

Third Sector Research Centre  
Working Paper 2

**Devolution or Divergence?  
Third Sector Policy across the UK since 2000**

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# Devolution or Divergence? Third Sector Policy across the UK since 2000

## Abstract

Since the end of the last century the United Kingdom has been a less united country than it was. In 1999 a separate Scottish Executive (from 2007 the Scottish Government) and Welsh Assembly Government were established, followed later by a new Northern Ireland Executive and Assembly, based on a power sharing agreement known from its date in 1998 as the 'Good Friday Agreement'. A number of key policy making powers were devolved from Westminster to these new administrations; these include policy on and support for third sector activity in the different countries. Since 2000 therefore there have in effect been four separate policy regimes within the UK focused on the activity and organisation of third sector organisations, although, compared to the greater levels of regional devolution existing in many other developed industrial nations, the UK remains a largely centralised state in both political and policy terms. This paper explores some of the key implications of this recent devolution and examines the extent to which it has led to a divergence in policy development and delivery – asking the question, to what extent has devolution led to a divergence in third sector policy regimes across the UK?

## Keywords

Third sector, devolution, policy, voluntary and community sector, UK

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## Devolution

Since the end of the last century the United Kingdom has been a less united country than it was. In 1999 a separate Scottish Executive (from 2007 the Scottish Government) and Welsh Assembly Government were established, followed later by a new Northern Ireland Executive and Assembly, based on a power sharing agreement known from its date in 1998 as the 'Good Friday Agreement'. A number of key policy making powers were devolved from Westminster to these new administrations (see Keating, 2002); these include policy on and support for third sector activity in the different countries. Since 2000 therefore there have in effect been four separate policy regimes within the UK focused on the activity and organisation of third sector organisations (TSO), although, as Keating (2002) explains in his introduction to the first edition of *Devolution in Practice*, compared to the greater levels of regional devolution existing in many other developed industrial nations, the UK remains a largely centralised state in both political and policy terms. This chapter explores some of the key implications of this recent devolution and examines to extent to which it has led to a divergence in policy development and delivery – asking the question, to what extent has devolution led to a divergence in third sector policy regimes across the UK?

However, distinctions between the four countries that comprise the UK pre-dated the political devolution of 1999 – indeed national distinction was one of the key drivers for devolution. Scotland has always had a separate and distinct legal system, Northern Ireland has endured the legacy of partition and struggle, and Wales has its own language. Third sector activity and organisation also has a longer history of variety and distinction. The major sector umbrella organisations have long had a separate national structure. The leading sector body, the National Council for Voluntary Organisations (NCVO), in fact operates in England only, and has collaborative contact with separate national umbrellas: the Scottish Council for Voluntary Organisations (SCVO), the Wales Council for Voluntary Action (WCVA) and the N Ireland Council for Voluntary Action (NICVA). All of these are membership organisations supporting and promoting the activities of voluntary and community organisations in each country. There are a range of other national agencies operating within the third sector, indeed there is some competition and contestation over who speaks for which parts of what are in practice wide and diverse social spaces. This is particularly true of the social enterprise sub-sector, where there are also separate national bodies: the Social Enterprise Coalition (SEC, England), the Scottish Social Enterprise Coalition (SSEC), Community Enterprise Wales (CEW) and the Social Economy Network (SEN, N Ireland). But there are other national bodies too, with slightly different splits. For instance, the Association of Chief Executives of Voluntary Organisations (ACEVO) operates in England and Wales and welcomes members from across the UK, but collaborates with the separate Association of Chief Officers of Scottish Voluntary Organisations (ACOSVO) and Chief Officers 3<sup>rd</sup> Sector (CO3) in N Ireland.

The different organisational structure for the third sector across the four countries had already contributed to some important differences in policy and practice, and to variation in the availability of data about the sector; and we will return to discuss these briefly below. These pre-existing contexts

have had something of a contradictory impact up the devolved policy environment, however. Although devolution has opened up the spaces for new politics across the four nations, in practice it is New Labour politics and policy which have dominated across the UK over the last decade. In N Ireland this has been a consequence of the re-imposition of direct rule from 2002 to 2007, whilst in Scotland and Wales Labour has been in power or in coalition government for much of the century so far. As a result of this, as we shall see, there has been a tendency for a similar policy trajectory to be implemented in all four countries, to some extent blunting the previous distinctiveness of the third sectors in each.

However, this policy convergence has been challenged more recently by the re-establishment of the N Ireland Executive and the success of the Scottish National Party in taking office in the Scottish Government. There is some emerging evidence of greater policy diversity which may flow from this; and of course this could be accentuated much more if a UK general election in 2010 were to bring about a change of administration at Westminster. Policy devolution remains a moving game therefore.

