

Scottish Parliament Social Justice and Social Security Committee

Pre-Budget Scrutiny 2024-25

Written submission by the Scottish Council for Voluntary Organisations (SCVO), August 2024

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector in Scotland, with over 3,900 members. Our mission is to champion the essential role of voluntary organisations in Scotland's society and economy and to ensure voluntary organisations have the resources and support they need to support people and communities across Scotland. You can find out more about the sector [here](#).

Our response is on behalf of Scotland's voluntary sector, reflecting, through evidence, the experience of voluntary organisations across Scotland. On this basis we have chosen to respond as an "other organisation".

For completeness, SCVO is a registered charity, and receives and manages funding on behalf of the Scottish Government. We receive a core grant from Scottish Government which contributes to a range of our activities supporting, promoting and developing Scotland's voluntary sector. In addition, we receive project funding from Scottish Government for our work on digital inclusion. Further detail of the funding SCVO manages is set out in response to a later question.

About this submission

We welcome the opportunity to respond to the Social Justice and Social Security Committee's pre-budget scrutiny, focused on third sector funding principles. Our submission draws on evidence from:

- SCVO's engagement with the Social Justice and Social Security Committee.
- Parliamentary records and Scottish Government publications.
- SCVO support services (funding, digital, membership support, and information).
- SCVO policy submissions, engagement, and research with the sector throughout 2023-24.
- The [Scottish Third Sector Tracker](#).
- SCVO's [State of the Sector statistics 2023](#).

Our sector's role in the delivery of public services

Scotland's voluntary sector is an employer, a partner, and a vital social and economic actor. As the Committee will be aware, voluntary organisations are crucial to, and a partner in, the delivery of public policy and public services across Scotland. The Scottish Government recognised this in its response to the Christie Commission on the future delivery of public services in 2011 stating that the voluntary sector, "[has a crucial role to play in delivery, because of its specialist expertise, ability to engage with vulnerable groups and flexible an innovative approach](#)". We seldom see that recognition put into practice.

Well over a decade after the publication of the Christie Commission, Voluntary organisations cannot continue be viewed [as "the poor relation of mainstream public services", a sentiment identified by the Auditor General for Scotland](#). Voluntary organisations, as well as people and communities in Scotland, deserve better. It's time that the sector's crucial role was recognised and resourced in funding practice and rhetoric.

It is important that Scottish Government, and other public sector bodies, understand that investment in the voluntary sector is not simply a cost. Our essential sector takes pressure off public services and prevents higher levels of spend further down the line. Within the first 18 months of a [pilot project](#) The Cyrenians' Hospital InReach service, for example, reported a reduction in readmission rates to hospital of over two-thirds. Unfortunately, the current siloed system of Scottish Government portfolios doesn't recognise that relatively small sums spent in one portfolio can generate significant savings in another.

Fair funding

For many years, SCVO has been engaging with voluntary organisations to understand the many challenges of income-generation, including public sector grants, and the solutions needed. The evidence we have collected demonstrates the urgent need for a [Fair Funding](#) approach. Our calls, which align with the Committee's questions, are primarily directed at the Scottish Government; however, the wider principles apply to all funders, including local government.

SCVO asks the Committee to recommend the Scottish Government's 2025/2026 Budget commits to [aligning the Scottish Government's "Fairer Funding" principles with SCVO's definition of Fair Funding](#). This includes:

- Longer-term funding of three years or more.
- Flexible, unrestricted core funding, which enables organisations to provide security, plan effectively, and fulfil good governance requirements.
- Sustainable funding that includes inflation-based uplifts and full costs, including core operating costs.

- Funding that accommodates paying staff at least the Real Living Wage and pay uplifts for voluntary sector staff on par with those offered in the public sector.
- Accessible, streamlined, proportionate, and consistent approaches to applications and reporting, timely processing and payments, and partnership between the grant-maker and grant-holder.
- A comprehensive and proportionate approach to financial transparency around grant funding to support organisations and the public to understand spending decisions.
- Transparent delivery goals, timelines, and accountability mechanisms – such as reporting and stakeholder groups - to ensure progress on “Fairer Funding” can be scrutinised by the voluntary sector and Parliament.

