

# A Real Commitment to Partnership?

## BUILDING A NEW RELATIONSHIP BETWEEN THE COUNCIL AND VOLUNTARY SECTOR IN ISLINGTON

Guy Palmer and Peter Kenway

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# PREFACE

The Government attaches great importance to the voluntary sector and the role that it can play in ensuring that services are provided which meets the needs of all our citizens. Working closely with the communities they serve, yet subject to tight financial constraints, local voluntary sector organisations at their best are wonderful examples of how to meet social goals efficiently and effectively. To be fully effective, these organisations need to work in partnership, especially with funders, potential funders, and the local authority.

Local authorities, too, need to work in partnership with the voluntary sector. Last November, we published a national ‘Compact’ on the relationship between national government and the voluntary and community sector. That idea of a compact is now being extended to the local level too.

But creating a genuine partnership at local level is not straightforward and bringing it about can entail a real change in relationships. The old relationship often tended to be one of dependence by the voluntary sector organisations on the local authority, but these organisations will probably be increasingly benefitting from having a wider range of funders. A relationship based on dependence or control can and should change into one based on partnership.

This presents local authorities with a challenge. To have a positive effect, leading the local community, they have to work with organisations that now are in many ways independent of them. That can require quite new attitudes at senior levels within the authority, on the part of both members and officers.

This report, by the New Policy Institute, has already been invaluable as a catalyst for changing attitudes in Islington. Although the process is still very much beginning, the report and the work leading up to it have helped to bring the local authority closer to the voluntary sector, and especially its representative body, the Islington Voluntary Action Council. I think it has done that by reflecting the concerns of both sides, by establishing a set of agreed facts, by being realistic about what is possible and by identifying practical steps that can be taken to start the process.

I welcome this report very much. Although no two local authorities or voluntary sectors are identical, I believe there are lessons from this experience which have much wider relevance. The process gone through in Islington in the last six months may well be valuable therefore, wherever there is the challenge of making a reality out of the notion of ‘partnership’.

**The Rt. Hon. Chris Smith MP** Secretary of State for Culture, Media and Sport  
and Member of Parliament for Islington South and Finsbury

# 1. SUMMARY

1. This paper discusses the future relationship between the voluntary organisations in Islington and Islington Council. In particular, it makes proposals for a new partnership between the organisations, something that all sides have stated that they are interested in constructing, and something which we believe could bring major benefits, especially to Islington's citizens.
2. The paper sets out:
  - The agendas for change of central government, Islington Council and the local voluntary sector.
  - The case (and need) for partnership.
  - The essential elements of an effective partnership.
  - The barrier to future partnerships.
  - Proposed next steps.
3. In principle, the Council and the voluntary sector have many interests in common, centred on local implementation of the government's 'Best Value' agenda. This is a major reason for being optimistic about the prospects of constructing new partnerships. Furthermore, there are imperatives for new partnerships in that, if they are not successfully created, then the Council and voluntary sector are likely to grow even further apart to the detriment of the citizens of Islington.
4. The construction of future partnerships will require a clear and agreed framework within which funding is given, its purpose defined, and regular monitoring of achievement put in place. In short, it requires a move away from a 'grant aid culture' towards a 'contract culture', as has already happened in many other parts of the country. This, in turn, implies:
  - Much more of a shared vision than currently exists.
  - A funding framework based on defined objectives, consistency and transparency.
  - The development of agreed 'contracts' or equivalent for each item of funding.
  - Separation of 'purchaser' and 'provider' functions within the Council.
  - Arrangements for independent monitoring of achievement against objectives.
5. There are, however, formidable barriers that need to be overcome, particularly relating to historical relationships, a lack of mutual trust and respect, and the Council's plans for major, short term reductions in the funding given to the voluntary sector. It will require determined and thoughtful leadership from both sides and substantial introspection if these barriers are to be overcome.

