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Matching rhetoric with reality: the challenge for Third Sector involvement in local governance

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Introduction

Reading any recent Government publication around the issue of local government modernisation; be it the Comprehensive Spending Review, guidance on Local Area Agreements or the new National Indicator Set; a clear rhetoric emerges as to the role of the Third Sector in local partnership, local governance and ultimately local service delivery. In reality, however, this rhetoric is far from certain, with diversity in the size, shape and ethos of Third Sector organisations leading to an often misunderstood and uncomfortable relationship between the sector and local governance mechanisms. This Local Work, based upon CLES experience of work with both the public and third sectors on Local Area Agreements (LAAs) in recent years, seeks to examine this rhetoric reality mismatch and proffer suggestions as to how the sector can more effectively assess their role within and shape local strategic decision-making.

The evolution of Third Sector involvement in local government

Box 1 – Definition of the Third Sector

'The third sector incorporates a huge diversity of non-governmental organisations. They are value driven and principally re-invest surpluses or raise funds to further social, environmental or cultural objectives. The sector includes community groups, voluntary organisations, faith and equalities groups, charities, social enterprises, co-operatives, mutuals and housing associations' (Communities and Local Government, June 2007)¹

The role of the Third Sector in local governance activities and mechanisms has been enhanced and increasingly valued over the course of the last ten years by central government, local authorities and the Third Sector itself. However, the role and level of Third Sector organisations engagement in local governance has varied in both the size of Third Sector organisations involved and the types of involvement. The spectrum of involvement introduced in this paper seeks to detail the variety and potential roles for the Third Sector in local governance. CLES would suggest that there have been two waves of Third Sector policy rhetoric in local governance in the last ten years.

The first wave really started in the early to mid 1990s in major regeneration programmes such as City Challenge and the Single Regeneration Budget, which provided an arena for predominantly small neighbourhood based Third Sector organisations to have a 'voice' in key local decision-making. This promotion of the Third Sector as having a 'voice' on local governance and local regeneration issues was carried forward in the development of Local Compacts (first introduced in 1998) between local government and the Third Sector; the development of Local Strategic Partnerships (LSPs) in 2001 and the National Strategy for Neighbourhood Renewal supported Community Empowerment Networks, also introduced in 2001. These networks, and their relationship with LSPs in particular, started to provide an effective link and 'voice' between the Third Sector, local authorities, other public sector partners, the private sector and also elected members. At this stage there remained a strong emphasis centrally and locally on the Third Sector receiving grants for project delivery.

The second wave of Third Sector involvement in local governance mechanisms and activity has really come to fruition in the last three to four years with an emphasis placed on the sector as a strategic engager, deliverer of public services and procurer of contracts. LSPs have gone beyond the remit of discussing issues relating to specific themes to being far more accountable to partners and producing strategic documents in the form of Sustainable Community Strategies and, in association with the local authority and other partners, delivery action plans in the form of LAAs. Third Sector organisations have required far more time, capacity and support to engage with the development and delivery activities of LAAs, first introduced in 2004, and now in place in every top-tier authority. Third Sector organisations have also required more support both in gearing themselves up for the shift that has occurred from a grant based culture towards one focused on public service delivery contracts, and also competing for contracts. In both cases support has often come in the representative focus of Third Sector infrastructure bodies such as the Tameside Third Sector Coalition.

The infrastructure support and public sector contract accessibility needs of Third Sector organisations have been supported by two core central government 'capacity-building' programmes which aim to help Third Sector organisations improve their systems and management processes, enabling them to bid for public sector contracts. Futurebuilders, a £125million investment fund set up in 2004 and ChangeUp, a £150million initiative are the two key capacity building programmes.

2007 also saw the increasing value of the Third Sector to local governance, local strategy, local regeneration and local service delivery acknowledged and enhanced in a series of policy reports from the recently formed Office of the Third Sector, which resides within the Cabinet Office but has strong links to the local government modernisation and local communities driven Department for Communities and Local Government. The 'Taking the Third Sector Forward – A Future Role in Social and Economic Regeneration'² report and the 'Partnership in Public Services: An Action Plan for Third Sector Involvement'³ report fed into the 2007 Comprehensive Spending Review the key values of the Third Sector to communities, to service delivery and to governance. The Third Sector review of involvement in social and economic regeneration has in particular identified four areas of common interest that exist between central government and the Third Sector, which will shape partnership working and policy over the next ten years. They are as follows:

- ❑ Enabling Voice and Campaigning;
- ❑ Stronger and Connected Communities;
- ❑ Transforming Public Services;
- ❑ Promoting Enterprising Solutions.