While this consultation necessitates ranking aspects of Fair Funding, we do not consider this to be a useful exercise. All components of Fair Funding are crucial and interlinked. Further, SCVO do not feel it is appropriate – or possible – to rank on behalf of the over 46,500 diverse voluntary organisations across Scotland. Individual voluntary organisations will be able to give their own views.

Scottish Government “Fairer Funding” commitments

The Scottish Government has committed to implementing “Fairer Funding” by 2026. Beyond the assurances provided on multi-year funding, prompt notification of funding decisions, and improvements to grant-making processes, what this programme of reform includes remains unclear and over a year on there has been little progress. Many of the issues [SCVO previously raised with the Committee](#), remain unresolved. We continue to urge the Scottish Government to align their “Fairer Funding” principles with SCVO’s definition of Fair Funding.

We acknowledge that the Cabinet Secretary for Social Justice has made progress against some aspects of Fair Funding within her own portfolio and that she is a strong advocate within government, however, operational grant-making practices and short-term budgeting remain barriers.

Do you provide funding to the third sector?

SCVO manages a range of funds on behalf of grant sponsors including a range of Scottish Government departments including Health and Social Care, Digital and CLD, and other organisations too (e.g. Cycling Scotland) to voluntary and community sector organisations. Over the past two years we have managed in the range of £10m. These grants are for a range of different types of organisations which are agreed in line with the funder’s policy intent.

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

Multi-year funding of at least three years would enable voluntary organisations to plan for the future, removing the uncertainty that is currently felt by organisations, their staff and

volunteers, and the people and communities who rely on voluntary sector services, which are often funded on a year-by-year basis or, in some cases, even shorter-term.

In Scotland many voluntary organisations continue to contend with short-term funding cycles. While annual funding cycles are common, their challenges are exacerbated when delays to decision-making and awarding grants mean that funding covers an even shorter timescale as it needs to be spent by the end of the financial year. The time and resources devoted to short-term funding cycles, from organisations and funders alike, leads to vital capacity—that could otherwise be devoted to delivery—being wasted. Ultimately, this creates needless inefficiency at the heart of public policy and public services. From our engagement with voluntary sector organisations, the difficulties encountered as a result include:

- Struggling to plan for the future.
- Facing barriers in recruiting, retaining, and developing staff and volunteers.
- Being unable to offer secure jobs, undermining Fair Work aspirations.
- Being trapped in a cycle of putting time and resources into sourcing funding.
- Annual funding challenges distracting from providing the services people and communities across Scotland rely on.
- Similarly, the Scottish Government, local government, and others also dedicate significant time, resources, and capacity to annual funding decisions and processing, when often there is little change year-to-year.

During pre-budget scrutiny in 2024/25, the Committee recognised the many benefits of multi-year funding and made several recommendations on how the Scottish Government could progress their “Fairer Funding” ambitions following evidence for SCVO and others. Similarly, in [Scrutinising social justice: barriers and opportunities](#), the Social Justice and Social Security Committee identified sustainability and the longevity of funding as crucial to the delivery of social justice policies. The Committee recognised that “insecure and single-year funding for the third sector, which often provides public services that contribute towards social justice, was an issue.” Little progress has been made.

In December of last year, [the Scottish Government committed to increasing the number of two-year grants in the 2024-25 budget](#). This commitment, which falls short of SCVO’s ask of longer-term funding of three or more years, was not delivered. [Instead, in the 2024-25 Scottish Budget, the then Deputy First Minister deferred a multi-year outlook to the forthcoming Medium-Term Financial Strategy](#).

Progress on the Scottish Government’s commitments are urgently needed. SCVO asks the Committee to recommend that the Scottish Government aligns its [“Fairer Funding” principles](#) with SCVO’s definition of [Fair Funding](#) and takes action to deliver on multi-year funding by:

- Committing to a longer-term funding model for the voluntary sector across all Scottish Government departments.
- Defining multi-year funding for voluntary organisations as a three-year minimum commitment.

- Ensuring these practices are adopted by public bodies and third-party organisations disbursing funding on behalf of the Scottish Government.
- Measuring and reporting on the number of Scottish Government grants and contracts which are delivered on a multi-year basis and the impact this has on voluntary organisations and the services they provide.

