The Voluntary and Non-profit Sector in the UK: Key Trends and Emerging Issues in the Relationship between the Sector and the State

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This paper reviews the context and history of relationships between the non-profit sector and government in the UK. The opening section provides some background information on the nature and structure of the non-profit sector in the UK. Using the field of regeneration programmes as a focus, the paper then charts the changing nature of the relationship between government and the sector over the closing part of the twentieth century. It charts in particular the move from paternalism through service agency and to community governance as the dominating mode of this relationship. The final part of the paper considers the ‘Voluntary Sector Compact’ as an example of this latter mode of relationship. It details the importance of trust, culture and process in such a modal relationship and considers how this might be most effectively implemented in the UK.

Key words: Partnership, Collaboration, Government-nonprofit relations

1. Introduction

Over the past twenty years in the UK, local government-voluntary sector [LG-VS] relationships have assumed an increasing importance in the delivery of public services to local communities. During this period government policy has propelled the voluntary sector from the margins to the mainstream, and often the forefront, of the delivery of a range of public services to local communities — such as housing, social services, environmental services, and community and economic regeneration programmes (Gastor and Deakin 1998). Voluntary and community organizations (VCOs) are now recognised to be critical actors in the development of social policy within the plural state (Harris and Rochester 2000).

Over this period, important transitions have taken place in the relationships between local government and the voluntary, and community, sectors — with profound implications for their respective roles in delivering public services. The voluntary and community sector has found itself, not always willingly, to be a frequently cited ally in the quest by government for innovation, efficiency and responsiveness in public service provision (see, for example, Home Office 1990). Indeed, from having survived the heyday of the corporatist welfare state, with the assumption that local and central government bureaucracies could single-handedly provide policy solutions and public services to meet all needs and in all economic circumstances, the voluntary sector has once again found itself to be a valued actor within the policy process.

The public policy space within which this sector currently operates is based on a normative model of complimentary relationships between government and the sector where partnership is espoused as the basis for such relationships — both because of its ability to deliver public services effectively and because of its perceived ability to promote social inclusion (Labour Party 1997). In this model, partnership between the sectors is posed within the meta-paradigm of community governance, where partnership is a pre-requisite for the modernisation of local government and the development of responsive and effective local public services (Clarke and Stewart 1998).

However, as Young (2000) has shown, this model is not unproblematic and alternative narratives about this relationship can be constructed which reject the partnership paradigm. He highlights in particular two alternative narratives, based on the assumptions

• that the societal value of VCOs lies in their capacity to operate independently from government, and that therefore partnership working poses real challenges to this role, in terms of the potential loss of the independence of VCOs within such partnerships; and
that VCOs, in exercising their campaigning and advocacy roles, are engaged in adversarial relationships with government and which relationships ensures their mutual accountability to their own constituencies. In this narrative, the consensus model of complimentary relationships breaks down entirely and conflict between the sectors becomes an essential quality and attribute of their relationship(s).

To these alternative narratives may be added a third: that government-voluntary sector partnership is not so much about the modernisation of the existing state, but rather its replacement by a new societal structure, based upon participative rather than representative democracy (Perri 6 1997).

Taking this more complex view of the evolving relationship between government and the voluntary sector, therefore, it would suggest that there is a need for new institutional frameworks which can manage, and in some cases cultivate, the tensions and risks that these competing narratives offer to both sectors. This paper draws on current research conducted by the author in England into one potential and ambitious such framework — that of the Voluntary Sector Compact (VSC) as a tool for managing relationships between the sectors. It focuses in particular upon LG-VS relationships and the current initiative to develop local Compacts as a framework for such relationships. It is at the local level that the VS has most impact and the greatest role, in relation both to the state and to public services.

