**Third Sector Independence: Relations with the State in an Age of Austerity**

**Abstract**

Third sector organisations deliver a range of public services for government. They are valued and trusted by commissioners, clients and wider society because of their independence. However, the extent to which the third sector is independent is questioned. Drawing on qualitative longitudinal research with third sector organisations in Scotland this paper explores how third sector organisations delivering public services manage the demands of changing funding structures and relationships with government, and the implications for their independence. It explores how organisations understand and negotiate the tension between their independence and mission-driven social action, and delivering commissioned and contracted public services. In doing so it highlights the challenges to independence in a dynamically changing political, policy and financial climate, as well as opportunities for organisations to emphasise their distinctive contribution to public service delivery.

**Key words**

third sector; independence; public service delivery; qualitative longitudinal research

**Introduction**

Government funding is a major source of income for some third sector organisations (TSOs) in the UK and internationally, with TSOs delivering a range of public services on behalf of government (Salamon and Anheier, 1998; Bruce and Chew, 2011). Governments have created ‘quasi-markets’ (Le Grand, 1991) where public services are contracted out and business principles applied (Bruce and Chew, 2011). TSOs are particularly favoured as it is assumed that they provide high quality, efficient and effective services that are responsive to client needs (Nevile, 2009; van Berkel et al, 2012a). TSOs are also valued and trusted by commissioners, clients and wider society because of their independence. However, the extent to which the third sector is independent is questioned. Between 2011 and 2015 the Panel on the Independence of the Voluntary Sector monitored the sector’s independence, using a barometer focusing on: (1) independence of purpose; (2) independence of voice; and (3) independence of action (Independence Panel, 2015). The Panel identified that third sector independence was determined by their financial power, brand power and knowledge power; but access to these resources is not equal (Independence Panel, 2013: 20-21). The Panel’s reports highlighted that independence was under threat for reasons such as changes to statutory contracting arrangements and a lack of consultation (Independence Panel, 2014, 2015). Civil Exchange (2016) has continued the work of the Independence Panel. They highlight threats to independence presented by: ‘gagging’ clauses; falls in the income of umbrella organisations; the commercialisation of large organisations; and poor fundraising practices. This paper addresses the barriers and facilitators to third sector independence.

Drawing on qualitative longitudinal research (QLR) with TSOs in Scotland this paper explores how TSOs delivering public services manage the demands of changing funding structures and relationships with government, and the implications for their independence. It uses the Independence Panel’s dimensions of independence as a framework. The paper explores how organisations understand and negotiate the tension between their independence and mission-driven social action, and delivering commissioned and contracted public services. In doing so it highlights the challenges to independence in a dynamically changing political, policy and financial climate, as well as opportunities for organisations to emphasise their distinctive contribution to public service delivery. To date the UK literature has tended to be England-centric, with variations in experiences across the UK and the impacts of devolution not accounted for. This paper addresses this gap.

The authors of the paper acknowledge that the Independence Panel’s dimensions of independence present a blunt organising framework. However, it distils key themes from the literature, providing a useful evaluative yardstick. To ensure that the framework is applied critically, the study findings used to highlight how the model can be refined. The authors also consider the relative importance of each of the three dimensions of independence.

**Public Service Delivery and Third Sector Independence**

Since the 1970s, consecutive UK governments have contracted out public services as part of attempts to reduce the size of the state - consequently TSOs are experienced public service delivery partners (Salamon and Anheier, 1998; Pollitt and Bouckaert, 2000; Bruce and Chew, 2011; Fuertes et al, 2014). In these ‘quasi-markets’ the state takes an enabling role by financing provision, reducing its influence over service design and enabling contractors to manage supply chain relationships (van Berkel *et al*., 2012b; Le Grand, 1991). TSOs are valued service providers because of their perceived independence and ability to provide efficient and effective services (Nevile, 2009; van Berkel et al, 2012a; Bovaird, 2014).

