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**Capturing diversity: a typology of third sector organisations' responses to contracting based on empirical evidence from homelessness services**

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# Capturing diversity: a typology of TSOs' responses to contracting based on empirical evidence from homelessness services

## Abstract

The impacts of government contracting on third sector organisations (TSOs) have attracted much discussion amongst third sector researchers and practitioners. However, the diversity of the organisations that comprise the sector means that these impacts have varied considerably between TSOs. In order to better understand this complexity and to analyse and articulate TSOs' experiences in a more meaningful way, it is useful to think about different response types. Based on empirical evidence from a study of homelessness TSOs in two South East England local authorities, this paper presents a typology of organisational responses to contracting. The four types identified are: Comfortable Contractors, Compliant Contractors, Cautious Contractors, and Community-based Non-Contractors. The varied experiences of these different types of organisation with regard to contracting are described in the paper and point to the need for greater precision and differentiation within both academic and policy debates about the third sector.

## Keywords

Contracting, third sector, typology, commissioning, tendering, homelessness services, homelessness.

## Acknowledgements

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## Introduction

The involvement of third sector organisations (TSOs) in the provision of state-funded public services has become an important issue for politicians, academics and practitioners over recent years, as governments in many Western European countries have sought to address some of the problems that have become associated with state welfare. In the UK from 1997 to 2010, successive New Labour governments presided over significant increases in both the funding and regulation of TSOs and in the contracting-out of service provision responsibilities to TSOs across a wide range of policy areas. This was accompanied by the more widespread use of competitive tendering to allocate these contracts and a greater emphasis on monitoring the outcomes achieved by providers. The funding and policy environment in which TSOs operate was thus radically altered under New Labour, but the effects of these changes have been far from uniform across the third sector. For instance, some TSOs have remained independent of state funding and thus have been relatively untouched by the changes, while others have significantly altered their practices in order to conform to government requirements. Understanding these differing responses is crucial to the future development of appropriate policy towards TSOs, and will be particularly important in the context of the new Coalition government's Big Society agenda. Early indications suggest that this will entail the delegation of still more public service provision responsibilities to third sector organisations and other community-based actors, and the government's preference for the term 'civil society' over 'third sector' implies that it will be seeking to engage with an even broader range of organisations and individuals. In such a setting, it is important that the strengths, weaknesses and particular capacities or niche roles of different organisations are identified and understood, not only by policy-makers and commissioners, but also by the third sector practitioners who will be required to re-negotiate their organisations' roles and relationships as the policy and funding environment is further re-worked.

That TSOs' responses to the changes described above vary considerably is unsurprising given the diversity that characterises the third sector; but this variation does highlight the need for a more nuanced conceptual framework that allows us to better capture the complexity and variety of TSO responses to the policy and funding changes. To this end, the current paper presents a typology of TSO responses to contracting, based on empirical research involving 20 organisations that provided services for single homeless people in Southampton and Hampshire, in South East England. Whilst it is not suggested that a typology derived from this limited evidence base will necessarily be transferable to other locations or fields of activity, the typology resonates with the findings of previous third sector studies, and may therefore serve as a useful tool for reflection or conceptual development in other contexts.

The construction of the typology – although primarily inductive – was influenced by pre-existing research findings and concepts: the paper therefore begins by considering some of the ways in which previous studies have conceptualised the divergent trajectories taken by different TSOs in relation to contractual opportunities and potential engagement with the state. After a summary of the national homelessness policy context, the local case study is introduced. The typology is then presented and the interview data are used to illustrate descriptions of each of the four types: Comfortable Contractors, Compliant Contractors, Cautious Contractors and Community-based Non-Contractors. In closing, the conceptual and policy implications of the typology and the findings it represents are discussed.

## Conceptualising and classifying TSO response: a literature review

The impacts of changing state-third sector relations have become the focus of a growing body of academic research, and there has been much discussion about the potential erosion of TSOs' autonomy, distinctiveness, and ability to engage with local communities, for example (e.g. Wolch, 1990; Fyfe and Milligan, 2003; Osborne and McLaughlin, 2004; Cairns et al., 2005). These debates have been summarised elsewhere (see for example: Milligan, 2007; Buckingham, 2009), although more recent research has provided further evidence regarding the impacts of contracting on TSOs. For instance, it is suggested that the tendering processes often used to allocate contracts can make it more difficult for providers to work collaboratively (Milbourne, 2009), can lead to worsening pay and conditions for TSO staff, and can adversely affect service quality (Scragg, 2008; Cunningham and Nickson, 2009). These issues are highly relevant to the organisations and processes studied as part of this research; however, the current paper is primarily concerned with capturing the *variation* in TSO responses to contracting. This review therefore focuses on literature that has conceptualised or drawn attention to divergence or diversity amongst TSOs in regard to their relationships with the state and involvement in contracting.

In the early 1990s, Knight (1993) suggested that the third (or voluntary) sector was bifurcating into two groups: one including organisations which were involved in government contracts and therefore relatively well-resourced and professionalised, and the other (which he deemed to be 'true' voluntary organisations) consisting of organisations that were independent of the state and reliant on volunteers and donations. Although Knight saw this bifurcation as a necessary means of preserving the sector's autonomy and voluntarism (Knight, 1993), it also raises concerns about the marginalisation of non-contracted providers and their beneficiaries, and about the curtailment of volunteering opportunities in organisations that become 'corporatist' in nature (Fyfe and Milligan, 2003). Studies that point to the difficulties experienced by smaller providers in competing for government contracts (e.g. Morris, 2000; Milbourne, 2009) seem in some respects to resonate with Knight's predictions; however, the fact that smaller providers were (at least in some cases) engaged in tendering processes suggests that these situations were more complex than the 'bifurcation' hypothesis would suggest. Amongst the homelessness TSOs involved in the current study there were certainly some significant differences between the characteristics of organisations that were involved in contracts and those that were not. However, some characteristics were evident in both groups (such as volunteer involvement), and there was considerable variation in experiences of and responses to contracting amongst the contracted providers. The binary distinction made by Knight (1993) did not therefore capture the complexity of providers' actual responses to the changing funding and policy environment.

