Challenges to trust in a changing Third Sector

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Abstract

Issues of trust in public-third sector relationships and those between small third sector organisations have had limited exploration in research to date. A small but growing literature has considered the effects of changes in public services on third sector agencies, highlighting the increased emphasis on competitive allocation of funding, regulatory and performance frameworks, and consequent shifts in inter-sectoral boundaries. As pressures on public sector spending and competition for funding grow, there is also a shifting dynamic between 'old' and 'new' values, as the distinctive character of third sector agencies (Kendall and Knapp, 1996) gives way to activities which have acquired legitimacy through dominant managerial cultures. Consequently, trust which formerly underpinned relationships between public and third sector agencies is being displaced by formalised arrangements which manage meanings and communications, normalising an asymmetry of relationships, also affecting trust relationships with user groups.

This paper interrogates this changing organisational environment for third sector organisations and the challenges to trust relationships generated. It explores how risk is asymmetrically borne and the implications for desired innovation, in particular, considering relationships between the local state and third sector organisations. It draws on empirical data from two recent studies of non-profit organisations working in English inner-city areas to examine changing organisational roles, using the lens of trust to shed light on their experiences. By examining power differentials and different ways in which trust can be understood and employed, the paper offers insights into the importance of trust in inter-organisational relationships and facilitating successful cross-sector partnership and learning.

Challenges to trust in a changing Third Sector

Introduction

As third sector organisations, both in the UK and internationally, have taken on a growing share of services previously delivered through statutory agencies, debates about their changing rôles and relationships with the state, together with the related effects of inter-agency and partnership working have correspondingly grown. The initial policy shift to outsource public services in the 1990s which heralded new working cultures and arrangements in public services (Le Grand, 2003) impacted more gradually on third sector organisations (TSOs). Nevertheless, studies underlined the effects of new forms of accountability (Kumar, 1997), in constraining flexible approaches to service delivery and marginalising user groups and community volunteers from decisions about services, undermining the balance of earlier trust-based relationships (Scott et al., 2000; Locke et al., 2001).

When New Labour entered government in the UK, in 1997, its 'Third Way' agenda significantly raised the profile of TSOs and promised them a different, more constructive relationship with the state. This was underwritten by principles espoused in national and local Compacts (Home Office 1998), which promoted greater respect in relationships, increased influence, and improved communications and fairer treatment in contracting services (Craig et al. 1999; DfES, 2004). In practice, compacts proved a weak mechanism to promote these goals, lacking the necessary 'teeth' to be effective (Compact Voice, 2008, p.20) without legislative power. Although experiences vary (IDeA 2008), recent research suggests that many smaller, local providers have not experienced improved contracting practices (Milbourne 2009), rather increased formality in funding relationships has damaged inter-agency communications.

The community turn in policies, coupled with earlier emphases on cross-sector, partnership working have characterised Labour strategies aimed to enable wider participation in, and influence over, local decision-making and services. However, Labour's continued reliance on market ideology to underpin arrangements for allocating funding and services, has generated contradictory arrangements. While community organisations are encouraged to participate as 'partners' in defining local needs and criteria for services, the structurally embedded power in parallel contractual relationships generates mistrust in collaborative relationships, relegating community-based organisations to outsider status (Taylor 2003; O'Brien 2006) and powerful agencies determining the rules of play (Clegg, 1989). Thus the promise of more equal and trusting relationships between the state and third sectors, and expectations of greater funding and

organisational stability which the third sector expected to follow from formal service contracts in the 1990s, are still somewhat illusory. With the diverse projects of different governments, transitions in the organisational environment over two decades have, nevertheless, resulted in blurring the boundaries between sectors, especially between the state and larger TSOs, whose influential access and professionalisation of management have grown (NCVO, 2009).

Building and sustaining trust in inter-organisational relationships, as this paper illustrates, may be challenging and more complex than sometimes acknowledged in literature (Lane and Bachmann 1998). Research often conceptualises trust as resulting from goodwill between participants, without considering power differentials or the absence of open communication. Trust, as Hardy et al. (1998, p.71) argue, 'results from a communicative process in which shared meanings either exist, or are created through a reciprocal relationship.' This necessarily involves all participants, ideally on an equal basis, and would be underpinned by forms of communication which make space for examining differences and conflicts, not only consensus. Where predictable but imbalanced relationships are maintained, that is, based on assumed cultures or sets of arrangements, meanings may be managed to reach consensus but those with limited power become marginalised and may increasingly mistrust or become disillusioned in the process. There may be motivation to trust but this may be undermined by hierarchical arrangements and specification of the transactions which circumscribe or underpin the relationship.

The paper considers the changing context of state-third sector relationships, with a focus on UK TSOs. Changes identified above are not restricted to the UK but mirror experience internationally (Hoggett et al. 2008), as different national governments seek solutions to a wide range of social problems, within limited resources. In parallel, international literature also identifies the dominance of cultures of audit and regulation in managing funding and service relationships with TSOs as increasingly impinging on modes of operation and trust (Burnley et al., 2005; Shaw and Allen, 2006).

Secondly, the paper examines debates on trust in organisational relationships and develops a framework to explore trust in examples from our studies of third sector and inter-organisational relationships. It considers the effects of dominant managerial culture, including high levels of control in auditing services, and the inequitable handling of risk on trust relationships.

Thirdly, the paper goes on to describe two empirical studies from which we draw; and explores illustrative data to analyse shifts in trust relationships and their value in organisational learning and service development.

The paper concludes by arguing that the continuing emphasis on competitive contracts and centrally driven performance frameworks undermine collaborative work, shared organisational learning and inter-organisational trust. Moreover, as TSOs are pressured to respond to top-down specifications, their relationships with user groups and community stakeholders also change, diminishing local reputations for trustworthiness. These accountability frameworks may serve short-term state interests but at the expense of devaluing community level work, increasingly promoted as a way to address challenging social problems. Even where collaborative work rather than competitive contracts underpin cross-sector arrangements, the paper questions the extent to which the dominant discourse and mechanisms of public agencies manage meanings and outcomes to the detriment of trust based relationships and more creative developments.

Framing trust relationships: moving from trust to control

In the last two decades, public agencies have increasingly depended on non-state providers to deliver a wide range of services, and in the UK, third sector organisations now provide services from early years to old age, taking a growing role in socially deprived neighbourhoods. National policies, recognising third sector expertise in working with diverse groups of people, have raised the profile of the sector but have also drawn non-profit organisations into new, often uncomfortable, organisational arrangements (Harris and Rochester, 2001), resulting at times, in mistrust within and across sectors (Milbourne, 2009). Changing state-third sector relationships, both locally and nationally, have affected the nature and priorities of work in non-profit organisations, and their roles in relation to service users and community stakeholders, also triggering questions among community stakeholders of their continued trust in the organisations.

