Scottish Parliament Social Justice and Social Security Committee

Pre-Budget Scrutiny 2024-25

Written submission by The Robertson Trust, August 2024

The Robertson Trust is an independent funder for Scotland. We are here to prevent and reduce poverty and trauma in Scotland, funding, supporting and influencing solutions to drive social change.

In the financial year 2023/24 we made 655 awards to organisations totalling £25.6M. We offer a range of award types: from Wee Grants which provide up to £2K for one year for constituted community groups and charities working in Scotland with an annual income of less than £25K; to Programme Awards. These provide project-restricted revenue funding for up to three years for organisations aiming to deliver big change that lasts on tackling poverty and trauma in Scotland. You can read more about our different award types on our website.

We have signed up to IVAR's principles for Open and Trusting Grant Making and are pleased to see that more than half of our Large and Small Grants revenue awards (52%) are now unrestricted. This is in contrast to 37% in the financial year 2022-23.

Most of our awards are multi-year. In the financial year 2023-24, around 96% of the Large and Small Grants we made were for two or more years. In 2022-23, the figure was around 93%. Single year awards are usually made following a specific request from an applicant.

As well as providing funding, we offer non-financial support to organisations to help build their skills, capacity and capability. You can read more about this on our website. We also look at ways in which we can use our voice, and amplify the voice of others, to help drive sustainable change to reduce and prevent poverty and trauma in Scotland. You can read more about what we do under these objectives in our Impact Report for 2023.

Longer-Term Funding Impact: What are the primary advantages you foresee in transitioning to longer-term funding arrangements of three years or more for third sector organisations?

There is a lot of evidence which shows that longer-term funding allows organisations to plan better, and to focus on delivery and impact rather than spending time constantly writing new funding applications.

IVAR's ten actions for funders (published in September 2022), asserts that long term funding is one of the three most important things funders could do in responding to the cost-of-living crisis. Organisations have reported that it would enable them to continue their core work without having to apply for new funding and to design new and exciting projects to meet the criteria of funders.

We also part-funded some research that GCVS commissioned the Scottish Centre for Employment Research to do into Fair Work in the Third Sector. This highlighted the challenges that short-term funding can present for third sector organisations. In particular, it creates instability for organisations which can lead to fair work and retention challenges.

There was a previous question in this consultation that asked respondents to rank five statements in order of importance. We chose not to answer this because we wanted you to hear directly from third sector organisations about the order they want.

However, we think that if organisations are receiving funding which is for three years or more, is unrestricted and is adequate and inflation-linked, it will enable the other statements about paying the Real Living Wage and covering all costs to happen more easily. It will give third sector organisations with a more stable footing from which they can better support their staff, strengthen their own resilience and flexibility, and have the biggest impact they can.

As an independent funder, we have tried to provide more multi-year awards. In the financial year 2023-24, around 96% of the Large and Small Grants we made were for two or more years. This was a slight increase from 94% in the previous year. Our Wee Grants are only for one year, but organisations can re-apply as soon as their award comes to an end. Our 2023 grant holder survey found that 87% of respondents either agreed or strongly agreed that this way of funding enabled them to respond flexibly to changing needs. One respondent told us that long-term, unrestricted funding would allow them to expand their team, and broaden their impact.

Longer-Term Funding Impact: What potential challenges do you foresee in transitioning to longer-term funding arrangements of three years or more for third sector organisations?

Third sector organisations regularly tell us about the benefits that longer-term funding would have for their organisations. In response to this, we have been proactively moving towards longer-term funding across many of our awards. In doing so, we have come across different challenges, both perceived and real.

One of the main challenges we have encountered is ensuring that funding is sufficiently flexible. Over time, projects should adapt in response to both the external context they are working in, and any learning they are getting from monitoring and evaluation. We encourage our grant holders to embed a principle of continuous improvement across their work which means that we expect them to evolve over the duration of their grant funding.

