

# Submission to Social Justice and Social Security Committee: Pre-budget 2025/26 Scrutiny Third Sector Funding Principles

August 2024



## About us

The Poverty Alliance is Scotland's anti-poverty network. Together with our members, we influence policy and practice, support communities to challenge poverty, provide evidence through research and build public support for the solutions to tackle poverty. Our members include grassroots community groups, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

## 1. Introduction

In a nation as wealthy as Scotland, it is not right that 21% of people - and one in four children - live in poverty.<sup>1</sup> Organisations in Scotland's third sector are often at the frontline of efforts to challenge the injustice of poverty, providing vital support to people who are held back from being able to live in decency and dignity. The pandemic and the on-going cost of living crisis has seen demand for services and support provided by third sector organisations soar. Yet too many of these organisations have been left without the security they need to thrive.

A sustainable voluntary sector is central to the Scottish Government's core mission of eradicating child poverty and plays a critical role in delivering the public services that provide lifelines to people living on low incomes. We have consistently called on the Scottish Government to make good on their commitment to introduce fair funding for the third sector and we welcome the Committee's pre-budget scrutiny as an opportunity to expand on this cross-sector issue.

For almost a decade, the Scottish Government has committed to longer-term funding for the voluntary sector across multiple government strategies, including within several Scottish Budgets and Programmes for Government, and the Economic Strategy. However, this commitment has not been met by action which is increasingly urgent.

Fair funding is critical to adequately value the crucial work that our voluntary and community organisations deliver for us all, but particularly for the most vulnerable in Scotland. The Scottish

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<sup>1</sup> Scottish Government (2024) *Poverty and Income Inequality in Scotland 2020-23*. Available at: [Poverty and Income Inequality in Scotland 2020-23 \(data.gov.scot\)](https://data.gov.scot/poverty-and-income-inequality-in-scotland-2020-23)

Council of Voluntary Organisations (SCVO) have defined Fair Funding<sup>2</sup> as a long-term, flexible, sustainable, and accessible approach to funding. This includes, but is not limited to:

- Longer-term funding of three years or more;
- Flexible unrestricted core funding;
- Timely decision-making and payments;
- Accessible and proportionate application and reporting processes;
- Sustainable funding with inflation-based uplifts; and
- Proportionate, transparent approaches to monitoring and reporting.

While the Committee inquiry asks respondents to rank these factors in order of priority, it is our view that these factors must be seen as interlinked priorities. It is only by making progress across all of these factors that we can meaningfully embed fair funding for the third sector.

This Fair Funding approach is essential for a sustainable voluntary sector which can offer Fair Work, support volunteers, and deliver high-quality outcomes for people and communities. In a just and compassionate Scotland, we recognise the invaluable work that our volunteers and community organisations provide. This cannot simply be noted with rhetoric and praise. We must match this value with fair, secure, and adequate funding to allow these organisations to continue to deliver lifeline support for Scotland.

The Poverty Alliance are aware that the issue of funding for the third sector is a topic of keen interest and concern to our membership. As such, to prepare our response to this pre-budget scrutiny, we asked our membership to share their experiences of funding through a survey. Of our 450 strong organisational membership, we received 47 responses (see Appendix 1).

Our members identified a range of impacts relating to current funding structures in their survey answers which pointed to key overarching themes:

- Issues with staff retention, recruitment and morale;
- A lack of capacity for future planning and strategic development; and
- Significant challenges around continuity of vital service provision

In terms of funding sources, we asked organisations to identify all source from which they receive funding from:

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<sup>2</sup> The Scottish Council for Voluntary Organisations (2024) *Programme for Government Proposal 2024/25: Delivering Fair Funding by 2026*. Available at: [Programme for Government proposal 2024/25: Delivering Fair Funding by 2026 - SCVO](#)

<b>Funding source</b>	<b>Percentage of organisations who receive funding from that source</b>
UK Government	2%
Scottish Government	22%
Local Government	25%
Private donations/fundraising	34%
Other (including grants, members and sponsorship, National Lottery, trust funds, grant bodies, sales as a social enterprise, NHS)	23%

44 organisations detailed their principal source of funding:

<b>Principle funding source</b>	<b>Percentage of organisations</b>
UK Government	2%
Scottish Government	23%
Local Government	27%
Private donations/fundraising	25%
Other (including grants, members and sponsorship, National Lottery, trust funds, sales as a social enterprise, NHS)	23%

These findings cement the central role that Scottish Government and local authority funding plays in the sustainability of the voluntary sector in Scotland. As a result, the processes attached to this funding have far-reaching implications for our members and their ability to fulfil their charitable purpose.