The 1997 Labour government's Third Way agenda identified the third sector as an alternative route to the failures of state and market in addressing social problems (Giddens 1998), but in parallel, there was continued reliance on competitive markets to allocate contracts for services, coupled with centrally defined targets and indicators to monitor outcomes. As diverse services and projects were outsourced from the state, new requirements for third sector agencies became embedded as organisational norms, essential to secure and maintain funding (Scott and Russell, 2001), undermining previous trust relationships (Kumar, 1999).

As a growing number of services and special projects are being delivered through small and large TSOs, government and third sector bodies have criticised poor communication and practices in contracting behaviours (Audit Commission, 2007; Compact, 2007; Compact Voice, 2008; NCVO, 2009). In parallel, research has identified some damaging impacts of recent changes on TSOs, including inappropriate use of market competition to allocate funds, and the

dominance of performance measurement and regulatory frameworks, which have replaced other, less formal monitoring relationships (Darcy, 2000; Scott and Russell 2001; O'Brien 2006; Shaw and Allen, 2006; Moxham and Boaden, 2007).

Hardy et al. (1998) explore the difference between trust relationships, and power relationships masquerading as trust. They suggest (p.79) two forms of trust and two forms of power based masquerade. Trust and masquerade are distinguished by the process of construction of meaning and the allocation of risk. In trust relationships meaning is co-created; when what appears to be trust is a facade for power, meaning is managed, distorted or imposed by the dominant participant. In this masquerade, speech is strategic and agreement is suborned by the dominant partner. Power within communicative processes needs to be recognised and addressed, if shared meanings are to emerge, rather than meanings being managed in ways that maintain or increase power differentials. It is only when trust is present, either spontaneous or generated trust, that speech approaches emancipatory discourse (Habermas 1984). In trust-based relationships risk is shared; in masquerades, risk is passed by the more powerful to the subordinate.

In their discussion of the Committee for aid to refugees, Hardy et al. (1998) describe how 'the partners had to learn to communicate in a way that produced shared meanings' (p 75); only on the basis of such mutually produced and agreed discourse can trust be successfully signalled. Governance through targets and performance indicators could be trust based if the targets and indicators are mutually developed and agreed. In recent strategy on relationships with the third sector (HM Treasury and UK Cabinet Office 2007) the UK Government asserts a similar perspective.

> The Government therefore wants to continue to ensure that the third sector remains at the heart of measures to improve public services including as contractors delivering public services…as advisers influencing the design of services and as innovators from which the public sector can learn (p. 49)

Despite this, recent experience in the UK and elsewhere (Burnley *et al.* 2005, Moxham and Boaden 2007, Shaw and Allen 2006) indicates that targets are centrally defined with only marginal room for negotiation and are therefore an exercise in power, not trust. As Shaw and Allen (2006) argue, where trust based relationships are dominant, narratives around activities and achievements are often more important in funders' assessment of the value of services than measurable indicators. Targets do more than require a level of performance: they powerfully structure discourse and define the categories of meaningful and marginal. Targets are

constitutive of the 'rules of the game' (Clegg 1989 p. 200) by means of which power is exercised within organisational relationships.

Trust between public and third sectors: multi-layered relationships

Relationships between TSOs and state agencies are not neat or homogenous; the relationships are multi-layered and dynamic. However, to aid understanding of these layers, we have identified an indicative typology of relationships below. One layer comprises organisations which are part of a joint endeavour to bring about mutually desired change in a locality or for a particular sector of the community. In the UK this collaborative work increasingly involves formally constituted joint boards such as Local Strategic Partnerships, although levels of power and influence between members of the partnership may differ widely (Taylor, 2006). The second layer concerns joint delivery of services through multi-agency projects (Kinder et al., 2000,(e.g. Milbourne *et al.* 2003) An increasingly scarce third layer is where the public authority provides core funding to enable a TSO to function. A widespread, fourth layer comprises contracted services, with TSOs paid to provide a wide range of services and special projects on behalf of a public agency. While any layer may be a site of conflict, a fifth layer is structurally antagonistic, where the TSO is an advocacy group for individuals or communities: representing their interests to a statutory agency perceived as failing to provide adequate services.

Layer	Relationship	Description
1	Joint planning	Local boards to plan services and allocate funding
2	Joint delivery	Provision through multi agency partnerships with shared responsibility
3	Core funding	Public funding for core organisation of TSO not linked to specific service delivery
4	Contracted service	Service provision by TSO through contract for specified deliverables
5	Advocacy	Provision of advocacy services by TSOs funded by public authority or through charitable fundraising

Table 1: Indicative typology of relationships between public authorities and TSOs

These layers are indicative, not exhaustive or definitive; they are not neatly stacked but are under pressure and are folded and irrupt into each other. The same pairing of TSO and public body may be simultaneously engaged in several of these relationships (Carmel and Harlock, 2008).

Consequently relationships that are constructive and start to build trust at one level, for example, when a public agency involves a TSO on identifying needs for local services, are disrupted by interactions at another when competitive contracts for services are allocated.

As Hardy et al. (1998) note, risk is shared in trust relationships, while in masquerades, risk is carried by the subordinate participant. Joint enterprise and joint service provision are typically characterised by trust relationships, though these may take time to build; in these, trust is assumed to emerge from equal, though distinct, contributions. In contrast, while contracted service provision *may* be governed by trust, procurement and contracting more frequently involve power relationships (Scott and Russell, 2001, Moxham and Boaden, 2007). These may appropriate the language of trust but often undermine cooperation and coerce consensus, generating 'a new brutalism' in both intra- and inter-sector relationships (Hoggett et al. 2008, p.157).

TSOs are frequently commissioned to provide services where a statutory agency has failed to supply adequate provision or to meet the needs of a vulnerable or marginalised group. New Labour's modernisation of public services (DETR, 1999) has reshaped traditional silos of services, creating cross-cutting and integrated delivery, while agendas, such as the focus on social exclusion have highlighted new target groups and the need for non-standard models of provision (SEU, 2001). Such changes create challenges for professionals and their models of delivery and, and innovative provision can often only be developed through experience and experimentation. Thus defining a detailed service specification, performance targets and outputs in advance may be difficult and inappropriate. The pressures for innovative approaches in outsourcing services to TSOs echo the problems faced by public authorities in outsourcing information systems (IS). Information systems are difficult to specify in advance and are characterised by projects that are late, over-budget and fail to meet targets (Margetts and Dunleavy 2002). The IS outsourcing literature, drawing on both public and private sector examples, demonstrates that abuse of trust inhibits innovation and is linked to an approach to contracting that focuses on minimising costs rather than maximising effectiveness.