Elsewhere, researchers have conceptualised TSOs' apparently divergent responses to contracting in more equivocal terms. A study of third sector social service providers in Christchurch, New Zealand identified two 'organisational trajectories', differentiating between a small proportion of providers that had become more professionalised and dependent on state contracting, and a larger proportion that had remained highly dependent on volunteers and had a variety of income sources (Conradson, 2002). These trajectories correspond with the two groups identified by Knight (1993), but Conradson

(2002) observed that organisations following both trajectories exhibited a combination of compliance *and* resistance in response to policy and funding changes. Milligan and Fyfe (2005) examined the differences between so-called 'grass-roots' and 'corporatist' welfare TSOs in Glasgow (see also: Brown et al., 2000; Fyfe and Milligan, 2003) and concluded that this distinction, although in some respects useful, was an oversimplification of a far more complex reality. For example, grass-roots organisations are typically associated with community empowerment and active citizenship, but some national TSOs were found to be engaging communities in similar ways to local ones (Milligan and Fyfe, 2005). Federal organisations, where a local TSO was affiliated to a larger national organisation, also posed a problem within this binary classification, because they were able to draw on the resources of the national organisations, but otherwise exhibited attributes more akin to the 'grassroots' providers (Milligan and Fyfe, 2005). These issues were evident amongst the TSOs studied in Southampton and Hampshire, and demonstrate that in order to classify TSOs in a theoretically meaningful way, there is a need to take into account qualitative information about an organisation and its experiences, as well as its more readily categorised characteristics such as income and area of operation.

More generic, conceptual classifications of state-third sector relationships also offer insights into how the impacts of contracting might vary amongst TSOs depending on the nature of their relationship with the state. Young (2000), for example, developed a three-fold typology categorising state-third sector relationships as: supplementary, whereby TSOs met needs that are unmet by the state; complementary, whereby TSOs partner with the state to deliver services that are largely state funded; or adversarial, whereby TSOs seek to influence government policy (see also Young, 1999, cited in Najam, 2000). These categories are not mutually exclusive, but Young (2000) suggests that complementary relationships have become dominant in the UK. In the current study, the non-contracted TSOs corresponded with the supplementary model, but the majority of TSOs had complementary relations with the state by dint of their involvement in statutory service provision contracts. However, this classification does not enable us to distinguish between different organisational responses to contracting within the complementary category, and as such is less useful for exploring the organisational impacts of contracting.

Najam (2000) draws on Young's work to propose a slightly different model of government-third sector relations, based on the level of correspondence between the goals and strategies of each party. He identifies four types of relationship: co-operation, where the state and TSO have similar aims and preferred strategies for achieving them; co-optation, where the preferred strategies are similar, but the objectives of the state differ from those of the TSO; complementarity, where the two parties share similar aims but use different strategies to achieve them; and confrontation, where the state and TSO have different aims and different strategies (Najam, 2000). This framework corresponds with some of the experiences of the TSOs in this study, but again, the interview data suggested that the relationships between providers and local government were more complex than this classification allows for. The term 'co-optation', for instance, does not acknowledge TSOs' own agency in deciding whether to accept government funding. Furthermore, TSOs often had multiple goals or strategies, some of which corresponded with the government's and others of which did not.

Differing TSO responses to policy and funding changes are also drawn attention to in the homelessness literature: in particular, Johnsen et al. (2005a: 791) identified three 'developmental trajectories' based on their evidence relating to day centre services. These trajectories differentiated between services that were heavily dependent on voluntary labour and funding, those which had become professionalised and retained their original religious ethos, and those which had become professionalised and abandoned their religious ethos. Johnsen et al. (2005a) also identified a further group of services that were secular and highly professionalised from their outset. These trajectories relate to day centres specifically and were based on the values and level of professionalisation of services, rather than the impact of contracting, but similar distinctions were apparent amongst the TSOs in Southampton and Hampshire. The typology presented later in this paper focuses more specifically on responses to contracting and relates to a broader range of homelessness services, but it corresponds closely with Johnsen et al.'s (2005a) trajectories and as such serves to corroborate and build upon the existing evidence base.

## Homelessness and the policy context

The third sector has historically played a major role in the provision of single homelessness services in the UK, and in spite of recent increases in government investment and intervention, homelessness TSOs – many of which are faith-based organisations – have remained the main service providers in this area (Cloke et al., 2005; May et al., 2005). Homelessness TSOs provide a diverse range of services from supported accommodation and hostels through to day centres, soup runs and drop-in cafes, and are also engaged in research, policy development and campaigning activities (Joseph, 2010). As such, their characteristics vary widely, and this makes homelessness services an interesting and insightful field in which to study the impacts of contracting on TSOs of different types. In order to understand TSOs' responses to tendering it is necessary to know something about the context in which they operate: there is not space here to describe the national policy context in detail (for reviews of UK homelessness policy see: May et al., (2005) and Mullins and Murie, (2006); for third sector policy see: Alcock and Scott (2007, pp. 91-94) and Haugh and Kitson (2007)), but some of most relevant homelessness policy interventions are outlined below.

