Third Sector Housing Partnerships in Northern Ireland


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Third Sector Housing Partnerships in Northern Ireland

Commissioned Report for the Northern Ireland Housing Executive
June 2013
Acknowledgements

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List of Abbreviations/Acronyms in text

ALMO - Arms Length Management Organisation
CEO – Chief Executive Officer
CIH – Chartered Institute for Housing
CoPE – Centre of Procurement Expertise
CPD – Central Procurement Directorate
CSA – Case Study A
CSB – Case Study B
CSR – Corporate Social Responsibility
DETR – Department of the Environment, Transport and the Regions
DFP – Department of Finance and Personnel
DHSSPS – Department of Health, Social Services and Public Safety
DPG – Development Programme Group
DSD – Department for Social Development
ESF – European Social Fund
ESRC – Economic and Social Research Council
EU – European Union
FDA – Full Duty Applicant
HA – Housing Association
HCA – Homes and Communities Agency
JMA – Joint Management Agreement
KPIs – Key Performance Indicators
LA – Local Authority
NCA – National Change Agent
NIAO – Northern Ireland Audit Office
NICVA – Northern Ireland Council for Voluntary Action
NIFHA – Northern Ireland Federation of Housing Associations
NIHE – Northern Ireland Housing Executive
PbR – Payment by Results
PEDU – Performance Efficiency Delivery Unit
PG – Procurement Group
QAF – Quality Assurance Framework
RQIA – Regulation and Quality Improvement Authority
SFHA – Scottish Federation of Housing Associations
SHDP – Social Housing Development Programme
SLA – Service Level Agreement
SME – Small or Medium Enterprise
SP – Supporting People
TSO – Third Sector Organisation
TSRC – Third Sector Research Centre
1. Executive Summary

1.1. Introduction

This study was commissioned by the Northern Ireland Housing Executive (NIHE) to build on existing work on third sector partnerships undertaken by the Third Sector Research Centre (TSRC) (Rees et al 2012a and b). The main focus of this work was on partnership structures, drivers and barriers, processes impacts and learning from partnership working.

Work on Northern Ireland housing partnerships was undertaken by the University of Ulster and Queen’s University Belfast in partnership with TSRC. This focused on case studies of social housing Procurement Groups (PGs) and Supporting People (SP) Partnerships. The former included case studies of two of the three PGs between 2011 and 2012, while the latter focused on two community based schemes with mental health and homeless service users.

These are examples of ‘mandated partnerships’ linked to public procurement and commissioning processes with several layers of regulation. As such these provide examples of the construction of ‘auditable organisations’ where effectiveness is influenced by relationships external to the partnerships. The report therefore places particular emphasis on procurement, commissioning and regulation to understand the drivers of these partnerships and to a large extent their structure, operation and effectiveness.

The report uses the term hybridity to describe organisations that have a mixture of state, market and private sector characteristics; partly as a result of their origins and mission and partly in response to external drivers. State policy influences include the Concordat between the Voluntary and Community Sector and the Northern Ireland Government, (Department for Social Development (DSDNI) 2011) as well as procurement and regulatory drivers outlined above. Market influences include commercial and business plan drivers that affect the relationship between housing associations (HAs) and support providers in SP partnerships. Third Sector influences involve civil society roots and independence from the state and may also include legitimacy and trust, professionalism and the key advantage for HAs of their borrowing being treated as non-government for the purpose of public accounts.

The unifying feature of the two case studies is that they concern voluntary and community sector organisations delivering public services. Taken together the two programmes considered here (the Social Housing Development Programme and the SP Programme) account for around half of total Government funding to the Voluntary and Community sector in NI. Moreover, these are both fields in which voluntary and community providers have a long-standing dominance for several reasons. In one case because of substitution for NIHE as developers of new social housing to exploit the borrowing advantages of HAs, in the other because of the comparative advantage of the voluntary and community sector in social care, building on community roots, legitimacy and professionalism.

While delivery of services by voluntary and community sector organisations has a number of advantages as set out above, there are also perceived disadvantages from the perspective of public procurement. Independence is seen as reducing scope for public control, their limited scale and resources as reducing ability to bear risk and enable scale economies and on occasions a perceived lack of professionalism. A mirror image set of disadvantages arise from the perspective of voluntary and community organisations themselves including potential loss of independence and sacrifice of mission for mandate. The Concordat referred to above was an attempt to balance these positions, but is generally less influential than procurement and commissioning in establishing relationships between Government and voluntary and community providers of public services.

1 In NI the terminology voluntary and community sector is preferred to describe these non-profit, non-governmental, civil society organisations.
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1.2. Case Study Research

The two case study fields have a number of distinct features illustrated in Table 3.1. The most important distinction is that SP partnerships are 1-2-1 scheme based partnerships between HAs and support providers, whereas PGs are larger groupings of organisations but comprise only HAs. SP partnerships are more important to support organisations than to HAs in relation to turnover and staffing, and this can lead to power imbalances. Meanwhile PGs involve only a small number of HA staff but are strategically important to HAs and to the sector.

The case study research objectives were derived from the overall project research aims:

- To explore the nature of different forms of third sector partnership;
- To trace the key drivers for PGs;
- To review their operation, relative advantages and any barriers to their effectiveness;
- To consider innovation and learning from partnership processes;
- To put forward some alternative visions for the future shape of the sector bearing in mind the policy and funding contexts, and drawing from experience elsewhere in the UK.

There were two partnership case studies in each policy field. The evidence base comprises 79 interviews with experts, officials, managers, staff and board members in the partner organisations in August 2011, May 2012 and August 2012. Case studies were contextualised through policy and literature reviews and expert interviews. Case Study reports were completed in October 2012 and findings were validated and discussed in a workshop convened by NIHE in November 2012. A small number of further comments were received from Government officials and used inform the drafting of this final report.

1.3. Supporting People Partnerships

Nature of Programme and Partnerships

Supporting People is a wide ranging programme providing housing related support services to enable people to live as independently as possible. It brings together at least three separate policy agendas– homelessness, community care, and the management of potentially disruptive or dangerous individuals.

In Northern Ireland a single ring-fenced SP budget is managed by the NIHE, but accountable to the Department for Social Development DSD. Commissioning involves a range of statutory bodies and the viability of SP schemes depends on a cocktail of funding including SP grant, Housing Benefit, and in some cases additional social care funding for people with care packages. HA partners mix housing association grant and private borrowing to fund construction and require rental income to repay loans and finance maintenance and improvements. Both partners may make other contributions from reserves, charitable income or voluntary effort.

Most individual supporting people partnerships have been remarkably stable but have had their ’ups and downs’ ‘usually involving money’. Often, partnerships were formed quite rapidly at the point at which the housing was constructed and have remained constant ever since. Disparity in power between HAs and their partners typically involves transfer of risk (in relation to occupancy levels and rental income) to the support provider through joint management agreements (JMAs) or service level agreements (SLAs). Ultimately the HA can substitute a new support provider at the end of the contract period, but this rarely happens in practice. Support providers can not generally substitute alternative landlord services within an existing scheme.

Drivers

NIHE manages the commissioning process for SP Grant on an annual basis; it may de-commission or re-commission schemes on the basis of changing needs, obsolescent housing, or adverse performance ratings under the Quality Assurance Framework (QAF) audit process.
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Policy drivers include the Supporting People Strategy and NIHE Homelessness Strategy (both recently published to for the period up to 2015) and the Bamford Review of services for people with mental health problems and learning difficulties which provided funds to move long stay care patients into the community. These policy and funding frameworks create the context for scheme commissioning.

Unlike GB, the funding for SP in NI is ring-fenced, meaning that it cannot be transferred to other programmes as it has by English Local Authorities. The core budget has been static for the last few years (and therefore declining in real terms). But ‘Bamford’ funding has been added as described above.

HA partners experienced strong market drivers resulting from need to repay loan debt and weaker third sector identities drawing on their community origins. SP providers have stronger third sector identities associated with values, mission and professionalism and ability to harness additional resources from volunteering, charitable donations and corporate social responsibility contributions.

Structures and Operation

SP partnerships are one-to-one scheme based relationships between HAs and support providers in the voluntary and community sector. Some support providers have developed multiple schemes with the same HA partner, others have multiple HA partners.

Partnerships are managed by joint management agreements (JMAs) and sometimes by service level agreements (SLAs). These agreements specify the relationship between the partners and allocate responsibilities for matters such as occupancy levels, rent collection, service quality and other services. They were generally seen in case studies as placing more obligations on support providers than on HAs. Periodic meetings are held at a variety of levels between the partners and with the commissioner to manage these contracts and account for Supporting People grant.

QAF inspections are held by NIHE to regulate the quality of service provided to users. Social care providers are also regulated by the Regulation and Quality Improvement Authority (RQIA) which includes management and staff issues. The support providers visited also had rigorous internal audit systems. However, they did not perceive an excessive regulatory burden since these activities were regarded as important for quality services that meet the needs of users.

Where scheme residents are placed by Health and Social Care Trusts there may be additional funding for care needs as in the case of the Bamford programme. However, there have been some problems in coordinating this funding stream with SP and HA capital funding leading to some significant delays in the programme. Solutions have been suggested to relocate this entire budget with the Health Trusts, but it is not clear how this would ensure release of care funding.

The use of intelligent commissioning (Audit Commission, 2007) rather than public procurement has aided the development of longer term relationships between the partners (see p.13). This approach has involved NIHE undertaking needs assessments, understanding supplier skills and expertise, matching SP providers with HA partners, allocating grants and quality review through QAF.

The continued treatment of SP payments as grants rather than fees imposes financial constraints on support providers. Conditions of grant that prevent the recycling of savings or the virement of funds between years prevents support providers from ‘trading’ as social enterprises. An outcomes based system might benchmark providers to identify required public resources for a given service level, but could allow more efficient providers to reinvest surpluses rather than clawing these back.

Learning

SP partnerships have strong connections to the public sector, often relying on links with public bodies for the intake and discharge of service users, and are subject to several regulatory regimes. In the homelessness case study there were examples of barriers to efficient occupancy of schemes arising from external control over intake and discharge by NIHE area offices.
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Partnerships work best where there are reduced competitive pressures, particularly in cases where the HA rules out moving into the same service delivery field as the voluntary and community sector partner. Competition risks a less open approach to sharing budgetary information, ‘gaming’ over client needs levels and added value and limiting outcomes to those that are specified and funded.

The third sector identity and ethos of support providers is an important resource that can be harnessed to bring additional inputs and higher quality outcomes. Examples include a gym funded through corporate social responsibility and international volunteers to work on additional services.

Intelligent Commissioning, although less transparent than outcomes based procurement, supports the development of longer term trust-based relationships that have proved particularly valuable for establishing new schemes and provides greatest potential to secure added value. This approach has remained open to new providers, as in the case of the homelessness provider brought in from the Republic of Ireland for its expertise in working with the most vulnerable homeless users.

The almost complete absence of formal user involvement in the partnerships, except in the consumer advisory role of the kind adopted in the mental health case study, is typical of many public services in NI. In one case study this absence had been an issue in the QAF regulatory process. There is a need to examine whether more formal user engagement might improve the effectiveness of inter-agency partnerships from the perspective of the ultimate beneficiaries. Co-production and personalisation provide two mechanisms that might deepen user involvement.

1.4. Procurement Groups

Nature of Programme and Partnerships

The Social Housing Development Programme (SHDP) is the funding mechanism for new social housing in NI. HAs match allocations from this budget with private borrowing to build new homes to meet housing need. From 2008 developing HAs were required to join a procurement group (PG) through which the SHDP would be managed. However, individual HAs continued to receive funding allocations and to be responsible to the regulator for their performance.

Three PGs of different sizes and membership have operated since 2009. The smallest had 5 HA members and the largest 12 HA members in 2011-12. Stock in management ranged from 7,500 homes in the smallest to 18,000 in the largest. The combined stock of all three groups (33,000) is smaller than the top 10 HAs in GB, limiting the scope for procurement savings.

Drivers

Key drivers were perceived to be European Union (EU) procurement rules and requirements to improve performance and efficiency. Comparison between the four UK jurisdictions (Table 5.1) indicates that considerable leeway exists in the implementation of public procurement policy, with Northern Ireland at the prescriptive end of the spectrum.

The idea for PGs did not emerge from the sector itself, even though the sector was considering alternative options such as a single procurement group for bulk purchases. Indeed, little attempt was made to explain or discuss the rationale for this particular solution to generate scale economies. The mandatory nature of PGs has changed partnership working in the HA sector.

The policy coincided with Ministerial statements advocating a reduction in the number of HAs; however, civil servants are clear that there were no direct links between the two. The high level of regulatory intervention against HAs during its introduction also provided a difficult context in which to introduce the policy. Both these coincidental developments affected actors’ perceptions of PGs.

Structures and Operation

The policy and strategy structures within which PGs operate were largely prescriptive and process-based rather than outcome-focused.
Individual HAs remain accountable for the management of the programme and this arguably preserves the role of their boards in the accountability chain. There is variation in the extent to which board members are involved in the governance of the different PGs and this reflects the lack of guidance on this matter in an otherwise very prescriptive framework.

Links to the public sector have dominated. The third sector status of HAs and their umbrella body has had little or no relevance in the decision on partnership structures and there is no voice for service users. The private sector has also been marginalised – the construction sector is indirectly included in the process but private lenders on which future development depends are not.

Membership of groups was self-selected on the basis of difference rather similarity: they were diverse in terms of size, geographical remit and type of housing provided. Case study groups chose different initial patterns of response with different structural and governance features. The two cases studies moved in different directions over the period of the study (see Table 5.3), One chose to establish itself as a legal entity whereas the other operates through a partnership agreement, in the spirit of a more voluntary trust based consortium arrangement. In practice, collaboration and trust were better correlated with performance than legal structures and top down control.

Pressure for single development teams was a litmus paper issue, revealing the strengths and weaknesses of power dynamics within groups as well as the process-oriented approach of DSD. While the voluntary based consortium succeeded in integrating some development functions in a virtual team, the legal entity case encountered opposition and was unable to impose a single team.

The two most important actors in the decision-making environment were the two government departments: Department of Finance and Personnel (DFP) for overall procurement policy and DSD for monitoring and regulation. Private lenders were not involved in policy networks at all. This highlights the degree to which HAs were being treated as bodies subject to public control. The third sector identities of HAs appeared to play a quite limited role in the operation of the PGs, however in one case there was an emphasis on values based collaboration and independence with positive results for performance.

Implications of public sector control for the independence of HAs and the ability of their private borrowing to remain off balance sheet was queried by some research participants.

Learning

The process of establishing frameworks was not as straightforward as had been portrayed in the Procurement Strategy. One case study procurement group had expanded procurement into a number of areas whilst another had proceeded on a narrower base. The relationships between structures, processes and outcomes were also variable as Table 5.3 illustrates.

Cost savings were made on contracts but there was concern that this had been at the expense of passing on more onerous client responsibilities to ensure quality was maintained. There were also problems of attribution, since contract costs were falling everywhere as a result of recession. One group claimed that it was the Procurement Strategy rather than the PGs that generated savings and performance improvements.

While one group moved from reluctant compliance to recognising some real benefits through a collaborative trust based process, the other which had initially been enthusiastic felt that there was little benefit in continuing with their group due to the absence of control based sanctions. This evidence supports the role of trust and collaboration as essential partnership agreements and the limitations of an externally mandated approach if control sanctions are not maintained.

As externally mandated partnerships that were not initially based on strategic engagement by the organisations involved PGs seem to be a case of the types of partnerships most likely to fail (Rees et al 2012). Moreover, these structures may also constrain the formation of new trust based collaboration opportunities (e.g., mergers across PGs). This would support the logic of any future PGs being voluntary rather than mandatory.
There was very limited opportunity for tenants as end users to influence partnership structures, operations or to have a say in what the outcomes should be. This is a common finding with the SP case study and is an important consideration for future design of commissioning and partnerships.

It is important for the effective development of housing strategy in Northern Ireland that there is learning from this process and the value of trust, voluntary engagement and user influence as key success conditions for partnerships is better understood.

1.5. Conclusions

The main conclusions in relation to four of our five research questions are summarised above for each of the case studies. In the conclusion to our report (section 5) we also draw attention to comparisons between the case studies, future scenarios and cross-cutting issues.

The main cross-cutting issues concern the role of voluntary and community sector providers and the extent to which this is embraced by policy and funding mechanisms in the two cases. By and large the added value that these organisations can bring does not appear to be recognised in day to day policy making and implementation. In practice the Voluntary and Community Sector Concordat is a much weaker influence than the adoption of procurement based approaches, including a move away from intelligent commissioning in relation to SP. To survive as support providers voluntary and community sector providers are expected to grow larger through merger and to focus on meeting service specifications rather than their own organisational missions.

Yet in the case studies we found considerable evidence of the advantages of engaging voluntary and community organisations in partnerships to improve service delivery and to employing collaborative and trust based mechanisms to do so. In the SP cases, through their third sector status support, providers were able to bring in additional resources from charitable and Corporate Social Responsibility (CSR) contributions and volunteering and to use these to add value to services. In the PG cases most progress was through trust based collaboration rather than hierarchy and sanctions.

Future scenarios highlight the need to do more with less as austerity continues, with threats to the stability and viability of existing arrangements. It appears likely that top down procurement approaches will continue to displace intelligent commissioning with resultant change to the provider landscape in both case study fields with fewer providers and less voluntary sector contributions.

Future approaches to partnerships should build on the lessons of this report to avoid sacrificing the distinctive contribution of voluntary and community organisations for short term gains in efficiency and standardisation. In the longer term the added value that these organisations can provide will be of even greater importance. Managing with fewer resources while maintaining a degree of social order will require support providers that harness civil society links rather than weakening these links through marketisation and top-down regulation. Once lost, these specialist third sector inputs will prove almost impossible to replace; however a sustainable platform for the future will also require greater influence for service users than either case study demonstrated.
2. Introduction

Partnership working is nowadays a seemingly ubiquitous aspect of the management and delivery of public services, yet there remain major differences of view about what partnerships are for and how they best work for the different stakeholders they involve. This project evolved from a generic study of recent developments in partnerships involving what are known in Great Britain as third sector organisations, but which in Northern Ireland would be more commonly described as voluntary and community organisations. That study (Rees et al 2012a) built on a detailed evidence review (Rees et al 2012b) and used five depth case studies from different parts of the third sector to explore the meaning of partnership in the light of recent changes in governance, funding and policy. Some case studies were of partnerships between single organisations, others were broader sectoral studies including studies of the Work Programme and HA mergers in England assisting the study to identify broad impacts of partnerships and changes to the organisational landscape of public service delivery. The study included a Northern Ireland case study based on the first phase of work on supported housing partnerships and social housing PGs that were developed to provide the basis for this more detailed and longitudinal research report.