Social enterprises in particular have become a key part of the Third Sector and service delivery. With a turnover of around £27billion, social enterprises clearly make a strong contribution to national and local economies. The review indicated that whilst social enterprises have both economic value and social and cultural benefits, it is not sufficiently understood by the public or private sectors. The review thus recommends that the value and benefit of social enterprise solutions needs to be marketed widely, and be built on a solid base of evidence on the social

impacts the sector can have. Learning and best practice also needs to be shared within the sector. The Government and Office of the Third Sector are already acting on the issue of social enterprise with the publication of the Social Enterprise Action Plan⁴, which has a number of innovative proposals including developing a programme to appoint 20 social enterprise ambassadors to raise awareness of social enterprise activities.

There have been further developments in local governance policy in the last 12 months and its relationship to the delivery and strategic activity of Third Sector organisations. The Local Government Act (2007)⁵ signalled the restructuring and potential simplification of the LAA process. The Act introduced new duties for local authorities to engage certain partners in the LAA process and for these partners to give due regard to targets. Interestingly the Third Sector are not named as a key partner, but are viewed as respected deliverer of local services.

The Local Government Act and associated National Indicator Set also reduced central-local bureaucracy through a reduction in the number of indicators local authorities generally have to report upon and the opportunity for the inclusion of up to 35 in the LAA. The reduction in indicators provides Third Sector organisations with greater opportunity to be more focused than ever before upon the relationship between their projects and delivery activities and measures of local performance. Correlation between Third Sector projects and indicators could potentially be crucial to commissioning decisions through the LAA.

The 2007 Comprehensive Spending Review⁶ also introduced new rhetoric around the role of the Third Sector in public service delivery and local strategic governance with a new national level Public Service Agreement (PSA) target. Whilst the previous Spending Review period was characterised by a PSA which was very delivery focused (increase by 5% the proportion of the Third Sector public service delivery contracts), the new PSA suggests objectives for a far more rounded Third Sector. PSA 21 seeks to 'build more cohesive, empowered and active communities', which has a sub-indicator of 'a thriving Third Sector' which will be measured through a range of issues relating to volunteering, capacity, and service delivery. Published in July 2008, the Empowerment White Paper, *Communities in control: real power, real people*⁷, sets out the government's vision for handing power to communities and individual citizens. The role of the Third Sector is key, with the White Paper announcing the establishment of an 'Empowerment Fund' of at least £75 million to support national Third Sector organisations turn empowerment proposals into practical action.

The reality of engagement

Despite the policy rhetoric highlighted above, levels and scale of Third Sector involvement in local governance structures such as Local Strategic Partnerships and processes such as LAAs have, however, varied by authority and locality. A number of research reports notably by Communities and Local Government (CLG)⁸, the Improvement and Development Agency (IDeA)⁹, and the National Audit Office (NAO)¹⁰ have begun to quantify and qualify the involvement of Third Sector organisations in LAAs to date. While it is not possible to highlight all of the key findings of these reports in this Local Work, a number of key issues emerge which suggest that in the future there needs to be far stronger support for, and engagement of, Third Sector organisations in the LAA process, if they are to reap the full benefit:

- The type and level of Third Sector involvement is dependent upon the quality of Third Sector infrastructure;
- The scope and remit of the LAA process tends to determine the extent and type of Third Sector involvement. A narrow approach with strong local authority lead has often meant limited Third Sector involvement;
- Effective Third Sector involvement in LAA requires considerable commitment of time and resources;
- As LAAs move from strategy and plan-making into commissioning and delivery, there is an increasing need to identify and engage appropriate and relevant front line Third Sector organisations;

- Expectations that the Third Sector will receive additional resources through the LAA needs to be carefully managed by the LAA partners.

CLES research

CLES have undertaken a range of research activities in the last three years advising a diverse variety of Third Sector organisations as to how they can engage with local governance mechanisms and in particular LAAs. This has included significant work with environmental regeneration charity Groundwork UK, regional offices and local levels and with other umbrella organisations such as Social Enterprise Sunderland and their members in the locality. The research has enabled a number of conclusions to be drawn as to where there has been effective involvement of the sector.

