exceed set limits; no housing is owned or the housing is physically worn by more than 60 percent, or the area of the housing dedicated to a single individual or family member is less than 10 square metres¹.

A family – spouses and, if applicable, their child, as well as a married individual and his/her child(ren) who live(s) with him/her by court decision related to separation, or a single parent and his/her child under the age of 18. The composition of a family also encompasses unemployed, childless and unmarried adult children under the age of 24 who are not self-employed, are in school or enrolled in full-time studies in other formal education establishments or higher education institutions (students), adult children who had graduated from schools of general education, during the period between the day of graduating from a school of general education and the 01 September of the same year, as well as individuals recognised as family members by the court, or individuals recognised as incapacitated who live with their parents, given that they are provided with guardianship. Parents living together with spouses or individuals are also considered family members².

Social housing – the part of municipal housing fund included in the list of municipal social housing fund, approved by a municipal council³. Social housing excludes dormitories, hostels, accommodation provided by an employer, accommodation that belongs to health care or residential care (nursing) establishments, and municipal housing rented out under conditions not applicable to the rent of social housing.

¹ Law on State Support for the Rent or Lease-Purchase of Housing of the Republic of Lithuania No, XII-1215 of 09 October 2014, Articles 9 and 10.

² Ibid, Article 2, Paragraph 13.

³ Ibid, Article 2, Paragraph 11.

Housing rent support – support to individuals or families seeking to rent social housing, provided by partially compensating for the taxes related to rent or lease-purchase of housing⁴.

Partial compensation of taxes related to rent or lease-purchase of housing – special targeted grants to municipal budgets from the national budget, included into the MSSL allocations in accordance with the law on the approval of the financial indicators of the national and municipal budgets of a specific year. These funds are allocated to municipalities at the Minister's order. Compensation is provided to individuals and families who rent their housing on the market from natural or legal persons.

Lease-purchase of housing – a type of rent of housing where the lessor allows the lessee to manage and use a housing unit, which is owned by the lessor him-/herself or a third party (provided the law or the owner of the housing unit in question has granted the lessor the right to rent it out in accordance with the principles of lease-purchase) for pay, provided the lessee gains ownership of the housing unit as soon as he/she pays the entire price provided in the agreement⁵.

⁴ Law on State Support for the Rent or Lease-Purchase of Housing of the Republic of Lithuania No. XII-1215 of 09 October 2014, Article 6, Paragraph 2.

⁵ Ibid, Article 2, Paragraph 5.

SUMMARY

In implementing the European Social Charter and seeking to effectively implement the law on social support, Lithuania has committed to ensure that every individual lacking in means of subsistence and incapable of procuring such means independently or from other sources, especially from the social security system, receives all of the necessary support. One of the forms of such support is housing support. The UN Committee on Economic, Social and Cultural Rights urges the country to consider the needs of vulnerable individuals lacking in appropriate housing when implementing its housing policy.

In implementing its international commitments in the field of social affairs, Lithuania has committed, as per the National Progress Programme for the period of 2014–2020, to consistently increase the accessibility of housing to vulnerable groups, increasing it up to 100 percent by 2020. In 2016, that goal was changed. Lithuania has committed to ensure that by 2020, individuals who rent housing from natural or legal persons and are eligible for partial compensation of taxes related to rent or lease-purchase of housing.

In Lithuania, housing support is provided by renting out municipal social housing and providing partial compensation of taxes related to rent or lease-purchase of housing, with neither of the services taking away the right to rent social housing. Individual or family income and assets which do not exceed the state-supported limits are the main indicators considered with regards to allocating support. Individuals who exceed set annual income and asset limits by more than 25 percent lose their social housing and are no longer eligible for compensation. Given that the common queue for social housing consists of all low-income earners – young families, disabled individuals left without parental care, families with three or more children, and other employable individuals – whenever there is a lack of such housing in the municipalities, people may have to wait in queue for 20 or more years.

Internationally, social housing is provided to low-income individuals and those who are incapable of finding housing independently. Priority for social housing is granted in accordance with set criteria of vulnerability. In Estonia and Ireland, priority is given to individuals and families in need of social services, as well as to disabled and elderly individuals, taking into account the size of the family, the health status of its members, and other socially relevant facts. Housing support to different groups are provided by taking into account their specific needs.