The paper is based upon on-going research carried out by the author and his colleagues about the emerging patterns of government-voluntary sector relationships in the UK1. It is based upon extensive interviews with key national and local informants, as well as a range of local case studies. The paper is structured in four parts. The first part outlines briefly the nature of local government and the voluntary sector in the UK. The second part charts briefly LG-VS relationships in England over the framework period 1979–2000. It draws examples in particular from experience in the field of area regeneration. The third part introduces the concept of the VSC, and argues that it is central to the approach of the current Labour government to these relationships. The fourth part explores the implementation of the Compact in England at both the national and local level. The final part draws out key lessons from this for the future of LG-VS relationships in England, and which have lessons for the future of government — VS relationships in Japan2.

A key element in the paper is the balance between the Compact, as a model of relationship building, and the process of its implementation. It is argued here that it is not possible to create an arbitrary separation between these two elements. Both interact together. The Compact model implies a particular approach to implementation, which focuses on relationship building, whilst the implementation process itself will in large part determine the nature, and success, of local Voluntary Sector Compacts as a model for local government-voluntary and community sector relationships. This interaction is, hopefully, reflected — and reflected upon — in this paper.

2. Local Government and the Voluntary Sector in the UK: A Brief Overview

2.1. Local Government

The nature and roles of local government in the four nations of the UK is quite different. The focus here will be upon the English case. Local government is made up of elected local politicians (‘members’) and the professionally trained local government officers, such as social workers, teachers and economic development officers (‘officers’), who are responsible for the provision of local public services. There can be quite a mix of different types of local authorities, including County Councils, District Councils, and Metropolitan Councils.

Traditionally these Councils have provided public services themselves, but since the late 1980s this has increasingly been through what has become known as the ‘mixed economy’. This is where local government plans and (part) finances local services whilst provision is through a mixture of private sector, voluntary sector and council-run agencies. The funding for local government comes in part from grants dispensed to it by central government and in part from local taxation. Increasingly, resources are also provided from the European Union, especially in the field of social, economic and community regeneration.

Two trends are important in local government at the

1 Kate McLaughlin, of the School of Public Policy at the University of Birmingham, is due an especial acknowledgement for her contribution to my thinking.

moment. First the current national Labour government wants to modernize local government, in terms of its structures, its processes and its accountability to the local community. Second, there is a strong push towards the creation of a regional tier of government, based around the existing Regional Development Agencies, which would assume regional powers from both central and local government.

2.2. The Voluntary and Non-profit Sector

This has famously been called a ‘loose and baggy monster’ because of the size and diversity of the sector. Whilst there are no definite estimates of the size of the sector, Osborne and Hems (1995) have estimated that there are over 170,000 voluntary organizations in the UK, with a total income (in 1991) of £9,094 million. Clearly this will have increased over the last decade.

The sector is a skewed one — only 9% of all voluntary organizations have an annual income of over £100,000 per year, yet this 9% account for 89% of the total income of the sector. Of this income, 24.3% comes from local and central government (11.1% through contracts for service provision and 13.2% through grants), 23.4% comes from legacies and investment income and 11.5% from personal giving (Osborne and Hems 1995).

The sector is an important employer. In 1990, it employed the equivalent of 946,000 full time employees, as well as countless thousands of volunteers. Finally the expenditure of the sector accounts for around 1.6% of the GDP of the UK (in 1991). Whilst this is comparatively modest in economic terms, it is not insignificant — and it is more, for example, than the contribution of agriculture and fisheries to GDP (Osborne and Hems 1995).

