Executive Summary

At the invitation of Dutch housing association Stek Wonen and supported by the partner organisations (Centre for Partnership, Incommunities, Orbit Group and South Yorkshire Housing Association), three GEM students spent three days in Holland where they were provided with a comprehensive background to the Dutch social housing sector. This report provides a discussion of the findings and contains reflections on the similarities and differences between the social housing sectors in Holland and the UK. It focuses on various issues including financing, development, management and social housing goals.

Stek is based in Lisse, a small town located 30km southwest of Amsterdam. Formed in 2009 following a merger of two housing associations (that themselves were formed from previous mergers), Stek own and manage around 6,000 properties that are spread across the region.

About the GEM Programme

Run by the Centre for Partnership, the GEM Programme works with its partner organisations across the UK to develop today’s graduates into tomorrow’s leaders and specialists in housing, communities and the built environment.

The Centre for Partnership and GEM students believe that the extent of future cohorts’ learning should not be limited to the UK housing sector only. It would be wrong and counter-productive for the transformative potential of the programme to be limited by national borders. Therefore, over the last few months students have been working to add an international dimension to the scheme. In many ways, this visit acted as a pilot test of the viability of an international GEM Programme.
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1. Public Perception of Social Housing

One of the most obvious differences between the two countries is how social housing is perceived by the general populace. In Holland, social housing is seen as a highly desirable tenure. This lack of stigma in comparison to the UK may be related to the size of the sector. Approximately 40% of Dutch households live in homes rented from social housing providers, compared with around 15% in the UK. If an individual does not live in social housing themselves, they are likely to know people that do. In the UK, however, as a result of policies such as the Right to Buy, social housing has become residualised and has been described as the ‘tenure of last resort’. Interestingly, the Dutch government has recently floated the idea of introducing RTB, which has caused concern within the sector. With more tenants earning higher incomes than in the UK, it is possible that a significant number of tenants could afford to buy their property. This has sparked fears that in time only the least desirable stock would remain as social housing.

2. Changing Customer Base

Whilst in the UK the majority of social housing tenants are in receipt of housing benefit, Dutch tenants represent a wider cross-section of society. However, the Dutch government have expressed the desire to see overall social housing stock reduce from 2.4 million homes to 1.8 million, and financial controls have been implemented to aid this goal. This could result in the Dutch sector coming to more closely resemble its UK counterpart, and other EU countries such as France, Spain and Italy.

Dutch social housing has now been made less accessible for those earning a higher income. Existing tenants with incomes over €34,000 are having their rents increased at a faster rate than those under this threshold, following the introduction of a new rent formula. For those earning between €34,000 and €43,000, rent increases by the inflation rate plus 0.5%. For those earning over €43,000, it is inflation plus 2.5%. This has been an administrative nightmare for providers who have had to match customer tax information to tenancies in order to establish the correct rate of rent increase. Over 30% of Stek customers earn over the €34,000 limit. The drive in Holland to see higher income tenants paying a higher rent mirrors the ‘Pay to Stay’ policy that the UK Coalition government is seeking to implement. This will allow landlords to charge market rents for households with an income of more than £60,000 a year.

Despite the Dutch government’s attempts to shrink the sector, there is still a high demand for social housing. It is not uncommon for over 100 people to bid for a Stek home. The Dutch Home Affairs Ministry has predicted a shortage of 290,000 units across Holland by 2020. This is another striking similarity with the UK picture, where the housing shortage has been much-discussed.
3. Benefits Systems

Another major difference between the countries is the way the benefits system operates in relation to social housing. In the UK, in the vast majority of cases, if someone is living in social housing and entitled to housing benefit, the money is paid directly to the landlord via local government agencies. However, in Holland, the system is very different. Anyone renting a social property is responsible for the payment of the first €300 of their rent out of their own pocket income or benefits. The next €270 can then be covered by housing benefit if the person's means are at a certain level. For example, someone living in a property with a rent of €570 will pay the first €300 themselves and then €270 will be paid as a housing subsidy. Anything above €570 is then paid 'out of pocket' by the tenant. A customer living in a property with a rent above €680 will not be eligible for the subsidy, because at this rent level it is not considered a social tenancy.