Testimonials

“The longer-term funding allows us to give much better value for money, we can plan long term, employ staff on more secure contracts therefore allowing us to utilise staff more efficiently.”

Registered charity

“It is very difficult for the voluntary sector to plan as most funding is short term, even the development of the Strategic Plan can be problematic as we never know where we will be year to year.”

Registered Charity

“Planning in the current climate is extremely difficult - funding agreements which cover 3 - 5 years would enable us to plan staffing and resources to meet needs.”

Registered Charity

“We’ve been offered 3-year funding, but this is to be reviewed annually. Even when a rolling agreement is in place, changes can be made at short notice that have a huge impact on the organisation.”

Voluntary sector intermediary

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

In previous discussions relating to multi-year funding, the Scottish Government and local authorities have expressed difficulty in providing multi-year funding to voluntary organisations, as their own funding in future years is unknown. [The Chancellor of the Exchequer has since outlined plans for a multi-year spending review, of at least three years, scheduled for October.](#) While we remain concerned at the impact of the public spending pressures outlined on voluntary organisations, a multi-year Spending Review should give the Scottish Government the confidence to progress their commitment to longer-term funding agreements for voluntary organisations.

For over a decade, the Scottish Government has recognised that adopting multi-year spending plans supports financial planning and sustainability. Despite this commitment and recognition, progress towards implementation has been slow, suggesting that challenges and barriers are being encountered internally. We would encourage the Committee to investigate this with Scottish Government officials, to explore any additional barriers to providing multi-year funding, and potential solutions.

SCVO stresses that while multi-year funding is necessary to deliver Fair Funding for the voluntary sector, on its own it is not sufficient. Multi-year funding that does not incorporate the other Fair Funding elements—flexible unrestricted funding, timely payments, more accessible application processes, transparent approaches to monitoring and reporting, and inflation-based uplifts—will continue to undermine the sustainability of the voluntary sector.

In the current climate of higher costs, and for many organisations greater demand, a lack of inflation-based uplifts is also a significant challenge. Too many organisations across Scotland have contended with years of real-terms cuts to their funding while being expected to deliver the same, or enhanced, services and support with less and less resource and increasing conditionality. Without uplifts organisations may be unable to offer cost-of-living salary increases, resulting in the loss of skilled employees and the experience and expertise that they provide.

Even where voluntary organisations have been awarded multi-year funding, we are aware of instances where agreed funding arrangements have then been reneged on by the Scottish Government. The Investing in Communities Fund – supposedly a three-year fund – is a recent example. This was announced as a three-year fund and applications invited on that basis. The organisations who received funding recruited staff and set up programmes of work in good faith. At beginning of year two (2024-25), however, recipients were informed that funding was uncertain, and funds were provided on a temporary, rolling month-by-month basis. As a result, funded organisations and their staff faced considerable uncertainty. Funding was eventually confirmed for the current year, but with a 5% cut, and no clarity about year three. While SCVO accept that grant agreements need to adapt to varying financial conditions, it is imperative that this takes place only in exceptional circumstances. Delaying and cutting grants part way through a multi-year funding agreement defeats its purpose.

In summary, multi-year funding of three-years or more is essential. Delivered alone, or badly, however, it will not be sufficient to deliver the fair, flexible, sustainable and accessible funding landscape that voluntary organisations, our public services, people and communities need and deserve. The package of reform, outlined in our [Fair Funding](#) asks, is urgently needed to ensure the sustainability of voluntary organisations and, ultimately, the services and support they provide people and communities across Scotland.

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

Flexible, unrestricted core funding would provide security to voluntary organisations who currently find it difficult to access funding for the costs associated with running their organisations. It would also allow organisations to adapt to changing circumstances, ensuring that they are providing the support that the people and communities they work with need, and to prevent costs to the public purse further down the line.

Currently, funding is often restricted to specific projects or activities, meaning that while organisations secure funds for specific projects, they struggle to meet core costs for bills and vital roles. Employment overheads, including staff training and redundancy costs, can be difficult to secure. Restricted funding can also be prescriptive on how the work is carried out rather than allowing the organisation to apply ongoing learning and modify approaches to better achieve quality outcomes.