This will present a challenge to funders if their reporting, budget and planning structures are not designed to respond to change. Third sector organisations have previously told us that because their reporting requirements for other (often public- sector) funders are so rigid, they are unable to adapt their services, even slightly.

Sometimes there is certain data they are told that they need to collect and report on each year in order to release further payments. Making a change to their project delivery – even if it is in line with learning they are gathering – might affect their ability to gather that data and so possibly affect future grant payments. There is a danger then that multi-year funding without flexibility could end up not being very impactful at all.

As funders, we need to make sure that our processes are robust enough to meet due diligence requirements but that they can also allow us to understand impact in a way that enables organisations to respond flexibly to changing needs, opportunities, and learning.

The majority of the awards we make are for three years. When we launched our current strategy in 2020, we had hoped to make awards of between three to five years. However, these remain the exception in our funding. One reason for this is that we wanted to take some to really understand what would be important to us under our strategy to reduce and prevent poverty and trauma. Longer awards need to be very closely aligned to our strategic priorities and we've been building up our knowledge around this over the last couple of years.

We also know that five years is a long time for project funding; to have certainty about what you are going to deliver and how. Longer awards are therefore more suitable for unrestricted awards. Again, we've been strengthening our processes to enable us to do more of this as our strategy progresses.

Flexibility and Core Funding Needs: What are the challenges you see in providing flexible, unrestricted core funding to third sector organisations and how could these be overcome?

We have signed up to IVAR's principles for Open and Trusting Grant Making and are pleased to see that more than half of our Large and Small Grants revenue awards (52%) are now unrestricted. This is in contrast to 37% in the previous financial year. Where we have provided restricted funding, it is often at the applicant's request. Regardless, we always support organisations as flexibly as we can so that they can respond to the needs they are seeing and can adapt their approach based on what they're learning about needs, opportunities and impact.

The biggest challenges we have either faced or were concerns when we first started moving towards unrestricted funding were around risk and understanding impact. We discuss each of these in turn below.

Risk: There can be an assumption that providing unrestricted funding will be more risky than restricting funding. However, we have not found this to be the case. Similar to our comments on longer-term funding above, in our experience unrestricted funding enables organisations to be more responsive to what they are seeing and hearing. Ultimately, it can enable them to have a greater impact.

We have also heard from grant holders and other funders who have said that they feel more empowered and trusted by us as a funder. This has led to more honest conversations about what opportunities and challenges they face and has helped us to identify ways in which we can best support organisations, both as individuals and as collectively.

In contrast to the risk funders perceive for themselves in offering unrestricted funding, a 2021 report from IVAR - 'The Holy Grail of Funding' - highlighted the risk to funded organisations if funders do not give them more control over their spending. Most third sector organisations are managing a patchwork of funding. Giving them more autonomy in how they manage that saves them time and potentially reduces the risk of wasted funding.

When first moving towards unrestricted funding, some funders question how they will know if their money was being 'used well.' We suggest that if there are robust due diligence processes in place to understand the governance and financial structures of applicants, coupled with an ongoing focus on impact and mission alignment, that should be enough to know whether money is being 'spent well'.

For us, there is still a case to be made for restricted funding in certain cases. This includes awards where only part of a charity's work is closely aligned with our mission (e.g. a project or service, rather than the overall work of the organisation); for some first-time applicants where we are still learning about their track record and potential impact, and restrictions we have on awards to avoid funding the promotion of religious or political beliefs. However, in many cases we can see that unrestricted funding will have many more benefits than a restricted award would.

Measuring and understanding impact: With unrestricted funding, it becomes harder to track a direct link between our money and the different results being achieved by an organisation. However, as we are often one of many funders, drawing a direct link between our funding and the activities can be difficult for restricted awards as well.

In June 2024, IVAR published a report called, 'A shared endeavour: Five approaches to assessing the impact of unrestricted funding.' We have found this report really helpful for our own discussions around this, not least because it reinforces the need to view impact as a 'collective endeavour towards greater social impact'. It also includes case studies showing what other funders are trying.