One of the core policy asks for this year’s Challenge Poverty Week, which will take place between the 7<sup>th</sup> – 13<sup>th</sup> October, relates to the introduction of fair and sustainable funding of three or more years for the third sector. To do this, we urge the Scottish Government to provide funding for community and voluntary organisations that satisfies the SCVO criteria outlined above.

**2. Longer term funding**

91% of organisations who responded to our survey stated that short-term funding of less than three years was a concern to their organisation. This is particularly in the context of:

- Continuity of service provision;
- Future planning and strategic development; and
- Community and trust building.

Short-term funding cycles and ingrained operational issues, such as delayed decision-making and payments, inconsistent processes, and poor communication are significantly impacting the effectiveness of voluntary organisations by creating ongoing uncertainty and insecurity on a scale unparalleled in any other sector. **Challenges in delivering continuity in service provision** because of short-term funding was a recurring theme in survey answers:

*“The short time funding has impacted our organisation because for some point when the funding is finished we have to stop our ongoing project and our research shown the necessity of the need in our community.”* (Africa Future)

*“It can have impact on the services we provide, for example, we recently had a Lanark domestic violence outreach service have funding come to an end after less than two years.”* (Blue Triangle)

*“We are going year to year with our finances, we cannot rely on short term funding.”* (Independent Living Support)

*“Short term funding for running costs and maintenance are a constant burden for our trustees and committee members.”* (Chirnside Development Group)

This, in turn, **inhibits organisation’s future planning and strategic development:**

*“Short term funding does not allow for medium term planning. Constant source of stress.”* (Hike and Bike Club)

*“Cannot plan long term strategy for the organisation.”* (Agape Wellbeing)

*“Having strict reporting requirements for the short term funding projects takes away from overall project delivery, and our ability to plan ahead for the future. In a worst case scenario, the time spent reporting on this project could potentially take away time needed to secure funding for long term project, putting the sustainability of the organisation at risk. Our charity sees short term grants as good opportunities for “top up” projects to add to our core work throughout the year, however they do very little for long term sustainability of the third sector, and risk damaging it by having projects begin and end quickly, which can be disappointing for local people engaging with the new service.”* (Greener Peebles)

Organisations that support and engage with marginalised communities must receive consistent, adequate funding to enable them to carry out their work. In the Poverty Alliance’s research, *Voice from our Communities*, one organisation highlighted the time that was required to build relationships with people who would be too-often viewed as “hard to reach”, and the benefit that

this has on effective service delivery.<sup>3</sup> Longer term funding therefore allowed stability of employment for staff in third sector organisations, which in turn enabled relationships to be developed. The theme of short-term funding inhibiting **community and trust building** came through strongly in survey responses:

*“When working with people affected by long term conditions and living in rural and social isolation it is absolutely crucial that time is spent to develop trusting relationships. We need to invest time and resources and listen carefully to understand better and identify an individual's unique needs if we are to offer a beneficial tailored person centred, self management support package. If time to build trusting relationships does not happen we end up assuming what a person needs, often leaving the person feeling unheard and not the key decision maker in the management of their own health.”* (Multiple Sclerosis Centre, Mid Argyll)

*“We just build up trusting relationships with our families then we risk not being able to fully support families if we lose funding, short term funding is no good if we are to be able to make changes for families, increase their wellbeing and lift them out of poverty.”* (LIFT: Low Income Families Together)

*“We are the only Sikh family support charity in Scotland. We have been delivering services to the Sikh community in Edinburgh for 35 years. We have been impacted by Scottish Government cuts, local council cuts and COVID burn out alongside the short term funding. We are close to closing down.”* (Sikh Sanjog)

Additionally, short-term funding severely undermines job security – which is one of the Scottish Government’s Fair Work Dimensions - across the voluntary sector’s 135,000 strong workforce. It results in voluntary organisations frequently issuing redundancy notices, with delayed decisions from the Scottish Government and local authorities, particularly when funding is provided on an annual basis, compounding this issue.

During Challenge Poverty Week 2023, we heard from volunteers, staff and third sector organisations across Scotland that burnout – because of being in crisis mode since 2020 – is a pervasive issue. It has never been more important to do better by our third sector and build a fairer system of support and funding.