Strong involvement across local authority boundaries

With a number of organisations examined operating across local boundaries at a sub-regional level in addition to in specific localities, it was perhaps to be expected that engagement in local governance would cut across the LSPs and LAAs of those areas. Indeed, many of the organisations had involvement to some extent whether it was through a thematic group, the strategic board or in delivery terms in LSPs and LAAs within their geographical boundaries. However, there was often a stronger affinity, relationship or level of involvement with one local authority area. For example, Groundwork Thames Valley's strongest involvement in local governance was in the London Borough of Hillingdon, where they were responsible for delivering against a stretch target in the LAA. Groundwork Bury had far greater strategic and delivery linkages with the local authority of Bury than with Bolton. This indicates the importance of developing long-term relationships with local authorities and highlighting the value of Groundwork through strong performance and good delivery of projects.

The importance of playing to your strengths

Involvement for Third Sector organisations in LSPs and LAAs have been largely in thematic areas where they are well recognised, for example, relating to the Environment, Safer and Stronger Communities, and regeneration and social exclusion. It is important to recognise however that engagement has occurred in non-traditional areas relating to, for example, employment, crime and education. This engagement has however been backed by solid evidence of delivery and strong communication to local authorities of delivery activities.

Involvement based upon knowledge and longstanding delivery activity

The 'way in' to LSPs and LAAs for Third Sector organisations has often been a result of a strong lead from the Chief Executive and their contacts with local authorities. In some cases it has been a result of a track record of good local delivery activity and a strong reputation. Effective promotion of delivery activity to the local authority and their partners can lead to engagement in LSPs and LAA and potentially result in commissioned projects and further funding. A good example of this is the delivery activity undertaken through the Blue Sky Developments and Regeneration arm of Groundwork Thames Valley in delivering against a stretch target relating to ex-offenders.

An important Third Sector coordinator

A further area of Third Sector involvement in LSP and LAA policy agenda was that of a 'leader' or strategic driver of the local voluntary and community sector, particularly for non-infrastructure bodies. This was particularly evident in the case of Groundwork Bury, who have played a strong role in negotiating voluntary and community sector priorities around volunteering and the relationship between volunteering and other themes such as health, into the Bury LAA.

A range of involvement benefits

Each of the Third Sector organisations examined highlighted that there were key benefits to their organisation in operational, strategic and delivery terms as a result of involvement in LSPs and LAAs. These benefits included:

- ❑ A higher local profile for the organisation in governance terms and greater influence over local policy agendas;
- ❑ Strategic involvement in local governance has led to sustained and new delivery opportunities;
- ❑ An opportunity to engage with a wider array of public, private and voluntary and community sector partners and subsequently, the opportunity to develop knowledge of local strategy and delivery experience;
- ❑ An opportunity to communicate exactly what the organisation is doing and more effectively tailor activities to local strategic priorities;
- ❑ An understanding of the activities driving the local authority policy agenda, across a range of thematic areas;
- ❑ An opportunity for new resources through solid delivery against reward element stretch targets and also three-year contracts.

The barriers to involvement

CLES research activity with Third Sector organisations, notably Groundwork, has revealed a range of cultural barriers to the Third Sector and local authorities working effectively in partnership together with regard to LSPs and LAAs. This was echoed by research produced by the New Local Government Network¹¹ in September 2007. These barriers also have implications for the role of the Third Sector in local governance and include:

- ❑ A lack of trust between local authorities and Third Sector organisations;
- ❑ Inadequate channels of communication between senior local authority officers and the sector;
- ❑ Poor relationships leading to a belief Third Sector organisations are 'junior' partners;
- ❑ An organisational weakness when it comes to joint working;
- ❑ A lack of understanding and data as to what Third Sector organisations deliver within a locality;
- ❑ A lack of professional skills within the Third Sector, notably project and policy management;
- ❑ An unwillingness on the part of the sector to compete for contracts and to continue to rely upon grants.

The research activity with Groundwork revealed that barriers to engagement were often as a result of local political cultures and strong local authority led delivery activity. Additionally, it was felt that in some places partnerships were not 'mature' enough to engage a wide variety of public, private and voluntary sector partners in both strategic and delivery terms. On a Trust basis, the key barrier to engagement was time and capacity and the extent to which strategic involvement in LSPs and LAAs comes at the expense of positive local project and delivery activity.