But what are TSOs? And does the way they are positioned in service delivery affect their independence? Broadly TSOs occupy a space separate from the public and private sectors, although, definitions of what the third sector is, and is not, are widely debated (see for example Alcock, 2010; Wagner, 2012; Billis, 2013; Gidron, 2013; Kuti, 2013). The term ‘third sector’ has only recently come into use: Carmel and Harlock (2008) identify that it can be associated with a shift in governance of voluntary charitable organisations in public service delivery which characterises TSOs as ‘technocratic’ and ‘generic’ public service providers – challenging and confounding the historic principles, ethos and goals of organisations. Thus TSOs may struggle to maintain their independence, feeling the need to adopt private sector approaches and values, and make strategic choices which create tensions between organisational survival and mission (Barnes, 2006; Chew and Osborne, 2009; Bruce and Chew, 2011). Others may seek to strengthen their independence. Thus some may be ‘comfortable’ or ‘compliant’ contractors, whereas others may be more ‘cautious’ (Buckingham, 2012).

Competition is central in quasi-markets. Service providers may ‘fight’ to remain in the marketplace, undermining collaborative work, innovation and community trust (Smyth, 1997; Bredgaard and Larsen, 2008; Shutes and Taylor, 2014). Competitive cultures can suppress opportunities to address entrenched social problems, and promote risk-averse behaviours (Milbourne, 2009; Milbourne and Cushman, 2012). Dependence on public resources can damage perceptions of organisational autonomy in terms of the ability to: take strategic decisions, set the results to be achieved and the groups to be worked with (Verschuere and De Corte, 2012). However, organisations can see this ‘mission drift’ as an inevitable consequence of accepting government contract work but may also undertake ‘coping strategies’ in order that the funder becomes dependent on the organisation for innovation (Bennett and Savani, 2011). Maintaining a mixed resource base may be a key strategy used to shield clients from the negative impacts of funding requirements and allows for flexibility in service delivery (Nevile, 2009). Others also find that there is no significant relationship between contract income and success in achieving core objectives as any negative consequences are balanced by the additional resources made available (Thompson and Williams, 2012).

Contemporary public service reform has seen an increasing marketization of welfare provision, widespread use of private sector service delivery, the scaling-up of contracts and payment-by-results (PbR) (Milbourne and Cushman, 2015; Civil Exchange, 2016). Many of these trends can be observed in the UK government Work Programme, a largely mandatory programme which provides support to the long-term unemployed. It uses a prime-provider model whereby the Department for Work and Pensions enters into contracts with a small number of prime contractors who in turn commission and manage a supply chain of subcontractors (Department for Work and Pensions, 2012; Lane et al., 2013). Criteria for tendering for contracts meant that many small and medium sized TSOs were ineligible to be prime providers as they had to prove a track record of delivering large and complex contracts, and have a minimum annual turnover of £20 million (Fuertes et al., 2014). It can be argued that economies of size are conflated with economies of scale, leading to an emphasis on larger scale providers rather than joined-up service provision (Bovaird, 2014). The Work Programme also uses a ‘black box’ approach whereby the means of achieving job outcomes are at the provider’s discretion (Department for Work and Pensions, 2012; Newton et al., 2012; Lane et al., 2013; Morse, 2014). The opportunities and challenges for TSOs presented by the Work Programme are explored in depth by Egdell et al., (2016).