Amongst survey responses, this theme of **staff retention, recruitment and morale** was a recurring concern. This is particularly in the context of organisations not being able to offer the security and stability that can be found in other sectors, with some citing having to make staff redundant because of lack of funds:

*“Staff retention, recruitment problems, staff morale, services for clients, almost impossible with short term funding.”* (CHAI: Community Help and Advice Initiative)

*“Need continuity of revenue funding for staff to become more sustainable as an organisation and to involve more local people with increasing levels of need.”* (Blackburn United Community Sports Club)

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<sup>3</sup> Poverty Alliance (2023) *Child Poverty Delivery Plan 2022-26: Voices from our communities* available at <https://www.povertyalliance.org/child-poverty-delivery-plan-voices-from-our-communities/>

Further to this, survey responses showed that insecure funding was having an impact on work life balance of charity leaders, as well as causing significant health and wellbeing implications. Most notably, respondents noted the impact of stress

In thinking what a shift to longer-term funding of three or more years would mean to their organisation, the overarching theme was that this would allow for organisational **security and stability**. Most answers stated that it would ease the burden of worry about staff jobs and service provision:

*“It would mean stability - a move away from continuously reapplying for funding to keep our head above water year on year. Having this stability would mean more time to reflect on and improve our practices - we would be able to pursue more local partnerships, widening engagement of our work. We would be able to improve accessibility, to properly action our strategic plans. We would be able to consult our community, explore income generating services which can help us to build up reserves and gradually move away from dependence on grant funding [...] 12 months contracts and job security for one year is standard in the third sector, but really, it is not good enough, and our team always feel stress and pressure in early spring as we wait for final funding decisions to come in, to find out if our jobs are secure or not. Our organisation has already lost talented people, who understandably needed greater financial security that what the third sector can offer.”* (Greener Peebles)

*“This would be beneficial in that it would free up more time that we normally spend on applying for funding and give us more security in being able to continue operating.”* (West Dunbartonshire Community Foodshare)

Respondents were clear that lifting the burden of very time-limited funding would allow for **better strategic planning and development**. This would ultimately improve the quality of services being provided and increase organisational sustainability:

*“It would permit the Board to focus on the future.”* (Wester Loch Ewe Trust)

*“This would allow us to develop a more robust strategic and organisational approach to our work.”* (Voices of Experience Forum)

*“Peace of mind and the ability to plan longer term projects and research objectives. Funding in line with government terms of 5 years would be beneficial.”* (Scottish Pensioners Forum)

Third sector organisations are often at the frontline of efforts to challenge poverty in Scotland, which means that during the pandemic and the cost of living crisis, demand for services and support provided by these organisations soared. Our members therefore identified that longer term funding would allow their organisations to **better meet this growing demand**:

*“Increased funding security would enable Kintyre Food Bank to plan ahead for the still increasing number of Food Bank users at a time when donations of food via supermarket baskets are decreasing. At the moment stock is being very tightly managed to ensure fairness to all users. All connected to Kintyre Food Bank are volunteers and this causes strain on them. As grants and donations are shifting away from Food Banks*

*there is a constant fear for the future which more secure funding would alleviate.”*  
(Kintyre Food Bank)

### 3. Core Funding

When asked if they receive dedicated funding for core costs, 43% of organisations who responded to our survey stated that they did not. Further to this, almost half of respondents (48%) stated that they are not able to cover their core costs from existing funding. This is recognised by SCVO as a sector wide issue through their Running Costs Crisis campaign. They highlight that – whilst the cost of living crisis means that people and communities need voluntary sector services more than ever – 61% of voluntary organisations are experiencing financial challenges whilst continuing to see an increased demand for services.<sup>4</sup>

Where organisations do not receive core funding, many pointed to a **constant struggle to stay open**. This has implications for the delivery of vital services for those living in poverty:

*“We are struggling to stay open.”* (Independent Living Support)

*“We are struggling. We have lost our premises, we have been in temporary premises since August last year because we had no core funding. Our youth services have had to be cut and outsourced. We have gone back to having to rent space for our groups. We are not being supported by local council or Scottish Government to assist us to identify a permanent space even although we have written to them asking for help.”* (Sikh Sanjog)

This puts emotional and financial strain on those who are working and volunteering in these services. Additionally, our members pointed to the **time and capacity burden created by constant fundraising efforts and funding applications** to try and cover these core costs. These resources could be used instead to deliver services:

*“We need to generate the income ourselves which means putting on events. This puts a big burden on a small group of people.”* (Coldstream Community Trust)

*“We spend a proportion of our time fundraising and seeking grants, core funding would allow more time to be hands on delivering our projects.”* (Multiple Sclerosis Centre, Mid Argyll)

*“We are currently in receipt of partial core funding, this results in us continually seeking funding streams.”* (West Dunbartonshire Community Foodshare)

Respondents cited the expectation from funders and donors that their monetary contributions should go directly to service provision, rather than staff and running costs:

*“Kintyre Food Bank has received a very helpful 3 year grant from a Scottish charity which can be spent as the Food Bank decides so part of this is allocated to core costs. This has been very helpful indeed as without our base the FB could not function. So many grants exclude core costs and the FB feels donors tend to expect their donations to be spent on direct benefits to the service users.”* (Kintyre Food Bank)