SCVO's [work with voluntary sector intermediaries](#), and our own experience, offer an example of the importance of core, unrestricted funding. Intermediaries are umbrella organisations, membership or network bodies, which represent other voluntary organisations that share a common interest or purpose – like youth work, arts, health, or heritage. Our research found that:

- Almost all organisations received core funding from the Scottish Government, comprising anywhere between 17% and 90% of an organisation's total income.
- Funding from the Scottish Government was often the largest single lump sum received.
- Most of the organisations relied heavily on core funding from the Scottish Government.
- The loss of core funding would lead to organisations either closing or seriously scaling back their operations.
- Securing core funding from other sources is a significant challenge.

Intermediaries are essential sector infrastructure, providing assets, systems, services, and networks upon which the wider voluntary sector relies. Our research highlights how unrestricted core funding supports these organisations – allowing them to feel more secure and plan for the long-term while responding quickly to a changing environment, as we saw, for example, during the pandemic. They are important to Scottish Government because they offer a single point of contact, or bridge, into a diverse and numerous range of local and national organisations. It would be extremely resource intensive, even impossible, for government to try to engage with all of these organisations individually.

To support the sustainability of voluntary organisations across the sector, SCVO encourages the Committee to recommend that the Scottish Government commits to:

- Ensuring that all funding streams avoid the common default of only providing restricted funds.
- Working with the voluntary sector to ensure that future grant arrangements include meaningful, productive discussions on the make-up of restricted and unrestricted funding.
- Working with the voluntary sector to co-design and develop approaches across Scottish Government departments that allow for flexibility in approach and monitoring.
- Ensuring that future contracts and grant arrangements include mutually agreed expectations aimed at improving relationships between grant-makers and grant-holders, as set out in [Principles for Positive Partnerships](#).

Testimonials

“Due to annual funding from Scottish Government, which doesn’t cover our core costs, recruitment is often on short-term contracts or is subject to ongoing funding, of which there is no guarantee”.

Voluntary sector intermediary

“We have now not had any core cost uplift to meet the inflationary impact for 20 years. We are there for (sic) reliant on growth, cost fundraising and cost cutting to remain sustainable.”

Voluntary sector organisation

“More funders are requiring that we pay the real living wage to qualify for funding, yet this isn't being recognised by levels of funding increasing or in more flexibility of funding (i.e. covering core costs).”

Voluntary sector organisation

“Having core funding available to cover 3 years instead of the constant need to look at all available funding options and apply to lots of different organisations would be hugely beneficial and allow for long term planning.”

Voluntary sector organisation

“The organisation will exist in 12 months, however the size and future of the organisation will be impacted massively on the ability to secure additional core funding to replace current grants.”

Voluntary sector organisation

“It is difficult to raise continuation funding for an established project and particularly funding for core staff who are required to support a large group of volunteers.”

Voluntary sector organisation

“Project costs for short term development works are more straightforward to apply for but do not reflect the work required by the organisation to deliver core services.”

Voluntary sector organisation

Question 4: Flexibility and Core Funding Needs: What are the challenges in providing this and how could they be resolved?

Provided moves to increase access to core funding include meaningful flexibility over how funding is spent, SCVO do not foresee any substantial challenges in providing core funding.

We recognise that there can be a place, in the right circumstances, for innovative project-based work, and that such work can, in the right circumstances, be resourced through

restricted funds. We do not believe that a presumption in favour of flexible funding—as SCVO advocates—would preclude such projects.

In times of financial constraint, if diversion of funds towards core costs were to make it more difficult for organisations to access funding for innovative new projects that may not be covered by inflexible definitions of core costs, a mix of core and project funding would be preferable. Flexible core funding should also be accessible to cover both existing and new work.

Question 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?

Including full operating costs and inflation-based uplifts in funding would, as the question alludes to, ensure the sustainability of voluntary organisations and is a central element of Fair Funding.

Inflation-based uplifts to funding are essential to avoid annual real terms cuts and to ensure organisations can pay the Real Living Wage (which we will say more about in response to later questions). Without inflation-based uplifts, the Scottish Government will foster an unsustainable environment. Voluntary organisations cannot be expected to provide the same, or enhanced, support with less money.

Ensuring more opportunities for full cost recovery would also enable organisations to recover more of their overheads and ensure funding, and therefore the sector, is sustainable. Such an approach would allow organisations to meet all costs associated with funded work, without having to cross-subsidise from other funding sources or even draw down reserves.