## Third Sector

There are both definitional and empirical problems in seeking to analyse policy in and for the third sector. This is because the notion of a 'third sector' is itself a problematic and contested one. The idea of a *third* sector is based on distinction between this and the other two sectors – the state and the market. Third sector organisations are thus those that are not either public bodies or commercial enterprises. This is a negative rather than a positive notion, however; and it is not always welcomed by third sector practitioners who, with some justification, point out that organised voluntary action in practice preceded both the state and the market. It is also not a concept consistently used either within the UK or internationally. What is currently referred to as the third sector in the UK is also sometimes called the Non-Profit Sector, the Non-Statutory Sector, the Non-Government Sector, and the Voluntary and Community Sector, although most of these are also negative in form. It is also far from clear that all organisations within the third sector can be readily distinguished from the public and commercial worlds; and some commentators have talked about the relationships between the sectors as being characterised by over-lapping landscapes rather than distinct fields (Evers and Laville, 2004; and see Alcock and Scott, 2007).

Third sector activity is also sometimes referred to more generally as *Civil Society* - the space between formal government and individual action (Deakin, 2001). Within this space there is in practice a wide and diverse range of activities and organisational forms, ranging from small community groups to international aid agencies (such as Oxfam) and including charities, co-operatives, mutual associations, sports and leisure clubs and social enterprises. In a sense there is as much which separates these different organisations and activities as there is that unites them; and certainly many TSOs perceive themselves (and organise themselves) as part of distinct sub-sectors (such as the co-operative movement) rather than any broader third sector.

Nevertheless the notion of a third sector has been incorporated into the policy discourse and practice of UK governance since the end of the last century. It is linked to the political and policy goals of the Labour Government to develop a new approach to social policy reform – a *third way*, between the state and the market – and the pursuit of this through a process of modernisation and

marketisation that has opened up a mixed economy of welfare to a wider range of service providers, of which TSOs are increasingly key players. And it has received formal government status through the establishment in 2006 of the *Office of the Third Sector* (OTS) within the Cabinet Office as a new site for the development and promotion of third sector policy action, although as we shall see this is in fact only an English office. One of the reasons for establishing the OTS was to bring together political and policy responsibility for the wide range of organisations in civil society into one government place. The politicians and policy makers were aware that departmental restructuring would not in itself create a homogenous third sector, however. Indeed the definition of the third sector which was placed on the OTS website recognises the extent to which it is operating within a field of diversity and difference, but it also seeks to identify some common characteristics which can be used to delineate the boundaries of the sector -

*“Organisations in the [third] sector share common characteristics [they are]: non-governmental, value-driven, [and] principally reinvest any financial surpluses to further social, environmental or cultural objectives. The term encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small.”*

The notion of a third sector is thus a relatively new one within the UK. However, relations between the sector and the state have a much longer and more complex history. They can be traced back to the nineteenth century and have undergone a series of paradigm shifts over that time (Lewis, 1999). Kendall (2003) discusses recent developments in the policy environment, in particular distinguishing between *vertical* policy intervention (focused on particular fields of activity such as social care, advice, or housing) and *horizontal* intervention (support and regulation for the sector as a whole). The latter is a more recent development and, as we shall see, has been the dominant feature of Labour Government intervention over the last decade. Third sector policy is in a sense therefore merely the latest manifestation of relations between the state and the third sector, and this in part explains the consistency which in practice informs and underlies recent moves to policy devolution.

Conceptual contestation of the third sector focus for policy intervention is also accompanied to some extent by limitations in empirical knowledge and understanding of the sector. There is no consistent and undisputed data source on the size and shape of the sector, in part because of disputes about what it is that is being measured and how to gather data on this. The NCVO now produce an annual *Almanac* on the voluntary sector in the UK, now expanded and retitled to cover civil society more generally and a wider range of organisations, including universities and trade unions (Kane et al, 2009).

This gave a total number of civil society organisations of 870,000 for 2006/07, although this includes 600,000 informal community organisations, for which NCVO admit that the data sources are poor. More specifically there were 170,900 general charities, 8,500 registered industrial and provident societies, 13,300 faith groups, and 900 community interest companies (a new legal form for social enterprises). These are UK figures, aggregated from some of the separate country datasets discussed below. For charities the number for England and Wales was 145,000, after certain subsidiary organisations were excluded (ibid., ch.2). For these general charities total income for 2006/07 was £33.2 billion, an increase of 3.3% on the previous year, and expenditure £31.2 billion, a similar

increase. Of this income 31% came from government sources, a slight decrease on the previous year but more generally this proportion has been growing in recent years. The major source of income remains voluntary contributions from individuals (52.5%), with the rest coming from private sector (4.9%) or other voluntary sector (11.7%) sources (ibid., ch.4). The voluntary and community sector workforce in the UK in 2006 (based on those describing their employment in this way in the Labour Force Survey) was 634,000, and increase of 24% since 1997 and comprising 2.2% of all UK employees (ibid., ch. 7).

Much of the data relied upon by the NCVO to construct their Almanac comes from a database developed by an organisation called *Guidestar* (itself a social enterprise) drawn from Charity Commission and Industrial and Provident Society registers. This data, and that available from other regulators and national surveys is now being collated and analysed by the Third Sector Research Centre (TSRC), and more detailed quantitative analysis of sector structure and trends will be available from the Centre in due course. The information included in this chapter can only provide a broad overview therefore.