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<sup>4</sup> Further information on the Running Costs Crisis can be found here: [Cost of living & the #RunningCostsCrisis - SCVO](#)

In addition to the above, a recommendation in the Cross-Party Group on Poverty's recent inquiry into rural poverty in Scotland highlighted the need for geographical considerations in funding processes. The report of the inquiry recommended the exploration of opportunities to build in rural uplifts for third sector grants and funding awards (including by independent funders).<sup>5</sup> The voluntary sector plays a key role in rural communities, and in particular supporting people living on low incomes and at risk of poverty. The Rural Lives report, which looked at experiences in rural communities in Scotland and the North East of England, found that Voluntary Community or Social Enterprise (VCSE) organisations are often the “*first port of call*” for those experiencing hardship and, for some, seen as their only source of support.<sup>6</sup>

Organisations in rural areas will often be one of a small number locally, or even regionally, which means that they will sometimes cover large distances to meet community needs, particularly in cases where statutory support has dropped away. The challenge of this for small organisations with insecure funding are significant. As well as challenges because of cuts to overall funding available to the third sector, rural organisations report that funders can be skewed towards urban perspectives metrics, for example by prioritising projects which reach high volumes of participants or service users. Furthermore, funders do not necessarily recognise the higher costs associated with delivering services – such as transport and energy costs - within awards they make to projects in rural areas. Exploring the possibilities of building in rural uplifts to project funding would go some way to recognising this rural premium in funding principles and process.

Overall, core costs are essential to the successful, sustainable running of an organisation but they are often viewed as an add-on. While this attitude is persuasive among funders, it is very difficult for organisations to cover these essential costs - threatening their sustainability in the longer term, or forcing organisations into additional activities to cover these costs.

## 4. Inflation

It cannot be right that organisations supporting people living in the grip of poverty are themselves facing insecurity. Only 2% of our member organisations who responded to our survey had received inflation-based uplifts from all funders. 39% had received uplifts from only some of their funders, while three-fifths (59%) of respondents had not received any inflation-based uplifts.

Rising inflation and the resulting increases to costs have put pressure on voluntary organisations, exacerbating pre-existing financial and operational challenges. In November 2023, the seventh wave of SCVO's Scottish Third Sector Tracker asked organisations about the biggest challenges they had faced since Spring 2023.<sup>7</sup> The response most frequently ranked number one was rising costs and inflation (15% of organisations), and 44% placed rising costs

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<sup>5</sup> Cross-Party Group on Poverty (2024) *Inquiry into poverty in rural Scotland*. Available at: [Report: Cross Party Group on Poverty inquiry into rural poverty - The Poverty Alliance](#)

<sup>6</sup> Shucksmith, M, Chapman, P, Glass, J and Atterton, J (2021) *Rural Lives: Understanding Financial Hardship and Vulnerability in Rural Areas*. Available at: [453540\\_rural\\_poverty\\_report\\_2021\\_8.3.2021\\_optimised.pdf \(rurallives.co.uk\)](#)

<sup>7</sup> Scottish Council for Voluntary Organisations (SCVO) *The Scottish Third Sector Tracker – Wave 7 Report (Winter 2023)*. Available at: <https://scvo.scot/research/evidence-library/the-scottish-third-sector-tracker-wave-7-report-winter-2023>



and inflations amongst the top three challenges facing their organisation. The findings from this tracker align with the responses to our survey which highlighted that our members had not received inflation-based uplifts to their funding. Several themes emerged including:

- Significant challenges to service delivery being felt because of rising costs;
- The implications that this has on being able to meet basic utilities costs to keep venues open; and
- The impact this has on organisations being able to provide secure and fair employment opportunities.

Particularly in the context of the cost-of-living crisis, **increasing costs without the security of inflation-based uplifts are presenting a significant challenge to service delivery:**

*“We are as efficient as we can be but we have felt the impact of the rise in inflation and with funding not rising in line with this it further tightens the pressures we are under as an organisation.”* (Fullarton ConneXions)

*“We are not breaking even and having to look at reducing service delivery and/or increase fees paid by our client group.”* (Royal Voluntary Service - Scottish Borders)

This has resulted in **organisations struggling to meet basic utility costs** to keep offices and community spaces open:

*“We received one inflation-based uplift to our funding last year, from one funder. This has never happened before or since. As costs rise, this has put a pressure on us to raise more funds and to cut back on some things so we can afford electricity and gas!”* (Mayfield and Easthouses Development Trust)

*“We didn’t put the heating on in winter, reduced our opening hours and closed early to save on electricity and water bills.”* (Hike & Bike Hub)

*“With the cost of heat and lighting going up, this can mean different services have different budgets.”* (Blue Triangle)

Again, this is reflective of findings from the seventh wave of SCVO’s Scottish Third Sector Tracker. Respondents were asked about how concerned they were about rising energy costs, both for their organisation and the individuals and communities that they serve. 56% of respondents are very concerned and 28% are quite concerned about the individuals and communities who they serve. Over half (53%) are either very or quite concerned about energy prices for their organisation.