6. We suggest that the recently established Voluntary Sector Strategy Group (involving representatives of both the Council and the Voluntary Sector) is the obvious vehicle for progressing the partnership agenda. In this context, our proposed next steps are as follows:
  - A review by the Council of its membership on the Group, which currently appears light in terms of both Councillors and senior officers.
  - A workshop session of the group to discuss the need for a new partnership, key elements in its success and barriers to its achievement.
  - A review of how other local authorities have progressed partnership arrangements with the voluntary sector, and comparison between those demonstrating good practice and the situation in Islington.
  - The development of an agreed, joint statement about future relationships, based on the key principles discussed in this report.
  - An agreed implementation plan, setting out clear milestones for the building of a new relationship.
7. From our discussions during this study, and from our review of recent history, we have been struck by the extent to which attitudes need to change, and new processes be put in place, if there is to be any chance of major changes in working relationships. There are signs that the Islington Voluntary Action Council (IVAC) understands this.
8. By contrast, we do not believe that the Council has yet recognised what ‘partnership’ really involves, namely surrendering sole control over some matters in order to exercise control *with others* more widely. Until it does so, the citizens of Islington, and in particular, the poor and socially excluded, will suffer quite unnecessarily.

## 2. INTRODUCTION

This report makes proposals for the future relationship between the voluntary organisations in Islington and the Council. It is the result of a study undertaken by the New Policy Institute – an independent think tank - and has been funded by the Charities Aid Foundation. The analysis draws on interviews with selected Council members, Council officers, voluntary organisations operating in the Islington area, and the Islington Voluntary Action Council (IVAC).

The study was initially stimulated by the Islington Council's publication of its Medium Term Financial Strategy (MTFS), which set out financial projections for Council spending over a four year period. These financial projections envisaged significant cuts in real expenditure levels across a range of the Council's services, including significant cuts in the level of support to the voluntary sector. Such a scenario would clearly have a major impact on the voluntary sector in Islington, and its clients; hence, this study, whose overall objective has been "*to review the future of voluntary services in Islington in the light of Islington Council's recently published Medium Term Financial Strategy*".

Two major themes have been common to most of the interviews that we have held:

- First, there is widespread agreement that relationships between the Council and the local voluntary organisations are nowhere near as effective as they could and should be. Not surprisingly, people's views differ on 'whose fault' this is but the basic theme has been the same: all sides need to modernise and change their traditional ways of operating, becoming much more professional in their approach.
- Second, all sides say that they are interested in constructing a new partnership between the Council and the local voluntary organisations, albeit with differing levels of enthusiasm. Whilst the future nature of such a partnership has not been clearly defined, a common theme has been for the Council to take on 'an enabling and strategic role'.

Normally, one would expect this combination of themes to give rise to a sense of optimism about the future: "let's get together to construct our new partnership". In our view, the construction of such a partnership has the potential to both increase services and decrease financial costs to the Council. It is a major prize, which all sides should be putting major effort into. The purpose of this report is to explain why this is so and what could be done to bring such a partnership into existence.

But the most noteworthy aspect of the current situation is the prevailing sense of pessimism across all parties, seemingly largely based on a lack of mutual trust and respect, and which the discussions surrounding the budget setting for 1999/2000 have done nothing to decrease. Since the 1999/2000 settlement has now been agreed by Council, this report does not consider its details any further.<sup>1</sup> However, the way the settlement was reached demonstrates the distance that still has to be travelled to turn all sides' commitment to partnership in principle into a real partnership in practice.

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<sup>1</sup> Our assessment of the prospective settlement was contained in an interim report, '*The Council's Medium Term Financial Strategy and the Impact on the Voluntary Sector*', published on 12th January 1999 and sent to the Director of IVAC, leading councillors and the Council's Chief Executive. An abridged version is included here as an appendix to this report.

## 3. AGENDAS FOR CHANGE

We begin by summarising the agendas of Government, the Council and voluntary sector as far as the future relationship between the voluntary sector and Council is concerned.

### The Government's Agenda: 'Best Value'

Similar to other aspects of public policy, Labour's general agenda for local government is one of 'modernisation'. Over time, it envisages a series of initiatives to change democratic structures, financial regimes, standards, etc. In practice, however, it now seems that these will mostly have to wait for a second term of office, with 'modernising' initiatives broadly being left to individual local authorities to pursue, supported by general government encouragement to share 'good practice'.

The main exception is likely to be the 'Best Value' regime, which may well be introduced universally across local government during the current parliament, replacing Compulsory Competitive Tendering (CCT). 'Best Value' is intended to put the interests of customers and consumers of services before the interests of providers. It is likely to include:

- An obligation to market test each council service, with services being provided by whichever organisation provides best cost and value, and without any prior view for or against the relative merits of provision of services by 'in house', private or voluntary organisations.
- An obligation for Councils to undertake a "fundamental performance review" of *every* Council service over a five year period.