The TSRC report (Rees et al 2012a) considered partnership structures, drivers and barriers, partnership processes and organisational change and the impacts of partnership working. It used this analysis to identify key learning from partnerships and to develop future scenarios. Amongst the challenging conclusions of the report were:

- the difficulty in isolating the effects of individual partnerships given the complex patterns of multiple partnerships that most organisations engaged in simultaneously;
- the tension between trust-based and mandated forms of partnership and between competition and collaboration;
- the importance of organisational culture in the effectiveness of partnerships since “culture eats strategy for breakfast”; and
- the tendency for service users to be “silent voices” in setting partnership aims of assessing outcomes and the lack of hard evidence on partnership outcomes.

One finding from the TSRC report that appeared to apply across the board was the importance of partnership structures in transforming the organisational landscape. For example staged groups-mergers-integrated organisations, supply chain relationships and economies of scale on the one hand or economies of scope on the other were all changing the organisational map. The report concluded that in the future there are only going to be very ‘messy’ solutions. However, many of these may turn out to be innovative and productive – just as tidiness often led to stasis in the past, untidiness may allow dynamic change in the future.

More practically the report considered what makes for effective partnerships, and these lessons were highlighted in a subsequent ESRC (2013) policy briefing on the project that has been well received by English local authorities and third sector umbrella bodies. There were five main policy related findings. First, trust-based partnerships are more effective than mandated partnerships and imposed competition and this needs to be recognised in the Government’s desire to contract for specified outcomes and to minimise public expenditure. Second, currently the design of national programmes is dominated by economies of scale, employing payment by results, prime contractors and supply chains. However, economies of scope should be given greater consideration to promote long-term efficiency. Third, there needs to be an explicit focus on outcomes that reflect the perspectives of service users. Otherwise these perspectives will continue to be crowded out by the outcomes determined by managerial considerations, the public purse and incentives for investors. Fourth, to promote more effective partnerships, commissioning arrangements should be less prescriptive, give greater recognition to multiple outcomes and allow for more relational approaches to contracts. Fifth, the relationship between civil society compacts and concordats and the procurement and commissioning of public services needs to be re-balanced. Too often the principles of these two policies are at odds – in practice, incentives are loaded towards statutory agencies contracting...
with large scale private sector suppliers, rather than civil society organisations or small and medium enterprises (SMEs).

Work on housing partnerships in Northern Ireland provided one of the case studies in that wider project and the opportunity to reflect on similarities and differences from Great Britain. In this current project a further opportunity was provided to take a longer view of the evolution of the two selected housing partnerships in Northern Ireland: HA PGs and Supporting People (SP) partnerships between HAs and voluntary and community sector support providers. These case studies were conducted between Spring 2011 and Autumn 2012 enabling a good understanding to be built of how partnerships change over time and how they relate to changes in the external environment, especially in relation to funding and regulation.

The workshop held in November 2012 and subsequent written comments received from a small number of participants, mainly from Government officials, has helped in the presentation of this report, particularly in framing Part 2 of this report which we have used to clarify some of our terminology and approach. For example in relation to mandate, forms of procurement, commissioning and regulation, the roles played by third sector or voluntary and community organisations and our underlying concepts of state, market, and civil society as drivers of these relationships, and the use of the term ‘hybridity’ to describe the way in which these drivers are often mixed within organisational structures and decision-making in mixed markets.

Part 3 of the report then introduces the two partnership case study fields (each with two organisational partnership case studies) and outlines the research methodology. Part 4 provides detailed evidence from the SP case study, while Part 5 does the same for the social housing PGs case study. Part 6 presents detailed conclusions from each case study and compares findings before going on to outline some future scenarios. A detailed bibliography is provided enabling readers to track the research process, source materials and more general conceptual underpinnings.

2.1. Mandated Partnerships and the role of Procurement, Commissioning and Regulation

Like many of the partnerships considered in the wider TSRC study, both Northern Ireland case studies involve an external governmental partner that procures or commissions public services from voluntary and community sector providers and monitors and regulates these organisations and the services they deliver. These may therefore be regarded as ‘mandated partnerships’ in that there is an external mandate to which organisations within the partnerships must have regard, and this may reduce the voluntary nature of the partnership and ability of members to determine activities and outcomes through internal agreement alone. Mandated partnerships tend to have a strong external focus, and can be contrasted to pure networks where the agreement of network partners is required for collaboration to occur and in which a major success ingredient is trust. There are doubts in the literature about whether management of networks and partnerships can function effectively with hierarchically imposed objectives or whether goals are necessarily emergent and based on shared learning between actors most involved in partnership processes, since ‘clear (and imposed) goals can make the actor deaf and blind’ (de Bruijn and ten Heuvelhof, 2008 p.65).

In England, Government is pressing ahead with a wide menu of public service reform that envisages a strategic commissioning role for government, delivery chains integrating public, private and third sector suppliers, and much more expansive use of payment by results (PbR). Thus commissioning and regulation have become even more important drivers for collaboration than under the previous government. These all have implications for the way in which third sector organisations (TSOs) enter into partnerships for service delivery, with each other and with public agencies and private sector organisations. (Rees et al 2012b).

These developments led us to focus within our study on the changing approaches taken to procuring and commissioning services from the voluntary and community sector and to ensuring governmental outcomes are met through various forms of regulation. Following some of the comments received on our case study reports it was clear that we needed to explain the way in which we have used this terminology and to introduce the main forms of external influence that we observed in the case study partnerships. There is an important distinction between procurement and commissioning, as Macmillan notes: ‘Procurement is the
range of processes involved in purchasing goods and services from provider organisations, in whatever sector. Commissioning is a broader set of service delivery processes which involve consultation, needs assessment and service planning and design. If procurement is about shopping, commissioning is about deciding what to buy and how’ (Macmillan, 2010, p 9).

The PGs case study provided an opportunity to review the emergence of procurement policy in Northern Ireland and to compare this to developments elsewhere in the UK, focusing on the example of procuring new social housing. EU Directives enacted as the Public Contracts Regulations 2006, with amendments in 2009 and 2011 provide the platform from which the HA PGs developed. HAs count as public sector bodies for procurement purposes under Public Sector Directive 2004/18. Public procurement is a devolved matter but it is implemented in close conjunction with other UK jurisdictions under the terms of a 2001 Concordat between the Northern Ireland Executive and the UK Government.

Section 5.1 provides an account to the policy background to the application of procurement policy to social housing in NI and how this led to requirements for specific forms of partnership.

The Supporting People case study was more concerned with historic forms of commissioning associated with the SP grant regime to voluntary and community providers of support services. In its relationships with SP providers NIHE appeared to have been strongly influenced by the “intelligent commissioning” model for engaging with voluntary and community sector providers promulgated by the former Audit Commission in their “Hearts and Minds” report (Audit Commission, 2007). This advocates that commissioners should think carefully about the kind of services that they want to procure for a range of service users, the types of organisations that are likely to be able to deliver at an affordable price and “how best to construct a commissioning process that will ensure that a variety of delivery organisations have the opportunity and incentive to deliver services, where they are well placed to do so, and that they receive funding in the most appropriate form” (Audit Commission 2007 p. 4). This approach has involved NIHE undertaking needs assessments, understanding supplier skills and expertise, matching SP providers with HA partners, allocating grants and quality review through QAF. In many ways this approach seems at odds with the more competitive and cost driven approaches associated with procurement and indeed with more recent versions of commissioning aligned to payment by results. The latter approaches appear to pay much less attention to capturing the specific benefits of voluntary and community sector providers or to constructing commissioning and funding arrangements that do not disadvantage smaller community based providers.

In this report we use the term regulation generically to cover the plethora of external controls and requirements that are imposed on organisations as a condition of working in particular sectors. Power has documented the growth of an ‘audit society’ in which “people are constantly checking up on one another” (Power 1997, p.1). Management reform of public services in the UK and elsewhere generated a huge increase in regulatory activity, especially where services were outsourced to voluntary and community providers or to the private sector. Functions of regulation may include accountability for use of public funds, protection of consumers and managing risk through standardised processes. Regulation may also give comfort to private funders and investors and is sometimes used to pursue wider public policy agendas such as equality and procurement policies. Hood et al (1998) noted the growth of regulation inside government to create “auditable organisations” subject to inspection, monitoring and audit regimes, often incorporating self-regulation and compliance certification. The growth of such regulation inside Government has frequently been questioned since the burden of regulation can significantly increase costs for regulated organisations and for regulators and such costs must be justified, especially in the post 2008 context of austerity. Furthermore there is often seen to be a trade-off between regulation and innovation with regulation sometimes depicted as stifling risk taking. In response to these tensions principles of good regulation tend to emphasise proportionality, transparency, a focus on outcomes rather than process and “earned autonomy” for high performing organisations (Cabinet Office, 2005). More recently, principles

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Third sector housing partnerships

developed by Sir Philip Hampton in 2005 are cited by the Better Regulation Delivery Office3 to inform the UK’s regulatory regime; these include risk assessment to focus regulation in areas where it is most needed, no inspection without a reason, no duplication of information collected, no new regulators where existing ones can do the work.

Both studies also involved considerable elements of regulation. Indeed the Procurement Group case study was primarily focused on the response of HAs to externally imposed requirements to join PGs and work towards certain structures and processes that were deemed to be consistent with good procurement. In the background of that case study was also a significant increase in regulatory interventions in the business of HAs following revised regulatory processes in the mid 2000s. These interventions resulted in the overall performance of 14 out of 33 associations being categorised as ‘unacceptable’ and the development performance of 10 out of 28 developing associations as ‘unacceptable’ (Northern Ireland Audit Office (NIAO), 2009); with seven HAs subsequently suspended from development. In the SP case study, all support providers are subject to double regulation from both the RQIA and the SP QAF framework. An increasingly important source of influence in how the schemes are managed is the Social Care Inspectorate, the Regulation and Quality Improvement Authority, with the power to re-designate schemes and in extreme cases close them down.4 QAF inspections are held by NIHE to regulate the quality of service provided to users. In addition to external regulation our case studies revealed that SP providers often have rigorous internal audit systems to satisfy their boards and management over and above external compliance. All this is consistent with the construction of “auditable organisations” subject to inspection, monitoring and audit regimes, as a key backdrop to the mandated partnerships for new housing construction and housing related support services in NI.

3 Better Regulation – the Hampton Principles http://www.bis.gov.uk/brdo/resources/knowledge/better-regulation principles

4 One scheme closed earlier in 2012 as a result of a RQIA closure order leading to the withdrawal of the provider from Northern Ireland altogether.
2.2. State, Market and Society Drivers and Hybridity

This report uses the term hybridity to describe organisations that have a mixture of state, market and private sector characteristics. Following Billis (2010) it is common to distinguish organic forms of hybridity in which voluntary membership organisations take on state and market characteristics as a result of their engagement in contracts, competition, and responses to political and policy control. Enacted hybridity involves organisations having hybrid identities from the start, for example following transfer of public services such as housing to purpose made organisations with hybrid governance structures.

Common state policy influences on all partner organisations include the devolved Northern Ireland Assembly (Birrell 2009), the Concordat between the voluntary and community sector and the Northern Ireland Government (DSDNI 2011a) and changes to the strategic framework and procedural guidelines for Supporting People funding for housing-related support services (DSDNI 2012) and guidance for public procurement (2011, 2012a and b) and procurement of social housing (DSD 2008). Health and Social Care Boards provide complementary funding for some community health and care services following the ‘Bamford’ review (Department of Health, Social Services and Public Safety (DHSSPS), 2005, 2007). Homelessness services are influenced by the Homelessness Strategy (NIHE 2012) providing a framework for funding homelessness response and prevention services.

These State policy influences are just one of three main drivers affecting the organisational behaviour of hybrid organisations such as HAs and TSO support providers (Billis 2010). Other drivers harness third sector identities and market based behaviour in which these organisations are nowadays increasingly involved.

Third sector identities are perhaps most apparent among the support providers, many of which grew from civil society responses to social need, most of which are guided by a strong ethos and sense of social purpose and some of which have governance structures emphasising accountability to service users and local communities. Many such providers emphasise their civil society roots and cherish their independence from the state, leading to organisational adaptation rather than simple implementation of state policies. While these may be treated as rhetorical claims, there are often material resources attached to such claims. For example, voluntary identity may unleash volunteering and charitable fund raising for projects, leading to trade-offs with statutory funding and state control and regulation.

Market identities are most apparent among HA partners who now have extensive experience of business planning to manage significant streams of private borrowing. This nowadays exceeds state grants in funding new housing schemes (although supported housing schemes may attract higher subsidy levels than general needs housing). Within their business plans, HAs have to raise sufficient rental income to repay loans and cover ongoing management and maintenance costs and budget for longer term major repairs and re-
provisioning of obsolete accommodation. These market based logics influence the relationships that HAs have with TSO partners, for example, in relation to the terms of joint management agreements and service level agreements with regard to occupancy levels, rent collection and management and apportionment of risks.

Hybridisation refers to the increased mixing of state, market and third sector characteristics of organisations over time. Hybridisation is sometimes considered as a purposeful adaptive response by organisations to a turbulent environment, for example by charities moving to more market or trading based methods of income generation (Smith 2010). The importance of external drivers arising from change in the public policy and funding environment is also increasingly recognised (Harris 2010). This report concerns processes of hybridisation of third sector organisations (TSOs) through case studies of partnerships between HAs and TSO support providers in the mental health and homelessness fields and PGs of HAs set up to procure new build housing in Northern Ireland. It uses case studies to explore and illuminate the changing nature of these partnerships and the mechanisms promoting hybridisation. For example for mental health and homeless support organisations hybridisation is increased through partnerships with HAs driven by the commercial approaches and practices of those organisations.
2.3. The Role of Third Sector

Following on from the discussion of state, market and society in 2.2, we need to clarify here why our study focuses particularly on the role of third sector (voluntary and community sector) organisations and what particular issues this raises for housing partnerships. The Third Sector Research Centre at the University of Birmingham has for the last five years been exploring the changing nature of the third sector organisations in the UK, and a key area of enquiry has been its relationship with Government. This relationship has been particularly affected by the growing involvement of third sector organisations in delivery of publicly funded services, and a recent series of “futures dialogues”5 has been exploring consequences of this engagement for the distinctiveness and independence of the sector and the ways in which such engagement is structured; through commissioning, procurement and contracts on the one hand and compacts and concordats on the other.

In collaboration with University of Ulster and later Queen’s University, TSR sought to identify some of the key policy fields in which these relationships are being played out in Northern Ireland. Analysis of the Northern Ireland Council for Voluntary Action (NICVA) “State of the Sector” reports and DSD website identified the importance of two policy fields in relation to flows of capital and grant funding to voluntary and community sector organisations in NI. Two of the most significant streams of Government funding for the third sector in Northern Ireland are for housing support services funded through the Supporting People (SP) programme (£64m in 2009/10); and the procurement of new social housing developments (£155m in 2009/10). These together accounted for around half of total Government funding to the NI Voluntary and Community sector at that time6.

Interestingly new social housing provision and housing related support services (SP) are both policy fields in which voluntary and community sector organisations have had a long-standing and dominant position in NI. In new social housing provision this stems from two historical points of engagement with the state; first in 1974-6 when public funding was made available to HAs and the Corrymeela conference led to the emergence of a reinvigorated HA sector, later after 1996 when the NIHE newbuild programme was transferred to HAs to take advantage of the off balance sheet status of HA borrowing (Mullins, Rhodes and Williamson 1999).

In SP, the establishment of a single funding stream for housing related support in fields such as homelessness, mental health, drug and substance misuse and probation and rehabilitation in 2003 led to the formalisation of existing roles played by a number of specialist voluntary and community organisations in these fields and the formation of partnerships with HAs. Here it is argued that voluntary and community organisations became the dominant providers because they were already active as a result of needs based responses to community issues and the development of specialist skills and relationships required to fulfil these roles. This history gave these organisations the legitimacy and trust to take lead responsibility for providing personal support to vulnerable people in community settings and there were few obvious competitors in either the state or market sectors.

From these two examples we can see some of the varied drivers that have led to voluntary and community sector organisations being engaged in public service delivery. On the one hand, the availability of public funding through grant in aid and the financial advantages of non-public sector status in the case of HA investment and borrowing. On the other hand, more intrinsic advantages such as specialist skills and

5 http://www.tsrc.ac.uk/Publications/FuturesDialogueBigPicturePapers/tabid/992/Default.aspx

6 According to the State of the Sector V almanac (NICVA 2009) total sector income from government (excluding HA development) was £259m in 2008. If we add in the HA development funding of £155m, we can see that together this stream and the SP stream make up 53% of the £414m total.
relationships, trust and legitimacy through being embedded in civil society as more apparent amongst the SP providers. Bills and Glennerster (1998) use the theory of comparative advantage to explain why third sector organisations predominate in certain fields such as social care where these advantages are at a premium.

While government can benefit from harnessing independent third sector organisations to deliver service for the variety of reasons set out above, it is important to recognise that there may also be perceived disadvantages which may affect relationships and propensity to select third sector partners. First, even in the most tightly worded contract there may be a tendency for outsourced services to deviate from Government specifications of scope and purpose and particularly from prescribed processes and methods. The move to outcomes focused commissioning is a reaction to this danger of being overly prescriptive about process when the important thing is to focus on shared outcomes. Second, there is still a tendency in some quarters to equate the voluntary sector with a lack of professionalism, particularly where third sector providers are operating on a smaller scale and working with volunteers for some elements of service delivery. Third, where the aim of outsourcing is to save money and transfer risk, smaller third sector providers may be seen to have insufficient resources and capacity to enable savings to be made by operating at scale and to manage risk, especially with payment by results (PbR) approaches. Fourth, from the perspective of third sector organisations themselves there can be perceived disadvantages of state funded service delivery where this compromises their independence, limits their ability to campaign and leads to moves away from their core mission.

