

'Group structure' options in community housing

- What we mean by 'group structures'
- Why organisations consider group structures
- Brief overview of the options
- Considering group structures

A group structure is...

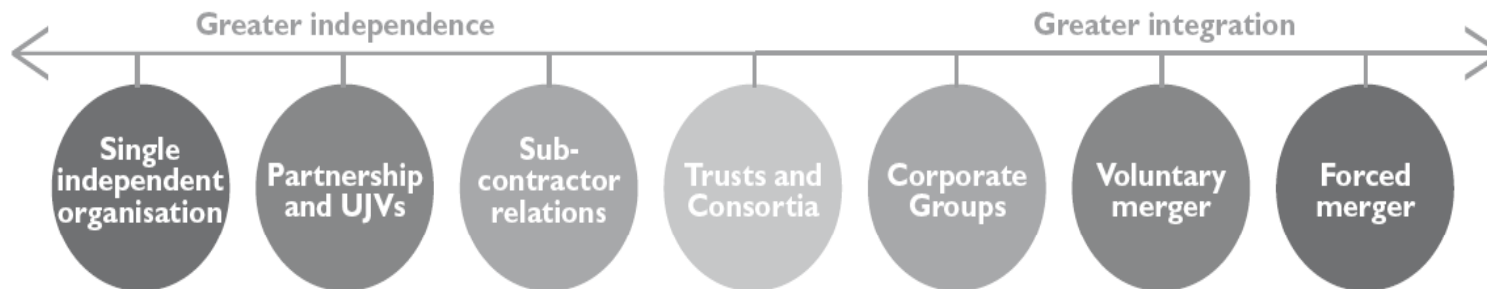
- two or more organisations formally collaborating (through one or more of a number of legal mechanisms) over a shared area of their businesses

Includes

- Partnerships/unincorporated joint ventures
- Sub-contractor relations
- Trusts
- Consortia
- Constitutional/Corporate group
- **Not** Mergers/amalgamations

Independence to integration spectrum

Table 1: Spectrum of inter-housing association collaboration



Why organisations consider group structures

- The key driver in the private sector – group would be worth more than the sum of the independent group member entities
- In community housing:
 - Operational: belief that it will lead to greater efficiency &/or better outcomes for tenants/applicants (economies of scale)
 - Strategic: to take advantage of opportunities afforded by growth (leverage finance, manage risks of new business); move into new areas of business in line with mission



But...

- Potential benefits from structural change aren't automatic
- Depends on:
 - the reasons for change
 - the specific situation of organisations involved
 - transformation of the business
- Benefits/advantages discussed are therefore 'potential'

Partnerships/unincorporated joint ventures

- an agreement between parties to conduct common business and share the risks and rewards of that business

Sub-contractor relations

- a form of group structure where sub-contractor organisations are 'quasi-absorbed' into the operations of the main company as a result of long-continued business

Consortia

- An association of two or more individuals, companies, organisations or government bodies (or combination of these):
 - cooperating to complete a project;
 - working together to perform a contract; or
 - conducting an on-going business together.

Trust

- A trust is an entity created to hold assets for the benefit of certain persons or entities

Constitutional/corporate groups

- a legally independent enterprise moving beyond the framework of the 'firm' to form a co-operative group that functions to differing degrees as if it were a single entity

Considering group structures

- Business case that (as a minimum):
 - Assesses the current operating/strategic environment in relation to why a group structure is being considered
 - Considers the group structure in terms of the strategic and operational goals of the organisation
 - Investigates the range of solutions to that environment (including alternatives)
 - Outlines the scope and nature of the group structure proposal
 - Makes recommendations for Board consideration

Some questions to consider...

- Why might you want to pursue a group structure?
- What are you trying to achieve?
- Is a group structure the best option?
- If so, which type and what degree of integration/independence is required/acceptable?
- What are the other options – status quo, amalgamation?
- What will deliver the best outcome for the ongoing viability and sustainability of the organisation and best enable it to meet the needs of tenants, applicants and the community?

*Considering group structures options: A
resource for Housing Associations*

NSW Federation of Housing Associations

