The Governance of Mandated Partnerships: The Case of Social Housing Procurement


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The Governance of Mandated Partnerships: the Case of Social Housing Procurement

Abstract

Partnership working is nowadays a seemingly ubiquitous aspect of the management and delivery of public services, yet there remain major differences of opinion about how they best work for the different stakeholders they involve. The balances between mandate and trust, and between hard and soft power, are crucial to current debates about public service partnerships. This paper explores the example of social housing procurement in Northern Ireland, and the requirement to form mandated procurement groups. The research shows that the exercise of hierarchical power is still important in network governance; that mandated partnerships alter the balance between trust and power in partnership working, but the impact is uneven; and that these relationships are (re)shaping the ‘hybrid’ identity of housing associations. The balance between accountability for public resources and the independence of third sector organisations is the key tension in mandated partnerships. The Northern Ireland experience suggests that trust-based networks could provide more productive working relationships in partnerships for service delivery.

Keywords: housing associations, housing investment, hybrid organisations, network governance, Northern Ireland, social housing procurement.

Introduction

Partnership working is nowadays a seemingly ubiquitous aspect of the management and delivery of public services, yet there remain major differences of opinion about what partnerships are for and how they best work for the different stakeholders they involve. The procurement process for new social housing has been under scrutiny in all four United Kingdom jurisdictions and a focus on achieving greater efficiency has led to a variety of consortium and partnership-based approaches by housing associations. This paper reports on research into the approach to social housing procurement adopted in Northern Ireland’s Procurement Strategy for the Social Housing Development Programme (DSD, 2008) and enacted between 2009 and 2013. In particular, we focus on the consequences of the requirement for associations to join together in procurement
groups in order to be eligible for inclusion in the Programme. Procurement groups may be described as ‘mandated partnerships’ (Rees et al 2012a) in that there is an external condition 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. Indeed Davies (2002) has argued that seemingly voluntary partnerships often mask the use of hierarchical power by the central state to orchestrate and control, and Rees et al (2012a) argued that mandated partnerships have become a common form of incorporation of third sector organisations into public service delivery. We examine the implications of mandated partnerships for housing associations as hybrid third sector organisations located in a complex policy field, in which hierarchical control is combined with network relationships. The topic addresses three trends of international significance: the marketisation of public service delivery through various forms of competition and contracting out (Newman and Clarke, 2009); the implications of this approach for public procurement (Harland et al, 2013); and the impact of the changing organisational environment on social housing providers (Mullins et al, 2012).

The social housing policy environment in Northern Ireland presents an example of network governance. Housing policy is one of a wide range of functions devolved from the UK Government to the Northern Ireland Assembly and Executive in 1999 (Muir, 2013). Social housing policy is the responsibility of the Department for Social Development (DSD), reporting to the Minister for Social Development in the Northern Ireland Executive. Social housing is owned and managed by the Northern Ireland Housing Executive (NIHE) and by housing associations; both types of providers are run by appointed boards and are regulated by the DSD. The Housing Executive also manages delivery of the Social Housing Development Programme. Housing associations build new social housing, bidding for state funding to the Housing Executive through recently formed procurement groups (the main subject of this study) and borrowing the balance of the required funds from private lenders. In common with the rest of the United Kingdom (UK), this borrowing now accounts for the major source of finance for new build and does not count as public expenditure under government rules (Mullins and Pawson, 2010). Most of Northern Ireland’s housing associations were established in the mid-1970s and their origins were as small landlords with distinct identities and connections to local communities. Growth occurred under the ‘mixed funding’ regime from 1992 (when borrowing from private lenders was introduced) and again from 1996 when the NIHE new build programme was transferred to housing associations (Mullins et al, 2001). At the time of the research the Housing Executive was responsible for 89,000 properties, with a further 30,000 homes and 4,500 non self-contained units managed by 30 registered housing associations. The nine largest housing associations owned 77 per cent of all housing association stock (NIHE, 2013).

The research reported in this paper explored the nature and operation of social housing procurement groups as a mandated form of third sector partnership. This was done through reviewing the characteristics of third sector partnerships, tracing the different responses to
procurement policy requirements within the United Kingdom, establishing the key drivers for Northern Ireland’s procurement groups, assessing their operation, relative advantages and any barriers to their effectiveness, and considering any innovation and learning present in the process. The research was undertaken in two phases in 2011 and 2012 and was part of a larger study for the Northern Ireland Housing Executive (Mullins et al, 2013). The research included a literature review and a review of social housing procurement policy across the UK; stakeholder interviews; and the selection of two out of the three procurement groups for closer study over the two years, including a total of 34 semi-structured interviews. Those interviewed included: senior staff in housing associations; housing association and umbrella body Board members; staff from two housing umbrella organisations; Government bodies including the Housing Executive, the Department for Social Development (DSD) and the Northern Ireland Audit Office; and a financial institution. Interviews were confidential and anonymised, as were the two procurement group (PG) case studies, referred to in this paper as PG1 and PG2. PG1 consisted of seven housing associations with a total of 7,203 units; PG2 had five members with 8,640 units. The groups were chosen due to their different organisational structures, working relationships, and initial attitudes towards the policy: PG1 had embraced the new approach with great enthusiasm whereas PG2 was more pragmatic.