In their review of outsourcing, Weeks and Feeny (2008 p 140/1) identify three types of project trust: personal, competence-based and motivational. Personal trust is based on a belief in the personal integrity of project partners; competence-based trust rests on a belief in the other's professionalism which may be eroded through operational problems. Motivational trust is based on joint opportunities for reward from success and joint exposure to penalties from failure – risk and reward sharing mechanisms can underpin such trust. It may be assumed, as in Hardy et al.'s

(1998) discussion of generated trust that trust starts low but develops with experience of the other. However McKnight *et al* (1998) argue that people frequently start by trusting and that this initial trust can be cemented or dissipated depending on subsequent actions. This is borne out in the example of promised shifts in state-voluntary sector relationships in 1998. When the Labour government proposed national and local compacts to enshrine principles of better relationships with the voluntary sector, encompassing a move to contractual relationships which would provide more stable funding and improve future sustainability, this heralded a future in which the sector would become valued partners (Deakin, 2001). Voluntary sector trust and optimism in new arrangements were short-lived, and a period of short-term contracts and projectitis (Harries et al., 1998; Geddes et al., 2000) undermined the trust relationships which had often underpinned previous grant funding but continued to undermine funding stability. In 2008-9, the promotion of awards for Compact Champions (Compact, 2009) disseminated as good practice models can be read as an attempt to regain third sector trust in public agencies in the face of new challenges in procurement arrangements.

McNight et al. (1998) also argue that the conditions for fragile or robust initial trust can be identified. Their construct of *unit grouping* 'put[ting]the other person in the same category as oneself' implies initial trust because 'those who are grouped together tend to share common goals' (p480). This unit grouping would be present where the TSO and the public body come together in a common endeavour. However for trust to be maintained both parties must exhibit both trusting and trust-worthy behaviour and the conditions for motivational trust must be present. Arguably, the poor record of compacts to date, their 'lack of teeth' (Compact Voice, 2008), was a failed joint enterprise: the differentials in power relationships, which allowed large public agencies to determine both short-term contracts and new project funding, meant that smaller TSOs carried an undue share of the burden of risks for services. Initial trust was fragile, based on a combination of personal trust and assumed but misplaced competence-based trust – misplaced because the ability, or willingness, of the public body's staff to create longer term and fairer contracting was over-estimated.

Notably, the recent report on the UK third sector (HM Treasury and UK Cabinet Office 2007) frequently refers to the role of TSOs in building trust within communities and being trusted by them. It acknowledges that (p.7),

> the Government had heard the sectors' concerns over … the inconsistency of relationships between the sector and different levels of Government, and a lack of mutual understanding between different parts of the sector and Government.

While the report also states (p. 7) 'a strong desire for continued partnership working between the sector and Government,' references to TSOs being trusted by government or needing to trust government are absent. Consequently the report fails to address this key and problematic element of the relationship between the public sector and TSOs, a crucial element in the development of higher quality services and citizen engagement.

However, rather than improving third sector relationships with the state, recent surveys (Audit Commission, 2007, IDeA, 2008) identify misgivings about the mechanisms and criteria for deciding services and allocating funding, which placed organisations in competition with each other, and potentially with SMEs, and larger providers, both private and national TSOs. Recent NCVO (2009) data suggest that despite overall growth in the third sector, there is an increasing gap between large and small non-profit organisations in the UK, with small organisations finding it increasingly hard to survive financially.

Historically many TSOs have provided services as part of a joint enterprise on loosely drawn agreements with high level descriptions of the service agreed informally rather than through contract (Milbourne, 2002), as was the case in our study of the out of school projects described in the next section. Partnerships of this kind, aimed to experiment with different forms of provision where traditional statutory services were seen to be failing a particular problematic client group. The intended outcome was not only to meet the needs of a high-priority group of underserved users but also to develop individual or organisational learning that could be utilised elsewhere in the statutory service. While most service-delivery relationships are now contract based with increasingly detailed service level agreements, examples, such as Shaw and Allen's (2006) study from New Zealand, show how a less heavily prescriptive model can continue to work effectively to promote trust and improve service delivery, bucking the trend towards neo-liberal market based models characterised by detailed targets and monitoring.

The rhetoric of joined up services, partnerships and new localism (Aspden and Birch, 2005) replicates aims described above for earlier partnership endeavours in many ways but arrangements are now focused around joint service planning (layer 1) or cross-agency delivery (layer 2). These new relationships still require high levels of trust to work effectively but are more restrictive of the autonomy of TSOs than traditional grant aid or core funding. As Taylor (2001, 2006) and Powell and Dowling (2006) show, cross-agency planning and delivery are often undermined by discontinuities in the funding and policy environment and power differentials, creating community outsiders and negating the inclusive rhetoric surrounding community partnerships.

In the increasingly common level 4 contracted services, the trust basis has moved from that between partners towards that existing in outsourcing client/contractor relationships, as Lacity and Willcocks (2009) describe in the IS context. The regulatory environment is in constant flux but some third sector contracts are for more stable services like care homes where the description of the service to be provided and costed is less complex and there is direct competition from the private sector. In these cases models derived from private sector outsourcing can be more effective but these models are often applied far beyond this limited category.

Trust and risk

The UK Department for Communities and Local Government website states, 'The Government recognises the value of the diversity of organisations… in promoting enterprising solutions to social and environmental challenges and in transforming the design and delivery of public services" (CLG 2009). Similarly, guidance on funding TSOs (HM Treasury 2006, p.10) recommends:

> Well-managed risk taking: funding bodies should not be overly 'risk averse' in making funding decisions. Funding bodies should consider the level of risk associated with particular funding recipients, and be prepared to vary the framework of control (outlined in the point above) accordingly in order to ensure the most effective balance of risk between the funding body and the third sector organisation.

This guidance indicates an aspiration towards a trust based relationships. However, the willingness of public funders to adopt this advice and share risks is not evident in research to date and is a question which we investigate through our two studies.

The risks to quality of provision: lack of innovation jeopardising the delivery of government policy; poor service quality threatening the success of the partnership; inadequate co-operation and information sharing, leaving gaps in provision (Kurunmäki and Miller 2004) – lie mainly with governmental bodies. However, the risks to organisational viability and existence lie with TSOs, and are exacerbated the smaller the size of the TSO. Large national TSOs are exposed to containable financial risk but unlimited reputational risk; smaller community-based organisations carry both reputational risk (Power *et al.* 2009) and potentially fatal financial risk if a contract with a public body is terminated or if costs exceed income.

(Ghoshal and Moran 1996, p. 24) argue that risk management, through detailed regulatory frameworks, and trust are inversely related.

