DATASPRING

THE GROWING IMPORTANCE OF GROUP STRUCTURE ARRANGEMENTS IN THE HOUSING ASSOCIATION SECTOR IN ENGLAND

This sector study summarises what was learnt about Housing Association (HA) group structures during the Definitions of Ownership research programme, undertaken by the Cambridge Centre for Housing and Planning Research at Cambridge University. The research programme aimed to ensure that the data returned in the Housing Corporation's annual Regulatory and Statistical Return (RSR) are not only accurate but are also appropriate to both the operational realities of HAs and the needs of the regulator. The Definitions of Ownership project consisted of four linked phases of research, each of which had its own distinct aims and objectives but which built on the findings of previous phases:

- As a result of Phases I to III, a new look RSR that takes a different approach to data collection was designed, tested, and adopted by the Housing Corporation in 2002.
- Phase IV sought to address issues about group structures raised during earlier phases and to achieve consistent, accurate and transparent statistical information about group structures and their activities as a whole. This was because HAs in group structures had emerged as distinct to other types of HAs - the operational realities of group structures did not fit easily into the individual model of data collection.

Until 2002, the only annual information collected on a group-wide basis by the Housing Corporation has been consolidated accounts. Whilst the outcome of the Definitions of Ownership Phase IV research was the introduction of a reduced RSR for groups in 2002 (Group RSR), the study examined the nature and complexity of HA group structures and their activities. This sector study reviews the results in terms of what was learnt about their operational realities, their impact on the current statistical profile of the sector and the implications of this for the Housing Corporation in any review of their approach to groups.

A. INTRODUCTION

In line with the Housing Act 1996, the Housing Corporation's regulatory framework is based on the individual organisational accountability and responsibility of the HAs registered with it (formally known as Registered Social Landlords or RSLs). It is on this basis that the Corporation has, and continues to allocate finance, measure outcomes, and publish statistics about HAs and the sector as a whole. The HA sector is, however, undergoing a structural change – since 1996 HAs have become more diverse both in their organisational structures and in their activities. The number, structures and activities of HA group structures within the Profile of the Sector is one of the measures of this.

As the number of groups grew throughout the nineties, the Housing Corporation (HC) issued a number of circulars that have largely aimed to ensure that relationships between group member organisations are clear and transparent, that non-core activity risks are ring fenced and there is no leakage of public funds. The net effect is that greater accountability and risk has been placed with individual subsidiary associations although overall strategic and financial control has remained with the registered parent HA. Nevertheless, the sector's regulatory framework remains fundamentally individualistic, designed to ensure that each registered HA meets the HC's basic requirements. As a result, an element of 'internal self-regulation' is attributed to groups as a whole – the registered parent HA and group member HAs that are registered with the Corporation are directly subject to it's regulatory powers and requirements but are also accountable for the operations of subsidiaries not registered with the Housing Corporation. An example of this cascading regulatory accountability down through a group can be seen in the Corporation's requirements on internal risk management placed on parent HAs in their 'regulation' of their own unregistered subsidiaries.

In response to the changing shape of the sector the *Regulating a Diverse Sector* policy[1] enabled the Corporation to look at group structures as a whole as opposed to their individual member organisations. Group-wide accountability is also now achieved more easily by the HC's new regulatory approach[2]: lead regulators now help HAs draw up regulatory plans for the whole group; financial appraisal teams now look at the overall financial health of a group; and, inspection, while focussing on individual HAs nevertheless builds up a picture of the whole group.

Because HA group structures have continued to become increasingly more important in the sector, the Housing Corporation commissioned research to gain a better understanding of groups and to ensure that their regulatory approach reflected the changing sector. The research found that close to two hundred groups were operating in the sector in 2001[3]. At that time the Housing Corporation had estimated the number of group structures to be around eighty-five based on published statistics and public registry information – both sources of information that focused on individual HAs. The fact that the research revealed a larger number of groups was not unexpected but the wide-range of organisations involved in groups and their activities did provide a new insight.

