

NHF HOUSING MERGER CODE WHAT CAN WE LEARN?

If you find your collaborative working moving towards merger discussions, then you may find this 20 page document from the National Housing Federation's board helpful.

Published at the end of last year, it is the NHF's approved merger code, devised to encourage good practice, promote transparency and dispel perceptions of inefficiency.

The document, entitled *Voluntary Code for Housing Association Mergers, Group Structures and Partnerships*, suggests ten principles to provide guidance on how boards should deal with the first stage of a merger process. The ten are set out on the next page.

A framework to work to...

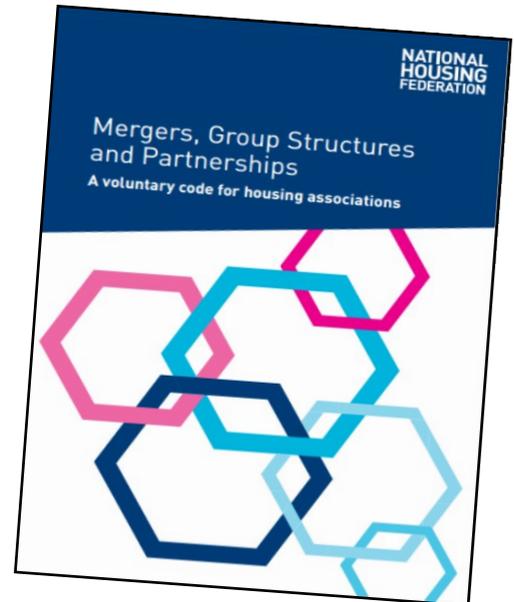
The press release that accompanied the publication states that, "Produced on our behalf by Savills, this code has been written to provide a framework for organisations' boards and executives to work to, having decided that a merger, group structure or other partnership is the best way forward for their organisations and tenants.

It is a voluntary code and not prescriptive. It does not seek to influence the outcome of dialogue on mergers or other forms of partnership. It sets out clear principles for boards and the executive to consider when they explore the questions of merger, group structure or partnership opportunities.

This Code sits alongside a suite of relevant law and regulatory requirements and other codes supporting excellence in governance in the housing association sector. It seeks to provide a baseline rather than a ceiling, and adopters of the Code may choose to be bolder in their approach.

The report is said to be responding to significant changes in the sector caused by policies such as the 1% social rent cut and the voluntary extension of Right to Buy.

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An *Inside Housing* survey of housing association chief executives in 2015 found that one in three of 129 respondents were likely to consider a merger to cope with budget shortfalls in 2016/17.

Paul Hackett, chief executive of Amicus Horizon, which has been in merger negotiations with Viridian, told *Inside Housing* that the code would be welcomed by well-run associations and apply pressure on those that are less efficient.

But not everyone agrees...

However, not everyone welcomed the code. In May 2016, *Inside Housing* reported that a group of nine housing associations had commissioned consultancy Housing Quality Network and law firm Anthony Collins Solicitors to come up with a new set of guidelines for mergers, as they are unhappy with the NHF's code, which they feel is too prescriptive.

So whilst the document may be helpful for inspiring partners outside or inside housing, don't accept it as a definitive document - more as one of a number of options for exploration of what a merger may require.

Mergers, Group Structures and Partnerships: a voluntary code for housing associations

Below is a summary of recommendations from the code.

We would recommend you download the full code from www.housing.org.uk/resource-library

1. The role of the board is to act in the best interests of the organisation and its beneficiaries. There should be no presumption that a merged entity is in the best interests of the organisation but the board will give the proposal serious consideration.	6. No board member or members of the executive should behave in a way which could frustrate due consideration of the first-stage proposal by the whole board. This includes failure to present or discuss proposals with the board, dismissal of an offer without due consideration, or withholding information that is integral to a decision.
2. Boards should review an organisation's purpose and value statement regularly to consider if the intent is clear and specific enough to allow the board to determine how to continue to fulfil its objects.	7. A board's decision on a first-stage proposal should be documented and communicated.
3. Where merger or partnership opportunities emerge the whole board should be informed promptly. The parties should agree a process and timeline for the consensual development of first-stage proposals in order that the respective boards may properly evaluate the opportunity and make an informed and timely decision.	8. Once a first stage proposal has been agreed by the board, a process and timetable for the next step should be agreed in writing by both parties.
4. Decisions around mergers, group structures and partnership proposals must be presented to, and decided upon, by the board. In considering any proposal, a board should have access to sufficient written information to reach an informed in principle decision to explore or reject merger, group structure or partnership. Information provided at the first stage should include written proposals with enough material to allow the board to consider the over-arching suggested intent of a combined business or partnership and the strategic and practical implications for their respective organisations.	9. Following approval of the first-stage proposal and intent to proceed, an outline business case should be prepared which will include disclosure of financial and non-financial undertakings and target efficiencies undertakings to be realised as part of the merger proposal.
5. Boards should ensure they have, or have access to, specific skills and experience necessary to objectively evaluate the merits or otherwise of mergers or partnership proposals.	10. Boards which adopt the voluntary code will declare this each year in their financial statements. Boards will seek to keep a record of any activity under the code including any proposals reviewed or submitted, along with the outcome of these.

Source: **The National Housing Federation**