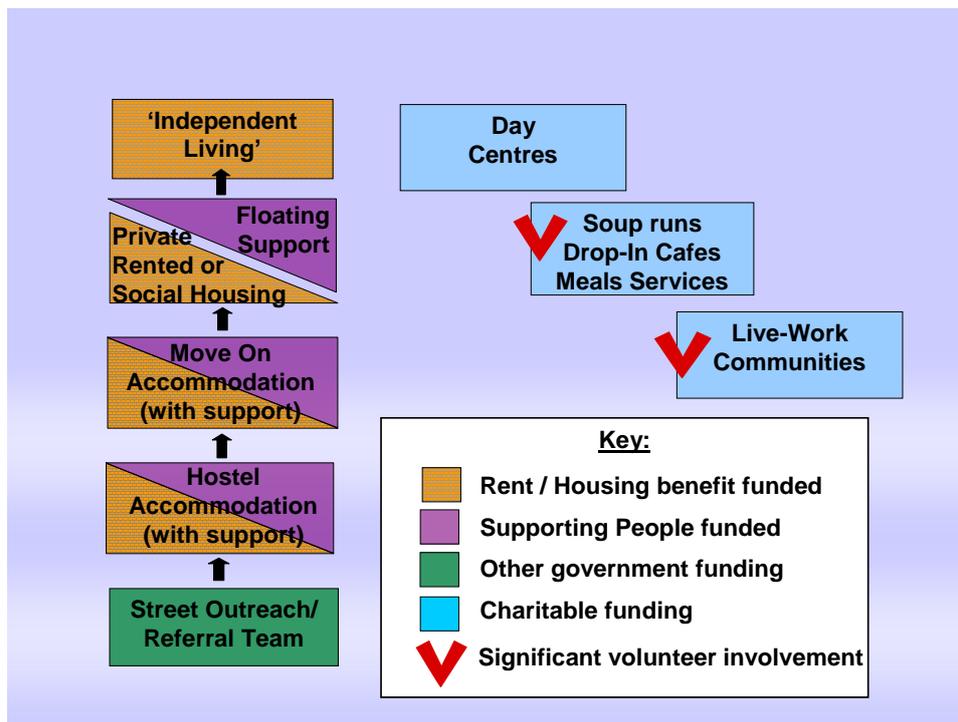
This study focuses primarily on TSOs providing services for single homeless people, a group which includes single people and (somewhat confusingly) couples without dependent children who are homeless (Kenway and Palmer, 2003). In the UK, homelessness is defined by the 1996 Housing Act as the state of lacking adequate accommodation in which one is entitled to live. Rough sleepers therefore account for only a small fraction of a much larger homeless population: the vast majority of single homelessness is hidden from the public gaze and is experienced by those living in hostels, bed and breakfast accommodation, squats, or overcrowded accommodation, or 'sofa surfing' with friends or family. Enumerating this 'hidden homeless' population is fraught with difficulties, and this has arguably contributed to the relative neglect of this issue by policy makers, particularly in comparison with efforts to reduce street homelessness (see Fitzpatrick et al., 2005; May et al., 2005).

The 1996 Housing Act gave local authorities a primary duty to accommodate those deemed to be unintentionally homeless and in a priority need group. These groups initially included pregnant women, families with dependant children, people vulnerable due to old age, mental illness or physical disability, as well as victims of fires and floods. Additional priority need categories for 16 and 17 year olds, care leavers aged 18 to 20, and people vulnerable due to violence or time spent in care, the armed forces, prison or custody were created by the 2002 Homelessness Act. This extended local authorities' 'duty to accommodate' to include a larger number of homeless people; however, approximately half of the single homeless people who presented to their local authority as homeless in 2003 did not fall into these priority need groups (Parsons and Palmer, 2004). As a result, single homeless people are often more dependent on non-governmental initiatives than other groups within the homeless population.

The 2002 Homelessness Act also made local authorities, rather than central government, responsible for regulating service providers and required them to submit a Local Homelessness Strategy. Meanwhile, the launch of the Supporting People programme in 2003 meant that local authorities also accrued responsibility for planning, funding and monitoring housing-related support for single homeless people (amongst other vulnerable client groups) (see Riseborough, 2006). The programme promoted a more structured approach to the provision of this support, which was to be focused on enabling people to maintain their tenancies or move towards more independent accommodation (for example by helping them to access the correct benefits or develop budgeting skills) (Supporting People, 2004). Local authorities were encouraged to commission services providing different levels of support, so that clients could progress from more- to less- intensive services and eventually to independent living, where appropriate. Figure 1 gives an indication of how Supporting People funded services operated alongside and in conjunction with services funded by voluntary income and by other government agencies. Importantly though, this schematic diagram simplifies a much more complex reality and the configuration and capacity of the services commissioned varied considerably between local authorities.

Single homelessness services can be understood as being positioned on a continuum, along which increasing duration of [continual] contact with clients tends to be associated with increasing professionalism and formalisation. Beginning at the more informal end of the continuum, in many UK cities soup runs or (static) soup kitchen services distribute soup and other food to homeless people usually on a daily or weekly basis. 'Café' type services offering hot drinks or cooked meals and a place to sit and perhaps to socialise with others are also significant components of urban homelessness service landscapes, as are food and clothing banks. These services are often targeted towards disadvantaged people in general rather than homeless people specifically. Day centres tend to operate on a more formal basis, and may be open during the day time all week, or on certain days. The facilities they offer vary considerably but may include meals, washing facilities, advice, training and referrals to other services. In some cities, state-funded street outreach teams make regular contact with rough sleepers and encourage them to engage with other services (e.g. Hall, 2008).

Figure 1: A schematic diagram showing how Supporting People-funded services fit within a 'typical' homelessness services landscape



In terms of accommodation, night shelters typically offer very short term provision (ranging from one night to about two weeks) and often accept self-referrals from homeless people. Direct access hostels are also intended to provide short term accommodation, but differ from night shelters in that residents can access them during the day and they have 24 hour staffing (Resource Information Service (RIS), 2006). In theory direct access hostels should have frequent vacancies and accept self-referrals, but in practice this is not always the case and some only accept referrals from local authorities (RIS, 2006). The longer-term services are known as second stage accommodation (Homeless Link, 2009) or move-on accommodation and usually offer accommodation for up to two years. Clients are typically referred into these services by other agencies and are assigned a key-worker who develops a personal support plan with them. A third stage accommodation service may then be offered in which a lower level of support is available. A significant initiative within the Supporting People programme was the development of more comprehensive floating support services to provide housing-related support to people living in the community. Individuals who had recently moved on from accommodation-based services into independent accommodation, or those known to be at risk of homelessness, could be allocated a certain number of hours with a support worker to help them develop the skills to maintain their accommodated status.

In most cases, support provided to residents in accommodation-based services is funded through Supporting People. This programme has consequently had a major influence on many homelessness TSOs, and has involved them in competitive tendering and in more intensive monitoring processes than most had previously been exposed to. Commissioning practices varied between local authorities however, and before exploring TSOs' responses to these changes, the following section describes the local homelessness landscapes and differing approaches to commissioning employed in Hampshire and Southampton.