As of 1st January 2014, housing subsidy is now always paid to the customer, in a similar impetus to Universal Credit in the UK. Although the ending of direct payments is causing great concern among UK providers that it will lead to a rise in arrears, it is not expected to be such a problem in Holland. This is because tenants have already been responsible for paying some money themselves, and unlike in the UK all tenants already have bank accounts.
4. Allocations and Housing Management

In Holland, allocation policies are set regionally. The allocations system in Lisse is based purely on how long an applicant has been on the waiting list. If an applicant waits long enough (on average around 5 or 6 years), they will have a chance to bid on any of the social properties that are available at that time. 5% of properties are within a special needs programme to house those people who are homeless and have more complex support requirements, but apart from this there is no way to gain priority in accessing social housing in this region. This is very different to the UK, where allocations are made primarily on the basis of need. Groups given priority include people who are homeless (or threatened with homelessness), people who live in overcrowded or unsuitable housing, and those who need to move for medical reasons. Some argue that allocating based on need signals that social housing is reserved for only the most vulnerable, which reinforces the perception of this tenure in the UK.

In Holland, because social housing has not become residualised, there is less of an emphasis on the social needs of its customers and fewer resources are directed at the management of tenancies. Compare this to the case in the UK where providers spend significant amounts of money on dealing with anti-social behaviour and community investment initiatives and it is easy to see a striking difference in the primary aims of the respective countries. Nevertheless, in Stek a large amount of money is made available each year for community initiatives, and such initiatives are led heavily by the tenants rather than the landlord.

5. Financing

Dutch social housing providers operate within a very different financial framework to the UK. Whilst being individual entities, Dutch housing associations are members of the Central Housing Fund (CFV), which is best termed a solidarity fund. All housing associations are required to contribute to the CFV, which is then utilised to ensure the viability of any housing association that is experiencing financial difficulty. This occurred recently in the case of Vestia, a large association that lost 2 billion euros in risky moves in the derivatives market.

In terms of financing, Dutch providers gain finance through the Social House-building Guarantee Fund. Backed by the government, this fund guarantees bank loans to more than 90% of Dutch associations on favourable interest terms and effectively
acts as a group procurement initiative. The Social House-building Guarantee Fund as an entity is highly regarded and in 2011 ratings agency Moody’s awarded it a triple A rating. This arrangement is very different to the UK, where individual associations generally look for their own sources of bank or market lending on a standalone basis.

Due to the actions of Dutch associations like Vestia, there is a growing public perception that the sector may be taking unnecessary risks. Perhaps as a result, the government has implemented what is colloquially known as the ‘landlord tax’. Associations will be required to pay an annual sum of money proportional to their respective social housing stock value. The concept was only introduced recently, and each year the percentage of money requested will increase. Stek, with its stock of around 6000 units, expects to pay around €7 million per year in the next 5 – 10 years.

For many Dutch housing associations, this has meant a complete re-write of the long-term business plan to take into account this loss of income and smaller development capacity. In order to be able to pay this annual tax and project its impact on the business plan over the next few years, associations are being forced into taking some difficult decisions.

Many are raising the rent of some properties above the ‘social’ level (€680 per month). The incentive to do this is twofold: firstly, because they will then avoid paying the landlord tax on that property; and secondly because it will generate more rental income to help pay the tax they are liable for. (From a Dutch perspective, it is in a provider’s interest to seek a significant increase in property turnover - to be able to raise rents. This is different to the UK where the emphasis is on reducing turnover and void costs as much as possible.) This financial pressure to charge higher rents is making it more difficult for providers to build properties for people on lower incomes. There is a limit to demand in terms of how much social tenants can afford to pay, and Stek have on occasion experienced problems letting higher rent homes. Nevertheless, there is a market for high-end social housing for the general public not claiming benefits, as these properties are both highly desirable and very affordable compared to private lettings.
6. Identity and Future Developments

There is a tension between Dutch housing associations’ core functions and their need to increase turnover, and a danger that a more market-based approach could end up diluting the social ethos of the sector. This can also be seen in the UK where some commentators have argued that social housing is experiencing something of an identity crisis, torn between its traditional role (providing affordable housing to those on low incomes) and the need to become more commercial in light of significant cuts to grant funding for the development of new homes. UK associations are now also building for sale and market rent to cross-subsidise their core functions. UK landlords looking to develop are also being prompted to charge higher rents for new tenants under the new ‘affordable rent’ regime.

From a development perspective, there is an emphasis to make new builds financially viable by utilising the ‘design and construct’ method. This sees contractors in fierce competition proposing schemes of high quality for prices deemed reasonable by the association, who then make a judgement against predetermined criteria. This has produced a significant reduction in the cost of building new properties (partly achieved through a reduction in total build time of around 3 months), and Stek hope that these methods will help to secure their developing capacity in the challenging economic times ahead.

