16. Collaboration with the third sector: UK perspectives

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Introduction: a burgeoning interest in collaboration

Collaboration or partnership with the private sector and the not-for-profit sector (referred to in the United Kingdom as the 'third sector') started to become a theme for the UK Government from the mid-1990s. As with many ideas, the hype exceeded the reality for some time. By the late 1990s, however, everyone in UK policymaking was talking about partnership. It was in a way analogous to the 'dot.com' hype that reached a peak about the turn of the century. Partnerships proliferated at the national and local levels. The answer to every social problem seemed to be moving towards 'joining up' thinking, working together and harnessing the skills and resources of different sectors. And, like the dot.com crash, the more challenging reality then caught up with the rhetoric.

Partnership and collaborative relations turned out not to be as easy as people thought. Those who considered that it would be a miracle approach to addressing ingrained social problems were as disappointed as those investors who thought that every web site was inevitably going to make money. In the United Kingdom, this led to some 'partnership crashes': a number of the local collaborations on skills, health, education and housing regeneration were wound up when the tough reality of working collaboratively started to bite.

Just as with the Internet and electronic commerce, however, the underlying logic of the rise of collaborative approaches was retained throughout the oscillations of the initial over-hype and subsequent 'crash'. In the past few years, a new, more measured, but ultimately more effective agenda has been developed that has already become an enduring feature of how government works.

In this chapter, I aim to provide a brief overview of the driving forces towards greater collaboration with the not-for-profit sector, some of the main measures we have developed to enable such collaboration and my perspective on the successes and challenges associated with these approaches. This is based on my personal observations as director of the Office of the Third Sector, the part of the British Government with responsibilities for regulating and supporting the third sector.¹

Why collaboration with the third sector?

What is driving our interest in collaboration with communities and the third sector? There are four powerful underlying drivers. Each relates to the social context and the attributes of the third sector in all its various configurations.

First, in a period of unrivalled migration and ethnic diversity, it is more important than ever for governments (and the wider community) to support those institutions that knit together the social fabric of local communities and the country as a whole. Evidence from the United Kingdom suggests that people who actively participate in community groups are far more likely to trust others. The government therefore has a significant interest in working with these groups to support their growth and to enable them to play an increasing role in strengthening the social fabric of local areas and the country as a whole.

Second, public services can benefit from collaboration with community groups and third-sector providers. Improvement can be driven partly by enabling a diverse range of suppliers, generating service effectiveness and efficiencies. Such diversity gives commissioners of services choices over the type and selection of providers to deliver effective policies. Improvements from engaging with not-for-profits can, however, be greater than those generated simply by competition. Community groups can bring uniquely strong relationships with citizens. In the United Kingdom, we still struggle to build really effective, trusted relationships between parts of our education, health and welfare services and those whom they seek to serve, particularly those suffering the greatest disadvantage. The sorts of health and welfare problems we now face, however, such as reducing obesity or the need for retraining late in adult life, require more effective relationships between the service and user than ever before. There is mounting evidence that at least some third-sector organisations are better than government at building such relationships with users and clients. The third sector has pioneered intensive projects to intervene with families or young people causing crime and 'antisocial behaviour'.

This recognition of the sector's role in delivering public services is manifested in the government's growing confidence in the sector. For instance, the government's total public expenditure through the voluntary sector more than doubled from about £5 billion (\$A12 billion) in 1997 to closer to £11 billion (\$A25 billion) in 2005. Almost all this growth was driven by greater public-service contracts, rather than grants. Growth has been particularly strong in areas such as child care and support for children, work with offenders, drug treatment and supported accommodation.

Third, government ministers recognise that in order to foster social change, some of the traditional collective institutions—political parties and trade unions—need more than ever to be complemented by a far wider coalition of campaigners and advocates. Although the temptation for ministers is to be defensive about

campaigns and interest groups, many recognise that in addressing increasingly complex social, economic and environmental issues, neither the analysis of problems nor solutions to them can be confined to formal politics and executive government. It is often third-sector organisations that advocate social causes and provide the outlets for people to express their social conscience—whether through campaigns to reduce the debt of developing countries to enable them to invest in their own people or local environmental campaigns to increase the recycling of materials and products. They are the potential new partners for change.