This decreased financial security has had an **implication on staff**, particularly in the context of organisation’s **ability to offer both a fair salary in line with inflation and long-term job security:**

*“Another struggle as costs are increasing and you also want to give staff some sort of cost of living increase especially when they are not paid a competitive salary.”* (CHAI: Community Help and Advice Initiative)

*“It has been incredibly difficult to review salaries in order to ensure staff are remunerated and to sustain the living wage. For us it means a reduction in staff and rather to replace*

*people we have chosen to increase salaries and hours of existing ones. We are now operating a lower capacity in order to make sure people's salary reflects the today's wage, considering we have not received a readjustment in core grant since 2013.”* (Borders Community Action)

*“Fixed grants, with no inflation uplift to provide a cost of living increase, has had a seriously negative impact on staff morale and living standards.”* (Women's Support Project)

One organisation stated that senior leadership within the organisation had been forced to cut their own wages to ensure that their staff could be paid, and services could be delivered. In turn, this had had a significant impact on their own health and financial insecurity.

## **5. Real Living Wage**

Wages are failing to keep pace with the real cost of living and rising insecurity in the UK labour market. This is undermining the impact of paid work on poverty rates, meaning that it is not always the case that paid work is the route out of poverty that it ought to be. In Scotland, the latest data shows that 70% of children and 60% of working-age adults living in poverty reside in a household where someone is in paid work.<sup>8</sup> It cannot be right to pay workers a wage that keeps them locked into poverty and does not allow them to have a decent standard of living.

Living Wage Scotland was established by the Poverty Alliance in April 2014 in response to this injustice, with the aim of increasing the number of employers in Scotland who are recognised for paying their staff the real Living Wage. Living Wage Scotland now works in partnership with the Living Wage Foundation and is funded by the Scottish Government. The team support a network of over 3,700 employers in Scotland and have seen 64,000 plus workers receive a pay rise as a direct result of Living Wage accreditation.

Living Wage Scotland has provided the Poverty Alliance with practical experience of supporting the delivery of fair work in Scotland. As such, whilst recognising the central role for employers in ensuring that their employees are paid a fair wage, we must also advocate for third sector funding that is sufficient to support organisations in their responsibility to provide adequate wages to their employees.

In our work to promote the real Living Wage we have seen an increase in new accreditations from charities, some of which have been driven to accreditation by the Scottish Government's Fair Work First criteria. Indeed, in our survey, 84% of organisations stated that they currently pay the voluntary real Living Wage (rLW) to all of their staff. When asked if their organisation has faced any challenge in implementing the rLW, survey responses from some organisations evidenced that embedding the rLW into their salary structures meant that paying this felt less of a challenge. In a few cases, organisations payment of the rLW had a positive impact on funding prospects:

*“Our payment structure already included the living wage structure.”* (Feniks)

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<sup>8</sup> Scottish Government (2024) *Poverty and Income Inequality in Scotland 2020-23*. Available at: <https://data.gov.scot/poverty/#Children>

*“Many funders expect organisations to be paying the Living Wage, so it has positively impacted us when applying for funds that we do pay the Living Wage.”* (Multiple Sclerosis Centre, Mid Argyll)

*“We believe in [paying the rLW] and have been members since its inception.”* (South West Arts and Music Project)

However, we **have also seen an increase in third sector organisations closing their accreditation, most of whom have reported general financial challenges as the key driver in that decision.** Feedback from organisations highlights that this is related to lack of longer term funding agreements, as well as lack of inflationary increases and overhead contributions not increasing either. For many organisations, the will to pay all staff the rLW is there, but the funding to enable them to do this is not.

