

# Briefing Paper 32

## Partnership and mainstreaming: voluntary action under New Labour

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### Introduction

The focus of this paper is on the changing policy environment for voluntary action under the new Labour government at the turn of the twenty-first century. This was a period of rapid policy change with a rise in the profile of voluntary action to rival, if not outstrip, any point in the previous century. This rising profile was also accompanied by terminological change and debate - with the development of a new concept, the 'third sector'. This terminology aimed to capture a broader, notion of what could, and should, be the focus of political and policy attention. Adoption of the term 'third sector' dated in particular from the creation of the Office of the Third Sector (OTS) in 2006, which brought policy co-ordination for social enterprise, co-operatives and mutuals together with the voluntary and community sector. It was part of a deliberate attempt by government to expand the reach of policy intervention into areas not traditionally associated with voluntary action in the country. To quote the definition employed on the OTS website, 'The term encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small'.

However, other political changes have operated to narrow the field of policy and analytical concern. This is because of the devolution of political control to the

independent administrations in Scotland, Wales and Northern Ireland since 2000. As one of the devolved policy arenas, separate third sector policy initiatives are being pursued in each of these three countries (TSRC Working Paper 2).

### Context

The policy environment of the new Labour era, however, was informed by the legacies of a longer history of policy change, as well as the priorities and innovations of the government. It is clear that the simple model of a decline in the scale of voluntary action as state welfare developed is far from an accurate portrayal of a complex set of changing relations. There is no evidence of a decline in the numbers of voluntary organisations; indeed analysis from the Third Sector Research Centre suggests more or less continual growth over the latter half of the twentieth century.

The most recent Labour government phase of third sector policy making can be traced back to the consolidation of discourse about the sector in the 1990s. The Voluntary Services Unit in the Home Office became more active in promoting and supporting voluntary action in the 1990s, commissioning the Centris Report. More significant though was the Deakin Commission of 1996: an independent inquiry established by the NCVO and chaired by an academic, Nicholas

Deakin. Its remit was to review the challenges facing the voluntary sector in the coming century and to outline how these might be met. The recommendations focused significantly on relations between government and the sector and argued that these could be improved through a more structured and proactive approach by both sides. It was suggested that this could be framed within an over-arching concordat governing, directing and improving relations between the two.

An enhanced role for voluntary action within the third way was supported early on by the Prime Minister, Tony Blair, in a speech to the NCVO Annual Conference:

‘History shows that the most successful societies are those that harness the energies of voluntary action, giving due recognition to the third sector of voluntary and community organisations.’ (Blair, 1999)

And at a similar event six years later, the man who would succeed him as Prime Minister, the then Chancellor Gordon Brown, expressed similar sentiments talking of a: ‘transformation of the third sector to rival the market and the state, with a quiet revolution in how voluntary action and charitable work serves the community.’ (Brown 2004)

The new engagement with the sector was also welcomed by key practitioners within it, who embraced the partnership theme which, as we shall see, became the leitmotif of new Labour policy. For instance, Stuart Etherington, Chief Executive of NCVO, opened a speech in 2002 with the words: ‘This is an exciting and challenging time for people working in the voluntary sector. Over the past five years we have seen a growing understanding of, and emphasis on working with, the voluntary sector across government. Partnership working has become the norm...’ (Etherington, 2002).

## Institutional change

Central to the new era of partnership between the state and the third sector was

the building of new institutions to act as sites for policy development and delivery. In the 1980s and 1990s the location for policy interface with the voluntary and community sector had been the Voluntary Services Unit within the Home Office. The Labour government’s first strategy was to rebrand and expand this. In 2001 it became the Active Community Unit (ACU) and received an additional £300 million for a three year budget to underpin a programme of engagement and support for the sector. This was followed by the creation of the Civil Renewal Unit and these were then merged with a separate Charities Unit to create the Active Communities Directorate, expanding further the policy reach and the budgetary commitment.

Not only were new institutions being built up within the Home Office, however, in the Treasury, a new Charity and Third Sector Finance Unit was created in 2006 to co-ordinate fiscal policy for the sector. And it was the Treasury that, in 2002, initiated the cross-cutting review of the role of the sector in service delivery, which led to some of the major investment programmes outlined below.

In 2001 the government also created a Social Enterprise Unit (SEU), within the then Department of Trade and Industry (DTI), to provide co-ordination and support for social enterprises. Social enterprise was a new term developed to apply to third sector organisations which traded as businesses, but had explicit social and/or environmental purposes, and used their surpluses to reinvest in the business rather than paying out dividends to shareholders. In practice, this form of activity has been around for a long time and could include, for instance, the co-operatives created in the nineteenth century.

By the mid 2000s a range of new institutions and legal forms had been created to provide a new structure for relations with the voluntary and community sector. If anything,

it was this wide range of institutions that was now creating potential problems for policy co-ordination and practical engagement. So in 2006 the process of institution building was rationalised, and given even higher political profile, by the creation of a new **Office of the Third Sector (OTS)**. Based in the Cabinet Office, this was a merger of the Active Communities Directorate and the SEU. However, some of the civil renewal activities of the former Directorate were transferred to the new Department of Communities and Local Government (CLG), and the Charity and Third Sector Finance Unit remained in the Treasury.