The paper continues with an account of mandated partnerships, hybrid organisations and network governance in the social housing policy field, which addresses the implications of uneven trust levels and power inequalities for the successful operation of multi-sector service delivery partnerships. Next, a short review of procurement policy across the UK sets the scene for a report of the research findings including context, structure, processes and outcomes. The conclusion assesses the impact of mandated partnerships on the hybridisation of housing associations in the case study and reflects more generally on factors shaping the hybrid identity of third sector organisations.

Mandated partnerships, hybrid organisations and network governance

Partnership has been defined as ‘at least two agencies with common interests working together, in a relationship characterised by some degree of trust, equality and reciprocity’ (Rees et al, 2012a: 14). This contrasts with market-based, contractual relationships which are assumed to be low trust and adversarial in nature, although there are exceptions (ibid.). Earlier, Sullivan and Skelcher (2002: 83) had argued that the move from short term contracts to longer term relational partnerships for delivery of public services was motivated by the expectation that ‘trust and mutuality will replace the suspicion and divergence of interests found in traditional short-term contracting’. However, the use of mandated partnerships for public sector service delivery has increasingly displaced trust based partnerships through the introduction of external conditions and controls, with legislative and regulatory mechanisms to encourage partnerships (Hudson, 1999). In several countries, including the UK, collaboration between organisations became a
precondition of funding by both government and charitable foundations (Keast and Brown, 2006). This introduced new forms of vertical-horizontal inter-organisational relations, referred to by Rees et al (2012a: 16) as ‘mandated horizontal collaboration’.

Armistead and Pettigrew (2008: 23) list the characteristics of mandated partnerships, including: ‘ambiguous’ governance and accountability arrangements; agreement reached by compromise rather than consensus; the importance of ‘state power and control’ within the partnership dynamics; ‘a ‘tick box’ approach to structure and process’; the specification of partners by the funder of the service, with little opportunity to change this; a limited identification with the partnership by its members; time limited partnerships dependent on funding; prescriptive processes and strict measurement of outputs and outcomes; hierarchical structures are more important than the partnership network; and that partnerships have an external focus including an ‘overtly political and public’ identity. Armistead and Pettigrew (2008) usefully contrast these features with those of voluntary partnerships in which there is more of an intrinsic sense of ownership, leading to more innovative practice and processes that are devised to suit the needs of partners, with consensus-based decision-making and more flexible structures. There are doubts in the literature about whether management of networks and partnerships can function effectively with hierarchically imposed objectives or whether, in partnership processes, goals are necessarily emergent and based on shared learning between actors (de Bruijn and ten Heuvelhof, 2008).

**Hybrid organisations**

‘Hybrid’ organisations ‘possess significant characteristics of more than one sector’ (Billis, 2010a: 3; see also reviews by Billis, 2010b; Mullins et al, 2012; Skelcher, 2012). The increasing use of third sector organisations as service delivery agencies under New Labour from 1997 onwards was an important contributing factor to the emergence of hybridity in these organisations (Harris, 2010). Organisational hybridity, involving various combinations of public, private and third sectors, is a logical outcome of a mixed economy of service provision and funding, and is sometimes considered as a purposeful adaptive response by organisations to a turbulent environment, for example by charities moving to more market 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). Hybridisation impacts on the dynamics of policy networks; it changes the identity or perceived identity of organisations; and it can blur organisational identity and primary rationale (Mullins et al, 2012). The stresses and strains involved in adopting multiple roles and perspectives lead to new organisational and management challenges. Hybrid organisations have been described as ‘...combining and condensing different forms of power and authority... cross cut by multiple goals, forms of internal governance, and organisational practices and relationships’ (Newman and Clarke, 2009: 94).
Housing associations exemplify hybrid organisations, operating between state, market and civil society and including a mix of commercial and social logics with institutional and cultural dimensions (Mullins and Pawson, 2010; Blessing, 2012). This does not mean that housing associations have ceased to be part of the third sector – rather, it is the nature of their internal operations and culture that are changing. They may still have a ‘principal ownership’ (Billis, 2010b) as civil society organisations, but they are increasingly subject to influences from both the state and the market, navigating the different rules of social benefit and commercial activity (Blessing, 2012). They are ‘chameleon-like in their ability to present themselves as the private sector for funding purposes, the voluntary sector when community partnerships are required and the public sector when accountability is at stake’ (Mullins and Murie, 2006: 187). The hybrid model has often been presented as a source of organisational strength for associations, giving them the ability to trade and to exploit their asset base to cross-subsidise social objectives, although, as Blessing (2012: 205) has observed in an international context, the hybrid characteristics of housing organisations may be ‘not so much a super-blend as a balancing act’.