Finally, and related to the third driver, it is becoming clear that people increasingly want to combine their ethical values with their work and consumption, partly as our professions and shopping habits play an increasingly important cultural role in society. Employees increasingly want to work for companies with a social edge or social conscience (employers of choice). The incidence of employee volunteering, in which employees are motivated to take on new socially responsible roles, is also rising. Consumers increasingly buy ethical goods such as environmentally friendly products or ‘fair-trade’ items. The ethical market in the United Kingdom was recently estimated at being worth nearly £30 billion a year (about \$A70 billion). A progressive government is interested in fostering such combinations of social and economic goals, particularly by enabling the rise of social enterprises and businesses with social purposes. Again, this requires collaboration with such enterprises, from raising awareness among potential employees and investors to ensuring that government contracts lead the way in recognising the added social value that they deliver.

How have we tried to collaborate in the United Kingdom?

As head of the Office of the Third Sector, I suggest it is useful to think of our work falling along a spectrum of different types of collaboration. At one end, we have a number of programs that essentially seek to work for the sector to enable organisations to fulfil their own objectives. These have been mainly at the level of supporting the flow of various resources into the sector: encouraging and assisting volunteers, charitable giving, providing assets and organisational support and training. This is the sort of collaboration that is obviously most welcome by the sector. It enables organisations broadly to maintain their independence, but with greater resources to achieve their objectives. For example, the government has introduced citizenship education in schools, including encouraging volunteering, and developed major new programs and organisations to increase awareness and ease of volunteering, such as the development of a single national database of volunteering opportunities and the creation of ‘v’, a new national youth volunteering fund, which has the aim of enlisting a million new young volunteers. We now have a far more generous tax regime for gifts to charities—the value of which is up sevenfold in a decade to about £1 billion

a year in income tax rebates alone—and a national program to support professional and organisational development in fields such as the use of IT and financial management. We have taken an active role in developing new forms of social investment finance, such as combined grants, development support and loans (often called patient capital) and formed partnerships to transfer local-authority assets, such as community centres, to third-sector organisations to give them a secure base from which to develop enterprise.

Our measures to build the capacity of campaigning and advocacy organisations and form collaborations with such groups are generally less well developed. We have started to invest in measures to help such organisations develop their skills, such as campaigning in new ways. The Office of the Third Sector has also developed strategic partnerships with about 50 organisations that represent parts of the diverse sector, to ensure that they can be more involved in policy development. This involves funding of three to five years (about £5 million per annum in grants) on the basis of a broad memorandum of understanding, but explicitly not seeking to determine how the resources are used.

At the other end of the spectrum are far more direct collaborations to deliver specific services or outcomes, usually through designated contracts. I noted above that total public resources going to the sector have more than doubled in 10 years. The majority of that growth has been in contracts for specific services; these, not grants, now account for more than 60 per cent of the public-sector resources going to the third sector. To promote such public-service delivery, we have sometimes obliged local agencies to shift a percentage of funding to independent providers or introduced a presumption on commissioners that they should look first to independent providers of services. That is the case with, for example, childcare services and youth programs. Generally, however, we sought to encourage local commissioners to think about service delivery by the third sector through developing a culture of commissioning for outcomes and the involvement of users, rather than designating the type of provider. We are trying to encourage a cultural change in commissioning practices to enable small organisations with few reserves to bid for contracts, such as through stipulating that contracts should be for at least three years and should take into account the full cost of providing services, such as training and overheads.

In between these enabling and direct collaborations, we have sought to improve the regulatory environment, particularly through establishing a compact between the sector and government and through modernising charity laws to create new legal forms that reflect the trading nature of many organisations and reduce regulatory burdens on small charities. The compact now covers a host of interactions, from the length and style of government consultation on policy, which has an impact on the sector, through to giving notice of the termination of grants.

What have been the outcomes of our approaches?

