



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Justice and Social Security Committee

Thursday 12 September 2024

Session 6



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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
PRE-BUDGET SCRUTINY 2025-26	2

SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE

23rd 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:

Rachel Cackett (Coalition of Care and Support Providers in Scotland)

Allan Faulds (Health and Social Care Alliance Scotland)

Euan Leitch (SURF—Scotland’s Regeneration Forum)

Ran Majumder (Edinburgh Voluntary Organisations Council)

Lynn Tulloch (Voluntary Action Shetland)

Dr Judith Turbyne (Children In Scotland)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 12 September 2024

[The Convener opened the meeting in private at 08:34]

09:10

Meeting continued in public.

Decision on Taking Business in Private

The Convener (Collette Stevenson): Good morning, and welcome to the 23rd meeting in 2024 of the Social Justice and Social Security Committee. We have received no apologies.

Our first item of business in public is a decision on taking in private today and at future meetings consideration of the committee's work programme. Do members agree to take that business in private?

Members indicated agreement.

Pre-budget Scrutiny 2025-26

09:10

The Convener: Our next item is an evidence session as part of our annual pre-budget scrutiny. 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.

I welcome our first panel of witnesses, who join us online. We have Ran Majumder, who is a trustee of Edinburgh Voluntary Organisations Council, and Lynn Tulloch, who is the executive officer and company secretary for Voluntary Action Shetland. Thank you for accepting our invitation.

Before we move to questions, I have a few points to mention about the format of the meeting. Please wait until I or the member asking the question says your name before speaking, and please allow our broadcasting colleagues a few seconds to turn your microphone on before you start to speak. You can indicate with an R in the chat box on Zoom if you wish to come in on a question. I ask everyone to keep questions and answers as concise as possible.

Our first line of questioning is from Jeremy Balfour.

Jeremy Balfour (Lothian) (Con): Good morning, panel members. Thank you for making time to take our questions. What is the benefit of multiyear funding to organisations, and what are the obstacles at the moment to getting it?

Lynn Tulloch (Voluntary Action Shetland): Thank you very much for offering me the opportunity to give evidence this morning.

Multiyear funding is really paramount in offering sustainability and continuity of service. It allows for job security for third sector staff, enabling them to directly deliver what is commissioned on the ground. If we have short-term funding with, perhaps, 12-month cycles, we grapple with challenges year on year, and staff have to use some of their time in that year to source funding to sustain projects. There are issues about being able to provide on-going service provision in the community. If you have service users who access your service, there are challenges year on year in whether there will be continuity of service.

As I said, multiyear funding is paramount in being able to provide quality sustainable services in the community and to offer an element of job security for the staff who deliver those services.

Ran Majumder (Edinburgh Voluntary Organisations Council): I completely agree with what Lynn Tulloch has said. I will add two things—

one on the support side and one on the delivery side. The support side is for people and, in terms of the Scottish Government and United Kingdom Government policies about prevention and early intervention as a strategy in health and social care, we need continuous funding for projects so that they go beyond just providing a service and create relationships in the community.

If that is what we are gearing towards, continuous funding does two things for organisations and the community. It provides a framework for workforce planning and workforce development, which I assume is a very big issue in the third sector everywhere—it definitely is in Edinburgh. The other part is co-production and collaboration. I read many questions in the paper about the funding issues, and, in my opinion and EVOC's opinion, funding is about not just the cash or money bit but the resources, the planning that goes into it, the governance and the infrastructure. That can be developed only with multiyear funding and continuity in the process and the people who are involved.

09:15

Jeremy Balfour: Does not having multiyear funding have a greater impact on smaller charities? From a rural perspective, Lynn Tulloch, is there a greater impact if you cannot plan ahead because of that? This time, let us start with Ran Majumder and then go to Lynn.

Ran Majumder: From an Edinburgh and Lothians perspective, small and local organisations are definitely more affected if there is no multiyear funding. That is because of the bottom line—the organisation structure and operations are very threadbare. Those small organisations do not have the reserves to continue if funding stops or a project comes to its conclusion.