Northern Ireland’s housing associations are highly regulated and have been deemed as ‘public bodies’ in relation to equalities legislation and for public procurement purposes. At the same time they have developed elements of a more commercial culture (such as business planning) underpinned by their access to private finance. The rationale for the transfer of the new build programme from the Housing Executive to housing associations in the 1990s was partly founded on associations’ ability to borrow without the loans counting as public expenditure. The Housing Executive manages and monitors the new build programme and the Department for Social Development (DSD) has responsibility for policy, regulation and, in cases of poor performance, intervention: for example suspending seven associations from the new build programme in 2010 (NIAO, 2009). In the light of the regulatory regime, justified on grounds of receipt of grant aid, it is interesting that the Procurement Strategy included the statement: ‘Housing Associations are non-profit making private sector businesses’ (DSD, 2008: 6). In the face of competing influences from state and market, the civil society origins of associations have diminished - but remain important to some, and ‘principal ownership’ within civil society remains. The Northern Ireland Federation of Housing Associations (NIFHA), the region’s umbrella body for housing associations, has links with the wider third sector and with social economy organisations, but the third sector identity of housing associations had been given less emphasis in the period preceding this study. For example, little part was played by housing associations in discussions around the Concordat that set a framework for relations between Government departments and the third sector (DSD, 2011).

Trust and power in network governance

Hybrid organisations operating partnerships for service delivery function within network governance structures which nowadays include public, private and third sector organisations.
Network governance has become a dominant discourse over the past thirty years in management studies, political science and social science (e.g. Frances et al, 1991; Rhodes, 1997; Kickert et al, 1997; Koppenjan and Klijn, 2004; Davies, 2011) and has had particular importance for the incorporation of non-state actors into the delivery of public services (Carmel and Harlock 2008; Rees et al, 2012a). Some authors have differentiated networks from hierarchies and markets as forms of co-ordination (Thompson, 2003) and highlighted the importance of trust as the key currency of this form of network co-ordination (Frances et al 1991). Kooiman (2003) distinguishes ‘hierarchical governance’, in which a top down approach can be either steering or controlling, from the more trust-based concepts of ‘co-governance’ by collaboration and cooperation of multi-sector networks or regimes and the more civil society-based ‘self-governance’ by independent organisations.

But what does the presence of trust in governance networks mean in practice? Klijn et al (2010) set out four advantages: reduction of transaction costs through less need for detailed contract specification; an increase in co-operative working relationships leading to greater ‘probability that actors will invest their resources’ (p.197) in the network; a related increased in learning and information sharing; and a greater chance of innovative activity, because network participants do not believe others will act opportunistically. To summarise, ‘trust leads to more information and knowledge exchange, which results in an enhanced problem-solving capacity, new insights, innovative power, and better outcomes’ (Klijn et al, 2010: 198). Interestingly, Klijn et al (2010) found no connection between the complexity of the project and the benefits of higher trust levels: a simple project required as much trust as any other.

A second crucial component of the analysis of network governance is power, which has been analysed extensively in the organisational literature (see Clegg et al, 2006, for a review). Clegg et al (2006) consider two concepts of relevance to network governance: circuits of power, and the difference between ‘hard’ and ‘soft’ power. The circuits of power typology demonstrates how the exercise of power in individual exchanges (‘episodes’) influences rules and meaning in organisational fields and thus power relations between actors. While all participants have some degree of power at some point, network governance discourse is underpinned by a strong assumption of the decentraling of power from the state to self-organising networks (Stoker, 1998). For example, according to Kickert et al (1997), the need for network management is keenest where no single actor has the funding or power necessary to steer and therefore trust is required to reach shared decisions and take collective action (Koppenjan and Klijn, 2004). Citing Deakin and Taylor (2002), Davies notes that network governance has generally been positively viewed, as ‘the network potentially unlocks the ‘third space’ between state and market, extending the public sphere, empowering communities and cultivating inclusive policy making’ (Davies, 2011: 2).
However, the concept of ‘hard’ and ‘soft’ power provides a more cautionary note. Hard power uses coercion, for example penalties for failing to follow rules; soft power involves the use of persuasion (Clegg et al, 2006). Although network governance has been associated with the use of soft power, Davies (2011:5) has revisited that assumption on the basis that, following Gramsci (1971), ‘coercion is the immanent condition of consent inherent in capitalist modernity’. Davies (2011:3) asks why ‘networked governance institutions look very like the modernist hierarchies they were supposed to replace’ and concludes that previous analyses have failed to recognise the important of hard power in governance networks, in particular the role of the state (see also Bevir and Rhodes 2010; Stoker, 2011). Newman and Clarke (2009) explain how state power is exerted in the more dispersed systems of the regulatory state: first through the retention of ‘power to organise sites, scales, spaces and relationships, and to allocate forms of power to different agents’ (p.104); and secondly through the prioritisation of managerialism and the depoliticisation of decision-making as templates of organisational practice.