The role of the Third Sector in local governance

The Third Sector should be a key and respected partner to local government, with a diverse range of roles, themes, responsibilities and areas of expertise. Local Government and associated strategic and delivery mechanisms should also recognise the diverse size of the Third Sector and the need for involvement at different scales of governance. Levels of engagement by Third Sector organisations in LAAs and other local governance mechanisms and activities have to date also varied by size of organisation. Whilst large infrastructure bodies and large Third Sector deliverers such as Groundwork have had relatively steady involvement in strategy and have had success in procuring public service contracts, smaller organisations at the neighbourhood level have struggled to understand the policy complexity of LAAs and the move away from the grant based funding mechanism. Local Government and the Third Sector itself needs to recognise that the sector is varied and diverse and that engagement in local governance at all levels will not necessarily suit all Third Sector organisations, if at all. CLES, from research activity across the diversity of the sector, have thus sought to develop a range of roles that Third Sector organisations can play in local governance arrangements and these can be displayed on a spectrum as highlighted in Figure 1.

Figure 1: The Spectrum of Third Sector Involvement in Local Governance

| | | | | | | | |
|---|---|--|--|---|---|--|--|
| Level 1 As a Communicator of Activities | Level 2 As a Local Authority/Community Broker | Level 3 As an Advocate of Policy | Level 4 Through a Third Sector Infrastructure Body | Level 5 As a Thematic Partner | Level 6 As a Strategic Partner / Lead | Level 7 As a Service Deliverer | Level 8 As a Strategic Deliverer |
|---|---|--|--|---|---|--|--|



Level 1 – As a Communicator of Activities

Third Sector organisations have a role in local governance in communicating their activities to local authorities, other public sector partners, the private sector and other Third Sector organisations. By producing newsletters, publicity material, articles in local newspapers and through other areas, Third Sector organisations can keep other local stakeholders abreast of activities being carried out in the locality. This has implications for local governance mechanisms in identifying gaps in provision and allocating budgets in the future. It also makes local authorities aware of the wide array of activities the Third Sector carries out, and potentially influences tender lists and preferred service deliverers.

Level 2 – As a Local Authority/Community Broker

Third Sector organisations have a role in local governance as being a key broker between communities and local government, their partners and local governance mechanisms. With Third Sector organisations often rooted in small geographical communities or neighbourhoods, they often have the local knowledge to identify issues of local concern and feed these up to local governance mechanisms. Being rooted in the community is also important for trust, with communities often trusting Third Sector organisations to a greater extent than they do the public sector. There is thus an important role for Third Sector organisations in disseminating special initiative policy and project activities to communities, for example.

Level 3 – As an Advocate of Policy

Related to their role as a local authority/community broker, Third Sector organisations have a role in local governance in gaining information about new national and local policy developments and filtering it to communities. As happened with the development of LAAs, local Third Sector organisations should attend and be involved with workshops, events and road shows relating to issues of concern to their organisation and local communities. Attending workshops is also a good way for Third Sector organisations to become recognised by key local stakeholders. It could be the cornerstone for future strategic, delivery or contract activities.

Level 4 – Through a Third Sector Infrastructure Body

Third Sector organisations can have a role in local governance through being members of, and providing viewpoints to, Third Sector infrastructure bodies. Third Sector infrastructure bodies such as the Tameside Third Sector Coalition (T3SC) are increasingly involved in both overall and thematic groups of Local Strategic Partnerships and in overall Steering Groups and Block Groups of existing LAAs. Whilst there are often issues about the level to which local authorities and other public sector partners are prepared to listen to Third Sector infrastructure bodies, membership of these groups does enable the Third Sector to put across key community, thematic and overarching issues, and contribute towards future policy development and local priorities.

Level 5 – As a Thematic Partner

Third Sector Organisations, often specialise in one or a series of areas. Smaller organisations may focus upon youth and sporting activities for example, others such as Groundwork may have a strategic focus such as environmental regeneration, but link that focus into a range of other issues and activities such as employment, worklessness, young people, business, crime

and health. This issue based and thematic specialism lends Third Sector organisations to involvement in local governance through the thematic groups of Local Strategic Partnerships. Strong communication of activities and a track record of successful delivery and project activities raises the profile of Third Sector organisations and their potential for invitation to thematic groups of Local Strategic Partnerships.