## UK policy context

The UK policy context has a long history, as mentioned above. Lewis (1999) discusses three major shifts in this relationship over the twentieth century - from independence, to extension of public services, to a mixed economy and contracting for services. Kendall (2009) identifies three phases of post war relations, each leading to greater degrees of engagement between the third sector and the state, and culminating in a climate of 'hyperactive mainstreaming' since 1997. There is some consensus that there this has resulted in a 'sea change' (Craig et al, 2004, p.224) in relations between the sector and the state in the last decade, which has been characterised by policy makers and commentators as a move to a new paradigm of *partnership* (see Lewis, 2005), perhaps a fourth phase in her grand schema.

Certainly Labour's third way approach has included a more central role for the third sector in policy development and delivery and a new commitment from government to support the sector in delivering on this, as evidenced in the words of the former Prime Minister,

*"The work of voluntary and community organisations is central to the Government's mission to make this the Giving Age". (Blair, 1998).*

And of his successor, when Chancellor,

*"[we want to see] 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).

This has led to a higher profile for the sector in policy planning, resulting in a stream of key policy documents from the Home Office (1998, 2003, 2004), from HM Treasury which has taken a leading role in supporting funding for third sector activity (HM Treasury, 2002, 2004) and from the Cabinet Office (2007a). All of these outline the importance of partnership between the sector and the state and the responsibility of government to support this proactively, as result of which, in the early 2000s, overall UK government spending on third sector support increased significantly (see Cabinet Office,

2007b, p.41). By and large this is a partnership that has also been embraced by the third sector itself, certainly by some of the major sector agencies such as the NCVO and ACEVO, and by the large charities heavily involved in delivering public services such as MIND, the RNIB and Age Concern/Help the Aged. Indeed to some extent the initiative for an improved, and more proactive, engagement between the third sector and the state came initially from the sector itself, and in particular from the work of an independent commission (chaired by Nicholas Deakin) established by the NCVO review the role of the sector for the new century. The commission concluded that relations with the state were now of critical importance to the development and operation of the sector and contractual funding for service provision was an important and growing feature of this. In such a context, therefore, it suggested both parties would benefit from some formalisation and regularisation of relations – preferably through the establishment of a negotiated ‘concordat’ which could underpin all future contracts and other funding arrangements (Deakin Commission, 1996).

Despite this high profile endorsement of partnership, however, embracement of this new form of relations is far from universal, especially amongst the smaller TSOs receiving little or no direct funding from government and less likely to benefit from some of the new support services, such as those in England discussed below (see Craig et al, 2004). There are concerns in some quarters that partnership may also lead to *incorporation*, with organisations increasingly dependent upon public funding and support; *isomorphism*, with those delivering public services all looking just like the public providers they have replaced, and *exclusion*, with some organisations no longer able to compete for public funding or support. Whilst the higher profile that the third sector has enjoyed in policy planning over the last decade has been welcomed by many both within and outside the sector, therefore, it is not without its challenges and problems.

The new policy environment, and the problems that have flowed from it, have influenced the development and implementation of third sector policy across the UK. As we shall return to conclude later, the broad policy framework continues to be set by Westminster. However, devolution of policy making has resulted in some significant differences in interpretation and initiative in Scotland, Wales and N Ireland, which have combined with the distinct histories of voluntary action and enterprise in these countries to create four separate policy regimes –albeit with common features.

## England

Third sector policy in England has been a continuation of the trends identified for UK policy above, and in particular has seen a step change in policy engagement by government in order to forge a new *partnership* relationship between the sector and the state. The organisational, regulatory and financial terms of this new partnership build on previous policy and practice; but since 2000 they have in practice been policies and practices applied to England only. And now they can be identified as a distinctly English regime for third sector policy.

Of most importance here perhaps have been the organisational changes within government. When they came to power in 1997 Labour inherited a structure for support for voluntary and community action led primarily by the Voluntary Services Unit based in the Home Office. In 1999, as an early example of the new commitments to extend relations, this was expanded and re-launched as a new

Active Communities Unit with a much enhanced budget, and was later rebranded and extended again as the Active Communities Directorate.

In the same year social enterprise was identified as distinct feature of the social economy which could contribute to the combating of social exclusion (HM Treasury, 1999); and in 2001 a new Social Enterprise Unit was established within the then Department of Trade and Industry (DTI). Here too the idea was that, through the unit, government would provide support and policy direction for social enterprises as a new (third way) vehicle for achieving social change through independent organised activity (DTI, 2002). In this case based on a loosely conceived model of businesses with a social purpose that reinvested their surplus in social or environmental purposes, rather than paying dividends to shareholders.