The effectiveness of partnerships in network governance structures

Nevertheless, UK governments have continued to incorporate third sector organisations into public service delivery, promoting trust based partnerships through, for example, compacts between government and the third sector (Zimmeck, 2010; DSD, 2011), but using power and coercion through targets and financial leverage (Rees et al, 2012a). Inequalities of power, limited trust and collaborative capacity, and lack of legitimacy can give a dark side to partnerships. Trust and power pull in different directions in network governance. Partnerships attempt to establish trust based consensus, but in reality, according to Davies (2011), when interests align, they do so to the benefit of the most powerful stakeholders. The specific case of mandated partnerships can cause ‘a tendency to try to make the partnership work by following a sets of prescriptions or check lists which might satisfy government, but which fail to address the dynamics of partnership performance and the causes of partnership failure’ (Armistead and Pettigrew, 2008: 22); in addition, externally imposed targets can create perverse incentives that weaken genuine collaboration (Rees et al, 2012a).

Despite a decade of attempts to evaluate partnership outcomes, the evidence of effectiveness is thin. There is growing recognition that the achievement of externally imposed goals can be a limited way of assessing benefits; partnerships may succeed in terms of process but fail to deliver prescribed outcomes. On the other hand, alternative approaches to evaluation based on joint interest goals that emerge from partnership working may place too great a weight on the interests of partners rather than the wider public interest (Rees et al, 2012b; ESRC, 2013). The development of Northern Ireland’s social housing procurement groups provides an interesting arena in which to explore the relative importance of trust and power in networks. The effective operation of housing associations as hybrid organisations within these structures presents a considerable challenge. In the Northern Ireland context an official report acknowledges that:
An effective relationship between the Sector and public bodies, built around partnership and mutual trust and respect is essential. However this has not always been the case’ (NIA, 2012:1).

Social housing procurement policy in the United Kingdom

Much of the impetus for change to Northern Ireland’s social housing procurement process came from outside the region, and from outside social housing policy. The most important driver was the European Union (EU) Procurement Directive, enacted in 2006 with amendments in 2009 and 2011. Housing Associations count as public sector bodies for procurement purposes under Public Sector Directive 2004/18. Public procurement is a devolved matter but in Northern Ireland 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. However each jurisdiction has approached the procurement of social housing in different ways. A second influence was the UK-wide concern for greater efficiency in construction, which was supported in Northern Ireland through the Achieving Excellence initiative, the principles of which were incorporated into procurement guidance (DFP, 2012). Finally, social housing policy across the UK has placed a greater emphasis on regulation of housing association performance since associations became responsible for a larger proportion of social housing due to stock transfer (in Great Britain) and sole responsibility for new development (Mullins and Murie, 2006).

Social housing procurement in the four UK jurisdictions

An outline of the different approaches to social housing procurement across the UK is set out in Table One. In England, ‘Investment Partnering’ was introduced in 2004, which reduced the number of directly funded developing housing associations from 400 to around 70. Other associations joined consortia led by ‘Investment Partners’, with some eventually becoming involved in mergers or group structures (Mullins and Craig, 2005; Lupton and Kent-Smith, 2012). At the same time private developers became eligible for grant. Bidders had to qualify as Investment Partners by demonstrating financial and technical capacity but they could so as single providers or as consortia (HCA, 2011). In Scotland, an attempt to introduce mandatory procurement groups was abandoned in 2009 after sector consultation provoked a negative response. By 2011, Scottish associations had formed seven development groups on a voluntary basis as well as groups for other reasons such as performance benchmarking (Turner and Townsend Consulting, 2011). As in England, a small number of local authorities were building again and therefore competing for subsidy. Consultation on a Procurement Reform Bill in 2012 prompted debate about whether housing associations should continue to be treated as public bodies for the purposes of procurement, given that grant levels were now consistently below 50 per cent (the attempt to gain exemption from the Bill was unsuccessful). In Wales, mandatory development consortia were introduced in 2005 and Welsh housing associations self-selected into six groups which also have wider procurement functions (Housemark Cymru, 2007). Welsh
public procurement policy placed great emphasis on social benefit, for example the use of social clauses (McClelland, 2012).

Table One: Outline of social housing procurement process in UK jurisdictions

<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, 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 plus benchmarking groups.</td>
<td>Councils may also bid for development funding. Procurement Reform Bill at consultation stage; 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). ESF Convergence Programme funding obtained by Value Wales to improve capacity.</td>
</tr>
</tbody>
</table>

Northern Ireland, like Wales, required housing associations to be part of a procurement group in order to bid for development funding. The five-year Procurement Strategy aimed to ‘improve the social, economic and environmental return from investment in the Social Housing Development Programme; and procure the programme on a value for money basis and in accordance with best practice’ (DSD, 2008: 5). Programme bids were to be prioritised within the groups and submitted for funding annually, and a ten per cent efficiency savings target was set.
The initial focus was on procurement of new social housing, but it was intended that the groups would expand their purchasing functions over time.