Recently, we have been working closely with IVAR and the Esade Centre for Social Impact's Community of Practice on Impact Measurement and Management to develop our thinking in this area. We are in the process of refining what questions we ask organisations in end of year forms and learning conversations so that we are focused on what outcomes are being achieved and we encourage organisations to consider their impact in terms of contribution rather than attribution.

Our Impact Report 2023 is the first one we have published under our current strategy and it starts to tell the story about our contribution to change, particularly within our four thematic priorities. We are still exploring some of the issues around complexity and power dynamics within our approach to impact measurement, but we hope that the Impact Report starts to show our direction of travel.

During the pandemic, many funders – including The Robertson Trust - eased restrictions on reporting and enabled funded organisations to use their awards more flexibly. In our 2023 Grant Holder survey, one respondent told us that being able to use funding flexibly had unlocked further core funding for them:

"It was refreshing during the pandemic that Robertson Trust was quick to allow charities to use funds as and where needed. Additionally, this has translated into further core funding support." (Grant holder survey respondent)

The pandemic necessitated changes to how funders operated, and we think that there are opportunities to learn from this. Some things that we had previously thought of as challenges were easily overcome and there might be opportunities for funders to reflect collectively on what we learnt during that time and how we can ensure that some of the flexibility we implemented continues in the coming years. The funding sector might benefit from some good quality research into this; helping us to collectively identify and remove some of the preventable barriers to implementing unrestricted funding.

Sustainable Funding and Inflation Adjustments: What measures do you currently have in place to ensure that the funding you provide includes inflation-based uplifts and covers full operating costs?

In response to the ongoing cost-of-living crisis on people and communities, we awarded two cost-of-living uplifts to our grant holders in December 2022 and 2023. These totalled £2.9M and were proportionate to the overall award size of each grant holder.
All of the uplifts were made without an application process or attached grant conditions. These were short-term responses to the impact that the significant increase in costs was having on those we work with. We also recognised that the increase in costs was out with the range that we would expect organisations to factor into their planning.

Ordinarily, we expect organisations that are applying for project restricted funding to include inflation and full operating costs into their initial budgets. We include information about this in our guidance notes, and through conversations which staff have with applicants. Although we encourage applicants to tell us the full costs of their project, we are almost always one of a number of funders. This means that the onus is on us as funders to work collectively in how we approach funding operating costs and inflation-based uplifts because that is how we can have the biggest benefit to third sector organisations. For unrestricted funding, it is easier to ensure that the funding is covering full project costs.

During the assessment stage for multi-year awards, we work with applicants to develop an expenditure profile for the duration of the grant. We know that the annual expenditure will likely vary each year; sometimes there might be more up-front costs, but sometimes the expenditure will increase as the project develops (perhaps in Year 2). With agreement from the applicant, we will average that out to create a consistent payment schedule. Some years there might be an underspend, and others perhaps a slight overspend but our hope is that balances out over the course of the grant. In our end of year forms, we also have questions around the next year's budget and any changes that are needed so that we are able to monitor that.

Over the Summer, we have paused Our Funds to new applications to enable us to complete some development work. When we re-open, we have confirmed that the maximum grant size for our Wee Grants will increase from £2K to £5K and the maximum award size for our Small Grants will increase from £15K per annum to £20K per annum. We have recognised that in the four years since we launched our strategy, costs incurred by our grant holders have grown. We think that the increase in award sizes reflects that and will enable our grant holders to continue having a strong impact.

Through all of our awards, we try to be as flexible as possible in enabling organisations to spend the money in a way that aligns with our mission and has the biggest impact as possible.

Sustainable Funding and Inflation Adjustments: How do you balance the need for sustainability with fiscal constraints and changing economic conditions?

