Revealed: scale of merger code concern

12 February 2016 | By Heather Spurr

A significant number of chief executives say their housing associations are unlikely to sign up to a new sector-wide ‘merger code’.

Four in 10 who responded to an anonymous Inside Housing survey of 107 executives said their employer is unlikely to adopt the code. The findings reveal concern about the National Housing Federation’s document, with executives from 46 landlords owning a combined 266,000 homes expressing opposition.

Opposition to the code centred on its perceived “bias towards mergers”. The code asks associations to “give serious consideration to merger opportunities and other partnerships or delivery models”.

One 1,300-home association said the code was “designed to assist predatory associations.” Some chief executives warned there could be implications for the sector’s reputation on efficiency if there is a move to discard the document.

Matthew Bailes, chief executive of Paradigm, said: “If the sector rejects it en masse… we’d be well-advised to find a better way.”

However, other executives described it as “common sense” and “balanced”. One landlord said it was “preferable to action by the regulator”.

A large minority, 43% (46), of 107 chief executives said they were unlikely or very unlikely to adopt the National Housing Federation’s (NHF) code, which is intended to encourage good practice, promote transparency and dispel perceptions of inefficiency.

A total of 57% (61), representing 637,000 homes, said they were likely or very likely to sign up to the document. Most boards are unlikely to have made a final decision. Landlords with fewer than 4,000 homes were more likely to object to the document, with 54% unlikely to adopt the code compared with 32% of larger associations. However, 100,000-home Sanctuary, not included in the survey figures, has also announced it will not sign up.

Stephen Bull, head of governance at the NHF, denied the code was intended to favour mergers. But he added: “There’s probably evidence that certain boards haven’t really been having strategic discussions.”

On Wednesday, the Communities and Local Government Committee of MPs warned mergers “must spread good practice”. The committee also said regulator the Homes and Communities Agency and the NHF have a role in ensuring “increasing surpluses and
saving money” are not the sole motivation behind mergers. Read the full survey results here.