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Abstract

This paper evaluates the current attempt to develop local 'compacts' between local government and the voluntary and community sector, as an example of a relational contracting approach to structuring the evolving relationships between these sectors. It is structured in four parts. The first part charts briefly local government – voluntary sector (LG – VS) relationships in England over the period 1979-2000. It draws examples in particular from experience in the field of area regeneration. The second part introduces the concept of the Voluntary Sector Compact (VSC), and argues that it is central to the approach of the current Labour government to these relationships. It differentiates this approach from that of the previous government, denoted here as the service agency *model, and situates it within the meta-paradigm of* community governance. *The third part explores the implementation of the Compact in England at both the national and local level. The final part draws out key lessons from this for the future of LG – VS relationships in England, situating these within an emerging model of LG – VS relationships.*

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Over the past twenty years in the UK, relationships between local government and the voluntary and non-profit organization sector[1] have assumed increasing importance in the delivery of public services to local communities. During this period government policy has propelled the voluntary sector from the margins to the mainstream, and often the forefront, of the delivery of a range of public services to local communities – such as housing, social services, environmental services, and community and economic regeneration programmes (Gastor & Deacon 1998). Voluntary organizations (VOs) are now recognized to be critical actors in the development of social policy within the plural state (Harris and Rochester, 2000).

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

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

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

– that the societal value of VOs lies in their capacity to operate independently from government, and that therefore partnership working poses real

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[1] Numerous overlapping terms are used to describe this sector in the UK – including 'voluntary organizations' 'non-profit organizations' and 'community organizations'. Whilst these terms do denote differences in emphasis, these nuances are not especially relevant to this current analysis. For the sake of simplicity, therefore, the generic terms 'voluntary organization' and 'voluntary sector' will be used within this paper.

challenges to this role, in terms of the potential loss of the independence of VOs within such partnerships; and

– that VOs, in exercising their campaigning and advocacy roles, are engaged in adversarial relationships with government, which ensures their mutual accountability to their own constituencies. In this narrative, the consensus model of complimentary relationships breaks down entirely and conflict between the sectors becomes an essential quality and attribute of their relationship(s).

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

Taking this more complex view of the evolving relationship between government and the voluntary sector, therefore, this paper focuses upon the evolution of local government – voluntary sector (LG – VS) relationships in the UK. Specifically it explores the attempt by the current Labour government to utilize a *relational contracting approach* (Ring & Van de Ven 1992) to this relationship, through the development of local 'Voluntary Sector Compacts' (Stowe 1998).

The paper is based both upon intensive documentary analysis and semi-structured interviews with key national and local informants, carried out over an eighteen-month period in 1999 – 2000, and upon subsequent iterative interviews with these stakeholders. An in-depth case study of the implementation of the Voluntary Sector Compact (VSC) at the local level in one region of the UK by these authors is also presently on-going.

The paper is structured in four parts. The first part charts briefly LG – VS relationships in England over the period 1979-2000. It draws examples in particular from experience in the field of area regeneration. The second part introduces the concept of the VSC, and argues that it is central to the approach of the current Labour government to these relationships. It differentiates this approach from that of the previous (Conservative) government, denoted here as the *service agency* model, and situates it within the meta-paradigm of *community governance*. The third part explores the implementation of the Compact in England at both the national and local level. The final part draws out key lessons from this for the development of trust and accountability between government and the non-profit sector in the UK and makes recommendations for future policy directions in the UK.

A key element in the paper is the balance between the Compact, as a model of relationship building, and the process of its implementation. It is argued here that it is not possible to create an arbitrary separation between these two elements. Both interact together. The Compact model implies a particular approach to implementation, which focuses on relationship building, whilst the

implementation process itself will in large part determine the nature, and success, of local VSCs as a model for local government – voluntary sector relationships. This interaction is, hopefully, reflected – and reflected upon – in this paper.

1.   REVIEWING LG – VS RELATIONSHIPS IN ENGLAND, 1979-2000

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

   The extent to which these aspirations can be achieved, however, is dependent upon the interaction between the overarching national policy framework for such partnerships for regeneration and its actual implementation at the local level. The approach of the previous Conservative government in the UK, initially in the 1980s under the leadership of Thatcher, was increasingly influenced by what has become known as the *new public management* agenda (Hood 1991, McLaughlin et al. 2002). This model introduced a range of market and contractual mechanisms to govern relationships between local government and its voluntary sector partners and has been well analysed elsewhere (for example, Walsh 1995, Stewart 1996) The important issue of concern here is that, within this model, LG – VS relationships were structured so that government maintained control of the *policy-making process*, with the role of the VO sector being restricted to that of the *service agent* (Gutch 1990). Some critics have argued further that such partnerships were not at all concerned with genuine partnership between local government and the VCO sector, but rather were about the introduction of market disciplines to local public services (Mackintosh, 1992).