B. DEFINING A HA GROUP STRUCTURE

The first requirement of the research was to identify the true population of HA group structures in England. This demanded a sound definition of what constitutes a group. Although Section 60 of the Housing Act 1996 did provide the basis for a definition, the Housing Corporation had never used it to formally define a group and it had never consistently applied a definition of a group when gathering information. A review of the Housing Corporation's approach to groups clarified the fact that the defining requirement for a group to exist was that one organisation could control another. While Section 60 actually defined the extent of control that an organisation must be subject to in order to make it a subsidiary of another organisation, the definition was turned on its head to relate to groups rather than subsidiaries. It was particularly suitable because it identified two easily quantifiable methods of control executable by the parent:

HAs were defined as being members of a group structure under the terms of Section 60 of the Housing Act 1996 where:

One HA (the parent) owns more than half of the nominal value of the share capital in another organisation OR has the power to appoint or remove all or some of the Board Members of the Governing Body of another organisation.

Based on this definition, a comprehensive list of potential groups was drawn up, derived from a number of sources: Section One of the 2000 RSR (information for the public register); the Housing Corporation's registry information; and, HAs' annual and consolidated group accounts for 2000. The resulting list of HA group structure organisations amounted to almost two hundred. The discrepancy between this total and the Housing Corporation's estimate of eighty-five groups was largely due to the fact that in the absence of a formal definition, HAs had provided information based on their own definitions. In reality, there were a wide range of HAs that had developed into groups but did not apply 'group terminology' to their organisational structures. Many groups were actually reluctant to be viewed as such, preferring to view themselves as associations of organisations. Notably, even over the six months that researchers were in direct contact with groups, some merged, changed their identities or membership, had been created or had disappeared. The population of group structures is currently a more fluid concept than the population of individual HAs as a whole.

C. THE NATURE OF HA GROUP STRUCTURES: MEMBER ORGANISATIONS AND THEIR ACTIVITIES

The Population of HA Group Structures in 2002

By 31 March 2002, all relevant sources of information indicated that there were 191 HA group structures operating within the English HA sector, owning around three quarters of the HA stock.[4] Table 1 (overleaf) shows that the 191 groups included: 191 HC registered parent HAs as required by Housing Corporation (HC) rules, 244 HC registered subsidiary HAs and 452 unregistered subsidiary organisations. The average composition of a HA group structure was therefore: one registered parent HA, 1.3 registered subsidiary HAs and 2.4 unregistered subsidiaries, or a parent and 3.7 subsidiaries. Group compositions did, however, vary widely. Almost two thirds of the groups included three or less subsidiary organisations. While 29% of groups were composed of only one parent and one subsidiary HA or organisation, the four largest groups included between 21 and 27 subsidiaries.

The geographical distribution of groups by registered address of parent HAs indicates some clusters - a quarter were located in London, almost a fifth in the South East, and around twelve percent were located in the North West and West Midlands respectively. The average size of groups also varies between regions. From a parent and 5.4 subsidiaries in Merseyside, to a parent and 2.3 subsidiaries in Yorkshire and the Humber. This view of groups does, however, hide the true geographical diversity that groups achieve. There is no link between the registered address of the parent and the location of its subsidiaries. A geographical analysis on this basis is not transparent because it does not account for the fact that subsidiaries can be located in different regions to their parent body and in this way, a groups' activities can be very geographically diverse. Unfortunately it is not currently possible to accurately assess the extent of a group's activities geographically. Whilst it is possible to map the activities of parent and subsidiary HAs by local authority by using the RSR data, no equivalent information is available for unregistered subsidiaries.

Table 1. Population of HA group structures in England: breakdown by constituent organisations