Attempts to accentuate the positive aspects of third sector involvement while minimising some of these downsides have tended to focus on the development of compacts and concordats to govern the relationship between the state and the third sector across policy fields. Following on from the Deakin Commission (Deakin, 1996), voluntary sector compacts set out to regulate these relationships at national and local level. Key issues were the terms and conditions of commissioning and procurement, provision to cover the core costs of third sector organisations and managing conflicts between mission and mandate. In NI, a new ‘Concordat’ was signed off at the end of 2010 specifying that ‘public sector bodies must be aware of the potential effects of their procurement arrangements and guard against any unintended and unwelcome alteration to voluntary and community organisations’ roles’ (p. 9). However, this horizontal tier has been relatively weak in comparison to the vertical policy fields in which public spending such as new social housing and SP are structured. In practice delivery of general commitments to reduce bureaucracy, move to full economic costs and enable TSOs to compete for public contracts has been patchy and like the earlier Compact ‘not widely or consistently applied’ (NIAO, 2010 p. 7).

3. Housing Partnerships: Case Study Research

Our preliminary mapping of these two sets of relationships of voluntary and community organisations with the state and associated organisational partnerships in 2011 is summarised in Table 3.1. The key differences between these two fields and the forms of partnership involving third sector organisations is apparent. While the first case involves small scale partnerships between two sub-sectors within the voluntary and community sector, the latter involves only HAs but with more HA partners to accommodate. The services provided differ between the more people orientated approach of SP and the more technical focus of housing development. Both examples include a core of stronger actors and a periphery of weaker actors whose interests are affected by the partnerships. The importance of the partnerships to business turnover is another point of variation. In the SP case the partnerships are much more important to the support providers than to the HAs; in the PG case development is generally very important to HA business but the share of this funded by the state is falling with potential future implications for public procurement regulation. Impacts on staff are greater for the SP support providers than for HA partners. PGs affected a narrow group of HA staff in the short term, but could have wider strategic ramifications for HA services generally and for the umbrella body in the longer term.
## Table 3.1: Forms of Partnership in Two Case Study Fields

<table>
<thead>
<tr>
<th></th>
<th>Supporting People</th>
<th>New Build social housing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectors involved</strong></td>
<td>HAs, &amp; predominantly voluntary and community sector support organizations</td>
<td>Developing HAs</td>
</tr>
<tr>
<td><strong>Services involved</strong></td>
<td>Housing related support for homeless people, people with mental health needs, people with learning disabilities, ex-offenders, and other special needs (interviews focused on first 3 groups)</td>
<td>Procurement of new build social housing and contractors framework in first instance Maintenance and other procurement later</td>
</tr>
<tr>
<td><strong>Who are the main partners?</strong></td>
<td><strong>Internal</strong> Usually 1-1 relationships between HAs and support providers regulated by joint management agreements (JMAs) or service level agreements (SLAs). Support providers may be involved in several partnerships with same HA or partnerships with several HAs. Original 4 PGs range from 6 to 10 HA A HA members represented by Exec staff rather than board members. Now 3 PGs ranging from 5-10 members following 2 mergers.</td>
<td><strong>External (powerful)</strong> NIHE, and to much lesser extent Health &amp; Social Care Commission Board and Area H&amp;SC Trusts, Regulators (QAF, RQIA, domiciliary area standards) NIHE, DSD main external partners within public procurement framework set by NIA and Central Procurement Group and DSD Inspection Unit (eligibility for grant).</td>
</tr>
<tr>
<td><strong>External (limited influence)</strong></td>
<td>Tenants and service users have very little opportunity to influence</td>
<td>Developers, private funders and contractors are not full partners but are affected by PG frameworks. Private funders increasing importance not reflected in PGs. Tenants and service users have very little opportunity to influence.</td>
</tr>
<tr>
<td><strong>How important to business turnover?</strong></td>
<td>£64million p.a. of public funding for housing related support. In some cases this is matched with Health and Social Care Board funding. SP forms substantial share of most support providers income and staff activity and this is recognised by NIHE focus on organisational health (reserves etc.). However, it is of much less significance in relation to most HA partners business turnover where rents from general needs are much more important than supported housing rents.</td>
<td>£155 million of grant funding p.a. This is matched with a growing % of private funding. As public grants fall below 50% of scheme costs the dependencies of schemes on public funding change and compliance with private funders’ requirements becomes more important, however as the case study illustrates this threshold has not yet been seen as significant in reducing the case for Public procurement regulation to be applied to HAs. Almost all new HA building is involved. Non-developing HAs were also affected by the requirement to join PGs.</td>
</tr>
</tbody>
</table>
### Supporting People

<table>
<thead>
<tr>
<th>What proportion of your staff is involved?</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP is generally a small element of overall activity and staffing for most NI HA partners, but a few specialist HAs employ support staff and receive SP funding direct. SP funded staff often very important part of workforce for SP providers.</td>
</tr>
</tbody>
</table>

### New Build social housing

Development staff are the main group involved and have traditionally been seen as important within HAs despite relatively small nos. In some small HAs development was handled by the Chief Executive Officer (CEO) and/or development agent. PGs were expected to lead to mergers of development teams into single team for each group. More HA staff will be affected as role of PGs expands, especially if mergers follow. Impact on umbrella organizations also affected as relationships between PGs and Northern Ireland Federation of Housing Associations (NIFHA) developed.

Source: Research Team based on Case Studies and Expert Interviews

#### 3.1. Partnerships Case Study Methodology

The case study research objectives were derived from the overall project research aims:

- To explore the nature of different forms of third sector partnership;
- To trace the key drivers for PGs;
- To review their operation, relative advantages and any barriers to their effectiveness;
- To consider innovation and learning from partnership processes;
- To put forward some alternative visions for the future shape of the sector bearing in mind the policy and funding contexts, and drawing from experience elsewhere in the UK.

Our approach to studying partnerships was through structured case studies employing a common template for evidence collection and analysis. The aim was to work outwards from case study processes, structures and events to identify the external drivers affecting partnership evolution, the types of structure adopted for the partnerships, the internal partnership processes, outcomes and key learning.

Both case studies captured the evolution of partnerships over time, but the Procurement Group case study was able to capture change in two of the groups through a more longitudinal research design involving visits and interviews with the same actors in 2011 and 2012. In the SP cases the return visits were over a shorter period in 2012. In the SP cases a further design element was to use individual schemes as the lens through which the relationships between the partners were observed.

The context for these partnerships was further explored through interviews with experts and regional policy and representative bodies prior to, and in some cases following, the case study visits to follow up and understand specific issues. Case Study workshops were held at NIHE in November 2012 to explore and discuss the emerging issues and to assist in finalising case study reports. It had originally been planned to place a consultation draft of the case study reports on the TSRC website to seek further feedback and comments, but on advice from NIHE this was not taken forward. Instead, a ‘have your say’ request was sent to those who had taken part in the research, but unfortunately only a small number of responses were received, all of them from civil servants rather than from the case study organisations or umbrella bodies.

A total of 69 interviews were undertaken in the two case studies, some with national stakeholders and experts, and the remainder with managers, staff and partners of the case study partnerships. Four partnerships were studied in all: two of the three Social Housing PGs and two SP partnerships based on one mental health scheme and one homelessness accommodation scheme.
3.1.1. **Social Housing Procurement Groups**

The research was carried out in three phases: an initial study in August 2011 (Mullins et al, 2012; Rees et al, 2012); stakeholder interviews in May 2012 including selection of two PGs for more in-depth study; and the final phase in August 2012 which concentrated on the two selected groups. A total of 34 research contacts were made (Table 3.2). Those interviewed included: senior staff in HAs; HA and umbrella body Board members; staff from two housing umbrella organisations; and Government bodies including the NIHE, the Department for Social Development (DSD) and the Northern Ireland Audit Office. Several stakeholders were interviewed more than once. The findings were contextualised within procurement policy across the UK and within relevant academic literature. In response to comments on the draft version of this report, an e-mail interview was carried out with a senior member of staff in a financial institution involved with lending to HAs; a further meeting with two government officials was also held.

**Table 3.2: Research interviews, procurement group case study 2011 and 2012**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Phase 1: August 2011</th>
<th>Phase 2A: May 2012</th>
<th>Phase 2B: August 2012</th>
<th>Post consultation on draft</th>
<th>Total contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>HA senior staff</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>HA or umbrella body Board members</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Umbrella body staff</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Government including NIHE</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Financial institution</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total contacts</td>
<td>12</td>
<td>7</td>
<td>12</td>
<td>3</td>
<td>34</td>
</tr>
</tbody>
</table>

Note: Some stakeholders were interviewed in more than one phase.

Following the Phase 2A stakeholder interviews, it was necessary to select only two out of the three PGs to study in greater detail, due to resource constraints. The two case studies are anonymised as Case Study A (CSA) and Case Study B (CSB). They were chosen due to their different organisational structures, working relationships, and initial attitudes towards PGs: CSA had initially embraced the new approach with great enthusiasm whereas CSB was more pragmatic.

3.1.2. **Supporting People (SP) Partnerships**

The two SP case studies were selected to reflect two of the main components of the SP programme – mental health services and homelessness. They were chosen in the light of preliminary findings from an initial round of stakeholder interviews conducted by the research team in August 2011 and again in early 2012, and in consultation with the NIHE and the Project Advisory Group. Care was taken to screen out any partnerships where there was evidence of serious known problems in relationships at the time of selection as this would have made the research very difficult to conduct and raised ethical problems while risking focusing on exceptional and specific cases rather than drawing out more general learning.

It is important to note therefore that both case study partnerships were selected from those considered well managed and relatively stable. Interviews were conducted with CEOs/senior managers in May 2012.
and again in August 2012 along with regional and operational management staff in the two selected schemes. All interviews were recorded and transcribed and summary notes were made of each interview.

The SP case studies were undertaken over a two year period (2011-12) and involved a total of 35 interviews (Table 3.3) with third sector umbrella organisations (NICVA, NIFHA and Council for the Homeless; individual organisations providing homelessness and mental health services, HA partners and Government bodies including the NIHE, the Department for Social Development (DSD) and the Northern Ireland Audit Office. The study was contextualised by a review of housing and support policies in NI and across the UK and relevant academic literature. Two in-depth case studies of housing support partnerships were conducted in the second wave of research in 2012, one from each of the selected fields (homelessness and mental health).

Cases were selected in consultation with NIHE and the Project Advisory Group. Case studies involved site visits to projects and interviews were conducted with CEOs/senior managers of HA and support partners in May 2012 and again in August 2012 along with regional and operational management staff in the two selected schemes. Interviews were recorded and transcribed and summary notes were made of each interview. Ethical review procedures were followed and each interviewee completed a consent form and received a statement of aims and topics in advance of the interviews. Summary findings were provided to all participants for comment and a workshop was held in November 2012.

**Table 3.3: Research interviews, Supporting People case study 2011 and 2012**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Phase 1: August 2011</th>
<th>Phase 2A: May 2012</th>
<th>Phase 2B: August 2012</th>
<th>Total contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Depts./Bodies</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Umbrella bodies</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Managers and Staff in Homelessness orgs</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Managers and Staff in Mental Health orgs</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>HA partners</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Total contacts</td>
<td>9</td>
<td>11</td>
<td>15</td>
<td>35</td>
</tr>
</tbody>
</table>

Note: Some stakeholders were interviewed in more than one phase.

Unlike the PGs study there was no opportunity to track the evolution of the individual partnerships by comparing findings in 2011 and 2012. Arguably this method would have been less useful here since these are generally much longer term partnerships than the PGs and little would have changed within individual case studies between the two years. However, the SP case study did retain an evolutionary focus in two main ways. Firstly by backtracking with the HA and support partners to establish the history of their collaboration and the position of the case study scheme within this wider relationship. Secondly by tracking the recent discussion and implementation of policy changes in the frameworks for SP, homelessness and community care through review of policy documents and interviews with key policy and field actors.
4. Supporting People Partnerships

4.1. Supporting People: the background and evolution of policy

The aim of Supporting People (SP), as stated in the draft Northern Ireland Supporting People strategy 2011-15 (p.4), is to “improve the quality and effectiveness of support services...and help vulnerable people live as independently as possible in the community”. Introduced in 2003 across the UK, it reformed the way housing-related support was provided to vulnerable groups, and merged a large number of existing budgets to create a substantial resource for grant funding of support services. While in GB this grant budget is administered by local authorities, in Northern Ireland a single funder, the NIHE, is responsible for funding housing-related support services across the region.

The programme operates at the intersection of three main policy agendas: the role of social housing in addressing homelessness, community care, and the need to discipline and control people whose behaviour is deemed anti-social (Carr 2005; Clarke et al, 2008; Parr 2010). It unifies in one programme the interests of three separate government functions: housing and in particular the operation of strategies on homelessness, health and social care, and criminal justice.

SP was announced by the Government in December 1998 and introduced across the UK in 2003. It transferred money from Housing Benefit and many other sources to a single dedicated and much-enhanced budget. In England £6.6bn was set aside in the October 2010 Comprehensive Spending Review, but subsequently ring-fencing was removed, potently in the interests of ‘localist’ decision making. In Northern Ireland the budget in 2009-2010 of £64m remained ring-fenced and was the single biggest source of funding available to third sector organisations (apart from the capital programme for new house building by HAs). However, four years of static budgets had led to greater pressure on commissioners and providers alike with limited scope to respond to new needs without terminating some existing grants. Nevertheless the situation in Northern Ireland stands out when compared to other parts of the UK as the ring-fenced budget has protected the core services provided through the programme in contrast to England in particular, where in many areas services have been lost as local authorities have struggled to balance reduced budgets.

Resource allocation within the budget figures cited in the Supporting People draft strategy for 2011-15 shows the continuing dominance of community care related expenditure, with mental health and learning disability together accounting for 39% of the budget and general homelessness for a further 22%. But the strategy notes that the mental health and learning disability are much more resource intensive, accounting for just 16% of the supported housing units. The proportion of the budget taken up by community care related groups – including older people and people with physical and sensory disabilities is now close to 60% (NIHE, 2012).

The evolution and financing of the programme account for its core features. Commissioning is the responsibility of the NIHE which exercises this function in conjunction with the NI Health and Social Care Board, relevant Health and Social Care Trusts and the Probation Board. Service delivery is out sourced to 109 providers the vast majority of whom are in the voluntary and community sector.7 Whilst an increasing proportion of the budget is devoted to what is called ‘floating support’ – support to individual tenants in ‘general needs’ housing, mainly in the private sector, most remains with specialist supported housing schemes. Typically these are founded on partnership arrangements between HAs and specialist support providers, although in some cases HAs directly manage the support themselves.

The combination of HA supply of accommodation and the involvement of specialist support providers, with the underpinning role of housing benefit in meeting ongoing housing costs, has created a particular form of

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7 DSD Government Funding database [http://govfundingpublic.nics.gov.uk/GrantsAwarded.aspx](http://govfundingpublic.nics.gov.uk/GrantsAwarded.aspx) (accessed August 2012). The number of providers has reducing slowly as the result of mergers and withdrawals from the programme.
partnership (analysed in more detail below). These partnerships have depended on trust built over years of inter-agency cooperation. This trust has in turn been underpinned by the service agreement funding model for the SP providers that has encouraged long-term relationships. However, the combination of part-funding through private finance and housing benefit and the introduction of procurement-based funding are creating risks of destabilising what has until now been a relatively stable, although complex, set of inter-agency relationships. In particular the evidence recounted below shows that there is a clash of institutional logics between HAs who need to charge commercial rents to guarantee returns on bank lending and the logics of support partners trying to provide high quality services and cover rental payments whilst depending upon locally capped housing benefit payments and static SP grants to deliver. Balancing services, income, and rental charges has been a growing source of business tension in relationships between scheme providers and their HA partners. Based on discussions with case study organisations in 2012 highlighting the gap between scheme income and costs, it is likely that restrictions on the availability of housing benefit in the welfare reforms introduced in April 2013 could render some schemes unviable unless a new service or funding model can be found.

The outworking of these relationships is explored in the case studies. Drawn from provision of accommodation for homeless people and for those with chronic mental health problems, respectively, the two case studies also demonstrate the important influence of the respective policy contexts, notably in determining who controls access to the schemes, the role of budgets other than housing benefit and SP in determining scheme viability and the role of additional regulatory requirements.

4.1.1. Homelessness

Homelessness is one of the main needs areas to which SP funding is applied to enable service users to receive varying levels of support required to make the transition to independent living. Ninety-three supported accommodation schemes in NI are funded under the SP programme for homeless needs groups comprising homeless families, single homeless, domestic violence, offenders and substance misusers (North Harbour Consulting, 2012).

In 2011/12 a revised Homelessness Strategy was produced (NIHE 2012) to provide a framework for funding homelessness response and prevention services in NI. Prevention and early intervention are an important part of the vision as is improving services to vulnerable homeless households and individuals. One if its key aims is that through ‘enhanced inter agency cooperation, services to the most vulnerable homeless households will be improved’ (p.7). This highlights the importance of partnerships such as those between HAs and support providers and it is recognised that this will ‘require the collaboration of a wide range of partners from the statutory, voluntary and community sectors’ (p.7). Alongside ‘transitional’ and “episodic” homelessness, the strategy recognises the need to respond to ‘chronic homelessness, which tends to be long term users of emergency services, particularly rough sleepers’(p.13). It is in the latter area that support providers such as the case study organisation included in this study operate.

The strategy adopts a pathways model (p.14) to show the links between housing and support initiatives in enabling successful transitions to suitable permanent accommodation. Amongst the support services involved in this integrated approach are addiction services, domestic violence support, work with ex-offenders, new migrants and youth homelessness; all of which are included in the SP programme. This pathway model, is predicated on users spending up to two years in supported accommodation while benefiting from support services. This approach has been increasingly challenged by the ‘Housing First’ approach which suggests that people are more able to benefit from support once they are in settled accommodation (Tsemberis, Gulcur, and Nakae, 2004). Thus as noted above and evidenced below, a small but increasing proportion of the SP budget is now allocated for floating support for people in general needs housing.
An appendix to the strategy (p.33) summarises the financial investment of £200 million in homelessness services in NI since 2003 which includes the following budget lines for the 2010/11 investment of £36.1 million:

- Temporary accommodation – housing benefit top up and SP – £30.7 million,
- Homelessness services – furniture storage and exceptional costs – £920,000,
- Voluntary sector funding – homelessness services – £2.2 million,
- Supporting People – floating support – £1.35 million,
- Private sector leased properties – £955,000.

There is evidence of an inclusive approach to the development of the strategy with 17 organisations reported as having responded to the consultation including umbrella bodies such as the Council for the Homeless and NICVA, support providers and HAs (p.34).