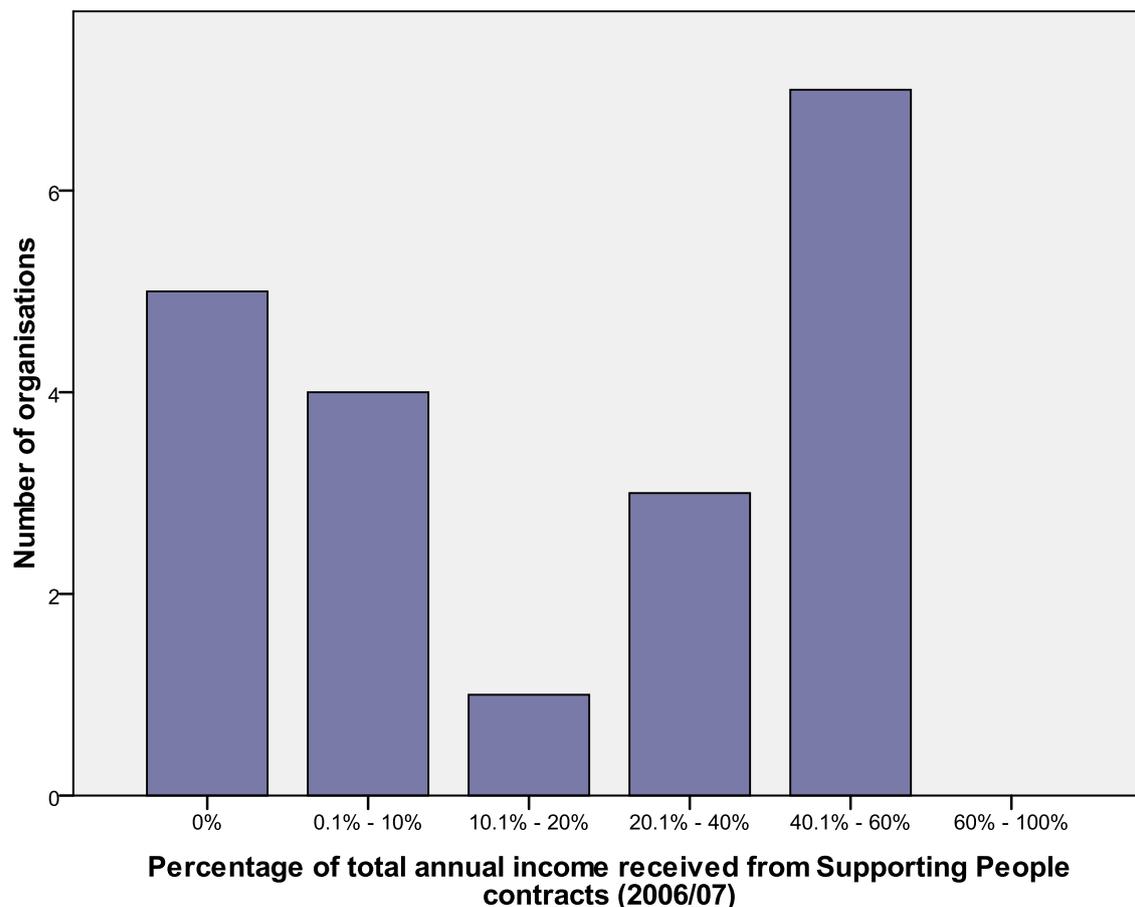
## The case study: homelessness TSOs in Southampton and Hampshire

The empirical research upon which this paper is based sought to explore the impacts of contracting – and the tendering and monitoring processes in particular – on TSOs providing homelessness services in Southampton and Hampshire, two local authorities in South East England.

### Methods

A combination of qualitative and quantitative methods was used to explore the experiences of 20 TSOs that were involved in the provision of services for single homeless people in the two local authorities. The qualitative research comprised 26 semi-structured interviews. These were conducted in 2007/08, and the interviewees included representatives (typically managers, directors or leaders) of the 20 service-providing TSOs, as well as the manager of a local infrastructure TSO and two local government representatives who were involved in the commissioning of homelessness services. Although volunteers, staff and service users were not interviewed as part of this research, the research design and analysis were informed by insights gained and individuals encountered during the author's own participation as a soup kitchen volunteer from 2006-2009.

Figure 2: Histogram showing percentage of organisations' annual income received from Supporting People contracts



Quantitative data from annual reports and other documentary sources were used to categorise the TSOs according to characteristics such as annual income, income sources, and volunteer involvement. These data capture something of the diversity of the TSOs involved in the study: the organisations' annual incomes ranged from less than £20,000 to over £200,000,000, for instance, and the frequency distribution in Figure 2 shows that there was considerable variation in the extent to which the organisations relied on contractual income from Supporting People contracts (see Buckingham, 2010 for further details). Diversity with regard to the *impacts* of contracting also quickly became apparent from the evidence gathered, and this led to the need for and subsequent development of a typology in order to make sense of the data and communicate the findings in a meaningful way.

### **The local homelessness service landscape**

For the majority of the providers studied, the most significant recent policy intervention had been the introduction of the Supporting People programme in 2003. Fifteen of the 20 TSOs were involved in providing Supporting People funded services, under contract to the local government. However, not all of the TSOs studied were directly affected by the Supporting People programme and some provided services that were outside of its remit such as soup runs or drop-in meals services.

The accommodation services offered to single homeless people by the providers studied included night-shelters, hostels and assessment centres, as well as move-on accommodation for people who were leaving more intensive services, or for those whose needs were deemed to be of a lower level. These services varied considerably in terms of the duration of stay permitted, the level of support provided, and the routes by which clients could access the services. In most cases these characteristics were determined by the requirements of Supporting People contracts, because although Supporting People funding did not cover the accommodation component of these services, it paid for the support provided to residents in these settings, and as such Supporting People contracts were a key source of both income and clients. The accommodation itself was typically funded by rental income: this was usually covered by housing benefits, but in some cases the rent exceeded the level of these benefits, and clients who were employed or ineligible for housing benefit sometimes had to pay rent themselves. Several of the TSOs studied were involved in providing floating support services, which were funded entirely by Supporting People and delivered by paid staff.

