Building Public Service-Orientated Government

Paper Title
“Lessons from the delivery of public services by the Third Sector and the increasing links to citizenship: The emergence and development of contractual partnerships between the Third Sector and Government”

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Abstract
This paper examines the delivery of public services by Third sector organisations. This has been the subject of considerable research in the UK led not just by the Government and Universities but also by National representative organisations. The recently published annual survey of the sector has identified the increasing importance associated with both the delivery of public services and also in developing citizenship.

“The increasing expectations being placed upon voluntary and community organisations of all shapes and sizes are being played out in much of the evidence outlined here. In particular, the greater emphasis on delivery of public services and the drive to increase active citizenship are leading to a larger, more visible sector, but one where competition for resources remains fierce.”

In the UK this has been enshrined in the phenomena of the Voluntary Sector Compact. The Compact in the UK represents a statement of principles which should govern the relationships between the government and the Third sector in particular where the Third Sector is providing services which are either grant or contractually funded by government. There is an extensive UK literature examining the roll out of such compacts – especially in England.

The Third Sector has thus come to be seen as a key element in the delivery of public services and as a key instrument in the delivery of public policy agendas. In the UK it is seen as offering flexibility and cost advantages. Anheier, in a landmark study, draws attention to the importance of the Third Sector for government.

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1 This paper builds on earlier work by the author and colleagues which was the subject of a paper presented at IRSMPX Glasgow, UK April 2006 (Acheson et al.)
3 See www.compact.gov.uk
4 Harris, M & Rochester, C (2001) “Voluntary Organisations and Social Policy in Britain” Palgrave
inquiries have indicated that the Third Sector has also come to represent a major influence and importance in China.  

The citizenship agenda has also become increasingly linked to the Third Sector as governments both in the UK and elsewhere have sought to engage citizens in a more active role in society – especially at a local level. This has been an ongoing issue in the UK both for politicians and for public servants.

The author has presented work on the UK compact at earlier conferences and this paper proposes to examine how the compact has been adopted in the UK, and to identify its use in other countries in particular, Canada and New Zealand. The paper will examine the potential for the Third Sector to make a major contribution to the delivery of quality public services and to enhance the active participation of citizens in enhancing the nature of public services. The paper will also explore the areas of risk and difficulty linked to such developments - both for Third Sector organisations and for Governments.

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6 Based on paper provided to author by Prof. Jia Xijin of Tsinghua Univ. “NGO and policy dialogue in China: background paper” (date unclear but after 2002)

7 Blears, H (2003) “Communities in Control : Public services and local socialism” Fabian Society

8 Murdock, A “The Voluntary Sector Compacts and localism in the UK: Third Sector service and co-producer implications of variations between England, Scotland, Northern Ireland and Wales”. EGPA Berne 2005


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**Introduction**

The Third sector is a collective term used to describe those organisations which exist outside of the public and private sector domains. Charity is not a UK or a Christian or a Western creation. The ‘good Samaritan’ is a universal concept. Charity was found in early Egypt over 5000 years ago. It is a tenet of Islam (The Third Pillar) with a long tradition of charity as a religious duty.

The UK background is often dated from the Act in 1601 when the Government took powers to investigate charities. The terminology of the sector in the UK has derived from a history which began with charities and then saw the definitions broaden to encompass other voluntary and social organisations. More recently the concept of ‘social enterprise’ has been added to the lexicon.

For the benefit of the non-specialist reader, it is helpful to set out both the UK definitions and some other sector definition which are in general use. The most current ‘official definition’ of the UK sector is as follows:

> “The charitable and wider not-for-profit community is the collective term used to describe charities, community groups, voluntary organisations, social enterprises and some mutual organisations. These organisations all pursue social aims and do not distribute assets to external stakeholders”

The definition would probably fit well with the definition used to describe the general third or voluntary sector in the well-known Johns Hopkins studies. Such organisations were seen as sharing the following characteristics: (Salamon 1999:3)

- **Organizations**, i.e., they have an institutional presence and structure;
- **Private**, i.e., they are institutionally separate from the state;
- **Not profit distributing**, i.e., they do not return profits to their managers or to a set of “owners”;
- **Self-governing**, i.e., they are fundamentally in control of their own affairs; and
- **Voluntary**, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money.

The focus upon what has been described as ‘Civil Society’ has led to a greater awareness of what has been described as the informal sector. This is distinguished from the other sectors by the lack of formal structure. In the UK Kendall has offered a typology based upon the concept of ‘breadth’ of the definition. He offers a view of the broad and narrower element of the third sector. (Table 1)

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10 “Private Action Public Benefit” : Prime Ministers Strategy Unit UK 2002

11 For further information on the Johns’ Hopkins University studies see: [http://www.jhu.edu/%7Eccss/index.html](http://www.jhu.edu/%7Eccss/index.html)
Table 1: UK Definitions of the Third Sector (Kendall 2003: 21)

<table>
<thead>
<tr>
<th>Broad Non Profit Sector</th>
<th>All formal entities having an institutionalised character, constitutionally independent of the state and self governing, non profit distributing and involving some degree of voluntarism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Voluntary Sector</td>
<td>All organisations as above excluding political parties and religious congregations</td>
</tr>
<tr>
<td>Narrow Voluntary Sector</td>
<td>All organisations less those not traditionally thought to be part of the voluntary sector – thus also excluding schools, universities, social clubs and trade union and business organisations.</td>
</tr>
</tbody>
</table>

The National Council of Voluntary Organisations in the UK adopt a slightly different typology which stems in part from a legal approach using the definitions of charity as enshrined in legislation and the operation of the Charity Commission (a body which registers charities in England and Wales). Table 2 provides this typology and it can be seen that this differs from the approach of Kendall.