Against this backdrop this paper explores how TSOs delivering public services in Scotland manage the demands of a competitive market based funding environment, changing relations with government and the effects this has on organisational independence. In doing so it raises questions about the challenges to third sector independence, as well as developing narratives concerning the sector’s distinctive contribution. Consideration needs to be given to the implications of devolution on third sector experiences. To date the UK literature has tended to be England-centric, not questioning the generalisability of trends to the devolved administrations or accounting for the social policy divergence (Chaney, 2012; Woolvin et al., 2015). Scotland has long sought to be ‘different’ in social policy terms, following an agenda rooted in principles of social integration, inclusion, fairness and solidarity (Law and Mooney, 2012). In England, the Coalition Government’s (2010-2015) agenda sought to give a greater role for the voluntary sector through volunteering. This continues to define England’s approach (Woolvin et al., 2015). Scottish politicians have sought to differentiate their approach, claiming that dispersed populations, smaller settlement sizes, less comprehensive service provision and a political legacy of decentralised, community based decision making, create a uniquely Scottish third sector landscape (Woolvin et al., 2015). There are also differences between England and Scotland in terms of funding relationships between national, devolved and local government and TSOs. In Scotland the third sector receives most of its support from the local government as a result of the localism agenda which devolved control of some budgets to local authorities (Alcock, 2009; Scottish Government, 2014b). But policy differences are nuanced. Overall policy direction may not be as disparate in the devolved administrations as suggested by the rhetoric; although contractualisation and the mixed-economy of service provision is more advanced in England compared to Scotland (Watts, 2006; Alcock, 2009, 2012; Chaney and Wincott, 2014).

**Methods**

This paper draws on a four-year (2009-2013) QLR study of the opportunities and challenges facing TSOs involved in public service delivery in Scotland. The study was undertaken by research teams from Edinburgh Napier University and the University of Edinburgh (Osborne et al., 2011, 2012a, 2012b; Dutton et al., 2013).

This paper focuses upon the experiences of a subset of 16 TSOs from the wider study with whom the research team from Edinburgh Napier University undertook data collection. These TSOs were based in locations across Scotland and included a mix of larger and smaller organisations that operated nationally, regionally and locally. The organisations provided services in the broad fields of health and social care (N= 6) and employability and learning (N= 10) – although there was overlap in terms of the services provided. The TSOs worked with a range of clients including disabled people, unemployed people, and young people.

There were two strands to data collection with the 16 TSOs considered in this paper:

1. Interviews were carried out annually with staff at different levels of the organisation in seven of the 16 TSOs.
2. Two focus groups involving the remaining nine TSOs were held seven times over the four-years. A chief executive officer, director or senior manager represented their organisation. One focus group drew together TSOs that had an interest in equalities policy, and the second, TSOs that had an interest in employability/economic development/regeneration.

A common topic guide was used in the interviews and focus groups. Some core topics remained throughout the study, but specific questions were also added to reflect policy changes. Interviews and focus groups were audio-recorded with the permission of the participants, or detailed notes taken.

As part of the wider QLR study the data was analysed using Framework Analysis (Lewis, 2007). Key themes were identified and divided into sub-topics, with matrices each representing a different sub-topic. In Year 1 significant topics and sub-topics were identified to provide a flexible common core framework to enable longitudinal comparison. Later data analysis was then added to the earlier analysis within the Framework matrices enabling accounts to be compared over time. This analysis was revisited and new analysis undertaken (where required) for the 16 organisations being drawn upon in this paper on the issue of third sector independence.

**Findings**

The findings are grouped around the Independence Panel’s (2015) framework of independence of purpose, voice and action. The ways in which TSOs understand and negotiate the tensions between their independence and mission-driven social action, and delivering public services are examined.

*Independence of purpose*

Independence of purpose is understood as allowing: *‘organisations to be freely established, shaped and run to meet changing needs...accountability to those served is crucial, along with strong independent governance’* (Independence Panel, 2015: 17). Indicators of independence of purpose explored here include: how far independence is seen as important and upheld; how consistent purpose is with funding; and whether TSOs are trusted by clients (Independence Panel, 2015).

Funding played an important role in the independence of purpose of the TSOs in the context of national and local government deficit reduction and reduced public spending. In Year 1 there was discussion about potential funding cuts along with planned cuts and cuts experienced. In Years 2 to 4 the effects of cuts and standstill budgets were felt, and, in some ways, had become the norm. As one participant reflected: *“when we started talking…it was all about the cost cutting. I think organisations have got over that. I think they realise there probably was efficiency”* (Health and Social Care, Year 4).