The voluntary sector was found active in many areas of life. When asked to classify their field of work, the organizations in the above study responded as follows:

<table>
<thead>
<tr>
<th>Field of Work</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Culture and recreation</td>
<td>25.4%</td>
</tr>
<tr>
<td>Social services</td>
<td>24.8%</td>
</tr>
<tr>
<td>Education and research</td>
<td>17.9%</td>
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<tr>
<td>Health</td>
<td>7.9%</td>
</tr>
<tr>
<td>Religion</td>
<td>7.5%</td>
</tr>
<tr>
<td>Training</td>
<td>3.5%</td>
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<tr>
<td>Environment</td>
<td>2.5%</td>
</tr>
<tr>
<td>Law/advocacy</td>
<td>0.8%</td>
</tr>
<tr>
<td>Others</td>
<td>9.6%</td>
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</tbody>
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At the local level, the voluntary sector is made up of a range of different types of organizations. The most important types are

- associations, with a local community membership and based around volunteers,
- voluntary organizations, often regionally or locally based, with a mix of paid and volunteer staff,
- national voluntary organizations, often with significant paid staff, and
- local development agencies, which are voluntary organizations that provide infrastructure and support to the local voluntary sector (such as Councils for Voluntary Service).

Legal statuses also vary, with the most common being

- unincorporated status,
- registered voluntary organization — usually with the local authority and which status would allow it to receive government funds,
- charitable status, by registration with the Charity Commissioners — this provides tax concessions though can circumscribe the work of the organization, and
- company limited by guarantee, which allows it to trade.


Whilst partnerships between local government and VCOs can be found across a wide range of policy spheres in England, as noted above, they have been an especial feature over the last two decades of area regeneration initiatives (Martin et al. 1990, Hall et al. 1998). Such partnerships have been perceived to offer benefits to all parties. For local government, they can offer an apparently easy route into genuine local and community experience and views (and particularly of disadvantaged sections of the community), in areas ranging from community care through local economic development and tourism to conservation and the environment. For the local voluntary and community groups themselves, they can offer a valuable source of funding, often of elusive revenue costs. Finally, for local communities they can offer a chance to influence the shape of initiatives aimed at their local communities (Osborne 1998).

The extent to which these aspirations can be achieved, however, is dependent upon the interaction between the overarching national policy framework for such partnerships for regeneration and its actual implementation at the local
level. The approach of the previous Conservative government in the UK, initially in the 1980s under the leadership of Thatcher, was increasingly influenced by what has become known as the new public management agenda (Hood 1991, Ferlie et al. 1997). This model introduced a range of market and contractual mechanisms to govern relationships between local government and its VCO partners and has been well analysed elsewhere (for example, Walsh 1995, Stewart 1996). The important issue of concern here is that, within this model, LG-VS relationships were structured so that government maintained control of the policy making process, with the role of the VCO sector being restricted to that of the service agent (Gutch 1990). Some critics have argued further that such partnerships were not at all concerned with genuine partnership between local government and the VCO sector, but rather were about the introduction of market disciplines to local public services (Mackintosh 1992).

Within the regeneration field in particular, Colenutt and Cutten (1994) have argued that LG-VS sector partnerships were not ‘…designed to empower local communities to any significant extent but [rather] to keep local communities ‘on side’ as far as possible.’ Other research has also suggested that these regeneration schemes actually had very little impact upon the voluntary sector or upon community involvement in them — for example, there was a low level of VCO and community participation in all City Challenge bids compared to private and public sector participants (Peck and Tickell 1994, Mawson 1995, NCVO 1995, Tilson et al. 1997).

Under Conservative leadership, therefore, LG-VS partnerships emphasised the service agent role for VCOs and allowed them only a minimal input into policy-making. The election of the Labour government in 1997, and its re-election in 2001, undoubtedly led to a questioning of the overall policy context for LG-VS partnerships across the board (Falconer and McLaughlin 2000). A key theme in the early years of this government was the pursuit of ‘joined-up’ government as a response to complex local social and economic issues (for example, DETR 1998b). VCOs had previously been identified by the Labour Party as having an important contribution to make to such a pursuit, because of their potential to identify unmet needs in a way that transcended both the traditional departmental boundaries of central government and the professional specialisms of local government officers (Labour Party 1997).