> For the controllees, the use of rational control signals that they are neither trusted nor trustworthy to behave appropriately without such controls…surveillance that is perceived as controlling threatens the controllee's personal autonomy and decreases his or her intrinsic motivation.

This is also true at the organisational level, and audit surveillance, far from deterring opportunistic behaviour, may actively encourage it so that moral hazard is not reduced but enhanced.

In analysing alliances between firms, de Man and Roijakkers (2009) drawing on the work of Das and Teng argue that 'two elements of risk are particularly important: relational risk (that partners will deceive each other) and performance risk (that the alliance will not deliver the expected business results)'. They identify a low relational risk coupled with a high performance risk as likely to be best managed through trust based governance. As public agencies are increasingly concerned to ensure 'value for money' it is reasonable to infer that they are most concerned about performance risk; this stream of research suggests that they would get better results from trust.

However, the UK public sector, as elsewhere, has operated with a growing focus on audit and performance measures, an aspect of the dominant managerial culture in public agencies (Clarke et al., 2000) also transforming practices in third sector work. While the Government argues (OTS, 2007, p.9) that it is not its 'role to define the purposes of individual organisations or set a vision for the sector as a whole,' the escalation of data collection frequently erodes autonomy without ensuring accountability; they provide 'rituals of verification' (Power,(1997). While there is always a tension between accountability and autonomy, TSOs experience data collection as intrusive and time consuming surveillance and as a marker of a lack of trust (Hoecht 2006), creating an atmosphere where concealment is a rational response. As Willcocks and Craig (2009) argue, the development of stronger trust allows an environment that moves from blaming to learning and supports innovation – the opposite of a recourse to 'naming and shaming' (Pawson 2002).

The scope of the studies

The paper draws on data from two studies in different areas which focused on changing relationships between the state and TSOs. The first study in Rushley[i], involved research with three small community-based organisations providing education for disengaged young people, based on an in-depth case study approach, and completed in 2005. All three organisations were

located in the same broad inner-city area and had been running for over twenty years. Some 112 individuals contributed to the study which involved some 50 interviews, 30 observations and additional focus groups over nearly four years. The study generated extensive data with views from management committee members, staff, volunteers and young people using the three organisations, as well as key local authority managers.

The second study was commissioned by a large local authority, Wharton, and undertaken in 2006-7, with interviews taking place in a relatively short time span. It involved some 50 interviews in TSOs providing services for children and young people, which had the advantage of providing a snapshot of participants' perceptions at similar times in the contractual cycle, as they faced changes in funding arrangements at the end of the 2006-7 financial year.

Both studies were located in relatively deprived inner-city areas with diverse populations, including significant numbers of recent refugees. Several neighbourhoods in both areas are ranked high in Indices of Local Deprivation (DETR, 2000; Price Waterhouse, 2005) and the areas overall have been involved in social inclusion and community participation initiatives. As a result new agencies and cross-sector partnerships have emerged, with new organisations gaining contracts to deliver services alongside longstanding community organisations with successful local track records.

The studies set out to examine perceptions of relationships with local government officers held by organisational members. Both aimed to explore ways in which changes to funding arrangements were experienced in community-based organisations, how representatives of different organisations understood what was proposed and the effects on their work. In the first case, this was during the TSOs' experiences of negotiating formal, layer 4, contracts for previously grant funded services, which had involved a local liaison officer who visited and was familiar with the organisations. In the second case, the study was conducted study prior to the recent implementation of Local Area Agreements and new arrangements for commissioning services. One of the changes which participants were asked about was a proposed common contract and performance targets across all children and young people's services. They were also asked about their involvement in discussions on future services and their views on planning processes.

Both studies examined respondents' perceptions and experiences of communications and relationships with local government officers; their experiences of service contracts and monitoring relationships; effects of changes on the stability of their services; and changes in role in relation to their user groups. While key informants and the majority of respondents were

located in TSOs, both studies also included observations and interviews with relevant local government officers. In both cases, a review of strategy documents, indicative contracts, local plans, meeting records, reporting information and literature on TSOs' work contributed to the research.

The studies used qualitative coding methods to analyse data (Glaser, 1992), employing perspectives of critical social research (Harvey 1990) to examine the data generated and to question the consequences of changes in specific localities. Comparative analysis of data gathered from different sources was also used to improve integrity and depth of findings (Glaser and Strauss, 1967). While the second study was of limited duration, drawing on data from two studies has enriched insights into the effects of recent changes on inter-agency communications and relationships.

In what follows, examples are organised thematically. This paper only explores some aspects of the research and other themes concerning the changing environment for TSOs and cross-sector work are explored elsewhere (Milbourne, 2009).

Findings

In analysing data from these studies, we saw little evidence of spontaneous trust situations. We explore examples from the two studies where trust is a masquerade, manipulation or capitulation, determined by the imbalance of power in inter-organisational relationships; where trust is generated from mutual efforts; or where trust has been eroded or is subject to threat through actions or inactions of one of the parties (Hardy et al., 1998). We draw on models identified above to frame analysis of our data, considering the basis for trust or mistrust in the relationships explored and factors affecting their fragility.

From joint endeavour to dominant managerialist culture

Initially we examine situations where joint endeavours have shifted to a contractual basis and how that has affected trust between parties. In Rushley, key informants – both longstanding staff and managing body members from all three TSOs - discussed the transition in relationships with the local education authority (LEA), as they shifted from a context where they had received grant funding for delivering services for young people excluded or truanting from school to one where they would become service contractors subject to a service level agreement. One key change was that the TSO staff had been mainly employed by the LEA and seconded to the organisations; the LEA carrying employment risks, such as for, sickness and redundancy. In the proposed contracts, the staff would be employed directly by the TSOs, with consequent risks and costs. A

second key difference was that the LEA liaison officer, Claire, who had experience of the three projects and with whom they had established a trust relationship was made redundant and replaced by a contracts' liaison officer who had little knowledge of their work. The TSOs' relationship with Claire illustrates the description of our layer 1, and can also be identified as containing all three elements of Weeks and Feeny's (2008) typology of trust: personal, motivational and competence-based. A TSO management committee (MC) member described Claire as someone who,

> understands and values what we do. She wants us to succeed with the young people as much as we do, and she shares our concerns, knows what it's like …she has that background and knowledge, she can help and support our staff when the going's tough. (Anna, TSO 1)

Some of the ways in which trust was generated was through a willingness to explore difficulties and share expertise so that learning and improvements could take place; Claire visited the organisations and was as much interested to monitor achievements through narrative and observation as reports on measured outcomes, which the LEA was increasingly requesting. Good personal relationships were established over some 5 years; there was positive motivation for improving services through sharing difficulties as well as achievements. There was mutual trust in the competence of the other generated through: valuing, and knowledge of, the other's work; shared understandings of services; and jointly constructed contexts for meaningful communications and understanding joint endeavours to achieve positive service outcomes.