Table 2: UK Definitions of Third Sector (NCVO Almanac 2004)

<table>
<thead>
<tr>
<th>• General Charities</th>
<th>• The same as registered charities – some exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Charitable</td>
<td>• Registered and ‘exempt’ charities</td>
</tr>
<tr>
<td>• Voluntary &amp; Community Sector</td>
<td>• includes non-charitable not profit organisations, self help groups etc&lt;br&gt;• All organisations in space between state &amp; market</td>
</tr>
<tr>
<td>• Non-Profit</td>
<td>• All non profits including those for private benefit – ie Housing organisations, Universities</td>
</tr>
<tr>
<td>• Social Economy</td>
<td>• Co-operatives and mutual organisations that serve a social purpose &amp; may be commercial</td>
</tr>
<tr>
<td>• Civil Society</td>
<td>• All organisations in space between state &amp; market</td>
</tr>
</tbody>
</table>
In the Kendall typology the ‘narrow’ voluntary sector would be most likely to be involved in the delivery of public services whereas in the NCVO typology public service delivery could conceivably be found in most categories (with the possible exception of Civil Society).

**The relationship between the different sectors:**

However the implication of clear boundaries between the sectors is not generally regarded as sustainable. A legal form such as being registered as a charity in the UK may create a statutory entity which is distinct from the private, state or informal sector. However in the actual operational setting an organisation may be heavily influenced by another sector. A charity which is heavily dependent upon government contracts for its survival may be likely to behave in ways which suggest that it is significantly influenced by the requirements of the state sector. Similarly a third sector organisation which derives much of its income from selling products or services may have to adopt some of the characteristics of the private (market driven) sector even if its legal and organisational form places it in the Third Sector.

The relationship between the Third sector and the public and private domains is now not seen as one where there are necessarily clear and distinct boundaries. Instead a degree of overlap is seen as representing the operational reality. This is represented in Diagram 1 below.

**Diagram 1: The different sectors**

Previously Victor Pestoff has also depicted the relationship diagrammatically as a series of triangles. (Diagram 2). This diagram places the Third Sector at the centre of a typology embracing the State, Market (private sector) and the community sector. Pestoff suggests that in the areas of overlap ‘mixed’ organisational forms can be found. (Pestoff 1998)
The Background of Third Sector involvement in public services

Hudson provides a telling time line (for the UK) illustrating the long history of the voluntary (third sector) in the provision of public services. He notes that the earliest such organisations were typically providing hospitals and almshouses (homes for needy elderly people). This provision – often church based - preceded public sector services and indeed in the UK it was only in 1945 that the government took full state responsibility for the provision of hospital and health care with the development of the National Health Service. (Hudson 2004)

The history of the UK has been to a significant extent of the Third (voluntary) sector initiating provision which was subsequently then taken over by the public sector. This has been the case in areas such as education, health and housing. More recently the trend has been for the public sector to seek to contract back this provision to the Third sector.

In other countries the history has differed. Anheier contrasts the experience of the not for profit sector in the USA with the UK, Canada, Australia, France and Germany. He lays emphasis upon the tradition in the USA of a relatively low level of state involvement in both provision and spending on welfare, health and education services with a relatively large non profit sector associated with these services. To some extent he implies this may be due to the nature of the evolution of the USA with its focus upon liberty and freedom of association. The stress...
upon freedom of religion is also seen by Anheier as fostering a ‘self organising’ civil society. (Anheier 2005)

Anheier contrasts this development in the USA with that of the UK where the there is ‘ a rich history of voluntary sector –government relationships and which is characterised by profound changes: from a church dominated system of welfare provision in the 17\textsuperscript{th} and 18\textsuperscript{th} Centuries. To a parallel system in the 19\textsuperscript{th} Century to the Welfare state of the mid 20\textsuperscript{th} Century.’ (Anheier 2005: 29). He notes that the development of Canada and Australia also took pathways which culminated impositions which were closer to that of the UK than the USA,

\textit{Trends in the Third sector in the UK}

The voluntary sector in the UK is widely regarded as a well established and important part of the economy and of civil society. (Kendall 2003) This is not simply a matter of normative assertion but is well established by successive sector surveys by the UK National Council of Voluntary Organisations (NCVO. Their annual survey of the sector has identified the increasing importance associated with both the delivery of public services and also in developing citizenship.