For many, grant levels have not risen in line with costs. Some employers have told Living Wage Scotland that grants are tied to specific salary costs but are not on a ‘full cost recovery’ basis. That means that when all the other costs have gone up, grants often don’t account for the need for salary increases. This was a key theme in our survey responses:

*“With funding being harder to secure it impacts our finances paying staff a fair wage.”*  
(Independent Living Support)

*“We commit to the real living wage and think it is vitally important. Again the sudden rise in inflation was rightly passed on to the significant £1 increase in the real living wage in April. Whilst we implemented this it has taken a large amount of our yearly profit [as a social enterprise] to continue in paying staff a fair wage and reduced our resilience for the future as there is no support for small third sector organisation to implement this sudden increase.”* (Fullarton ConneXions)

*“[Salary increases to the rLW] have had to be met from reserves.”* (Voice of Experience Forum)

In the context of closing accreditations, one of the most immediate impacts that employers are reporting to Living Wage Scotland is the impact that paying the requirement to pay all staff the rLW is having on wage compression, an impact which can be better absorbed by some than others. Some employers are making the choice to increase the wages of the lowest paid employees to the rLW - including extending this to younger workers and apprentices to access grants under the Scottish Government’s Fair Work First (FWF) criteria – which results in not being able to increase wages for other roles. This in turn can create retention and recruitment challenges at different points in the pay scale which, depending on the service, could have a detrimental impact on the quality and suitability of services. A large disability charity this year closed their Living Wage accreditation for this reason, as they could not commit to paying ancillary staff the same wage as frontline care staff who they perceived to be doing more challenging roles.

For many organisations who responded to our survey, they are aware that a lack of funding is holding them back from offering fair and competitive employment to skilled people delivering vital preventative and crisis services:

*“I am fully aware that in some cases we are paying experienced, well trained and well liked youth workers who are making a difference to the lives of young people, less that they would get by working in our local supermarket. Given a uniform, overtime, the chance to eat their lunch at lunchtime without distractions, staff discount on their household food bills. There is no way in this financial climate I can compete with this. The mileage of 45p per mile has not went up for years, although the cost of fuel and car maintenance and insurance has. So staff would be within their right to refuse to use their car for additional use – i.e. taking a young person to an appointment. There is also the pension payments were we can only pay the minimum requirements.” (Rowlands)*

From feedback from our survey, improved funding arrangements would support voluntary organisations to pay the rLW by:

- Recognising the value of the third sector through funding;
- Improved and sustainable service delivery; and
- Reducing the need for further fundraising.

At the heart of the need for fair funding for the third sector is the reality that organisations in Scotland’s third sector are often at the frontline of efforts to challenge the injustice of poverty in Scotland through the expertise of highly skilled volunteers and staff. **A sustainable third sector with well-resourced organisations is therefore central to the Scottish Government’s core mission of eradicating child poverty and must be recognised as such.** Survey responses echo this sentiment:

*“Small organisations who are committed to fair pay and work conditions (we do not offer zero contracts) should be rewarded for their contribution to the economy and people’s wellbeing where as big corporations can easily take the increase in costs and yet often they don’t. Some sort of incentive for small organisations would go a long way in rewarding those who look after the workforce. This incentive could be through funding that specifically targets third sector organisations who are trailblazing fairness at work and taking far more risks than large corporations and businesses.” (Fullarton ConneXions)*

*“Staff are skilled and should be paid above this. Experience and skills of organisation need to reflect funding.” (FAIR Ltd)*

Ultimately, the ability to retain staff would allow for **improved and sustainable service delivery:**

*“If a long term fund was offered to pay for a hall manager/cleaner/maintenance, that would be a real help and give the hall a long term future. The roles could be shared across our Community Council village partner - Birgham. The funds might enable our other village partner - Eccles - to have a meeting place created. Their hall, Kirk and school closed fairly recently, leaving residents isolated. It’s a trend happening across the rural landscape.” (Leitholm Village Hall Association)*

*“We would be able to secure the services of more staff , in turn that would improve our overall service delivery to the local community on a larger scale and we could then deliver so much more.” (Agape Wellbeing)*

*“Longer term funding would allow us to offer longer term positions for staff. For those who are new to the field it would offer time to bed in to their career, for those who have been WROs and Money Advisers for a long time it would offer them financial peace of mind when they are working so hard with clients.” (Bute Advice Centre)*

Improved funding arrangements would also **reduce the time and capacity burden created by the need for constant fundraising**, which would give capacity for service delivery and future planning:

*“It would allow our organisation to be able to pay the real Living Wage without fear of going over budget.” (Maryhill Integration Network SCIO)*

In addition to the above, our Living Wage Scotland colleagues provided some broader feedback on the interaction between Fair Work First (FWF) conditionality and their Living Wage Accreditation. The requirements of FWF does not neatly overlap with Living Wage Scotland Accreditation criteria, creating confusion and inconsistencies in approach. For example, Living Wage Scotland criteria requires regular contractors – like cleaners, security and catering staff - to be paid rLW, but this is not mandated by FWF conditionality. On the other hand, in some areas, FWF conditionality goes further than Living Wage Scotland accreditation criteria. The Scottish Government’s FWF guidance is explicit that all staff aged 16+, including apprentices must be paid the rLW in order for organisations to receive grants. By contrast, Living Wage accreditation necessitates payment of rLW for workers aged 18+ and does not extend to apprentices.