In 2006 these two strands of support were brought together as part of a broader strategic move to establish engagement with a wider conceptualisation of the third sector, embracing voluntary action, social enterprise and much more, as discussed above. The Active Communities Directorate and the Social Enterprise Unit were merged to form a new *Office of the Third Sector* (OTS) and were relocated into the Cabinet Office, but with a focus on policy development and delivery for England only. There was concern in some quarters about the ability of a single office to cover the range of organisations and interests included within its new brief; and this was accentuated for some when Campbell Robb was appointed as its first Director. Robb had previously worked in the NCVO, and was seen by some as too closely associated with the voluntary organisations world - although in practice OTS has been careful to ensure that it does engage with its broader constituency, for instance, through the identification of strategic partners recruited from agencies across the sector and through the establishment of an Advisory Body with wide-ranging representation.

The creation of OTS has been symbolically important in raising the profile of third sector policy in England. However, its role remains one of co-ordination and development, rather than significant policy delivery. In practice detailed aspects of relations between government and the third sector continue to be implemented by service Departments such as Communities and Local Government or Health, and indeed often by local rather than national government. The task for OTS is to provide strategic guidance and organisational co-ordination (or 'joining-up' to use the jargon). Some new vehicles now exist to support this, as discussed below; but this is still a challenging agenda within an overall government structure that remains heavily Department driven.

What has been most significant within these Departmental relations has been the greater involvement of HM Treasury in leading, and supporting increasing funding of, third sector policy. The Treasury has always of course been a dominating influence over policy development because of its control of the purse strings of public finance; and during the period of Gordon Brown's Chancellorship it became more politically powerful too. A Charity and Third Sector Finance Unit was established within the Treasury, and third sector policy was the focus a distinct cross cutting review with the 2002 Comprehensive Spending Review (HM Treasury, 2002).

One of the key themes of Treasury interest in third sector policy was to increase the scope for TSOs to play a role in the delivery of public services as part of the broader modernisation of service delivery towards choice and competition between providers within a mixed economy of welfare.

Support for TSOs to increase their involvement in this has been a feature of some of the new horizontal policy initiatives in England below. But it is not the only theme. Both OTS and HM Treasury have also embraced the support for social enterprise (Cabinet Office, 2006); and both now emphasise the importance of the sector in promoting civic engagement and social renewal (Cabinet Office, 2007a).

These policy themes have resulted in a range of new policy programmes in England to provide horizontal support to the sector, and to the TSOs operating within it. To some extent these new policy initiatives were a product of the recommendations made by the Deakin Commission (1996), and its Concordat idea was implemented in 1998 in the form of the *Compact*, a national framework for government and sector relations (Home Office, 1998). This was later followed by the establishment of local compacts at local authority level (Craig et al, 2002), and also by codes of practice covering an increasingly wider range of relations, such as commissioning and procurement. The Compact is not a legally enforceable document, and both nationally and locally there have been problems in ensuring that the guidance it provides is understood and operationalised by all. This led in 2007 to the establishment of a Commission for the Compact under the auspices of the OTS to promote its use and to oversee its implementation, and in 2009 to a formal review. The Compact has not been without its problems therefore; but it has provided a model which was replicated in the devolved administrations, and indeed has been widely copied internationally (Casey et al, 2010).

The Deakin Commission had also recommended that the law on the definition and regulation of charities should be reviewed and updated, in particular as it dated back to the seventeenth century. In 2006 this was implemented by the Charities Act, which simplified the definition of charities and more closely defined the need for all to demonstrate 'public benefit' in order to register with the Charity Commission and enjoy the benefits of tax relief. Although much of the practical implementation of this new definition was left to the Charity Commission to develop.

The Treasury cross cutting review of the sector in 2002 argued that increased funding for the sector was needed, "*to build capacity... and increase community participation*" (HM Treasury, 2002, ch.30). This led first to a £125m three year programme of support for TSOs to invest in their capacity to engage with public agencies and deliver a wider range of services, called *Futurebuilders*, and offering both small grants and investment loans to TSOs alongside advice and support on business planning and investment. Now called the Social Investment Business this programme has been extended with a further £215m from 2008 to 2011, and is administered by an independent agency called the Adventure Capital Fund, which also provides other sources of funding and support to the sector.

Futurebuilders was followed in 2004 by another funding initiative called *ChangeUp*. This was another £150m initially over two years for support for the work of infrastructure agencies who would provide advice and guidance to TSOs either nationally or locally, followed by a further £88m to 2011. In 2007 administration was handed to a non-departmental body called *Capacitybuilders*. Both the Futurebuilders and ChangeUp programmes are now formally the responsibility of the OTS. And in 2009 OTS and the Department for Communities and Local Government (DCLG) announced a further

programme, called *Communitybuilders*, with another £70m to invest in support for small community organisations. This is also to be administered by the Adventure Capital Fund.

These different 'building programmes' constitute a significant investment by government in horizontal support for the third sector. What is more they have not replaced the 'vertical' support provided for TSOs operating within particular service fields. Indeed there has significant expansion here too, for instance, in the £100m Social Enterprise Investment Fund provided by the Department of Health to support investment in social enterprises engaged in the delivery of health and social care services.