“The increasing expectations being placed upon voluntary and community organisations of all shapes and sizes are being played out in much of the evidence outlined here. In particular, the greater emphasis on delivery of public services and the drive to increase active citizenship are leading to a larger, more visible sector, but one where competition for resources remains fierce.”

(2006 Voluntary Sector Almanac)

The growth of the sector over the past 10 years is illustrated by Table 3 below. Though the growth of general charities has been across the size spectrum what is noticeable is the proportionately higher increase in the number of the larger charities as opposed to the smaller ones. (Table 3). NCVO have noticed a recent drop in the actual income of the smaller (but not the smallest) charities. (Table 4). This has been presented as suggesting that there is in fact an emerging squeeze on charities which makes it difficult for them to grow beyond a small size.

Table 3 Number of general charities in the UK 1995-2004 (NCVO 2006)

<table>
<thead>
<tr>
<th></th>
<th>Under £100k</th>
<th>£100k-£1m</th>
<th>£1m-£10m</th>
<th>Over £10m</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>109,384</td>
<td>10,164</td>
<td>1,331</td>
<td>121</td>
<td>121,000</td>
</tr>
<tr>
<td>2000</td>
<td>126,219</td>
<td>12,838</td>
<td>1,701</td>
<td>206</td>
<td>140,964</td>
</tr>
<tr>
<td>2004</td>
<td>146,963</td>
<td>19,064</td>
<td>2,930</td>
<td>290</td>
<td>169,249</td>
</tr>
</tbody>
</table>

Table 4 Total income by size of organisation, 2002/03 and 2003/04 (£million) (NCVO 2006)

<table>
<thead>
<tr>
<th></th>
<th>Under £10k</th>
<th>£10k-£100k</th>
<th>£100k-£1m</th>
<th>£1m-£10m</th>
<th>Over £10m</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/03</td>
<td>290.8</td>
<td>1,845.2</td>
<td>5,541.1</td>
<td>7,656.4</td>
<td>9,939.2</td>
<td>25,272.7</td>
</tr>
<tr>
<td>2003/04</td>
<td>298.2</td>
<td>1,736.6</td>
<td>5,882.8</td>
<td>8,171.7</td>
<td>10,233.2</td>
<td>26,322.6</td>
</tr>
</tbody>
</table>

Source: NCVO/GuideStar UK; SCVO; NICVA
**What does the Third Sector offer in Public Service delivery partnerships?**

There has been a considerable literature on the advantages offered by the Third sector in the delivery of public services. (Entwhistle & Martin 2005; Kapucu 2006.)

A large body of literature has been generated by the UK government. Audit Commission 2005; HM Treasury 2005; National Audit Office 2005. However is has also been generated by the Third Sector itself (often in collaboration with Government and academic institutions. (NCVO 2005).

The views, however, of government, academics and membership bodies in the sector do not possess the immediacy and vividness of the view presented by a major charity in the sector which provides a range of services across the UK. The Royal National Institute for the Deaf is one of the largest and most respected service charities in the UK. In 2004 they produced a report entitled ‘Adding value to Public Services’ and their CEO summed up the value offered by his charity under 7 headings (see Box 1)

**Box 1 : Example: Royal National Institute for the Deaf**

1. **Closeness to the user**: Being close to the service users, the voluntary sector is often in a better position than the public sector to identify needs and propose solutions for the delivery of change. The community and voluntary sector is ideally placed to contribute expert knowledge to inform the modernisation process.

2. **Passion and continuity of commitment**: Modern voluntary sector organizations can be both agents for change and effective project managers. With the passion and vibrant dissatisfaction of good campaigners we can improve the quality of life of our constituents. It is a myth that entering into partnership with Government, restricts the voluntary sector from being a constructive critic and powerful advocate.

3. **Flexibility & speed of response**: Without the constraints of traditional public sector delivery, the voluntary sector can make decisions quickly, working with a wide range of stakeholders to agree and implement change. Being independent of statutory processes can be an important element in building trust and implementing change.

4. **Personalised Service**: The sector plays a crucial role in tailoring and personalising services to meet user’s needs and views.

5. **Clear Solutions**: The voluntary sector must have a clear, shared analysis of the problem and potential solutions. It is not enough to criticise without offering viable alternatives.

6. **Targeted Funding**: To bring about radical change, dedicated project teams must have the freedom to direct resources to support the modernisation process, rather than allowing investment to be absorbed by makeshift solutions to shore-up dysfunctional services.

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7. **Demonstrating Impact**: To ensure Government support continues over time, the voluntary sector must be prepared to demonstrate impact and provide evidence of increased user benefits.12

These comments represent the balanced and thoughtful contributions by a well educated and very well regarded charity CEO. To a large extent they could apply to almost all Third Sector organisations seeking to deliver public services in partnership with the government.