There were moves by TSOs during the study to diversify their funding base to include income from grant making trusts, fundraising, commercial activity and fees(Dutton et al., 2013). Some felt that in previous years the sector had been over-reliant on public funding, and could not be considered as *“the independent third sector with this level of dependency on public sector expenditure”* (Employability and Learning, Year 1). Diversification was also important in ensuring organisational sustainability. A participant in Year 4 described how their TSO had diversified their funding so that the loss of one funding stream would not ‘bring down’ the whole organisation. Independence became important, and questions can be raised as to whether public sector funding cuts promoted independence. One participant stated that the withdrawal of local authority funding had helped them *“realise that we have to deliver and we’re not dependent”* (Employability and Learning, Year 4).

Another effect of the cuts was that many TSOs took stock of their purpose and strategic direction. This highlights that when *‘mission follows money, purpose can be lost’* (Independence Panel, 2015: 17)*.* In Year 1 some felt that there had been parts of the sector who, in the context of high availability of public funding, had been ‘chasing’ funding or sought to ‘fit’ their activities to policy direction with little regard for core organisational values: *“*[There’s] *the issue of funding dictating the project, so funding’s available for* [client group]…*the third sector chase the funding, they alter the project to do that group excluding everybody else”* (Employability and Learning, Year 1). It should be noted that these assertions tended to refer to other TSOs, rather than the organisation the participant worked for.

Consequently, some TSOs were seen to be compromising their brand, although as one participant commented, this ensured organisational sustainability. There was ambivalence as to whether funding cuts hampered independence. Those not willing to compromise their independence could be vulnerable. Possibly it is only TSOs with financial power who could weather these pressures (Independence Panel, 2013). One participant in Year 1 described how their organisation had changed some of their work following an increase in funding for employability activities. They reflected that organisations that were unable to make this transition could go ‘to the wall’.

Despite these pressures, over the study participants described how they were looking at their organisational mission, or ensuring more alignment with core values*.* In Year 2 some argued for the need to refocus activities, rather than diluting attention. This could be challenging if this did not correlate with funding priorities, but for many: *“the biggest driver should never be the local authority; it should be what the customer needs”* (Health and Social Care, Year 4). However, these could be complex decisions. In Year 4 a participant described how they would turn down potential contracts that did not align with their organisations ethos. Another reflected in Year 4 that while in Year 1 they had felt it was important to refocus on organisational ethos, they had come to realise the complexity of the choices that had to be made. This could lead to tension within the organisation between those who sought to adopt an approach that was seen to be aligned with the core mission and those who saw a more complex reality.

*“So very often the dilemma we face is that it is not a black and white choice. It’s actually a shade of grey…that’s a dilemma for us because it creates tensions internally of professionals here who are very focused on our core mission…if we were working in a very pure world in that sense that would be an easy choice to make”* (Employability and Learning, Year 4)

For some TSOs the refocusing of their work meant being more commercial and ‘business-like’. In Year 4 one participant spoke of staff having to become more focused in their ‘contracted’ work.

*“We’ve actually had to pull people back to there’s your job description, there’s what’s expected, these are the things that we don’t want you to do anymore and that cultural shift with the staff is we all need to be focused on achieving what we get paid to do and not necessarily all of these add-ons”* (Employability and Learning, Year 4)

These comments reflect an ongoing narrative from government and within the third sector around the development of business-like behaviour and greater efficiencies reflecting the increasing engagement of the third sector in the marketplace (Cabinet Office, 2010). While there was limited discussion of these issues by participants, questions can be raised as to how these changes might affect organisational ethos itself, and whether this would challenge the clients’ trust in the organisation.