The other aspect of small and local organisations is that they are community-based anchor organisations and they pursue projects and services that might not have contractual or multiple-year funding. Some services have layers of services around them so, if there is no multiple-year funding, that has a ripple effect. In my opinion, not having multiple-year funding definitely affects local organisations more.

Lynn Tulloch: I will reiterate Ran's points. Some small local grass-roots organisations have very tight margins, and some are volunteer led with a small amount of staff support or none at all. If multiyear funding is not in place, organisations need dedication and commitment to utilise time and resources to find funding to sustain a grass-roots service or project in the community.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I thank both our witnesses for supporting our pre-budget scrutiny this morning.

The committee has heard a lot about the need for greater flexibility in funding. Of course organisations would like more money, but we know the climate that we are in and, even without more money, greater flexibility would help voluntary organisations. We have heard about more money for core costs and about how a small percentage of the money from grants could be put into reserves for future resilience. We have heard about unrestricted funds and more general flexibilities, and how money can be spent to meet outcomes.

Any reflections that our witnesses have on those matters or on other potential flexibilities would be welcome, including any benefits or potential drawbacks. We will start with Lynn.

Lynn Tulloch: I would really welcome flexibility to utilise funding where it is needed. If funding is really rigid, delivery can get difficult when things change.

It is becoming more challenging to find and source core funding. There is funding out there for project work but, when core funding is not in place, it sometimes becomes difficult to deliver the project work. I am not saying that it is a chicken-and-egg situation, but it is becoming more challenging. If core funding is depleted or more challenging to find, how can the organisation deliver projects? I would welcome the opportunity to utilise funding where it is needed, and that includes reserves. It is also challenging when charities are trying their best to find unrestricted funding for themselves, by generating income through fundraising. Charities sometimes have to utilise their reserves to top up funds when project or core funding has not been able to provide 100 per cent of the cost.

I would definitely welcome the opportunity to have flexible funding arrangements to help charities and groups.

Ran Majumder: I completely agree with Bob Doris and with what Lynn Tulloch has detailed.

I have a couple of succinct points. Again, I would like to extend the concept of funding beyond the income or grants that come in—it is about resources. If you do not have core functions in an organisation—collaboration with other partners or statutory sectors and offices that can create some stability for the organisation, the services and the people—the organisation will dwindle. As Lynn Tulloch said, without core funding, we will not be able to deliver projects through smaller organisations.

I know that it sounds a bit counterintuitive, but flexibility can sometimes be about innovative services giving the community dynamic and organic projects at grass-roots level. It is also about the old-school stuff to do with governance and infrastructure. That is not just about organisations; it is about the links with the statutory and third sectors. The governance and infrastructure that we can give to senior managers and chief executive officers of grass-roots organisations are very important. That is where some flexibility might not require an additional amount of funding, but just a different way of looking at interface organisations such as ours and bodies such as the Edinburgh health and social care partnership—or health and social care partnerships across Scotland—working together to provide the governance and infrastructure for smaller organisations as and when they need it.

Bob Doris: That is helpful. One way to build in the flexibilities that the third sector requires is to have a close working relationship as funds are developed—almost like co-produced funding mechanisms. Those funds might be fit for purpose and the process would build trust between the funder and the third sector. Ran, are you aware of any examples of that? Would you like to see that rolled out?

Ran Majumder: Yes, absolutely. EVOC has gone through a lot of transition this year. We are trying to discuss that kind of model with Edinburgh integration joint board. It is not just about procurement and allocations; it is about the communication and understanding of both systems. That communication does not need to involve a lot of time on the part of organisations. Sometimes, the way that co-production works means that there are various meetings and for a involved, and the chief executive officers or senior managers of small organisations do not have time to go to all those meetings. Therefore, if the interface organisations and the IJBs or the offices create the platform of a consortium model, where the representatives of member organisations and different for a form advisory groups, the process will be much more streamlined.

I can give the example of Lambeth borough in London, which used a co-production model of procurement. From the data, I think that it is still a work in process. The same is the case in Portsmouth. These are innovative approaches, but we need to ensure that we give these models time to develop. Sometimes, we create consortiums or alliance models and then, after two years, it just stops, so the time is important.