All the hostel and move-on accommodation services had paid staff and very little, if any, volunteer involvement. The night shelter by contrast had a small number of paid staff but was heavily dependent on volunteers. This service also had a greater proportion of voluntary income: this was partly because it provided fewer hours of housing-related support and therefore received less Supporting People funding, but also because, unlike the other accommodation services, it did not charge rent to its users. One TSO in the study was developing a new accommodation-based service independently of Supporting People funding: in its initial stages this project was being funded primarily by trusts and corporate donations but in the longer term was intended to become a self-financing social enterprise.

Representatives of three day centres were interviewed as part of the study. These were used by rough sleepers and people living in hostels or move-on accommodation, as well as those living in temporary accommodation. These services typically provided washing facilities, meals, access to

training, health care and key worker support. However, unlike in the accommodation-based support services, involvement in formal support planning was not a condition of service receipt and clients could continue to access the day centres if they chose not to participate in this. The day centres drew on different combinations of funding sources including government contracts (not Supporting People), voluntary donations, and grant funding from local authorities. All the centres relied on a core of paid staff but the level, nature and purpose of volunteer involvement varied. For instance one project took on 'volunteers' from government employment schemes, while another involved former service users in housekeeping tasks. Volunteers from the community were sometimes involved in providing education, training or other activities within the day centres. Day centres were the most formalised of the non-Supporting People funded services however: all operated some sort of outcomes monitoring process, and they often played a key role in facilitating access to more formal services.

The more informal services included a soup kitchen and several volunteer-run projects which served meals on a weekly basis in local church halls. Those leading these drop-in meals services saw the development of relationships between volunteers and service users as very important, and were seeking to nurture 'social environments' (Wolch, 1983) as well as providing food and temporary shelter. There were no formal conditions attached to service receipt and services were provided to a wide range of vulnerable people including those experiencing hidden homelessness or who had recently 'moved-on' from supported accommodation, as well as rough sleepers and hostel residents. These initiatives did not involve any formal support work or monitoring and relied on voluntary income, in-kind donations and volunteer labour. This is partly because soup runs were believed by the government to sustain street homelessness and to act as a disincentive for people to engage with support and accommodation services (see Johnsen et al., 2005b). However, not only did these more informal services represent an important form of provision for those who were unwilling or unable to engage with other forms of support, but also many people used these services in addition to the more formal homelessness services. The fact that people continued to attend these services after they had been accommodated suggests that they served a significant and complementary function, and informal conversations with service users suggested that these services were important sites of sociability or even solidarity for their users. However, the involvement of volunteers and the relatively informal, unregulated nature of these services seemed to be important in enabling them to serve such functions.

Other services provided by the TSOs studied included outreach work with rough sleepers, co-ordination of the referral of clients into Supporting People services, and a befriending service whereby volunteers (usually formerly homeless people) would visit people who had recently moved-on from homelessness services into independent accommodation. Food and clothing banks represent another form of third sector assistance for single homeless people. One such service featured in the study: this relied heavily on in-kind donations, which were distributed by two paid part-time staff and a larger team of volunteers. Again, a strong emphasis was placed on engaging in conversation with service users, as well as providing a practical service.

## **Commissioning in practice at the local level**

The relatively small geographical scope of the study enabled the local service provision landscapes and the implementation of the Supporting People programme to be explored in depth, and also allowed two contrasting approaches to commissioning to be examined. In both local authorities, the number of homelessness services and providers contracted by local government was being rationalised significantly (Southampton Supporting People, 2005; Hampshire Supporting People, 2006). This was motivated partly by the need to reduce costs, as larger contracts were deemed to be more cost effective, but there was also a need to better co-ordinate provision in order to make the previously complex network of services easier for homeless people to navigate and to reduce the likelihood of repeat homelessness. However, the processes through which these changes were implemented differed significantly between Hampshire and Southampton.

In Southampton, the entire network of single homelessness services was restructured (see Buckingham, 2009): new contract specifications were drawn up for each of the proposed services, and competitive tendering was used to allocate all of these contracts over a two year period. The tenders were advertised openly to all potential providers, but a pre-qualification questionnaire was used to ensure that only suitable applicants completed the full tendering process. Hampshire's approach involved a more gradual adaptation and reworking of the existing service landscape. Whereas Southampton's Supporting People Team had been advised by their legal team that they were obliged to put all their contracts out to tender, Hampshire's legal team concluded that a tendering exercise was not always required because homelessness services qualified as 'Part B' services under the EU procurement regulations (Directive 2004/18/EC). In Hampshire therefore, some contracts were tendered for, and others were negotiated with existing providers. Where tendering was used, invitations to tender were only advertised to a list of screened and registered 'preferred providers'. In both local authorities, tenders were judged on the basis of quality and cost, which were assessed through a written bid and – for short-listed providers – a presentation and panel interview. Once contracted by Supporting People, providers were required to submit quarterly returns which included outcome measures such as number of residents (utilisation), empty bed spaces (voids), move-ons and evictions, and to participate in a quality standards scheme known as the Quality Assessment Framework (QAF). Providers' past performance in the QAF was a key component of the assessment of bids for new contracts. As such, the commissioning processes used to allocate Supporting People contracts generated competition amongst TSOs, and also required them to place greater emphasis on quality measurement and on achieving the outcomes that were measured by the local authority.

Both the tendering and quality measurement processes introduced as part of the Supporting People programme were having significant implications for many of the TSOs studied: however, as was mentioned above, not all the TSOs were involved in contracting, and those that were had experienced and responded to it in different ways. In view of this, the typology presented below provides a framework through which this diversity can be conceptualised, allowing a more nuanced and carefully differentiated narrative to be presented and thereby giving voice to the differing experiences of different types of TSO.

## A typology of TSO responses to contracting

The organisations in the study were classified into four types according to their characteristics and their experiences of and responses to the contracting processes described above: Comfortable Contractors, Compliant Contractors, Cautious Contractors, and Community-based Non-contractors. The key attributes of each type are summarised in Figure 3 and are described further below. As Ling (2000: 83) points out:

Typologies are always in danger of forcing a complex and unwilling world into arbitrary categories. At best, however, they open up a field of inquiry to systematic and ordered study so that we understand complexity, rather than are overwhelmed by it.