Size of group structure: by number of member organisations	Total number of group structures		Constituent Organisations						Total member organisations (=100%)	Average number of registered subsidiaries	Average number of unregistered subsidiaries
			Parent Bodies*		Registered Subsidiaries*		Unregistered Subsidiaries**				
	Number	% of total sample	Number	%	Number	%	Number	%			
1	2	1%	2	100%	0	0%	0	0%	2	0	0
2	55	28.8%	55	50%	25	22.7%	30	27.3%	110	0.5	0.6
3	39	20.4%	39	33.3%	28	23.9%	50	42.7%	117	0.7	1.3
4	31	16.2%	31	25%	43	34.7%	50	40.3%	124	1.4	1.6
5	15	7.9%	15	20%	26	34.7%	34	45.3%	75	1.7	2.3
6	13	6.8%	13	16.7%	28	35.9%	37	47.4%	78	2.2	2.8
7	12	6.3%	12	14.3%	27	32.1%	45	53.6%	84	2.3	3.8
8	6	3.1%	6	12.5%	11	22.9%	31	64.6%	48	1.8	5.2
9	5	2.6%	5	11.1%	18	40%	22	48.9%	45	3.6	4.4
10	3	1.6%	3	10%	11	36.7%	16	53.3%	30	3.7	5.3
11	1	0.5%	1	9.1%	5	45.5%	5	45.5%	11	NA	NA
12	3	1.6%	3	8.3%	2	5.6%	31	86.1%	36	0.7	10.3
14	1	0.5%	1	7.1%	1	7.1%	12	85.7%	14	NA	NA
19	1	0.5%	1	5.3%	2	10.5%	16	84.2%	19	NA	NA
21	1	0.5%	1	4.8%	7	33.3%	13	61.9%	21	NA	NA
22	1	0.5%	1	4.5%	4	18.2%	17	77.3%	22	NA	NA
24	1	0.5%	1	4.2%	5	20.8%	18	75%	24	NA	NA
27	1	0.5%	1	3.7%	1	3.7%	25	92.6%	27	NA	NA
Total	**191**	**100%**	**191**	**22%**	**244**	**28%**	**452**	**51%**	**887**	**1.3**	**2.4**

Notes: Total percentages may not add to 100% due to rounding.
NA: average not applicable as only one group included in the size range.
*All parent bodies and registered subsidiaries are registered with the Housing Corporation as Registered Social Landlords
** Unregistered subsidiaries includes all organisations that are not registered with the Housing Corporation, regardless of registration with other bodies such as the Charities Commission or Companies House.

Fifty-two percent of the 191 groups self-certified their membership against the list of potential groups during the research.[5] The outcome was much larger immediate families of groups in terms of parent-child and sibling relationships than anticipated, as shown in table 2. The discrepancies largely resulted from the re-categorisation of associated organisations as subsidiary organisations and inclusion of organisations not previously considered to be part of the group. In both cases these changes were the direct result of the introduction of the formal definitions of a group, parent and subsidiary organisations. Organisations re-categorised as unregistered subsidiaries under the definition of a group had previously been regarded as associates because they were: subsidiaries of subsidiaries; joint venture companies; dormant; or, because the group had not previously acknowledged itself as a group in the absence of a formal definition. As the formal definitions have been applied to Section One of the RSR Long and Short and the Group RSR in 2002, a more accurate sample of HA group structures and their compositions will become available.

Table 2. Comparison of the composition of HA group structures in official sources and self certification

	Original HC Sample	Certified Sample
Parent HAs	99	99
Registered subsidiary HAs	139	161
Unregistered subsidiary organisations	172	293
Associated organisations	91	14
Total groups	99	99

Note: Original sample devised from categorisations provided by HAs in HC registry, RSR Section One and Accounts returns.

Constituent Organisations

Groups vary widely in terms of their membership and the complexities of relationships operating within them. A profile of the operational realities of HA group structures was produced from an in-depth scoping exercise involving a diverse sample of thirty three groups in terms of areas of operation, the asset holding status of the parent, the size of groups in terms of subsidiary membership and the housing needs that they were meeting. Within the 33 groups: 241 member organisations were identified, of which: 33 were parent HAs; 61 were registered subsidiary HAs; and, 147 were unregistered subsidiaries. The average size of these groups was therefore seven member organisations, with around two registered subsidiaries and five unregistered subsidiaries – larger than the national average.

An implication is that there were more than twice as many subsidiaries within HA groups that were not subject to individual regulation by the Housing Corporation as those that were. Importantly, the activities undertaken by unregistered subsidiaries were often comparable to those of registered subsidiaries and unregistered subsidiaries were often important actors in the groups' activities as a whole. The findings of this survey are summarised below:

Role of Parent Bodies

The principal function of parent bodies was strategic. The provision of corporate services was generally viewed as part of this strategic role and all staff were employed centrally by the parent in a third of the groups. An asset ownership and management role was considered an important aspect of the strategic function because it was viewed as providing overall financial stability to the group and its member organisations.