In broad terms, the third sector is vibrant and growing. Indeed, the number of charities registered with the Charity Commission increased from 121 000 in 1995 to more than 169 000 in 2004. There are now also about 55 000 social enterprises, and again, qualitative research indicates that numbers have been rising in recent years. In terms of the voluntary and community sector—that is, registered charities and small community groups but not all social enterprises—total turnover has risen by more than two-thirds in real terms since 1997. The total turnover of social enterprises is now estimated at £27 billion, approaching the same as registered charities. Employment has grown in the sector by more than one-fifth and the number of people undertaking regular formal or informal volunteering in England and Wales increased from 18.4 million in 2001 (the first year of the survey) to 20.4 million in 2005. Charitable giving by the community has remained broadly stable at just less than 1 per cent of gross domestic product (GDP)—or nearly £9 billion in 2005–06, or £183 per adult. While the enabling actions of government are only one factor behind these trends, and causation is often very difficult to pin down, the growth is encouraging.

There are also some encouraging signs about the positive impact of the third sector's activities. Recent research by the UK National Consumers Council suggests that users of some third-sector provider services, such as employment services, rate them better than public or private-sector providers (although they found comparable satisfaction in other fields of activity such as care for the elderly). What is more, the sector has remained at the forefront of a number of social campaigns, from healthy eating and reducing smoking to human-rights issues, such as disability rights. As noted earlier, some interesting markets are now emerging that combine social and economic returns.

There are, however, also some clear lessons. I will nominate the three most important. First, there is a risk that direct collaboration involving the contractual delivery of services leads to the creation of semi-state agencies and undermines some of the benefits of organisations being better trusted by users, which drove our interest in the first place. We have tried to avoid that through safeguards such as the compact, which seeks to protect the right of service-delivery organisations to be free to advocate and campaign. The National Consumers Council Research I noted earlier found, however, some evidence of this, such as in the area of social housing. We need more delivery mechanisms that are somewhere between generic subsidies or tax expenditures, such as tax breaks for the whole of the sector, and specific grants or contracts that run the risk of over-specifying outcomes and reducing the potential for user involvement and innovation. We are seeking to rectify this with other new initiatives such as partnership-inspired small-grant programs separate from formal contracts. This will help establish or improve local endowed foundations with broad social

objectives. Such community foundations and other local endowments are able to provide independent, long-term, relatively flexible resources to local groups, but on the basis of informed funding, rather than blanket subsidies.

Second, there is a risk that government does not collaborate with the right groups on policy development. For example, in the Office of the Third Sector, we have recently been considering how the government engages with web-based and online groups—what some people describe as the ‘social web’. Much of the social web is very detached from the traditional third sector and has itself only very weak organisational forms. We now recognise that our patterns of consultation and engagement tend to bypass it. There is a whole emerging civic sector that tends not to be represented through the formal channels. Instead, the task is to allow new forms of interaction—from online petitions to ‘twitter’ sites—and new forms of enabling support that rely as much on providing organisations with access to information as on traditional capacity building.

Third, we can be overly optimistic about the ease of creating cultural change around collaboration, among those working in the state and the third sector on partnerships and among society more generally. For example, the compact has been good in some respects, but has not penetrated much of the wider public sector. That is why we are appointing a commissioner to champion the compact among government departments, local government and the third sector and are now putting considerably more effort into incentives for local commissioners to work with the third sector, such as explicit targets for local authorities to strengthen the third sector. As in any cultural change, these incentives need to be backed up with training and support, so we are providing training for the top-2000 commissioners of local services and investing in ‘bridging’ organisations such as an innovation exchange that aims to link third-sector organisations with new ideas with commissioners looking for innovative solutions to local challenges.

Conclusion

Social inclusion and community wellbeing rest on an active third sector. Governments increasingly recognise the importance of this phenomenon and seek to enhance its potentialities. They have also come to realise that they cannot achieve their own goals without the active involvement of others—and indeed that such goals can be better formulated with the involvement of the third sector from the start. This does not mean that collaboration with the third sector is non-problematic or without significant downsides and risks. By giving greater emphasis to flexible, arm’s-length funding, however, by better engaging with emerging civic organisations and social enterprises and by not underestimating the challenges of cultural change, sustainable collaborations can become an embedded part of the work of government in the future.

ENDNOTES

¹ The Office of the Third Sector forms part of the Cabinet Office in the United Kingdom. Most third-sector matters are devolved in Scotland, Wales and Northern Ireland and the majority of measures referred to in this chapter therefore relate to England only. This chapter is written in an entirely personal capacity and is not intended to represent the views of the UK Government.