As such, while the typology is inductive or 'grounded' in the sense that it is derived from analysis of the empirical data, it is also an abstraction or simplification of a more complex reality and some of the organisations studied departed from the characteristics associated with their 'types' in certain respects. This simplification, however, is helpful and necessary in order to make sense of and communicate meaningfully about the degree of diversity that one is confronted with when studying the third sector.

Figure 3: A typology of organisational responses to contracting. Note: the numbers in brackets indicate how many of the organisations in the study were classed as this type.

<p><b>Type 1: Comfortable Contractors (5)</b></p> <ul style="list-style-type: none"> <li>● Typically housing associations or related organisations with business-like practices</li> <li>● Involved in government contracts</li> <li>● Homelessness is not 'core' business</li> <li>● No volunteer involvement</li> <li>● No voluntary income</li> </ul>	<p><b>Type 2: Compliant Contractors (7)</b></p> <ul style="list-style-type: none"> <li>● Charities that have become business-like and professionalised</li> <li>● Heavily dependent on government contracts</li> <li>● No/little volunteer involvement</li> <li>● No/little voluntary income</li> </ul>
<p><b>Type 3: Cautious Contractors (4)</b></p> <ul style="list-style-type: none"> <li>● Involved in government contracts</li> <li>● Voluntary income is significant</li> <li>● Involve paid staff and volunteers</li> <li>● Tensions between multiple stakeholders</li> <li>● Resistance or difficulty in adapting to government requirements</li> <li>● (Often) faith-based</li> </ul>	<p><b>Type 4: Community-based Non-contractors (4)</b></p> <ul style="list-style-type: none"> <li>● Not involved in government contracts</li> <li>● Entirely voluntary funded</li> <li>● (Almost) entirely staffed by volunteers</li> <li>● Small organisations or groups of people</li> <li>● Embedded in local communities</li> <li>● Independent of government monitoring</li> <li>● (Often) faith-based</li> </ul>

The TSOs not only exhibited differing responses to contracting but were also diverse in terms of their size, income sources, service types and levels of volunteer involvement. In order to take account of these multiple variables, the typology drew on both the interview and quantitative data. By categorising the quantitative data it was possible to identify clusters of organisations with similar characteristics. For instance, the organisations that were most dependent on Supporting People funding tended to be those with annual incomes between £1,000,000 and £10,000,000 (Figure 4). Four of the largest providers with incomes over £10 million also received over 20% of their income from Supporting People, although a further three such providers received less than 10% of their income from this source. Given the relatively small number of cases, inferences based on the quantitative data alone are of limited value; however, commonalities between some organisations' experiences of contracting were also apparent from the interview data, and four basic responses to contracting could be discerned. These corresponded with some of the trajectories and types identified in the literature reviewed above, as the subsequent type descriptions show. Linking the thematically-coded interview transcripts with the categorical data (using NVivo software), enabled the coded fragments to be analysed according to different organisational characteristics, which was particularly useful in developing the typology. In many cases TSOs with similar characteristics exhibited similar responses to contracting, but where there was a discrepancy between them, the response took precedence in determining an organisation's type. These discrepancies were themselves of interest, but are difficult to explore without revealing the identities of the organisations involved. However, the two cases where the organisational characteristics were significantly different from those typically associated with a particular type of response, were TSOs that had relatively large incomes and geographical coverage, but whose values and desire to maintain their autonomy meant that they had either resisted involvement in contracting altogether, or that they drew significantly on non-governmental funding to ensure that they could continue to pursue their mission whilst remaining involved in contracts.

Figure 4: Matrix showing relationship between total annual income and percentage of income from Supporting People contracts

**Supporting People Income**  
(as a percentage of total annual income)

● = 1 TSO	0%	0.1-10%	10.1-20%	20.1-40%	40.1- 60%
£0-£20,000	● ● ●				
£20,001 – £1,000,000	●	●	●	●	
£1,000,001- £10,000,000	●				● ● ● ● ●
Over £10,000,000		● ● ●		● ●	● ●

### **Type 1: Comfortable Contractors**

This group consisted of providers that were either housing associations or had de-merged from housing associations in order to specialise in support services for vulnerable client groups. For the housing associations, homelessness services were typically a small part of their business, which was mainly general needs social housing. The more specialised support organisations typically catered for a range of client groups (e.g. people with disabilities, elderly people) in addition to homeless people, but were more dependent on government contracts than the housing associations, for whom rent was the main source of income. Comfortable Contractors were the largest TSOs in terms of their income, geographical scope and number of staff. They operated at a regional to national scale and did not involve volunteers or have any voluntary income.

These TSOs were the most business-like in terms of their values and practices: for instance one manager explained that:

There's nothing charitable about being in the charity sector. There is absolutely no love in the business. It is very much running a business. It's a charitable business in that the objects [...] are charitable in nature, and [...] in the sense that we aren't in the business for profit, [...] but in every other sense it is a business (Interview 19, Comfortable Contractor)

Being competitive, innovative, cost-efficient and entrepreneurial were key values for Comfortable Contractors, and establishing a good reputation and brand image were cited as very important by providers of this type. These values (and the practices that ensued from them) corresponded closely with local governments' need to reduce costs and maximize value for money and meant that these organisations were relatively well prepared for competitive tendering. These TSOs placed a strong emphasis on promoting independent living, and as such their aims matched closely with those endorsed by local government. The Comfortable Contractors tended to have had more business-like practices in place prior to the introduction of the Supporting People programme and were therefore able to achieve professional standards and implement processes for monitoring outcomes relatively easily in response to government requirements. Indeed, specialized support departments had sometimes been set up (or had significantly expanded their activities) in direct response to the increased availability of government funding for accommodation-related support during the transition into the Supporting People programme. Of all the types, the Comfortable Contractors experienced the least friction or difficulty in participating in competitive tendering and complying with contractual obligations.

