OFFICIAL REPORT
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Social Justice and Social Security Committee

Thursday 5 September 2024

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 5 September 2024

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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE
22nd Meeting 2024, Session 6

CONVENER

*Collette Stevenson (East Kilbride) (SNP)

DEPUTY CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Con)
Katy Clark (West Scotland) (Lab)
*Roz McCall (Mid Scotland and Fife) (Con)
*Marie McNair (Clydebank and Milngavie) (SNP)
*Paul O'Kane (West Scotland) (Lab)
*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Ian Bruce (Third Sector Interface Scotland Network)
Tim Frew (YouthLink Scotland)
Matt Howarth (Scottish Government)
Sarah Latto (Volunteer Scotland)
Catriona MacKean (Scottish Government)
Paul McLennan (Minister for Housing)
Laura McMahon (Scottish Government)
Sheghley Ogilvie (Scottish Council for Voluntary Organisations)
Douglas Westwater (Social Enterprise Scotland)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 5 September 2024

[The Convener opened the meeting at 08:45]

Decision on Taking Business in Private

The Convener (Collette Stevenson): Good morning, and a warm welcome to the 22nd meeting in 2024 of the Social Justice and Social Security Committee. We have received apologies from Katy Clark.

Our first item of business is a decision on taking agenda item 5 in private. Do we agree to take that item in private?

Members *indicated agreement.*

Housing (Scotland) Bill: Stage 1

08:45

The Convener: Our next item is an evidence session on the Housing (Scotland) Bill at stage 1. Today, we will hear from Paul McLennan, the Minister for Housing, and I welcome him and his Scottish Government officials: Catriona MacKean, deputy director, better homes division; Laura McMahon, solicitor, legal directorate; and Matt Howarth, policy officer, homelessness prevention team. Thank you for joining us.

Minister, I believe that you would like to make a short opening statement.

The Minister for Housing (Paul McLennan): Yes, thank you, convener.

I thank the committee for the further opportunity to provide assurance on the Housing (Scotland) Bill. I understand that you have agreed with the Local Government, Housing and Planning Committee that you will provide the committee with your stage 1 report shortly, and I am grateful for your time today.

In my evidence to this committee on 27 June, I highlighted key measures in part 5 of the bill on homelessness prevention duties. These are also an essential part of addressing the housing emergency, as preventing homelessness and supporting tenancies to be sustained both lead to less pressure on housing supply. I also emphasised the engagement with delivery partners that we continue to undertake to ensure that positive and sustained change is delivered.

With its renewed focus on prevention, the legislation as introduced builds on the strong housing rights that already exist for people who are homeless in Scotland. Those preventative measures have been shaped by significant stakeholder engagement since 2020, including the recommendations of the prevention review group, a public consultation and direct engagement with key organisations by both officials and ministers.

However, the introduction of the bill was never intended to signal the end of that journey. My officials and I continue to work collaboratively with stakeholders as we develop our approach to delivering those duties, in order to harness the opportunity to prevent and end homelessness, and to make a significant contribution to eradicating child poverty.

As I set out in my recent letter to the committee, the focus is now on plans for effective implementation of the new duties and driving forward cultural change towards shared public responsibility and earlier intervention. We hope that Parliament will support that approach.

Since we were last together, we have engaged with delivery partners on how the ask and act proposals in the bill could function in practice, and with social landlords on the domestic abuse measures. That engagement has made clear how much positive practice already exists, which we can build on, and that successful prevention is not always about doing more but about doing things differently. Getting early intervention right will avoid someone having to retell their story multiple times to service providers; it will mean that people get help faster; and it will make more effective use of public resources. It is vital investment.

In that way, shared public responsibility and early intervention also have the potential to deliver financial savings. Critically, that approach also benefits our future health, equality and prosperity. The new duties aim to strengthen consistency and transparency around prevention activity across Scotland through legislative change and to ensure that that happens at an earlier stage, while maintaining person-centred, flexible approaches to addressing the needs of individuals and families.

Clear messages are emerging from our recent engagement on our ambitious provisions to rebalance the whole-systems approach holistically around homelessness prevention, and I am keen that the next stage of engagement has a particular focus on how to foster partnerships and co-operation between relevant bodies, as outlined in the bill, in order to build on the strong rights that already exist in Scotland and to move us closer to our prevention aim. We will continue to work collaboratively with stakeholders on strong guidance that is tailored to different settings and builds on existing good practice; on clear expectations and a joint case for the benefits of cultural change to support prevention; on the resourcing, which I am clear is necessary to make the duties a success; and on the appropriate timescales for implementation.

As part of that next phase, I will be hosting an online event in October to bring together a wide range of stakeholders, including relevant bodies and local authorities. The aim of that event is to identify how we can support the co-operation required to implement each of the homelessness prevention duties and provisions in the bill. The committee is, of course, welcome to attend the event to hear the thoughts of stakeholders at first hand.

Overall, our homelessness prevention duties will help to avoid the trauma and disruption to people's lives that homelessness causes. They are critical to our vision to end homelessness in the longer term.

I and my officials look forward to answering any questions that members might have on the bill.

The Convener: Thank you for your statement, minister, and for extending to the committee an invitation to the event in October. I am keen to find out about the details of the event, so, if your officials could make the clerks aware of the dates, we can make committee members aware of that information, too.

We will now move to questions, and Jeremy Balfour is first.

Jeremy Balfour (Lothian) (Con): Good morning. I want to ask a few questions based on your statement.

First, with regard to the ask and act duties, Crisis, in evidence to the committee, said:

> "What we want to see in the bill is a much clearer articulation of what is meant by the duty to act."—[*Official Report, Social Justice and Social Security Committee,* 13 June 2024; c 13.]

Having spoken to a few stakeholders, I think that there is a lack of clarity about what that means. Perhaps you could tell me what the duty would mean in practice if, for example, I were a nurse working in the accident and emergency department at the royal infirmary on a Thursday night and somebody came in who obviously did not have any housing. What duty to act does that nurse or doctor have, and how would they carry out their duties in practice, if this were to become law?

Paul McLennan: There are a few things to say on that. The legislation itself sets out what it means to ask and to act with regard to those duties. Acting is about working just where the person is now. We had a chat with the national health service, and examples such as yours were one of the things that were raised.

One of the key things that we have to do with our NHS is talk about training and guidance. What that looks like is incredibly important, so we will continue to work on that with the NHS and with different bodies within it. It is an on-going process. When we spoke to stakeholders involved in it, the need to have the training and guidance was one of the key points that they made. During the meeting with the NHS, we talked about those discussions, what that training and guidance will look like and how we will build upon that.

Obviously, the act duty involves working with key partners. I mentioned the holistic approach, too. We obviously need to make sure that there is a process in place so that we know what that actually looks like. In that way, if someone who is in that situation comes in, people will know how to act on that. They need to ask the proper questions about whether there is a risk of homelessness, but what does the person who is acting need to do beyond that?

The training and guidance are incredibly important on that point, but—

Jeremy Balfour: Can I push you on that, minister? You can train someone only when you know what you are training them in—

Paul McLennan: I am sorry, but I—

Jeremy Balfour: What are you training the nurse or doctor in? It is all very well to say that you are going to provide training, but what, practically, would you expect a nurse or doctor in a busy A and E to do for someone who is homeless on a Thursday night?

Paul McLennan: That builds on what we already have, because the NHS obviously operates with the local council at a particular time. I have seen cases where that has happened—for example, in work with the Simon Community to pass on cases. Therefore, that process already exists and this is building on that. It is not the case that that process does not exist at the moment.

The key thing, then, is to find out whether there is somebody who can come in and identify the homelessness. This is all about making sure that there is a procedure in place to deal with that, so we are building on what we already have in that regard.

At our meeting with the NHS last week, that is exactly what we talked about—the guidance and training on that particular point. These are existing procedures that we are trying to build on—in other words, this already happens—so we are not just starting this process now. That is the key thing. We have that feedback from people with lived experience, so the process is about making sure that the nurse or whoever is there is aware of the prevention duties. By that, I mean whether they are identifying that a person is at risk of homelessness on that particular night, knows whom they need to speak to about that and acts on that. It is not just a case of passing it on to the local authority.

Catriona MacKean might want to add something on that point.

Catriona MacKean (Scottish Government): The engagement that we have had over the summer has helped us to start conversations with health workers, and we are looking to build on those as we develop our guidance.

We are keen to get into the detail of the precise protocols that would be followed in those situations. In some cases, as the minister says, that is about building on practice that is already there. We know that we will need to build new connections in other cases and that new protocols will have to be followed. We know that that is key to ensuring that people are aware of the kinds of advice, advocacy and support that they can get from the relevant bodies and that people who are at risk can be connected to them so that support is joined up.

It will also be about what people can do within their existing roles and how they might provide care through, for example, a trauma-informed response. That is not new to the NHS—it exists already—but we hope that providing this legal framework will create a context in which those things become clearer, are more formalised and are planned in advance, and that there will be co-operation and collaboration.

Our approach is to put a lot of that into regulation so that we can have those conversations and build from the ground up, looking at what will work in different contexts. The engagement that we have had, particularly since the bill was introduced, has helped us to draw out what that would look like in the A and E context, which needs a very clear, step-by-step approach. In a community care setting, that sort of thing will be more fluid and flexible. We plan to get deeper into those things during the autumn and will work with Crisis as we do so.

The Convener: Jeremy, before you go further, Kevin Stewart has a supplementary question.

Kevin Stewart (Aberdeen Central) (SNP): I am glad to hear about the engagement, but I am one of those folks who disna like to see the reinvention of the wheel. We must look at best practice to ensure that the secondary legislation and guidance are right.

The Government, along with Fife Council and third sector partners, ran a pilot scheme at Queen Margaret hospital that applied trauma-informed practice. It was extremely successful in housing folk, and it dramatically changed the way in which health service staff, including doctors and nurses, worked with people. Protocols were in place for that pilot. Have we looked at them and are we going to apply them to the secondary legislation and the guidance, or are we going to ignore them?

