

What is driving merger mania amongst housing associations?

by John Harvey, IRIS Consulting

In this article John Harvey of IRIS Consulting draws attention to the dangers for housing associations in losing touch with their roots and local communities.

Hardly a day seems to go by without yet another "Group Structure" being formed - often accompanied by the fanfare of a new generic name for the group and new corporate logo.

There are clearly powerful drivers pushing the mostly level-headed and traditionally conservative people who make up the housing association sector into entering into these new arrangements - which for most of them is uncharted territory.

There are a number of factors at work that include:

- The homogenisation or "Walmartisation" of what housing associations are being asked to do. This is being driven largely by the competitive funding regime promoted by the Government and its agency the Housing Corporation who seek to apply common standards of "efficiency" and value for money" to housing providers that previously offered a wide range of housing products to a mixed range of housing consumers. Now the funding regime is driving towards a common homogenised product with minimal differentiation between the housing units and services offered by different associations. Little value is placed on variety and differentiation. Indeed to the tidy bureaucratic mind such variety is treated with suspicion and hostility as it is viewed as synonymous with failure to achieve economies of scale. So increasingly people are coming to the view if there is no difference in the housing we can provide then why have so many different providers.
- The scope to pool resources (especially those in short supply or expensive to acquire in the market place). This in turn is being driven by a number of pressures - many of which are directly

attributable to government agendas such as PFI, Supporting People, Partnering and Procurement initiatives, all of which require housing associations to spend more of their time on process issues rather than delivering services. In trying to cope housing associations have found it increasingly difficult to employ their own specialist development staff and financial staff and have adopted sharing and pooling of resources which then later leads into mergers

- Up until recently merger mania has been led by the bigger and medium-sized associations but it is now being taken up amongst small associations. They are finding that the effort they have to put into dealing with the vastly increased regulatory requirements is quite disproportionate to their modest levels of staffing. Many small sheltered schemes are having to employ consultants just to help them through the maze of Supporting People, Fairer Charging and POVA-type requirements which are being applied rigidly and uniformly by many local authorities - despite central government exhortations to use a "light-hand" when dealing with small organisations.

It is commonly observed that the unintended and adverse consequences of public policy initiatives usually take several years to work through. By the time they become apparent the policy that led to them has often been dropped or replaced by yet another initiative. However in the case of housing associations the dire effects of current policies are already apparent - such as:

- Cheapening the product to such an extent that the mass produced characterless housing that results shouts out "second-class" or "third class" housing that forever stigmatises those who live in them
- Group structures that have no natural geographical focus and hence lack any genuine connections with local communities - despite the widespread

window dressing of putting tenant representatives on boards and sub-committees

- Moving away from local variations in building styles and levels of housing service thereby denying choices to people who do not have economic purchasing power in the market-place.

Most people in the housing sector will doubtless defend themselves against such criticisms by saying that the root cause of these adverse consequences is the way Government policy, funding and subsidy systems are structured and that associations are merely responding to these pressures and incentives. That view overlooks the fact that associations are independent organisations; they may be partners of government but do not have to be its creatures. Some leadership and direction is needed: will it come from the volunteers who are nominally in charge of associations?

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