This perspective was apparent in the first regeneration initiatives of the Labour government. Bringing Britain Togethether (Social Exclusion Unit 1998) argued that previous initiatives had failed to combat area-based deprivation, because of their failure to promote real collaborative community partnerships to tackle it. In particular the Single Regeneration Budget (SRB) process had been dominated by local government in an highly top-down approach that marginalized community involvement (Hall et al. 1996, Hall and Mawson 1999).

The response of the Labour government to this analysis was to work in partnership with the Local Government Association (LGA) to develop the New Commitment for Regeneration initiative (LGA 1997; see also DETR 1998a, DETR 1998c). This initiative displayed two important features germane to this analysis. First, it explicitly acknowledged the centrality of genuine engagement with the VCO sector in the delivery of regeneration programmes. Second it emphasized the need for this sector to take on not only such a service delivery role but also one in relation to policy formulation and service management.

In the broader sphere of public policy, this new LG-VS relationship has become the cornerstone of what has become known as community governance (Clarke and Stewart 1998) and is central to the entire modernization of local government project (Cabinet Office 1999). Ross and Osborne (1999) have shown how community governance differs, as a paradigm, from previous models of LG-VS relationships. It offers opportunities for the VCO sector to influence the direction and contents of local community services across a whole range of fields. However, it is entirely possible that, as in the past, this new political discourse could remain at the policy rhetoric level rather than have a real impact upon implementation at the local level. It also offers challenges to the alternative (conflictual) narratives of LG-VS relationships highlighted at the start of this paper. If community governance is to achieve its aspirations, therefore, it will need to become grounded in a far more consensual institutional framework for LG-VS relationships than is the legacy of the earlier period of Conservative government. In this context, the Voluntary Sector Compact may have an important role to play in precisely such a restructuring of government — VCO relationships at both the national and local level. This paper explores the extent to which the Compact can help to achieve this ‘re-grounding’ — and some of the potential dangers, as well as opportunities, that it presents to the voluntary and community sectors.
4. The Voluntary Sector Compact (VSC)

The VSC was mooted originally in England by the Commission on the Future of the Voluntary Sector (1996), which called for a ‘concordat’ between central government and the voluntary sector that laid down the ‘basic principles’ for future relationships. Implicit in its analysis was that the sector should be not just an agent of policy implementation, as had been the case under the Conservative government, but also a core actor in its formulation. It sought to develop a vision of complementarity between government and the VCO sector that went beyond the service agent model identified above.

A consortium of English national voluntary organizations (the Working Group on Government Relations) took forward this approach and produced a draft Compact early in 1998 (Working Group on Government Relations 1998). The Labour Party had also given a firm commitment to take forward this approach in both its Election Manifesto and the ensuing policy paper on the VCO sector (Labour Party 1997). The Labour government subsequently established a Ministerial Taskforce at Whitehall to oversee the development of the VSC and to ensure consistency of approach across all central government departments on voluntary sector issues.

At the same time, this government was pursuing other parallel policies that it linked, implicitly and explicitly, with the vision behind the Compact. These included the ‘modernising local government’ initiative, which saw a role for the VCO sector in facilitating community planning arrangements (Cabinet Office 1999), and the ‘active citizens’ initiative, which sought to develop participative forms of democracy and local community services — and which again viewed the VCO sector as central to this project (Working Group on the Active Community 1999). Finally, a key official in the Active Community Unit of the Home Office interviewed in this study located the VCO sector as central, not just to these modernization and active citizenry agendas, but also to ‘joining up’ this agenda with that of social inclusion.

The Compact itself was launched in November 1998, with separate documents for each of the nations of the UK (Stowe 1998). It argued for a ‘shared vision’ of the VCO sector as ‘fundamental to the development of a democratic, socially inclusive society’ and as making a ‘literally incalculable contribution... to the social, cultural, economic and political life of the nation’ (Home Office 1998). However, the Working Group on Government Relations (WGGR) recognised that, if the VSC was to go beyond this normative level, then further work was required to operationalise these aspirations. Subsequently, therefore, five sub-groups, composed of governmental and VCO representatives, were established to develop codes of practice, for both government and VCOs, on funding, consultation, working with the Black voluntary sector, working with community groups and volunteering. These were published in 2000 (for example, WGGR 2000a, WGGR 2000b; see also WGGR Secretariat 2000b) and are intended to provide a framework for the development of organic consensual relationships between government and the VCO sector.