With the introduction of new and more formal contractual relationships, some local authority officers moved on and the lines of communication changed. Not surprisingly, the decision to remove Claire from her liaison role provoked personal antipathy towards the TSOs' new link officer. Visits to the organisations became rare and TSO workers perceived that the emphasis had moved away from value placed on local achievements, to a need to conform to new arrangements and meet terms inscribed in the new contract model. Instead of mutually created meanings, the TSOs were increasingly being asked to take on hierarchically defined discourse and organisational meanings. Rather than jointly created meanings and purposes (Weick, 1995, Hardy et al., 1998), parallel streams of communication were operating. In the process of negotiating service contracts, TSOs experienced frustration over aspects they believed were important, for example, perceiving that their achievements and efforts with extremely difficult young people were discounted to the extent that they were unsure whether they would lose their future funding. Cora, MC chair of TSO 2 describes:

> Getting nowhere, never being listened to… Endless frustration with Council officers and members: no replies to calls; replies to letters come months later and don't answer what we asked. We can't make sensible plans … the story goes on and on.

Birgit (TSO 3) provides the example of attendance targets which officers have specified, based on national and local school targets for all young people.

> So, we raise a particular problem … but do these officers see it? They don't see it. So 90% attendance [target] is now 87% but for each child… they don't see how different children's histories are. Some will never manage to come more than say, 60% but it's what they do achieve.

However, Andrew, the new LEA liaison officer interpreted the difficulties in discussions quite differently and asserted the need to comply with dominant managerial cultures and arrangements which officers clearly viewed the TSO managements as resisting.

> I mean… they're living in the past …. I know the projects have been running a long time. As individuals, I'm sure they mean well, but I mean …things need planning, targets, outcomes, it's more focused now.

Officers were transmitting a wider shift in culture, as illustrated by commentary from an elected LEA member:

> It's a new regime now … we want to be accountable, people need to see we're getting things done…we need clear ways of showing we're delivering…. We want to disassociate ourselves from the past.

Over a ten month period of contract negotiation disagreements arising from conflicting assumptions about meanings, purposes and appropriate specification and targets grew; and mistrust dominated discussions such that differences became more entrenched. During briefing meetings and debriefing discussions, the TSO committee members increasingly referred to the deficiencies of Rushley officers as professional managers. There was no sense of jointly shared service outcomes to support motivational trust, and damage to belief in the individual integrity or competence of the other was irreparable.

As mistrust and frustrated communications grew, the level of coercion in the relationship increased, with the LEA asserting rights to impose terms. With a number of points pending discussion from the previous meeting and legal information on the transfer of staff still

outstanding, each TSO received a letter containing the 'final Service Level Agreement, and Terms and Conditions of Contract for signature', requiring a response by return of post with,

> Confirmation that you will sign the agreements by … [within 7 days] or that you do not wish to sign, so that we can develop alternative providers. (letter, LEA liaison officer)

Shocked by the shift from negotiation to ultimatum, the TSOs MC chairs appealed to elected members, also by letter.

> The new documents, unilaterally impose unreasonable attendance targets and other unsought amendments, and also contain 14 extra pages mainly in legal 'jargon', unseen by us before. These extend the terms of the contract, produce significant inconsistencies with the existing documents and include references to housing and production line standards, inapplicable to education services. The presentation of completely new documents at this stage, on which officers are pressing for signature and their refusal to entertain further discussion, is unacceptable… outside the normal codes of conduct in negotiations and demonstrates a derisory attitude towards the voluntary sector organizations as partners in negotiation. Even if we had the resources, it would be a marathon task to re-visit the process of detailed amendments.

Performance measures, integral to the mode of operation of a professional managerial system, may be couched in a language and codes which detach them from any meaningful evaluation of a context (Cochrane 2000). The example quoted in the letter above went a stage further. Standards and benchmarks designed to monitor production line quality had been added to the contract conditions, possibly as a result of inexperience among officers concerned, as they were being pressured to conclude this relationship in a way satisfactory to their superiors.

Despite overt resistance by the three TSOs, there was also considerable disillusionment. Rather than the greater autonomy and financial security anticipated at the outset, through formal contracts and directly employing staff seconded to this work, these organisations experienced infringements on their historical autonomy imposed through the contract clauses.

In Cora's words, the whole process was,

> …surreal. Just as the government has recognised the importance of the kind of work we've been doing for years [reference to Social Exclusion Unit's priorities to address truancy and school exclusion], Rushley LA wants to cripple us with penalties for not meeting unrealistic targets and watch us collapse.

This example of a transition illustrates the importance of exploring power within inter-organisational relationships and the ways in which powerful organisational cultures can serve to damage trust and destabilise meaningful negotiations, devaluing locally defined knowledge and goals. While the ultimatum demonstrates LEA officers' assumptions about their right to control meanings and arrangements, implicit in managerial regimes (Clarke and Newman, 1997), it is also indicative of mistrust in non-specified arrangements. Even without the move to ultimatum in this case, concepts of managerial control embedded in the contracts through specification and performance measures, raised problems for the TSOs concerning the nature of any professional partnership possible between themselves and Rushley officers.

Non-compliance on the part of the TSOs exacerbated officers' perceptions of them as untrustworthy partners, unwilling to be accountable. There were prior assumptions about what appeared as trustworthy behaviours. If these had they been explored or entertained on agendas for discussion, it might have helped in the process of attempting to understand the other, which could have generated more meaningful communication. Thus the various prior assumptions and subsequent actions cemented relationships of mistrust. Referring to Hardy et al.'s (1998) model, this example demonstrates the transition from co-created meanings to different forms of power based masquerade - first persuasive, then coercive - as a local authority and three local TSOs move from joint service endeavours to contractually based arrangements for funding and delivering services. Equally, this example offers little in the way of predictable behaviours which are also identified as sustaining trust.

Sustaining trust in cross-sector work: competence and motivation

In examples that follow, we consider the layer of public-third sector relationships involving recent procurement arrangements and the layer comprising cross-sector partnerships. They show that trust in individuals and trust in their competence are closely linked. For example, a TSO's ability to share the same language of performance targets, milestones and outputs as funders, can be identified as contributing to successfully winning a contract so that boundary-spanners, and larger organisations with the resources to network with funders and regularly attend consultation meetings are perceived as having significant advantages. Participants in both studies also consistently identified measurable indicators as privileged above longstanding experience and local knowledge, in defining service information under-pinning a move from narrative to data reporting.