Thus there were different responses to the same EU procurement guidance. In England and Scotland, procurement groups or consortia were not compulsory for development fund bidding, perhaps because there was more of a mixed market of bidders including, in England, private companies and very large associations (Mullins, 2010). In Wales and Northern Ireland, development consortia/procurement groups were mandatory. In both cases this provision appeared to stem from concerns about efficiency, given the number of small associations previously engaged in the bidding process (Housemark Cymru, 2007; DSD, 2008). This review shows that the devolved jurisdictions had some leeway in how procurement directives were interpreted, with the role of policy and regulation leading in some cases to voluntary partnerships (England and Scotland) and in others to mandated partnerships (Wales and Northern Ireland).

Case study: social housing procurement in Northern Ireland

Context

This section reports the development of two case study procurement groups during 2011 and 2012. Implementation of the Procurement Strategy took place within a changing policy environment which added to the uncertainty experienced due to the introduction of procurement groups as new mandated partnerships. First, the renewed focus on regulation and efficiency had led to poor ratings for almost half Northern Ireland’s housing associations and seven were suspended from development. Although the Procurement Strategy itself did not mention mergers or group structures, there was subsequent political pressure on associations to consider these (DSD, 2012) and also to use accumulated reserves to subsidise new development (PriceWaterhouseCoopers, 2010). The consequences of austerity at UK government level and subsequent reduction of Northern Ireland’s block grant pointed towards falling public subsidy and greater reliance on private finance; in addition, welfare reform changes were likely to reduce rental income. Finally, the restructuring of the Northern Ireland Housing Executive was announced in 2012, creating further uncertainty about the future structure of social housing provision including the possible establishment of new stock transfer housing associations.

The key drivers for the Procurement Strategy have been outlined earlier in the paper as EU procurement policy and the concern for greater efficiency in construction, along with the regulation of housing association performance. 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, PG1, 2012]

The general importance of regulation was acknowledged, and participants believed DSD aimed to achieve better performance through a reduction in the number of associations (a point that was denied by DSD participants). However, it was suggested by some in the PGs that there was scope for larger associations to develop on behalf of smaller ones. A key conceptual counterweight 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, and partnership commitment) by providers with strong local and customer-based relationships who can more cheaply provide a wider range of services than less trusted providers (Rees et al, 2012a). Some of the smaller associations we spoke to felt that local knowledge and involvement was important in the development process as well as in housing management (and acknowledged a connection between the two) and there were doubts about the extent of stated cost reductions.

**Structure, regulation and initial operations**

The delivery of the Procurement Strategy was the responsibility of the Department of Social Development (DSD), informed by Northern Ireland’s overall Public Procurement Policy (DFP, 2012) and monitored by the Central Procurement Directorate (CPD) in the Department of Finance and Personnel (DFP). A team from the CPD was seconded to the DSD to advise and assist on procurement issues including guidance and best practice. Delivery of the Procurement Strategy was co-ordinated by a Programme Board including staff from the DSD, the CFP, the Housing Executive, NIFHA, the Strategic Investment Board, PGs and the Construction Employers Federation (DSD, 2008: 18). The Programme Board was becoming more important during the later stages of our research, as it began to play a larger part in a more collaborative approach to the Strategy’s implementation.

The two most powerful actors were the two government departments: the DFP for overall procurement policy and the DSD for policy implementation, monitoring of PGs and housing association regulation. Procurement policy actors in DFP were influential through their team based in DSD and through changes to policy and guidance. There was some concern from associations that procurement policy had restricted opportunities for more innovative partnerships:

... 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.... [Senior staff, PG2, 2012]
Turning to the DSD, policy implementation was viewed by associations as prescriptive, but the DSD insisted that they had respected the independence of associations throughout, whilst maintaining (along with DFP officials) that close involvement was reasonable given the amount of public money received by associations as grant income and Housing Benefit payments. Although one PG participant had wanted the DSD to be more prescriptive, associations generally took the view that such close involvement with government departments could call into question their independence as third sector bodies.

The number of procurement groups was stipulated in the Strategy as four, and these were formed in 2009, containing between six and ten housing associations. However, one group disbanded in 2010 and its members joined other groups. The Strategy’s ‘preferred option’ was that PGs should be established as a legal entity but only one of the three groups (PG1) took this advice. The other two, including our case study PG2, were based on memoranda of agreement. In both structures, each member association had equal voting rights whatever its size. Initial approval of PGs took place through the agreement of a business plan by the DSD. PGs were first operational for the 2009-10 grant bidding round. Business plans were the subject of a ‘mid-term review’ during 2011. Monitoring of PGs took place through the regular completion of a 27-point ‘maturity matrix’ including aspects of strategic planning, budgeting, risk analysis, programme management, collaborative working, community consultation and health and safety (DFP, 2006), along with the development of Key Performance Indicators, which was still in progress at the time of our research. The monitoring of procurement groups was much lighter than the regulatory framework for each housing association, and thus the DSD’s status as associations’ regulatory body remained important. Both case study PGs had associations suspended from development and in one case this had caused great difficulty for programme delivery. Another aspect of the DSD’s role was the political pressure from successive Ministers of Social Development for a reduction in the number of housing associations (DSD, 2012). Officials claimed to be neutral on this point but there was some doubt about this in the PGs. The proposed restructuring of the Housing Executive was of less interest to associations, although some saw potential opportunities for stock transfer and rationalisation under a new system. The Housing Executive remained an important part of the decision-making environment due to its day-to-day control of the Social Housing Development Programme; but less influential than the DSD or DFP.