Bob Doris: That is helpful. Lynn, do you have any comments on that line of questioning?

Lynn Tulloch: Co-production would be helpful. It goes back to the point about lived experience

and charities living and breathing the challenges of having a patchwork of funding to manage their service. It is about being able to listen, develop that trust and come together to share experiences. It maybe makes for a better way of working with regard to how funding is allocated and utilised in the best way possible.

Roz McCall (Mid Scotland and Fife) (Con): Good morning. Thank you very much for coming and answering our questions. I will follow on from the two themes that we have just spoken about. We have looked at multiyear funding and flexible funding, and we have been asked to look at an inflationary bump in funding. Multiyear and flexible funding would both have to start from an accepted understanding that there will be fixed costs, and, for multiyear funding, those fixed costs would be fixed at the beginning, and so on.

I want to get some input from both of you. How can we do that? How can we give an inflationary bump to the multiyear and flexible models? There will be unforeseen costs, but, equally, there has to be a starting point, which comes from fixed costs.

I will start with you, Ran, to move it around. How can we change the models to do that?

Ran Majumder: It is a crucial question. On flexibility, multiyear funding and adding inflationary bits to it, EVOC's thinking on the Edinburgh scenario is that we need a more collaborative approach to the organisations providing support. We all know that funding is limited and that it will perhaps be more limited in the future, but we have to accept that and that we may not have the capacity to increase funding to what we would ideally want.

Let us say that there is a model of alliance funding, a model of co-production and a model of preferred providers. I think that we need to find a way somewhere in between those models, sector wide. For example, in Edinburgh, children and families work and adult work have different kinds of Scottish Government funding models. The funding comes to the local authorities and is dispersed in different ways. A bit more of a unified structure where the third sector fora and the members form a consortium that is governed by the offices would give that multiparty kind of feeling.

Understanding both systems would help towards finding an answer to that question. Even though some funding bodies are great in that sense, there is disparity between sectors. In health and social care, let us say, funds for adult care and for mental health are funded differently. Moving towards a unified structure would give some underspends in some budgets that would take care of the inflationary costs. However, that is

only in the Edinburgh context—I do not know whether it applies everywhere.

Roz McCall: Lynn, you come from a different area. What is your opinion on that?

Lynn Tulloch: It is challenging in that set of circumstances. Not having inflationary increases in funding year on year is a loss in real terms going forward because, as we all know, there are potential salary uplifts and other increased costs. I am not sure how we can change that, but I know from our sector that, when other sectors have annual salary uplifts, it is a real challenge for us to sustain that or offer it to our staff if our budgets are at a standstill. It would be great to see multiyear funding come forward. Flexibility and inflationary rates would also be fabulous for us, but the challenge is this: how do we get to a point where that can happen?

Roz McCall: I am going to put you on the spot here, Lynn, and I apologise for doing this. If we are looking at multiyear funding, flexible funding and an inflationary bump but we cannot do them all, which one would you put to the side? Sorry—I know that it is a horrible question. There are restrictions, and there are fixed costs, so there has to be an understanding at the beginning that those will be there. Could a rise for inflation be the one that will just not get over the line? Would that be fair?

09:30

Lynn Tulloch: If we really had to choose two out of the three, I suppose that multiyear funding offers sustainability for staff and for us in the delivery and that the ability to move the budget where we need it the most would definitely help. I certainly would not want to say no to the inflationary rise, but that is what I would say if that tough decision had to be made.

Roz McCall: I totally get that. It was a horrible question, so I apologise.

Ran, I will ask briefly for your opinion on the same question. It is a horrible one, I know, but what if we cannot do all three?

Ran Majumder: I completely understand. That is the whole point—we have to be understanding of the situation. I agree with Lynn Tulloch. It is the first two that I would go for: multiyear funding first and then flexibility around that.

Roz McCall: There you go, Lynn—you are not on your own. Thank you very much.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning. I will stay on remuneration. Will you talk us through the challenges that you and your partners are currently experiencing in paying the real living wage? What more can

funders do to support organisations to meet their commitment?