Two prerequisites have been identified for this approach to be successful at local level:

- That local authorities are explicit about their vision for their locality and the priorities for action.
- That good relationships between the public, private and voluntary sectors exist, developed and nurtured by councils and based on mutual understanding.

A commitment by local government to 'lead' its communities rather than be a direct provider of services is at the heart of 'Best Value'. Developing new partners - private and public - and improving existing partnerships is seen as the key to its success.

The government's agenda for the voluntary sector is best set out in its recent document '*Compact – Getting It Right Together*', which sets out a proposed series of principles for future working together. An early paragraph gives a flavour:

*"This Compact is aimed at creating a new approach to partnership between Government and the voluntary and community sector. It provides a framework to enable relationships to be carried out differently and better than before. Government and voluntary and community organisations share many aspirations – the pursuit of inclusiveness, dedication to public life, and support for the development of healthy communities. The Compact is a starting point for developing our partnership, based on shared values and mutual respect."*

## The Council's Agenda

The Council's agenda for future voluntary services in Islington can only be viewed in the context of its overall agenda, which is primarily concerned with its financial problems.

Forecast expenditure for 1999/2000 exceeds forecast income by a substantial margin. At a meeting of its Strategic Planning and Resources Committee in October 1998, it was agreed that cuts of £51 million were required over a four-year period based upon the best available information at the time.

In addition, its balances are now only £700,000 (March 1999 forecast) compared to the target of £7 million (3% of turnover) that it has set itself in the MTFs document. Furthermore, there are financial problems with the pension fund, for which actuarial valuation has identified serious underfunding. There is also a history of over-spending (e.g. £4.6 million over-spend in 1997/8 and a further £2 million is currently predicted for building maintenance).

Finally, the Council has decided to try to hold the Council Tax at its present level, with consequent implications for future expenditure.

In this context, the material below summarises our understanding of the Council's current agenda with respect to the voluntary sector.

### FINANCE

The Council has made a series of proposals for cutting back its financial support to the voluntary sector. Over the 4 year period covered by the MTFs, these cuts are not disproportionate to proposed cuts in the Council's other expenditure. But in the short term, and in particular for 1999/2000, the planned cuts proposed do fall disproportionately on the voluntary sector. In support of this, the Council points out that:

- The level of financial grants to the voluntary sector in Islington is high compared to other councils in London.<sup>2</sup>
- The size of the grants to individual organisations are large in comparison to elsewhere.

### PRIORITIES

The Council believes that the pattern of support to the voluntary sector is ossified, reflecting the needs of 1982 rather than 1999. It is therefore looking to re-allocate support to areas which it believes reflect current priorities, priorities which it has clearly identified.

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<sup>2</sup> For example, see Council-produced papers which list total amounts of grant aid by London Councils, with Islington at the top of the table. Note, however, that this 'bald' numbers do not take account of the fact that many of the other councils now account for some of their monies given to voluntary organisations under the relevant service headings, as they have moved away from grant aid and towards contracting with voluntary organisations.

## **ROLES AND RELATIONSHIPS**

The Council has expressed a wish to develop new relationships with the voluntary, or not-for-profit sector. For example, a Strategic Planning and Resources Committee held in January 1999 agreed a paper which analysed past relationships and concluded that the strategic way forward lay with 'partnerships'. Its specific objectives included:

- The recasting of the support given by the Council to individual organisations in the form of service level agreements and contracts rather than a grant.
- A shift in culture away from a producer 'focus' to a consumer or user focus.
- The depoliticisation of decision-making about grants and contracts to individual organisations, including the withdrawal of elected members from the governing bodies of local voluntary sector organisations.

## **The Voluntary Sector's Agenda**

There are about 800 voluntary organisations in the Islington area, of which around 270 currently receive some funding from the Council. With so many organisations, of varying shapes and sizes, there will clearly be many different agendas and many different views on the future. However, in IVAC, they have an organisation whose role is to build a common agenda. The material below summarises the voluntary sector's agenda as articulated to us by IVAC, and confirmed in some individual interviews.

## **FINANCE**

Like the Council, and in response to it, many voluntary organisations in Islington are first and foremost concerned about the financial situation and worried about their survival. The cuts agreed for 1999/2000 do not give them time to adjust to a new world, with no flexibility in the next few months either to raise money from other sources or to close/downsize in a way that would minimise disruption to service users. They also feel that, in being disproportionately targeted on the voluntary sector, these cuts are unfair. Finally, some believe that the cuts prejudice the future ability of the voluntary organisations to compete with corresponding Council services in a few year's time when the Best Value comes in.

