Critical realism and housing studies: An explanation for diverging housing solutions.

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Appendix 8 The Brutering Agreement

For several years, since 1987, a number of housing associations re financed fixed rate public loans with low-interest capital-market loans. Observing this development, the government considered withdrawing completely from channelling finance, and established a self serving fund for associations to assist each other in times of financial stress, thus transferring the umbilical chord of financial responsibility from the central government and control to a collective organisation of providers.

Housing associations were considered to be in a sound financial position in 1993 (CECODHAS, 1994:3). They had large financial reserves, considerable assets, secure increasing rental income, and were providing well-maintained good quality housing. Many associations had plans for expansion and were working with partner organisations. The government assumed that the capital market could provide loans to associations at a rate of 7 per cent, if inflation remained low (3 per cent) and rent growth continued (5 per cent pa)

In 1988 Enneus Heerma, State Secretary of Housing from the centre/right-wing Lubbers-De Korte Cabinet, introduced ***Housing in the 1990s:*** a policy of privatisation, decentralisation and withdrawal (Priemus, 1990). The Heerma Memorandum (1989) sought reduced government spending on housing, increased targeting, and promoted the financial independence of Associations and Companies. Social targeting required identification of groups to be housed preferentially, specifying income groups and seeking 'optimum' (targeted) use of stock. In line with Heerma's policy, government loans and subsidies were dramatically reduced in the 1990s. ***Fixed*** annual subsidies were provided to associations, introduced in 1988 and were tapered off during the first half of the 1990s, ceasing in 1995. Heerma ended dynamic costing and introduced the ***net cash value method of subsidy, where risk of increasing rates of interest shifted from central government to landlord***. To 'compensate' landlords were permitted more freedom to adjust rent and operating (allocations) policy. In a domino like fashion, risk was therefore passed onto sitting and waiting tenants.

The Government initiated the Brutering agreement of 1995 to implement their policy of financial independence, reduced public subsidy, and decentralisation. Originally the government wished to provide a lump sum operating payment to housing associations and require them to sell some housing to tenants. This was unacceptable to housing associations and to counter the proposal evolved the concept of Brutering, or putting the counter back to zero, by cancelling forthcoming subsidies and outstanding loan repayments. For the central government the agreement was to reduce their involvement, cutting operating and capital subsidies, and increase the role of municipalities in financial monitoring and allocating social housing.

Co-operative negotiations between the government and housing associations, concluded late 1993 and the Brutering Agreement was signed by the Association of Dutch Municipalities (VNG), National Housing council (NWR) and National Christian Housing Association (NCIV). The final agreement ensured that future operating and capital subsidies from the central government were paid in advance to associations. In exchange all outstanding loans were paid to the central government in one action. The agreement was finalised by referendum amongst housing associations in March 1994. By 1995 the Dutch national parliament has passed a Brutering Act, and final settlement took place.

The payment involved an operating advance of 35 thousand million guilders by the central government and advance repayment of 30 thousand million guilders by the housing associations.

In return for lost subsidies the Associations were granted the following measures:

- rents able to rise 0.5 percent over inflation with a minimum floor of 3.5 percent and maximum of 6.5 percent.
- specific dwellings with a cost rent structure were given public subsidies to phase out this method of financing and enable rents to rise at the same rate as other dwellings
- extension of existing social housing guarantee fund to cover capital market loans for new construction in social and for profit sector
- extension of non profit housing activity into commercial development
- system of local negotiations to ensure development meets local needs (CECODHAS, 1994:3-4)