Level 6 – As a Strategic Partner/Lead

Whilst there is limited evidence of Third Sector organisations actually chairing Local Strategic Partnership Boards, there is evidence of them forming part of the main board and partnership. Whilst this is often the larger local infrastructure bodies who have the time and capacity, there are a number of smaller yet national organisations with representation on the main partnership board, including Groundwork and Age Concern for example. A recent survey of Groundwork Trusts by CLES indeed highlighted that 27.8% were members of the Local Strategic Partnership Executive Board and 66.7% were members of the full partnership. Membership of the full board presents the Third Sector with the opportunity to represent a host of community views and issues for consideration in documents such as the Sustainable Community Strategy. It also ensures input into LAA target setting and monitoring.

Level 7 – As a Public Service Deliverer

There has been increasing emphasis in recent years on procurement and particularly of the Third Sector bidding for, delivering and sustaining public sector contracts. This emphasis has been supported by a Public Service Agreement target to increase Third Sector delivery of public services and capacity building support through the Futurebuilders and ChangeUp programmes. Delivering public service contracts is a key 'shoe-in' for Third Sector organisations to local governance activities and can realistically take place at any scale within the Third Sector. The Third Sector simply offers a series of delivery and other benefits that are not wholly evident in other sectors, primarily in terms of their links to communities and neighbourhoods.

Level 8 – As a Strategic Deliverer

Third Sector organisations can be involved in local governance as a strategic deliverer in two main ways. First, they can map how their activities correlate to LAA outcomes and targets. This mapping can highlight to public authorities the wide scope, diversity and contribution of the Third Sector and the contribution they make to targets and stretch targets. Second, Third Sector organisations can actually be commissioned to deliver projects through the LAA process. For this they need a longstanding history of delivery together with an ability to stringently monitor activities against targets. There is a particular role in delivering against stretch targets, which may bring reward and further delivery activity.

Local Governance, Policy and the Third Sector – A Future Role for the Sector

Each of the levels of spectrum involvement in local governance activities for the Third Sector are likely to remain valid in forthcoming years, and the renegotiation of LAAs has presented Third Sector organisations with the opportunity to re-evaluate their levels of engagement in local governance. The continued centrally led focus through the Office of the Third Sector on the Third Sector delivering public sector contracts is also likely to rise in stock as new policy is implemented and public service reform evolves. Third Sector organisations need to be aware that involvement in LAAs and delivery of public service contracts is not the be all and end all of engagement in local governance activities. Instead there are a range of options, which must be suited and correlated to the size and scale of the Third Sector organisation in question. Third Sector organisations may fit themselves across the range of spectrum scales or only be involved in one. Future involvement in local governance may also vary in different levels of the spectrum, based upon a possible framework or series of questions Third Sector organisations must answer themselves before becoming involved or engaged. These key questions include:

- Does the organisation have the capacity to be involved in local governance activities?
- Does the organisation have the strategic knowledge to be in local governance structures?
- Does involvement in local governance distract from project and community activity?

- ❑ Does involvement in local governance correlate with the ethos, aims and objectives of the organisation?
- ❑ Does involvement in local governance come based upon strong existing links or is the organisation in effect moving into new themes and arenas and geographical areas?
- ❑ How will involvement in local governance affect the organisation's service users and members?

Summary Thoughts

The role of the Third Sector as a neighbourhood driven, community focused, grants recipient has changed over the course of the last five years to an increasingly professionalised sector with growing involvement and influence in local governance and local public service delivery. A series of government initiatives and infrastructure support packages have influenced this engagement; yet the strongest driver of involvement has been the Third Sector itself. Engagement and involvement have taken place at a range of scales and levels along a spectrum and have often also been determined by local leadership and local contexts. There are a number of examples where Third Sector involvement in local governance has strengthened local outcomes, local partnership and local service delivery. It is important to remember however that there are varied levels of involvement in local governance and this is reflective of the diverse scale and nature of the Third Sector. Some organisations may not simply have the capacity, time or strategic nous to engage in local governance and local service delivery contracting. Indeed, they may need to continue to have a primary objective of undertaking activity which promotes the best interests or outcomes for their neighbourhood and communities and highlighting that activity to local governance mechanisms.

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