Interviews with key stakeholders in 2011 highlighted some of the policy drivers and tensions that were impacting on organisations in the homelessness sector. Of fundamental importance was the extent to which TSO roles and relationships are externally prescribed leading to hybrid forms of identity.

Three of the key parameters are set by the relationships with the state. First, prior to admission to schemes all clients of supported housing must be registered on the NIHE Common Waiting List and assessed as homeless and in priority need by the NIHE. Second, the scope of services funded by SP is set out in grant funding agreements. The quality standards of schemes are closely monitored through the regulator QAF self-assessment and inspection process and one off exercises such as the recent strategic review of supported accommodation schemes for homeless people. Third, the funding of homeless support schemes is highly dependent on the eligibility of residents (most of whom are out of work) to housing benefit (HB), and to the availability of top up funding for services over and above those that are eligible for HB funding.

Welfare Reforms, including restrictions in eligibility for single young people and local limits to HB payments, were seen as one of the most significant threats to the viability of homelessness support projects in the future, and some interviewees reported the existence of a funding gap within the modelling of income and expenditure streams for new homelessness schemes.

### 4.1.2. Health and Social Care: Mental Health

The growing dominance of community care related expenditure in the SP programme reflects the long-standing policy priority within Health and Social Care in Northern Ireland of closing long-stay hospitals. This policy was given a powerful further endorsement as a result of a fundamental review of mental health and learning disability services which reported in 2007 (DHSSPS, 2007). The strategic direction for mental health policy was set in 2005 when the review team set out its vision for the development of services over the next 20 years (DHSSPS, 2005). The review argued for services that supported an ordinary life and recommended the closure of the remaining long-stay hospital wards. The service model adopted depended on the continuation of the SP programme or an equivalent replacement. It was based on specialist providers operating in HA property drawing down both social care and SP funds to provide the levels of service deemed necessary to sustain people with chronic mental health problems for the long term. Thus unlike the homelessness schemes which provide mainly temporary accommodation, these social care schemes in practice provide ‘homes for life’, as was evident from our visit to a mental health re-provisioning scheme (see below). Funds would transfer from hospitals and from nursing and residential homes to support the care cost component of new services with housing costs met from housing benefit. Furthermore, staffing and admissions and discharges from these schemes would be largely in the control of clinicians rather than the SP administration.

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The review was subsequently named the Bamford Review in recognition of its Chair, Professor David Bamford, who died before the work was completed.
The recommendations of the Bamford Review were adopted in their entirety by the incoming Northern Ireland administration in 2007 and the core role for housing was recognised in the 2010 spending review where, an additional £16.4 million was found for both capital and revenue in the SP budget to implement the policy to close the remaining hospital wards. Although a joint bid was submitted by the Departments for Social Development (DSD) and Health, Personal Social Services and Public Safety (DHSSPS, 2007), the £23m needed to pay for additional care support required by the people moving from hospitals was not ring-fenced and in the first year of the spending review period it proved very difficult to get new schemes established. In the financial year 2011–2012, some unspent SP capital money was handed over to the DHSSPS by the DSD because of problems in identifying downstream funding for social care (stakeholder interview, May 2012). By making these transfers it was possible to proceed with some of the capital funded schemes that had been provided for in the housing programme but which could not proceed without revenue support.

Problems of aligning the SP and the social care budgets have given rise to concerns that in some cases the viability of schemes can turn on the availability of sums to meet the social care costs of residents. Loans taken out by HAs to build schemes puts pressure on scheme providers to find tenants while at the same time the supply of potential tenants depends on budgetary decisions made by Health and Social Care Trusts and associated assessment decisions which while ratified by the NIHE team are in practice made by health and social care professionals. In effect there has been a worry that the implementation of housing policy was being driven by Health policy priorities and budgetary constraints (Stakeholder interview, May 2012).

In addition, difficulties have arisen in deciding the dividing line between the two kinds of support, particularly when in practice the two kinds of support are provided by the same people, whose salary costs are met from pooled resources from the two funding streams. An increasingly important source of influence in how the schemes are managed is the Social Care Inspectorate, the Regulation and Quality Improvement Authority, which adds a separate regulatory framework with the power to re-designate schemes and in extreme cases close them down.9 Thus SP providers face double regulation from both the RQIA and the SP QAF framework. Problems in aligning budgets, overlap in housing support and social care functions and a duplication of regulatory oversight has led some within the DSD to argue that it would be better to move the whole of that part of the SP budget used by Bamford review related schemes to the DHSSPS (DSD NI 2011b). Interestingly, this has been echoed by some of the support provider organisations on the grounds that it would simplify their external relations with funders and reduce the regulatory burden (Interview, May, 2012).

4.2. Case Studies

This section introduces the two SP case study projects. Subsequent sections then review the evidence collected from visits to and discussions with the two SP case study projects on:

- Drivers of partnerships
- Processes within partnerships
- Outcomes and key learning from partnerships

4.2.1. 4.2.1 The Homelessness project

The homeless support provider in the case study exhibited a strong sense of its social mission and historic roots in civil society. This organisation had evolved organically out of a more generalist congregation based religious voluntary organization. It had become a specialist, highly professionalised and social entrepreneurial organisation through a complex process of geographical spread and growth. An important feature is its commitment to work with the most vulnerable, and those who no one else will.

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9 One scheme closed earlier in 2012 as a result of a RQIA closure order leading to the withdrawal of the provider from Northern Ireland altogether.
We've a very strong commitment to working with ... the poorest of the poor, so people who may be... even though they're homeless providers would struggle to work with at times (CEO Interview, May 2012).

Project visits confirmed that this social ethos and ‘low threshold’ approach did indeed resonate through the organisation, including front line delivery staff that used the term in discussions. The underlying approach was explained by the project manager:

We take a very gentle approach – if we are going to have successful relationships with people here they cannot live day to day with the feeling that they could be thrown out of here for something that in the grand scheme of things is quite petty. Hostels that throw people out simply disenfranchise them a bit more (local project manager interview August 2012).

Its experience and skills in working with the most challenging service users had led to it being invited into Northern Ireland in the first place in 2005. Coupled with a high reputation for effective management, this niche has given it a degree of protection from potential competitors. However, the potentially higher costs of working with such groups have been only partially recognised by the SP and related HB funding regimes. Here the organisation’s ability to bring further resources into play through fund raising, volunteering and efficient business practices was seen as increasingly important. But as discussed below the relationship between this ability and contribution and the public funding environment for core services was seen as deeply problematic.

These issues were particularly apparent in the individual scheme visited as part of the case study which caters for a different client group to the organisation’s Belfast project. For this scheme the main target group is for single people and childless couples. The scheme opened in 2009 in a market town outside Belfast where homelessness and a lack of associated suitable accommodation had been recognised by the NIHE. A 23 bed scheme of managed flats in a new block in the town centre, 15 places are reserved for referral from the homelessness register kept by the local NIHE office with the remainder available for referral from other agencies and on occasion self-referral. The NIHE must nevertheless accept all residents as homeless. Viewed from the outset as a high risk venture due to lack of clarity in demand, potential hostility from local residents and an untried service model in that setting, the risks were managed in the context of the establishment of the partnership between the provider, the HA and the local NIHE office before the scheme was commissioned. The longstanding business relationship between the provider and HA, shared across all the providers’ schemes in Northern Ireland, has been particularly important in risk management.

4.2.2. The Mental Health Scheme

The mental health support provider in our case study is a long-established charity in the field with a history of providing day care and other services from a volunteer base going back to the early 1960s. The development of outsourcing of mental health services from the early 1990s onwards provided the context for rapid growth and professionalisation of the organisation. It now manages a wide range of supported housing, group living schemes and floating support funded through SP, a number of day care projects, and an advocacy service as well as a workplace counselling service and a substantial research arm. It is widely recognised for its professional expertise and it has excellent working relations with health and social care boards and hospitals, which are further eased by staff transfers and recruitment from these bodies.

The particular scheme visited as part of our case study was a new housing development of 22 units designed to provide supported living for people who had been long-stay hospital patients – some for over 30 years. Some residents came straight from hospital while others had previously lived in a group home run by hospital staff on a nearby site on the edge of the hospital grounds that had been closed and re-provisioned by the case study partnership.

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10 The organisation uses this term to characterise its willingness to work with the most chaotic users and to avoid evicting them at all costs – the text quote highlights the mission driven rationale for this practice.
Third sector housing partnerships

Built on land next to the hospital site, now laid out as a suburban streetscape of mainly single storey houses (with two small maisonette blocks) in a cul-de-sac, it was regarded by the support provider and the HA as a model project. There was strong support from senior to operational management for working with a HA partner as landlord as the preferred model of service delivery. As part of the hospital decanting process, the Health and Social Care Trust and the NIHE had recruited both the support provider and the HA partner to develop the scheme very early in the planning process as a result of a strategic search for partner providers. The absence of competitive procurement had provided the space for developing the necessary trust and sense of involvement in the design and delivery of the scheme that both the provider and the HA viewed as the foundation of the scheme’s perceived success.

4.3. Drivers

Aside from resource constraints, the key policy drivers are:

- The Supporting People strategy, 2012-15. Publication of this had been delayed at the time of our research pending a DSD review of commissioning, but the consultation on the draft has now been completed. The proposed focus on efficiency and value for money and on greater user participation among other highlighted issues are likely to have a direct impact on service delivery partnerships.

- The Homelessness Strategy: a new homelessness strategy was published at the time of our research. This imposes an important operational constraint on hostels in that projects with SP funding have to fit within the strategy’s two year move on policy for residents.

- The Bamford Review. The only area of growth in the SP programme, given otherwise frozen budgets, it is nevertheless subject to budgetary problems within Health and Social Care. In schemes where residents have care packages, the Health and Social Care Trusts effectively control access and hence viability of schemes while very often contributing the least funding.

- The review of Health and Social Care in Northern Ireland: Transforming your Care: Issued by the DHSSPS for consultation in October 2012, it is now in the early stages of implementation. Its focus on user-led services based at service users’ homes, endorses the approach adopted in the Bamford Review. Unlike the issue of hospital re-provisioning the potential impact of service re-alignments on the SP budget remain unclear, but it is feasible that it will impact on demands for ‘floating support’ for people with chronic mental health problems living at home.

In both cases we found public policy drivers to be dominant in structuring the partnerships, although there were clear differences between the two policy fields – homelessness and mental health. Vertical policies developed within these service delivery silos (homelessness and health and social care) were found to be much more important than horizontal policy drivers such as the Voluntary and Community Sector Concordat in regulating state/voluntary and community sector relations.

In the homelessness case there were conflicting expectations and inputs of NIHE regional office and contract agreements with SP team. These public sector drivers set the conditions for the intake and discharge of clients, the need to meet a quota of 15 NIHE homeless referrals for the 22 flats and the need to discharge clients within 2 years.

In the mental health case there was an even higher level of dependence on relations with the public sector health authorities. Although badge as ‘care in the community’, the location of the scheme within the boundary of the old hospital site and effectively isolated from surrounding residential and community facilities symbolised the organisational location of the scheme within the health service. It was entirely dependent on clinical decisions for intake and discharge, it was mainly staffed by former health sector personnel and it was highly regulated by the RQIA.

Partnerships are also driven by competing logics deriving from the commercial basis of HA finance and the strong and weak third sector logics of support providers and HAs: HAs now borrow the majority of the funds required to construct new housing, and must finance maintenance and major repairs from accumulated rental income surpluses. While levels of grant are higher for special needs schemes, the business model and organisational logics of HAs are now strongly driven by the imperative to repay private loans. This driver
Third sector housing partnerships places pressure on contractual agreements with support partners to maintain high levels of occupancy and rental income collection and limits the scale of maintenance and improvements that can be provided in return. This pressure is further reinforced by the terms of SP funding.

Support providers, and to a lesser extent HA partners also have third sector identities and ethos which place competing drivers on the way in which services are provided and can enable additional resources to be harnessed from volunteering, charitable donations and corporate social responsibility. The social purpose and mission statements of these organisations are usually clearly enunciated to position these organisations as distinct from either state of market providers. In some cases these distinct third sector values are enacted within the organisational cultures and day to day routines and practices of these organisations, as powerful competing institutional logics.

There is substantial pressure on support providers to prop up the operation of schemes through using charitable income to make up any deficits, or to raise service quality beyond the level sustainable through public funding streams. However, providers are reluctant to use their capability to attract charitable funding and volunteering to provide public services below cost. Instead they use these ‘third sector resources’ to provide extras such as the gym funded from CSR from a major construction firm (pictured on the cover of this report), and additional non-core projects provided in the homelessness case study.

Further resources that can potentially be mobilised by third sector providers are based on the relationships forged with service users. While none of the case studies here involved cooperative forms of organisation in which users actually run or govern support providers, there were examples of co-production of services with users. These benefits of third sector provision are exemplified by the mosaic produced by residents in the mental health supported scheme also depicted on the report cover.

4.4. Structures

The structure of the SP partnerships was much simpler than the PGs. These are essentially one to one partnerships between support providers and HAs based on a single scheme. The core relationship in these schemes is between the support provider and its HA partner. In both case studies, although these were new schemes, this relationship was long-standing at an inter-agency level and was able to draw on trust developed over the years.

Some support providers have developed multiple schemes with the same HA partner, others have multiple HA partners.

Prospective partners have historically had a lot of say on whom they work with. Partnerships are created through trust-based negotiation led by the commissioners who choose appropriate providers and HA partners on the basis of track record and the prior requirement to meet qualifying standards in governance and management competence.

The basis of these structures was the SP grant allocation by NIHE and associated partnership agreements setting out the responsibilities of the partners. SP Partnerships are regulated by a joint management agreement (sometimes a service level agreement) specifying the relationship between the partners and specifying responsibilities for occupancy levels, rent collection and service quality.

External regulation also affects these structures. In addition to meeting the requirements of grant, support providers are subject to the QAF audit framework to ensure adequate standards of service are provided to service users.
4.5. Processes

In both cases, the partnership was established at the initial planning stage once a decision had been taken to commission the scheme. Interview evidence from provider staff closely involved in establishing the schemes showed how these relationships helped resolve problems over design and delivery as they were developed. This stability flowed from two key features of the SP programme: the strict division between commissioning and delivery; and participation by support providers as a result of an invitation by commissioners rather than through procurement.

Periodic meetings are held at a variety of levels within the partners and commissioner to manage these contracts and account for Supporting People grant.

QAF inspections are held by NIHE to regulate the quality of service provided to users. Social care providers are also regulated by the Regulation and Quality Improvement Authority (RQIA) and the support providers visited also had rigorous internal audit systems.

In cases where scheme residents are placed through care management run by Health and Social Care Trusts, this can ameliorate tensions where there is adequate social care funding, but can be a block, where funding is tight.

The use of intelligent commissioning rather than public procurement has aided the development of longer term relationships. But the continued treatment of SP payments as grants rather than fees imposes financial constraints on providers, and conditions which prevent the recycling of savings or the virement of funds between years prevents support providers from ‘trading’ as social enterprises.

4.5.1. Homelessness

The relationship was considerably more fraught in the case of the homelessness scheme than it was for the equivalent relationship in the mental health scheme. There was clear clash of principles between on the one hand the providers’ ethical commitment of service to people others might turn away and the HA partners’ more commercially driven business practice. For the support provider the financial model for the scheme appeared very risky.

“This will particularly impact on (name of scheme), which is moving towards deficit. There has always been an issue over the difference between the income received through housing benefit and the rent charged. This gap now runs at about £21 a week, negotiated down as the financial model envisaged when the scheme opened was not sustainable.... The initial starting point was rent of £140. And housing benefit were coming back to us with the market rate of £70. So we were, like, em, hello?!

The risk is getting wider because as housing benefit is being increasingly capped or even reduced or reviewed, the HA is still increasing their rent and we are not recovering that, ultimately. And we’re suffering some wider deficits and our conversations we have (with HA partner) are really around this where we’ve gone, oh, you can’t justify a 5% increase, or can you justify a 5% increase?” (Interview CEO and Finance Director, May, 2012)

The HA view was stated as follows:

“Our charges are set on what we need to make the scheme viable. We should not be cross-subsidising the support partner by depressing our charges...don’t worry about our charges we’ll drop it by 5% because you are not receiving the necessary uplift from the commissioners. It shouldn’t work like that. We try to be sensitive on these issues but we’ve a very tight dynamic, on the loan we are price sensitive and we also know that our partners may be looking to have major works done.” (Interview HA manager, August, 2012).

In negotiations, the support provider is in a weaker position than its HA partner. In part this is a function of relative size. HAs are generally much the larger of the two organisations, with substantial assets in terms of the property owned and where any particular scheme is a much smaller part of the whole operation with a corresponding relative reduction in risk exposure. In the case study, the provider managed five schemes across Northern Ireland while its HA partner had between 300 and 350 units with 15 different partner
organisations in the SP programme, themselves forming a relatively small part of a total housing stock of over 5,500 units. This is compounded by the joint management agreements governing relationships. The case study was typical in this respect. Here the provider was responsible for collecting residents’ housing benefit and managing voids. Rent remained payable on empty units where there would be no corresponding housing benefit to cover it.

The ability of providers to manage financial risk, has in the view of the case study provider, been made more difficult by the release of new guidance from the DSD in the summer of 2012 specifically forbidding the use of SP grants to build reserves and requiring clawback of unspent money at the end of each financial year. The change reflected a strict interpretation of the grant basis of the funding relationship where the funds were viewed as a payment for a particular level of service within a particular financial year. Surpluses are thus treated as over-payments to be returned. This makes it impossible for providers to use any annual surpluses to cover potential deficits in following years; and thereby explicitly conflicts with the trading model associated with social enterprises (or indeed profit distributing market providers) providing public services. The response in this case had been two fold. First, there had been a concerted effort to build an alliance of support providers in the SP programme to point out how destabilising for the sector as a whole these changes were. But, as a fallback the case study organisation had also sought to hedge its risk by the following measure:

“Second, we have written in a 3 to 6 month notice period rather than the 12 months before [the contact can be terminated by either party]. We are both voluntary organisations, but this is a business relationship at its core, and our organisation shouldn’t be disadvantaged by the other. That’s the key for me. If we can’t build reserves we can’t allow HAs to build reserves on the back of our inability to do so.” (Interview, CEO, August, 2012)

In protecting itself in this way, the provider was indicating that it would be willing to exercise its power of exit if it judged the financial risk as being too high. The HA partner was sensitive to the implications as it had experience of a scheme failure with another support partner who had experienced major financial difficulties. The HA had been faced with having to step in at short notice to directly manage a scheme. While it had no wish to do this, it had a duty of care to vulnerable licensees and a legal responsibility to maintain the service by stepping in and then finding a substitute provider. Its response has been to improve communication and tighten the procedures governing relationships, and to require more detailed financial monitoring information from all of its 15 different partner organisations. The interviewee from the HA was clear that the case study partner was sound in this respect with no such difficulties anticipated.