The need for sustainable funding is urgent. [Rising inflation and the resulting cost-of-living and running costs crises have placed significant pressure on voluntary organisations, exacerbating financial and operational challenges.](#) The [Third Sector Tracker](#) found:

- From August 2021 to April 2024, the proportion of voluntary sector organisations reporting financial challenges has increased from 47% to 77%.
- Over a third (36%) of organisations have reported having made use of their financial reserves in the 3 months leading into April 2024, a 4% increase compared to the same period in 2023. Depleting reserves for recurring costs is not sustainable, with 60% of the organisations sharing that continuing to use reserves was unsustainable for their organisation.
- Some [organisations have responded to the cost-of-living crisis by providing their staff with an increase in pay, also often from organisations' financial reserves, a situation that is clearly unsustainable.](#)
- As costs have risen for voluntary organisations over the past three years, so have demands on the services that they provide for the most vulnerable people in society.

In August 2021, 56% of organisations reported an increased demand in core services and activities, rising to 63% by April 2023.

Financial challenges make it increasingly difficult for organisations to meet this increase in demand. In April 2023, the Third Sector Tracker found:

- 92% of organisations working directly with the public highlighted basic needs (such as mental health and well-being; financial hardship and fuel poverty) all worsening.
- 45% of organisations reported rising costs in their top three challenges.

In December 2023, 57% of organisations believed that the third sector would be in a less positive place in 12 months' time.

By April 2024, the Third Sector Tracker found:

- 62% of organisations believed that rising costs had affected the ability to deliver core services or activities since December 2023.
- 47% of organisations reported cost increases in their top three challenges.
- 33% of respondents had not been able to deliver all their planned services in the preceding 3 months.
- Only one third (32%) of respondents have been able to meet all the increased demand for their services in the preceding 3 months. For the organisations who had been unable to meet increased demand, the main difficulties included: staff capacity (54%); raising funds to meet the demand (50%); and volunteer capacity, (41%).

To align with SCVO's Fair Funding asks SCVO encourage the Committee to recommend the Scottish Government to commit to:

- Annual inflation-based uplifts for public grant funding and contracts regardless of the type of delivery partner.
- Ensuring that all public grant funding and procured contracts have both the real Living Wage and annual uplifts to the real Living Wage built in.
- Working towards introducing more opportunities for voluntary organisations to recover full costs, including core operating costs, for projects and services.

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

To provide sustainable funding through inflation adjustments, SCVO recognises that public sector funders will need to make difficult decisions about where to find resources within their budgets. This challenge has, however, been overcome to find additional resources for public services provided directly by the public sector. It is vital that Scottish Government recognises that the same pressures impact on voluntary organisations and the essential services and support they provide.

SCVO's research has found that voluntary organisations must increasingly find additional funds to maintain services, effectively subsidising their contracts with public authorities with money from reserves or from fundraising. This is both unethical and unsustainable.

While our sector is resilient, the impact of rising costs on some organisations has been devastating, resulting in job losses, cuts to services, or closing their doors altogether.

Testimonials

"We cannot pay our staff decent wages as public sector grants are either reduced year on year, or we are expected to deliver on the same funding each year with no increases in the grants to reflect rising costs. We were only able to provide a 2% pay rise this year which goes no way to meeting the cost of living increases our staff are facing. The lack of ability to secure funding to provide decent salaries for staff has also had a detrimental impact on our recruitment."

Health organisation

"Organisations who have a fixed non-negotiable income stream, as with local authority contracts, which are not linked to inflation and therefore have no inflationary uplift, leave the provider organisation with no options to increase pay or benefits leading to significant hardship for staff or significant losses of staff that cannot be replaced and subsequent loss of the contracts."

Law & Advocacy organisation

"We have no core funding commitments from the end of March next year. Beyond then, if there's no further commitment made, we can only operate for another six months."

Voluntary Sector Intermediary

"It's difficult to get core costs from grants and foundations – you might get a nominal contribution for management costs but that's it."

Voluntary Sector Intermediary

"The biggest challenge we face is that there is never an uplift in our grant offer. We've had the same money from year one, and that's many years ago."