Partnerships between the state and the third sector have also been seen as critical to the government policy agenda and in particular to the implementation of policy at a local level. (Blears 2003; Balloch & Taylor 2001) The UK Government has regarded the use of partnership as critical for a range of public services whether they been in local government, health or in central government functions. (Dept of Health 2004 &2005, DETR 2001; LGA 2006 (various)) . This desire for partnership has found an echo in the publications and statements of the national bodies representing the voluntary sector organisations. (NCVO 2005)

**The Third sector and the development of ‘localism’**

The UK government agenda has increasingly focused on the what has been described as ‘localism’. A government minister described this as seeking to empower local communities. (Blears 2001). It has also been picked up in the literature of the third Sector organisations and by researchers. (Jochum 2005, Murdock 2005 A & 2005 B).

The Third Sector is seen as possibly enabling communities and people at a local level to become more engaged in both the decision making about public service delivery. There is a strong imperative in government policy to encourage and enable effective consultation to take place with citizens and users of public services. (National Audit Office 2005). It is in fact a requirement under the performance inspection regime for local government and the health service in England and Wales Audit Commission 2004. The Third sector itself has expressed a strong willingness to get involved with this agenda. (NCVO 2005). It has also be picked up in debates and reports of the UK House of Commons (HM 742 2005 and HM 717 2006). The localism agenda has also found resonance with the bodies representing local government in the UK. (Association of London Government 2004).

Understandably the political debate has been picked up and described by academic researchers and writers. (Coaffee 2005 ; Coaffée & Johnson 2005). Some have written from the perspective of policy groups - so-called think tanks. (Arend, Corries et al 2004). It has also been the subject of independent research funded by reputable organisations such as the Joseph Rowntree Foundation. (Burgess 2001), It is seen as an important element in the ‘social inclusion’ agenda in the UK whereby groups which are seen as marginalised or excluded from ‘society’ and enabled to become more involved. (Keating 2003).


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For some the opportunities are seen as significant and perhaps even leading to a new conception of the state – described sometimes as ‘the mutual state’ whereby local communities as opposed to the government runs public services. (Mayo & Moore 2001). Other (perhaps more detached or more cynical) writers express reservations or doubts about the potential for this reform agenda (Milewa 2004; Klein 2003). In the context of health in particular there is a degree of scepticism as the extent that local communities – even through the medium of the third sector – are able to determine the public delivery of hospital services. However recent experiences in the UK over the adoption of new cancer drugs have demonstrated the strength of public feeling especially when the press and TV media become involved.

**The research status of the Compact**

Compacts between government and the voluntary sector were an innovative departure in policy introduced in the United Kingdom in 1998 following the change in government at the 1997 general election. They consist of a set of normative and general principles and values agreed between government at the highest level and representative bodies within the voluntary sector which have been rolled out regionally and locally. Subsequently copied in a number of other countries, they have been variously described as a ‘framework’ or as ‘building blocks’ for managing relationships, their purpose has been seen as providing a basis for ensuring that relationships are secure and sustainable (Alcock and Scott 2002; Alcock 2004; Laforest and Phillips, 2001; Craig et al, 2005). They were conceived as a ‘horizontal’ policy framework that would apply nationally, regionally and locally. The value of such a departure in public policy was first identified in the report of the Deakin Commission (Deakin et al, 1996) which had called for a national concordat to help manage the increasing complexity and depth to government voluntary sector relations and this rapidly became a core element of the incoming Labour administration’s programme for government (Kendall, 2003). The compact concept in its broader ‘partnership agreement’ clothing has been described as a much wider international phenomena and six cases (including the UK) have been described by Deena White. (White 2001)

**The Compact Context**

Compacts are themselves a particular iteration of a broader agenda of change in governance in contemporary welfare states in which complexity and diversity have replaced command and control. In a justly well rehearsed metaphor, states have reconfigured from a preoccupation with rowing to a concern to steer accurately (Osborne and Gaebler, 1991). The question for contemporary governments is how to steer and how to best muster a potentially mutinous crew to keep the ship of state on course. In contrast to the hierarchical systems of command and control, narratives of change in the new environment have modulated between three competing conceptions of what is needed (Newman, 2001). In addition to hierarchical systems there is a rational goal orientation, typified by the new public management that emerged in the 1990s in the UK, with
its attention to ends and means, targets and performance review. Secondly are open systems models, where the emphasis is switched to experimentation and innovation, iterative learning and interdependent horizontal relationships, and thirdly there is a self-governance model which acknowledges the role of civil society and in which governments work in partnership with citizens both to deliver essential services and to foster social integration. These three models sustain conflicting goals and processes with the result that policy can often be an uneasy mixture of all three.

The changing nature of the relationship between the voluntary and community sector and the state in the UK exemplifies the utility of this analysis. The sector is simultaneously exhorted by government to be a source of civic engagement and innovation while at the same time modernising its business practices to enable it to undertake ever increasing parts of public service delivery. There is a growing body of evidence from voluntary sector census and other data that these changes are being reflected in a decline in grant incomes and a rise in income from the sale of services, and a rise in managerialism in the management and delivery of voluntary sector services (NCVO, 2004; NICVA, 2002, 2005; Scott and Russell, 2001, WVCA 2003 ) The principles and values set out in the compacts aim to offer a clear route map in the light of the complex and contradictory nature of current relationships between the voluntary and community sector and the various arms and levels of government. Indeed, the value of the compact approach was reiterated in the Treasury’s ‘Cross-Cutting’ review of funding for the voluntary sector (HM Treasury, 2002) and recent research has demonstrated how it has continued to drive policy development in England (Craig et al, 2005). This is exemplified by the introduction of ‘Compact Plus’ and more recently by the Government’s decision to introduce an independent commission to ‘oversee compact and compact plus’ in England (13).

