

Scottish Parliament Social Justice and Social Security Committee

Pre-Budget Scrutiny 2024-25

Written submission by Development Trusts Association Scotland, August 2024

Development Trusts Association Scotland provides support currently to over 350 development trusts and 100 aspiring members across the country. In addition, we offer support through our Community Ownership Support Service and Democratic Finance Scotland teams to 100s of communities across Scotland.

1. Longer-Term Funding Impact: What are the benefits of providing longer-term funding arrangements of three years or more for third sector organisations?

Long-term funding provides security, stability and the resources necessary to make long lasting impact on a local level with national impact.

These can be broken down under the following categories:

- **Job Security and Staff Retention:** Long-term funding allows DTAS members to offer more secure employment contracts, which helps in retaining skilled and experienced staff. Employees are less likely to leave for more stable positions elsewhere, leading to better continuity in service delivery, impact and reduced costs associated with recruitment and training. Long-term funding arrangements allow for greater investment in staff development, including training and professional growth opportunities. This not only improves the quality of services provided but also enhances job satisfaction and morale, as employees feel valued and supported in their roles.
- **Stability:** Longer-term funding provides a stable financial foundation, enabling organisations to plan and operate more effectively. DTAS members can focus on their core mission rather than constantly seeking new funding sources or reinventing projects to secure short-term grants. This stability is crucial for long-term projects that require sustained effort to achieve meaningful results.
- **Increased Community Impact:** With consistent funding, DTAS members can develop and execute long-term projects that address complex community needs. They can also build in mechanisms for monitoring and adapting projects over time, ensuring that initiatives are responsive to the evolving needs of the communities they serve. This leads to more sustainable and impactful outcomes including housing, community assets, community hubs and a variety of social, health, economic and cultural support and infrastructures.
- **Efficient Use of Resources:** Securing long-term funding reduces the administrative burden associated with frequent grant applications and

reporting cycles. DTAS members can allocate more resources to delivering services and achieving their goals rather than navigating the complexities of short-term funding environments.

- **Reduced Stress for Volunteers and Governance:** Volunteers in governance roles experience less stress when their organisations have secure, long-term funding. This stability encourages more people to get involved in governance roles, knowing that the organisation's future is not constantly at risk. There is also an increasing reliance on volunteers operating services due to inconsistency of funding allocations. The impact of having paid employees is proven to enable organisations meet their goals more efficiently and effectively.
- **Sustainability Goals:** Implementing 5 year funding streams enables organisations to implement income generation and sustainability goals effectively with a consistency of staff resource and no breaks in project planning and implementation due to grant funding issues.

2. Longer-Term Funding Impact: What are the challenges in providing this and how could these be overcome?

We understand that there are challenges for Scottish Government however, the results that can be achieved we believe should have cross-party and government. Whether devolved budgets or budgets from UK government the positive impact can be clearly identified on an economic, social, environmental and cultural basis.

DTAS would be willing to provide support in this area, providing the evidence on how the sector and long-term funding can overcome many of the challenges we are facing in the country.

3. Flexibility and Core Funding Needs: What are the benefits of providing flexible, unrestricted core funding to third sector organisations?

Flexible, unrestricted core funding is a critical enabler of sustainability, stability, and innovation in the third sector. By covering essential costs, providing financial security, and allowing organisations to be more responsive to community needs, core funding ensures that third sector organizations can continue to deliver impactful services and drive positive change in their communities. For organisations that rely on a "bottom-up" approach to development, this funding model is especially important, as it empowers them to adapt and evolve in response to the unique needs and challenges of the communities they serve.

This approach assists government by enabling grassroots organisations to overcome the challenges that are a priority for them locally in the current environment (without blanket approaches across the country) but it can also help prevent issues becoming bigger and national problems.

This type of funding allows organisations to cover essential core costs, plan strategically, and respond dynamically to the changing needs of the communities they serve. Allowing a focus on their mission without the constant pressure of securing project-specific grants.