It is important to remember that these initial discussions about the VSC were concerned with relationships between central government and the national VCO sector. However, it soon became clear both that it did not make sense to exclude LG-VS relationships from this approach and that it had a deal of synergy with the modernising local government and active community initiatives detailed above. Both the Ministerial Group responsible for the VSC and the WGGR therefore determined to expand the scope of the Compact to the local level (WGGR Secretariat 2000a).

Such an approach is believed by the Labour government to have the potential to give a reality to its community governance aspirations. However, its achievement is no simple task. As seen below, the process of developing the VSC at the local level is a rather different one than at the national level. Further, this consensual approach conflicts directly with the alternative narratives of LG-VS relationships articulated earlier by Young (2000) and which alternatives continue to have a deal of support across the country, from local VCOs concerned about being subsumed within a corporatist local state. This tension is explored in the next section.

5. Implementing the VSC at the Local Level

5.1. Progress in Implementing the VSC at the Local Level

Over the past decade, local authorities have developed many ‘voluntary sector strategies’. The best of these were based upon consultation and were useful and influential documents within their authorities. However, by their nature, they were local authority initiated and owned and set out ‘their’ strategy for working with the local VCO sector (Craig et al. 1999).

The implementation of the VSC at a local level offers the prospect of a break with such uni-directional documents and
policy making and has the potential to make a reality of the current rhetoric of community governance (Stoker 1997, Clarke and Stewart 1998, Cabinet Office 1999). Local VSCs offer the challenge of developing LG-VS relationships founded on a basis of shared decision-making and accountability. Such a foundation has been argued elsewhere to be the essence of local governance, as opposed to local government (Kickert and Koppenjan 1997), and is again linked to the community governance aspiration.

Predictably, however, the process of developing Compacts at the local level has been a slow one, compared to the development of the national Compact. The members of the WGGR, including both the National Council for Voluntary Organizations (NCVO) and the LGA, have had responsibility for overseeing the development of local level VSCs. This group has always been clear that the national and local processes of developing Compacts overlap but are not the same thing:

‘You can’t cascade down a model [of the Compact]. Policymaking is different at the local and national levels. All we can do [in the WGGR] is to provide a framework. This will make explicit some of the processes of consultation and agenda setting. But is has to be both focused and led at the local level. We’re not in a ‘command and control’ situation!’ (Voluntary sector member of the WGGR)

Moreover, other members of the WGGR were quite explicit that local Compacts, as documents, had only limited value:

‘[Compacts] have to be negotiated at a local level. You can’t impose one document or ‘pro forma’ from the national level. Local Compacts are not about getting the words right. Yes, of course, certain key things need to be in place, but it’s the process [their emphasis] of developing this document that is important. That is the real ‘compact’. For example, I know of one authority where there was a history of local government-voluntary sector distrust. The process of sitting down and talking about the Compact has started to dissipate this. There’s no document yet, but I call that real progress!’ (Local government member of the WGGR).

‘We do need to understand that the Compact is not just a document. We mustn’t get too focused on the good practice of drafting a policy — though its what civil servants are very good at, of course! I know one senior servant, excellent in many respects, who just couldn’t understand what all the fuss was about when it came to developing local Compacts. As far as he was concerned, we just needed to develop an ideal ‘pro forma’ and pass it down to the local level to be completed! I mean, you would get great Compact documents, but not great ‘compacts’, if you see what I mean.’ (Home Office member of the WGGR)

In May 1999, the WGGR set an eighteen-month timetable for local implementation of the Compact process (WGGR 2000c). This moved from a survey of existing local government strategies and of nascent Compacts, through a dissemination of information to the local key actors, and to the issuing of guidelines on developing local VSCs supported by a series of seminars and local meetings (WGGR Secretariat 2000a).