Control was an integral element of the strategic role in line with the definition of a group (above). Often within groups the method of control varied between subsidiaries of a parent, largely for historical reasons, although the day to day outcome was generally the same.

The vast majority of groups generally defined their control mechanisms in relation to a general right to appoint and remove Board members. There were, however, three subtly different methods in which this control was exercised:

i. The power to appoint and remove Board members and shareholders in all circumstances;
ii. Reserve powers to flood or control the Board in defined circumstances (otherwise generally independent); and,
iii. Common Board or shares identical or almost identical Board Members with the subsidiary.

It should be noted that under HC guidance, unregistered subsidiaries should not have a Common Board with its parent. In three groups Boards were shared between parents and unregistered subsidiaries although none of these considered themselves to be group structures at the time of the research, indeed they considered them to be associates.

In a significant minority, control was exercised via ownership or control of ownership. This form of control was also manifested in three different ways:

i. Where the parent was the majority or sole shareholder (wholly owned companies);
ii. Where the parent controlled the appointment of shareholders; and,
iii. Where the parent acted as Corporate Trustee.

The power to approve all group-wide policies, strategies and the business plans and budgets of subsidiaries was viewed as another layer of the parent's controlling function.

Role of Subsidiaries

Although the groups included more than double the number of unregistered than registered subsidiaries, unregistered subsidiaries were much more likely to be dormant and / or have never operated than their registered counterparts - 30% compared with 3% respectively. This meant that the gap between the numbers of active registered and unregistered subsidiaries was narrower than initially indicated. Nevertheless, the number of active unregistered subsidiaries remained significantly greater - 103 compared with 59 registered subsidiaries.

Table 3 summarises descriptions of subsidiaries' activities provided during the research. It was not surprising to find that unregistered subsidiaries are engaged in a far wider range of activities than their registered counterparts but it was surprising to find that a significant number of unregistered subsidiaries are involved in core social housing activities. More unregistered than registered subsidiaries were described as undertaking 'full HA activities': those with a combination of social and non-social housing activities or meeting a mix of needs or demands for different housing tenures. As a percentage of all active subsidiaries, this position was reversed somewhat, with 41% of registered compared with only 27% of unregistered subsidiaries undertaking 'full HA activities'. In the majority of cases and almost three-quarters of active unregistered subsidiaries, descriptions of activities were more specifically focused on discrete areas of HA activity. This reflected the trend towards specialisation over the past decade, particularly in the provision of supported or shared ownership/ leasehold housing by registered subsidiaries, as identified by analyses of the RSR statistical time-series.[6]

Table 3. Activities Undertaken by Subsidiary Organisations.

Activities undertaken:	**Registered Subsidiaries**	**Unregistered Subsidiaries**
Full HA activities: mix of general needs/ supported/ leased housing and LCHO - social and non social activities	24	28
Non social/ charitable or non-grant funded housing activities only	3	4
Supported or special needs housing only and care services	12	13
LSVT	5	4
BME	2	1
Shared ownership and leasehold management only	8	3
Co-operative	1	1
Development and regeneration only	2	7
Property / facilities management services	-	4
Commercial property	-	3
Tenant services / day centres	1	2
Charitable grants to tenants and local communities	1	2
Finance / Funding vehicles	-	4
Maintenance and Landscaping only	-	3
Computer software development	-	1
Mutual society	-	1
Scotland	-	2
Unspecified and operational	-	20
Dormant	2	44
Total Subsidiaries	**61**	**147**

Other notable observations on the activities of registered and unregistered subsidiaries were:

- Whilst a similar number of registered and unregistered subsidiaries provided care and support, unregistered subsidiaries were more likely to be undertaking the provision or management of nursing homes or domiciliary care services (non-social housing activities);
- Only unregistered subsidiaries were undertaking purely commercial enterprises, although in all cases the group and member HAs benefited not only in terms of income but also in terms of the services provided such as maintenance, development and IT;
- Some unregistered subsidiaries' activities had been integral to a large-scale voluntary transfer of stock into the sector (LSVT). For example, in larger LSVTs stock had been transferred into a newly formed LSVT group structure. While different registered subsidiaries were created to take ownership of stock in specific geographical sectors of the local authority or metropolitan area, maintenance and landscaping responsibilities had been transferred to an unregistered subsidiary serving all of the LSVT stock of the group;
- The management activities undertaken by unregistered subsidiaries were much more diverse and provided a better indication of the extent to which groups do or are able to engage with organisations outside of the sector;
- Three times as many groups stated that all of their registered subsidiaries were providing services to external organisations than was the case with unregistered subsidiaries; and,

- Where subsidiaries provided services specifically to group members, they were more likely to have been created specifically for this purpose if they were unregistered as opposed registered subsidiaries.

Creation of subsidiaries to undertake non-core social activities

Ultimately the activities of registered subsidiaries were often a combination of social and non-social housing activities. This reflects the HC's requirement that 51% or more of a HA's turnover or capital should be core social housing activities.[7] However, nine groups stated that they had created registered subsidiaries to provide only non-core social housing. The reasons for this were largely historical; almost half referred to subsidiaries undertaking shared ownership, low cost home ownership and leasehold activities - activities now viewed as core. Effectively, a separate non-charitable body had been created in the past to undertake non-charitable activities. A third had created registered subsidiaries to undertake care management services - some of which have since been categorised as social housing activities. In addition to this historical shift in the definition of core social housing activities, four responses summarised the reasons for separate organisations; separate registered subsidiaries had been created to: *'create better focus and flexibility'; 'keep riskier activities at arms length from [the group's] main core business'; 'give [the registered subsidiary] greater freedom of action... profits made by [the registered subsidiary] will be channelled back into the group'*; and, *'focus/ local accountability/ cost containment'.*

The majority of groups stated that they had created unregistered subsidiaries to provide only non-core social housing activities. Although non-social housing activities undertaken by the groups that had or had created unregistered subsidiaries for this purpose were more varied and more specific at the individual subsidiary level than in the case of registered subsidiaries, there was a large overlap in the activities undertaken by registered and unregistered subsidiaries. Unregistered subsidiaries created to undertake non-social housing activities were most likely to be providing market rented housing, care and domiciliary care services or be BES companies. They were most likely to have been created as a separate organisation to establish a distinct business unit for non-social housing activities within the group – 72%. This was done to create a separate brand or identity in the market place by almost a quarter of these groups. Other reasons for creating unregistered subsidiaries specifically to undertake non-core activities were: to create a commercial profit making company; to separate out 'care' from 'housing'; to separate off HR issues; and, funding vehicle/ registered charity.

Autonomy of Subsidiaries

Since the introduction of the 1996 Housing Act, subsidiary organisations, particularly those registered with the Housing Corporation, are expected to exert some degree of autonomy within the overall control mechanisms of a group.

Of the twenty-eight groups with registered subsidiaries surveyed, only two said that their subsidiaries had no autonomy. In the vast majority of cases, subsidiaries were accredited autonomy over varying aspects of their operations although overall financial matters and strategy were approved or determined by the parent. Consequently, subsidiaries could generally be defined as operationally autonomous within an overall strategic framework - in line with the requirements of the Housing Act.

Twenty-one of the twenty-four groups with both registered and unregistered active subsidiaries explained the extent to which the autonomy of their unregistered subsidiaries differed to that of registered subsidiaries:

- In 14 groups, more than half, the extent of autonomy exercisable by their registered and unregistered subsidiaries was the same;
- In 4 groups their unregistered subsidiaries had no autonomy except for the fact that they are separate legal entities;
- In 1 group the extent of autonomy differed across its unregistered subsidiaries - some were as autonomous and some were less autonomous than their registered counterparts;
- In 1 group unregistered subsidiaries were operationally autonomous subject to contractual obligations; and,
- In 1 group their unregistered subsidiaries were subject to less reporting and bureaucracy.