This has led to difficulties, with organisations who have made a welcome voluntary commitment to support the delivery of fair work falling short of this additional criteria and lacking the financial resource to extend the payment of the rLW to more workers. Many of Living Wage Scotland’s accredited third sector employers have been active champions of rLW for some time but are now not eligible for funding due to the extra FWF criteria on rLW. This includes some grant funders themselves. Museum Galleries Scotland told Living Wage Scotland:

*“We’re currently in a situation where an organisation who does really excellent work in their community and has won awards for the work they do around apprenticeships, is now not eligible for our funding as they don’t pay the rLW to those apprentices.”*

While the ambitions of FWF is welcome, and we support the Scottish Government’s efforts to promote fair work in Scotland, it is clear that the funding received by third sector organisations must be adequate and sustainable to better support the implementation of this criteria.

## **6. Efficiency in Funding Process**

When we asked our member organisations if they felt existing application, reporting and payment processes are clear and efficient, answers were split. 50% of respondents felt these processes were clear and efficient, while 50% did not. We also asked what improvements to these processes would make a difference to their organisations. Several themes emerged within answers to this question, including a need for:

- Standardisation in applications;
- Clarity in application and reporting processes;

- The scale of information required during application and reporting to be proportionate to the size of funding being given;
- Advance notice of available funding and reporting processes; and
- Clear timescales for notification of application outcomes and funding payments.

In particular, the points identified above speak against the SCVO's definition of fair funding which sets out: timely decision-making and payments; accessible application processes; and proportionate, transparent approaches to monitoring and reporting as key elements of this.

A timely example of how this definition of fair funding is not currently being met is represented by the experience of Midlothian Investing in Communities Funded (ICF) organisations. In early July, they were made aware of the Scottish Government's decision to reduce the budget that supports the ICF by 5% overall for 2024/25. Organisations supported by this fund received the following correspondence:

*"Thank you for your patience and understanding whilst waiting for confirmation of the Investing in Communities Fund (ICF) budget for 24/25. The Scottish Budget set out the challenging position for 24/25. We can advise that Ministers have now confirmed the budget that supports ICF and have made the difficult decision to reduce this funding by 5% overall for financial year 24/25. To achieve the overall reduction this will be applied at a 5% level across all ICF projects currently being supported this year. Whilst we understand this may be challenging it does provide the certainty to allow you to move forward with your projects this year."*

This budget reduction has pushed already stretched frontline organisations who deliver a range of anti-poverty activities into financial uncertainty. A representative of these organisations had written to Shona Robison MSP, in her capacity as the Cabinet Secretary for Finance, to highlight the challenge that this would cause, particularly given the notice of this budget reduction being given after the start of the financial year. One of the specific asks in that written correspondence was around when the third sector could expect to see longer-term funding of three or more years, which is a mechanism that would provide real certainty. An answer to this question was omitted from the Scottish Government's response, which was not given by a government minister but rather the organisation's grants officer. TSI Scotland Network has also written to the Scottish Government twice on this issue but has received no reply, at time of writing.'

We are concerned that the above exemplifies not only a real threat to anti-poverty funding, but also an indication of the Scottish Government's approach to funding commitments in future. This would represent a move away from the fair funding principles that the Scottish Government has committed to, and that organisations across the third sector are campaigning for.

In survey responses, there was an overarching feeling that because the nature of short-term funding necessitates constant application for, and reporting on, funding these processes should be made as streamlined and proportionate as possible to allow more time and resources to put into actual service delivery.

On the **standardisation of applications and reporting**, organisations said:

*“Existing application, reporting and payment processes are usually clear, however, different funders request very different funding bids and reports, which can make application and report writing very time consuming, as one size doesn't fit all. A one page summary final report for small short term grants for example, would cut down admin time when the project delivery time is already feeling rushed.”* (Multiple Sclerosis Centre, Mid Argyll)

*“There can be massive delays due to communication, and every local authority handing funding differently. This can cause issues with our budgets and future planning.”* (Blue Triangle)

*“All funders require the same information in different formats. Standardised application forms, with maybe one variance per funder would cut down preparation time for applications.”* (Hike & Bike Hub)

For many, this included the need for **clarity in application and reporting processes:**

*“A bigger commitment to clear language rather than organisational jargon as many small but important organisations struggle with application processes.”* (Kintyre Food Bank)