Voluntary Sector Intermediary

"Our income from the Scottish Government hasn't changed over the past five of six years. It means that staff have received no pay rises in that time to meet the changing costs they face."

Voluntary sector intermediary

“Cost of living [is] not matched by income received meaning that staff are disadvantaged, and staff retention and recruitment are seriously adversely impacted upon.”

Voluntary sector organisation

“Rising costs are not matched by increases in contract funding leading to loss making across the board and subsequent pressure on reserves or sustainability.”

Voluntary sector organisation

“The lack of inflationary increase to our funding is the most unfair aspect of our current arrangements, we effectively suffer a cut in funding year on year.”

Registered Charity

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

SCVO believes in the principles of Fair Work, but it must be recognised that the voluntary sector faces barriers to implementation and that poor funding and procurement practices undermine its ability to offer job security.

As the Committee understands from previous SCVO [evidence](#), higher costs and the resulting cost-of-living crisis is a long-term crisis that impacts voluntary organisations, the services they provide, and their staff. Providing security for the sector’s staff should be a priority for the Scottish Government both to secure the essential services and support that people and communities across Scotland increasingly rely on, and to meet the Scottish Government’s Fair Work ambitions.

SCVO’s research shows that the sector is under pressure and continues to struggle with higher costs, without additional resources how the sector will fund this increase is unclear. The [Third Sector Tracker](#) raises concerns that many organisations may be relying on reserves to uplift wages, an unsustainable practice.

As discussed, voluntary organisations are crucial to, and a partner in, the delivery of public policy and public services across Scotland. While cost-of-living pay increases have, rightly, been delivered for Scotland’s public sector workers, action has not been taken to uplift resources to support the sector to increase staff pay. The pay gap between the sectors is well-documented. For example, [The Coalition of Care and Support Provider in Scotland \(CCPS\) cite a 20% pay gap between NHS support workers and voluntary sector social care support workers who are starting out in their career](#). Similarly, [recent research from GCVS and colleagues at Strathclyde University](#) found that despite voluntary organisations excelling in many aspects of Fair Work, fewer than half of respondents feel that they are fairly paid for the work that they do, and fewer still feel they have parity of pay with other sectors.

To align with SCVO's Fair Funding asks, SCVO encourages the Committee to recommend that the Scottish Government:

- Resources real Living Wage commitments in grants and contracts as part of expanding the Scottish Government's Fair Work First criteria. Such an approach would ensure that the policy is funded and that voluntary organisations do not have to subsidise government funding to pay the Real Living Wage.

Testimonials

"More funders are requiring that we pay the real living wage to qualify for funding, yet this isn't being recognised by levels of funding increasing or in more flexibility of funding (i.e. covering core costs). We are delighted to be offering the real living wage to our staff as it offers some stability to our teams and offers them something near to what they are actually worth, but we really need support from funders to enable us to continue this. Our staff overhead is by far our largest cost, but this seems to be almost frowned upon".

Registered charity

"Like all voluntary organisations, we have very short-term funding, so while our contracts are on paper secure, everyone knows their job is only as secure as the current piece of short-term funding".

Registered charity

"Funding issues ensure that no one has security of employment. Sustainability for voluntary sector organisations is fundamental to progressing positive change in our communities and in employment security".

Social Enterprise

"We are a small organisation within an uncertain funding environment. It is just not possible to provide predictable work in the longer term".

Registered charity

"We are still expected to deliver on our objectives but with less money to do it with. Although our grant remains the same in real terms, due to cost-of-living increases and increased costs it equates to less."

Voluntary Sector Organisation

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

As with uplifts in line with inflation, a commitment by public sector funders to resource commitments to the Real Living Wage in voluntary sector contracts and grants may require them to make difficult decisions elsewhere. Again, we would highlight that this already takes

place to resource public sector salary levels and increases. If their rhetoric about the importance of the voluntary sector in relation to public services is to be believed, they must do the same for staff working in the voluntary sector.

Voluntary organisations are crucial to, and a partner in, the delivery of public policy and public services across Scotland. As a major employer in Scotland- employing over 133,000 people- the voluntary sector is also central to achieving the Scottish Government's ambitions to become a Fair Work Nation by 2025.