## Capacity building and investment

The Deakin Report's recommendation for a governing 'concordat' was taken up by the establishment of a national Compact in England, providing a framework for relations between central government and third sector organisations. Similar Compacts were implemented shortly after in Scotland, Wales and Northern Ireland. The national Compact was also promoted as a model for local compacts to be developed by local authorities, National Health Service agencies and other public bodies. The Compact was a framework, not a legally binding document; but it led to guidance on key matters of concern, such as the full costs of voluntary organisations included in contracts. Later an independent agency, the Compact Commission, was established to oversee its implementation and promote good practice under it.

The Treasury-led cross cutting review of 2002 led to the development of significant new initiatives to support third sector organisational development in England. The first example of this was the Futurebuilders fund, initially £125 million over three years from 2005 to 2008, to provide grants or loans to help third sector organisations bid for public funding. The investment in Futurebuilders was expanded to £215 million

and continued for 2008 to 2011. The Social Investment Business (SIB) was later established, becoming a major source of investment support for third sector organisations. The £70 million Communitybuilders fund was established by CLG and OTS in 2008 to provide support for small local and community based organisations. The £100 million Social Enterprise Investment Fund was established by the Department of Health, providing support for social enterprises bidding to deliver health and social care services.

In addition to the horizontal funding provided through SIB, the government introduced another programme in 2004 called ChangeUp to provide support for infrastructure agencies with resources of £150 million for needs such as workforce development and information technology. After 2006 ChangeUp was delivered by a separate government agency called Capacitybuilders. This led some commentators to refer to these horizontal investment initiatives as the 'builders' programmes; and certainly the theme of investing in building the capacity of organisations runs through them all.

## Partnership

Delivery of capacity building required policy makers to engage with the sector, to identify priorities, distribute resources and monitor outcomes. At the same time sector representatives were encouraged, and required, to review their own structures and priorities, and engage with politicians and policy makers in the development and delivery of support programmes. Kendall described this as 'hyperactive mainstreaming'; and it had significant consequences for voluntary action and third sector organisations within the UK.

**One of the key drivers here was the expanding role of third sector organisations in the delivery of public services. After 1997, Labour's commitment to a 'third way' for policy development, and promotion of a**

mixed economy of welfare providers, placed third sector delivery of public services at the centre of policy planning. Income for the sector from statutory sources grew from £8.4 billion to £12 billion from 2000 to 2007, with all of this additional income coming from contract funding, with grant funding even declining slightly from £4.6 to £4.2 billion. The expansion of contract funding for service delivery was warmly welcomed by some in the sector, for instance, the Association of Chief Executives of Voluntary Organisations (ACEVO) and their chief executive, Stephen Bubb, who have championed an ever greater role for third sector service delivery as an alternative to a bureaucratic state and a profit oriented market.

Service delivery was not the only driver behind the new partnership between government and the third sector. The role that third sector organisations can play in promoting citizenship and civic engagement has long been recognised as a key dimension of voluntary action. In 2003 the Home Office published a strategy document on this called Building Civil Renewal. **But this suggested a different direction for partnership relations to the Treasury led support for public service delivery.** Both were aimed at supporting partnership action through building the capacity of third sector organisations, and both were instrumental in expanding voluntary action and raising the profile of the third sector; but they had rather different aims (service provision versus community engagement). In practice they were also largely targeted at different parts of the third sector (larger service focused charities and social enterprises versus smaller community groups). Service delivery also tended to be supported through contracts for provision, whilst support for civic renewal was more likely to take the form of grants.

## Conclusion

Throughout the thirteen years of the new Labour government voluntary action enjoyed a higher profile in political debate and policy planning than at almost any point in its long history. The government openly committed itself to promoting and supporting an active partnership with the sector, and sector agencies came together to embrace and engage with this in a climate of sectoral unity that was unprecedented. What is more this new united third sector expanded to include social enterprises, co-operatives and mutuals, which in earlier times had not been seen as belonging to a collective third sector. **A shared discourse of policy and practice** thus created a new third sector and placed it at the centre of a new third way for policy development.

However, much of the positive engagement in partnership by both government and the third sector has been driven by the high levels of financial support available through the OTS and the 'builders' programmes in England, and through analogous provisions within the devolved administrations in Scotland, Wales and Northern Ireland. The ability of government to sustain such support in the aftermath of the severe economic recession of 2008 to 2009 will be open to question, to whichever party takes power after the summer of 2010. **Whilst political support for partnership may be broad and deep therefore, economic support for an expanding process of engagement and support may be hard to deliver.** Without this the unified discourses of partnership may fragment into competition within the sector, and challenge to government agencies no longer able to meet the demands of all. Whatever happens to the politics and ideology of voluntary action, economic pressures may mean that in time history may judge the new Labour era to have been a high water mark in partnership between the state and the sector.

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