### **Type 2: Compliant Contractors**

The Compliant Contractors had typically originated as local homelessness charities. Most had significantly expanded since their origin and provided a variety of services to homeless (and sometimes other) clients. They were mainly regional level providers, and all were heavily dependent on government contracts for their income. All relied almost entirely on paid staff and had become increasingly professionalized in response to the higher standards being required by government contracts. Volunteer involvement was usually very limited and was sometimes confined to services

within the organisation that were not funded by government contracts (e.g. soup runs) (see also Cloke et al., 2007). Most of these organisations said that they had involved more volunteers in the past.

Managers of these Compliant Contractor organisations identified some tensions between their organisation's values and goals, and the requirements of the contracting process, but because of financial dependency, felt they had little choice but to comply with government demands:

[W]e're a small operation and we only operate, almost only operate in [city]. If we fall out with [the] Council, that's our main source of income. We are vulnerable to upsetting the Council. So strategically we have had to roll over and go with the flow. (Interview 18, Compliant Contractor).

In order to compete for and comply with government contracts these organisations had moved towards the more business-like quality measurement practices and market-oriented values that characterized the Comfortable Contractors. They had embraced the emphasis on 'move-on' and independence promoted by the Supporting People programme, perceiving it to be more progressive than simply supporting homeless people's survival. Some felt that a more holistic approach would enable clients to make more sustainable changes and progress, but being reliant on contractual funding, were obliged to focus on achieving the outcomes defined by Supporting People. These, it was suggested, did not always correspond with clients' needs.

### **Type 3: Cautious Contractors**

The 'Cautious Contractors' were involved in state funding contracts but also received a significant proportion of their income from voluntary donations. Reconciling the demands of multiple stakeholders was therefore a key challenge for managers of these organisations. All involved volunteers in some way, although they relied mainly on paid staff for the direct provision of services. Some were quite professionalised in their operation, but for others, meeting the standards required by government funders had been much more difficult. This was particularly the case for smaller, localised providers with relatively few paid staff, in which managers found it difficult to balance the necessary administrative and monitoring tasks with their operational and practical duties.

These organisations tended to attach greater importance to maintaining and enacting their ethos or values, which in most cases were based on the Christian faith. The way in which these values were interpreted varied both between and within organisations. Cautious Contractor managers said that to some extent their organisations' values could be expressed within the conditions set out in government contracts, and that voluntary resources gave them some scope to provide additional services which more closely reflected their values. However, there were occasions when these organisations' values brought them into conflict with commissioners, for example:

[Supporting People] were very clear that they wouldn't allow us to operate with seventeen beds in nine bedrooms, and they really want [...] one guest per bedroom. [...] that's a huge reduction [...] our contention is that if guys are out on the street, [...] is that not better to have them in a bed off the street, in that environment, than to say we can't have you because we're not allowed to have any more than one bed in each room? (Interview 16, Cautious Contractor)

In contrast to the Compliant Contractors, the values-based tensions that arose in these organisations were more likely to prompt efforts to uphold the organisations' ethos and the ability of these organisations to secure voluntary resources, particularly through faith communities, played a key part in enabling them to retain some autonomy and continue to pursue their own values. However, several providers that would have been classified as Cautious Contractors (no longer operating at the time of the study) had been taken over by Comfortable and Compliant Contractors in recent years because they lacked the resources to meet the standards required by government contracts, suggesting that such efforts were not always successful. In summary, Cautious Contractor organisations seemed to experience the greatest tensions of all the types because they had to satisfy the standards and practices required by government funders, whilst trying to remain faithful to their often faith-based organisational values and maintain the support of volunteers and donors (see also: Ebaugh et al., 2005; Cloke et al., 2007).

#### **Type 4: Community-based Non-contractors**

These organisations differed significantly from the other types in that they were not involved in government contracts at all. With one exception, the types of services they offered would not in any case have been eligible for contractual funding: they included providing cooked meals in a church hall on a weekly basis, and redistributing donated food and clothing, for example. These organisations were resourced entirely by voluntary donations and were staffed mainly by volunteers (some employed a very small number of paid staff). Being independent from government performance monitoring and the need to compete for contracts, these organisations were in many ways free to pursue their own aims and values. All but one of these Community-based Non-contractors were faith-based and had strong links with local churches. The providers placed a strong emphasis on offering acceptance to service users and building relationships with them. For instance, one volunteer leader commented that:

...to me the primary role, aim, is the community, it's the relationship, it's building relationships with these people. And I think that's what we've been really touched by, really impacted by...getting to know these guys. They've really changed us [the volunteers]... (Interview 24, Community-based Non-contractor).

These organisations tended to have a wider client group and some had no eligibility criteria: volunteers would serve meals to anyone who came along, without asking about their accommodation or employment status, for example. The more informal nature of these services and the involvement of volunteers seemed to contribute to the construction of a social environment that was valued and appreciated by service users. However, these services generally operated for very limited time periods each week: some volunteers met up with service users outside of the project hours, but providers acknowledged that there were limits to what could be achieved with the available resources and expertise. As such, although these organisations were not restricted by contractual obligations and were arguably the most embedded within local communities, time and resource constraints meant that they were not able to provide as much help to as many people as they would have liked to (see also Smith and Sosin, 2001).

## Conclusions and policy implications

The typology presented above highlights the diversity of TSO responses to contracting, demonstrating that there were significant differences between organisations that were involved in contracts, as well as between contracted and non-contracted TSOs. Categorising the organisations in this way allows the experiences of different types of TSO to be given voice, and by including both characteristics and organisational responses within the type descriptions the typology provides an indication of the characteristics (and combinations of characteristics) that might contribute to the differences observed. Organisations receiving a significant proportion of voluntary income in addition to government funding seem to experience greater tensions in the contracting process, for example. Whilst a different selection of TSOs with different values and practices, or indeed different local authorities employing different approaches to contracting, may have yielded different results, the typology does offer insights that may be relevant to TSOs operating in other contexts. It can also serve as a useful conceptual tool for both theoretical and policy-related reflection, and this concluding section therefore identifies some of the broader academic and political debates to which the material presented here is of relevance.