From the outset this group recognised that some local authorities, and voluntary organizations, would find it difficult to change, but argued that these would be those which were finding the entire ‘modernization’ agenda of the Labour government a problematic one. By May 2000, the WGGR, and other influential bodies, had also begun to recognise that local Compacts could have a far wider remit than had been thought initially. Views began to be voiced that they should not be about LG-VS relationships alone, but should also embrace relationships between all local public-spending bodies, such as Health and Police Authorities, and the VCO sector (see, for example, York Council for Voluntary Services 1999, Independent Healthcare Association/DoH 2000, Home Office/WGGR 2000). Finally, the LGA also began to push for the issue of LG-VS relations to be made the subject of ‘beacon status’ within the ‘modernization’ process — though to date, little progress seems to have been made on this particular aspiration.

The overall picture, therefore, is somewhat fragmented in England, both with a variety of aspirations being laid upon the VSC and with different levels of support from the key actors. Nonetheless, there is evidence across local authorities in England that the VSC approach is being taken seriously. In a survey commissioned by the WGGR, Sykes and Clinton (2000) found that almost 75% of local authorities had heard of the VSC, 9% already had a local compact in place (for example, Devon — see Working Together for Devon 1999), and with a further 55% of authorities involved in varying
levels of discussion with the VCO sector about a local Compact for their area. Interestingly, many local authorities also mirrored the aspirations of the Labour government (discussed above) in making strong links between the VSC and the modernization agenda — 88% saw it as central to the Best Value initiative, whilst 94% saw it as integral to the community planning process.

The VSC process in relation to LG-VS relationships is now at a crucial point. To date the process has continued to be very much top-down, driven by central government and the national voluntary and local government bodies, in particular NCVO and the LGA. If it is to be successful, however, the Compact process clearly needs to become located and owned at the local level (WGGR 2000c, WGGR Secretariat 2000a). With the re-election of the labour government in the UK in 2001, this process has deepened.

The key actors interviewed in this research identified a number of factors which could push forward or which could negate this process in local communities. On the positive side five significant factors were identified as pushing forward the VSC approach. These were:

- its links to the modernization and Best Value initiatives — the Secretariat has argued that the VSC is central to the modernisation agenda and that the VCO sector, and that local Compacts have a ‘key role’ to play in the implementation of Best Value (WGGR Secretariat 2000a: 25; see also NCVO 2000),
- the potential synergy of the Compact model to other key local initiatives of the current government — such as the push for local strategic partnerships,
- the commitment of this government to develop a more strategic approach toward the funding of the community, as opposed to the voluntary, sector and the consequent need to establish strategic level local agreements for this (Inter-Departmental Working Group on Resourcing Community Capacity Building 2001),
- the commitment and support of the LGA, NCVO and the National Association of Councils for Voluntary Service, and the active involvement of central government through the Annual Review to parliament on the Compact (Home Office/WGGR 2000), and
- the impact of early success in showing the benefits of the Compact approach to other localities — examples of these are found both in Sykes and Clinton (2000) and the WGGR Secretariat (2000a).

Equally, though, five factors were also identified which could negate this progress:

- the limited impact that the WGGR can have on local authorities and VCOs, if the local actors chose to ignore it,
- the lack of a funding or legislative basis for local Compacts (though there is the potential for the Annual Review to parliament on the VSC to provide a semi-legal review of local Compacts),
- the legacy of poor LG-VS relationships in many localities, as a result the previous model of ‘service agency’ identified above, and which can militate against the development of complimentarity between the sectors,
- an inappropriate focus in some localities on the formal aspects of Compacts as documents, rather than, as identified earlier, on the more significant issue of the process of agreeing a compact, and
- a worrying tendency for some government departments to perceive the Compact within a regulatory framework for local public services, rather than as part of the development of organic relationships (for example, Social Services Inspectorate 2000).