The case study relationship was aided by the fact that the HA partner had no interest in directly managing such specialist services and consequently there were no competitive pressures on the trust required to permit the sharing of potentially commercially sensitive information. Nevertheless, the scheme had been designed with the potential of conversion to general housing use if necessary. From the point of view of the HA this was a matter of prudent management of its assets with a view to ensuring it would continue to earn revenue through rents needed to service the bank loan if ever the homelessness scheme were to fail. For the provider on the other hand, the possibility that its HA partner could walk away added to the pressure to ensure that rents were paid.

The overall relationship was seen as generally very good on both sides. This was partly a result of the highly specialised, and therefore non-substitutable, role taken on by the support partners discussed above. It was also partly a result of the high quality design of the building and the good maintenance arrangements by the contractor in the initial period of occupancy. However, there had been emerging problems with the high specification features of the building such as sensors on back door and bathrooms, which cut out power and water supply, and call out arrangements were less responsive after year 1 when a new contractor was appointed. On a day-to-day basis, relations were affected by ongoing maintenance issues of this kind. Pressure on the provider to dip into charitable income to short-circuit problems, a route it was reluctant to go down, is likely to increase as in a move to control costs, the HA has reduced its maintenance cycle from every three years to every six years.
Third sector housing partnerships

Turning now to consider processes involved in negotiating the strong public sector drivers outlined earlier, the homelessness case highlights the impact of conflicting expectations and inputs of NIHE regional office and contract agreements with SP. While the contract specified that the majority of clients had to be referred by the NIHE regional office and had to have ‘Full Duty Applicant (FDA) status (meaning full duty to assist under the Homelessness legislation), in practice the regional office was often unable to make sufficient referrals with this status to fill vacancies. The project was able to adapt its response by assembling its own waiting list of referrals of high needs clients (from partner agencies such as Probation Service, 16+ team, mental health team) and to secure homelessness assessments subsequently.

“We would tend to have a waiting list of 20, 30 plus people on any given day”.

In this way the balance between contract and intake dependencies on NIHE regional office are managed. The scheme is similarly affected by the interaction between the maximum stay of 2 years for residents specified in the contract and dependencies on NIHE and HAs for most move on accommodation. This again needed careful relationship management with the statutory partner, the use of outcome-related star assessments to demonstrate that residents have acquired the skills necessary to live independently. Needless to say these dependencies can be affected by personalities and individual relationships.

“We start from different world views. They are concerned with points and numbers and we are concerned with the whole person. But much can be achieved through good relationships. We are very hopeful of the new area manager” (Local staff member interview August 2012).

4.5.2. Mental Health

The evidence from the interviews at all levels with the mental health support provider suggests that for them, the relationship with the HA partner loomed less large as an issue. As with the homelessness partnership case study, the relationship was an old one and had not had to be constructed anew for this particular scheme at the time it was commissioned. The relationship was seen as very good, partly as a result of close joint work with the HA, the provider and the Health and Social Care Trust, the architects and builders. The hospital patients, who had been identified as potential residents, had been closely consulted on design features from the start.

As with the homelessness project discussed, the underpinning structure of the Supporting People programme helped provide the backdrop for this success, notably the reliance on previous relationship for commissioning decisions. Talking more generally about all its SP schemes, a senior manager of the provider explained how partnerships were created:

“No and it’s very mixed. Obviously if we’re the provider of the service within a scheme that’s being replaced or expanded we’d be the preferred provider for consistency. At other times (Health and Social Care) Trusts would identify a preferred provider to work in partnership with and then the NIHE would identify the HA to work with. And sometimes they make those decisions on relationships that are already established and are good working relationships... It would mostly be the Trust and the NIHE would be more involved in identifying the HA bit of it. The Trust would be identifying a preferred provider service.” (Senior Manager, SP provider).

Turning to consider the impact of public sector drivers it is clear that control over who lives in the scheme effectively remains entirely with the Health and Social Care Trust. Places are only available to people who have previously been long-stay hospital patients and they are identified through a care planning and care management process that is professionally and administratively led by the Trust. Only after they are selected are they then placed on the housing waiting list so as they can qualify for housing benefit. Also it was apparent that people were only referred to the scheme when there was sufficient funding for the care package.

The support provider is in effect embedded in this public sector professional/administrative process as the implementer of care planning decisions that are ultimately the responsibility of a consultant psychiatrist in the hospital.
“Nobody in this scheme would be here without a care manager; a care manager and a care package, and a hospital discharge plan; all those kind of things. So it’s clearly within that context the scheme is offering support…” (Scheme manager, interview August, 2012)

Although formally and legally licensees of the HA, residents’ continuing occupancy is in practice subject to case management review and psychiatric assessment. In principle it is open to them to move to environments with less intensive support, but they can also be returned to hospital or, if their nursing care needs are too high, to a nursing home.

This has important implications for relations with the HA partner. Whilst the joint management agreement makes the provider formally responsible for the rent, the risks associated with the management of voids, so important in homelessness services, are hard to detect in this case where there is a waiting list for a place for people still in the feeder hospital. There was no mention of any financial shortfall between the rent charged and the housing benefit received for each resident, possibly because payment rates were higher and more closely aligned with rents and because high level care costs were funded directly by the Health and Social Care Trust on top of the SP Grant. In the homelessness case the gap had been so wide because housing benefit rates were set at much lower rent levels due to its location outside Belfast and because only SP grant was available to meet the support costs.

In our interviews in the mental health case, any problems over rent levels and housing benefit payable were seen as manageable:

“There are sometimes some tensions around rent and SP and rents going up and things, but usually those difficulties are dealt with within partnership meetings and the relationship is generally good between myself and my senior staff and the senior staff within the HAs.” (Senior manager, interview, May 2012)

These factors served to reduce the commercial pressures on the provider in the short term, but were a consequence of it being embedded in the hospital’s care planning and management processes and thereby much more exposed to public sector than to commercial drivers.

Turning to consider the impact of third sector drivers we can see how this public sector dominance fitted the value-base of the provider organisation. It had sought to combine its charitable origins and continuing charitable objects with professional practice based on sound evidence, aligning it closely with the values that inform professional psychiatry. The ability of the organisation to express its charitable objectives in this professional form reduced the potential tension between the organisation’s charitable roots and objectives and the formal medically driven context within which this scheme operated. This relationship underpinned the scheme’s success, symbolised perhaps by the personal journey of the scheme’s manager which had mirrored that of the residents as he had moved from a role within the hospital to managing a group home facility run by the hospital outside its grounds to managing the current scheme.

However, the rather close and symbiotic relationship between the provider and the Health and Social Care Trust and the relatively trouble free relationship with the HA partner is not necessarily typical of such schemes. In a scoping interview conducted for this study with another smaller mental health support provider in 2011, relations with both its HA and the health and social care trusts partners were much spikier. In this case the HA was seen as a potential competitor for the service contracts, making commercial confidentiality a much more important issue in the conduct of relations and trust much more difficult to maintain.

“We’ve recently, for example, renegotiated our service level agreement with the HA and the very first meeting was really quite an angry affair and quite difficult, because we were coming at things from very different positions and we really did feel that the HA, which by the way also had a care provision wing, was potentially trying to nudge us out. So that its own care provider within its own organisation could take over our schemes, given that they owned the housing. All they needed to do was nudge us out and take over the care. And at the very first meeting I made no bones about saying that, and saying “Look, why should I trust you in this discussion?”, because that’s where this could lead to, and “If you wipe out our seven housing schemes that decimates this charity.” (Senior Manager, Mental Health Provider, Interview 2011)
Similarly commercial concerns seemed to play a larger role for this less professionally embedded organisation in its relations with the health and social care trusts. These relations were perceived to be much more concerned with matters such as costs and less appreciative of the particular contribution of this support provider rather than other potential providers. Whereas, our main case study scheme which had been set up over a number of years in consultation with a group of patients who were identified by the Trust as the future tenants also meant that funding had not been an issue. In contrast with this experience the scoping interviewee from 2011 had a very different perspective, noting that a particular problem was the way that the Trusts controlled access to the schemes, but put least money on the table (compared with SP grant and housing benefit inputs):

“But then in the wings you’ve got the Health and Social Care Trust, who are usually the ones providing the tenants on hospital discharge. And while the Health and Social Care Trust sees itself as the kingpin in terms of who goes where, they’re the ones putting nothing on the table in terms of the finance. And in fact it’s in their interest to have patients discharged from hospital, but once they’re discharged form hospital SP pick up the bulk of the cost, the housing association provides the accommodation, we provide the care and the care element tends to be funded by the trust to us. But that’s the smallest element” (Senior Manager, Mental Health Provider, Interview 2011).

In his experience, the Trusts he dealt with were always trying to squeeze price and had no long-term commitment to his agency.

This indicates that there may be an important third sector driver arising from intangible assets held by the support providers themselves, for example reputation and track record, or degree of mission alignment with operational values governing the policy field in which specific schemes operated, as well as the more tangible assets such as relative size and ability to prepare and deliver large scale tenders.

4.6. Outcomes and Key Learning

The evidence summarised here suggests a number of learning points. Given that SP partnerships have been remarkably stable but have had their “ups and downs, often involving money”, it has been suggested that a positive initiative might be taken to share learning on the financial models that underpin the contributions of the two sets of partners to learn more about the factors that inhibit effective collaboration.

Partnerships between HAs and support providers work best where there is an absence of competition, either between the partner agencies themselves or in the commissioning process.

Commissioning through selection and agreement, although less transparent than procurement, supports the development of longer term trust-based relationships that have proved particularly valuable for managing the process of establishing new schemes.

The almost complete absence of formal user involvement in the partnerships, except in the consumer advisory role of the kind adopted in the mental health case study, is not atypical of third sector partnerships in NI. In one case study this absence had been an issue in the QAF regulatory process. There is a need to examine whether enhanced formal user engagement might help or hinder smooth running of inter-agency partnerships.

The financial environment involves high risks for the partner agencies and the tension between, on the one hand, the commercial loans underpinning the financing of the buildings that schemes are based in and, on the other, the role of housing benefit in paying the rents needed to support the loans dominates the operation of the partnerships. This is a more direct issue in homelessness schemes where housing benefit limits are a potentially crucial constraint in the absence of revenue funding that reflects the actual costs of service provision.

In schemes where residents are placed by Health and Social Care Trusts, because of the policy priority of closing long stay hospitals, there is a ready availability of potential residents. This displaces the problem to blockages in Health and Social Care funding. However, as suggested in section 6.5.1 on future scenarios, the
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continued freezing of SP budgets and impending changes to housing benefit, risks destabilizing the entire programme in the medium term.

5. Social Housing Procurement Groups

5.1. Policy background and Influences

Most of Northern Ireland’s HAs were established in the mid-1970s. Following the pattern in the rest of the United Kingdom, further growth occurred under the ‘mixed funding’ regime from 1992 and then from 1996 when the new build programme was transferred to HAs (Mullins et al, 2001). Although the NIHE remains the largest social landlord, the proportion of HA stock continues to grow through the combination of the new build programme and reductions in NIHE stock as a result of house sales to tenants. Currently, the NIHE manages around 89,000 properties, with a further 29,200 homes and 4,500 non self-contained units managed by 25 HAs. The ten largest HAs own 78 per cent of all HA stock (NIHE, 2012). The history of Northern Ireland’s HA movement is of small to medium-sized social landlords with distinct identities and connections to local communities. This may be one reason why mergers and group structures are only slowly beginning to reduce the number of associations despite Government pressure to do so from 2008 onwards.

Housing policy is one of a wide range of functions devolved to the Northern Ireland Assembly and Executive, which although established in 1999 only completed its first full term of office between 2007 – 2011. Devolution has led to a greater degree of housing policy ownership by politicians, in a policy field previously dominated by a technocratic approach (Muir, 2012). In addition to PGs, a number of other issues have had to be addressed by HAs since 2007, including:

- The first round of a revised regulatory system which had resulted in the overall performance of 14 out of 33 associations being categorised as ‘unacceptable’ and the development performance of 10 out of 28 developing associations as ‘unacceptable’ (NIAO, 2009); with seven HA subsequently suspended from development;
- Pressure to use accumulated reserves to subsidise new development (PriceWaterhouseCoopers, 2010);
- The move towards bond finance (as part of greater reliance on private finance generally) which requires larger organisations, consortia or groups11;
- The introduction of a nine-year limit on HA Board membership;
- Continuing identified need for new social housing, currently calculated at 2,000 units per year (NIHE, 2012) although the social housing output target is 6,500 over four years (NIE, 2015);
- Falling public subsidy as a share of total costs of new build;
- The planned restructuring of the NIHE creating uncertainty about the future structure of social housing provision;
- Welfare Reform including the ‘bedroom tax’ for social housing tenants and the introduction of Universal Credit (on the assumption that the NI Executive retains its parity agreement with the UK Treasury); benefit shortfalls on the social housing rent of “under-occupiers” may make HAs a less attractive option for lenders of private finance.

The draft Housing Strategy for 2012-17 also proposes lower grant rates and quality standards for social housing along with higher rents and exploration of ‘innovative models’ for additional funding and the possibility of allowing ‘for profit’ private sector developers to access grant funding (DSD, 2012a). All points to a challenging combination of less secure rental income and a lower rate of subsidy for new social housing

11 Personal communication with CEO of NIFHA, June 2013
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over the next few years, in which associations will have to consider their attitude to risk in relation to asset management and which may lead some associations to consider new organisational arrangements.

The restructuring of the HA sector since the introduction of the DSD Procurement Strategy (DSD, 2008) has been sensitive and contested. HAs maintain that, as independent entities, they cannot be forced into new arrangements. Government officials stress that they are not trying to do this and that any new organisational arrangements in the sector are a matter for associations themselves. The Procurement Strategy emphasises the need for associations to become more efficient and to comply with EU public procurement rules, however there is no specific reference to reducing the number of associations or to any other organisational changes except PGs themselves (such as mergers or group structures). Explicit mention of reducing numbers of HAs as an efficiency driver have tended to come from Ministers of Social Development rather than the Procurement Strategy12. The draft Housing Strategy is also clear about the likely direction of change, with its emphasis on restructuring through reducing numbers of associations rather than through consortia arrangements such as PGs:

“We believe there are clear opportunities to create a more efficient and effective housing association sector. This may require further consolidation within the sector resulting in a smaller number of associations” (DSD, 2012a: 49).

5.1.1. Policy influences

Prior to the establishment of PGs in 2009, most HAs made individual bids to the Social Housing Development Programme (SHDP) and, if successful, invited tenders on a one-off basis. There were a few instances of development partnerships between larger and smaller associations, and a ‘preferred partner’ scheme of nine HAs had operated in North Belfast as part of the North Belfast Housing Strategy (NIHE, 2001). Some small associations also collaborated on maintenance contracts.

The move from this largely autonomous mode of operation to enforced collaboration was associated with European Union (EU) Procurement Directives and also due to the drive for greater efficiency in the UK construction sector. Firstly, the relevant EU Directives were enacted as the Public Contracts Regulations 2006, with amendments in 2009 and 2011. HAs count as public sector bodies for procurement purposes under Public Sector Directive 2004/18. Public procurement is a devolved matter but it is implemented in close conjunction with other UK jurisdictions under the terms of a 2001 Concordat between the Northern Ireland Executive and the UK Government13. However, as explored below, this does not mean that each jurisdiction has chosen to approach the procurement of social housing in the same way. In addition, the concern for greater efficiency in construction at UK level (Department of Environment, Transport and The Regions (DETR), 1998; Strategic Forum for Construction, 2002) has been reflected in Northern Ireland’s own Achieving Excellence initiative, the principles of which are incorporated into procurement guidance (DFP, 2012a).

An outline of the different approaches to social housing procurement across the UK is set out in Table 5.1, to make the point that some leeway exists in the implementation of public procurement policy, with Northern Ireland at the prescriptive end of the spectrum. In England, a different approach was taken to procurement efficiency when in 2004 the then Housing Corporation introduced its ‘Investment Partnering’ policy which reduced the number of directly funded developing associations from 400 to around 70. This led other developing associations to join consortia led by ‘Investment Partners’, with some of these eventually being involved in mergers or group structures (Mullins and Craig, 2005; Lupton and Kent-Smith, 2012). At the same time profit-distributing private developers became eligible for grant, and a few have since been funded. However, there has been no prescription on the structure of social housing providers eligible for grant, aside from restricting the number directly receiving grant. Bidders must qualify as Investment Partners through showing they have the required financial and technical capacity but they may do so as single providers or consortia (Homes and Communities Agency (HCA), 2011). In parallel, the HCA’s Procurement Efficiency Initiative and the UK-wide organisation Procurement for Housing encourage wider purchasing efficiencies.

In Scotland, an attempt to introduce mandatory PGs was abandoned in 2009 after consultation. By 2011, Scottish HAs had formed seven development groups and several groups for other reasons such as performance benchmarking (Turner and Townsend Consulting, 2011). As in England, a small number of local

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Programme</th>
<th>Grouping required?</th>
<th>Other comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>Affordable Homes Programme 2011-15; previously National Affordable Housing Programme 2008-11.</td>
<td>No, but voluntary consortia are common to enable non-Investment Partners to access grant.</td>
<td>Must qualify as Investment Partner with the Homes and Communities Agency if wishing to bid. Councils, Arms Length Management Organisations (ALMOs) and private sector bodies may also bid for development funding. New ‘affordable renting’ model different from rest of UK. Procurement Efficiency Initiative for materials/supply chain and other purchases.</td>
</tr>
<tr>
<td>Scotland</td>
<td>Affordable Housing Supply Programme 2012-13 to 2014-15; previously annual programmes.</td>
<td>No, but 7 voluntary development groups (in 2011) plus benchmarking groups.</td>
<td>Councils may also bid for development funding. Procurement Reform Bill at consultation stage; Scottish Federation of Housing Associations (SFHA) opposing HA definition as public bodies and seeking legal opinion.</td>
</tr>
<tr>
<td>Wales</td>
<td>Social Housing Grant Programme (annual).</td>
<td>Yes, 6 development consortia, mandatory from 2005.</td>
<td>Strong overall procurement policy framework with emphasis on social benefit, acknowledged in McClelland Report (2012). European Social Fund (ESF) Convergence Programme funding obtained by Value Wales to improve capacity.</td>
</tr>
</tbody>
</table>

Table 5.1: Outline of social housing procurement process in UK jurisdictions, 2012
authorities are building again and therefore competing for subsidy. A Procurement Reform Bill has recently been issued for consultation and has prompted the Scottish Federation of Housing Associations to take legal advice on whether associations should be treated as public bodies for the purposes of procurement.14

In Wales, development consortia have been mandatory since 2005 and Welsh HAs self-selected into six groups which also have wider procurement functions (Housemark Cymru, 2007). Welsh public procurement policy places great emphasis on social benefit, and a recent report praised the contribution of social landlords, for example in the use of social clauses (McClelland, 2012). The procurement policy agency Value Wales has recently received funding from the European Social Fund to improve procurement capacity.15 As in Wales, collaborative arrangements are mandatory in Northern Ireland for bidding to the Social Housing Development Programme (DSD, 2008) and the structures will be explored later in the paper. The Northern Ireland Audit Office believes there is more potential for procurement savings across the board (NIAO, 2012).