The importance of state agencies in the policy environment emphasised the degree to which housing associations were being treated as public bodies subject to regulatory control. This appeared not to cause concern to the one lender representative interviewed, who stated that the establishment of PGs had not led to any changes in their lending decisions and that they found the housing association inspection reports to be an important indicator of their financial viability [Lender, 2013]. Finally, we found no voice at all for tenants as end users in the development
process (although most associations included tenants on their Boards in relation to more general involvement in decision-making). The ‘maturity matrix’ provided only indirect reference to user benefits and although community involvement was measured, the specific interests of tenants were not included. In interviews it was felt that users’ interests were met through following DSD’s Housing Association Guide and by post hoc customer surveys.

**Processes, trust and power**

*Formation of the procurement groups*

Procurement groups were formed and implemented in an environment of low trust between associations and the DSD. There was broad agreement from associations on the aims of the Procurement Strategy but considerable disagreement about the best way of implementing it. Some of our interviewees suggested that little attempt was made by the DSD to explain or discuss the rationale for this particular solution to generate economies of scale. 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 (Klijn et al, 2010; Rees et al, 2012a). Nevertheless, the DSD took the view that they had acknowledged and respected the independent third sector status of housing associations by allowing PGs to form and develop without interference, albeit within a mandated partnership structure. The high level of regulatory intervention against associations during 2008-09 provided a difficult context in which to introduce a new initiative. There was also a (less significant) issue of trust between associations. The Northern Ireland Federation of Housing Associations (NIFHA) had difficulty in asserting a united third sector identity given some emerging differences in approach and interests between members, including towards the imposition of procurement groups.

The four (subsequently three) PGs were formed by associations themselves through a process of self-selection. Prior to 2009, apart from ‘development agency’ arrangements for smaller associations, there had been little joint working and thus the requirement to work together on new build development was a considerable cultural challenge for associations used to competing for development funding. Both case study PGs were formed using similar criteria despite their subsequent differing legal status. The most important factor was 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:

> You could say a lot of it was relational: “Can we trust these people? [Senior staff, PG1, 2012]

Membership of PGs self-selected on the basis of difference rather similarity: both were diverse in terms of size, geographical remit and types of housing provided. No specialist groups were
formed, for example supported housing providers or within a particular geographical area. At first sight this appears counter-intuitive, but in interviews it was suggested that it was motivated by avoidance of partners who might seek to control or even take over their association. Interestingly, it appeared that it had been easier to build trust amongst organisations with a degree of dissimilarity, although this clearly introduced a need to understand the different cultures and priorities among partners with different institutional logics:

... 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, PG2, 2012]

Once formed, the two case study groups adopted different approaches to the involvement of HA Board members and to the employment of staff. PG1 did not include its HA Board members in the decision-making process; PG2 did so, without appearing to blur the distinction between their role and that of senior staff. Of course, the Board members of individual HAs in both groups continued to make funding and programme decisions for their individual associations and to receive reports on the activity of their PG. PG2 recruited two paid staff whereas PG1 seconded staff from constituent associations. It is possible that these differences fed into a different overall dynamic in each PG as work progressed, but in each case the agenda was driven very much by senior staff. The two PGs changed very little in structure and membership between 2009 and 2012. In PG1 there had been two sets of association mergers with another under discussion; and in PG2 a group structure was being negotiated between two members.

**Working relationships**

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. What we can say is that the balance of trust and power within the groups differed. In one of our case studies (PG2) working relationships were generally good: in the other (PG1), 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. Table Two shows these contrasting trajectories: the PG1 group, initially keen, had become disillusioned and trust had diminished. PG2, on the other hand, had moved from reluctant participation to somewhat greater enthusiasm, having maintained trust and mutual respect within the group.

It is worth reflecting on the factors that may have caused these contrasting trajectories, as far as we can ascertain. Both PGs sought to enhance trust in the early days:

And I think with our membership .... we have had a lot of meetings to get that relationship built up and the trust as well. And that we can have our meetings and be honest about the risk associated with the schemes... [Senior staff, PG1, 2012]
… trust builds up because you see how people behave at meetings, you look at their work, you look at the quality of their work, you look at the services they provide…
[Senior staff, PG2, 2012]