Interestingly, these views are not just limited to those organisations which are directly threatened by major cuts in 1999/2000.

The voluntary sector organisations' specific objective here is - or rather was - to defer the cuts in the first year while accepting the total level of cuts proposed over the full four years of the MTFs. Looking to the future, this objective now translates into:

- Short-term security of funding from the Council, to allow any organisation sufficient time to adjust to changes decided upon by the Council.
- Adequate notice (say, a year) of major changes in financial settlements from the Council.
- Consultation processes which do not prejudice their final outcomes.
- Developing the capacity of the sector as a whole to raise external funds.

There is strong support for the idea that the Council's finances should be run, like theirs, within tight financial limits. Many see more effective financial management of the Council as a prerequisite to a new relationship.

## **PRIORITIES**

Many of the voluntary sector organisations are concerned about what they see as a largely arbitrary and piecemeal approach to the planning of services. They desire:

- To introduce a proper strategic approach to the planning and provision of services, based on widespread consultation.
- Within that context, to open a debate about the priorities adopted by the Council.
- To ensure that choices are led by a proper assessment of needs, with due weight given to preventative expenditure wherever that is appropriate.
- To ensure that assessments of ‘best value’ as between council provision and voluntary sector provision are undertaken in a transparently fair and scrupulous way.

## **ROLES AND RELATIONSHIPS**

The other major theme of the voluntary sector’s agenda is that of ‘modernisation’. At least in some quarters, there is a view that the voluntary organisations themselves need to become much more dynamic, more professional in their approach, and less dependent on the Council for their funding. Complementary with this is the view that the relationship with the Council needs to have a radical overhaul.

This view underlay IVAC’s response to the Council’s MTFs, in which it expressed its desire to work with the Council to develop a new partnership.

## 4. THE CASE FOR PARTNERSHIP

As set out above, both the Council and the voluntary sector appear to sign up to large parts, if not all, of the government's 'Best Value' agenda. In particular, both agree that 'partnership' is the way forward and both agree that the interests of users of services should be paramount. The Council is committed to providing leadership and, in the Chief Executive's document '*Modernising Islington*' has set out a vision. For its part, the voluntary sector is attracted to the market testing element of 'Best Value' as it views this as a potential opportunity for its own expansion, provided that it is done impartially.

But such commitments in principle to partnership, and to putting the needs of users first, seem to have counted for little in the arguments over the 1999/2000 financial settlement. In reaction, we suggest that the Council and the voluntary sector need to develop a new partnership urgently, not because it is fashionable, but because it is in both their interests.

### The Pressures for Change

As we see it, the need for a partnership between the Council and the voluntary sector grows out of two related, but to some extent opposed, sets of changes that have been taking place in the borough since before the last Council election, in 1998.

- The first is the Council's financial retrenchment, in terms of both its own directly provided services and the degree of support that it has in the past given to individual service providers in the voluntary sector.
- The second is the increasing capacity of voluntary sector organisations in the borough to bring in funds from other sources. Indeed, it has been argued that the prospect of reduced funds from Council can be a very effective spur to voluntary organisations to acquire external funding.

The forces driving these changes remain strong and they could all lead to a relatively greater role for the voluntary sector in the future. They include:

- The Council's commitment to lead the local community rather than necessarily always being the direct provider of services.
- The need to introduce market testing. While there is no presumption either for or against public sector provision, we suspect that the likely outcome will be for some sectors to be mainly delivered by private or voluntary organisations.

The continuing precariousness of the council's financial position and the difficulties it apparently has in controlling some budgets, one logical response to which would be to move more services onto some form of contractual basis.

## Why Both Sides Need A New Relationship

The net effect of the developments above is to put the historic relationship between the Council and voluntary sector, which has been in place since the early 1980s, under increasing strain. That relationship was a distinctly paternalistic one: the Council handed out the money and apparently made the decisions; yet in practice, the voluntary sector organisations had begun to feel almost entitled to the money. This has made for a strong sense of inertia in both the pattern of service provision and the level of grants to individual organisations, which was not obviously in the interests of the borough's residents.