D. OWNERSHIP AND MANAGEMENT OF STOCK IN GROUP STRUCTURES

A feature of groups is that whilst stock owned within the group is generally also managed within the group, the stock owning organisation does not necessarily undertake the day to day management. Table 4 shows the ownership and management structures of the 33 groups surveyed.

Table 4. Ownership and Management Structures

Stock owned by:	*No. of groups*	**Stock managed by:**	*No. of groups*
Parent	4	Parent	4
Registered subsidiaries	5	• follows ownership • by activity • only by the charitable HA	2 2 1
Subsidiaries	7	• by activity / location • follows ownership • as owned except non-social • by Parent	4 1 1 1
Mix of Parent and Subsidiaries	17	• follows ownership • parent manages all stock • by activity/ location	6 6 5
Total groups	33		33

Ownership Responsibility

In 64% of the groups, parent HAs were stockholding although exclusively so in only two groups that included active subsidiaries. Amongst the remaining 36%, there was no set pattern of ownership - ownership was slightly more likely to be vested in unregistered than registered subsidiaries. Four broad factors had influenced ownership structures:

1. historical reasons: policy, law, retention of stock owned prior to formation of the group;
2. financial: to provide an asset base, avoid tax liabilities;
3. distinction: between organisations subject to charitable and non-charitable rules / separate out grant and non-grant funded stock; and,
4. focus: client types, housing activities, geographical location of stock.

Notably, the factors influencing ownership structures had differed in the following way:

- Where ownership is now vested in the registered subsidiaries, this had been largely influenced by charitable and financial factors;
- Where ownership is now vested in the subsidiaries generally (both registered and unregistered), this generally reflected historical, activity type and geographic based factors of the group's overall activities; and,
- Where ownership is now vested in both parent and subsidiary organisations, this had been generally influenced by all factors.

Management Responsibility

Parent HAs were responsible for the management of all stock in more groups than responsible for the ownership of all stock. Whereas only two groups with active subsidiaries had all assets vested in the parent, the parent body was responsible for the management of all stock in nine groups with active subsidiaries, a third. However, in only one case did a parent manage but not own. Where both parent and subsidiary organisations owned the stock, parent bodies were most likely to be responsible for the management of all stock.

Of the 22 groups where management of stock was not undertaken exclusively by the parent, management structures reflected three main factors: the profile of ownership (41%); the type or location of stock (55%); and, charitable rules (5%).

Restructuring of Ownership and Management Responsibilities

In almost two thirds of the groups, current responsibilities for ownership and management of the group's stock resulted from restructuring that has taken place at either the time when the group was formed or subsequently. Restructuring is most likely to have occurred in groups that subsequently own stock at both the parent and subsidiary levels.

The impetus for restructuring the ownership and management of stock within groups has been largely based on three fundamental considerations (although sometimes all of these factors had resulted in changes):

1. Risk management: resulted in separate subsidiaries for non-social housing assets;
2. Economies of scale: generally restructuring of stock by activity or geographically; and,
3. Financial: for example, to provide an asset base to a new subsidiary, to meet HC funding requirements, to offset the effect of withdrawal of corporation tax relief by transferring stock to a charitable subsidiary.

Amongst groups that had not consciously restructured the ownership or management of stock, a change in profile had nevertheless often taken place. Some groups were structured on the basis of distinct business streams that resulted in the practice of placing new stock or management activities post formation, with existing subsidiaries that already had an area of management expertise. So, for example, all new shared ownership and leasehold activity would be vested into a subsidiary already exclusively undertaking these activities. In other cases, as new areas of activity have been introduced into a group, new subsidiaries have been formed for this purpose.

E. Impact of Ownership and Management Practices Within Groups on the Profile of the Sector

Ownership of stock is important because it provides a clear line of accountability for the Housing Corporation in regulatory terms. An HA is responsible for the performance of all stock in its ownership, regardless of whether it actually directly undertakes the day to day management or engages with other organisations to do so on its behalf. It is also on this basis that statistics are collected in the Housing Corporation's annually administered Regulatory and Statistical Return (RSR).