There is evidence here for the sea change the English policy environment referred to above, and this new support for the sector has been welcomed by most both inside and outside government. Indeed, in effect, a new policy elite has been created here, comprised of the OTS officers and politicians, the independent agencies working in partnership with them and the leading sector infrastructure agencies who are both funded by these programmes and involved in implementing them. This is a policy environment within which partnership takes the form of personal networks as well as policy programmes. But it is one which is now exclusively English, for different programmes, and different networks, now operate within the devolved administrations.

## Scotland

Information about the third sector in Scotland is provided by the SCVO, to some extent mirroring the data provided about England and the UK by the NCVO Almanac. The most recent data reveals that there were 44,000 TSOs in Scotland in 2006/07, of which 20,000 were registered as charities, housing associations or credit unions. Total income to the sector was £4.1bn, of which 39% was public funding, higher than the UK average. The sector employed 129,000 staff, around 5% of the country's workforce, again higher than the UK average. As in England though, most TSOs are small (65% with annual turnover under £25k) and most funding is concentrated in a few large organisations (62% going to the biggest 5%) (SVCO, 2009).

The third sector in Scotland has for some time been to a large extent separately organised and represented to the sector in England. There is the separate SCVO as above and ACOSVO mentioned earlier. There is also a separate Scottish Social Enterprise Coalition (SSEC) set up in 2005, and a volunteering agency, Voluntary Development Scotland, which was established in 1984. At the organisational and political level therefore the Scottish third sector is distinct from that in England, but closely related to it.

The third sector in Scotland is more extensively funded by government than the sector in England, with per capita public funding at £44 in 2005-06 compared to £40 in England (Cabinet Office, 2007b, p.16); and this is perhaps particularly significant given that the modernisation agenda of contracted out public services and mixed economy providers has been less enthusiastically embraced north of the border. Much public support for the sector in Scotland is in practice provided by local government: 28% of all funding comes from local authorities (SCVO, 2009). This is supported by a *Concordat* with the Confederation of Scottish Local Authorities (COSLA) under which grants and other funding for third sector organisations was largely transferred to local authorities, and supported by new funding

under a 'Fairer Scotland Fund'. It is also linked to a political emphasis on community based voluntary action, which is of particular importance in the more remote rural areas of the highlands where public sector infrastructure is sparse and TSOs sometimes provide a major focus for social relations.

There is thus a history of a more devolved third sector in Scotland, with more of a local focus for funding and activity, although this has led to a greater perceived dependence on public support (Vincent and Harrow, 2005); and the devolved structures of the Scottish Government have operated within and extended this context since 2000. They have developed a distinctly Scottish policy environment; but it is also one which compares closely in many respects with that which has been evolving in England. This is in part the result of a similar embracement of the need for broader changes in state and sector relations by policy makers and practitioners in the country following recommendations from a report by the Kemp Commission (1997), commissioned by SCVO which, despite some different structural elements, largely mirrored the work of the Deakin Commission in England.

A Third Sector Division has been created in Scotland, within the Directorate for Public Services Reform, with teams based in Edinburgh and Glasgow. This is smaller and potentially less influential than the English OTS; but it has a similar remit. In particular, as in England, it now includes responsibility for promoting and supporting social enterprise; and this broader approach is captured in the Action Plan for the sector published in 2008 (Scottish Government, 2008). This plan talks about the need to promote an enterprising and thriving third sector in Scotland; but there is less emphasis than in England on the role of TSOs in delivering public services. The ministerial forward outlines three key roles for the sector in contributing to solidarity (social equity), cohesion (regional equity) and sustainability (inter-generational equity).

New horizontal programmes of financial support have also been developed in Scotland. In 2004 a £18m Futurebuilders Scotland programme was introduced by the then Scottish Executive, administered then by a separate Social Economy Unit. Since then a number of other programmes have been introduced, linked to the new Action Plan, including a Scottish Investment Fund providing £30m for both grants and loans over 2008 to 2011, a £12m Third Sector Enterprise Fund and a £1m Social Entrepreneurs Fund operating over much the same period. Charity law was also changed in Scotland along similar lines to England and Wales in the Charities and Trustee Investment (Scotland) Act 2005; and for the first time registration and regulation was introduced under a new body, the Office of the Scottish Charity Regulator (OSCR). There is also a Scottish Compact, modeled on the English one, introduced in 1999 and revised in 2003 (Scottish Government, 2003).

Scotland thus has similar organisational forms and policy vehicles for third sector horizontal policy intervention to England; but set alongside a distinct and separate history and a greater focus on local support and community activity. And it is too early to judge the effectiveness of these new vehicles. Evaluations have been commissioned but they have not yet reported (see Fyfe et al, 2006). As in England, however, there is evidence of some problems. For instance, an early review of the Compact found that 65% of sector respondents found no change in relations and 50% were unaware of its existence (Scottish Executive, 2002).