Table Two: Changing attitudes towards procurement groups 2011-12

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<th></th>
<th>PG1</th>
<th>PG2</th>
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<tr>
<td><strong>August 2011</strong></td>
<td><em>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</em> [Senior staff]</td>
<td><em>... our mindset is, be fair to say probably started out one of absolute complete resistance and has slowly eroded into a submission… and into almost now one of, 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...</em>[Senior staff]*</td>
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<tr>
<td><strong>August 2012</strong></td>
<td><em>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.</em> [Senior Staff]</td>
<td><em>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.</em> [Senior staff]</td>
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The size of the groups and the number of associations did not seem to make a difference, perhaps because every association had one vote in both groups. In PG1 (seven associations) a power struggle developed between the two largest associations, rather than between the larger and the smaller ones. In PG2 (five associations), collaborative working developed regardless of the size of associations, for example the Chair of the PG came from one of the smaller associations; and the largest one ‘lent’ development staff to a smaller one that was struggling with its programme delivery. It appears that PG2 adopted a more consensual style of decision-making, which took longer and was criticised in the mid-term review. It is not clear whether the involvement of Board members in PG2’s committee structure contributed to better working relationships; however, it may have helped with information-sharing and with confirming legitimacy of the PG amongst PG2’s member associations. It is also possible that PG1’s decision to establish itself as a legal entity created a different decision-making environment to the trust-based partnership of PG2.
The Procurement Strategy espoused ‘a culture of collaboration’ (DSD, 2008: 6) and there is some evidence that this was achieved in PG2. On the other hand there was also an unintended consequence of curtailing earlier organic collaborations (such as maintenance or general purchasing) with associations in other PGs and holding up some merger opportunities. 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).

**Single Development Teams and the ‘culture of collaboration’**

The example of the moving towards single development teams (SDTs) for each PG illustrated the power dynamics between PGs and the DSD, as well as the power and trust relationships within each group. The 2011 mid-term reviews indicated that faster progress towards a SDT should be made in the interests of efficiency savings. A SDT tested the PG working relationships in a number of ways. It could lead to redundancies; difficulties in reaching agreement on common standards and procedures; and raised the question of whether the SDT should be employed by one housing association or by the PG itself; 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 PG1 was keen to form a single development team and had made some progress towards standardising scheme design across the PG. However, there was opposition from two other members and discussion on the matter within the group had largely stalled. It appeared that this issue had caused significant problems in the working relationships within this group. The largest association was disappointed that the DSD had not been more proactive in requiring PGs to adopt SDTs. This association was now exploring an alternative model, whereby they would obtain grant and build on behalf of smaller associations, who would purchase the units on completion. PG2 had been opposed to a single development team in 2011 but in 2012 they were developing their own model of collaborative working through ‘integrated teams’, shaped by the demands of the DSD but also suited to their own needs, perhaps assisted by the positive experience of sharing development staff in the interim:

> ... we will do that through the harmonisation of our procedures... 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... [Senior staff, PG2, 2012]

Whilst PG2 succeeded in integrating some development functions, PG1 encountered opposition and was unable to impose a single team against the wishes of the rest of the PG. Instead, the
largest association in this group was investigating the possibility of developing on behalf of smaller group members, but acting as a single association rather than as a PG. Thus a more flexible collaborative trust based approach was proving more successful in effective deployment of development team resources than the attempt of a lead association to use their power over others. The DSD also chose not to use their power to insist on a particular structure and, indeed, it is arguable that they could not in fact have done so within the structures adopted by either PG.

**Outcomes and learning points**

The priorities for the PGs were to develop a commissioning framework for consultants and to prioritise bids from their members for the annual bidding round for the Social Housing Development Programme (SHDP). The original intention was that PGs would develop a single commissioning framework to allow the purchase of integrated supply teams, covering professional services and building contractors. In the end, the contractor element was deferred because there was no guarantee of work to the value of the relevant EU threshold. Interestingly, the prioritisation of the annual bidding round appears to have gone smoothly despite being the greatest test of the working relationships. At a time when less development funding was available, associations appeared able to assess the viability of schemes within their PGs in a constructive manner.

There were delays in proceeding to incorporate other forms of procurement into the groups, partly due to pre-existing contracts. PG1 had remained with new build procurement only, a framework agreement for contractors for all planned and cyclical maintenance was being advertised and a response maintenance service was planned to include all except one of the group’s members. PG2 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 projects. 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 it is hard to determine whether savings can be attributed to the new structures or to more general market conditions. There was a view from some participants that tender costs were being driven down to the extent that quality might be affected and product innovation and good design compromised.

On a very basic level, PGs delivered in that SHDP new build targets were exceeded for the first three years of their operation (Figure One), in contrast to the year before when there was a shortfall. However, it is impossible to say whether the targets would have been equally well met without PGs. Consideration of costs and benefits does not seem to have taken into account the additional staff and other costs to housing associations, with no comprehensive cost benefit analysis of the implementation costs carried out by the DSD. That, along with the lack of a
direct comparator in Northern Ireland (because PGs were mandatory), made it difficult to assess their effectiveness. Furthermore, the concerns of some interviewees about quality, including higher maintenance costs that would have to be met out of future rents, cannot be ignored.

**Figure One: Northern Ireland’s Social Housing Development Programme outputs 2008-09 to 2011-12**

<table>
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<th>Financial year (* = PGs not operational)</th>
<th>Target</th>
<th>Total starts or acquisitions</th>
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<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>
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Source: NIHE (2012); NIHE (2013).