Flexibility in funding allows organisations to be innovative and move quickly on the opportunities that are available to them on a local level. Ensuring that projects are not only responsive but also sustainable, as they can be adjusted to meet real-time challenges and opportunities.

4. Flexibility and Core Funding Needs: What are the challenges in providing this and how could these be overcome?

Ensuring Fairness Across the Sector

The third sector in Scotland is incredibly diverse, encompassing a wide range of organisations, from small, volunteer-led community groups to large, well-established charities with substantial budgets. This diversity presents a significant challenge when it comes to ensuring fairness in the allocation of flexible core funding. While almost every organisation would benefit from greater financial flexibility, the scale of their needs and the potential impact of additional funding vary widely. For instance, a small community organisation might rely heavily on core funding for basic operations, while a larger charity might seek flexibility to innovate or expand services.

Community Action Plans are one way of ensuring that a community infrastructure and priorities are set on a collective basis and can be one way of assessing the needs and the inclusivity of funding. Community Action Plans can also ensure that funding directly support the priorities of that place.

The **Democracy Matters (Local Governance Review)** work that the Scottish Government is undertaking could provide some answers and support in this area regarding decision making of funding and ensuring local needs and views are taken in to account. By implementing new democratic structures it can remove some of the barriers and challenges that can be faced in this area.

The use of community anchor organisations (i.e. Development Trusts) that work within a network of local partnerships can also assist.

Capacity Building

This can come in different forms for different organisations and flexibility in funding will allow for this to be adapted to the individual needs. Ranging from the first employee, administration functions and running costs or specific projects in reuse, housing, childcare. Balancing the allocation of resources in a way that promotes equity and inclusivity is a significant challenge that requires careful consideration of both the short- and long-term impacts of funding decisions.

5. Sustainable Funding and Inflation Adjustments: How might including inflation-based uplifts and covering full operating costs influence the overall effectiveness and sustainability of the third sector?

Inflation-based adjustments are crucial for the sustainability and overall effectiveness of the third sector. This issue is often underreported, leading to significant challenges, particularly in maintaining competitive wages and managing rising overheads. Without these adjustments, third sector organisations face increasing

disparities compared to the public and private sectors, as well as financial strain due to escalating costs that are not accounted for in multi-year funding agreements.

Wage and Ensuring Fair Work

One of the primary challenges faced by the third sector is the growing disparity between wages in this sector and those in the public and private sectors. Third sector organisations are committed to being responsible employers, and staff satisfaction is closely tied to receiving a living wage that reflects the true cost of living. However, without inflation-based salary uplifts and adjustments for rising costs, employees in the third sector are at a disadvantage. This not only affects their ability to cope with the increasing costs of living but also impacts job satisfaction, staff retention, and the overall attractiveness of the sector as a career choice.

Rising Overheads and Operating Costs

The impact of rising overheads, such as heating, lighting, and building maintenance costs, on third sector organisations is increasing as they take on more community assets. These costs have been increasing significantly, especially in recent years, yet they are often not factored into multi-year funding agreements. This oversight forces organisations to absorb these costs, which can lead to financial strain and divert resources away from their core mission and service delivery.

By including inflation-based uplifts and provisions for full operating costs in funding agreements, funders can help ensure that organisations are able to cover these essential expenses without compromising their ability to deliver services. This is particularly important for organisations that operate out of older buildings or in regions with higher utility costs, where the financial burden can be even more pronounced.

Value for Money & Realistic Timescales

Although this does not equate to all funding we felt it important to highlight that funding models should prioritise value for money and that the lower costed projects don't always get the results needed – resulting in wasted resource on a short-term basis. This means recognising the true cost of delivering services and strong project planning. By adopting a more holistic approach to funding, funders can support the long-term sustainability of the third sector and ensure that organisations are able to meet sustainability goals on their realistic timescales.