5.2. Case Studies

The Procurement Strategy required HAs to be part of a procurement group if they wished to bid for grant funding from the SHDP. Associations were expected to form groups themselves and four were initially established in early 2009 (the number was included in the Strategy), containing between six and ten members. One group subsequently disbanded and its members joined another group, leading to the current situation of three PGs (Table 5.2). During interviews it transpired that other options had been proposed to DSD by HAs during consultation on the Procurement Strategy: both a larger number of groups and a single entity. However, DSD’s view of the process is that they acknowledged and respected the independent third sector status of HAs by standing back and allowing PGs to form and develop without interference.

Table 5.2: Procurement group stock summaries 2011-12

<table>
<thead>
<tr>
<th>Procurement group</th>
<th>No. of HAs or groups</th>
<th>Self-contained units</th>
<th>Bed spaces</th>
<th>Total units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abacus</td>
<td>11</td>
<td>15402</td>
<td>2540</td>
<td>17942</td>
</tr>
<tr>
<td>Accord</td>
<td>5</td>
<td>7734</td>
<td>898</td>
<td>8632</td>
</tr>
<tr>
<td>Apex</td>
<td>8</td>
<td>6853</td>
<td>571</td>
<td>7424</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>24</strong></td>
<td><strong>29989</strong></td>
<td><strong>4009</strong></td>
<td><strong>33998</strong></td>
</tr>
</tbody>
</table>

Source: (i) Stock: DSD Performance Indicators 2011-12 Table 1: [http://www.dsdni.gov.uk/index/hsdiv-housing/registered_housing_associations/performance_indicators/pi-2011-2012.htm](http://www.dsdni.gov.uk/index/hsdiv-housing/registered_housing_associations/performance_indicators/pi-2011-2012.htm) last accessed 19th May 2013. (ii) Procurement group membership information from interviews, August 2012. Notes: (i) Two HAs from the DSD table have been omitted as they do not appear to be procurement group members: Covenanter and Craigowen.

The requirement for PGs was a culture shock to HAs but was endorsed strongly by the then Minister for Social Development, Margaret Ritchie. The Minister briefed Board members in the early days of the Strategy and the exclusion of officers from that event was not appreciated, described by one interviewee as leading to ‘mayhem’:


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“This is a new venture and you’re trying to be inclusive and build something and you’re saying ‘by the way, we’re going to meet you but without your officers. Do you think our officers don’t brief us?... There was a message to come out to us about how wonderful this was and I think it very badly backfired.” [Board member, CSB, 2012]

Board members were kept informed of the process and were supportive of paid staff in setting up the groups even if they had reservations about the situation. The case study PGs appeared to have formed using quite similar criteria, the most important being either an existing trust relationship or the potential for trust, given that most senior staff knew each other and the work of their organisations through policy networks:

“We invited anyone who was interested to come and play a part... Some came and some left and a balance of associations stayed.... You could say a lot of it was relational, “Can we trust these people?” [Senior staff, CSA, 2012]

However, there were still strategic manoeuvres described, including avoidance of some potential partners as well as, in one case, a larger association approaching a number of smaller ones in order to position themselves advantageously for potential mergers. Membership of groups was selected on the basis of difference rather similarity: they were diverse in terms of size, geographical remit and type of housing provided:

“... we’re not all of the same size, we’re not natural competitors with one another.. there is a bit of trust that has been built up...” [Senior staff, CSB, 2012]

However, once formed the two case study groups adopted several different features. One chose to establish itself as a legal entity (preferred in the Procurement Strategy) whereas the other operates through a partnership agreement, in the spirit of a more voluntary trust based consortium arrangement. One group involves Board members directly in its governance and the other does not. A third difference is that one group has two paid staff and the other uses staff time from its constituent associations. An important similarity is that, in both groups, each association has equal voting rights whatever its size. Monitoring is carried out by DSD in the form of a mid-term review of the business plan and groups are also expected to complete the ‘Achieving Excellence’ ‘maturity grid’.

The structure of the case study PGs have changed very little between 2009 and 2012, with the exception of the disbanding of the fourth group. In one group there had been two sets of mergers with another under discussion; in the other, a group structure was being negotiated between two members. The structure of PGs, most crucially the contracts entered into between members, restrict partnerships to group members and thus have the unintended consequence of limiting the mergers and other partnerships (such as maintenance or general purchasing) which policy makers are seeking to encourage. There has been debate within each group about the formation of a single development team as encouraged in the Procurement Strategy, as reported below.

5.3.Drivers

The policy background and policy influences reviewed above have identified a number of drivers which in the Northern Ireland policy context led to this change. Key stakeholders and case study participants both identified the crucial influence of EU procurement policy, but efficiency in construction less so:

“I feel the driver really has been European procurement regulations... as they have become more and more firmed up, more and more definite, and government has insisted that we must adhere very, very closely to them, that has been the driver over the last five years, that has been the significant change.” [Senior staff, CSA, 2012]

Within the social housing policy context, two overlapping but not mutually exclusive elements were identified: the requirements to improve performance and to reduce the number of HAs. All participants agreed about the importance of high standards of service delivery both in terms of quality of service and
quantitative outputs, but the perception of case study interviewees was that government saw only one way to achieve it, through fewer HAs (although DSD participants disagreed with this point). The counter argument provided was that smaller and more locally based associations are able to have stronger trust based relationships with service users and there can be greater scope to involve these service users in improving service standards. It was suggested by some that there was scope for a ‘best of both worlds option’ for larger associations to develop on behalf of smaller ones (through a variety of financial mechanisms), allowing the small associations to continue to manage stock in local areas where they were known and trusted. However, this was not supported by some of the smaller associations we spoke to who felt that local knowledge and involvement was also important in the development process and there were doubts about the extent of claimed cost reductions.

A key conceptual counter-weight to the notion of ‘economies of scale’ is that of ‘economies of scope’ which may be enjoyed for relationship-oriented activities (exploiting the existence of customer knowledge, team working, partnership commitment) by providers with strong local and customer-based relationships, who can provide a wider range of services more cheaply than less trusted providers (Rees et al 2012). This may well be the case for the group of small associations we found in the research, who were considering a merger within a small area of acute housing need, in order to keep their local base along with a development function. The suspension from development of Helm HA in March 201116 and the publication of a critical inspection report into the association the following January (DSD, 2012b) casts further doubt on the dominant discourse of economies of scale by indicating that size and efficiency did not always go together, as was acknowledged by some:

“you start to ask yourselves the question about development, construction, procurement, expertise, what is the level of maturity within those groups in terms of delivering the programme? It varies considerably. And doesn’t necessarily mean that size is everything either, in that maybe some of the smaller associations... can deliver proportionately.” [Key stakeholder, 2011]

In addition, once PGs became mandatory, that in itself became a key driver which has changed the nature of partnership working in the HA movement.

One clear conclusion of our exploration of drivers of the PGs policy is that it did not emerge from the sector itself, even though the sector was considering alternative options such as a single procurement group for bulk purchases. Indeed some of our interviewees suggested that little attempt was made to explain or discuss the rationale for this particular solution to generate scale economies. This may be seen as a key weakness in drivers for partnerships which are known to work better where there is trust and ownership by the actors involved.

5.4. Structures

Northern Ireland’s five-year Procurement Strategy for the Social Housing Development Programme (SHDP) was issued in 2008 and aimed to “improve the social, economic and environmental return from investment in the SHDP; and procure the programme on a value for money basis and in accordance with best practice” (DSD, 2008: 5). A ten per cent efficiency savings target was set. The initial focus was on the procurement process for new social housing, however it was intended that the groups would expand their purchasing functions over time.

Delivery of the Procurement Strategy is the responsibility of the DSD. The Strategy sits within Northern Ireland’s overall Public Procurement Policy (DFP, 2012a) which is monitored by the Policy and Performance Division of the Central Procurement Directorate (CPD) in the Department of Finance and Personnel (DFP). CPD has a team seconded to DSD to advise and assist on the Public Procurement Policy, current guidance and construction procurement best practice. The Public Procurement Policy included the establishment of

seven Centres of Procurement Expertise (CoPEs), one of which is the NIHE, which has operational responsibility for procurement across the social housing sector. In addition, the Achieving Excellence for Northern Ireland initiative for best practice in procurement across all public sector bodies (DFP, 2010) operates through assessment via a 'Maturity Grid' of 27 attributes. PGs were also advised by the Strategic Investment Board on the development of Key Performance Indicators (KPIs) and framework agreements. Public procurement policy at government level continues to evolve, for example recent guidance to assist social economy organisations (DFP, 2011) and small and medium sized businesses (DFP, 2012b) in tendering for public contracts.

The Procurement Strategy sets out both implementation and operational structures for the Social Housing Development Programme (SHDP). Detailed guidance for HAs is available in DSD’s Housing Association Guide (Procurement)17. The operational structure is set out in Figure 5.1; the implementation stage was identical except that a National Change Agent (NCA) replaced the NIHE. The role of the NCA was regarded as prescriptive and generally unhelpful, for example requesting that groups should be established as legal entities (not adopted by two out the three PGs) and relating to the business plan:

“It was very clear, I mean, we were basically told, “This is what your business plan will look like. If it doesn’t look like it, it won’t be approved,” and we felt that was terribly prescriptive. We’re now dealing with, shall we say, some of the deficiencies of that.” [Senior staff, CSA, 2012]

Within the operational structure, DSD is responsible for policy, for guidance to HAs and the regulation and inspection process for HAs. DSD regulate PGs through the approval of a business plan and its monitoring via a mid-term review. However, it is notable that procurement group regulation is much lighter than that for individual HAs. PGs agree scheme priorities for their member associations and present their programme to the NIHE’s Development Programme Group (DPG); scheme progress is also monitored by DPG through meetings with PGs but on an individual basis. Crucially, the responsibility for scheme monitoring has not been delegated to PGs. Grant allocations are still made to individual HAs, not to PGs, on the basis that HA Boards of Management have responsibility for the financial health of the association including private finance decisions. There is variation in the extent to which board members are involved in the governance of the different PGs and this reflects the lack of guidance on this matter in an otherwise very prescriptive framework.

Figure 5.1 summarises the main structural relationships outlined above and locates the Social Housing PGs within the wider operational structure for delivery of the Procurement Strategy in relation to housing. However, it is important to distinguish between the Procurement Strategy itself and the structures established within the HA sector to deliver the strategy. As the analysis later in this section illustrates there is broad agreement on the aims of the procurement strategy but considerable disagreement about whether the requirement for developing HAs to join one of the PGs was the best way of implementing the strategy within the HA sector.

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A Programme Board is responsible for the delivery of the Procurement Strategy and it includes representatives from the PGs. DFP’s Performance Efficiency Delivery Unit (PEDU), with a service improvement and efficiency remit in all public services, has recently undertaken a confidential review of the SHDP. Therefore the policy and strategic frameworks within which PGs operate are externally imposed and process-based. The third sector status of HAs and their umbrella body appears to be of little or no relevance compared with the state driven requirements for public bodies to conform. The construction sector is included in the process, but there is no voice for the service users or for the lenders of private finance.

5.5. Processes

The process of forming and implementing PGs from 2008 – 2012 has had a profound impact on HAs in Northern Ireland. The findings are set out in three sections: power dynamics and trust; identification of key and marginal actors; and the place of service users/tenants in the process.

5.5.1. Power dynamics and trust

PGs were implemented in a low trust environment in which nearly a third of HAs were suspended from development, and in which the umbrella trade body, the Northern Ireland Federation of Housing Associations (NIFHA) was having difficulty in asserting a united third sector identity given the emerging differences in approach and interests between members. Furthermore the PGs introduced a new layer of sector governance between individual associations and the umbrella body, leading to new challenges in maintaining trust and legitimacy. However, a sense of trust was important when choosing procurement group partners. It is interesting that no ‘specialist’ groups formed, for example supported housing providers or within a particular geographical area. Rather, groups formed on the basis that they were not direct competitors, which seemed to generate more trust, although this clearly introduced a need to understand the different cultures and priorities among partners with different institutional logics.

18 Full membership includes staff from DSD, NIHE, NIFHA, Strategic Investment Board and CPD. The Construction Employers Federation is co-opted (DSD, 2008: 18).
It is not possible to state that working in PGs led to a straightforward increase or decrease in trust, or indeed to better or worse working relationships overall. The most obvious example is that one group was no longer able to work together and disbanded. In one case study, working relationships were generally good, problems were discussed and an example of this was the sharing of development staff to ensure that programme targets were met. In the other, there had been a breakdown in the relationship between two of the partners which had led to issues not being discussed and disillusion from the lead partner with the concept of PGs in general. These contrasting trajectories may have contributed to changes in opinions about PGs from our lead contacts between 2011 and 2012 (Table 5.3): the CSA group, initially keen, had become disillusioned; and the CSB group had moved from reluctant participation to somewhat greater enthusiasm.

Table 5.3: Changing attitudes towards procurement groups 2011-12

<table>
<thead>
<tr>
<th>Case study A</th>
<th>Case study B</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2011</td>
<td>August 2012</td>
</tr>
<tr>
<td>We felt it was the best… We didn’t agree to it just because it was in the strategy, we felt it was the best approach and we still think it’s the best approach.</td>
<td>... our mindset is… probably started out one of absolute complete resistance and has slowly eroded into a submission… and into almost now one, to be honest in which we’ve got no choice here. This is the future, you know, there’s no other show in town. And if we’re going to develop in any way in the future that’s the only way we’re going to develop…</td>
</tr>
<tr>
<td>Hindsight is a wonderful thing. and looking back I mean I don’t see anything that has really come out of setting up the procurement groups that has been to our advantage.]</td>
<td>I suppose broadly we feel that we’re starting to reap the benefits now, plus we feel – I mean rightly or wrongly, we could be knocked down here, but we feel that we can show the DSD very specific gains now.</td>
</tr>
</tbody>
</table>

The Procurement Strategy sought to encourage ‘a culture of collaboration’ (DSD, 2008: 6) and there is some evidence that this was achieved in Case Study B, albeit once trust was developed after recovering from an enforced start. This indicates that it is doubtful whether a culture of collaboration can be imposed rather than emerging as a result of convergence and formulation of agreed joint goals as part of a learning process, as international work on multi-actor decision making suggests (de Bruin and ten Heuvelhof, 2008). However, there was also an unintended consequence of restricting partnerships to within the PGs and therefore ending some earlier organic collaborations. One example from Case Study A had delayed the setting up of a contractors’ framework for maintenance work, because several associations had a previous agreement:

“… we’d had it for years… a very European compliant maintenance group. There were four or five housing associations… It predated the Procurement Strategy but by edict we were told, “All of your current partners aren’t in your procurement group so you can’t have it.” [Senior staff, CSA, 2012]

This was also found in Wales, where the mandatory structure strengthened relationships within procurement consortia but ‘restricted and closed down other relationships within the housing association sector as a whole’ (Card, 2009: 9).

The power dynamics between PGs and DSD, and the trust relationships within each group, were evident in the ongoing debate over the formation of a single development team for each group. The Procurement Strategy refers only to streamlining development activities, but the mid-term review for both case study groups in 2011 indicated that faster progress towards a single team should be made in the interests of efficiency savings. Barriers included potential redundancies across the sector, weakening the power base and sense of organisational unity and mission within individual associations and difficulties in reaching agreement on whose standards and procedures should be adopted across PGs. There was a question about
whether a single team should be employed by one association or by the procurement group; if the latter, its activities would be removed from the governance of Boards of Management who were accountable for development performance against grant allocation.

Case study PGs had different attitudes towards the issue. The largest partner in CSA was keen to form a single development team and had made some progress towards standardising scheme design across the group. However, there was opposition from two other members with their own teams and discussion on the matter within the group had largely ceased. One other partner was unhappy about losing development skills from his organisation:

*Once you take a decision and a decision is taken to use single development teams, I think there’s very little opportunity of that coming back again because obviously you have lost sight of that; you’re not going to have the capability or ability within your organisation to get that back again.* [Senior staff, CSA, 2012]

Arguably this issue had caused significant problems in the working relationships within this group. The largest association was disappointed that DSD had not required PGs to adopt single development teams. This association was now exploring an alternative model (to a single team and also to the conventional development partnership) where they would obtain grant and build on behalf of smaller associations, who would purchase the units on completion.

Case study B had been opposed to a single development team in 2011 but several partners were talking about an ‘integrated’ team in 2012. It is possible that the experience of sharing development staff in the interim had prompted the new approach:

“.. we see that it can grow within the individual organisations... we will do that through the harmonisation of our procedures, through the joint contracts... because we procured contracts together and we follow exactly the same procedures and processes... eventually we might have a planning feasibility team, we might have a procurement team, we might have an asset management team, and there might be leads within each organisation and so forth to take that forward... but we would still have the individual association members as the investment decision makers”. [Senior staff, CSB, 2012]

Therefore CSB were developing their own model of collaborative working, shaped by the demands of DSD but also suited to their own needs, helped they thought by a more flexible approach from DSD.

To conclude this section, the issue of single development teams was a litmus paper test of the approaches adopted by the two case studies. At the time of our second round of fieldwork it appeared that a more flexible collaborative approach was proving more successful in effective deployment of development team resources.