Paul McLennan: I will bring in Catriona MacKean on that particular point, but you are right about best practice. Cyrenians does very well in the area of hospital outreach. We want to build on good practice and on the work that it has done, so we have met Cyrenians to build on what is already being done. That is really important. We have also been speaking to the change teams, who have experience in the healthcare sector, to build on what they are doing.

You are right that this is not about reinventing the wheel. Like me, you were previously a councillor, so you will know that people become homeless in different situations and have different experiences—some experiences are really good and others are not as good as they should be. The

prevention duty is an attempt to build on what is already there. It is important to learn from Cyrenians and from the change teams and to build on that. When we spoke to NHS teams, one of the key things that they told us was about building on the protocols. This is not about starting anew. We are building on existing good practice and protocols.

I will ask Catriona MacKean to talk about the particular case that you mentioned. If she cannot, I will get back to you on that point. You are right that this is about building on existing good practice to ensure that people have a much more uniform experience that is better than it has been previously.

09:00

Catriona MacKean: The Shelter project in Fife is, absolutely, a good example of things that work well, with the leadership of the local authority bringing things all together and supporting it to have the impact that it had. We are very much looking to draw in all such examples as we work with a range of local authorities to develop such approaches, and it will be critical to look at what has worked well. We are not assuming that such approaches will work well in every hospital or local authority context, but we are looking at what is working well, adapting it, sharing it and building on it for other settings.

Does Matt Howarth want to say anything about this area?

Matt Howarth (Scottish Government): The in-reach hospital project run by Cyrenians was highlighted at the health event that we held. Going back to the committee's first question, I should say that, at those events, we tried to work through the bill and explain precisely what is meant by the ask and act duty. With the ask element, you are working very much within your own functions—in other words, you are working not with a new audience but with people with whom you already come into contact, to ask the question about housing and to ensure that housing is part of your assessment of the person's needs.

The act element, too, is very much about acting within your own powers. In the example that was given, we would expect that, if the person was homeless and had not been in contact with the local authority, the action that would be taken would be referral to the local authority. This is all about people who are threatened with homelessness and whose housing situation has been identified as unstable. The action might involve working with partners other than those in housing, and the expectation is that the relevant bodies will ask, "What can I do in my role for this person?" In fact, at the health event, we had people in different roles, and we had a very interesting contribution from NHS 24 and the Scottish Ambulance Service. They said that they could see the logic of doing this and how they might do it. Obviously, they would need to do it in a different way from other parts of the health system—perhaps they would need to use a triage process to carry out the action.

We are building on existing examples, and the clear message is that, although a lot of aspects of that approach are already evident across the country, it is still patchy and inconsistent, and the bill gives us the chance to bring some consistency across the country.

Kevin Stewart: I will be very brief, having given a very good example that was highly rated by service users.

I want to ask about the voices of lived experience and what works for those people. Are we taking cognisance of what those voices have to say? It might well be that the NHS and the third sector think that something is quite good, but the reality is that the folks who need those services do not necessarily share that view.

The Convener: I am sorry, minister, but, before you come in, I just want to say that I am conscious of time, and I must ask that we be as concise as possible with our questions and answers.

Paul McLennan: I have mentioned the change teams, who have direct experience of what you are asking about and are there at the start of the process. There were also the task and finish groups, which included people with lived experience.

We are very much listening to people with lived experience. Indeed, that is the most important part. Yes, we are asking about the legal duties on the NHS, the Scottish Prison Service and others, but this is all about whether we are providing the service that is needed for people who are at risk of homelessness.

I come back to the point that, previously, there was a mixed approach. If someone had the necessary training or guidance, the procedure would be in place and people would be dealt with earlier—but it was all dependent on that. We are trying to give legal certainty to the likes of the NHS and the Scottish Prison Service, but we are also looking at the training and guidance aspects and are working in partnership with those organisations to ensure that our reach goes as far as it can, that people get identified at an early stage and that the organisations ask and act, as part of their duties, and then pass people on, whether through referrals or whatever.

All of this has been happening very much through the change teams and through working

with the likes of Cyrenians, which deals with such issues, too. We are taking into account lived experience, as it is incredibly important.

Jeremy Balfour: When the Finance and Public Administration Committee looked at the financial memorandum, it seemed quite critical of it. Moreover, the City of Edinburgh Council has stated that, if it were to implement the bill as it was, internal staffing would cost it £1.9 million a year, whereas the financial memorandum allocates only £1.6 million for all 32 local authorities. Are you intending to revise the memorandum before the end of stage 1 so that it gives realistic costs?

Paul McLennan: There are a number of issues. First, in relation to how a financial memorandum is set up, one key thing is that the guidelines say that it should give the "best estimates" of costs and savings. We worked with the Convention of Scottish Local Authorities in 2023 and we had a joint consultation with it in April 2022. We asked each local authority for its estimates at that time, and that helped us to put the financial memorandum together.

It is key that we keep the matter under live consideration. We will continue to work with local authorities on that. No budget has been set as such. To produce our financial memorandum, we followed the guidelines and engaged with COSLA and individual local authorities. That best estimate was based on consulting and working with local authorities. We will continue—

Jeremy Balfour: In the light of the information that has now been given by the City of Edinburgh Council and by other local authorities, will you revise the financial memorandum—yes or no?

Paul McLennan: If we need to revise it, we will. That is key. We will continue to engage with local authorities. When I meet local authorities, including the City of Edinburgh Council, we have that level of discussion. If the City of Edinburgh Council and other local authorities say that such a thing is happening, we will, of course, look to revise the financial memorandum, if necessary, at that point. It is an on-going exercise. A key thing to stress is that we engaged with local authorities consistently prior to the financial memorandum being published. However, if we need to look at it, we will do so and will consider bringing something forward.

I am happy to discuss the matter offline with you. I discuss it with local authorities all the time, but I am happy to consider it again if that is the information that is coming through.

Jeremy Balfour: I am conscious of the time, so I will come back in later.

The Convener: I, too, am conscious of the time. I call Bob Doris.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): Minister, it was good to see the engagement over the summer. In previous questioning, I mentioned other groups that we could not necessarily place a statutory duty on but that would be key partners in relation to the ask and act duty—in particular, the Department for Work and Pensions and the Home Office. I also mentioned general practitioners, although there might be challenges in that regard for different reasons. Have you met any of those three key organisations during the summer? If not, is it your intention to do so?

I have a second, follow-up question. We might not be able to compel the DWP to have an ask and act duty, for example, but we can see clearly why, given its role in benefits, it might be a central organisation. Could we still write it into legislation by, for example, placing a requirement on the Scottish Government to reach out to it for a formal concordat or protocol, or ask it to volunteer to be part of the ask and act duty? That would be a powerful thing to do, and I would quite like that to be in the bill or in secondary legislation. The fact that we cannot compel the DWP to do anything does not mean that we should not acknowledge in legislation its key role.

Paul McLennan: First, on whether I plan to engage, my answer is yes. That is incredibly important. As I said, there is an event in October, and I will plan to have meetings before or slightly after that. I know that you have referred to this issue before, Mr Doris, so I am happy to do that.

As you know, we cannot compel the DWP to do anything, but we can discuss how we can work more closely with it, as we engage with the NHS, the Scottish Prison Service and so on. I will meet those organisations to discuss such issues in more detail. We cannot compel them, but we might be able to discuss the possibility of a concordat, as you mentioned, with the DWP. Until we have such a discussion, it is hard to see what might evolve from it, but we will certainly look to engage with not just the organisations that are named in the legislation but those that are outwith it.

I know that there have been discussions at official level, but I intend to meet those organisations. Does Catriona MacKean or Matt Howarth want to add anything about the discussions that we have had so far?

Catriona MacKean: Yes. In relation to best practice, there are good examples of the DWP and JobCentre Plus taking forward exceptional work locally, on the voluntary basis that you described. There is a good working relationship with DWP

colleagues across Scotland, and we are keen to unpack the issues and look at what can be done. The situation is similar with the other bodies that you mentioned. We can provide some further thinking on that—

Bob Doris: That is helpful, Ms MacKean. I am sorry for cutting across you, but I am conscious of the time. We want to keep questions moving.

Minister, would you be minded to include in the bill a duty on the Government to continue to build those relationships? We cannot put a duty on the DWP, although I am glad that there is good work in practice, but we could put a duty on our Government to continue to reach out in such a way.

Paul McLennan: I will ask Laura McMahon whether that is practical from a legislative or legal point of view. I appreciate the point that you are making, and I would be comfortable with that.

Laura McMahon (Scottish Government): Binding Scottish ministers to continue to work with the DWP would work only if the duty was reciprocal. There would not be legal certainty in order to do that, but, on the point about engagement, we can engage voluntarily to get it to work with us on those duties. However, as a devolved nation, we would not look to set that out in legislation.

Bob Doris: Minister, that might be the advice that you are getting at the moment, but I am thinking about the legislation saying that the Scottish Government must engage in that way.

Paul McLennan: I am happy to take that point away and discuss it with colleagues. I take your point and totally understand it, so I am happy to come back to you on that in writing.

Bob Doris: I am delighted that there are on-going positive relationships. I am not trying to fix something that might not need to be fixed, but I am trying to get assurances for the longer term.

Paul McLennan: Again, it very much comes down to local circumstances, but I will be happy to come back to you on that point.

Roz McCall (Mid Scotland and Fife) (Con): Good morning. It will come as no surprise that I feel strongly about rural issues. We took evidence from the Association of Local Authority Chief Housing Officers, which said that solutions need to be specifically suited to a rural context. Homeless Network Scotland stated that the bill probably does not go far enough on specific geographies and circumstances in rural areas. All In For Change said that there are issues with travel costs and public transport in rural areas, and the committee was also told that no consideration has been given to how the processes could cut people off from support networks and their work.

That is quite a lot of information. What have you taken on board from that extra information to ensure that rural areas will have the equality of service that they require?

Paul McLennan: That is an important point, and I know that you have mentioned it previously. One of the key things is the national approach to what we are trying to do. Each local authority that I have spoken to is asking about the circumstances in its area. You are right that a rural setting can be very different.