There is a much bigger emphasis in Dutch social housing on the technical side of property maintenance as opposed to the customer-focused, tenancy management emphasis the UK. Dutch providers are going into partnership with local authorities and private investors to try and ensure they continue to build, and there does not appear to be any issue with building mixed-tenure communities. This is in stark contrast to the situation in the UK where developers are often averse to building alongside social properties, even when obliged to do so under section 106 agreements that stipulate how much of a new development must be affordable housing.

In Holland, a large emphasis is placed on energy efficiency. Although many UK providers have committed to improving the energy efficiency of their homes, Holland does appear to be ahead of UK in this field. After agreeing with the government to reduce its energy use by 20% by 2018, Stek have initiated an ambitious energy saving project. All new homes are being built to efficiency rating A, and all existing properties will be retrofitted to at least rating B. This significant cost will contribute to higher rents, but tenants’ energy bills will be lower and the stock will continue to provide a satisfactory return on investment for years to come.

A representative example from a 220-property redevelopment exercise. The external façades were upgraded for aesthetic, maintenance and environmental reasons. For example, the PVC window and door panels were too poor-quality to maintain and were removed. Residents were not required to leave their homes whilst the work was in progress.
7. Housing, Health and Social Care

The UK government have outlined plans to join up housing, health and social care services. Good housing is crucial for good health, especially for older people. Specialist and supported housing can help older people live independently for longer, while reducing the risk of hospital admission and bringing cost savings to the National Health Service. In the UK, some providers have made progress, but on the whole integration of these services is still in its infancy.

Stek have invested in impressive sheltered housing schemes for older people. These provide a complete care solution for residents with health facilities, such as a doctor’s surgery and a physiotherapist, directly accessible from the accommodation. The administrators of such facilities rent spaces from Stek within the care schemes, thus providing an additional income stream to the housing association.

However, as with government cuts in the UK, Dutch health budget reductions make initiatives such as these less viable. There is an interesting parallel between the UK government’s “big society” rhetoric and that of the Dutch government’s “participative society”. Both have championed the idea of family and community playing a bigger role in providing care for elderly and disabled citizens. In Holland, this rhetoric has manifested itself in a re-appraisal of the priority system that quantifies the level of support required by clients. If a client is deemed to have less need, then less money is available to them for their care. This in turn means that there has been a reduced demand for highly specialised residential care units.

An extra care scheme in development. Stek partnered with existing medical establishments already in the building portion to the right, and they are in the process of extending the development to join the healthcare and residential parts of the buildings.
8. Conclusions

The first major difference to become apparent was the size of the Dutch sector and the reputation that social housing has in Holland compared with the UK. Because until recently everyone has had equal access to social housing, it is certainly not considered the ‘tenure of last resort’. The customer bases are therefore very different. While most social tenants in the UK are in receipt of housing benefit, many Dutch tenants are on higher incomes and it is common for working citizens to actively search for social rented properties to live in.

It is also clear the Dutch and UK sectors are facing similar challenges. Both governments are implementing policies that are making it more difficult for associations to provide affordable housing to those on low incomes. In Holland, the ‘landlord tax’ poses huge challenges for providers, while cuts to development grants and the introduction of the ‘affordable rents’ system in UK are affecting development capacity. This is at a time when, in both countries, demand for affordable housing is outstripping supply.

What is notable in Stek’s strategy is their commitment to heavily investment in existing stock. Part of the rationale for this move is so that rents can be raised to better reflect the quality of the renewed properties, and thus secure further income. Due to rent increase rules, high tenancy turnover is actually a benefit to Dutch associations, whereas in the UK the emphasis is very much on keeping tenants settled in their home and neighbourhood.

The innovative and forward-thinking nature of Dutch associations – that can be seen in their approach to property development, energy efficiency and the integration of private, social and healthcare properties – puts them in good shape to meet future challenges. The nature of the market in Holland means that little distinction is made between social and private customers. This is something that is not yet fully in the DNA of the UK social housing sector, in which providers generally focus on housing for tenants with state subsidies. The idea of the UK social housing sector expanding organically into the private rented market is one that has been championed by David Orr, chief executive of the National Housing Federation, and what is certain is that Dutch associations show this can be a successful strategy.
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