If the VSC is to succeed at the local level, then this, and previous, research would suggest that seven elements must all be in place if the positive factors are to outweigh the negative ones:

- the development of local ownership of the Compact model, rather than seeing it as an imposition from the national government and umbrella bodies (Craig et al. 1999);
- the recognition that the VSC is about a process of developing relationships rather than a formal document, with an emphasis on developing trust (Lowndes and Skelcher 1998);
- the centrality of values both to LG-VS sector relationships and to the development of local Compacts, with a focus on cultural change as essential to achieving this (Leach and Wilson 1998);
- the need both for the local Compact process to be led by the VCO sector, to ensure that it is not simply a local authority strategy by another name (Osborne and Ross 1999), and for attention to be paid to the importance of ‘capacity building’ for such organizations, in order for them to be able to collaborate effectively in the process.
will survive without it. It is an output in the sense that work-it is at the core of any relationship. No on-going relationship (Ross and Osborne 1999);

• the need to understand that local Compacts are about VCO involvement in the policy making process, as well in the policy implementation process, for local services (McLaughlin and Osborne 2000); and

• the need for the Compact process to embrace community organizations and community involvement in the development and management of local services rather than the formal voluntary sector alone (Craig et al. 1999).

5.2. Trust, Values and Culture

Implicit in all, and explicit in some, of these elements above are three core concepts — those of trust, values and culture. These form the very basis of a relational approach to governance — and of community governance itself (Klijn and Koppenjan 2000). As such they require some further development.

In many respects, trust is both an input and an output of the process of building relationships (Murray 1998, Huxham and Vangen 2000). It is the ability of two or more parties to a relationship to rely upon informal solutions to two problems. The first of these is the ‘principal-agent’ problem (Vickers and Yarrow 1988). This concerns the asymmetry of information which exists in relationships between two or more parties to a task. At its extreme the principal to a partnership must employ a range of instruments in order to monitor and control the behaviour of their agent. Within a more relational context, however, both can use their trust in each other to monitor the outcomes of their relationship rather than relying upon costly and bureaucratic performance management systems, with all their implied transaction costs (Waterman and Meier 1998). The second problem is dealing with risk, and its associated costs, in any new venture. A relational approach allows these risks and costs to be shared, minimising the danger to each party to the relationship — and also sharing any benefits (Osborne and Flynn 1997, Mackintosh 2000).

Trust is an input into relationship building in the sense that it is at the core of any relationship. No on-going relationship will survive without it. It is an output in the sense that working successfully together in a relationship reinforces and develops further the trust between the parties involved — successful relationships breed deeper, and more successful, relationships (Ring and Van de Ven 1992, Davis and Walker 1997).

Values concern the core aspirations and ‘raison d’être’ of both the governmental and voluntary and community sectors. They concern not so much the actual services and functions that these sectors provide within society but rather what their contribution, in the widest sense, is to society. Again, arguably, such values were lost under the contractual regime of the Conservative government, with its emphasis upon outputs. Yet values are fundamental to a real and meaningful on-going relationship. There is a significant debate to be had at the local level about the different value assumptions that local government and the voluntary and community sectors bring to a number of key issues (see, for example, Kramer 1994, Evers 1995, Reichard 1998, Drewry 2000). These include

• the balance between universalist services, which may ‘pander’ to the lowest common denominator, and specialist services to minority groups, which may lead to ‘special pleading’, uneven service provision and service gaps (Panet and Trebilcock 1998);

• the nature of accountability at the local level, both to service users and to the community as a whole (Dicke and Ott 1999); and

• the nature of democracy at the local level and particularly the balance between representative and participatory models of it (Gray and Jenkins 1999).