Just last week, we met 140 people who are involved in the social housing sector, and that point was picked up. It comes down to how we build local engagement. We have to deal with the issues in rural communities as well as those in urban Glasgow and Edinburgh, and those are different settings altogether.

One of the key things is to build on the legislation, because we are not coming from a standing start. Prevention work has already been undertaken, but we now need to build on that and identify the gaps.

At the event in October, we will look to build on the holistic approach that we need to take. That is key. Again, as you know, there are different circumstances in different areas, with people having different levels of understanding of what their duties should be. We need to identify the gaps and take a more holistic approach. The online event in October will give us the opportunity to start talking about what we need to do and join things together.

Another key point is that there is a role for local authorities in talking about the community planning approach. That is not part of the bill as such, but it is important that local authorities consider the community planning element. That is a much more holistic approach. Having chaired a community planning team previously, I know that it is really important that we make sure that services in different areas are linked up.

The process will be on-going. We need to identify the gaps and make sure that each local authority is dealing with the issue by taking as holistic an approach as they can. It is about building on that. That was mentioned in our discussions with the 140 practitioners, for example. We need to build on those close relationships. Having a legal duty to do so will bring them closer together, but we need to build on that.

The legislation will come in, but that will not be the end of the process. The situation will continue to evolve. As we have talked about, evaluation and monitoring are key, and we will be speaking to the regulator about how we build on that. It is an on-going process. It is key that we identify the

gaps, try to close them and make the system as holistic as possible.

09:15

Roz McCall: I appreciate that, minister. That brings us back to the question about what training and resources will be provided. The point about using best practice was well made earlier, but, equally, we are looking for people to ask and act, and the act part focuses on two or three specific and key bottleneck points. It will always come down to people at those points doing the work to make sure that we reduce homelessness. We are always going to have that bottleneck, are we not? How are we going to stop that?

Paul McLennan: It is key that—this goes back to the point that Mr Balfour made—when the legislation is in place, it is properly resourced. It is clear that one of the issues is to do with identifying where the bottleneck is. In producing the financial memorandum, we asked local authorities to give their best estimates at the time, and the financial memorandum was based on those. As we get into further engagement, one of the key things will be to identify what the actual resource requirement is. Mr Balfour mentioned Edinburgh as an example. If members have identified particular circumstances or local authorities in that regard, they can feed them in to the team and we can pick up those issues.

We need to ensure that the legislation is properly resourced. It has been proven that money that is spent on prevention saves us money down the line, so it is key that we resource the legislation properly. We also need to identify the bottlenecks. The position in a rural area could be different from the position in other areas, and the Borders has completely different circumstances from the Highlands. Some areas might have similar experiences, but it is important to identify that. The more engagement we have with local authorities and the deeper our understanding of that is, the better. First, it will prevent people from becoming homeless. Secondly, it is a spend-to-save initiative, because it will prevent people from going through the process. The resourcing is incredibly important.

Roz McCall: I appreciate that. I have one last wee question. There is also a rural aspect to fuel poverty, and Scottish Land & Estates suggested speaking to rural landlords about that. Did you do that?

Paul McLennan: I have engaged with Scottish Land & Estates on a number of occasions and the issue has come up, so we have discussed it. I have probably met it on four, five or six occasions in the past year or so, and we have engaged on the issue. SLE will back up that I have engaged with it on the issue.

Roz McCall: Have rural landlords been involved in those discussions, not just Scottish Land & Estates?

Paul McLennan: We have had round-table meetings, so the subject has been discussed. We have had two or three of those, if I remember correctly. There has been direct involvement of landowners.

Roz McCall: That is brilliant. Does that work form an active part of the fuel poverty standard process?

Paul McLennan: Yes. It has to. I return to the point that all 32 local authorities are different. We need to try to get the right approach across Scotland.

Roz McCall: Okay. Thank you, minister.

Paul O'Kane (West Scotland) (Lab): Good morning. One aspect of the bill that the committee is interested in and concerned about is the domestic abuse provisions. We want to ensure that they are being engaged with. I note that, in the summer engagement, you met the Scottish Federation of Housing Associations and the Chartered Institute of Housing to discuss those provisions. Will you give an update on those conversations? Do you feel that the discussions were productive in enabling understanding of the required training and the capacity of social landlords to take the action that they will need to take?

Paul McLennan: Yes. I meet the SFHA regularly to discuss a number of issues. When I met the housing associations in Easterhouse a couple of weeks ago, they talked about their roles in development and wider involvement in the community. They talked about their role in providing advice, and domestic abuse was an area that they picked up. We are engaging with them to try to maximise what already happens in their work—for example, with Glasgow City Council. The work of housing associations is one example, but there are also organisations such as the Wheatley Group, which has more resource and income and is working very closely on what will come through under the bill.

It is very much about trying to get a uniform approach. How do we make sure that the smaller housing associations have the necessary training? The SFHA has said that some housing associations are trying to pool some of their resources round around the domestic abuse part, because that is really important.

For a lot of housing associations, that is relatively new. However, it very much came across from the SFHA that it is really keen to make sure

that it plays its part. I will continue to discuss that with the SFHA. As I said, it is easier for the likes of the Wheatley Group, for example, which has the resource to do that, but we are very much looking at pooling teams in order to provide that.

I visited four Borders registered social landlords that work closely together on the domestic abuse advice that they give. This is very much about building on that work. I do not want to say that this is new work, because they have been working on it, but they are all keen to focus on it. Therefore, it is about looking at how we can maximise the resource that they have for that. There are good examples such as those Borders housing associations, which work closely together to ensure that they pass on information.

It was a similar situation with CIH and the discussions that I have had with CIH about the training that is required in the housing sector itself. It had mentioned and discussed training on domestic abuse. Those discussions are on-going in CIH and the whole housing sector in order to build that up.

Paul O'Kane: Thank you for that answer. I make a similar point to Mr Stewart's point about not reinventing the wheel. A lot of good practice already exists, and many RSLs have good policy. However, the challenge is often to ensure that those policies can be put into practice and that action can follow, which is what everyone wants to see in such scenarios. The responses of Scottish Women's Aid and the Scottish Women's Convention pointed to the fact that the actions that were outlined and the recommendations that were contained in the report, "Improving housing outcomes for women and children experiencing domestic abuse" still have to be pushed forward and not lost in this context. Will the minister say something about progress on that and engagement with that piece of work?

Paul McLennan: We are still engaging on that. I will bring in Catriona MacKean, who has been directly involved in some of the discussions. Colleagues who work in criminal justice are trying to push that forward. We are very cognisant of that, because that work is important and we need to get it moving as we move forward with the bill.

Catriona MacKean: The inclusion of the requirement in the housing bill for all social landlords to have a domestic abuse policy is a significant and enabling step, which is driving some of the additional engagement and extra attention on the part of landlords that the minister has been describing. That is welcome and it helps us to draw out good practice and start bringing it together.

I agree that the totality of that work needs to be looked at. Part of our implementation work informed the guidance, particularly the requirement for a gendered analysis of policies and processes so that we support social landlords and other partners to take that approach in order that there is an understanding that how a service is being delivered is as important as what the service is. We are looking to take that work forward as part of the wider piece of implementation work that will follow in the wake of the bill.

Paul McLennan: We are talking about social landlords, but we have also had discussions with the private rented sector. As members will know, hundreds of thousands of landlords are involved in the PRS, so we have met the Scottish Association of Landlords to discuss its approach and it is aware of what it needs to look at. Discussions are on-going with the broader PRS when it comes to individual landlords or landlords who have a small number of properties. However, again, we are focusing and working on that with SAL, and it knows that it needs to develop that approach.

The Convener: Marie McNair, who joins us online, has the next questions.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning. On the back of Mr O'Kane's questions, what engagement have you had with, for example, Scottish Women's Aid, which raised concerns about the fact that the equally safe framework did not align with the bill and other issues, such as victims not being notified of perpetrators being released from prison and the impact that that has with regard to homelessness?

Paul McLennan: I have met Scottish Women's Aid regularly, and that has been discussed. It is incredibly important. You gave a couple of examples. One involved the Scottish Prison Service, which is a key stakeholder. We have discussed the issue with it and will develop it further together. Again, we are trying to build on best practice. We heard a couple of examples in which some prisons are probably further ahead than others. A key thing that was talked about was consistency. That is an important point.

More broadly, when it comes to how we deal with domestic abuse, in my time as a councillor—which you were, too, Ms McNair—I saw how that was handled. It is partly about making sure that we are properly resourced—and a part of that is about training. Having dealt with it and seen it at first hand through people with lived experience, I can say that sometimes it depended on who they ended up with in the local authority. If somebody had the necessary training, they knew how to deal with the situation and had the necessary ability, which comes back to how to deal with somebody who is in trauma. Alternatively, if somebody had

not been trained, that could actually make the situation worse.

One thing to talk about is how to make sure that victims are aware through the Scottish Prison Service, local authorities, the NHS or women's aid organisations, for example. Again, it is about trying to strengthen what is already there. I have seen examples in which the council has dealt with the situation very well, and that helps the person quite quickly. However, if the situation is not dealt with, as you will have seen, it can result in more trauma.

Again, it is about having a more focused and more holistic approach. Why does it happen that nobody passes on the information from the SPS, the NHS, Scottish Women's Aid or the local authority? If it is not handled well, it makes the situation worse.

Discussions with local authorities are on-going. The issue was also raised in the discussions that we had with the 140 practitioners that I mentioned. If you can attend our event in October, that point can be raised. However, it has been discussed within local authorities, within the Scottish Prison Service and with Scottish Women's Aid.

Again, it is about building on what is already there. The legislation will give a duty to ensure that we pick up on that. We cannot have the inconsistency that we have at the moment.

Marie McNair: As you said, a lot of good practice is already happening in councils, and I certainly welcome the further work that you are doing.

Paul McLennan: Good. Thank you.

Jeremy Balfour: I have two quick questions. I will go back to the practice of children being held in temporary accommodation. Crisis's written submission said that involved about 10,000 children in Scotland. I know that that is a concern for you as it is for everyone in the Parliament. How will the bill change what will happen to those most vulnerable people in society?