   Within the regeneration field in particular, Colenutt & Cutten (1994) have argued that LG – VS sector partnerships were not

   '...designed to empower local communities to any significant extent but [rather] to keep local communities "on side" as far as possible.' (p. 138).

Other research has also suggested that these regeneration schemes actually had very little impact upon the voluntary sector or upon community involvement in them – for example, there was a low level of VO and community participation in one UK regeneration programme, known as City Challenge, compared to private and public sector participants (Peck & Tickell, 1994, Mawson 1995; NCVO 1995; Tilson et al. 1997).

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

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

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

In the broader sphere of public policy, this new LG – VS relationship has become the cornerstone of what has become known as *community governance* (Clarke & Stewart 1998) and is central to the entire modernization of local government project (Cabinet Office 1999). Ross & Osborne (1999) have shown how community governance differs, as a paradigm, from previous models of LG – VS relationships. It offers opportunities for the VO sector to influence the direction and contents of local community services across a whole range of fields.

However, it is entirely possible that, as in the past, this new political discourse could remain at the policy rhetoric level rather than have a real impact

upon implementation at the local level. It also offers challenges to the alternative (conflictual) narratives of LG – VS relationships highlighted at the start of this paper. If community governance is to achieve its aspirations, therefore, it will need to become grounded in a far more consensual institutional framework for LG – VS relationships than is the legacy of the earlier period of Conservative government. This is the challenge that the chosen relational vehicle of the Labour government, the VSC, faces in attempting to restructure LG – VS relationships in the UK.

2.   The evolution of the Voluntary Sector Compact in the UK

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

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

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

The Compact itself was launched in November 1998, with separate documents for each of the nations of the UK (Stowe 1998). It argued for a

'shared vision', of the voluntary sector as 'fundamental to the development of a democratic, socially inclusive society' and as making a 'literally incalculable contribution... to the social, cultural, economic and political life of the nation' (Home Office 1998).

However, the Working Group on Government Relations (WGGR) recognised that, if the VSC was to go beyond this normative level, then further work was required to operationalise these aspirations. Subsequently, therefore, five sub-groups, composed of governmental and VO representatives, were established to develop codes of practice, for both government and VOs, on funding, consultation, working with the Black voluntary sector, working with community groups and volunteering. These were published in 2000 (for example, WGGR 2000a, WGGR 2000b; see also WGGR Secretariat 2000b) and are intended to provide a framework for the development of organic consensual relationships between government and the VO sector.

It is important to remember that these initial discussions about the VSC were concerned with relationships between *central* government and the *national* VCO sector. However, it soon became clear both that the Compact also had a potential for restructuring LG – VS relationships and that the VSC had a deal of synergy with the modernising local government and active community initiatives detailed above. Both the Ministerial Group responsible for the VSC and the WGGR therefore determined to expand the scope of the Compact to the local level (WGGR Secretariat 2000a).

As will be demonstrated below, the process of developing the VSC at the local level is a rather more complex one than at the national level. Further, its consensual approach conflicts directly with the alternative narratives of LG – VS relationships articulated earlier by Young (2000), which continue to enjoy a deal of support across the country, from local VOs concerned about being subsumed within a corporatist local state. This tension is explored in the next section.

3.   IMPLEMENTING THE VSC AT THE LOCAL LEVEL

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

The implementation of the VSC at a local level offered the prospect of a break with such uni-directional policy-making within the newly evolving meta-framework of *community governance* (Stoker 1997; Clarke & Stewart 1998; Cabinet Office 1999). Local VSCs offered the challenge of developing LG – VS relationships founded on a basis of shared decision-making and

accountability. Such a foundation has been argued elsewhere to be the essence of local governance, as opposed to local government (Kickert & Koppenjan 1997), and was again linked to the community governance aspiration.

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

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

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

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

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

In May 1999, the WGGR set an eighteen-month timetable for local implementation of the Compact process (WGGR 2000c). This moved from a survey of existing local government strategies and of nascent Compacts, through a

dissemination of information to the local key actors, and to the issuing of guidelines on developing local VSCs supported by a series of seminars and local meetings (WGGR Secretariat 2000a).

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

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

The VSC process in relation to LG – VS relationships has now reached a crucial point. To date the process has continued to be very much top-down, driven by central government and the national voluntary and local government bodies, in particular NCVO and the LGA. If it is to be successful, however, in reformulating LG – VS relationships with an emphasis upon local *co-governance* of the community and of pubic services, the Compact process clearly needs to become located and owned at the local level (WGGR 2000c; WGGR Secretariat 2000a).