However, no new relationship has yet even begun to emerge to take the place of the old. The fact that the two sides, while sharing the same language, failed even to approach an accommodation over the financial settlement for 1999/2000, is evidence of this.

It is easy enough to see why the voluntary sector organisations need a new, working relationship with the Council, namely, to provide the stable and predictable environment (at least over a 2 or 3 year spell) in which they can plan their activities and try to raise external funds accordingly.

We would also argue, however, that a new relationship should be a top priority for the Council.

- First, it is in the interests of the borough's residents that the voluntary organisations thrive. To do that, they will need to bring in external funding, an essential pre-requisite for which is that the external funding bodies are confident that the Council will not use external funding as an excuse to withdraw its own.
- Second, as the voluntary organisations become more financially independent, they and their other financial supporters will become more active in deciding what services they wish to provide.<sup>3</sup> The voluntary sector is by no means alone in this, with local service provision being determined by a whole range of bodies besides councils, including health trusts, boards of grant-maintained schools and TECs. In these circumstances, the Council needs a new relationship in order to retain influence over the shape of the services provided to the borough's residents by bodies other than itself. Without this, its desire to play the part of community leader will be weakened and it will lack the means to shape the overall provision of services in accordance with its priorities.

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<sup>3</sup> For example, capital funding raised by the voluntary sector, on six projects either started or completed in the last two years, reaches almost £3million.

## 5. ESSENTIAL ELEMENTS OF AN EFFECTIVE PARTNERSHIP

Drawing on our experience of both local and central government, the material below characterises what would be required for there to be an effective partnership between the Council and the voluntary sector. It does so under three main headings: shared principles, operational mechanisms and leadership, and implementation.

The essence of these characteristics is that there should be a clear framework within which the funding is given, clear agreement as to its purpose and what is to be achieved, and regular, independent monitoring of what is in practice being achieved.

Furthermore, putting such principles and mechanisms successfully into practice will require a major change in attitudes, particularly relating to mutual trust and respect between the Council and the relevant voluntary organisations and to open communications between the Council and the voluntary sector.

### Shared Principles

As set out in the government's 'Compact' document:

1. **Shared vision:** Partnerships require some level of shared vision, both about the aims of providing services to the public and about the role of the various organisations in contributing to these aims.
2. **Funding frameworks** need to be based on clear targets, consistency and transparency, and the decision-making must be consistent with these frameworks.<sup>4</sup>
3. **Monitoring arrangements:** There must be common, transparent arrangements for agreeing and evaluating objectives, performance indicators and their associated targets, facilitating prompt payment, reviewing financial support, consulting upon changes to the funding position, and informing organisations about future funding as early as possible.<sup>5</sup>
4. **Multi-year funding:** There is value in long-term, multi-year funding, where appropriate, to assist longer term planning and stability.
5. **Codes of practice:** There should be a jointly developed codes of practice covering consultation, policy appraisal and implementation.

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<sup>4</sup> Note that the government Better Regulation Taskforce expanded on this point in its report '*Access to Government Funding for the Voluntary Sector*', arguing for the concept of strategic funding to ensure the continued capacity of the voluntary organisations to respond to governmental initiatives.

<sup>5</sup> In addition, as set out in the government's 'Best Value' document: There must be a framework of clear service performance targets with an emphasis on quality, measurable service improvement and monitoring.