Paul McLennan: Do you mean in terms of—

Jeremy Balfour: I mean in terms of how the legislation will work. What difference will it make to a local authority in dealing with those children in temporary accommodation?

Paul McLennan: There are a number of things in that. I will come on to the bill in a second. The policy that the legislation is wrapped around is important. We met COSLA last week and talked about funding for additional acquisitions. At that stage, for the ability to look at acquisitions and voids, it was agreed to focus on the local authorities that are under more pressure than others at the moment.

The housing to 2040 strategy group also met a couple of weeks ago, and key things that we said were, first, that we should try to make more properties available and, secondly, that there should be a real focus on how we get children, specifically, out of temporary accommodation as soon as possible. That is the supply side of how we deal with the issue.

Last week, I met Glasgow City Council. It probably has the biggest issue at the moment, so we talked about how to bring more supply. Again, there are voids, acquisitions, allocation policies and so on.

A key thing in the legislation is the holistic approach. It comes back to being aware between the two-month period and the six-month period. Having been a councillor, you will know that two months is not enough for someone who presents as potentially homeless. We need that longer period. That part of the legislation on its own—just trying to identify what the risk could be—is really important.

As we know, the Crisis homelessness monitor talked about the local housing allowance as one of the two biggest drivers of the rise in homelessness, particularly in families with children. I will pick that up with my United Kingdom Government equivalent, as I tried to do previously. It is also about the level of universal credit and dealing with poverty. Many people who arrive in that situation are in poverty, so that six-monthly approach is incredibly important. If there is necessary financial help that they can get, that is really important.

Again, we need a holistic approach from local authorities and from, for example, the NHS or link workers. One of the key things at the NHS level is the experience of link workers. I met link workers in Edinburgh six or seven months ago. One of the biggest drivers for people getting into that situation in Edinburgh is poverty, so it is about trying to identify the link workers and their role in the broader NHS to pass people on to get financial advice and so on that picks up on the key issues.

The six-monthly approach is incredibly important. It is about engaging with the NHS on its approach to identifying problems at an early stage. A fifth to a quarter of women who end up in homelessness do so because of domestic abuse, so it is also about engaging with the likes of Women's Aid. If people are in hospital, it is about identifying that. If somebody has suffered domestic abuse, they might end up in hospital. How do we pick up on that? There are a number of occasions when we can.

The real issue comes back to that holistic approach and dealing with it at a much earlier stage. That is the incredibly important part of the

issue. It also comes back to Roz McCall's point about making sure that we are dealing with homelessness not just in urban settings but in rural settings. Early engagement and the holistic approach that the bill is pushing is incredibly important.

Kevin Stewart: One of the things that is highlighted in the communication that you have sent to the committee is a lack of consistency. You highlight that in relation to sustainable housing on release for everyone—SHORE—standards. You have stated that there is best practice out there, but, quite frankly, those of us around the table know that in some places the practice is pretty abysmal. How will you ensure that uniform consistency and good practice are implemented through the bill and regulation?

As a final point, one thing that happened during the Covid emergency was folk just getting on with it and making sure that they met people's needs. How do you make sure that that ethos carries on, and have you looked at what happened during Covid to shape the bill and the regulation to be the best that it possibly can be?

Paul McLennan: There are a number of things in there. One, as you said, is building on best practice. You mentioned the SHORE standards and we talked to the Scottish Prison Service about that. On-going engagement with it is key.

Kevin Stewart: You said that you have talked to a lot of people, which is not a bad thing—talking and listening is good—but have you and ministerial colleagues instructed the Scottish Prison Service to ensure that best practice is exported across the Scottish prison estate?

Paul McLennan: I would not say instructed, because one of the key things—whether it is about health and social care or the Scottish Prison Service—is working with them as partners. It is about learning from the lived experience of people who have had to go through the Scottish Prison Service or the NHS. It is very much about co-design and co-production. You were keen to talk about that in relation to the national care service. For me, building that together and building on best practice is the really important part of it, and we meet the Scottish Prison Service regularly to do that.

The challenge within the organisation is to build on the culture that is already there. The Prison Service is really keen to build on that and work as partners and it has been speaking to us not just about what it does within its organisation, but about how it can work closely with, for example, the NHS. It is very much about co-design and co-production.

Kevin Stewart: I get that point about co-design, co-production and co-operation but, with regard to scrutiny, there comes a point where, if a body is not doing what it needs to be doing—such as adhering to the SHORE standards—there has to be a way of holding that body accountable. How are you holding the Prison Service accountable for not reaching the standards?

Paul McLennan: The prisons inspectorate would look at the SHORE standards with regard to specific points around the prisons.

We are in discussions with the Scottish Housing Regulator about what that scrutiny looks like, and building on that is one of the key things. You are right that there is no point in just saying that we are trying to get improvement. How do we evaluate that? How do we monitor that? That is the important part. For example, we talked with the Prison Service about remand prisoners. What does it need to do when prisoners are released early? What do we do about that? Again, some of that is about what the prisons inspectorate does and how we work with the housing regulator. We are in discussion with them about what happens at that particular moment. I will maybe ask Catriona MacKean or Matt Howarth to comment on that particular point. We are engaging with the housing regulator to ask how we evaluate and monitor that.

Again, some of the key things will be about getting figures from the local authorities and engaging with them on a local basis about how important that is. We are in discussion with the housing regulator to make sure that the standards that we expect—and how we measure and evaluate them—will be part of the discussions going forward.

I do not know whether Catriona MacKean or Matt Howarth have anything to add on that.

Catriona MacKean: Just as the ask and act duty is coming in as a new duty on the relevant bodies but is within their existing powers—they ask and they act within those existing powers—we are looking to the existing regulatory frameworks. How do we need to shift the way that those regulatory frameworks work on the existing relevant bodies to account for the new duty and the new legislation that is coming in in a way that responds practically to what is possible and will be beneficial? That will be the key way that we look to ensure accountability and monitoring across the new system.

With regard to the exact nature of how that comes about within the Prison Service, the SHORE standards are an important piece of work. In some cases, they are well established and well understood, but they are certainly not consistently applied in the way that we would hope. That has to be a key starting point for those discussions with regard to the Scottish Prison Service.

Matt, do you want to come in with more detail?

The Convener: I am conscious of the time, and I have a quick question before we conclude.

Minister, what work, if any, has been done on stigma in relation to homelessness?

Paul McLennan: Do you mean as part of the bill?

The Convener: Yes.

Paul McLennan: You will know from dealing with people when they arrive at that point that nobody wants to be homeless. Some people arrive there very quickly for various reasons. One of the key aspects of the wider discussions that we have had with the likes of the Scottish Prison Service is how we deal with prisoners who are leaving prison. If we do not deal with that, particularly for remand prisoners, they will end up sleeping on a friend's couch or sleeping rough. One of the key things is to avoid that situation.

It is also about trying to engage with the NHS at a local level. It is not so much about discussing stigma as it is about making sure that, in dealing with people who are at that point, we give them the respect that they deserve, which comes back to the crux of the matter. We cannot have people leaving prison and going to sleep on a friend's couch or sleeping rough. That is why we are trying to deal with remand prisoners in a way that solves that issue by changing the period from two months to six months.

It is the same when it comes to domestic abuse. Women suffer stigma because of domestic abuse. If we identify potential homelessness in domestic abuse cases over six months rather than two months, that will allow us to deal with such situations more quickly and manage them in the best way possible. We talked about the fund to leave, which was brought in. We worked closely with Women's Aid on giving women the ability to leave by providing them with funds. It is about building on that work and managing the situation rather than people getting into a position where they quickly become homeless. It is literally a crisis situation at that particular point. The stigma issue is dealt with as part of the whole thing. It is about trying to plan as much as possible, and moving from the two-month period to the six-month period, as well as the legal obligations, gives us the ability to do that.

The Convener: I thank the minister and his officials for coming along today. In the coming weeks, the committee will report to the Local Government, Housing and Planning Committee on the evidence that we have taken on the bill.

I will suspend the meeting for the set-up of our next agenda item.

09:40

Meeting suspended.

Pre-Budget Scrutiny 2025-26

09:45

The Convener: Welcome back. We will now hold our first evidence session as part of our annual pre-budget scrutiny. Each year, the committee reviews potential considerations for the Scottish Government's budget planning. This year, our focus is on how the Scottish Government's approach to fair and efficient funding can support the on-going effectiveness of the third sector. During the summer, we ran a call for views and held workshops with third sector organisations to hear about the funding difficulties in the sector.

I welcome our first panel of witnesses. We have Sheghley Ogilvie, public affairs officer for the Scottish Council for Voluntary Organisations; Sarah Latto, senior policy officer at Volunteer Scotland; Douglas Westwater, chair of Social Enterprise Scotland; Tim Frew, chief executive of YouthLink Scotland; and Ian Bruce, who is representing the Third Sector Interface Scotland Network. Thank you for accepting our invitation and for taking part in our call for views.

Before we start, I have a few points to mention about the format of the meeting. We have roughly an hour. Please wait until whoever is asking the question says your name before speaking. I ask everyone to keep their questions and answers as concise as possible. I now invite members to ask questions, starting with Roz McCall.

Roz McCall: Hello, everybody. Thank you for coming along. The first question theme is funding stability and longer-term funding. Pretty much everybody who responded to the call for views underscored the instability that is caused by the lack of multiyear funding. Equally, however, Social Enterprise Scotland highlighted that there are potential drawbacks to multiyear funding, such as missing deadlines, the possibility of failure to secure funding and the possibility of longer wait times before reapplying. That is an interesting juxtaposition—obviously, it is important that we consider multiyear funding but, equally, there is that juxtaposition—and I am interested in what the panel thinks about both sides of the issue. I am going to work my way down the line, so I invite Sheghley Ogilvie to start.

Sheghley Ogilvie (Scottish Council for Voluntary Organisations): One of our concerns is that multiyear funding on its own is not the answer to fair funding. It is one element of fair funding, but fair funding involves a much broader package of reform; it is not solely about multiyear funding. One of the risks would be that, although there is multiyear funding, it is not flexible and does not include any sort of uplifts or all the other elements of fair funding that are essential to make the sector more sustainable.