In summary this section highlights the importance of funding regimes in promoting third sector independence of purpose. Over the course of the study TSOs experienced cuts and standstill budgets. TSOs mentioned that some in the sector had compromised their mission. However, organisations increasingly sought to ensure their sustainability, and reduce over-reliance on public sector funding, by diversifying their funding base and re-evaluating their strategic direction and purpose. For organisations undergoing these changes, access to public funding to deliver services was an important element of their economic viability. It seems likely therefore that they would agree with the Independence Panel’s (2013: 10) statement that *‘calls to remove charitable status from charities that receive most of their funding from the state should be resisted, as mission not money is key’*.

*Independence of voice*

Independence of voice ensures *‘the ability to protest, campaign or negotiate without fear of retribution…voice can only be truly independent if supported by a clear mandate and the legitimacy that comes from genuinely reflecting the views of those served’* (Independence Panel, 2015: 17). Threats to independence of voice can include unsupportive funding agreements, narrow funding criteria and a lack of funds for policy and advocacy work. This section considers the extent to which TSOs felt that they could represent their clients’ views and campaign on their behalf.

A vital part of the TSOs’ work was their role in representing the views of their members and clients. For one participant campaigning and/or raising organisational profile amongst funders and policymakers was of high importance. It was *“not enough to say…we provide good quality services, as a charity campaigning is a big part of what we do”* (Health and Social Care, Year 4). In order to campaign, organisations need to have capacity as there is *“a cost to being a campaigner”*. Organisational campaigning capacity was challenged by difficulties in covering core costs, such as salaries, rent and utilities. Some funders were increasingly unwilling to fund core costs. This was mentioned by several participants in Year 4, although they reflected that covering core costs had long meant *“scrimping and saving”*. A participant outlined how tightening margins was one of the biggest changes they had observed since 2008. Funders questioned costs not directly related to core service delivery.

These pressures forced some to consider how best to allocate diminishing resources and find ways to pay for campaigning activities. One organisation used their fundraising activities to pay for campaigning. However, a strong campaigning voice could create tensions between alignment to government policy and advocating for the needs of clients. A participant spoke of challenges in positioning the organisation in terms of wanting to be the voice of their clients whilst also supporting relevant government policy.

*“It has never been for me a more complex environment in terms of how to position your mission …Sometimes that does challenge our voice of* [clients] *argument where we are trying to position* [clients] *in policy, we are trying to influence policy, challenge the government positions. But at the same time we want to be supportive in key government initiatives*” (Employability and Learning, Year 3)

The same participant discussed how potential Work Programme involvement had come under greater internal scrutiny because of the potential damage to their reputation by association with a politically controversial mandatory programme. There were concerns that clients would no longer trust the organisation, challenging the organisation’s independence of voice, as well as their brand power in terms of legitimacy with clients.

In Scotland TSOs are given a voice in local government. The Scottish Government's 2007 Concordat devolved control of some budgets to local authorities and the Community Planning Partnerships (CPPs) in each local authority (partnerships of core organisations including Jobcentre Plus, further and higher education institutions, business representatives) (Scottish Government, 2014b). From April 2011, new local intermediaries for the third sector were established - the ‘Third Sector Interfaces’. The purpose of the Interfaces was to provide a single point of access to support and provide advice for the third sector and provide strong coherent and cohesive representation for the third sector in the CPPs (Scottish Government, 2014a). However, findings from across the study show that for some TSOs, CPPs and Interfaces were not providing the opportunities for voice and influence. With regards to CPPs some felt that they were not relevant, and it could be difficult for organisations, in particular large ones working across multiple local authority areas, to find the resources to enable their staff to attend meetings. Awareness of Interfaces rose over the course of the study and by Year 4, nearly all of the participants had heard of them. However, engagement was generally low, although a small number were heavily involved. Some felt that they were irrelevant or did not present opportunities. A minority were more positive, citing that they provided useful information.