Much has been written about the potential 'multi-functionality' of TSOs (Kendall, 2003; Evers, 1995), and their hybridity – or ability to combine the characteristics associated with the state, market and informal sectors - has recently become a concept of great interest amongst third sector scholars (e.g. Evers, 2005; Billis, 2010). State contracting was contributing to the hybridization of TSOs that engaged in contracting by requiring them to adopt practices and values associated with the market and state sectors. As such, the TSOs that dominated the contract 'market' were, in Billis' (2010: 18) terms, 'entrenched' hybrids: 'those with deeply embedded characteristics of neighbouring sectors'. Interestingly, when one considers the third sector as a whole (or in this case, all the providers in the study, rather than just the contracted ones), hybridisation – a process that might typically be associated with multi-functionality - appears in fact to be associated with a trend towards increasing functional specialisation amongst TSOs. The increasing prevalence of government contracting and the associated requirements seemed to be exacerbating the 'division of labour' amongst the contracted and non-contracted homelessness TSOs studied here. Some organisations were becoming highly proficient at winning and delivering government contracts; whilst others were focusing their attentions primarily on meeting relational needs and providing social environments, for example. The significance of this division of labour in relation to the concepts of hybridity and the welfare mix will be explored in a subsequent paper, but it is worth noting here that the Comfortable Contractors exhibited few of the distinctive characteristics upon which New Labour's support for the third sector was premised (Office of the Third Sector, 2006, pp. 9-10).

It has been reported elsewhere that in terms of service provision, New Labour sought primarily to partner with those TSOs that were able and willing to embrace modernization and had the capacity to report accurately on their activities (McLaughlin, 2004). This is supported by the findings represented in the typology, which show that the larger Comfortable Contractors adapted most easily to the requirements of the contracting process, and that the Compliant Contractors were becoming more like the Comfortable Contractors as they sought to meet these requirements. The Cautious Contractors

were seeking to retain a greater degree of independence from government control, and securing alternative sources of income and volunteer support seemed to be crucial to their ability to do this. However, having a mixed income and support base made it difficult for managers of these organisations to balance the competing demands of different stakeholders. The Community-based Non-contractors were excluded from contracting, but this was not perceived as problematic. Indeed, it was arguably their relative independence and high level of volunteer involvement that enabled them to cater for individuals who (because of ineligibility or personal choice) did not benefit from the more formal services, and – importantly – to meet different types of need, particularly in terms of facilitating social contact both amongst homeless people and with members of the wider community. The populations of each type were not static, however. Many TSOs were gradually changing type as they conformed to contractual requirements but, in addition to this, it had become increasingly common for Cautious and even Compliant Contractors to be subsumed by Comfortable Contractors through mergers or acquisitions, thereby increasing the dominance of the latter in this field. Indeed, what seems to be emerging is a more polarised division of labour between the Comfortable Contractors and the Community-based Non-contractors, and a depopulation of the two ‘in between’ types. This raises concerns about the loss of medium-sized TSOs and the distinctive capabilities and characteristics that they might bring to homelessness services.

These findings prompt the question of how the new Coalition government’s approach to the third sector will differ from New Labour’s. The Big Society agenda certainly suggests that the involvement of TSOs and other civil society actors in public service provision will continue to increase. However, thus far there seems to have been little political acknowledgement of the varying capabilities and limitations of the different types of organisations that might contribute to this ‘Big Society’. The Coalition’s adoption of the term civil society in preference to the third sector, arguably encompasses an even wider range of actors (including individual community organisers, for example), so it will be vitally important that the capacity of these different actors to meet the expectations being made of them is carefully considered.

Their capacities will to some extent depend on the resources and support made available to them, of course. Indeed, in the present political and economic context one might question whether any government-contracted organisation could aptly be described as ‘comfortable’ in the face of the planned cuts in public service expenditure. The Compliant Contractors in particular were heavily dependent on government funding, and so would be very vulnerable to budget cuts. The Comfortable Contractors are perhaps less vulnerable because government contracts did not usually constitute their core business: however, the recently announced cuts in housing benefit payments are likely to have a significant impact on their core income streams and these organisations might choose to opt out of providing homelessness support services if this ceased to be financially viable. The Community-based Non-contractors were not state funded, but neither did they have the resources, skills or experience to provide the much-needed and more expensive ongoing accommodation services and expert support for mental health or drug and alcohol issues, for example.

Early indications suggest that there will be a transition towards a system of payment-by-results for some public services. Whilst this might remove some of the bureaucracy involved in government

contracts, which is often a barrier to smaller providers, it is difficult to see how Cautious Contractors would acquire the resources to provide services if payment were to be made in arrears. Compliant Contractors would likely encounter similar problems because government contracts are their main source of income: as charities they have limited reserves, and often do not have assets that could be used as security for loan finance. Indeed, if they were able to finance the services up-front, this would be a high-risk strategy given that many of their clients have very complex needs, and cannot necessarily be expected to meet the outcomes required. It seems likely that the Comfortable Contractors would be best able to cope with a payment-by-results system because they were the most financially secure; however, it is questionable whether these organisations would be willing to cross-subsidise homelessness services using income from their other activities, particularly given the level of financial risk involved.

This paper has highlighted the differential impact that New Labour's reworking of the funding and policy environment had on homelessness TSOs. The ways in which the policies of the Coalition government will influence this environment – and the implications this will have for the organisations operating within it – remain to be seen. However, the typology presented here draws attention to the need for the specific strengths and limitations of different segments of this diverse sector to be taken into account when developing policy interventions, directing resources, and assigning responsibilities to the organisations within it.

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## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The third sector research centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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## Service Delivery

From housing, to health, social care or criminal justice, third sector organisations provide an increasing number of public services. Working with policy makers and practitioners to identify key priorities, this work will cut across a number of research streams and cover a series of key issues.

Critical understanding service delivery by the third sector is important to policy making as the third sector now provides a major - and very different - option for public services, which may be more responsive to the needs of citizens and service users. At the same time, there are dangers inherent in the third sector becoming over-dependent on funding from service contracts – particularly in terms of a potential loss of its independence. The centre's research will help to inform the debate on the way in which service delivery is developing, the potential role of the third sector in commissioning as well as contracting, and the implications of different approaches to service delivery on the overall impact of the third sector.

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