Bringing both these concepts together at the organizational level, culture concerns the values and rules of behaviour that govern organizational life (Schein 1985). Much research on organizational effectiveness has increasingly highlighted organizational culture as a core element, both in the transmission of values into service outputs and as a predictor of organizational performance (Morgan 1986). Equally, though, many writers have pointed to the difficulties of enabling and managing cultural change within organizations (Colville et al. 1993). This is particularly so in this case, when you consider that many of the staff in local government, and the voluntary sector, developed their careers through the period of contractual government of the previous Conservative government. The values imbued into these people over this length of time are hard, if not im-
possible, to shift.

6. Towards Local VSCs?

Four over-arching points stand out from the fore-going discussion. First, it is essential to understand the relational nature of the VSC and the centrality of values and the development of trust to this relationship. Previous work noted above has developed ways of modeling this relationship (Leach and Wilson 1998, Lowndes and Skelcher 1998, Ross and Osborne 1999; see also Osborne 1997). This work needs to be built on further for the future, in developing practical models to facilitate this process. Such work need not develop from first steps however. McLaughlin and Osborne (2000) have produced a classification of a range of approaches both to building trust between local government and the local VCO sector and to including this latter sector in developing and local policies for providing public services. These include the group decision support model (Huxham and Vangen 1996), decision conferencing (Jenei and Vari 2000), stakeholder engagement models (Finn 1996) and the Chelsea Charter Consensus Process (Podziba 1998). Important lessons are also available from the development management field, where community engagement has a longer and more sophisticated history (see for example, Oakley 1991, Lewis 2000).

Second, it is vital to understand that cultural change is an highly complex process in its own right, as suggested in the above discussion (Colville et al. 1993). Sufficient resources, and realistic goals, need to be devoted to it if it is to be successful.

Third, the VSC does have a real potential to give some substance to the rhetoric of community governance, by providing explicit processes for the community to impact upon policy formulation and service management at the local level. The tentative evidence presented here suggests that models are developing which could provide such substance. However, it does remain to be seen both whether these isolated examples will build to a more overall picture in England and, ultimately, whether they will contribute to new models of local community democracy and local public service provision.

Finally, it is essential to develop a model and tools for evaluating the effectiveness, or otherwise, both of the Compact process and of local Compacts. NCVO (2000) has already issued initial guidance on monitoring the Compact, though at a fairly rudimentary level. Without an evaluative framework agreed at an early stage between the key local and national actors, the VSC risks becoming yet another contested territory in the history of LG-VS relationships. Again, potential models do exist for this (Murray 2000). There is an urgent need for work by the Working Group to utilise these models to develop an useful evaluation model for the VSC. Without this, it risks becoming yet one more contested territory within LG-VS relationships.

7. Conclusions: The VSC as Promised Land or Dangerous Mirage?

This paper has explored the development of the VSC within the context of LG-VS relationships over the past two decades. It has noted the potential it has to take these forward into a new dimension, but also that the success of the Compact, like communism, is not inevitable.

It is also important to consider whether the Compact paradigm, in itself, is desirable. As discussed at the outset, for local government, it includes potential participative challenges to its tradition of representative democracy that need to be actively considered rather than adopted by accident. For the voluntary and community sectors, the challenges are as great, and perhaps more immediate. As the work of Young (2000) has suggested, the assumption of complimentarity between the roles and work of the governmental and voluntary sectors includes real dangers for the voluntary sector, which could lead to the negation of its legitimate societal roles as independent watchdog and voice for the marginal and dispossessed.

The VCO sector needs, therefore, to beware of the three ‘Is’ in rushing to embrace the opportunities offered by the VSC — that it may become incapacitated to act independently, that it may become incorporated into a corporatist local state and that isomorphic pressures from government may diminish, or eradicate, the distinctive organizational features of the sector. These are not new challenges, but have been ongoing concerns for the sector (Pifer 1967, Wilson and Butler 1985, DiMaggio and Powell 1988). The opportunities and threats of the VSC give them a contemporary urgency which should be actively addressed, rather than accepted by default.

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