Whenever there is a lack of social housing in the municipalities, the state assigns funding to its development. Even though in 2012–2014, the state had invested more than 21 million EUR, and municipalities – 3.6 million EUR from their respective budgets, the queues for social housing grew more rapidly than this fund. Ever year, municipalities granted social housing to around 3 percent of those waiting for it. The 49.9 million EUR assigned for 2015–2020 from the European Regional Development Fund is not going to solve the housing problem either, because although the municipal social housing fund is set to grow by 1,150 housing units over the next five years, there are more than 12,000 individuals and families waiting for it in queue. Had the municipalities given priority to purchasing apartments on the market, rather than building new housing, they could have provided social housing to more individuals.

Since 2015, individuals and families waiting for social housing may rent housing from private individuals and make use of the compensation of taxes related to rent and lease-purchase of housing. However, this new form of state support is seldom used: in 2015, rent compensation was used by only 0.3 percent, and in 2016 – 6.8 percent of individuals and families expected to make use of such support. In 2015, municipalities failed to implement 3,542,100 EUR, and in 2016 – 104,900 EUR from the national budget assigned for this purpose. Compensation for lease-purchase of housing is still not being used. Individuals who make use of such compensation do not lose their right to social housing, although it does increase their waiting time.

The country's international commitment to ensure effective implementation of the right to housing, the long queue for social housing, a limited social housing fund and few prospects of its increase, and the failure of the recently introduced state support for housing to bring results are the tendencies that urged the National Audit Office to take an interest in the housing support system and the possibilities of improving it.

The Ministry of Social Security and Labour forms the housing support policy, organises, coordinates and controls its implementation, and assigns the funding for current social support programmes to the municipalities. The municipalities provide individuals and families with social housing or partial compensation of taxes related to the rent of housing.

The goal of the audit was to assess the success or failure to achieve the goals set in the housing rent and purchase support programme, as well as the success or failure to manage funds and the municipal social housing fund effectively, rationally and legitimately. During the audit, we have assessed the following:

- the ability of the housing support system to ensure the accessibility of housing to individuals and families waiting for it;
- the success or failure to achieve the goals set in MSSL's housing rent and purchase support programme for 2015;
- the success or failure to manage the municipal social housing fund effectively, rationally and legitimately.

In order to assess whether the housing rent support system ensures the improvement of the well-being and social inclusion of residents, we have analysed the Ministry's 2012-2014 special state support programme for the purchase of residential houses and apartments, the 2016 social support programme, and the various programmes implemented by the municipalities.

We have not assessed the means of support for the purchasing of housing, set in the Law on State Support for the Rent or Lease-Purchase of Housing, which is funded by the state in providing subsidies for the partial financing of housing credit, and the use of municipal housing, rented out to individuals and families who may only be evicted from their living quarters after being provided with other living quarters.

The audit was implemented at the Ministry of Social Security and Labour, and 22 municipalities; we have collected information in all of the 60 municipalities and the Department of Regional Development under the Ministry of the Interior.

Audited time period – the year of 2015; in order to analyse the changes, we have used data from past audits (2012-2014) and 2016.

Having assessed the collected evidence (by analysing, comparing and conducting calculations on the relevant legislation, documents and data), we present the national audit conclusions and recommendations, which, if implemented, would be helpful in developing an effective system for the provision of housing rent support, which takes into account the needs of vulnerable individuals and other groups seeking appropriate housing, and ensure more effective use of state funds.

The municipalities of the cities of Vilnius, Klaipėda and Kaunas, the District of Trakai, and Marijampolė had eliminated the identified deficiencies in strategic planning and the publishing of insufficient information on state aid provided to low-income individuals before the audit was concluded.

CONCLUSIONS

On the effectiveness of the provision of housing support to low-income individuals and families

1. The system of housing rent support fails to ensure the effective implementation of the right to housing which applies to individuals who lack the means for subsistence and are incapable of obtaining them independently, because:
 - 1.1. Given the lack social housing in municipalities, all low-income individuals (young families, disabled individuals left without parental care, families with three or more children, and employable individuals) are subject to waiting for social housing in the common queue for up to 30 years. For this reason, the Ministry, together with the municipalities, should decide which means of housing rent support should be appropriate to groups which find it difficult to procure appropriate housing due to a lack of social integration skills, disability, etc., and which means are more appropriate to other groups, having identified their particular needs. Implementing a wider variety of means of housing support would ensure that more individuals are provided with housing in a shorter amount of time (Section 1.1).
 - 1.2. After being provided with social housing, low-income families are not encouraged to earn more income and own real estate. The provision of temporary social housing does not motivate young families to look for opportunities to provide themselves with living conditions that meet the standards for human dignity. Given the importance of investment into young families in buffering emigration, providing such low-income families incapable of procuring housing credit, with a wider variety of support, issues related to the provision of housing would be solved more rapidly (Section 1.2).
 - 1.3. Social housing may be used by individuals who are not eligible for it (Section 1.3):
 - 1.3.1 Individuals who live in the same household, but are not officially married are not considered to be members of the same family, which means they do not declare their income or assets. The Law on State Support for the Rent or Lease-Purchase of Housing is not coordinated with other legislature that regulates social support – it does not specify the obligation to declare the income and assets of all individuals living in the same household. This necessitates means of ensuring that social housing is not used by individuals who are not married, but are living in the same household, which increases the administrative load in municipalities.
 - 1.3.2 Upon leaving the country, individuals living in social housing do not declare their departure and renounce the support for the rent of such housing, which means that it