Multiyear funding does not need to exclude any other type of funding. Generally, for a lot of organisations, their funding is very similar each year. For those organisations, it makes sense that funding should be multiyear, because each year they get very similar amounts. However, we are not saying that there should be only multiyear funding, because we acknowledge that there is a need for small amounts of project funding and that there are areas that benefit from more flexible types of funding. There are situations in which there are reasons for shorter-term funding, but the majority of funding should be multiyear.

Sarah Latto (Volunteer Scotland): We want to be clear that the benefits of multiyear funding far outweigh any potential drawbacks. From a volunteering perspective, single-year funding is challenging. That is the case in volunteer-led organisations, in particular, but also in organisations that involve volunteers. That is because of the lack of stability and the challenges with recruiting volunteers, which we know is becoming more and more challenging.

There are potential ways of addressing the challenges of multiyear funding that Social Enterprise Scotland has identified. For example, you could stagger your funding so that not all of your funding starts in, say, 2024 and finishes three years later; you could hold some of the funding back and have more of it starting the next year instead. It is fairly easy to do that. You could also have annual review periods to ensure that the funding is still relevant and still something that organisations are looking for.

For most organisations, multiyear funding is still, as Sheghley Ogilvie has said, the best approach, but there are ways around the potential challenges that you could bake into the design.

Roz McCall: That suggests to me that there are added benefits, but equally there is the possibility of increased red tape, more processes and different ways of doing things. Is that not just going to create a really muddy pool when we look at funding? I am sorry, Sarah; I know you raised the point, but I need to speak to everybody. Mr Westwater, could you answer along those lines? Does that approach not just muddy the water?

Douglas Westwater (Social Enterprise Scotland): It probably muddies the water for the funder. Everybody will say that three-year funding or, if necessary, 10-year or longer-term funding is better; it creates stability, allows people to be creative and innovative and actually allows people to start to generate some of their own money and use their resources to make things much more sustainable. It is really important.

The concern is with cycles of funding. We might get three-year funding, but it might be announced for a certain date, and then there might be no more funding for another three years. If a really lovely, amazing and innovative group appears in year 1 and then has to wait two years, they will probably go elsewhere or disappear. I think that you are right: that sort of situation causes problems for the funder and the Government—it absolutely does. It is not neat or easy to manage, but it has a much greater impact on the third sector. Of course, the sector itself brings long-term savings for the Government, because the beneficiaries provide health and social care and all sorts of things. In the long term, therefore, there is a financial saving for the Government, but you are absolutely right that it creates an administrative headache.

Tim Frew (YouthLink Scotland): For me, whether the funding is multiyear or annual, the issue is how well managed it is. We see good and bad practice in both. Some big funders such as the Big Lottery Fund and Robertson Trust have good success stories around longer-term funding, but that does not mean that they do not provide short-term opportunities, too.

As far as the children and young people sector is concerned, there has been a lot of uncertainty around the children, young people, families and adult learning third sector fund. That is an example of a fund that has not been well managed, given that entrants over seven years ago were looking at a three-year fund, and it is still continuing. It just kind of rolls on and rolls on. One challenge in that respect is that existing grantees have speculated on the basis of a budget that they did six or seven years ago, and as a result, they have to make adjustments as they go. That can be quite challenging when it comes to the impact that they have or if they want to change other outcomes. It is also a barrier for new entrants to that fund, with people who have put in for their charity not able to get into it.

We need to see that against the wider challenge of children and young people funding in particular and the need for a collaborative approach, with parity of esteem between local government and other central Government funding in order to plan ahead. I would say that we need multiyear funding to do that and to be on an even keel, but it needs to be well resourced and managed to ensure that there are no barriers to new entrants.

Other people have talked about staggering the release of funds, which I think is an option. I do not think that that will necessarily mean lots of red tape; it is just a matter of being clear about the options right from the beginning. The guidance is very clear. However, one of the challenges for us in the third sector is that the conditions and the hoops can change as we go through the process. If the process is clearly marked out, I do not think that there needs to be additional red tape—it just needs to be well managed.

Roz McCall: Mr Bruce, we have heard a lot of information and I accept that there is a lot of overlap. Again, I have a specific question. Would shifting the timeframe to early in the financial year make a difference, or does any multiyear process need to be looked at again, right from the start?

Ian Bruce (Third Sector Interface Scotland Network): That comes back to Sheghley Ogilvie's point that fair funding is part of a wider set of issues. Decisions being made earlier in the financial year is absolutely helpful, but, with regard to annual funding, the reality—particularly for organisations that provide services to the public and that generally work with people who may be vulnerable or disadvantaged—is that, when we talk about insecure funding for third sector organisations, we are talking about insecure services for people. The reality is that providing funding for one year means that an organisation spends a significant amount of time at the start of the year setting something up, has reduced time in the middle of the year and then has to anticipate an exit. Therefore, absolutely, making a decision earlier in the process is helpful, but that is not the same as giving organisations confidence that their project can run for an extended period of time.

Staggering funding is a logical solution that fits with the way that most third sector organisations are funded, which is that they have multiple funders. If you are very lucky, you will have a few three-year funding programmes and they will not all finish on 31 March in the same year.

Roz McCall: That makes a lot of sense. Does anybody else want to pop back in on any of the additional points, before I finish up?

The Convener: Please be brief.

Sheghley Ogilvie: On the idea that there would be more red tape, it is important to highlight that the funding model is inefficient. A lot of time and resources are wasted—by the Scottish Government and people in the third sector—when people are constantly applying for funding. Therefore, multiyear funding will be more efficient, even if there has to be scope for flexibility within that. A lot of that is about building relationships with people in the sector and working together to find solutions if there are any hiccups.

Bob Doris: I will try to squeeze in a supplementary question to Roz McCall's question, and I will come to Ian Bruce first. The Scottish Government has indicated that it is sympathetic to, and would like to find a way forward for, multiyear funding. It would also indicate that it still does not know what its finances are going to be in this year,

yet it has had to set a budget for this year, let alone budgets for future years.

Other than getting more certainty from the UK Government, can you see any other workaround for that, Mr Bruce? I am thinking of, for example, guaranteed funding in year 1 but a guaranteed funding floor in year 2 of 80 per cent, going forward to year 2 and year 3, as we wait to see what the UK Government settlement looks like for Scotland. I am not suggesting that that is a specific solution; my point is to highlight the challenges and ask whether there are workarounds. It might well be that only Mr Bruce gets to come in on that, because I want to move on to my other line of questioning. However, do you have sympathy for the situation that the Scottish Government finds itself in in that regard?

Ian Bruce: Yes, and we work an awful lot with the local government network across Scotland, which has a similar challenge with regard to where its funding comes from. It would be a substantial improvement if we were to get to a point where organisations knew that they at least had a baseline, while recognising that additional resource might become available. I would reflect on it in that way—that you would set a baseline and that there might be more, rather than that you would set a baseline and there might be less. That is probably quite a critical point with regard to how both parties would think about that.

Bob Doris: If anyone else wants to respond on that question—incredibly briefly, because I have another line of questioning—feel free to come in, but you do not have to.

Sheghley Ogilvie: I would just make the small point that the UK Government has said that it is looking to have three-year spending reviews in the future. Therefore, I am hopeful—I hope that you all are, too—that, at some point, we are going to enter a situation in which the Scottish Government has a bit more confidence in what it will get from the UK Government and that that will flow down to the sector. It would be great to get to that point, and we are hopeful.

Bob Doris: That really helps, because that is an acknowledgement that the lack of three-year spending reviews is a barrier to multiyear funding settlements for the third sector.

Mr Westwater, hold on to your thought, because I will ask my next question and, if you can squeeze your comment in during your answer to that, please do.

This question is not about the amount of funds that the third sector gets or whether there is multiyear funding. Irrespective of the funds that the third sector gets, we are hearing that the balance between core funds, restricted funds and project-only funds and a real lack of flexibility are putting at risk the sustainability of some third sector organisations and that we need to do better on that. Do you have any comments or reflections on what those barriers are? For example, do they include the lack of flexibility and not being able to vire some money over to core funds in order to do something innovative? I see you nodding your head, Mr Frew, so I will start with you.

Tim Frew: During Covid, in particular, there was a lot more unrestricted funding and some of the conditions that we had in place were removed. That provided an opportunity to have a more needs-led approach to some of those outcomes. We were also an agency that provided funding, via the Government, to critical things that were happening for children and young people.

10:00

I recognise that there may be concern for some funders about the overall picture and how they manage that. However, when we have intermediaries, especially in Scotland, who are often very closely connected to the sector, there is an opportunity for them to use their knowledge to get the money to where it needs to go, especially when it comes to the proportionality of funding for projects with a small base, where the amount of investment is quite low.

If the relationships are there, there is an opportunity to trust that it will be delivered. We are not talking about huge procurement contracts going to private business, but about third sector organisations who are partners in the delivery of public services and who have a long track record and history of delivering. So, it would make a lot of sense to remove some of the restrictions, so that we can reallocate funds proportionately.

Bob Doris: Mr Westwater, you can squeeze in your other reply, if you wish, at this point.

Douglas Westwater: I will be really brief.

I was thinking about other models and how there is potentially a middle ground in relation to long-term funding. I understand that maybe nobody will buy lottery tickets tomorrow morning, and so it is quite hard for all funders to plan. However, there could be something like what happens in the contractual world, where you can say, for example, “You’ve won a two-year tender, but there might be extensions into year 3 and 4 if things go well.” The organisation will then say, “Okay, we know it’s only guaranteed for two years, but we know that there’s a possibility and a commitment in thinking.” There is then a relationship between the funder and the fundee. Such a longer-term commitment, with break clauses and an understanding that there are external issues, is a potential model.

I could not be more positive about unrestricted funding and flexibility. In my experience—both with my Community Enterprise chief executive hat on and in our organisation—working with community groups and social enterprises right now, there is a huge crisis out there and people are closing at a rate of knots. Giving them project funding is, in fact, damaging rather than positive, because it just creates another project to run.