## Operational Mechanisms

1. A 'contract culture' has been developed by many local and central government organisations over the last 10 years. Key elements of this are: ***Agreed, written 'contracts'***: like any other governmental organisation, any financing by a local authority of a voluntary organisations should be based on an agreed contract whereby both parties clearly understand the purpose of the funding and what outputs are expected as a result.
2. ***A focus on outputs***, where possible: by focusing on what is to be achieved, rather than just what activities are to be undertaken, contracts can provide a clear and agreed focus on needs and benefits. They also draw a proper distinction between what is to be achieved and how it is to be achieved, with the latter being for the recipient organisation to decide (within agreed parameters).
3. ***Where possible, Service Level Agreements***: where the recipient of the funds is providing a service to the public on behalf of the Council, the notion of a contract can be extended to that of a more formal Service Level Agreements, whereby the service levels to be provided are formally defined. As set out in the government's Best Value material, there should be "*a framework of clear service performance targets with an emphasis on quality, measurable service improvement and regular monitoring*".
4. ***Separation of purchaser and provider responsibilities within Council***, to ensure that decisions about what services to purchase from the voluntary sector are not influenced by the interests of the relevant (if any) provider parts of the Council and that the Council's own services and those of the voluntary sector are treated even-handedly.
5. ***Negotiation between funder and fundee***, based on mutual recognition of the other's circumstances and objectives. One example which is obvious but not always considered in practice is that the greater the level of funding, the more should be expected from that funding. A second example is that voluntary organisations typically have some core costs which have to be funded, and that funders will have to make some contribution to this. A final example which is becoming increasingly pertinent in Islington is that a particular voluntary organisation may be receiving funding from a variety of sources, in which case the Council can only expect to have a certain amount of say in the shape of the voluntary organisation's services.
6. ***An agreed code of practice***, whereby funder and fundee recognise each other's interests and objectives, with protocols governing the various types of interaction. For example, one agreed protocol could be that Councillors should not be trustees of any of the local voluntary organisations.
7. ***Regular and independent monitoring***: it goes without saying that any agreement between Council and voluntary organisation should be regularly monitored, with a particular focus on the achievement or otherwise of the envisaged outputs and benefits. Clearly, such monitoring should not involve the relevant (if any) provider parts of the Council if it is to be, and seen to be, independent. And, equally clearly, the results of such monitoring should be a major influence on future decision-making.
8. ***Model agreements***: From a practical perspective, one or more model agreement would be needed that could then be adapted for individual voluntary organisations. Experience has shown that any other approach results in either the Council simply imposing an agreement, or voluntary organisations spending time and money developing individual agreements for their specific service.

Note that the contract culture and the developing of Service Level Agreements do not negate the political choices that Councillors need to make. They simply codify a relationship so that both parties understand what is expected of each of them.

## **Leadership and Implementation**

At the detailed level, partnerships operate between council officers and individual voluntary sector organisations. But we do not believe that officers and individual organisations alone can bring the new relationship about; rather it needs leadership, from both Council and IVAC, to bring it about and to oversee its subsequent development. Only through such involvement will joint strategies and plans be developed which have the authority and momentum required to push all the parties towards new partnerships.

Such a regime will need time to be implemented and will need appropriate investment in training and development to ensure that all involved have a clear and shared understanding of the new arrangements. It must be implemented fairly and openly and monitoring must no longer be as haphazard as seems to have been the case to date.

The recently established 'Voluntary Sector Strategy Group' is a potential vehicle for progressing this agenda, including:

- Developing a common understanding.
- Joint planning.
- A forum for discussion.
- Leadership.

But it can only be successful if the representation from the various parties is of sufficient seniority, and we note that its membership currently appears light in terms of Councillors and non-existent in terms of senior officers. Furthermore, it will probably require 'official standing' if it is to have an actual impact on the decision-making by individual committees and departments within the Council.

## 6. BARRIERS TO FUTURE PARTNERSHIPS

The material below summarises some of the main barriers for the creation of future partnerships between the Council and the voluntary sector. It is a formidable list.

The overall conclusion is that genuine partnerships will only be possible if the Council, in particular, puts real effort into their creation, not letting its financial problems divert it completely and recognising that major changes will be needed in the way that it operates and thinks. This is over and above the lack of mutual trust and respect referred to earlier.

### History

It is widely agreed that the current relationship between Islington Council and its voluntary sector is largely one of dependency, and has been for many years. Organisations apply for grant and this is either approved at one level or another or rejected. There is little discussion about shared vision and priorities and it appears that most of the grants given by Islington have simply rolled on for many years without any real strategic review and without any clear objectives. The conclusion is that real effort and self-reflection will be required from all parties to make new partnerships a reality.

### Short Term Cuts

The cuts for 1999/2000 create a number of barriers to the future construction of a partnership between Council and voluntary sector:

- They will inevitably reduce the capacity of the voluntary sector to respond to the future initiatives launched by the council.
- They will mean that most voluntary organisations, including IVAC, will need to be focused on service closures and/or reductions and the consequent redundancies at the expense of any discussions about future partnerships.
- Levels of trust, and mutual respect – all necessary to constructing a partnership and seemingly lower in Islington than in many (most) other local authorities - will be further dissipated at exactly the time when they should be built up.
- Those forces and individuals on both sides who are seriously committed to a new partnership are actually being dis-empowered rather than empowered.

It will take time and effort for relationships to recover from this year's process. It is crucial that a new, more consultative, processes be in place well before the 2000/2001 decisions.