is not possible to turn it over to other individuals waiting for it in queue. And this, in turn, decreases public trust in state support aimed at decreasing poverty and social exclusion.

1.4 Individuals rarely make use of the compensation for taxes related to the rent or lease-purchase of housing. Owners of housing units are not interested in drawing up rental contracts. In smaller municipalities, the amount of rent compensation that is directly tied to the value of assets in those particular localities, is three to 36 times smaller compared to major cities. The supply of lease-purchase of housing for such individuals is lacking. There was also a lack of cooperation between the central government institutions, municipalities and business representatives capable of offering the rent and lease-purchase of housing. The insufficient publicity of information on state support provided to individuals and families leads to the fact that such individuals rarely make use of it. In order to increase the number of individuals provided with housing and decrease the need for social housing, as well as investment into its development, the Ministry should look for complex solutions regarding the implementation of means to encourage residents to actively use such support.

Regarding the strategic planning of housing rent support

2. The new goal approved by the government in late 2016 is not ambitious, because it is only aimed at 20 percent of individuals waiting for social housing and renting housing on the market for the time being. Before late 2016, the country was striving to increase the accessibility of housing to vulnerable groups, even though the system of strategic planning was not aimed at that either at the Ministry or the municipalities. The Ministry expects the number of individuals provided with support for the rent of housing to increase as municipalities transfer allocations in a timely manner, although it does not specify the exact result the municipalities are to achieve upon implementing the assigned funds. In providing support for the rent of housing, the Ministry does not provide municipalities with any goals to achieve. Without such goals, 68 percent of the municipalities fail to specify any ambitious result – such as using state funds to ensure as many individuals with access to housing as possible – in their documentation. Without any specific goals or indicators, the municipalities had failed to implement monitoring and make the necessary decisions regarding the procedure for providing support. For this reason, information about the compensation of taxes related to the rent or lease-purchase of housing was provided to individuals and families too late for them to make use of it (Sections 2.1 and 2.2).

Regarding the development of the social housing fund and the implementation of funds for its development

3. The development of the social housing fund does not solve the problems related to the provision of housing, and the funds are used ineffectively because municipalities fail to implement cost-benefit analyses and often favour the most expensive options of purchasing housing – the construction of new housing units and the reconstruction of unused buildings – which means they use the same funds to provide social housing to fewer individuals and families than they could. The average price for the construction of new housing units and the reconstruction of unused buildings, as planned by the municipalities, is two to 10 times larger than the price of housing on the market (Sections 3.2 and 3.3).

RECOMMENDATIONS

To the Ministry of Social Security and Labour of the Republic of Lithuania

In order to improve the state system for the provision of housing to individuals who lack the means of subsistence, its management and effectiveness, and to ensure the integrity of related policies, the reliance on the principles of good governance and cost-benefit analyses in decision-making, as well as the uniformity of decisions in the entire system, which would lead to a more rapid increase in the accessibility of housing to the residents waiting for it, we recommend the following:

1. To carry out an assessment of the systemic aspects specified in the report, their scope and causes, and, together with other parties interested in the improvement of the system for the provision of housing, prepare an action plan and set specific means, which would:
 - 1.1 improve the legal regulation of the assessed area, such that it would clearly specify the groups in need of state support in procuring housing, as well as criteria for providing residents with a variety of support measures aimed at increasing the accessibility to housing (Conclusions 1.1, 1.2 and 1.3);
 - 1.2 specify how municipalities could effectively implement the new measures of social support – the rent and lease-purchase of housing (Conclusion 1.4);
 - 1.3 strengthen methodical management for municipalities and the monitoring of the implemented measures of housing support, such that municipalities would provide housing to as many individuals as possible (Conclusion 2).
2. In implementing the action plan, specify the means of publicising state support in procuring housing, some of which should be implemented by the Ministry, while others – by the municipalities (Conclusion 1.4).