I have asked some funders who are really committed to giving unrestricted funding how they feel about an organisation just putting that money into its reserves, and they have said, "Well, we trust them. We get to know them. We build a relationship. If that is what they need to feel secure and therefore be creative with their other work, then we trust them to do that." There is a creativity and a trust and a risk around all that. It is different from saying, "There is your £100,000; we need 10 people in jobs." It is a different relationship.

Bob Doris: That is really helpful.

Ms Latto, the mood music that we were getting at our away day with the third sector was very much, "Yes, we'd like more money, but please free us up to do better with the funds that we've actually got".

Sarah Latto: Yes, absolutely. A point that came out when we were consulting with the policy champions network is that one of the key strengths of the voluntary sector is that it can be nimble. Tim Frew mentioned that the voluntary sector was provided with much more unrestricted funding during Covid, which meant that we were able to show our strengths and respond and meet needs quickly in a way that other public services perhaps would not be able to.

We can think about it from a volunteering perspective as well. In the past couple of years, we have relaunched the volunteer charter, which sets out 10 principles for the sustainable engagement of volunteers. The reason that we chose to launch it at that time was that we were seeing an increase in the number of volunteers involved in activity that was not of the best standard, or who were not getting the support that they required. All of the infrastructure that supports sustainable volunteer involvement—and other forms of activity as well—is reliant on core infrastructure such as the support network and training, which is often not covered by project funding.

Bob Doris: It looks like there is broad agreement across the panel on that point.

Mr Bruce and Ms Ogilvie, if you have something specific to say that we have not heard already, please come in and say it briefly. Otherwise, I intend to leave my line of questioning there, but I assume that there is broad agreement among the witnesses.

Ian Bruce: There is very broad agreement.

For me specifically, there are two interconnected points. One is about organisations having the resources to run the central functions of their organisations, which is tied into some of the language that we hear from funders, including in the public sector, around reducing management costs, 10 per cent overhead caps and those sort of things, and supporting people to recognise that that is actually an investment in the organisation.

The connected point is the capacity of organisations to build reserves, which is fundamental. At the moment, local authorities are able to use some of the funding that they are given to build reserves, so that they can function. How do we shift the mentality around funding third sector organisations to say that it is not unreasonable for them to use a small amount of that funding to increase their reserves? That is how to build sustainability.

Bob Doris: Sheghley Ogilvie was nodding her head vociferously at that.

Sheghley Ogilvie: Yes. I agree with it. The points that I would make have been covered.

Kevin Stewart: Good morning. I smiled a fair bit when Sheghley Ogilvie mentioned three-year spending reviews, because UK three-year spending reviews did not always formulate into logical budgets over those three years.

I will go on the trust aspect, because that is very important. Ian Bruce talked about how local authorities are allowed to build reserves. The reality is that, in Scotland at this moment, some local authorities have huge reserves that they should be spending, but others have next to nothing. Would it be easier to garner trust if there was multiyear funding, with the ability to see what organisations were doing over three, five or however many years?

Sheghley Ogilvie: Yes. Multiyear funding will allow organisations and the Scottish Government to build relationships together, which creates trust—as long as flexibility is built into the funding so that risk is shared between the funder and the sector. At the moment, a lot of the risk is on the sector and there is no flexibility. Over the past few years, a lot has come up—for example, Covid and inflation—that has had a big impact on the sector and has led to a need for more funding. Multiyear funding will foster trust.

Sarah Latto: Yes, absolutely. Trust is pretty fundamental. In 2023, research that was undertaken by the Scottish Government looked at the response of the third sector to the Covid-19 pandemic, and recommended that it should be an

opportunity to reset the relationship between the third sector and the Government. However, it feels as though we have gone in the wrong direction and that that trust is starting to wane, just because we have not had multiyear funding.

Kevin Stewart: Has that trust waned because funding is not so readily available—because we are in a belt-tightening situation due to continued austerity?

Sarah Latto: It is partly that, but it is also about transparency and communication between the funders and the organisations that they are working with.

Another thing that came up as we were preparing for this inquiry is the power imbalance between the Government—or funders—and the organisations that are supported. We heard from organisations that were not keen for their name to be put to any kind of response to the inquiry, because they were concerned about being seen to bite the hand that fed them—just in case that had an impact on their funding. At the moment, we need a recognition of that power imbalance, which is probably more acute now because there is so little money to go around.

There is definitely an element of there being less money. That creates tension. However, if we looked at the process and at communication and transparency, a lot of that trust could be built back up again.

Kevin Stewart: Gentlemen, do you have anything to add to that?

Douglas Westwater: The point about trust, and how it fits with long-term and unrestricted funding, is interesting. You need to get to know somebody before you can trust them. Just getting an application and scoring it and giving people money is not based on trust. Trust needs a longer-term relationship between funder and fundee.

It is also about impact. The programme for government came out yesterday with a whole load of things about poverty and community wealth building and all sorts. The Government needs that to happen. That has been set out and the third sector in Scotland is one of the major elements in making it happen. It is about partnership and trust and the impact that they can have. We, in the third sector, are delivering that difference and making it a reality on the ground. That is where that trust can work.

Tim Frew: I agree. In a time of diminishing resources, there is a danger that we start bean counting and focusing on very detailed outputs. Understanding that we are talking about national performance frameworks and bigger outcomes, if we start to overprescribe outputs at a top level rather than listening to the needs of those who are delivering the activity, we might see unintended consequences. Some of the targets that we set are unhelpful.

I have perceived that, over time, since Covid, there is more stepping in. Intermediaries and other funding groups are not trusted as much as they were and more prescription is coming in. One of the challenges for us is that we have a long track record of success through peer evaluation and young people with accreditation being involved in taking decisions, so we need to remember that what we want to do with participatory budgeting is to ensure that communities get involved in funding decisions, supported by intermediaries who have good trust and a long track record of delivering the activity.

Kevin Stewart: When I was a minister, I used to get into trouble for being derogatory about the bean counters.

Mr Bruce, do you want to add anything?

Ian Bruce: No.

Kevin Stewart: I want to go off at a tangent here.

The Convener: Can you do it briefly?

Kevin Stewart: I will be very brief.

You have highlighted some of the Government's ambitions for delivery. Let us take the ambition to meet the Promise. Earlier, Mr Westwater talked about some longer-term agreements. Should framework agreements with organisations for the delivery of policies such as the Promise be established? Short answers would be great.

Douglas Westwater: Well, the short answer is yes. It is about that trusted relationship. Sarah Latto and others talked about what happened during Covid, when funders just said, "There's a lump of money. We're worried about what is happening in this field"—whether that was children and young people or the environment or poverty or whatever—"so get on with it and go and sort it." With a few minor exceptions, the third sector will get on with it. Yes is the short answer.

Kevin Stewart: Would the sector be supportive of the Scottish Government's battle with the UK Treasury to get longer-term funding to achieve that?

Douglas Westwater: As you said, if the funding is stuck somewhere else and we can support the removal of any blockage, then of course—absolutely.

Kevin Stewart: Grand. Does anyone else want to come in on that? I am taking it that you are all answering yes.

The Convener: Thank you. I now invite questions from Marie McNair, who is joining us remotely.

Marie McNair: Thank you, convener, and good morning to the witnesses. Thank you for your time.

I get the point about inflation and the real living wage, and the challenges that they bring. Is there anything that you would like to highlight about those challenges?

Sheghley Ogilvie: You have highlighted what we all know and what everybody in the committee knows—the sector is facing unprecedented challenges through cost increases. For example, in the latest third sector tracker, which came out in April and which covers the three months prior to that, 47 per cent of organisations reported cost increases in their top three challenges. Over the years, we have heard repeatedly about organisations not getting any uplift at all. One organisation did not have an uplift for 13 years, which meant a real-terms decrease in their funding of 27 per cent at the time, and it will be even more than that now because of the amount that inflation has risen. Organisations are under real pressure. Having uplifts within funding more broadly—we hope that it is multiyear funding—is essential to the sustainability of organisations.

Since Covid, organisations have also dealt with increased demand, as the committee is aware. They face increased demand, less resource and rising costs with no uplift, and that needs to be tackled. If we do not tackle the issue now, when we are in the worst position that we have ever been in, with rising inflation, the need to pay staff more—indeed, the need to pay the real living wage—and increased demand, when do we tackle it?

10:15

Sarah Latto: I completely agree with Sheghley Ogilvie that fair funding is a complete package, but, for us, inflationary uplifts have probably been the most damaging to the experiences of volunteers across Scotland. We have seen a significant decrease in volunteer participation in just a couple of years—it is down 4 per cent—but more worryingly, we are also seeing an increase in the number of volunteers reporting that their volunteering is becoming too much like paid work and that the organisations' expectations of them are too high.

Those things are really concerning for us. I have already mentioned the volunteer charter, and we are really pushing that in an attempt to encourage organisations to adhere to it. However, if they do not get sustainable funding, it will be increasingly challenging for them to provide sustainable volunteering opportunities.

Our concern is that, without sustainable funding, there could, as Mr Stewart suggested earlier, be a race to the bottom. There will be so much competition between organisations that people will put in unrealistic funding bids to try to secure their funding, and that will mean that other things—for example, standards—will slip.

One thing that we are really keen on—and it is part of the volunteer charter—is ensuring that all volunteers get their travel expenses paid. That just seems like a given, yet the Scottish Government is funding a major organisation—MCR Pathways—that does not provide travel expenses to its volunteers. It might result in other organisations being squeezed out that could provide such services while also providing a positive experience for their volunteers.

Douglas Westwater: Do you mind if I chip in briefly? The real living wage and inflationary issues have been mentioned, and I have to say that we are finding that the organisations that we support are facing almost a perfect storm. There have not been any inflationary increases for a very long time—we have had a stand-alone grant for 10 or more years now—but in their most recent grant offer letters, the organisations have been told that, as a condition, they must pay a real living wage.