Because annual statistical data have only been required from individual HAs as a regulatory requirement and because the approach to data collection in the survey is based on ownership, little information currently exists in existing datasets that provides an accurate picture of the operational realities of groups and the true diversity of their activities. Further, the fact that HAs are operating in groups but returning data on an individual basis in the RSR skews some of the data resulting from the survey. This is important because the RSR survey provides an annual census of the HA sector in England that is used widely, not only by the regulator but also to inform government, the policy making process, national representative and lobbying groups and researchers generally. What's more, performance indictors are calculated from the annual RSR data, against which an individual HA's performance is measured and benchmarked. However, some HAs that are part of a group structure have complained that some of their resulting performance information is *'meaningless'*. This is often the case where ownership and management responsibilities are undertaken by separate group organisations: for example, a HA may manage stock owned centrally by the parent in 40 local authority areas but this will not form part of their performance indicator information because reporting is on the basis of ownership and not management.

The Group RSR 2002 took a different view of group activities. It was not interested in ownership or management activities at the individual HA level. Instead it requested data on the basis of whether it is owned and/or managed within the group, regardless of the specific identity of the owning organisation. Because the Group RSR requests a view of ownership and management at group level, it includes information about unregistered subsidiary activities, previously missing from any statistical data set. This is important for three reasons:

- it will allow the individual HA data returned to be contextualised;
- it will provide a body of data about the organisational membership of groups and their activities on a group-wide basis; and,
- it will allow the Housing Corporation to take a group wide view of diversity and risks.

RSR 2001 and Group RSR: Differences in data requested

RSR 2001 - Survey applied to all HAs registered with the Housing Corporation that are required to report on all stock in their ownership.

Group-wide - Survey applied to all HA parent bodies to complete with data from all member organisations regardless of their registration status with the Housing Corporation.

Total stock:

RSR 2001 - includes stock owned by each HA registered with the HC.

Group-wide - includes all stock owned within the group, regardless of the registration status of owning organisations. The total stock is therefore potentially greater than reported via the RSR 2001.

Total stock owned and directly managed:

RSR 2001 - includes only owned stock that is directly managed, regardless of whether that stock is managed by another group member organisation.

Group-wide - includes all stock owned within the group and managed within the group. It therefore includes stock managed by one group member on behalf of another and the total is therefore potentially greater than reported via the RSR 2001.

Total stock owned but managed by another HA:

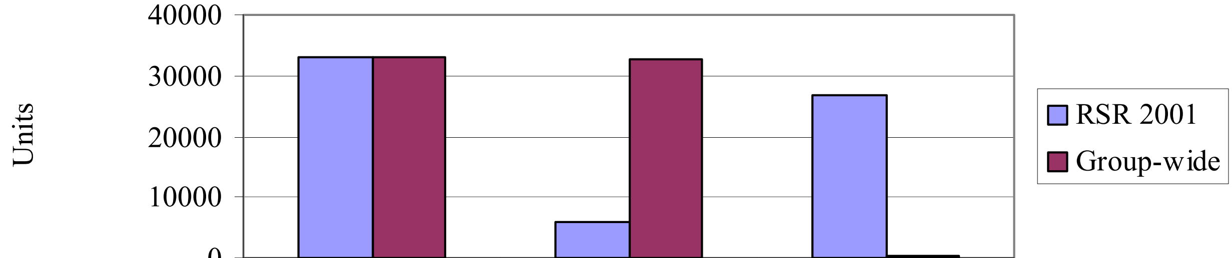
RSR 2001 - includes stock managed by other HAs, regardless of whether they are group member organisations or not. It is not possible to extract a subset managed within a group.

Group-wide - includes all stock managed by non-group member HAs and therefore the total is potentially smaller.

The transparency of group-wide data was evaluated during the research. Data returned in the 2001 RSR by the parent and registered subsidiaries was amalgamated together and compared against group-wide data provided during the research in a trial of the Group RSR. Figures 1 and 2 present the findings for a large HA group structure, called 'Group One' for the purposes of the analysis. Group One is a stockholding parent with two stock owning HA subsidiaries and a number of non-stock holding registered and unregistered subsidiaries. A notable feature of the group is that the parent does not undertake any housing management function. This is delegated to subsidiaries on a two-tier division of geographical location of stock and client group/ activity type.