Yet the apparent continuity in policy since 1997/98 hides a progressive narrowing of the government’s focus that, if anything, the compact framework has helped to obscure. The wording of the original compacts were heavily influenced by the conclusions of the Deakin enquiry that emphasised the value of voluntary action as an independent source of civic engagement and social cohesion that governments should encourage and support. For example, the Compact for England stated that:

The underlying philosophy of the compact is that voluntary and community activity is fundamental to the development of a democratic and socially inclusive society. (Compact on relations between Government and the Voluntary and Community Sector in England)

The theme ‘civic renewal’ has continued to be pursued by the Home Office. The clearest expression of both the analysis and the policies being promoted by government dates from the time that David Blunkett was Home Secretary and can be to be found in the Home Office paper, Active Citizens, Strong Communities: Progressing Civic Renewal (Blunkett, 2004). It identifies factors such as rapid

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13 See: http://www.thecompact.org.uk/C2B/PressOffice/display.asp?ID=171&Type=2
14 See http://www.thecompact.org.uk/module_images/COMPACT%20command%20paper.pdf
technological change, the restructuring of work patterns and growing mobility as undermining the concept of citizenship itself and looks to a process of civic renewal that emphasises civic responsibility over the exercise of rights. Three crucial ingredients are identified: active citizenship, strengthened communities, and partnership in meeting public needs (Blunkett, 2004:6). Collective action by people in their own communities to identify and address their own problems, supported by government, is identified as the key task of the civic renewal agenda.

As Newman (2001) points out, even in the period of the first Blair administration while there was a rhetorical commitment to self-governance, in practice government behaved in a way that laid a greater emphasis on the rational goal setting of ‘new public management’. The Treasury’s cross-cutting review in the second term of office confirmed a retreat from a self-governance, or a co-governance model, in government thinking about the voluntary sector (Osborne and McLaughlin, 2004).

The Government and the Voluntary Sector

As if to emphasize the point, one of the first reports published by the National Audit Office (NAO) after the general election of May, 2005, summed up relationships in the following way:

‘In recent years the government has recognised that third sector organisations have an important role to play in the drive to improve public service delivery. In some cases (they) may be best placed to deliver a service, especially where a service needs to connect with clients who are difficult to reach or distrustful of state agencies’ National Audit Office 2005: 1

The NAO report then however goes on to note that the sector only accounts for some 0.5% of central government expenditure and that relationships between the sector and government is not as effective as it might be. The compact is referred to and the report notes problems in rolling out the English Compact leading to the proposals for ‘compact plus’. The Treasury Cross Cutting Review had already identified the importance of the sector for public service delivery HM Treasury (2002).

However the NAO felt that the issues over funding in particular have not been addressed. The NAO report noted that:

‘Our research suggests that funding problems are particularly acute at local level, despite the adoption of local Compacts by many local authorities’ ibid p3

The authors are well aware of a degree of scepticism amongst sector leaders about the extent to which the government has taken on board the funding issue. One of the leading sector organisations had produced and launched a guide to Full Cost Recovery which had received approving comment from government. However it was a matter of considerable debate as to the extent to which this had
fed down to influence actual funding practice despite the codes of practice enshrined in the various compacts. *ACEVO*(2004)

Lord Plant, who is Chair of a leading UK charity (Centrepoint), had earlier observed in respect of the Cross Cutting Review that government statements would not always percolate down to local implementation. In this speech he stated:

‘However, 70 per cent of voluntary sector activity takes place at a local level; how will that be implemented? How will local authorities be persuaded to regard the voluntary sector as a legitimate alternative provider of services? What levers have national Government identified to persuade or even force local government to take the sector seriously and to implement the letter and spirit of the cross-cutting review? There is recognition of the need to support the capacity of individual organisations. Investment must go into that capacity building, which is of crucial importance.’ *Hansard* 2003

The NAO report also drew attention to the importance of the Treasury Review into releasing Resources for the Frontline - so-called Gershon review - in establishing what should be key principles of third sector funding namely:-

- Longer term funding
- Appropriate balance of risk
- Full cost recovery
- Streamlined monitoring and reporting

Gershon argued that these principles were consonant with public efficiency in that they should be applied in respect of procurement of services from, and funding of, the third sector. (HM Treasury 2004B)

It could be argued that Parliament itself is neglectful of the importance of the third sector unless the agenda is specific to it. The House of Commons Public Accounts Committee report on the delivery of public services makes no reference at all to the compact and indeed no reference to the voluntary sector. (HC 742 2005)

The Committee is clearly well aware of the sector as it has devoted a more recent report to the issues of working with the sector. (HC 717 2006) This is a telling indication of the lack of ‘joined up thinking’ even at the legislative centre.