### Lack of Real Consultation

As set out in the government's 'Compact' document: "*Meaningful consultation builds relationships, improves policy development and enhances the design and delivery of services and programmes.*" Islington is one of only a few councils who have attempted to consult on the budget. Furthermore, this was the Council's first attempt. Nevertheless, the history over the last year shows that the Council has not yet developed successful techniques for achieving real consultation.

For example, the Council received only 348 replies to a questionnaire that it sent out to every household in the borough in the summer of 1998 seeking views on the thrust of its MTFS. It appears that only one copy of the MTFS document was made available to the voluntary sector. Finally, the options presented for discussion to the various committees and the total target for savings both totalled roughly the same amount (£15 million), meaning that the various committees actually had no choices open to them if the target savings were to be achieved.

The conclusion is that lessons from this year's process should be learnt and rectified for future years, perhaps reviewing some of the techniques developed by other councils.

### **Lack of Power Equivalence**

Whilst the paper approved at the January meeting of the Strategic Planning and Resources Committee called for a new partnership between Council and the voluntary sector, its tone appeared to emphasise the dominance of the Council in this relationship rather than encouraging a partnership approach. It is also noteworthy that the Council did not see it as appropriate to involve any representatives of the voluntary sector in the drafting of the report.

Rather than set up a joint working party of councillors, officers and voluntary sector representatives to develop the new partnership arrangements, the paper argues for the establishment of "*an officer working group ...to develop implement and oversee the policies*". It then proposes that "*the Council works in partnership with IVAC and not for profit sector representatives to support development of the voluntary/not for profit sector in line with the policies above.*" In other words, it envisages that the involvement of the voluntary sector will be limited to issues of implementation only.

The conclusion is that, to make future relationships a real partnership, the Council will have to come to terms with the fact that this will mean a lessening of their direct control. But, in our view, this would be more than compensated by an increase in influence across the range of voluntary services.

### **The Council's Real Finance Position**

As discussed earlier, the Council has a history of over-spending and its pension fund appears under-funded. Both these factors could mean that the Council finds itself in a worse financial position than currently envisaged in the MTFS. This could hinder the development of partnerships with the voluntary sector in two main ways. First, it could lead to further potential cuts including in the financial grants to the voluntary sector. Second, it could mean that the Council becomes further distracted from the development of the partnerships by the continuing need to take control of its overall financial position.

The conclusion is that the implementation of effective financial management arrangements in the Council are a prerequisite to new relationships or, indeed, any other form of strategic initiative.

## 7. NEXT STEPS

As discussed above, there are a whole series of barriers in Islington to the construction of new partnerships between the Council and the voluntary sector. In this context, it will require strong, effective and strategic leadership from both the senior councillors and from IVAC if substantial progress is to be made.

In our view, IVAC has already begun to show such leadership through the development of their draft proposals for the future relationship, which they managed to get most of the voluntary organisations to sign up to and which took great cognisance of the Council's objectives as well as those of the voluntary sector. We believe that it is vital that the Council (both councillors and senior officers) take the initiative in formulating and progressing next steps.

We also suggest that, as discussed earlier, the recently established Voluntary Sector Strategy Group is a potential vehicle for progressing the partnership agenda.

In this context, we suggest the following way forward:

1. ***A review of Council membership on the Voluntary Sector Strategy Group***: as discussed earlier, membership currently appears light in terms of Councillors and non-existent in terms of senior officers.
2. ***A workshop session of the Voluntary Sector Strategy Group***, at which leading representatives of both the Council and the voluntary sector discuss the merits of a new partnership, key elements for its success, and barriers to its achievement. If asked, we would gladly facilitate such a session, and the material in this report would provide a framework for its agenda.
3. ***Comparison with other Councils***: For the Council to look at good practice in other local authorities and to study research previously undertaken on the relationship between the voluntary sector and Councils. Then, for it to review the current practices and views throughout its organisation in comparison with these good practices. This approach could potentially give Islington Council an advantage over most other local authorities by learning from both the successes and failures of other Councils and by adopting good practice proven elsewhere.
4. ***A joint statement about future relationships***: Consequent on the two actions above, the next step would be for the Council and voluntary sector to put together an agreed statement about future relationships, analogous to the government's 'Compact' agreement with the voluntary sector.
5. ***An agreed implementation plan***, setting out the key milestones for the building of the new relationship. These should include the establishment of arrangements for developing mutual training and understanding, as well as for future, independent monitoring.