In Wharton, following national guidelines, the local area procurement proposals outlined competitive commissioning arrangements for services, based on outcomes-led area plans, that is,

using targets linked to national and local achievement indicators. Larger organisations, who had been able to attend consultation exercises, were reasonably confident of gaining future contracts but smaller and less experienced organisations felt they lacked both time and skills to compete in bidding, and had been 'left out of the loop' both in consultations on needs for services and subsequently in receiving information on proposals.

A frontline TSO worker with family support services expressed her view on inappropriate criteria being used to judge services, demonstrating a lack of trust in the competence of officers allocating contracts:

> You can be smart, show you meet the criteria, I mean, if you're big enough to have someone dedicated to fundraising, but we need to be judged on local knowledge and reputation, show we can do the real work, day in, day out, reaching …families.

The loss of local trust and fear of outsiders with poor local knowledge who would ultimately generate impoverished provision were repeatedly voiced concerns. These apprehensions were exacerbated by poor communication and failure of officers to visit the smaller TSOs and 'really know the projects… what we do' (TSO worker). If public sector officers had visited or engaged in more meaningful communications they might have engendered some level of individual trustworthiness, perhaps mitigating mistrust in the new competitive mechanisms for allocating funding. However, commissioning also placed organisations in competition with each other, and potentially with SMEs, private and larger providers, creating an environment increasingly characterised by mistrust.

In contrast to experiences in Rushley and elsewhere (Milbourne, 2005), most Wharton interviewees considered that recent local government had initially shown a genuine commitment to improving services in disadvantaged neighbourhoods and wanted to support community organisations. They discussed progress, for example, in relation to children and young people's projects established through the Children's Fund, Sure Start, Teenage Pregnancy services, extended school services and other programmes.

There was, however, a gap between understood intentions and perceived practice; and there were many criticisms concerned with top-down aspects of planning and change processes, inadequate information and communications, poor conduct of meetings and obscure documentation. Short-term funding and constant changes, with consequent effects on organisational stability and staffing, workloads and time, were also heavily criticised. Thus initial goodwill and spontaneous trust towards public agencies had been degraded through their failure to show respect when working with community partners. Smaller, less experienced organisations generally experienced

these issues more keenly, and often felt excluded from discussions, regarding themselves as outsiders in arrangements constructed by more powerful organisations, over which they had little influence.

Individual local authority officers in Wharton had attempted to improve relationships with smaller community organisations as a part of capacity building schemes, funding a large regional TSO to provide advice, support and on-site training sessions for inexperienced community groups. Although positive about this support, Samia, a part-time worker for one of these organisations, a centre working with young Somalians and dealing with growing concerns about youth crime among Somalian boys, stressed its limitations in the wider nature of their relationships with the local authority.

> Support, training, yes it's helped but we're small ... I don't see recognised the pressure, the demands, how hard, what we do for nothing at all... Communication [from local authority officers] is more politics than respect, it says how they, their funds, not we, getting young people involve …building the centre.

Small, often poorly resourced community groups are frequently charged with tackling such acute social problems at neighbourhood level, but experience a lack of recognition for carrying this burden. Their loss of trust in public agencies stems from feeling that there is no commonly shared endeavour or responsibility in facing this challenge: no motivational trust. As Samia indicates, officers claim credit for outcomes from capacity building initiatives in such contexts but fail to credit the heroic efforts of small frontline organisations, devaluing local efforts and generating disillusionment.

A further example of collaborative work from Wharton suggests that where agencies genuinely work on a project delivery together, rather than simply engaging in formalised partnership (committee) working, building trust based relationships appears more possible. This example illustrates benefits from co-constructing a project but also highlights costs that need recognition, including the investment of time and energy needed to establish trust in joint working. In this example, a small TSO, Family Links, worked alongside members of the Children and Adolescents Mental Health Service (CAMHS) to provide home-school support for vulnerable young people and parents. Family Links' staff identified the access to the CAMHS infrastructure as assisting in some time-consuming burdens, such as funding bids and monitoring systems, as well as providing access to school-based information, whereas workers in other community projects, cited mistrust from statutory agencies as a barrier to their work.

However, Family Links' staff felt that constructing the project and resolving complementary roles relied heavily on positive individual attitudes: 'it has a lot to do with trust between individuals that make the project work or not.' For CAMHS staff, project work with a non-statutory partner allowed them to operate more flexibly than if they were bound by normal department regulations, enabling partners to 'combine different strengths'. Thus, the more powerful agency recognised and valued the expertise of the other partner, rather than defining its own norms and protocols as more legitimate approaches. As other research shows (Milbourne, 2005; Edwards, 2007), key individuals with good local networks and a willingness to set aside organisational hierarchies are important factors in effective collaboration. Such willingness opens discussion to more meaningful communication and is more likely to generate trust.

Transfer of risks

TSOs in both studies expressed anxieties about inadequate allocation of resources to carry additional financial burdens required of them in contracts. Since organisations in our two studies were mostly small, there was a high probability that they had inadequate resources to carry risks, such as high rates of employee sickness or accident, and faced excessive costs for insuring against these. They also faced significant funding penalties for failure to meet performance targets. In Rushley, some of these requirements, which included terms for employees equivalent to those of large public agencies, were concealed until negotiations on service specifications were nearly concluded. For TSOs this signalled untrustworthy behaviour on the part of local government officers and led to antagonism on both sides. One of the TSO MC chairs, Cora, listed examples of transfers of responsibility which they had not anticipated in their contract costings. They had been led to believe that some level of risk, including national pay increases and sickness cover, for the teachers previously employed through the local authority, would be shared.

She voiced her frustrations:

> After months…when most of the terms for the contract were agreed…we were shocked to face these issues when we'd been encouraged to make a realistic costing of the service on the basis of the specifications we'd negotiated. It would have affected decisions about other aspects we could agree to deliver… and it was all hidden at the back…appendices.

Another committee member was less measured in her comments: 'In all my years with local authorities, I've never seen such unprofessional behaviour,' remarking both on a lack of individual integrity and officers' professional competence vitiating both personal and competence-based trust.

Stringent penalties for not meeting targets provide additional examples of failure to share risks for services. The Rushley link officer had initially argued that setting high targets, 'sets standards to aim towards …that will encourage improvement'. However, penalties imposed at later stages of the process again undermined trust in earlier negotiations.

The punitive and unreasonable nature of penalties, together with excessive numbers of performance targets highlight a lack of trust informing officers' (or their managers') views of the work and effectiveness of these TSOs, despite their previous track records. In maximising funding penalties, all risk is transferred from public agencies to TSOs. Yet TSOs, as in this case, are often providing services in areas where the state has a record of failing, that is, young people truanting or excluded from school. The setting aside of contextual information about the service, in favour of measurable indicators, emphasises failures to understand the service activities, exacerbating the breakdown of trust.