All of us in this room would massively support such a move—indeed, nobody will be against it—but, to take one example, I know of people who get a core grant to run a particular service. As part of that, they run a retail outlet and a cafe, and they employ people. They match fund their grant with their own self-generated income, but if they had to put up their wages to the real living wage, much as they would want to do so, it would push their cafe into a deficit budget and insolvency. Such a move would likely close the cafe. On the one hand, they have to accept the core grant, as they cannot work without it, but the conditionality of having to pay the real living wage without any inflationary increase means that they might have to stop generating income through that element, because they cannot make that business work.

None of this is perfect, but that is the reality on the ground for some organisations.

Marie McNair: That was the next question that I was going to ask. Are funders expecting you to provide the real living wage without giving you the funding to do so? Does anyone else have any other examples of that happening?

Tim Frew: I very much concur with what has been said. We have rising demand and rising costs. According to the UKGrantmaking survey, there was a real-terms cut of 33 per cent in grant-making spend from UK central Government to charities, and that situation was reflected in Scotland. If we do not build in inflationary

increases year on year, we are left with more and more disparity, especially in comparison with the public sector. For those trying to keep up with the public sector on wages, the agreement often comes quite a few months in and goes back the way.

The realisation that we cannot in some ways keep pace with increases for employee security and staff morale brings real pressure. Indeed, I have a graph in my office, as I am sure that many do, that shows the difference between core grant giving and cumulative inflation and other wage increases in the public sector over the period, and the lines go in different directions. This is a longer-term thing—it did not just appear post-Covid. Having fair funding—and, indeed, more multiyear funding—could help us plan ahead a little bit better in that respect.

I agree about the challenge of a race to the bottom. In contracting, there is sometimes a pressure not to consider overheads and management fees. I have to say that that is not coming from our bigger charitable trusts or big funders. They get the need for core cost recovery, but I have sometimes found myself in conversations with public officials where there is no appreciation or understanding that we need that money for overheads, management fees and operational costs. I am concerned about that.

I am also concerned about the lack of contingency budgets. When we were given funds in the past, there used to be a line for contingency and contingency planning, but that does not seem to be there so much now.

Ian Bruce: Very quickly, the real living wage is the absolute baseline that we should expect. Many people in the third sector do very difficult and challenging jobs, and their salaries should reflect that. A couple of years ago, our research into fair work demonstrated a number of things, including that pay in the third sector is regarded as sitting well behind comparable jobs in other sectors. We need to be addressing that, not perpetuating it.

The last point about inflation is the impact that it has on staff in other ways. In our experience, when organisations do not get inflationary increases, they try to pay their staff a bit extra, but to compensate for that they have to stop doing staff training and investing in extras and additions, which creates challenges.

Jeremy Balfour: Good morning, everybody. I have two very brief questions. I will start with Sarah Latto. The Scottish Government has consulted on Disclosure Scotland fees and has suggested that they should fall on the charity or organisation to pay, rather than being picked up by the Government. What effect do you think that that would have on volunteering, particularly for smaller charities?

Sarah Latto: It would be devastating, particularly for organisations that support children and vulnerable groups. Given the Scottish Government's commitment to addressing child poverty, that is a particular challenge.

If you are a paid employee, there is often an assumption that you will cover the cost of your protecting vulnerable groups scheme membership, but most organisations will cover that cost for volunteers. The likelihood is that that cost will be transferred on to the third sector. We have estimated that the cost to the third sector would be around £1 million, which might not seem like a huge sum of money, but it is a challenge for organisations that have had 20 or 25 per cent real-time cuts in their funding.

It is also a worry if organisations have not budgeted for that. For organisations that have only a couple of their volunteers in PVG roles, it would not necessarily have a huge impact, but as Jeremy Balfour says, for a small organisation that is working with children or vulnerable adults, that could lead to the closure of that service or to the organisation having to look at alternative approaches.

Another concern that we found when we were consulting with the sector on this is that some organisations, particularly smaller ones, would try to fly under the radar and not seek PVG membership for volunteers who really should have it, which could put children and vulnerable groups at risk.

From a funding perspective, it is a bit of a perfect storm. The removal of the fee waiver for volunteers in qualifying voluntary organisations could have a devastating effect for services, particularly for children and vulnerable adults.

Tim Frew: I concur with that. When I met national voluntary youth work organisations, everybody identified that as a concern. Many of them are working with thousands of volunteers across Scotland, especially our uniformed groups and others. They have already had the situation post-Covid of volunteer numbers dropping overall, and they are trying to build back numbers of volunteers, especially for younger adults, to replace people who have retired or moved on from volunteering.

Extra costs, especially for younger adults who are coming into volunteering for the first time, could be a significant barrier for those organisations.

Jeremy Balfour: We have heard from the deputy convener, and we hear from the Scottish Government over and over again, that, because it

does not know how much it is getting from Westminster, it cannot guarantee funding. Interestingly, we do not say to doctors, nurses or even MSPs that they might not have a job in two years' time. What message does treating the third sector very differently from the public sector send to the third sector?

Sheghley Ogilvie: It sends the message that there is no parity between the third sector and the public sector. The third sector provides many public services that are very similar to, if not the same as, those provided by the public sector, but we are not treated in the same way when it comes to multiyear funding and uplifts. For example, in several emergency budget responses, there have been uplifts for staff across the public sector, but there have been no inflationary increases for third sector funding, so the gap is widening. There is definitely a sense that there is no parity in the sector, and there is frustration about that.

There is a feeling that the sector is underappreciated and that the value of the work that the sector provides is not appreciated in the same way as that of the public sector. That is frustrating for organisations, staff, volunteers and people and communities who benefit from voluntary sector services.

There has been a lot of frustration, especially during the past few years, because a lot of effort has been made to help the lowest paid in the public sector, but the same has not been done for those in the voluntary sector.

Tim Frew: I agree. For us, it is about the impact of youth work. Not just for the third sector but also for local authorities, there is a challenge to keep parity, because doing so is seen as less statutory. Although there is statutory guidance, it is not strong enough. It comes after other key decisions to protect funding for some of the big initiatives have been taken, and that leaves the sector quite vulnerable.

Ian Bruce: Investing in the third sector often means investing in the capacity of communities at the local level. Investment in prevention and early intervention is the language that is used repeatedly in policy around public services in Scotland, and that is challenging. I am reluctant to get into a direct comparison with nurses and the like, but there is a fundamental frustration because, if we genuinely want to create a society where we are intervening early and preventing bad things from happening rather than responding to them when they do, it strikes me that we would invest in communities on a fundamental rather than an ad hoc basis.

The Convener: I will touch more on the inefficiencies in the funding processes. That includes how burdensome the funding application form and the reporting requirements are. In our workshop, the committee heard from several people that there is good practice with some application forms; I cannot recall, but it might be the Robertson Trust that has an excellent application form. What could we do to try to streamline the process?

Sarah Latto: Standardisation across the various application reporting mechanisms is needed. The process also needs to be made a lot simpler. There should be recognition that 72 per cent of charities in Scotland do not have any paid staff—they are entirely volunteer led, so quite often volunteers undertake those processes. Therefore, making sure that each process is incredibly easy to understand, using plain English as a matter of course, is incredibly important.

Based on what we have heard, when the Government is reporting, consistency on outcomes and the indicators that are being used would also be incredibly useful.

You mentioned the Robertson Trust. Another example that is particularly good is Impact Funding Partners, which administers the Scottish Government's volunteering support fund. We work closely with Impact Funding Partners and we know the level of support that it provides, particularly to very small organisations that have limited staff. Such organisations will not have a designated person who deals with funding: it will be part of somebody's job—if the organisation has a paid member of staff. The model that Impact Funding Partners has adopted is incredibly good, and it provides an awful lot of on-going support to organisations, so it would be good to replicate that for other funding models.

10:30

Tim Frew: We have been involved in a lot of small-grant-based funding for organisations and charities. Again, we have learned from those organisations how they report. We have been communicating with them, and we spend a lot of time trying to simplify some of the jargon and new policy initiatives to make them real for that level of funding.

The word "proportionate" is really important in that regard. For example, you would expect far more scrutiny for funding of £100,000 than you would for grants of £5,000 and £10,000, but sometimes the nature of quick-turnaround funding means that all the application forms require you to fill in 35 pages of detail, which is not appropriate. I am exaggerating to make a point, but the burden can feel like that.

Something that is fed back quite a lot is that there is not always trust in, or understanding of, how that level of detail of reporting will be used.

There might be a check or a visit to see what is happening and its impact, but it sometimes feels as though there is a lot of detailed reporting without an overall summary of that. In one or two cases, independent evaluations have been conducted but have not then been used in the next funding stage or round, which is also a concern.

Douglas Westwater: I have mentioned the issue a few times. It partly comes back to the issue of trust. A funder that does not trust an organisation gives it 35-page application forms. In part, what is needed is to begin to build a relationship of being in partnership. That already happens—the situation absolutely is not terrible. However, we need to build that relationship with the Government, the Robertson Trust and the National Lottery so that there is a feeling that support agencies, funders, groups on the ground—which Ian Bruce has spoken about—and communities are all in partnership to deliver a better Scotland, and that we are equal partners.

Some organisations have money, some have contacts on the ground and lovely projects, and some have support to give, but at the moment there is, as Sarah Latto mentioned, a feeling of power disparity. That is where the point about the application form comes from. We need to build trust so that funders say, "Let's sit together and work out what you are doing, what the impact is and how it fits with the national planning framework, policies and community wealth building" and then, "That's brilliant—how can we make that happen?" We also need to look at what safeguards we put in place to ensure that public money is spent and monitored properly, because that has to happen, too.

In that way, the relationship would improve and that would affect the requirement for paperwork. As most of us have said, with annual funding you spend six months of the year filling in forms and reporting on them. If there was 10-year funding, I would not mind spending a month filling in a funding application, but people are having to do that every year.

Social Enterprise Scotland's experience, from speaking to people across the sector—we have talked a lot about the third sector—is that there is perhaps an assumption that there is a third sector division in Government. However, organisations are getting grants from the areas of housing, regeneration and economy, now that social enterprise has moved into the economy. I do not have a scientific answer to that situation, but people have told us that there are different relationships and different demands across different departments. Sarah Latto spoke about the lack of consistency, and we see that across different divisions in Government, so it would be good to tidy that up.