The introduction of Local Strategic Partnerships (LSPs) for area regeneration was intended to strengthen the push for greater local commitment to community governance and to local compacts. This was through linking the release of regeneration funding to evidence of local co-governance, and with the existence of a working local compact being seen as prime evidence of such

co-governance (NRU 2001, Russell 2001). As will be discussed further below, however, this intention has been flawed in execution.

The key actors interviewed in this research identified a number of factors which could push forward or which could negate this thrust for local co-governance. On the positive side five significant factors were identified as capable of propelling this thrust forward. These were:

– its links to the modernization and Best Value initiatives – the Secretariat has argued that the VSC is central to the modernization agenda and that the VO sector, and local Compacts, have a 'key role' to play in the implementation of Best Value (WGGR Secretariat 2000a, p. 25; see also NCVO 2000),

– the potential synergy of the Compact model to other key local initiatives of the current government – such as the push for local strategic partnerships,

– the commitment of this government to develop a more strategic approach toward the funding of the community, as opposed to the voluntary, sector and the consequent need to establish strategic level local agreements for this (Inter-Departmental Working Group on Resourcing Community Capacity 2001),

– the commitment and support of the LGA, NCVO and the National Association of Councils for Voluntary Service, and the active involvement of central government through the Annual Review to parliament on the Compact (Home Office/WGGR 2000), and

– the impact of early success in showing the benefits of the Compact approach to other localities – examples of these are found both in Sykes & Clinton (2000) and in WGGR Secretariat (2000a).

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

– the limited impact that the WGGR can have on local authorities and VOs, if the local actors chose to ignore it,

– the pressure for a focus on service delivery alone (as represented by the cross cutting review, discussed further below), rather than the wider potential roles of the voluntary sector, in relation to public services,

– the lack of a funding or legislative basis for local Compacts (though there is the potential for the Annual Review to parliament on the VSC to provide a semi-legal review of local Compacts),

– the legacy of poor LG – VS relationships in many localities, as a result of the previous model of 'service agency' identified above, which could militate against the development of complimentarity between the sectors,

– an inappropriate focus in some localities on the formal aspects of Compacts as documents, rather than, as identified earlier, on the more significant issue of the process of agreeing a compact, and

– a worrying tendency for some government departments to perceive the Compact within a regulatory framework for local public services, rather than as part of the development of organic relationships (for example, Social Services Inspectorate 2000).

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

– the development of *local ownership* of the Compact model, rather than seeing it as an imposition from the national government and umbrella bodies (Craig et al. 1999);

– the recognition that the VSC is about a *process* of developing relationships rather than a formal document, with an emphasis on developing trust (Lowndes & Skelcher 1998);

– the centrality of *values* both to LG – VS sector relationships and to the development of local Compacts, with a focus on cultural change as essential to achieving this (Leach & Wilson 1998);

– the need both for the local Compact process to be *led by the voluntary* sector, to ensure that it is not simply a local authority strategy by another name (Osborne & Ross 1999), and for attention to be paid to the importance of '*capacity building*' for such organizations, in order for them to be able to collaborate effectively in the process (Harrow 2001) – and in this capacity building process itself, voluntary sector 'Local Development Agencies' have an essential role to play (Osborne 2000);

– the imperative to move away from a view of LG – VS relationships as hierarchical and service agency oriented and toward *organic relationships* firmly rooted in the concept of community governance (Ross & Osborne 1999);

– the need to understand that local Compacts are about VO *involvement in the policy-making process*, as well in the policy implementation process, for local services (McLaughlin & Osborne 2000); and

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

Implicit in most, and explicit in some, of these elements above is the necessity for the correct balance between the *co-production and co-ordination* of local public services by local government and the voluntary sector (that is, the

involvement of both parties in the delivery of local public services but with planning and management by local government alone), and their *co-governance* (that is, the involvement of both parties in the planning and management of local public services, as well as in their delivery). This forms the very basis of a relational approach to governance – and of community governance itself (Klijn & Koppenjan 2000). Table I provides a typology of LG – VS relationships along these two dimensions. This produces four modes of relationship:

– low co-production and low co-governance, which implies a model of the separation of the state and the voluntary sector (Mode I),

– low co-production and high co-governance, which is the policy network model found in many countries in mainland Europe (Mode II),

– high co-production and low co-governance, which is the agency model employed by the previous Conservative government in the UK (Mode III), and

– high co-production and high co-governance, which is the model of community governance (Mode IV).

Table I. Co-production and co-governance in LG – VS relationships

| | | Co-governance | |
		Low	High
Co-production/ Co-ordination	Low	*Mode I* No relationship/ independent provision	*Mode II* Policy Network
	High	*Mode III* Agency	*Mode IV* Community governance

If the UK government is to be successful in its expressed intent to move from Mode III to Mode IV relationships for local government and the voluntary sector, then the development and establishment of *trust* between both parties is essential (Davis & Walker 1997). As such this concept requires further attention.