In broader terms, PGs may be seen to represent the working out of competing institutional logics (Mullins, 2006) with resulting long term consequences for the sector. On one side, the establishment of PGs was a hierarchical process with the state very much in control. On the other, government wanted to increase third sector involvement in public service delivery through partnership working based on trust and equality. Equally, the benefits of private sector borrowing were crucial at a time of austerity. Case study participants therefore 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, PG1, 2012]

Even if the DSD tell us, you’re stopping existing, sorry, [PG2] doesn’t stop existing, because we have contracts with a whole range of other organisations.
[Senior staff, PG2, 2012]

While one PG 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 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.

**Conclusion**

This paper has explored the nature and operation of social housing procurement groups as a mandated form of third sector partnership. These partnerships are located within complex
network governance structures in which trust and power dynamics co-exist in an uneasy relationship. Housing associations have become hybridised through participation in these structures, whilst still retaining their primary civil society identification. Examination of the operation, relative advantages and barriers to PG effectiveness has resulted in three key conclusions: that hierarchical power is still important in network governance; that mandated partnerships shift the balance from trust to power in partnership working, but impact is uneven; and that the process of hybridisation has itself been shaped by these processes. The case study contributes to research on organisational change in the provision of public services under marketised systems.

First, hierarchical power is still important in network governance. Recent literature has questioned the assumption that networks are bastions of soft power, in which persuasion and negotiation are necessary because no one participant has enough power to act without the consent of others. It is now recognised that state agencies retain substantial power when replacing direct service provision with outsourcing and regulation. Such hard or hierarchical power, based on the control of resources, can erode trust. However, it remains possible to distinguish network governance from, say, Kooiman’s (2003) ‘top down’ hierarchical governance model, because there are also times when soft power prevails and the ‘co-governance’ model appears more appropriate. In Northern Ireland’s social housing procurement groups state actors often set the agenda, for example the DSD’s imposition of the procurement groups structure and the use of DFP’s ‘maturity matrix’ monitoring process. However, on occasions the DSD was less prescriptive, for example on the membership and legal status of procurement groups and the formation of single development teams. Over time there was significant divergence between the two PGs studied, with the trust based PG building a more sustained commitment to a policy that had originally been opposed, while the more authoritarian PG could not sustain its authority in the absence of external hierarchical power.

Secondly, mandated partnerships alter the balance between trust and power in partnership working, but the impact is uneven. A review of the literature concludes that ‘while there is theoretically no necessary conflict between competition and collaboration, in practice partnerships have tended to work more effectively when they are underpinned by voluntary trust based relationships rather than by imposed or mandated partnership forms or by competitive arrangements that undermine trust’ (Rees et al, 2012a: 52). In the NI PG case, treatment of housing associations as public bodies for procurement purposes reinforced hierarchical power through control over access to development funding. However, a weaker countervailing hierarchical influence, the Third Sector Concordat (DSD, 2011), might have provided greater space for trust based partnerships had it been more central to the procurement process. Nevertheless there were clear examples of agency amongst those associations making more successful early adaptations to the procurement group regime, with key choices made over mix of partners and types of expertise required in the management of the network. Both PGs were
formed on the basis of trust, but in one case trust was eroded and neither soft nor (external) hard power was able to replace it as an effective driver for day to day operations. In the other case, trust and legitimacy were enhanced over the period of the research. In practice, trust-based collaboration was better correlated with performance than legal structures and top down control. If trust is indeed the currency of network forms of governance (Thompson, 2003) then the early difficulties encountered in maximising the intended benefits can be readily explained. Organisations entering mandated partnerships should be aware of the difficulties involved in working to externally directed criteria whilst maintaining trust-based working relationships; however, this research shows that it is still possible. It is important that the value of trust and voluntary engagement as key success conditions for partnerships is better understood.

Thirdly the case of NI PGs indicates that the hybrid identities of the third sector organisations participating in the PGs have been actively shaped by this process. Housing associations in Northern Ireland have moved away from their historical origins as a voluntary housing movement. In other parts of the UK, the biggest challenge to third sector identities has been a shift to private sector culture as a result of high levels of borrowing, the need to manage market risk and to follow the credit ratings (Mullins and Pawson, 2010). In Northern Ireland, the treatment of housing associations as public bodies appears to pose the bigger risk. While they are referred to as private sector organisations in the Procurement Strategy (DSD, 2008), and were acknowledged to be independent third sector organisations in the ‘hands off’ approach of the DSD during the formation of the PGs, the overall process was characterised by a high degree of state control consistent with associations’ definition as public bodies. This has challenged NI’s housing associations to assert the value of the market and civil society elements of their hybrid identities. The ability to harness private finance in a context where state funding has decreased to a minority component of new development funding provides a potential argument against the imposition of public sector hybridity. Meanwhile third sector identity may be welcomed in the post-Global Financial Crisis period in the redesign of public services to achieve budget reductions, while sustaining a degree of public support and engagement. In this context the balance between accountability for public funds and third sector independence can be hard to maintain, but organisational hybridity and trust-based networks could provide the basis for more productive working relationships with the state.

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