*“A clear and easy way of seeing all funding available to charities that have overheads like ours. More funding events to meet with potential funders.”* (Chirnside Development Group)

*“More consistent criteria would allow greater clarity and consistency in the process and would allow greater focus on the work requiring development. Engagement with funding managers, acting on behalf of funders, could be improved.”* (Scottish Pensioners Forum)

Related to the above, many organisations outlined their experiences of the disproportionate level of reporting required by funders in comparison to the size of funding that is being awarded. This in direct conflict with SCVO's criteria for fair funding, and represents an unnecessary time and capacity drain, particularly for smaller organisations and those whose outcomes are less easily quantifiable. This time could be better used for strategic planning, or in the vital service delivery that many third sector organisations provide to those living in poverty in Scotland.

**Reducing application and reporting burdens, and providing advance notice of funding applications and reporting** emerged as an urgent improvement suggested by our members:

*“Some provide clear and straightforward guidance about funding applications. Others (e.g local government) require a volume of information that is disproportionate to the funds that may (or may not) be received. Fundraising activities are not only time-consuming and effort-full, but also high risk - since success rates in the creative sector have dropped significantly in recent years.”* (Eastgate Theatre and Arts Centre)

*“More proportionate approaches to the size of funding (often the same amount of information is required for small and large grants).”* (Parenting Across Scotland)

*“I do think there could be more trust in quantifying certain outcomes [...] breaking generational cycles of poverty/addiction and isolation cannot be measured and accounted for easily and sometimes some trust in the organisation that they are doing good could be beneficial rather than having to prove it all the time. Reporting for funding*

*is one of the biggest time drain for us as an organisation - time where we could be helping the most vulnerable in society rather than reporting on it.” (Fullarton ConneXions)*

*“More advance notice about application processes.” (Parenting Across Scotland)*

They highlighted that this must be coupled with **clear timescales for notification of application outcomes and funding payments.**

*“Payment from government and local authorities tends to lag way behind our outgoings which isn't good for cash flow.” (Wester Loch Ewe Trust)*

*“We receive funding from the Scottish Government Investing in Communities Fund - there always seems to be slippage within the application process and the timeline for finding out if an application is successful gets pushed back. This is unsettling for staff who are waiting to hear if their contracts will be extended; it also leaves little time to seek alternative funding if an application is unsuccessful.” (Moray Food Plus)*

A unique point made Leitholm Village Hall Association makes clear the benefit of having a **resource for smaller organisations that has community knowledge and can support with funding applications and reporting:**

*“We are all volunteers. Time is precious so applying for funding needs to be straightforward, easy to read and limited in amount of paperwork. Report details need to be quick to complete and with a save / printing facility. If funding is not offered, an explanation is given quickly. A clear eligibility criteria is useful. However, for our committee, having a named person from Borders Community Action who knows us and the village issues well, and can point us to funding that supports our Community Led Plan and the hall Events Calendar, has been absolute gold dust. Team work is always the first and most positive choice.” (Leitholm Village Hall Association)*



## Appendix 1

### Membership organisations who responded the Poverty Alliance's survey

The following organisations responded to our member's survey to collect feedback for the Committee's pre-budget scrutiny:

- A Heart for Duns
- Africa Future
- Agape Wellbeing
- BHA BeFriend
- Blackburn United Community Sports Club
- Blue Triangle
- Borders Community Action
- Bute Advice Centre
- Care for Carers
- CHAI: Community Help and Advice Initiative
- Chirnside Development Group
- Coldstream Community Trust
- Coldstream Community Larder
- Crookston Community Group
- Dementia Friendly Tweeddale
- Duns Fair Share (with responsibility for Duns Food Bank)
- Eastgate Theatre and Arts Centre
- Eat, Sleep, Ride CIC
- FAIR Ltd.
- Fathers Network Scotland
- Feniks
- Fullarton ConneXions
- Govan Community Project
- Govanhill Baths Community Trust
- Greener Peebles
- Hike & Bike Hub
- Independent Living Support
- Kintyre Food Bank
- Leitholm Village Hall Association
- LIFT
- Maryhill Integration Network SCIO
- Mayfield and Easthouses Development Trust
- Moray Food Plus
- Multiple Sclerosis Centre, Mid Argyll
- Parenting across Scotland
- Newcastleton Village Hall
- Resilience Learning Partnership
- Rowlands
- Royal Burgh and District of Peebles Community Council
- Royal Voluntary Service - Scottish Borders
- Scottish Pensioners Forum
- Sikh Sanjog
- South West Arts and Music Project
- West Dunbartonshire Community Foodshare
- Wester Loch Ewe Trust
- Women's Support Project
- Voice of Experience Forum