### 5.5.2. Key and marginal actors in the process

PGs were implemented in a complex policy and practice environment which may be divided into three parts: overall public procurement policy; the housing policy environment; and practice within the PGs. Public procurement policy actors in DFP were influential through their team based in DSD and through changes to policy and guidance. An example was the issuing of guidance to assist small and medium sized firms in tendering for public contracts, in order to ensure that local construction firms were not edged out of business by larger companies.

The Achieving Excellence ‘maturity grid’ also had its origins in wider procurement policy (DFP, 2010). Perhaps most importantly, DFP provided advice on the EU directive that included HAs as public bodies for the purposes of public procurement (a decision which is being challenged elsewhere in the UK). There was some concern in PGs that procurement policy had restricted opportunities to build supply chain partnerships as required by Achieving Excellence19:

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19 DSD have responded as follows: ‘The so-called Design & Build...as operated by associations up to April 2009, were considered to be non-compliant with Procurement Law. This does not prohibit the use of a
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“...the procurement guidance that we have to follow, that doesn’t often encourage getting into supply chain, it doesn’t allow you to build up partnerships, it doesn’t allow you, you know, to develop those links with suppliers. So fundamentally we’re saying we can never do what you’re actually asking us to do because if we do it we will breach the procurement guidance..... The procurement [guidance] doesn’t allow us to do design and build any more, it doesn’t allow us to do joint ventures, so our routes for procurement have been curtailed by the legislation, if you like, so for us to get value for money I argue that procurement [guidance] has actually stymied us to do that.” [Senior staff, CSB, 2012]

Within the housing policy environment DSD was the most important actor, due to its dual responsibility for monitoring PGs and regulating HAs. Formal monitoring of PGs had been relatively light touch, with a series of Key Performance Indicators taking some time to develop and the results of the case study mid-term reviews having caused irritation rather than alarm to group members. The ongoing involvement of DSD in process issues (assisted by the National Change Agent in the early days) was more indicative of the Department’s importance, however the real impact was made through the regulation of individual HAs. Both our case study PGs had associations suspended from development and in one case this had had a substantial impact on programme delivery in a single year. Although one procurement group participant had wanted DSD to be more prescriptive (on the issue of the single development team), the general view was more that the close supervision of associations called into question their independence as third sector bodies, which may affect their ability to borrow.

A stakeholder commented: “The department...want associations to be I think borrowing much, much more... securing much more private finance, but at the same time remaining as in control as ever”. (2012). And indeed, lenders were not involved in any of the policy networks connected with public procurement.

A further important aspect of the influence of DSD, which caused concern in PGs, was the role of successive Ministers in pressing for a reduction in the number of HAs, as reflected in the current draft Housing Strategy. The ongoing discussion of restructuring of the NIHE did not cause as much concern although some associations were beginning to think about the potential opportunities for stock transfer and rationalisation and merger under a new system. The NIHE obviously remained an important part of the decision-making environment due to its control of the SHDP, including grant allocation, however its role remained the same as it had before the establishment of PGs. The final set of relationships which had changed was that with the umbrella organisations the Chartered Institute of Housing in Northern Ireland (CIHNI), and NIFHA. The CIHNI continued to deal mainly with its individual members in HAs. The initial response of NIFHA had been similar and it had chosen not to engage with DSD on any PGs issues. However, under a new Chief Executive this position has changed. NIFHA is now an active participant in the Programme Board and is examining how it may become involved in procurement for the sector in its own right through a possible single procurement group option for non-construction goods and services.

Within PGs the workload was driven very much by senior staff in member HAs. This was the same whether or not the group employed its own staff and whether or not Board members were involved in governance. Senior staff were very aware of their responsibility to their Boards, possibly in their minds due to the Helm report, where Board members had not been kept adequately informed of development activities (DSD, 2012b). Both case study groups’ decision-making provided for each member association to have one vote, whatever their size, which protected smaller associations. However, smaller associations felt more vulnerable in the political climate where mergers and group structures were being encouraged and were responding by considering their options in different ways.

Therefore the two most important actors in the decision-making environment were the two government departments: DFP for overall procurement policy and DSD for monitoring and regulation. The importance of state agencies in the policy environment emphasise the degree to which HAs were being treated as public competitive approach to the procurement of land and construction works as a package – NIHE is currently developing a model along these lines”.

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bodies subject to regulatory control rather than third sector organisations whose creditworthiness rested at least partly on their independence from government. The comments of a lender were interesting in this respect: the establishment of PGs had not led to any changes in their lending decisions, however they did find the regulation of individual associations to be an important indicator of their financial viability. Larger associations were seen as a better risk, and other important factors included: ‘financial strength, experience and quality of management team, governance’. The lender’s view was that ‘Associations in NI can leverage their B’S [balance sheets] further. They remain a sector that we are keen to lend to’ [Lender, April 2013].

Despite the highly regulated environment, there was still space for PGs to operate with a degree of autonomy, as demonstrated by the differences between the two case study groups. The third sector identities of HAs appeared to play a quite limited role in the PGs, however in one case there was an emphasis on values-based collaboration.

5.6. Outcomes and Key Learning

The priorities for the PGs were to develop a consultants’ framework and to prioritise bids from their members for the annual bidding round for the SHDP. The original intention was that PGs would develop a framework to allow the commissioning of integrated supply teams, covering professional services and building contractors. Contractual arrangements have been established through professional services frameworks and maintenance contracts. However, groups had to revise the plan in order to operate separate frameworks for consultants and contractors, with the contractors’ frameworks deferred because under current economic circumstances there is no guarantee of work to the value of the relevant EU threshold for any one contractor. Two points were made about this: first, that without a contractor’s framework, PGs were penalised on a maturity grid indicator; and second, that if a guaranteed three to five-year SHDP was set up then a contractor’s framework might be possible. Interestingly, the prioritisation of the annual bidding round appears to have gone smoothly despite being arguably the greatest test of the working relationship.

There were delays in proceeding to incorporate other forms of procurement into the groups, partly due to pre-existing contracts but also due to cultural barriers because there had been little partnership working between associations before the Procurement Strategy. The impact of these barriers had probably been underestimated and at least partly reflected the imposed nature of the groups rather than building organically on existing collaborations. The two case study groups had taken different paths here. Case study A had remained with new build procurement only, a framework agreement for contractors for all planned and cyclical maintenance was being advertised in mid-2012 and a response maintenance service was planned to include all except one of the group’s members. Case study B had established a measured term maintenance contract for all its members and had also diversified into other areas such as furniture, white goods, stationery and food for supported housing.

Impacts on cost, service delivery and outcomes for users

The Procurement Strategy’s target of ten per cent efficiency savings over a four-year period had been easily met (a figure of 17 per cent was quoted by one group) but this is not surprising at a time of declining tender values and in cost cases it is hard to determine whether savings can be attributed to the new structures or to more general market conditions. One group was confident that considerable savings had been made:

We actually have five different contracts now on the maintenance and cyclical services... so that’s replacing over 20 separate contracts that we had previously... that could be up to at a maximum £70 million worth extended for the seven years.... we’ve awarded contracts for consultants to manage the maintenance measured term contract, and also we have together issued contracts for planning and feasibility assessment on new build schemes.... We also have a common valuation contract so we tender together, get a valuer to provide all the valuation services. Same with insurance and structural warranty we’ve saved probably up to £50,000/£60,000 on that. [Staff member, CSB, 2012]
There was however some concern that tender costs were being driven down to the extent that quality might be affected without very careful monitoring on behalf of the client, and that the emphasis on low prices might have an impact in relation to product innovation and good design. A particular concern was the prescribed use of NEC3 contracts, which brought about an increase in compensation events and thus an additional administrative burden for the client. There was a particular complaint about the prescription of NEC3 contracts for maintenance. Points were made about the additional layer of bureaucracy inherent in PGs, which associations had had to fund from their own resources with the exception of training provision (DSD, 2008). Any consideration of costs and benefits of PGs does not seem to have taken into account the additional staff and other costs to HAs. One group was clear that any saving and performance improvements that had arisen had reflected individual association’s procurement policy and framework rather than the procurement group per se.

On one level, PGs may be said to have delivered in that the SHDP output targets have been met for their years of operation, with the exception of 2008-09 (Table 5.4).

Table 5.4: Social Housing Development Programme outputs 2008-09 to 2011-12

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Target</th>
<th>Total starts or acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>1500</td>
<td>1136</td>
</tr>
<tr>
<td>2009-10</td>
<td>1750</td>
<td>1838</td>
</tr>
<tr>
<td>2010-11</td>
<td>2000</td>
<td>2418</td>
</tr>
<tr>
<td>2011-12</td>
<td>1400</td>
<td>1410</td>
</tr>
</tbody>
</table>


On the other hand, concerns about quality, including higher maintenance costs that would have to be met out of rents, cannot be ignored. At worst, these concerns may compromise associations’ wider values:

They want us to build a box, I can understand it because they want to get that cost down [to] as little as possible. We’re saying that’s just not what we do. [Senior staff, CSB, 2012]

It seems doubtful that such an approach could have been adopted had service users had a greater voice in setting the outcomes for the PGs policy. The research found that there was very limited opportunity for tenants as end users to influence partnership structures, operation or to have a say in what the outcomes should be. Outcomes were being assessed in relation to the Achieving Excellence ‘maturity grid’ and to procurement group business plans through the mid-term review. These tools provided only indirect reference to user benefits and none to user involvement in the procurement or design process itself. In interviews it was felt that users’ interests were included via design quality conformance with the DSD’s HA Guide and by post hoc customer surveys. There was little concern amongst interviewees that that by separating development procurement from housing management an important user feedback opportunity had been lost. PGs had not been structured geographically, thus limiting scope for community input into design. Equally, most associations included tenants on their Boards but with the removal of day to day management of procurement from associations, the opportunity for tenant input was reduced.

5.6.1. Longer term outcomes

The longer term outcomes of an externally imposed structural change on the HA sector will be the consequence of competing institutional logics. On one side, the establishment of PGs was a hierarchical process with the state very much in control, with a formal commitment to treat HAs as public bodies. On the other, government wanted to increase third sector involvement in public service delivery through partnership working based on trust and equality. While one group moved from reluctant compliance to...
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recognising some real benefits through a collaborative trust based process, the other which had initially been enthusiastic felt that there was little benefit in continuing with their group due to the absence of the control based sanctions inherent in a hierarchical approach. This evidence supports the role of trust and collaboration as essential partnership ingredients and the limitations of an externally mandated approach if control sanctions are not maintained.

In line with the TSRC report (Rees et al 2012b), we can see evidence of longer term changes in the institutional landscape resulting from the life-cycles of imposed partnerships, supply chain relationships and regulatory interventions. There is evidence of fundamental change in social housing provision taking place due to a small but increasing number of mergers and group structures since 2008. These changes will be supplemented by the restructuring of the NIHE, which is likely to impact on existing HA structures as well as creating a substantial new group of social enterprises to the institutional landscape. Case study participants had different views about the future of PGs, reflecting their contrasting experiences of the process:

*What’s the point of partnership working if it’s not producing anything?*

[Senior staff, CSA, 2012].

*Even if the DSD tell us, you’re stopping existing, sorry, [CSB] doesn’t stop existing, because we have contracts with a whole range of other organisations.*

[Senior staff, CSB, 2012]
6. Conclusions

6.1. Comparisons and Observations

It might be contended that the two case studies involve such different types of services and serve such different purposes that comparison between them is of limited value. However, the fact remains that both case study fields involved voluntary and community sector actors in the delivery of public services, and together these fields account for a significant proportion of state funding of the voluntary and community sector in Northern Ireland. Furthermore, all of the partnerships had a key relationship with the Department for Social Development which is also the lead Government Department for relations with the voluntary and community sector.

It is therefore interesting to conclude by considering the different nature of these partnerships, the role of external drivers and internal operational issues and to consider innovation and learning and the ways in which success can be evaluated. After comparing our findings in relation to these four research themes we move on to consider future scenarios, taking into account some developments since the case studies were conducted in 2011. We end with a cross-cutting reflection of the wider scenario for third sector housing partnerships in NI, drawing on the core emphasis of this study on role of voluntary and community sector providers in public services.

6.2. Social Housing Procurement

The research included five objectives (see 3.1), the first four of these are addressed below in relation to PGs. The fifth appears separately as part of our consideration of future scenarios in 6.5.

1. To explore the nature of procurement groups as a form of third sector partnership

This objective focuses on the HA movement’s response to the requirement to form PGs and to be a member as a condition of participation in the SHDP. Whatever their experiences of previous collaboration – which varied – associations had to adapt within the new structures (unless they decided to stop developing), which some found difficult. The two PGs we researched in more detail showed different approaches towards adopting this external agenda – one was initially enthusiastic (as they saw it as an opportunity for growth of their own organisation and their wider vision of consolidation within the HA sector) but became disillusioned and wanted more control-based sanctions from DSD. The other was a reluctant participant at first but adopted a collaborative partnership approach to make it work and was beginning to become aware of the benefits of the new partnership by the end of the research period. This group based their operation on a partnership agreement rather than becoming a legal entity, and adopted a more consensus-based approach. It was astonishing to the researchers to see the difference in attitudes over a year, and to see how the two groups had been able to develop such different identities and a level of autonomy in their working practices. Such surprises are rare in research of this nature.

The first phase of the research in 2011 found most HAs did not give much emphasis to their ‘third sector’ identity and did not participate actively in voluntary sector umbrella groups [Mullins et al 2011]. This seemed to be because over time the voluntary housing sector had become institutionalised as a sizeable sector in its own right with its own umbrella body and support providers and therefore had fewer external links with the wider voluntary and community sector. However, arguably the procurement group that adapted the best did so from a stronger ‘third sector’ position, illustrating the advantages of developing a trust-based collaborative approach even if the initial situation was not of their choosing. The overall experience of forming and working within PGs also prompted further debate within the HA movement about organisational responses to the efficiency agenda, supported by a new attitude and engagement with government from the umbrella body NIFHA. Therefore, overall it is likely that this difficult experience has strengthened awareness of HAs’ third sector identity and independence, as well as improving their ability to
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participate in debates with other SHDP partners about their contribution to delivering social housing in Northern Ireland.

2. **To trace the key drivers for procurement groups**

An analysis of key drivers and associations’ (and others) responses to them is important as part of reflecting on the future direction of HA procurement practices. PGs were imposed on HAs as a structural response to a number of different policy agendas. There are different views about the degree and effectiveness of consultation prior to their introduction, but it is undeniable that our case study PGs felt they had no alternative than to go along with the requirements as set out in the 2008 Procurement Strategy, which stated ‘All HAs wishing to participate in the SHDP must be members of one of the four recognised PGs’ (DSD, 2008:13). Thus all developing HAs were forced to join one of the newly formed PGs even though for many this was not the preferred approach to generate procurement efficiencies (with the idea of a single procurement consortium already enjoying support in the sector).

A complex and multi-level set of external drivers were evident. The strongest was regional implementation of EU procurement rules, thus arising from a much wider government agenda at regional, UK-wide and EU level. At UK-wide and regional level, other important external drivers were government requirements for efficiency (tested, for example, through the regulatory system) as well as a wish to support the construction industry. Within regional housing policy, the 2008 New Housing Agenda and now the 2011-15 Programme for Government has set targets for delivery of new social housing and PGs were introduced in order to achieve these at lower cost without compromising quality. During the case study period there were public statements by successive housing ministers advocating a reduction in the number of HAs in NI. This stated intention inevitably led some to see PGs as a means to achieve this end, although officials involved in implementing PGs did not necessarily make this connection.

It is also important to ask whether there were any internal drivers, particularly after groups had been formed and were starting to forge working relationships. Arguably the beginnings of an organic move towards greater collaborative working in the sector can be detected before 2008, however this was not at a level that would have transformed itself into large-scale joint procurement operations without external pressure. Equally, there was awareness of the growth of mergers and group structures in England in particular, but little enthusiasm to explore these options in Northern Ireland. However, once it became clear that PGs were going to happen, different attitudes towards them as a concept and also towards organisational approaches were found within the HA movement. The umbrella body, NIFHA, had been concerned about the implications of PGs for sector governance and for its own relationships with individual associations. While it had been involved in its own procurement efficiency initiatives it was not perceived to be supportive of the DSD agenda on PGs. Efficiency was also a concern of HAs, of course, and closer working through the PGs has opened up new possibilities which have led to some mergers and group structures.

3. **To review their operation, relative advantages and any barriers to their effectiveness**

The operation of PGs has not been an easy experience for those involved. The process of forming PGs was sometimes difficult and one group folded because its members were unable to work together. However, PGs were set up within the required timescale and have generally met their targets. The two case study PGs took different approaches to indications from DSD that PGs should move towards a single development team: the lead HA in one PG wished to do this but was frustrated by internal politics; and the other PG took a consensual and creative approach which resulted in an ‘integrated’ development function with some similarities and some differences to a single development team. The Board members of constituent PG members in both groups continued to make funding and programme decisions for their individual HAs and thus preserved the autonomy of their organisations. The two PGs differed in their involvement of member HA Board members, with the more trust-based PG including Board members in the decision-making process without appearing to blur the distinction between the responsibilities of Board members and paid staff. The lack of service user involvement in the Procurement Strategy and in PGs was striking. This lack of accountability to service users tended to reinforce the hierarchical power relations imposed by the
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procurement process and further compromise third sector identity. Key actors in the process appeared to place some faith in standardised systems for customer feedback, but did not promote the active involvement of users in the design and construction of social housing.

It is hard to assess the ‘relative advantages’ of PGs because we do not have a comparator either in terms of a small group of associations continuing to operate on their own, or a large merged association of group structure operating its own procurement system independently from PGs. We know PGs made savings against a very low target, however this was at a time of falling construction costs and intense competition within the construction industry, and so these might have been achieved without the new structure. The question of whether the client role has become more onerous, therefore transferring costs from contractor to client, was also raised. This perspective uncovered an important point of contention. There was a strong view expressed from several HAs that the PGs process was cost-driven. The possibility of reducing design standards for social housing in the Draft NI Housing Strategy (DSD 2012a) highlights that this issue will remain current. This was contested by DSD who took exception to the comment on ‘building boxes’ (page 47). There is clearly an ongoing debate about the degree to which ‘real’ procurement savings can be made as opposed to savings that become higher project management or repairs and maintenance costs.