Returning to the concept of full cost recovery recent comments by Rosie Chapman, a key officer of the Charity Commission, demonstrates what is common knowledge to charities receiving funding either in the form of grants or contracts from the public sector.

‘The Compact says full cost recovery should be the norm and provides a framework for genuine partnership working between public authorities and charities. In practice, however, we know that many charities struggle to get payment for all the costs they incur, which means they effectively end up subsidising local authorities with charity money.’ Chapman 21/3/2006 (The Guardian)
The public service delivery agenda is one which has been approached from the perspective of the funder (the Public sector) rather then the deliverer. This was highlighted at a Charity Commission conference where the Commission announced that it was proposing to undertake a full survey of charities in England and Wales later this year. The press release stated:

‘Charities are increasingly involved in public service delivery but the spotlight so far has largely focused on those commissioning these services, rather than on those charities providing them. As yet, there's no comprehensive information about the scope and extent of charities undertaking this work and the wider implications for the role of charities’ Charity Commission Press Release 21/3/2006

Notwithstanding the continued work of the Civic Renewal Unit at the Home Office, debate about relations between government and the voluntary sector has swung decisively in the direction of public service provision and away from the rather more nuanced approach of the original compact documents. The instigation of ‘Compact Plus’ and hints of a regulatory role for the newly proposed compact commissioner in England are responses to this change in emphasis. An important factor behind these innovations in England has been the context in which much of government funding for voluntary action flows through local authorities. The importance of the context may provide an explanation as to why neither of these innovations have been introduced in any of other devolved ‘nations’ of the UK, even if there are parallels in changing narratives over what the relationship between government and the sector is for.

The Concentration on Compacts in England

There has been a large amount of research and academic publication on the compact. However this has almost entirely focused upon the compact in England. (Alcock and Scott 2002; Alcock 2004; Craig, G (2002 ) (2005). Osborne, S. & McLaughlin, K (2002) (2004)) Furthermore research commissioned by government departments (such as The Home Office) has been largely undertaken from the perspective of government in assessing the ‘roll out’, adoption and recognition of compacts by governmental bodies (whether central, local or health based).

The Charity Commission (op. cit.) has recognised this and proposes to survey the Charity organisations in England and Wales.

The Compacts in the Devolved Nations of the UK

Separate compacts were negotiated and agreed in 1998 in each of England, Scotland, Wales and Northern Ireland. The similarity in tone and wording of each of the four documents shows how the policy was driven centrally. There has been one evaluative study, funded by the Joseph Rowntree Foundation, which looked at two cases in each of Scotland and Wales along with six in England (Craig et al, 2001). More recently the same research team has conducted a study on compacts on behalf of the Home Office but the study was limited to a consideration of England (Craig et al, 2005).
None of the projects funded under the ESRC Devolution and Constitutional Change Programme addressed relations between government and the voluntary and community sector from a comparative approach nor did any of the projects in the earlier Governance Programme take a comparative perspective.

The absence of comparative research, however, means that there remains a poor understanding of the institutional and political factors that impact on the utility of the compact in managing complexity. In the UK context in particular this is an important omission. The management of relations between government and the voluntary sector is a devolved responsibility in each of Scotland, Wales and Northern Ireland yet we have little knowledge of how devolution has itself been a factor in how these relationships have developed.

Earlier papers by Murdock (2005A& 2005B) examined the current state of knowledge about the compacts in the devolved nations. There were some key differences in the nature of the various compacts in the devolved nations of the UK. One key area of difference was that of the number of codes of practice.

**Table 1 Comparison of Compacts by Codes of Practice**

<table>
<thead>
<tr>
<th>Compact</th>
<th>Funding</th>
<th>Consultation</th>
<th>Community Development</th>
<th>Volunteering</th>
<th>Future Proofing</th>
<th>Partnership</th>
<th>BME</th>
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<td>Yes</td>
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<td>Yes</td>
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</tr>
<tr>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Source: Derived and updated from Scottish Executive (2003b)

As can be seen from the table though all parts of the UK had a code of practice for fundraising that is where the common ground ends. Northern Ireland’s codes of practice are all found in the English compact. It could be argued that, given the history of uncertainty over local rule (with the Stormont Assembly suspended), it is understandable that England would influence the nature of codes of practice. However when Scotland is considered it possesses codes (Partnership and Future proofing) which are found nowhere else. That is perhaps consistent with the fact that Scotland is the most devolved part of the UK with its own legal system and a strong sense of historical separation.

Wales possesses but one code – on fundraising. As has been indicated previously fundraising is key in the relationship between the sector and government. Therefore perhaps Wales has maintained clarity of focus. This is certainly suggested when we look at Table 2. This comparison table shows that Wales has the only compact with a legal basis.