In summary the findings show that independence of voice is a contested area with organisations emphasising the potential for conflict that exists between the need to balance the requirements of funders to deliver services with their role in representing users’ interests in the public arena. This tension has been brought into sharp relief by the ‘no advocacy’ clause introduced by the UK Government and the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014, which may limit the freedom of the voluntary sector to influence government policy and lead to a ‘chilling’ of the campaigning environment (Bird, 2015; Civil Exchange, 2016). The research suggests that the ‘voice’ of the third sector as an advocate and campaigner could be threatened by reliance on state funding. Although the Scottish Government sought to use Third Sector Interfaces as a platform for integrating third sector organisations; their function was limited by widespread uncertainty on their role and the complexity of managing the needs of different local partners. As such, their use as a platform for giving a voice to third sector organisations was limited.

*Independence of action*

Independence of actionenables TSOs *‘to design and deliver effective activities, to innovate and take risks. It can be threatened when partners constrain freedom of action through unnecessary rules, under-funding, or tell them how to do their job. It is supported by good governance and feedback from the communities served’* (Independence Panel, 2015: 17). Indicators of independence of action include: engagement with people and communities served to ensure activities match needs; being able to innovate; and funding relationships that support action to meet needs (Independence Panel, 2014, 2015).

Independence of action, in terms of ensuring that activities meet the needs of communities and beneficiaries was challenged in various ways. Service innovation, an important component of independence of action, is a central concept in public policy in the UK and internationally. However, it has been highlighted that some approaches to innovation privilege short-term gains over long-term learning and sustainability (Osborne and Brown, 2011). These assertions were supported by participants. The ways in which TSOs were contracted in terms of eligibility and contract length presented barriers to innovation and meeting client needs. Short-term funding and an emphasis on funding new projects, rather than existing ones, was identified in particular – although the authors of this paper also recognise that funding new projects could also support innovation. One participant in Year 4 described being on a never ending *“hamster wheel”* in the search of new funding. This compromised their sustainability and arguably did not present opportunities for the organisation to develop, learn and find sustainable ways of working. It was felt by some that tender allocation decisions focused disproportionately on cost rather than quality and innovation. Nevertheless, some participants felt that despite the challenges organisations could be innovative: *“the focus on the driving quality up while there is less money available,* [made us] *more innovative as an organisation”* (Employability and Learning, Year 4).

Challenges to independence of action can also be observed through the commissioning process. The dominant model for commissioning public services is competitive tendering, creating a competitive marketplace where TSOs compete with private sector, third sector and public sector providers, to win contracts. It was identified by participants that increased tendering limited opportunities for third sector involvement in service design as commissioners drew up the specifications. This undervalues the assets of TSOs in terms of their knowledge of the communities which they serve (Independence Panel, 2014). The unique and innovative styles of service provision delivered by TSOs may be narrowed by the need to meet contract priorities on commercial timescales (Milbourne and Cushman, 2015). Tendering did not encourage creativity in service design and development because services became quite ‘boxed’ and tied to particular prescribed service outcomes. A participant commented that: *“you’ve got policy intent, wanting creative solutions…they then go to their procurement people who tie it down…it becomes quite boxed...rather than being an iterative dialogue between delivery bodies and commissioners”* (Employability and Learning, Year 3). Even when an example was given of a funder trying to get third sector input through involving the sector in workshops before tendering a service, organisations were reluctant to get involved because they did not want to share ideas with potential competitors.

The lack of service design consultation meant that organisations could win a contract that, from their point of view, was not appropriate to meet client needs: *“we ended up winning it and taking on stuff that we don’t necessarily think is important”* (Health and Social Care, Year 4). This participant felt that funders did not want to be seen as not knowing what clients needed, so did not consult with providers before tendering. However, it should be noted that there could be room for negotiation once contracts were awarded. The same participant outlined how they were going back to the funder to renegotiate outcomes. Further research would be interesting here as to why this organisation was able to renegotiate. What was it their brand and knowledge power that enabled them to do this? However, there were not always these opportunities.