## Wales

Data on the third sector in Wales is less reliable than that in Scotland as quite a lot of information is gathered on an England and Wales basis as the same regulatory regime covers both. However, the WCVA do provide some data, partly grossed up from sample surveys. This put the number of organisations at about 30,000, although the WCVA database itself comprised 26,000 organisations in 2007 (WCVA, 2007). Employment in the sector represents around 2.2% of the total workforce, as in the UK more generally. Public funding provides around 43% of income for the sector, a much higher proportion than the UK average, although overall per capita spending is similar to that in England (£41, compared to £40, in 2005-05; Cabinet Office, 2007b, p.16). The evidence also suggests that a larger proportion of the Welsh third sector is made up of small local organisations relying heavily on a volunteer labour force, with fewer large national organisations, as these are perhaps more likely to be located in England (Day, 2009).

There is to some extent a separate infrastructural framework for the sector in Wales, with WCVA representing voluntary organisations and Community Enterprise Wales the social enterprise field; but other agencies, such as ACEVO, operate across England and Wales. The extent of devolution of policy and practice is also different in Wales to that in Scotland and N Ireland. The 1998 Government of Wales Act placed a statutory duty on the Welsh Assembly Government (WAG) to promote the interest of voluntary organisations in the exercise of all its functions. This is a clearer and broader provision than in the other devolution settlements, and requires the WAG to promote third sector activity across all its functions. However, this broad spread of responsibility has militated against the development of strong central policy steer (and funding) as in the other administrations, with third sector policy and practice being more defused across the policy landscape, and much activity focused on key policy areas such as equalities and civic engagement.

Much policy delivery in Wales is therefore channeled through service Departments, with horizontal policy initiatives relatively under-developed. In some areas too policy and practice remains located in England, as separate regulatory powers have not been delegated. In particular, for instance, charity regulation and the work of the Charity Commission operate across England and Wales. And although there is a separate Compact for Wales, later known as the Voluntary Sector Scheme, it was first introduced by the UK government in 1999, modeled on that introduced at the same time in England, and later enshrined in the 2006 Government of Wales Act, as part of a restructuring of relations between the sector and the WAG.

Nevertheless there have been some moves to develop distinct Welsh vehicles for the promotion and support of third sector activity in the country. There is a small Third Sector Unit based in the Communities Directorate in the Department for Social Justice and Local Government, and formed, as in England, by the merger in 2009 of the former voluntary sector unit with a social economy unit. Third sector policy therefore embraces promotion of social enterprise, and a strategy for social enterprise in Wales was published in 2005 (WAG, 2005). There is also an Third Sector Partnership Council (formerly the Voluntary Sector Partnership Council), chaired by the Minister and with twenty five third sector representatives to advise on policy development and implementation. In particular the focus of

the Partnership is on the implementation of a 'Strategic Action Plan' for the sector published by the WAG in 2008. This plan outlines the elements of a horizontal policy agenda for the third sector in Wales to implement the Voluntary Sector Scheme, based on measures to empower people and communities and the establishment of frameworks to implement these (WAG, 2008), with a series of targets over the period up to 2011.

However, there are not the same horizontal funding programmes in Wales that can be found in England and Scotland, with much responsibility for delivery and funding resting in the hands of service Departments; and in the established links with key sector agencies such as WCVA, who have recently had a five year partnership agreement with the WAG extended. And the statutory duty to promote equality in Wales has led to a more active role for TSOs in campaigning and representation on issues such as gender, 'race', faith and disability (Chaney, 2009).

## Northern Ireland

The political and organisational history of N Ireland is distinct and, at times of course, a troubled one. For these political and cultural (and to some extent geographical) reasons the third sector in the province has always been relatively separate from that in the rest of the UK. The sector has been represented since the 1930s by NICVA, which now collects and publishes data about the size and structure of voluntary action there, the most recent version being the 2009 almanac, the *State of the Sector V* (NICVA, 2009). This reveals that in 2008 there were 4,700 voluntary and community organisations in the province, with a total income of £570m. This was decline in income from 2005 and is evidence of some critical financial pressures on the sector in N Ireland. 46% of this funding was from government, again much higher than in England, and matched by the much higher proportion of public expenditure as a proportion of economic activity in the province more generally. As a result per capita spending on the sector is also much higher at £67 in 2005-06 (Cabinet Office, 2007b, p.16). The sector employed around 27,000 people in 2008, 3.9% of the total N Ireland workforce, again a higher proportion than in the rest of the UK.

One of the reasons for the decline in funding for the third sector in N Ireland has been the severe reduction in funding from the European Union Special Peace and Reconciliation Programme, down from £82m in 1997, to £58m in 2005 and to £10.6m in 2008 (NICVA, 2009, p. 27). This funding was largely tied to support for the peace process in the province following the end of sectarian conflict in the mid 1990s and the Good Friday agreement of 1998. Much of the focus of EU funding was on third sector organisations and the role that they could play in (re)building community links and civil society relations in N Ireland, including cross border relations with the Republic of Ireland. This was also the focus of much UK Government policy planning and support in the province, accentuated by the limited role of local government in N Ireland and the weak and divided nature of much local democracy.