The Convener: That is really helpful.

Ian Bruce: There is an equalities issue at the heart of this situation. We have a competitive process—it was designed that way—that, fundamentally, assumes that people are confident about going through a mechanism in the style that they use. However, there is less capacity in some communities in Scotland, so the result of our funding processes is that those communities receive less funding because they do not have robust third sector organisations that are able to apply for the funding. That is a fundamental issue.

There is also a wider equalities issue. We know, for example, that many of the organisations that we would expect to be led by people from disadvantaged backgrounds are not led by people from disadvantaged backgrounds. Some of that comes from the fact that, to be successful, you need to be able to play the game of how to get an account for funding.

My other point is about how we build the capacity of organisations and civil servants to understand good evaluation. A lot of organisations feel that they are putting a lot of work into monitoring and evaluation—feeding the beast, if you like—without having any real sense of how that turns into learning for either them or the Government.

The Convener: That is interesting. I do not know what experiences any of you have of getting on to a tender framework. In my previous role, I sat on Scotland Excel and looked at tender submissions that came through. One tick box—which I think someone alluded to—was that, in order to get through, organisations had to pay the living wage. Have any of you experience of that? I also want to ask about the reporting mechanisms for Scotland Excel when an organisation is on such a framework.

Ian Bruce: It would be remiss of me not to say that, usually, what really stands out in organisations' feedback to us is insurance requirements. Commissioners and Scotland Excel place on organisations—particularly for things such as professional indemnity—exceptionally high insurance requirements that are significantly higher than most organisations of the size that would bid for such a contract would be likely to have. That is a very practical issue.

Douglas Westwater: We, in Social Enterprise Scotland, quite commonly talk about the tendering and procurement side of things. We are keen to significantly grow it and to grow the proportion of the third sector that delivers services. Interestingly, in some of the things that others have spoken about, there is a lot more freedom to add in things such as core costs. Organisations say, "We will do it for this price—take it or choose someone else,"

and they are able to include enough of a profit margin to put some money into reserves. That is good.

I could tell you a thousand things about procurement, but if I were to choose one that we would like to see, to go back to the equalities thing that Ian Bruce mentioned—again, that is about process and Government and how that might be a challenge—it is about breaking things down, to help us as a sector to create co-operatives so that we have time to think things through and create partnerships so that the larger bodies can tender for larger contracts but still get local and community benefit. That would be hugely supportive. People have talked about it, but the capacity for it does not exist.

Alternatively, contracts could be broken down into smaller lots, so that organisations that have particular thematic or geographical skill sets are able to tender for smaller things.

Those things have been spoken about for a long time—neither is new—but they have not yet quite been resolved.

Sarah Latto: We have talked about funding processes being proportionate. However, it is important to remember that volunteer-led organisations can deal with quite significant sums of money, particularly in community asset transfers. Those are fairly sizeable capital projects for which lots of money is on the table. It is important to be proportionate but also to recognise that a level of simplicity and accessibility is required across the piece.

Sheghley Ogilvie: In process-based improvements, there are areas that do not cost money, although often when we talk about improving funding for the sector, the idea is that everything costs money. All those improvements to processes would greatly help the sector, which is in a difficult position. They are essential to fair funding and they do not have a cost. It would be good if some of those things could be incorporated and moved along to create a more sustainable situation for the sector.

The Convener: Thank you. I pass to Paul O'Kane for the last line of questioning.

Paul O'Kane: The challenge of being the last questioner is that we have covered a lot of ground. However, it is important to pull together some of what we have heard this morning.

In our conversation, we have focused on multiyear funding, as is right—it is at the core of the discussion. However, fair funding principles go beyond that, and a number of different things need to happen in order to move the issue forward. Witnesses might want to touch on anything that we have not covered on relationships or structures. We have heard about parity of esteem. What sorts of things need to be not just put forward but implemented and sustained in order to really help to renew that relationship?

Sheghley Ogilvie: One issue that we have not really spoken about is transparency. At the moment, we have some commitments from the Scottish Government about fairer funding, and SCVO is keen that the Government map that on to our fair funding work, which is being developed with the sector.

One issue is that we are not able to measure progress on some commitments that the Scottish Government has made, or will make in the future. First, we need the Scottish Government to define exactly what fairer funding is and what its goals and timelines are. However, we also need transparency on Scottish funding at the moment. How much funding flows to the sector, how much of it is multiyear and how much includes inflation-based uplifts and covers the living wage or any other thing that we do not have information on?

It is important that creating a fair funding environment includes creating a place in which we can hold the Scottish Government to account on its commitments and see where there has and has not been progress. We do not have that at the moment, which is a real problem in making progress and understanding what has or has not improved. That is also essential to the trust that we spoke about. Of course, there will not be a lot of trust if no one understands what progress has or has not been made or what the aspirations are.

Sarah Latto: To build on what Sheghley Ogilvie said, interesting work is going on in Wales that might be worth looking at. Wales has already baked in a compact with the sector—it was set up in 2014, I believe. Wales is currently consulting on a code of practice for funding the third sector. For us, there is potential to formalise principles such as fair funding, and we might look to Wales for some inspiration on that.

Douglas Westwater: I have a couple of minor points to make. I do not think that there is an easy answer to this, either. I am sorry—I keep thinking of things to which there is no easy answer. However, it is a wee bit about having very solid thinking on innovation and new ideas versus investment in success. Organisations that have consistently provided excellent services over a very long time, that are embedded in their communities, that understand their beneficiaries and that make a huge difference begin to feel a bit boring to funders. Real thought is needed on how much the Government or other funders invest in innovation and new ideas—allowing space for that is needed—and how much they use their resources to invest in those trusted organisations.

We, in community enterprise, certainly deal with some very serious situations. We provide an emergency service—we help people—and it is really challenging out there.

My final message is about the Government, as a funder, understanding the cost to itself of its funding decisions. Some organisations—not all, I hasten to add—that have lost Government funding have closed; they have been unable to carry on and have gone insolvent. For the sake of relatively small amounts of money, that has cost the state—the Government—very large amounts of money, because people are back at their community psychiatric nurse, back at the doctor, or going to day care. There is a cost to not funding things.

Paul O'Kane: Some of the evidence that we heard when we met organisations over the summer was about the challenge between innovating and trying to sustain something that works. They said that, very often, people get stuck in a cycle between things having to be new and things that have been proved to work. You touched on that. Do you recognise it?

Douglas Westwater: Absolutely. That is why I wanted to finish on that point. If those trusted organisations stop being funded, we lose not just an organisation but a lot from our community. We lose a lot of capacity and it costs the nation a lot of money.

It is about prevention, which Ian Bruce mentioned. Our approach is to try to be preventative and to build capacity. That can feel quite distant—it is not about doctors and nurses and bobbies on the beat—but it makes long-term savings to the nation. It is about early investment in something that will save the very tight budgets that you guys, local authorities, the NHS and all the other public services deal with. One way to resolve the situation is to fund early and small at that level, because very large savings could be made in the longer term.

Tim Frew: I will pick up on prevention, universal services and core services at community level. A national conference on prevention is coming up in November, with a focus on public health, education and policing. The third sector in particular is very good at looking across the portfolios and seeing the bigger outcomes that we are trying to achieve through prevention and seeing the social return on investment in that.

10:45

One challenge is that we get into a siloed and target-based bean-counting focus, especially from some of our policy departments, through their very much doing the things that they want to do in their own worlds. The danger is that people jump into those brackets instead of protecting some of the core delivery at local level.

Therefore, when it comes to fair funding principles we need senior-level buy-in, an action plan and, I suggest, training, because we do have brilliant models of funding, some of which we have mentioned. Some corporate bodies, too, have given two-year or three-year funding and have changed and adapted their expectations of what they get from communities and the way that reporting might happen.

We need to avoid a situation in which there is too much exceptionality—"Okay, there is multiyear funding, but it's not for this Government department, because we are looking at attainment, so we've got to do it differently." When you allow for too much exceptionality, particular agendas are pushed that do not see the bigger picture or the national performance framework outcomes.

Again, I will say that I have seen fantastic examples of young people's peer evaluation. It is some of the most detailed scrutiny that any application, especially an application for a small grant, will get. Many of the young people are trained in participative budgeting and grant-making processes. I am sure that that applies to other community groups, as well. There is real detail and real scrutiny. It is very frustrating, sometimes, to see that process happen then get overruled at a more senior level. I encourage that process and I encourage training for some of the key public servants who are involved in decision making on funding processes, so that they understand the independent monitoring that happens.

In addition, there are evaluation and learning frameworks. We have not mentioned agencies such as Evaluation Support Scotland, which have done a lot of work to support and consider good outcome-based measures. We need to use the material that we already have.

Paul O'Kane: Ian Bruce, when you comment, will you say something about the connection and relationship with local government, about which we have also heard? We heard a lot about good and positive relationships from TSIs that are helping to manage funds for whole-family wellbeing, for example. That does not work everywhere, and there is no consistency. What do you want to see in that space?

Ian Bruce: You read my mind, because that is exactly where I was going.

The Scottish Government gives money directly to third sector organisations, but it also allocates significant pots of resource, nominally, to partnerships at a local level—for example, local employability partnerships and children's services planning partnerships. However, in reality, those funds are held by local authorities and there is a

real tension in that, because the aspiration of Government is that the money will be used in a collaborative way to redesign the system but it often ends up being tied into the structures of the local authority, and we do not get flexibility and innovation.

Again, that comes back to power imbalances: the person who holds the purse strings has control over the process. The challenge for the Scottish Government is that, in order to achieve the change that its agendas seek, we need to think about the governance of how that resource is used, because that is where the critical difference will start to be made.

The Convener: That concludes our question session. I thank the witnesses for sharing their views with the committee today. We will hold a further evidence session over the coming weeks, so we will have heard from a host of people in third sector organisations.

That concludes our public business for today. We will move into private session to consider the remaining items on our agenda.

10:48

Meeting continued in private until 11:23.

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