The codification of services in contracts removes both commissioners and providers from the need for meaningful communication about services so that the fairness or rationale for specific indicators of performance becomes lost, and trust in the purchaser or provider's integrity or competence is increasingly replaced by detailed specification, regulation and performance targets. Arguably, providers are then pressured to maximise their appearance of meeting targets, even if this means not publicising service failures from which other TSOs or public agencies might learn. In Wharton, a youth centre worker identifies how competitive funding cultures and a technicist approach to managing and monitoring activities damage openness and trust between different youth centres and with local authority youth officers and encourage concealment of service difficulties and failures.

> It's got worse, time was our YO [area youth officer] knew us, now it's like membership targets, attendance numbers, how many accredited activities... and we have enormous problems, cos same time, it's meant to be informal… so there's issues about …groups sharing problems, like …because… competing for funding, that's the bottom line, and it creates dishonesty. … people have to make the pretence of meeting targets …to survive now, so we lose that chance of working together.

As examples above suggest, many community based TSOs have been recognised for their expertise in working with hard to reach and marginalised groups of people. Establishing exacting targets for services working with challenging user groups is irrational, especially when state services have previously failed these groups. As Cora from TSO 2 in Rushley indicates,

> We provide education for disturbed and vulnerable young people; outcomes are extremely hard to predict or measure. This insistence on unrealistic targets provides no basis for us to feel confident about any future partnership with [Rushley] Council.

Anna, from TSO 1, illustrates this point more blatantly:

> Maybe if the student who was deaf and had a history of arson, they placed with us, had set fire to The Place, they'd have woken up to the real world…what would be a successful outcome for him? … 90% attendance? He'd have cracked …they won't ever accept they could view or handle things differently … but stick unthinkingly to ridiculous target numbers!

The need to over-specify contracts highlighted poor levels of trust by the purchaser in the professional abilities of the service providers and in turn, eroded their trust in the competence of the public agencies. In this case, the services had a good track record, which could have enabled some broad expectations about levels of achievement based on common sense understandings and with better communications. However, in new projects and services required to be innovative, the prescription of specific outcomes is neither logical nor fair since performance in new developments is notoriously hard to predict (Van de Ven 1999).

The prescription of targets is argued as necessary for public authorities to manage risks and to demonstrate accountability for public funds (Glennerster, 2003). However, in our studies, we identified understandings of risk which appeared to privilege particular modes of operation and arrangements rather than others. In Wharton, risk figured in the commissioners' reasons for allocating funding for projects. The area commissioner described two bids for young people's services, '[Organisation A] presented a very thorough and systematically constructed bid, in terms of figures, performance outcomes and risk assurances.' The language used in the documents presented, including 'targets, milestones and impact assessment' appeared to reassure commissioners, mirroring the language of the tender. In describing organisation B, the commissioner explained that they 'had good experience in the local area with challenging young people but seem less confident about successfully managing this kind of work.' Although demonstrably more knowledgeable, this organisation's greater honesty about the difficult nature of work with young people allowed ambiguity about service risks to enter commissioners' thinking, decreasing trust in their capabilities.

The example of a neighbourhood Sure Start project highlights the potential damage to relationships posed by disruptive policy changes: a further way in which trust between public agencies and TSOs is eroded and where TSOs view the state as taking on little responsibility for

seeking to repair or mitigate the damage wreaked by such changes. In such projects public sector workers seek to develop trust in developmental projects in order to engage hard to reach groups in neighbourhoods. However, factors, such as short or fixed-term funding, associated with such projects undermine the fragile trust developed among participants in public agencies' support for neighbourhood work, when projects and funding are moved on.

In the words of the co-ordinator, the success of this project which had 'engaged some parents …from two generations without jobs' was 'short-lived with the end of Sure Start funding and the decision to mainstream into new area based Children's Centres.'

As another professional commented,

> This funding stream ends in 2 months; local parents whose hopes have been raised will lose jobs and the children's projects. We're letting them down all over again. This is theirs, what they've put effort into. They can't see their role in a …remote Children's Centre… somewhere else. Why would they?

Involving hard to reach, low income families in designing self-help projects, which increase local employment, provide better facilities for children and parenting support generates motivational trust in joint and supported endeavour. This trust is easily eroded with no visible means of continuity in the neighbourhood and trust in individual professional workers; local and national government will be harder to repair where people see their efforts discounted. The risks posed by new policy developments are rarely shared beyond the immediate locality or centre, and in this case the emotional and financial risks for the project failing to survive are all carried by those who are the most vulnerable and in policy terms and claimed to be the beneficiaries of the initial Sure Start projects. Community-based trust is fragile, and the risks impacting on groups of individuals high, in a discontinuous policy environment over which they have little control.

Discussion

Changing relationships, changing meanings

Our initial framework which identifies different, albeit fluid, layers of relationships between third and public sectors has allowed us to consider how the changing structures of relationships, and dominant discourse and cultures surrounding these, have affected possibilities of trust relationships. In particular, as grant relationships have moved to contractual and commissioning arrangements, imbalances in power relations have undermined communications and trust. It is also clear that norms of behaviour which stem from dominant managerial cultures, and pervade

organisational arrangements in public agencies, have also affected and damaged trust based relationships in these settings. Smaller organisations, furthest removed from these cultures, experience exclusion from information, and devaluation. Trust in public agencies' commitment to service outcomes is lost.

Our studies demonstrate an organisational environment dominating recent public-third sector relationships which is hostile to developing or sustaining trust; an environment, where increasingly, relationships are governed by high levels of control through regulatory frameworks and audit, with little attention to relational damage. Change has neither been unidirectional or unresisted but has gradually resulted in a significant transition in organisational activities and values for public service professionals.

Relationships between sectors are complex and dynamic, and whether contract based or involving partnerships, subject to the dominance and expectations of arrangements defined by large public agencies, creating outsiders of smaller community-based agencies. Frequently in our cases, discontinuities in the funding and policy environment were responsible for deterioration in initial trust, both where grant funding moved to contracting arrangements and where TSOs had gained funding but subsequently became casualties of new directions. In all these examples, the changes eroded TSOs' trust that public agencies either understood their services or were committed to improving local conditions.