This support for voluntary action in the building of a new civil society in N Ireland has been a central feature of its recent history, and provides a distinct and different context to that in the rest of the UK (see Birrell and Williamson, 2001). Much more has been expected of the sector by government here, and much more support has been provided, including to infrastructure agencies such as NICVA. This support has also been more closely tied to policy intervention to combat discrimination. This

applies in particular discrimination across sectarian lines, but has had a more general impact in foregrounding anti-discrimination practice in the aims and structures of many voluntary and community organisations.

This history has also meant that horizontal support for a strategic role for the sector was developed early in the province, with a strategic policy approach towards the voluntary and community sector commencing in the mid 1990s, and influencing the work of the Deakin Commission in England. But as this support has reduced, in particular the EU funding streams, then the strength and sustainability of the sector has been challenged. As a result the sector faces cuts in public funding sources in the near future.

Public policy towards the sector is itself also in large part a product of the peace settlement and the, somewhat fitful, process of the devolution powers within the province. Despite its distinct history and culture, N Ireland had been governed by direct rule from Westminster until the end of the 1990s – referred to in the province as ‘helicopter rule’ (Acheson, 2009). Following the Good Friday agreement legislation was passed to introduce devolved government in the province from 2000, through the Northern Ireland Assembly and the Office of the First Minister and Deputy First Minister. The structure of the devolved administration was based upon a complex political settlement and a parceling out of roles and responsibilities between the leading political parties in the province.

Despite this complex politics, however, devolved rule collapsed in political conflict in 2002 and direct rule was re-instated until agreement between the two leading parties was again reached in 2007 and devolution of powers restored. One of the consequences of this was the imposition on Northern Ireland of English or UK policy initiatives, including a Northern Ireland Compact, *Building Real Partnership* (DHSS, 1998) implemented in 2001 and almost identical to the English Compact. Charity law reform is still to be implemented in the province, however, although following a consultation led by the Department for Social Development (DSD), and the passing of the Charities Act (Northern Ireland) in 2008, an Order in Council was implemented in 2009 to permit registration and regulation and the establishment of a Charity Commission for Northern Ireland.

Another consequence of the Good Friday settlement has been to create vested interests amongst politicians in the governance and departmental structures established by devolution. Within this there remains a separation of responsibility for the voluntary and community sector, which is overseen by the Voluntary and Community Unit within DSD, and social enterprise, which is referred to as the social economy and is the responsibility of a small Social Economy Unit within the Department of Enterprise Trade and Development (DETI). This separation of third sector policy practice has resulted in a distinct, but fragmented policy environment for the sector in Northern Ireland. However, it is unlikely to be challenged because the sclerosis in governance structures created by the Good Friday agreement means that any transfer of departmental responsibilities is likely to be resisted as a threat to the influence of those politicians (and senior officers) affected.

Broad based horizontal policy programmes are thus less well developed in N Ireland. The Voluntary and Community Unit (VCU), which was first established in 1993 and transferred to DSD in 1998, has responsibility for traditional voluntary and community action, including the administration of the EU peace initiative funding. The VCU has worked closely with the key sector agencies in the

province, in particular NICVA and CO3, which are funded by the unit to promote the sector and deliver public funding, within which there has been a significant focus on combating discrimination, for instance through high levels of support for women's organisations. However, with the decline in EU funding and other pressures on budgets within DSD, there is likely to be a decline in public funding for the sector in the near future; and this is likely to be accompanied by a shift towards more of a focus on a public service delivery agenda (DSD, 2005).

Support for the social economy is delivered by the Social Economy Unit in DETI, working through a Social Economy Policy Group of representatives from the other major service departments, and engaging with the sector via a Social Economy Forum. This includes funding, currently until 2011, for the Social Economy Network (SEN), the umbrella body for social enterprises in N Ireland established in 2006.

Despite these different governance structures, however, much of the policy development for the third sector in N Ireland has been a rolling out of policy initiatives developed in England. This was particularly the case during the re-imposition of direct rule from 2002 to 2007. Since 2007 policy development by the new Assembly has been slow and in some cases, such as charity regulation, still dominated by UK agendas. Whether a new and distinct policy environment flows from the greater devolution of power since 2007 remains to be seen therefore; but, unfortunately perhaps, it may be dominated by potential reductions in public funding and withdrawal of resources for some of the horizontal support provided through infrastructure agencies. There is fear in some third sector quarters that this may accentuate differences between 'insider' organisations, with strong policy networks and records of relatively high public funding and 'outsiders', smaller organisations operating on the margins of core policy concerns (Acheson, 2009). Given the central role accorded in the past to voluntary action in community empowerment and the building of peace and democracy in N Ireland, this could be potentially damaging for co-ordinated development of the sector in the future.