The challenge, ultimately, remains unrealistic and unethical under-resourcing of the sector by the Scottish Government and other public authorities. To support organisations to be Real Living Wage employers the Scottish Government should lead by example by ensuring that their public sector funding and contracts include annual inflation-based uplifts, pay parity with the public sector, and accommodate any increases to the Real Living Wage as a minimum.

The Scottish Government's Fair Work aspirations are also broader than the Real Living Wage – including, for example, offering security of contract and wellbeing of workers. These, and other elements of Fair Work, are negatively impacted by poor funding practice by the Scottish Government and public sector bodies. A Fair Funding approach which addresses short-term funding cycles, and ingrained operational issues like delayed decision-making and poor communication, is central to realising the Scottish Government's ambitions to become a Fair Work Nation by 2025.

Question 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?

Funding processes could be made more efficient through providing clearer guidance, simplifying the approach to monitoring and reporting, and making timely decisions. The sector needs standardised, streamlined, consistent approaches to funding and application processes to ensure a level playing field for all organisations. Providing clearer guidance, simplifying the approach to monitoring and reporting, and making timely decisions are crucial to ensuring no voluntary organisation is disadvantaged by the process.

SCVO has heard from various organisations about the inefficient and inconsistent practice they have experienced in terms of Scottish Government funding practice.

In wave 7 of the Scottish third sector tracker, we asked organisations to tell us about their experiences in relation to reporting and monitoring. [Evaluation Support Scotland's analysis of the responses to these questions found that:](#)

- A quarter of respondents mentioned increased burdens in reporting format or frequency, more burdensome financial scrutiny or payment in arrears.
- 13% talked of new onerous terms and conditions, often related to Fair Work.
- The remainder complained about challenging communication with grant managers such as changes in monitoring demands or late notification.

- The Scottish Government was referred to negatively in 16 different responses. No other funders were mentioned by name.

We know that timely decision-making, and subsequent issuing of funds, is crucial to ensuring no organisation is disadvantaged by the funding process. When decisions and notifications are delayed, organisations face uncertainty which can have hugely negative impacts on their ability to deliver services, retain staff, and plan ahead.

SCVO continue to hear from organisations facing unacceptable delays - with some organisations reporting in August 2024 that their funding for 2024-25 has not been confirmed— months into the financial year. These delays persist despite [the commitment from the Cabinet Secretary for Social Justice in November of last year](#) that the Scottish Government is “working, within the context of the Scottish Budget process, to issue notifications of funding arrangements to third sector organisations, as soon as is practicably possible and no later than end of March for funding beginning on 1 April.”

Such practice must change. SCVO encourages the Committee to recommend that the Scottish Government commits to:

- Undertake improvements in practice for all Scottish Government departments and funds delivered by others on behalf of the Scottish Government.
- Ensure funding decisions are issued no later than December and funds paid no later than the start of the tax year in April.
- Work with the voluntary sector to ensure that good practice, both from within the Scottish Government and elsewhere in the funding landscape, is highlighted and shared.

Testimonials

“Everything we do is dependent on funding, and amounts are often not confirmed until very late in the financial year”.

Registered charity

“Over frequent reporting tends to be too onerous both for the person receiving the grant, and for those administering it. Six-monthly reporting feels about right, so that there is a level of assurance for the grant giver, but so that the grant receiver does not spend all the time in reporting.”

Voluntary Sector Organisation

“Currently, reporting on grants takes an inordinate amount of time. The number of staff hours spent on reporting is often not proportionate to the size of the grant. It is also not consistently requested - for example, different departments of the Scottish Government ask for different levels of reporting.... There seems to be no relation between the amount of the grant and the level of reporting.”

Voluntary Sector Organisation

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

Answers to previous questions offer more detail, but to summarise:

- Scottish Government should view funding of the voluntary sector as an investment.
- Application, monitoring and reporting should be proportionate, streamlined and consistent.
- Decisions should be made before the start of the financial year.
- Communication should be clear and timely.
- There should be consistent, up to date guidance that is followed by every team involved in grant-making or contracting with voluntary organisations and simply over-writing old correspondence, so perpetuating poor practice, must stop.
- There should be a central system where information is collected and is accessible to allow transparency and analysis.
- There should be a strategic overview which recognises the impact of spend in one area on savings in another. For example, spend on homelessness prevents future spend on justice and health services.