The 10 principles forming the first merger code for English housing associations have today been revealed by *Inside Housing*.

The National Housing Federation’s board on Wednesday approved the merger code, which has been 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*, was approved at an NHF board meeting last week.

The 10 principles provide guidance on how boards should deal with the first stage of a merger process (see box).

It encourages boards and chief executives to focus on an association’s core purpose, maintain transparency and follow structured negotiations. Associations signing up to the code would declare that they have signed up to the code in their annual financial statements, and boards would keep a record of activity.

NHF members are due to receive the code before Christmas, with full publication expected early next year.

Stephen Bull, head of governance at the NHF, oversaw the code’s document. He said the timing was due to significant changes in the sector caused by the government policies such as the 1% social rent cut and the voluntary extension of Right to Buy. An *Inside Housing* survey of housing association chief executives earlier this year found that one in three of 129 respondents are likely to consider a merger to cope with the cut.

Mr Bull said: “It ties in very much an efficiency agenda.

“There is a lot of real and perceived merger activity going on in the sector and we feel there is need for a document to set out a framework for the first stage process.

David Cameron described housing associations as inefficient in September. Mr Bull said the code was also part of challenging that perception.

Paul Hackett, chief executive of Amicus Horizon, which is currently in merger negotiations with Viridian, said he believes the code would be welcomed by well-run associations and apply pressure on those that are less efficient. He said: “One would hope if an organisation has multiple approaches and are not seen to have properly dealt with those inquires, the regulator would then be challenging the boards as to why they are not acting properly.”

The idea of a merger code was first suggested by Julian Ashby, chair of the Homes and Communities Agency regulation committee, in May.
The code’s 10 principles

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.

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.

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.

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.

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.

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.

7. A board’s decision on a first-stage proposal should be documented and communicated.

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.

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.

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