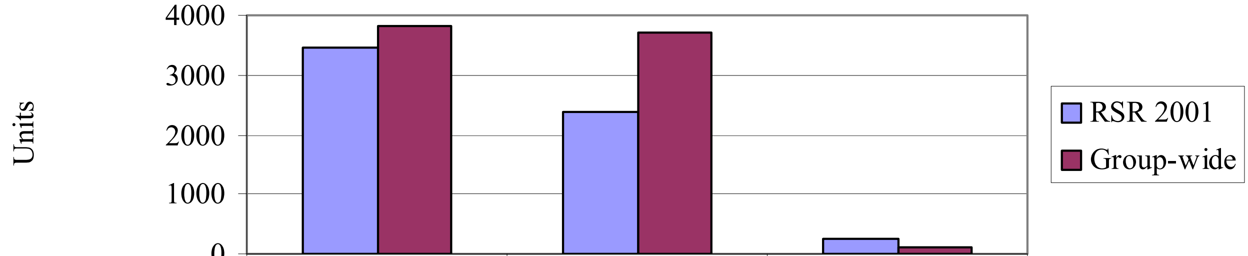
Notably, Figure 1 shows that the group-wide data are transparent in reflecting the operational realities of the group - that almost all of the stock owned by the group is managed within the group albeit not necessarily by the owning organisation:

Figure 1. Total self contained stock owned by 'Group One': Comparison of amalgamated RSR data for all HC registered member organisations Vs group-wide data (2001)



	Total Owned	Total directly managed	Total managed by another HA
RSR 2001	33092	5938	26767
Group-wide	33092	32740	352

Figure 2. Total hostel and shared housing bedspaces owned by 'Group One': Comparison of amalgamated RSR data for all HC registered member organisations Vs group-wide data (2001)



	Total Owned	Total directly	Total managed by
RSR 2001	3462	2371	249
Group-wide	3803	3705	98

Figure 2 reflects the fact that stock and activities undertaken by unregistered subsidiaries can further impact on the group profile - this is reflected in the fact that the total stock of hostel and shared housing bedspaces owned is greater in the group-wide figures than in the amalgamated data that excludes stock owned by unregistered subsidiaries.

F. THE GROWING IMPORTANCE OF GROUP STRUCTURES: IMPLICATIONS

What is clear from what we have learnt about HA group structures is that:

- The population is much larger than previously anticipated, establishing their importance within the overall profile of the sector;
- Three quarters of all HA stock is owned within groups;
- Organisational structures are more diverse than anticipated, resulting in much bigger immediate families of organisations;
- Groups are generally rapidly diversifying. Although the number of unregistered subsidiaries undertaking non-social housing activities has increased as a result, there is no definitive link between the HC registration status of member organisations and the types of activities undertaken except in the case of purely commercial activities;
- Unregistered subsidiaries and their activities are more important in the sector than previously anticipated because of the level of their involvement in social housing, although very little information exists about them;
- The extent of autonomy of unregistered subsidiaries is largely the same as that of registered subsidiaries;
- Whilst often created to contain riskier activities, the fact that unregistered subsidiaries interact with both organisations internal and external to the group could increase their overall risk profile to the group as a whole; and,
- There is no clear link between ownership and management of stock within groups.

This paper was written by Dawn Marshall of Dataspring, the Centre for Housing and Planning Research, University of Cambridge in August 2004.

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[1] Regulating a diverse sector: The Housing Corporation's Policy, paragraphs 30 and 33, Housing Corporation. London. 2000.
[2] The Way Forward: Our approach to regulation, Housing Corporation. London. 2002
[3] Definitions of Ownership Phase IV: The Group RSR, Housing Corporation. London. 2002, and Group Dynamics: group structures and registered social landlords, Audit Commission. London. 2001.
[4] Audit commission, 2001. ibid 3. page 7.
[5] Housing Corporation, 2002. ibid 3. Chapter 4: Census of Groups
[6] Snapshot of the RSL Sector in 2000. Dataspring Discussion Paper 4. Cambridge Housing and Planning Research. University of Cambridge. 2001. Chapter Thirteen: Emerging Trends.
[7] ibid 1. page 8, para 27.