6. Sustainable Funding and Inflation Adjustments: What are the challenges in providing this and how could these be overcome?

Incorporating annual uplifts into multi-year funding agreements presents clear cost implications for funders, and accurately predicting the required size of these uplifts is challenging due to fluctuating inflation rates. However, even a standardised uplift would represent a significant improvement over the current situation.

It will be essential to ensure that this funding is allocated equitably across the third sector. DTAS advocates for prioritising community-based and community-led organisations in this distribution.

7. Real Living Wage Commitments: What impact do you think the ability for third sector organisation to pay their staff the Real Living Wage has on their services?

WE consider real living wage important part of all funding allocations and flexibility in funding arrangements will allow for organisations to adapt with any increases. Although all of our members are living wage employer or aspire to be there has been difficulty for some organisations to keep up with inflation due to funding not increasing at the same time.

8. Real Living Wage Commitments: What are the challenges in providing this and how could these be overcome?

Ensuring that all third sector organisations can meet Real Living Wage commitments is crucial for fair work practices, but several challenges hinder this goal and for organisations to fully meet Fair Work Principles. The primary obstacles include short-term funding cycles and delays in funding decisions, which create uncertainty and make it difficult for organisations to plan for and sustain fair wages.

Challenges:

- **Short-Term Funding Cycles:** Many third sector organisations operate on short-term funding, often receiving grants or contracts that last for a year or less. This lack of long-term financial security makes it challenging for organisations to commit to paying the Real Living Wage. Without guaranteed future funding, organisations are hesitant to offer higher wages, fearing that they may not be able to sustain these payments if funding is not renewed or adjusted to account for wage increases.
- **Delays in Funding Decisions:** Delays in funding decisions further exacerbate the challenge of meeting Real Living Wage commitments. When funding decisions are delayed, organisations face uncertainty, making it difficult to plan their budgets effectively. This can lead to a reluctance to increase wages or offer permanent contracts, as organisations cannot be sure they will have the necessary funds to support these commitments.

Solutions:

- **Long-Term Funding Agreements:** Moving towards long-term funding agreements would provide the financial stability needed for organisations to commit to paying the Real Living Wage. Multi-year funding arrangements would allow organisations to plan more effectively, ensuring they can sustain fair wages over time. This stability would also enable organisations to offer permanent contracts and invest in staff development, contributing to a more motivated and skilled workforce.
- **Timely and Efficient Decision-Making:** Streamlining the funding decision-making process to ensure timely approvals is another crucial step. Swift and predictable funding decisions would reduce the uncertainty that currently prevents organisations from committing to higher wages. By receiving timely confirmation of their funding, organisations can budget more confidently and

ensure they have the resources needed to meet Real Living Wage commitments.

- **Incorporating Inflationary Adjustments:** Including inflationary increases in funding agreements would help organisations keep pace with the rising cost of living. By ensuring that funding grows in line with inflation, organisations can maintain the Real Living Wage over time without sacrificing other essential areas of their budgets. This approach would also help prevent wage stagnation and ensure that employees' earnings reflect the true cost of living.
- 9. Efficiency in Funding Processes: How could the process for third sector organisations making funding applications, reporting, and receiving payments be more efficient and consistent?**

Solutions provided in Q8 are also relevant here.

In addition, application and reporting processes should be proportionate to the scale of funding sought and the perceived risk, with “light-touch” processes instituted for grants below given thresholds. Ultimately, the more time and energy spent navigating complex funding, monitoring and reporting processes, the less time and energy is available for delivering quality services.

10. Efficiency in Funding Processes: What are the challenges in providing this and how could these be overcome?

There seems to be continual issues arising over timescales, planning needs to start well in advance so that organisations are able to know about funding well in advance of their new financial years. The third sector is having huge positive impacts across the country and therefore require this long-term planning to align with their needs and for the sector to be strengthened.