Table 2 also shows that there is a clearer relationship with government in Wales with the Assembly as the key partner as opposed to the situation in England and Scotland where there is a complexity involving a diversity of government partners.
Table 2 Comparison of Compacts

<table>
<thead>
<tr>
<th>Compact</th>
<th>Legal Status</th>
<th>Government Partners</th>
<th>Codes of Practice</th>
<th>Action Plan</th>
<th>Annual Review</th>
<th>Political Involvement</th>
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<tr>
<td>England</td>
<td>No</td>
<td>Government Dept Next Steps Agencies NHS PCT</td>
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<td>N.Ireland</td>
<td>No</td>
<td>Northern Ireland Executive</td>
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<td>Yes</td>
<td>High</td>
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<td>No</td>
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<td>Yes-@now</td>
<td>Yes-@now</td>
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Source: Derived and updated from Scottish Executive (2003b)

The development of partnerships in Canada, New Zealand and Australia

The Case of Canada

The development of the relationship between the state and the third sector in the UK has found echoes in various countries of the commonwealth. For the purposes of this paper I propose to explore the situation in what is sometimes described as the ‘old commonwealth countries’ of Canada, New Zealand and Australia. There are some common themes but also some interesting local differences.

In Canada there is a clear local equivalent to the UK compact which is called ‘the accord’ It is described as a

‘framework that represents a public commitment by the Government of Canada and the voluntary sector to more open, transparent, consistent and collaborative ways for the two sectors to work together. It has as its base the values aspired to by Canadians. These include active citizenship, democracy, equality, diversity, inclusion and social justice.’

It was developed in 2001 (not long after the UK compact) and like the UK compact incorporates various codes of practice on Funding and Policy Dialogues. It also has involved the various monitoring and liaison mechanisms.

15 Source www.vsi-isbc.ca/eng/relationship/accord.cfm
which would have a familiar sound to those involved in the compact in the UK. Deena White, a Canadian researcher, has written at some length about the accord and draws attention to the decentralised nature of Canada is a critical factor. She also refers to the increasing role that voluntary organisations have played in the policy debate. (White 2001)

The Johns Hopkins Global Study on Non-Profits has also recently reported on Canada and observed

Canada has one of the largest and most vibrant non-profit and voluntary sectors in the world. It encompasses “service delivery” organizations in areas such as health, education, social services, community development and housing, as well as those that serve “expressive” functions in arts and culture, religion, sports, recreation, civic advocacy, environmental protection, and through business, labour, and professional associations. (Johns Hopkins 2005 iv)

However Canada is also different from the UK in that it has two distinct language and national traditions. The strong French influence especially in Quebec is associated with a tradition of co-operatives and social economy organisations akin to those found in France. The Johns Hopkins research made fleeting reference to this but the importance of this form of organisation in French Canada cannot be ignored. Perhaps like China Canada represents in third sector terms ‘one country – two systems’. In the English speaking provinces of Canada the format of the government – third sector relationship has a form not dissimilar to the UK and the ‘Accord’ operates in a similar fashion to the compact in the UK. However in the French speaking provinces such as Quebec a form more orientated to a social economy model is to be found. I found no reference to this model in the Accord documents which I inspected.

However the Canadian Government acknowledges the importance of the social economy in Quebec and on an official web site notes that this has been particularly associated with the following:

- job training initiatives in associations that encourage various types of learning related to the labour market;
- proximity services development initiatives (day care and home care services, community housing);
- economic and social revitalization initiatives, bringing together, within a multiple-activity intervention process, various actors working in the same geographical area; and
- funding initiatives for the development of regions and local enterprises.16

The services and initiatives identified are clearly activities which could fall within the remit of public services. However these are being delivered by social economy organisations which are different in ethos, legal and structural l form to the third

16 See: http://policyresearch.gc.ca/page.asp?pagenn=v8n2_art_03

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sector organisations found elsewhere in Canada. The Social Economy is an active and important part of the life and economy of Quebec and has been assessed as making an important contribution to the delivery of a wide range of public services and policy initiatives (Mendell 2003).

Susan Philips in commenting on the Accord aspects of the Canadian situation observed that:

‘the voluntary sector has achieved a great deal through its involvement in the VSI: an Accord and codes of good practice for funding and policy dialogue are in place, some changes to the regulatory framework have been announced, projects have been undertaken for enhancing skills and human resources in the sector, research on the sector has been greatly expanded, and there is greater understanding within many parts of government about the sector.’ (Philips 2004 : 19).

However she noted that the issues of funding and a loss of third sector stability have raised some questions about the value of the accord. These are observations which would be very familiar to those in the UK.