This is a big challenge for funders. We have been developing an Impact and Insights Framework which sits across all of our work and helps us to understand more about what differences we are contributing to, and what impact our grant holders and partners are making. We then use that learning, alongside information about potential issues and opportunities for change to consider how we can best target our funding to achieve our mission to reduce and prevent poverty and trauma in Scotland.

Focusing on impact also helps us to consider what level of funding might be appropriate for different projects and organisations. Change can take a while so looking at what differences we want to see as a funder and how we can best enable them will help us to drive our mission.

Internally, we continue to have questions about whether we want to spread our funding wider to reach more people or organisations – which would mean that individual grants are smaller – or to go 'deeper'. This would mean giving larger grants to a smaller number of organisations or partnerships. These conversations are not easy, and we know that there is no 'one size fits all.' We are likely to develop slightly different approaches across our funds and themes in line with what outcomes we want to enable.

We have been in the position of having plannable and secure income looking ahead - which is not always the case for funders (and may not always be the case for us). If we reached a position where our funding was less secure, we would look to adopt approaches that shielded the third sector from that risk, attempting to absorb that risk rather than passing it on. As an example, this would mean potentially dipping into our reserves to sustain spending levels or at least guaranteeing a core level of spend looking ahead. This would allow us to provide as much certainty and security as possible in terms of our ability to make new awards and allow us to try to absorb risk rather than pass it on.

Real Living Wage Commitments: What challenges have you encountered in incorporating the requirement for third sector organisations to pay staff at least the Real Living Wage into your funding decisions?

We believe that paying the Real Living Wage is important although we do not require our grant holders to implement it. During the assessment process we ask if they pay their staff the Real Living Wage and for our Programme Awards, we also ask applicants what they are doing around other Fair Work criteria. Many of our grant holders are committed to paying the Real Living Wage but not all of those are accredited.

One of the reasons that we have not made it a requirement for our grant holders is that we are nearly always one funder of many. There is currently no agreement between funders of third sector organisations that we all make paying the Real Living Wage a requirement and we do not all provide funding to a level that will enable that. This can make it very difficult for third sector organisations to implement it across their organisation. We have heard from some organisations that they cannot pay the Real Living Wage in one project because they have other projects with different levels of requirements, and they do not want to have staff on the same grade with different pay scales.

We part-funded GCVS to commission the Scottish Centre for Employment Research at the University of Strathclyde to do some research into Fair Work in the Third Sector. They published the report last year. Through it, they highlighted that public sector partners often receive higher salaries for similar roles and that this is largely linked to insecure and short-term funding. Addressing funding instability will support third sector organisations to provide the Real Living Wage and ensure that employees in the third sector are effectively remunerated for their work and have a reduced risk of falling into poverty.

As we mentioned under the first question, we chose not to answer the ranking question because we wanted you to hear directly from third sector organisations about their preferred order for the five statements. However, we think that if organisations are receiving funding which is for three years or more, is unrestricted and is adequate and inflation-linked, it will enable third sector organisations to pay the Real Living Wage and cover all costs more easily.

A challenge that we have heard from speaking to other funders is balancing the 'value for money' of awards with higher salary costs. In order to achieve our mission of reducing and preventing poverty and trauma in Scotland, we understand that many of our grant holders will be working with people with complex and often multiple and interlinked challenges. These are people who are often considered 'hard to reach' and where time is needed to build trust and relationships. Impactful support can often take months or even years and requires a large time and resource commitment from organisations and support workers. In these awards, we can see relatively high staff costs in comparison to a small number of people being supported.

This means that our assessment processes need to consider applications holistically; what are the outcomes they are trying to achieve, for whom, and what feels proportionate in terms of time, costs, and other resources to make a sustainable difference? Too often we hear that funders are only interested in seeing high numbers of people being reached with low costs attached to that. While that might work in some circumstances, in others it will not enable real impact.