A digression on the nature of trust. In many respects, *trust* is both an input and an output of the process of building relationships (Murray 1998; Huxham & Vangen 2000). It is the ability of two or more parties to a relationship to rely upon informal solutions to two problems. The first of these is the 'principal – agent' problem (Vickers & Yarrow 1988). This concerns the asymmetry of

information which exists in relationships between two or more parties to a task. At its extreme the principal to a partnership must employ a range of instruments in order to monitor and control the behaviour of their agent. Within a more relational context, however, both can use their trust in each other to monitor the outcomes of their relationship rather than relying upon costly and bureaucratic performance management systems, with all their implied transaction costs (Waterman & Meier 1998). The second problem is dealing with risk, and its associated costs, in any new venture. A relational approach allows these risks and costs to be shared, minimising the danger to each party to the relationship – and also sharing any benefits (Osborne & Flynn 1997; Mackintosh 2000).

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

Trust and co-governance in LG – VS relationships. If this reformulation of LG – VS relationships is to be successful, therefore, it needs to nest the twin concepts of trust and co-governance firmly within these relationships. Emerging evidence does not support such a move, however. Local Strategic Partnerships have struggled to balance the co-ordination and co-production, by local VOs and local government, of local regeneration projects and programmes, with their co-governance by these same actors. All too often, co-governance has lost out to co-production and co-ordination. (Johnson & Osborne 2003). The 'cross cutting review' of the role of voluntary organizations in delivering public services recently carried out by the present government (HM Treasury 2002) also looks likely to strengthen the pressure for co-production at the expense of co-governance. Despite its references to the VSC, this review represents a seismic shift by the present government, away from community governance and back towards a more prosaic concern with the delivery of public services to local communities alone. The question remains, therefore, – and especially in this newly evolving policy environment – about the ability of local compacts to truly provide a new narrative and discourse for LG – VS sector relationships in the UK.

4. KEY ISSUES IN THE DEVELOPMENT OF LOCAL VSCS

Three over-arching points stand out from the fore-going discussion. First, it is essential to understand the relational nature of the VSC and the centrality of trust to this relationship. Previous work noted above has developed ways of modeling this relationship (Leach & Wilson 1998, Lowndes & Skelcher 1998,

Ross & Osborne 1999; see also Osborne 1997). This work needs to be built on further for the future, in developing practical models to facilitate this process. This work need not progress from first steps. The process of its development has been started in this paper. McLaughlin & Osborne (2000) have also produced a classification of a range of approaches both to building trust between local government and the local VO sector and to including this latter sector in developing and implementing local policies for providing public services. These include the group decision support model (Huxham & Vangen 1996), decision conferencing (Jenei & Vari 2000), stakeholder engagement models (Finn 1996) and the Chelsea Charter Consensus Process (Podziba 1998).

Second, it is vital to understand that the sorts of changes talked about here concern the nature of organizational culture and its change. Such cultural change is a highly complex process in its own right – not least in the public sector (Colville et al. 1993). Sufficient resources, and realistic goals, need to be devoted to it if it is to be successful.

Third, the VSC does have a real potential to give some substance to the rhetoric of community governance, by providing explicit processes for the voluntary sector to impact upon policy formulation and service management at the local level. However, recent policy revisions in the UK, such as the 'cross cutting review' discussed above, question the commitment of the present government to such open and symbiotic relationships. It may well be that the pendulum will now swing back firmly in the direction of agency and of the mode III LG – VS relationships described above.

5.   CONCLUSIONS

This paper has explored the development of the VSC within the context of LG – VS relationships over the past two decades. It has done this to evaluate the extent to which it is possible to develop new mode IV relationships between local government and the voluntary sector, which include both the co-production and co-ordination of local public services and their co-governance. The evidence is that existing policy initiatives in the UK are unlikely to produce this desired shift in LG – VS relationships.

In conclusion, it is also important to consider whether the community governance paradigm, with its emphasis upon co-governance and upon relational contracting between local government and the voluntary sector, is in itself desirable. As discussed earlier, for local government, this paradigm includes potential challenges to its tradition of representative democracy, such as from participative democracy, that need to be actively considered rather than accepted by accident. For the voluntary sector, the challenges are as great, and perhaps more immediate. As the work of Young (2000) has suggested, the

assumption of complimentarity between the roles and work of the governmental and voluntary sectors includes real dangers for the voluntary sector, which could lead to the negation of its legitimate societal roles as independent watchdog and voice for the marginal and dispossessed.

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

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