## Conclusions

Devolution of policy to promote and support third sector activity has been a significant, if not widely explored, aspect of the devolved and diverging policy landscape to be found in the UK since the creation of separate government structures in Scotland, Wales and N Ireland. As can be seen from the analysis developed in this chapter, this has resulted in the creation of four separate policy regimes for the third sector across the four countries of the UK. What is more these governance and policy differences have been developed for, and with, third sector practice communities which already had distinct histories, structure and cultures within the four nations. National distinction in third sector policy and practice is not simply a product of twenty-first century devolution therefore.

The devolution of policy making has led to largely separate governance structures within the four countries. Each now have their own offices, units or divisions providing support and guidance for third sector activity; and across the four nations there are different models here. With a central, and relatively powerful, Cabinet Office department in England, a small co-ordinating group in Wales, and a separation between support for voluntary and community activity and social enterprise in N Ireland. Flowing from this are significant differences in policy regimes too – in England promotion of third

sector organisations as providers within a mixed economy has been central, in Scotland much support for organisations is provided through local government, in Wales policy responsibility and delivery largely lies with service departments, and in N Ireland there has been direct engagement with third sector umbrella agencies which may in the future be under threat.

However, these divergences in policy regimes have not necessarily resulted in differences in policy discourse. Despite the different governance and delivery structures the broad direction of third sector policy has been remarkably similar, and builds on the longer history of state and third sector relations within the UK discussed earlier. In all countries there has been a significant shift in the new century towards a discourse of *partnership* between the state and the third sector, together with an embracement of the larger and more inclusive model of the sector itself. This has resulted in particular in a commitment by government to the development of strategic policy intervention, including for instance the introduction of Compacts to provide a framework for state and sector relations. And linked to these strategies has been the provision of horizontal support for third sector organisations to help to build their capacity to meet the new opportunities and relationships now on offer – although the extent and delivery of these does vary across the four countries. Regulatory changes have also been introduced in all, in particular new requirements for achievement of charitable status and procedures for formal monitoring of charity registration.

It is still rather early to judge how significant the impact of these new policy regimes will be on the structure and operation of third sector activity across the four countries. However, the over-whelming impact of devolution within the three new administrations has been the requirement (and opportunity) that this has presented for the sector to engage with the new devolved policy agencies and practices. This is especially noticeable in Scotland and Wales, as separate government agencies have existed in some form for longer in Northern Ireland; and in Wales it has been further accentuated by the restructuring following the Government of Wales Act in 2006. Devolution has created a new politics focused around the need to engage with changed government; and in effect has accentuated the national distinctiveness of the third sector itself, especially in Scotland and Wales.

In addition, however, some common themes are also emerging in all four countries. First, partnership is a two way relationship and the capacity of all third sector organisations to engage in active partnership with the state, and to shape and benefit from it, varies significantly. Many practitioners in the sector are worried about the potential accentuation of distinctions between insider and outsider organisations, with only the former able to engage actively with the new governance and policy environment - the problem of *exclusion*. Linked to this are concerns about the independence, and distinctive ethos, of any organisations that engage closely with, and in particular are largely funded by and accountable to, the state - the problems of *incorporation* and *isomorphism*. The challenge to third sector independence was explored in a collection of papers sponsored by the Baring Foundation, which compared the different experiences of the four UK nations with a small number of other western industrial countries (Smerdon, 2009). All concluded that it could be threatened by extensive engagement with the state.

Conversely, however, the new UK policy regimes have provided a higher political profile for the third sector than it has enjoyed for at least a century. The levels of support provided by all four

governments are unprecedented, and have made real differences to the capacity and effectiveness of many organisations. What is more the engagement between policy makers and sector leaders in the development and delivery of these programmes of support have created new and active political links and networks – indeed they have led to the creation of new policy elites, which now exercise considerable power and influence over the sector in each of the four countries. Here too, of course, there are fears about insider status in, and outsider exclusion from, these new political networks; but in itself this provides opportunities and challenges for sector practitioners. Making partnership work is now on the agenda for most third sector actors.

Perhaps the final question to be posed though is – to what extent has devolution led to new and significant differences in policy and practice for the third sector across the four countries of the UK? Or, to put this more bluntly, is it still Westminster and Whitehall who set the policy agenda? The answer to this must be a cautious one, not the least because the picture is ever- changing. However, on current assessment, although there is evidence of significant structural change in the forums for engagement flowing from devolution, there has been less to suggest significant policy divergence within these, with English policy initiatives still pervading across the new national borders.

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## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The third sector research centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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## Theory and policy

It is essential that the Centre's research is informed by a strong theoretical and conceptual analysis of the sector and the policy environment within which it is situated. Theoretical analysis of the sector is not well developed in the UK, in part because of the applied focus of much existing research. TSRC will contribute to ensuring that difficult theoretical issues are articulated and explored. Critical understanding of the policy environment is also essential, for it determines much of what happens within the sector. TSRC is co-funded by the Office of the Third Sector which is responsible for developing and delivering policy in England. The Centre's research will help inform this policy development, but will also make that policy process itself the subject of critical review. We need to know 'what works', but we also need to understand who decides 'what matters'.

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