We are interested in learning from the Living Wage Funders Network to see what others are doing: what challenges they face and what solutions they are trying. We think that by learning alongside others could help to stretch our ambitions and support us all in working towards this.

We also see value in adopting (or returning) to standard, recommended pay scales across the third sector. This would allow funders like us to support and encourage organisations to adopt them. It is also worth noting that while the Real Living Wage is important, we know that fair work is more than wage floors. It is therefore important for funders to consider how we can best support, encourage and enable third sector organisations to embed principles of Fair Work through their employment practices. A lot of this will come down to fairer funding but that will not be the only solution.

Efficiency in Funding Processes: How could the process for third sector organisations making funding applications, reporting, and receiving payments be more efficient and consistent?

In September 2022, IVAR published findings from its Funding Experience Survey and makes recommendations for funders about how we can improve our processes. There are many detailed points which we have found to be incredibly useful in how we work but they are summarised under 10 actions for funders:

- Offer charities the chance to ask questions before they make an application.
- Have a two-stage application process.
- Be clear about success rates at each stage of your process.
- Don't ask for detailed information until a charity has a good chance of funding.
- Give meaningful feedback to charities whose applications are turned down.
- Give multi-year funding.
- Allow grantees to adapt and change project plans and budgets if needed.
- Give unrestricted funding.
- Only ask for information that you will use.
- Allow grantees to use existing reports (e.g. to other funders, annual reports etc.).

If every funder was able to move towards these within their own governance structures, it would go a long way to making funding processes more efficient and consistent.

For us, one of the fundamental changes that we are trying to make is to only ask for information that we will use at all stages of the award process. We think that this will make a big difference for our applicants and grant holders. This is true at the application, grant monitoring and end of grant phases. We continually challenge ourselves to check why we are asking for certain information and how we will use it: either for due diligence; to make assessment or payment decisions; or to understand impact. For any evaluation requirements, we also speak to our grant holders to make sure that what we are asking is also useful for them. If there is not initial alignment, we have a conversation to agree the best approach for us all.

Ongoing learning from our Partners in Change cohort has been highlighting the significance of the 'funder's footprint' during the assessment process. There are some things that we noted as being important for the change projects we were hoping to fund and these have sometimes shaped the project delivery in a way that the organisations would not have developed themselves. Examples include placing an importance of steering groups for systems change work, and influencing how participation of lived experience is shaped and embedded across projects. This is something that we should always be wary of, especially when we consider the power dynamic at play in the funder/funded relationship and is why funders should gather feedback on their processes and embed a commitment to continuous improvement in how they work.

We also understand that current funding processes can exclude certain groups and organisations, particularly those led by black or ethnically minoritised communities. IVAR's research highlights some key findings in this area and we are also co-producing an Advancing Racial Justice Fund with people leading community-based initiatives by and for black communities and communities of colour in Scotland. We would be happy to share our learning from this in the coming months.

Efficiency in Funding Processes: What are the barriers to this?

None of the suggestions above are new to funders but we recognise that some of the changes will be easier for us to implement as an independent funder than for others.

However, we do not think it is impossible for any of us to make improvements and we should all look at ourselves critically.

For the last couple of years, we have commissioned NPC to conduct an independent survey of our grant holders which has included some customer service questions about how effective, efficient and proportionate our processes are. Alongside quantitative data, we also get qualitative feedback. We cannot change everything at once so this which helps us to identify where we should prioritise improvements.

We think that another barrier to creating efficient and consistent funding processes for third sector organisations is the power dynamic inherent between funder and applicant/grant holder. Every funder has developed their own processes based on their own requirements and expectations. Sometimes these are fixed and linked to legal or governance structures, but other times they can be changed with a bit of thought and time. We have seen this happen shared funding pots where multiple funders contribute to a single programme that organisations can apply to so there is experience in the funding sector which we can build on. Some of these shifts might require us to relinquish some of our power which is not always easy to do but we think that funders can learn from each other in this space.