The most obvious barrier to effectiveness was the low trust environment, which manifested itself between various key actors: between the DSD and PGs, but also within PGs at times during the process and most specifically within one of the case study PGs at the time of our research. A second barrier was the unstable policy environment, with political messages about the desirability of HA mergers causing uncertainty about the length of time PGs would exist. More recent and upcoming policy changes such as the restructuring of the NIHE, the draft Housing Strategy and welfare reform also caused concern. A third barrier was a sense from the PGs that they were excluded from decision-making on the future of the policy, however this may change with the more active participation of PG members and also NIFHA in the Procurement Strategy Programme Board. A fourth issue consisted of a number of points related to access to private finance: concern from associations that their treatment as de facto public sector bodies in relation to public procurement policy damaged their status as independent organisations and hence their ability to borrow; a contrary view from the DSD and a lender that HA regulation provided a safeguard; and the move towards bond finance requiring loans to be taken out on a larger scale which is an emerging contributory factor towards mergers and group structures. None of these are directly related to PGs but they contribute towards a sense that the policy field in Northern Ireland has not yet adjusted fully to the new lending environment, which is likely to continue for some time.

A final point, which has acted as a barrier to effectiveness although we suspect unintentionally, has been the complex and contradictory responses to the hybrid nature of HAs - from DSD, the NIHE, and from HAs themselves. The status of HAs as independent third sector bodies was not acknowledged by the majority of other actors in the social housing policy field or in public procurement policy. However, most HAs also did not emphasise their third sector credentials or participate in wider third sector networks. It is interesting to speculate that the difference in perceptions about the process between HAs and the DSD may be a byproduct of the hybrid nature of HAs. On the one hand, we see associations being treated as public bodies, with the regulatory and policy-making body seeking to control them in the same way as the NIHE. On the other, we see associations’ status as independent third sector organisations acknowledged, for example the ‘hands off’ approach of DSD during the formation of the PGs. However, in neither case do we see effective partnership working.

4. **To consider their role in innovation and ways in which their success can be evaluated**

PGs have required Northern Ireland’s HAs to work in new ways and to confront new dilemmas. For example: methods of PG partner selection, whether PGs should be legally constituted or work under a partnership agreement, whether development teams should be ‘single’ or ‘integrated’, and the extent of involvement of Board members in PG decision-making. It is clear that the combination of new working relationships in PGs and wider changes that continue to impact on HAs have stimulated a new approach to mergers and groups structures, as described in section 6.5.2 below. It is difficult to assess whether these
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developments would have taken place without PGs, but the stipulation from DSD (at the time of the research) that any mergers should take place within PGs created a new restriction. Further change was evident in the role of the umbrella body NIFHA, which moved from an oppositional position to greater engagement in the procurement policy agenda. The change in NIFHA’s approach raises the possibility that the Procurement Strategy Programme Board becomes a more important arena for progressing innovation (ideally by consensus) in social housing procurement.

PG performance was being evaluated via the Achieving Excellence ‘maturity matrix’ and the ongoing development of KPIs. However, these indicators did not constitute a full cost benefit analysis of the process of structural change including the extra staff and equipments costs; nor has there been a qualitative analysis of the process prior to this report. In non-financial terms, the new collaborative structure has opened up opportunities for joint working, but has closed down other possibilities of partnerships between HAs in different PGs.

6.3. Supporting People

Conclusions from the Supporting People case study are now presented in the same format to enable comparisons.

5. To explore the nature of SP partnerships as a form of third sector partnership

The partnerships in the ‘Supporting People’ programme were built around the relationship between a voluntary sector support provider and a HA. They were much less complex than the procurement partnerships discussed above, but there were clear tensions and points of stress. In both case studies relationships had developed over a period of years and were able to draw on high levels of trust that these relatively stable ties had built up as a resource to help overcome difficulties. This particular feature of the partnerships was an important point of stability in an arrangement that might otherwise have been problematic for both internal and external reasons.

The key internal problem was the difference in scale between the SP support providers and their HA partners. This inevitably put the SP support providers at a disadvantage as there was always relatively more at stake for them in negotiations. This was quite starkly illustrated in the homelessness case study where, although relations were reported as good, the support provider was conscious of the considerably higher level of risk it carried if a scheme failed. The exposure to risk was all the greater because unlike the HA partners, with large stocks of general needs housing and relations with significant numbers of different ‘Supporting People’ partners, the schemes in the programme were to a lesser or greater extent the core business of the provider agencies. It was also apparent in the field of mental health that SP funding had significantly changed and radically increased the scope of support organisations’ remit and roles. For some, as in the case of the scoping interviewee quoted above, cost reduction pressures and competitive threats within the programme were seen as having the potential to close the agency down.

6. To trace the key drivers for SP Partnerships

Analysing the drivers of change or stability is crucial for understanding the strategies adopted by the support providers. In both the case studies the stability of the partnerships relied heavily on the long-term negotiated nature of the relationships. In both instances the NIHE had brokered the arrangement based on judgements of who was best placed to deliver the service, once the need for it had been identified, and in doing so was able to draw on prior experience of working with the agencies involved. However, this was not a recipe for stasis, since the homelessness provider had originally been brought in from outside NI because of its expertise in working at the extreme needs end of the homelessness spectrum, and now had a successful track record in NI which led to its selection for the case study scheme. The stability derived from continuing policy relevance of the programme and its own institutional history of successful development in its current form provided a crucial underpinning for the operational security of the partnerships.

The policy environment was restricting as well as enabling. This was particularly noticeable in the limited ability of providers to control of the intake and discharge of people using the schemes in both the
homelessness and mental health fields. In the case of homelessness, the local NIHE office was a crucial intermediary between local need and the service provided and this had impacted on the mission focus of the agency involved as well as where it took referrals from. In the context of the homelessness strategy, restricting SP interventions to two years tended to push the agency towards an identity not of its own choosing. Similarly in the case of the mental health agency, stability had been “bought” at the cost of locating the scheme within an institutionalised environment ultimately controlled by NHS psychiatric practice. Its comfort at aligning its charitable objectives with this loss of direct control became the basis of its success in this field. In both cases the policy drivers were enabling these agencies to adopt public sector/third sector hybrid forms.

The public policy framework understood in the broad sense adopted in this report had a similar effect. While formal audit and regulation mechanisms were embraced by these successful partnerships, there were challenges from the wider structure of relations with the state. Threats from changes to Housing Benefit and moves from intelligent commissioning to more competitive procurement were viewed as potentially destabilising.

7. To review their operation, relative advantages and any barriers to their effectiveness

The increasingly unstable external operating environment of rising costs and frozen budgets set the context for some key internal processes in the case study partnerships. The central dynamic of these relationships was driven by the increasing commercial funding of the capital costs of schemes developed by HAs. Although supported housing schemes were still attracting high levels of grant, this was not the case for the larger general needs programmes that tended to affect HA’s institutional logics most. The need to repay private loans put pressure on the HA partner to ensure sufficient rent income to cover loan servicing in addition to ongoing maintenance and other operational costs. Typically as well, joint management agreements that set out the terms of the partnership placed the risk of voids in properties with the support provider, in that rent had to be paid in respect of units whether or not there were tenants in occupation. The insistence of DSD in clawing back surpluses in any particular financial year left less room for manoeuvre and prevented the SP support providers from acting as social enterprises.

Both the provider agencies had important assets to deploy in securing their position that related to their civil society or charitable roots as well as their reputations for delivering good services of the kinds required. In day to day operation of partnerships these resources proved a great asset – the gym in the attic – the pervasive culture of working with those no-one else will – the recognised competence and professionalism – the ability to make small moves away from institutionalisation even for the highest need groups where security and safety remains a dominant concern. However, these advantages did not appear to be fully recognised or supported in policy circles, and this was symbolised by proposed moves away from intelligent commissioning towards more competitive procurement processes.

8. To consider their role in innovation and ways in which their success can be evaluated

Given budget constraints over the past four years, it is perhaps significant that the SP programme has proved as resilient as it has, although a series of recent reviews have led to a greater sense of instability in the policy environment. Recent consideration has been given to moving the health related SP budget to health and social care. DSD evaluated the SP programme in 2010-11 (DSDNI 2011) and reviewed the Commissioning Body in 2011-12 (DSDNI 2012), while NIHE commissioned a strategic review of SP funded homelessness schemes (North Harbour Consulting 2012) in preparation for publication of the 2011-15 SP strategy.

Nevertheless, the rolling forward of the SP strategy itself to 2015 is a reflection of its continued importance for meeting social policy objectives for community based support services for vulnerable people. NIHE has recently published a new homelessness strategy and has sought to use the SP programme as the main means of meeting the health and social care objective of closing the remaining long stay hospitals. The structure of the programme has aided the stability of the partnerships responsible for delivering the programme, particularly the commitment to supporting long-term relationships with approved support
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providers in the commissioning process. The absence of potential competitors based outside Northern Ireland has also helped maintain these relationships.

The key current measures of success rest on external and internal monitoring of quality; in both cases this includes the QAF system used by the NIHE to audit service quality and related internal audit methods developed by the providers themselves. In the case of the mental health provider, a further tier of regulation was provided by the Regulation and Quality Improvement Authority with the power to close schemes down. These measures of success all place quite strong emphasis on the quality of support provider to users. Interestingly, they were not seen as a significant burden by the two case study providers, indeed they were seen as an important integral part of delivering their social mission. Where there were compliance problems these related to providing evidence of service user engagement in governance, reflecting a general weakness recognised across these partnerships.

Greater problems were encountered with other measures of success related to efficiency, value for money and the interaction of these measures with the long term sustainability of SP partnerships. There was a strong view in the homelessness case study that the financial basis on which the case study scheme had developed was based on inadequate funding from SP grant, but particularly from HB. As a consequence the provider had taken the unusual step of writing a 3 to 6 month notice period rather than the usual 12 months to protect itself from underfunding risk. This raises questions about the long term sustainability of the model from a financial perspective.

The wider context for this funding uncertainty relates directly to hybridity and the relationship between government commissioners and third sector providers. On the one hand independent SP providers are seen to offer advantages in their ability to harness charitable and CSR funding and volunteers. On the other hand there is a reluctance for these inputs to be used to subsidise state contributions to service costs, but to use these instead for ring-fenced additional services such as the ‘gym in the attic’. In a final twist there were concerns about the limitations of SP as an annual grant which is regarded as a payment for specific services provided, and any unspent elements of which are to be returned rather than held as a surplus to manage risk and mitigate against higher costs or lower income in the following year. This was seen as limiting the scope for providers to act as social enterprises and to innovate to reduce and reinvest savings along with financial contributions secured from non-governmental sources.

6.4. Developments since the case studies

The case studies were completed in autumn 2012 during a period of considerable turbulence for the governance of housing in Northern Ireland. In editing the material for this final report we have tried to incorporate as many recent developments as possible though we recognise the field we have studied is constantly evolving and the landscape in which housing organisations in Northern Ireland will negotiate future partnership options will continue to change. We anticipate that as in GB there will only be ‘messy solutions’ for future partnerships.

Notable developments since the case studies include the publication of NI’s first housing strategy - Facing the Future: Northern Ireland Housing Strategy 2012-17 (DSD 2012). This proposes lower grant rates and quality standards for social housing along with higher rents and exploration of ‘innovative models’ for additional funding and the possibility of allowing ‘for profit’ private sector developers to access grant funding (DSD, 2012a).

DFP’s Performance Efficiency Delivery Unit (PEDU); with a service improvement and efficiency remit in all public services) has recently undertaken a confidential review of the SHDP. With the initial five year period of the Social Housing PGs coming to an end, this wider thinking about the SHDP is likely to have a considerable impact.
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Work has continued to progress on NIHE’s Future Role following the fundamental review in 2011 (Price Waterhouse Coopers, 2011) and the Ministerial decision announced in January 2013 to separate strategic from operational roles and to develop “a new landlord function” undertaken by an as yet unspecified number of new housing organisations. This would clearly have significant consequences for the structure of the existing HA sector, the possibilities for more effective procurement arrangements across the enlarged sector, and set a different context for the SP partnerships.

Some welfare reforms have been implemented in NI and more are to come after the passing of the current Welfare Reform Bill. Welfare reform is developing broadly in line with British policy. The next comprehensive spending review is likely to set an even more austere financial landscape in which future partnerships will be negotiated. There is therefore likely to be a premium on innovation and exploiting the advantages of the independence and ability of voluntary and community partners to harness non-state resources while engaging with civil society more fully. This would suggest the potential to develop less unequal relationships between commissioners and support providers and to enable support providers to act more as social enterprises than as controlled voluntary organisations.

All of these very recent developments may be of greater significance for future partnership scenarios than the recent experiences outlined in this report. Nevertheless the learning outlined here provides an important basis on which to plan responses to the radically changing environment.

6.5. Future Scenarios

6.5.1. Supporting People

There are a number of pressures on the system that may destabilise it in the medium term. Continuing budgetary constraints, coupled with a NI Executive policy to extend public procurement to further publicly funded services from 2013 onwards could lead to significant moves away from the intelligent commissioning approach that has so far underpinned generally positive and long standing partnerships in this field.

A move to procurement and the temptation to shift the cost: quality weightings in procurement decision making in response to the budgetary constraint could lead to a number of major changes in the form and nature of SP partnerships. This might include a rapid consolidation of the support provider sector. Inability to compete and extensive risk of financial failure may lead to a spate of forced mergers, take-overs and the retreat from the field of the smaller providers in particular. Social enterprises with a trading model are more likely to be successful and indeed could benefit from the removal of current grant related conditions regarding the reinvestment of surpluses and year on year transfers. This could enable them to better exploit the flexibility of moving from a grant to a fee model of financing.

Impending changes to the housing benefit regime that currently provides the financial underpinning of the entire programme are likely to accelerate these changes. There could be significant changes to the membership of the partnerships through which the programme is currently delivered. Reflecting inequalities in size and power, this is likely to have a disproportionate effect on the support providers. Those involved in the provision of lower level support needs may be most at risk of internalisation of these services by HAs, effectively ending provision of such services through partnerships. This could have important impacts on service users who would be more beholden to a single provider involved in both regulating their tenancy and setting their rent and providing essential support, there could be a loss of independent advocacy roles currently performed by some support providers.

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The case study evidence illustrates the current pressure points on the operation of the partnership structure through which the programme is currently delivered and gives an indication of how the impact of these changes will start to be felt. It is likely that the SP programme will look very different in four or five years time to the way it looks now.

6.5.2. Social Housing Procurement Groups

It is probable that PGs will not continue in their current form at the end of the five-year Procurement Strategy due to a number of factors. First, SHDP targets are being reduced, raising further questions about the number of developing associations and also the logic of continuing with three PGs. Second, grant rates are decreasing, which has raised issues about the treatment of HAs as public bodies for procurement purposes in Scotland and England. Third, the process of organisational merger and group structures is accelerating. At the time of the research we were aware of two mergers (one small HA with a larger one; and two smaller HAs with another larger one) and one group structure (one large HA which had formed a group with three smaller HAs). However, at the time of writing there are several other changes under consideration, several of which appear to be group structures initially but with a view to potential merger. These include: two examples of one small HA and a very large one; one of three small HAs operating within a particular area of high housing need; and one medium sized and one large HA. The latter example is the first such partnership between HAs in different PGs and may signal the beginning of a more flexible approach from the DSD towards future economies of scale. Access to bond finance may be an additional driver here. Finally, the current increase in stock transfer opportunities from NIHE stock, and the further large scale NIHE restructuring, will continue to dramatically change the landscape and dynamics of the sector and provide new opportunities.

These factors generate a number of future scenarios for procurement in the social housing sector, which include the following three options. First, and most likely in our opinion given the relatively small size of the HA sector in Northern Ireland, a single procurement group might make much more sense in enabling savings from scale while preserving a degree of organisational autonomy. Alternatively, PGs could be a voluntary rather than mandatory approach to procurement, perhaps allied to an Investment Partner certification process as in England. A ‘third way’ would be to exempt HAs or group structures over a certain size from the requirement to join a procurement group. It is becoming clearer that these options exist within the wider context of a substantial change in the balance of social housing provision from NIHE to HAs, possibly including HAs new to Northern Ireland, or group structures including HAs from different parts of the UK.

6.5.3. The Wider Scenario for third sector housing partnerships in Northern Ireland

Accelerating change is the main characteristic of public services in the period since the Global Financial Crisis of 2008. Radical reforms in the delivery and management of services are being adopted in response to the need to control the deficit and respond to the consequences of budget reductions in key areas such as social housing, social care and welfare benefits.

These reforms take on a specific regional character in Northern Ireland where the NI Assembly has asserted a distinctive agenda and style of working that has impacted significantly on housing policy and wider policies for the voluntary and community sector. There is an imbalance between the influence of cross-government policies to engage the voluntary and community sector in public service provision through the Concordat and the more powerful role played by Departments in procuring, commissioning and regulating providers from the voluntary and community sector.

In many places the third sector has been welcomed as a partner in providing potential solutions to some of the dilemmas arising from the need to redesign and reconfigure services, achieve budget reductions while sustaining a degree of public support and engagement. However, often this has been seen as a cloak for opening up services to large scale private contractors who are better resourced to compete for large contract lots and payment by results. Experience of the Work Programme in England indicates that the advantages offered by third sector contractors are significantly diluted when they are in weak positions...
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down the supply chain. It has been indicated that the Westminster Government has learned from this experience and will be modifying its approach to payment by results projects in the criminal justice sector. However, some observers are sceptical about whether third sector organisations can maintain distinctiveness or whether large-scale commissioning leads to isomorphic pressures on all types of commissioned organisations.

The process of undertaking and receiving comments on this report has heightened our awareness of the degree of unsettlement that is being experienced by all of the actors involved in these reform processes. For us there is clear evidence in NI that voluntary and community organisations, particularly in the SP case study, do bring distinctive contributions in relation to values, additional resources and professional reputation. Meanwhile the PG case study provides telling evidence of the importance of trust-based collaboration as the main success ingredient for successful partnerships and the need for time rather than external control for such trust to flourish.

However, a striking feature of both case studies was the limited voice and influence enjoyed by service users in either partnership design or outcomes. If voluntary and community sector organisations claim distinctiveness in connecting with civil society, there is a need for more convincing responses to that society, for example through opportunities for co-production or personalisation, than found in the two cases studies.

It is therefore important that future approaches to partnerships build on the lessons of this report and do not sacrifice this distinctive contribution for short term gains in efficiency and standardisation. In the longer term the added value that these organisations can provide will be of even greater importance. Managing with fewer resources while maintaining a degree of social order will require support providers that harness civil society links rather than weakening these links through marketisation and top-down regulation. Once lost these specialist third sector inputs will prove almost impossible to replace; however a sustainable platform for the future will also require greater voice and influence for service users than either case study demonstrated.
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