*“That can be really frustrating if you know there is a better way of doing it that probably costs less and can be done quicker and more efficiently. But because the tender lays it out in a particular way without any room for creativity, any movement or change, they can be very frustrating”* (Employability and Learning, Year 3)

Some participants were concerned that the lack of dialogue meant that third sector knowledge about the needs of communities was lost. Commissioners did not necessarily have a community level understanding of which outcomes were appropriate. These views were apparent throughout the study, although there were also examples of ways in which TSOs ensured that services met client needs. In the latter years of the study a limited number of TSOs were involved with the Public Social Partnerships (PSPs) - commissioning arrangement involving at least one lead public sector body and one lead TSO, although other partners and the private sector may become involved. The aim is to co-design and deliver innovative, high quality public services (Scottish Government, 2011).

It could also be suggested that opportunities for potential independence from government in terms of actions could also be observed through the Work Programme. The Work Programme takes an approach where the means of achieving outcomes are at the provider’s discretion, other than some minimum standards (Department for Work and Pensions, 2012; Lane et al, 2013). When the invitation to tender was issued it was asserted that organisations would *‘be given the freedom to be innovative and provide the right help for each individual, rather than having to follow a top down approach dictated by Government’* (Department for Work and Pensions and [The Rt Hon Chris Grayling MP](https://www.gov.uk/government/people/chris-grayling), 2010). Some of the participating TSOs were in the Work Programme supply chain. However, the experiences of these organisations raise questions over the potential for increased independence of action in practice with TSOs reporting largely negative experiences as a result of a lower volume of referrals than anticipated. They also felt that they were expected to work in a similar way to private sector providers; that staff were having to take a different ethical approach to their work; and that they were dissatisfied with the outcomes measured in the Work Programme. Having to adapt to a more commercially managed and results driven payment-by-results model represents a *‘potentially disruptive juncture in the employment services field’* (Taylor et al., 2016a: 169).

This section highlights how the independence of action of the participating TSOs has been threatened by a government commissioning approach that has favoured short-term gains over long-term learning and sustainability (Osborne and Brown, 2011). TSOs have little or no opportunity to contribute to service design, which can lead to concerns about third sector knowledge about client needs’ being lost. Even when organisations are invited to contribute the competitive nature of the market place reduces the willingness of organisations to ideas and innovations with their competitors. Therefore, the issue of independence of action as a barometer of third sector independence demonstrates how TSO operating both as contractors subject to contractual discipline and organisations giving voice to client causes and concerns are pulling in opposite directions.

**Discussion and Conclusion**

This paper has used QLR to explore how TSOs delivering public services in Scotland have managed the demands of reduced funding and changing relationships with government; and the effect these changes have had on their organisational independence of purpose, voice and action. By drawing on QLR it has been possible to observe, and provide conceptual insights into, the dynamic and evolving nature of third sector strategies to manage the changing political, policy and financial climate(Heins and Bennett, 2016). Unlike cross-sectional research which provides only a ‘snap-shot’, QLR provides insights into third sector practices and behaviours, and whether, how and why they survive, change and/or thrive over time (Macmillan et al., 2013; Taylor et al., 2014)

The paper highlights examples of threats to third sector independence of purpose, voice and action. TSOs may compromise their brand to continue to secure contract income. Others may be more ‘cautious’, facing difficulty adapting to government requirements (Buckingham, 2012: 579). The ability for organisations to influence government thinking may be limited by a lack of core funding and independence of action can be stifled by commissioning processes that do not give service providers a voice. Competitive tendering can also reduce the willingness of TSOs to share ideas (Smyth, 1997; Bredgaard and Larsen, 2008; Shutes and Taylor, 2014). Questions can be raised as to whether this will result in a homogeneity of solutions and lack of innovation because of a lack of support for core organisational capacity that supports relationship building with government, as well as the reduced voice of TSOs in service design.