The ultimatum and behaviours described in the Rushley contracts example may appear an extreme case in the use of coercive powers to determine contractual terms but it demonstrates ways in which solid, trust based inter-sector relationships can evaporate within a short period of time, when structures, and individuals with a history of collaboration, change. Consequentially, purposes of activities and what is valued as knowledge become redefined. Perceptions of trustworthiness of individuals and individual and organisational competence become questioned. From a public agency's perspective, TSO reluctance to embrace managerial or audit discourse demands coercive relationships, exerted through greater organisational or funding power. Weaker partners' mistrust in finding common purposes, may produce submission, compromise or, as in Rushley, resistance as a means to defend organisational goals.

Such examples raise questions of how competence is judged across sectors and within organisations, pointing to ways in which powerful organisations can define the rules of the game in contractual contexts, to the detriment of trust. At one level, this is not surprising since the nature of client-contractor relationships often implies an imbalance of power that means trust is a masquerade. However, if public agencies adopt a more flexible stance to communications and

defining service specifications, there is potential for mutual organisational learning. Otherwise, especially where providers have a successful local reputation, the consequences of mistrust may be inimical both to future provision and to confidence in local services generally.

We found exceptions in projects which involved a joint approach to inter-agency projects where a common endeavour in frontline service delivery overrode some of the norms embedded in dominant management and audit cultures. These cases show that cross-sector trust is more likely to be generated and sustained in such situations where time and effort are jointly invested. Nevertheless, such trust demands significant investment in shared communication, and in understanding and co-creating purposes and meanings in the project. Subsequently, sustaining trust is seen to depend on individuals' commitment, and an ongoing demonstration of trustworthy behaviour and competence. It may also mean a deviation from pressures to conform to norms of behaviour and modes of operation expected by larger statutory bodies. However, trust in these settings can be fragile, depending on: individual dispositions; often on individuals with temporary jobs; and short-term funding streams. The benefits in terms of services are significant however, and if conventional modes of operation are replaced by new shared knowledge and approaches, these can facilitate creative individual and organisational learning, cementing trust in inter-organisational relationships and facilitating innovation.

The impact of audit and risk allocation on trust and innovation

We have identified the increased transfer of risk to TSOs as a significant factor in contributing to the erosion of trust relationships which had existed previously between longstanding TSOs and local government officers. Competitive tendering has been a parallel factor in undermining trust, as grant giving and joint endeavour have shifted to outsourcing relationships between the state and TSOs. However, as the outsourcing relationship has largely been based on a cost reduction rather than a risk- and benefits-sharing model, the overt and covert shifts in the transfer of risks for services from public agencies to TSOs, both reflect and have contributed to a wider breakdown in cross-sector trust relationships. As Alcock et al. (1999) identified, 'despite the rhetoric of more effective and responsive services,' the evidence suggests that outsourcing services to third sector providers has been 'primarily to drive down service costs.'

Despite, or because of this, the ways in which risks have been addressed in contracts between public and third sector agencies have received little consideration; yet our data suggest an inverse relationship between transfer of risks and trust in relationships between purchasers and providers, and show how the management of contractual risks ultimately undermines service efficacy.

The experience of TSOs in our two studies provides evidence of contradictions between practice and the policy rhetoric promoting risk-sharing. Uncertainty in service outcomes creates anxiety and insecurities for both funders and providers. Quantification into risk of those elements of uncertainty amenable to calculation is a way of managing uncertainty; trust permits individuals and organisations to live with the residual unquantifiable uncertainty, by allowing them to leave the potentially fatal consequences of a decision unaddressed (Gephart *et al.* 2009). Because TSOs, as less powerful actors, have little agency over the public sector bodies they work with, they are forced to act as though they trust them while not being able to reduce the uncertainty within which they exist. If they do not pretend trust they will not be able to engage in activities that are critical to their mission and for which state funding is essential (Billis, 2001; Taylor, 2003). The public sector bodies can, and do, manage their uncertainty by insisting on increasingly onerous audit mechanisms as a substitute for trusting the TSOs.

In both of our studies, most TSOs stressed that performance targets were rarely negotiable, and instead, as one youth centre worked described, are part of a kind of cultural conspiracy to manage the risks associated with achieving unrealistic outcomes in extremely challenging service areas. However, the result was a significant loss of trust between sectors, resulting in a failure to share and learn from difficulties. This failure to manage and allocate risk appropriately leads TSOs to be more conservative in their operation and to avoid the innovative, and thus risky, provision which is recognised as one of the main reasons that public agencies use them to develop and run problematic services.

Because audit data are public bodies' chosen channel for managing risk, there is greater emphasis on the data being plausible and believed than how it is generated and its accuracy. Local government bodies rely on data from TSOs to demonstrate to central government that their decisions are well grounded and that their targets are met; they are located in the middle of a chain of mistrust from central government to the locality. Capacity building, as in the example from the Somalian centre, services the needs of the funder to ensure that TSOs can deliver robust data; it may say little about effectiveness of service activities. Performance data are reified into service quality, only mediated by needs to ensure the absence of complaints by service users and unreached potential clients.

This increased focus on audit changes the professional expertise required of public authority staff and, to a lesser extent, TSO staff. Whereas professionals managing the relationships between the sectors used to be domain experts, able to enjoy competence-based trust, they are now expected to be skilled in audit and monitoring. This shift in what counts as expertise from domain

knowledge to generic management skills erodes an important aspect of competence based trust in cross-sector relationships.

In an audit system meaning is anchored in unilaterally and hierarchically defined targets instead of being co-produced in trust-based relationships. The growth of computerised data-processing systems has afforded the possibility of data based reporting while posing difficulties for the smaller organisations with limited access to technological equipment and skills.

Data reporting according to defined targets and categories and in the language of the funder has displaced narrative based reporting where activities are described though locally generated meanings. These narratives are less amenable to comparison than formatted data but reflect the service experiences of the TSO and users more closely. The flexibility of narratives allows for a report on possibilities not envisaged when the data framework was promulgated, an essential facility in managing innovation.

Conclusion

Faced with a growing budgetary crisis, the UK Government exhibits a belief in market forces as a means to drive down costs as their main goal, rather than displaying concern about trust as a means to improve effectiveness in service relationships; the efficacy of services; the professional values of providers; or the achievement of their goal of social equity.

Our argument is not that competition and conflict over resources can be removed from state-third sector relationships and simply replaced by relationships built around trust, or that risks in inter-agency work can be easily or equally shared. It is that the potential benefits of meaningful communication, sharing knowledge and exploration of differences involved in establishing trust based co-operation need to be recognised and given a structured focus within any commissioning or partnership framework. The consequences for improving services and renewing the eroded trust of service users are significant.

State bodies have behaved as though trust in their actions is a given. We have identified ways in which trust is eroded; and consequently we have highlighted a strategy that public bodies could adopt to ensure that innovative and effective services for the most marginalised communities can be developed.

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[i] All names and organisations are pseudonyms.

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