# APPENDIX: THE MEDIUM TERM FINANCIAL STRATEGY AND THE IMPACT ON THE VOLUNTARY SECTOR

This appendix is an updated extract from the *interim* report for this project, which was prepared in January 1999 at the climax of the discussions around the council's budget for 1999/2000.

## THE MEDIUM TERM AGENDA – A NEW PARTNERSHIP

In its MTFs, published in 1998, the Council recognised the need to put its finances on a sounder footing and envisaged holding its council tax constant over the next four years. Given changed priorities, one implication was that the current funding of voluntary sector activities is likely to decrease. As part of its thinking, the Council also expressed the desire to improve its relationships with private, voluntary and other statutory bodies.

## THE SHORT TERM REALITY – AN ADVERSARIAL SITUATION

However, both the process that the Council followed to decide upon the scale of the 1999/2000 cuts, and the outcomes for the voluntary sector, seemed the very antithesis of a partnership approach. In particular:

- The voluntary sector could not understand why the proposed short-term (1999/2000) cuts in expenditure should fall on them so disproportionately compared with other items of Council expenditure. In our discussions, we were unable to discover any convincing explanations.
- One response was to question the claim itself. It is no surprise that there was uncertainty about the facts since the papers given to Councillors to inform their decisions on the 1999/2000 budgets were very difficult to follow, and none of the ones we saw set out a coherent summary.
- Another response was to point to the Council's new priorities. While this was a factor, it did not explain why voluntary sector organisations faced disproportionate cuts from all but one of the Council's committees, and in areas which seemed to support the Council's priorities.
- The scale of the cuts to be found at such short notice – over £2million between January and April 1999 – gave most organisations little flexibility either to raise money from other sources or to adjust in a way that would minimise the inevitable disruption to service users.

## IMPLICATIONS

The net effect of these developments was:

- Firstly, that all the parties seemed almost entirely focussed on the short term financial agenda, rather than the medium term partnership agenda, which is actually much more important from both a service and financial perspective in the longer run.
- Secondly, levels of trust and mutual respect – all necessary to construct a partnership and all seemingly lower in Islington than in many other local authorities – were being dissipated at exactly the time when they should have been increased.
- Finally, those forces and individuals on both sides who were seriously committed to a new partnership were actually being disabled rather than empowered.

## VOLUNTARY SECTOR CUTS: THE COUNCIL'S FIGURES

To make up for the lack of any overall view of the cuts from the Council, our interim report sought to construct a coherent summary from individual council papers. Following agreement of the budget, the Council's Strategic Finance and Property Services Department has now supplied us with updated figures which do provide the needed overview.

These figures (see table 1) amply confirm the voluntary sector's claim that it suffered disproportionately in the 1999/2000 round of budget cuts. In particular, while the cuts overall represent about 5.9% of the total council budget, the voluntary sector has suffered cuts of 19.7% in its funding.

	Whole Council			Voluntary Organisations		
	<i>Budget</i>	<i>Cuts Agreed</i>		<i>Council</i>	<i>Cuts Agreed</i>	
	<i>1999/00</i>	<i>(March 1999)</i>	<i>%</i>	<i>Funding</i>	<i>(March 1999)</i>	<i>%</i>
	<i>£m</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
Education	98.6	0.0	0.0	2.5	0.24	9.6
Social Services	72.6	5.6	7.7	1.7	0.05	2.9
Housing General Fund	4.7	0.1	3.1	0.1	0.06	60.0
Environment and Leisure	14.7	1.8	12.3	0.2	0.02	10.0
Regulatory and Planning	6.6	0.8	11.9	-	-	-
Play and Youth	4.7	0.7	15.0	0.8	0.33	41.3
Social & Economic Regeneration	7.0	1.6	22.8	5.9	1.51	25.6
Corporate and Other Services	32.5	3.5	10.7	-	-	-
<b>Total</b>	<b>241.3</b>	<b>14.1</b>	<b>5.9</b>	<b>11.2</b>	<b>2.21</b>	<b>19.7</b>

Source: Data provided by Assistant Head of Strategic Finance and Property Services, Islington Council, April 1999.

Note. Social Services agreed voluntary sector savings are £49,000. However, a further £101,000 have been deferred and are under review.