Nonetheless, this paper also highlights strategies undertaken to remain independent and distinctive. TSOs have reflected and taken strategic action and positioning to manage both opportunities and challenges. Organisations are not simply succumbing to threats to independence but are responding creatively to them. TSOs are aware of mission drift and the threat this poses to independence. Indeed, the mission-market tension experienced is a key feature of the sector (Sanders 2015). They have taken stock of their organisational values and purpose, and sought to remain aligned with these; even if it means that funding opportunities may be lost (although this may only be an option for those with ‘financial power’). Some have sought a diverse resource base to reduce dependency. TSOs have also engaged with the PSP model where they co-design and deliver public services alongside public and private sector partners (Scottish Government, 2011). As such *‘providers are not simply interchangeable pawns deployed to implement government policy agendas’*, rather they are able to *‘strategise in relation to the new rules of the game’* (Taylor et al., 2016b: 12).

The three dimensions of independence cannot be applied uncritically, but they provide a useful organising framework. The findings highlight the nuances and contradictions of third sector independence, and that governmental targets and organisational cultures are not automatically realised and normalised. Rather there is *‘complex and often contradictory negotiation work needed to maintain, reproduce, and contest these regimes of practices, and thus effectively renders invisible a significant arena of subversion and resistance within the trappings of neoliberal governance’* (Williams et al., 2012: 1484-1485). Consequently, potential threats to organisational independence, also offer opportunities for TSOs to reassert their distinctiveness. There is also an evolution in thinking that organisations go through to make sense of ‘threats’ to independence. Indeed, what was once a threat can become an opportunity to strengthen independence.

So what do the findings tell us about the relative importance of each of the three indicators of independence? The paper highlights the compromises that TSO are making as they balance the need to secure income in a competitive marketplace with the potential mission drift that can accompany the pursuit of funding opportunities. As a barometer for the independence of the third sector, the characteristics of purpose, voice and action can be used to highlight the effects of an increasingly fractured and turbulent landscape in which TSOs operate. Government outsourcing of public services through competitive tendering created significant new opportunities for TSOs to expand the range of actions they undertook but also may have imposed contractual discipline on TSOs that constrains their voice and actions. Campaigning on behalf of service users carries a risk that non-agreement with government policy is *“potentially a signal of untrustworthiness to government, threatening reputation and funding”* (Milbourne and Cushman, 2015: 479). These changes, alongside recent threats to the lobbying function of TSOs, highlight the way in which changes in the political and funding environment are pushing the issue of independence to occupy a major role in assessing the independence of the third sector. Further research could enable these issues to be fully reflected in the framework.

The key contribution of this paper is that it has shone a light on the applicability of the three dimensions of independence to Scotland. The dimensions of independence are applicable to Scotland and the framework does highlight the challenges and opportunities faced by TSOs operating in Scotland. However, the Independence Panel’s reports are very England centric both in terms of the policy and political landscape they describe and the examples of threats to independence given. As a result of localism policies, TSOs operating in Scotland are influenced by CPPs, Single Outcome Agreements and Third Sector Interfaces. Organisations operating in England are not affected by these structures. Yet, it should not be assumed that TSOs in Scotland are unaffected by UK government policy and insulated from the effects of a liberal marketplace in which services are tendered as the involvement of Scottish TSOs in the UK Work Programme illustrates (Egdell et al., 2016). TSOs in Scotland have to grapple with UK programmes such as the Work Programme which frame them as an ‘interchangeable service provider’ whilst also being invited to participate in Scottish Government initiatives such as PSPs that embrace the distinctiveness of TSOs. What this suggests is that frameworks used to understand third sector independence need to be extended to make space to understand the different policy contexts and multi-level governance pressures across the UK, taking particular account to the effects of devolution. This needs to be addressed in future research.

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