**The Case of Australia**

Australia, like Canada, is a decentralised country. The size of the non profit sector there is very considerable. There is a somewhat dated John Hopkins report on the Non Profit sector in Australia (Lyons 1998). The government has engaged in considerable contracting relationships with both private and third sector organisations for the delivery of public services. (Butcher 2005). More recently Lyons argues that this contractual relationship has not evolved into the ‘partnership modality derived from the evolution of compact or accords as identified in the UK or Canada. (Lyons 2006)

Lyons note that Australian non-profits are strong in the areas of education and research, social services, health and culture and recreation. He notes modest growth in the context of a complex regulatory environment. This is, in part, a function of different state and territory laws and a national legal environment. (Lyons 2006)

Lyons asserts that though there is a language of ‘partnership’ the reality is different with one sided contracts between the state and the non-profit sector. However there has also been a concern about the influence of Non Governmental Organisations (NGO’s) in policy making. Though in 2000 the Australian Prime Minister spoke of a need for a ‘social coalition’ between the government and the non-profit sector it has been argued that this has been in contrast to the actual actions of the Australian government as described by Lyons and others. (Van Gramberg 2005). Research found no specific reference to a ‘compact’ or ‘accord’ in the context found in the UK or Canada.

The accountability of non-profits has been a source of comment in one of the more influential Australian Newspapers. The writer observed that ‘these organisations have
achieved a special status that is now widely accepted, but is not subject to official scrutiny’.17
This led to the Australian Government commissioning a report on relationship with NGOs which recommended more transparency in the relationships between Governments and NGO’s (including the non-profit sector) (Johns & Roskam 2004).

**The Case of New Zealand**

New Zealand presents a contrast to the previous two examples. Firstly it is not a federal devolved country with states and territories like Australia or devolved parts like the UK. Secondly it has a distinct and indigenous minority (Maori) who have a legal relationship with the state – The treaty of Waitangi. This is particularly significant in relationships with the Third Sector in New Zealand. A major report was produced which identified a history of distrust and difficult relationships between the Maori Community and Government services. (Ministry of Social Policy 2001)

The reason this particularly significant is that the treaty is extensively quoted when the issue of funding arises, Hence contractual relationships between the state and organisations involved with the Maori community are not easily able to be couched in commercial terms. (Office of Community and Voluntary Sector 2005)

Therefore New Zealand - like Canada – represents two systems. One system operates with Maori organisations and is very much based on a consultation and funding model derived from perceived treaty obligations. The other system relates to a the non-profit organisations which work with the non-Maori communities. Here concepts such as voluntary input, value added and value for money figure significantly in discussions between state and the sector. (NZ Federation of Voluntary Welfare Organisations,2004)

**The lessons from the different examples of the UK, Canada, Australia and New Zealand?**

The examples demonstrate that even within a set of predominantly English speaking countries with a perceived common cultural and legal historical identify there are a range of ways in which the third sector relationships have evolved. The challenges to link public service delivery to a citizenship agenda via the medium of the non-profit sector can be found in all the countries examined.

In the UK the compact has been widely adopted though the form of implementation and level of commitment varies. Devolution has been associated with distinct differences in the roll out. The government concern with developing greater citizen involvement has led to a focus on ‘localism’ and in this domain the bob-profit sector is seen as potentially playing a major role.

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17 Melbourne Age ‘ Influential, but unaccountable’ June 24, 2004

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In Canada a key difference has been the presence of a language and cultural minority possessing a very different non for profit tradition. In the case of Canada that has heavily affected the nature of the relationship between the state and the not for profit sector. The ‘accord’ format has not been applied in Quebec where a social economy model operates.

For Australia there has been a complexity of different legal forms associated with a large non-profit sector, However the relationships between the government and the sector have been one the one hand focused on service contracts which have been seen as one sided in the governments’ favour. On the other hand, though, there is a perception that the sector has had significant influence in policy making and that it, as a lobby, exercises significant influence as a representative of citizen interests.

New Zealand represents a further contrast in that it has an indigenous minority who regards itself as possessing treaty rights which heavily influence the nature of any relationships with the government. This has a major impact upon the construction of any dialogue between the non-profit sector and government.

Possible Implications for China?

China has shown itself well able to select from various models and adapt what it find to its own needs. It has a large and well established Third Sector and the sector plays an important role in the life of the country.

Like the countries I have examined (with some local exceptions) China has a common national language. It also possesses cultural and indigenous minorities. The lesson of the relationships between government and the third sector is that there are a range of possibilities. The experience of the UK suggests (using the example of Wales) that focus and relationships are important. The code for funding is probably the most important one to have and having good and close understanding between the third sector and politicians is a clear benefit. The lesson from Canada is that when there is a distinct minority with a different language and tradition then that may be associated with a dramatically different form of the third sector. For Australia the presence of a large non-profit sector has apparently not engendered a well developed partnership between government and the sector. Finally for New Zealand the impact of a particular treaty (which was probably not originally seen as defining non-profit organisational relationships) has come to heavily influence such relationships,

China with its recognition of ‘one country- two systems ‘ and its large number of ethnic and language minorities may need no lessons from the experience of these Western countries in how to manage productive relationships with the non-profit sector in delivering services and engaging with citizens.

However such lessons as can be usefully drawn are there for the taking.


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Lessons from the delivery of public services by the Third Sector and the increasing links to citizenship: The emergence and development of contractual partnerships between the Third Sector and Government”

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Sub Theme: Citizen participation within public service-oriented government