Lynn Tulloch: With the mental health and wellbeing fund that we were distributing, the real living wage was a key element that had to be considered. In essence, we had community groups that were able to apply for that and to pay the real living wage, but we had conversations with other community groups that were just not in the position to do that.

Again, it goes back to ensuring that, if funders are going to make paying the real living wage a condition, they need to provide the funding to enable it to happen. It is a tricky one, because funding is becoming more and more challenging, but of course community groups and organisations want to be able to pay a suitable wage that can support people with the cost of living. We are very aware that staff are impacted by that issue, as well as service users. If more and more funders are going to have the real living wage as a key condition, there needs to be a recognition of that and backing in the budget that is provided to groups to enable that to happen.

That was a bit long winded.

Marie McNair: Do you guys experience quite a lot the expectation to pay the real living wage?

Lynn Tulloch: We have had that experience with the mental health and wellbeing fund, but I am not as aware of the issue with other independent funders. I just wonder whether enabling that to happen might be one of those things that come to fruition. We are conscious of the potential to drive that forward.

Ran Majumder: Lynn Tulloch is absolutely correct. Ideally, the budget should allow for the real living wage if it is in the specifications. It is a catch-22 situation, in that some local organisations or small community grass-roots organisations will not be able to deliver it within the boundaries of the specifications. We have experience of dealing with the issue in Edinburgh. I talked about the consortium and collaborative approach, which is perhaps a route that we can think of to alleviate the issue. There can be a lead provider that meets the specs, but the grass-roots organisations can still be a part of that conversation. Ideally, from the people side, that should not be the case, but there is the question of how we balance that with the reality of funding being as tight as it is.

The other part, which we are discussing with the Edinburgh IJB, sounds very controversial, in a way, but it sort of deals with what Lynn Tulloch touched on, in that different sectors have different grades of funding and requirements in terms of salaries, wages and whatever, which are fitted into the budget. For example, in Edinburgh's housing, homelessness and health and social care budgets,

things are slightly different. It is controversial because perhaps unity or equity are needed, at least in the statutory sector funding for those things. We cannot control the grants or the other sectors, but at least the statutory sector funding that comes through from the Scottish Government and local authorities could have a bit more unity in its specifications. Perhaps that would help.

Marie McNair: Thanks, Ran. That is helpful.

Katy Clark (West Scotland) (Lab): Good morning. I will ask about funding applications. How could funders work with third sector organisations, especially the smaller ones, to create more proportionate reporting and application processes?

Ran Majumder: This is perhaps a little bit more in the reach of the interface organisations. For the past two or three years, we have been trying to develop that in the Edinburgh context, because smaller organisations have limited governance and infrastructure capacity to deal with some of the very complex big funding applications.

I can give a simple example. In 2017, the public social partnerships under the mental health budget here in Edinburgh moved on to true co-production in the Thrive model. However, unfortunately, a lot of the smaller organisations in the PSP could not be a part of that commissioning, perhaps for structural reasons or because of the specs in the commissioning process. Interface organisations and statutory sector partners can provide governance and infrastructure to the smaller organisations if we can get those funding applications a little bit more unified across the city. That is the only answer, in our experience.

Lynn Tulloch: In my previous post, I had lots of experience of searching for and sourcing funding to continue direct delivery services. The key thing, especially in thinking about smaller community organisations, including volunteer-led groups, is in keeping the process straightforward—keeping it easy, not making it complex—and, as Ran Majumder said, giving it the ability to be more unified.

I have a personal example. I had a staff member allocated to a project. We used four different pots of funding to support that piece of work. Those involved slightly different application forms and slightly different monitoring, so we had to collect different things in slightly different ways in order to report back in slightly different ways on that one project. Organisations and charities will have that experience of keeping things going with multiple streams of funding and having to collect information and activity and reporting it maybe slightly differently, but kind of similarly. If there is a way to keep that process straightforward, easy and more unified in the collection of the outcomes,

statistics, numbers and so on, that would be helpful, because in essence it allows more time for the service delivery process.

Katy Clark: So you think that more uniform processes would help. Do third sector interfaces—TSIs—play a role in advocating and supporting the implementation of more streamlined and uniform processes?

Lynn Tulloch: Certainly—given that, on the ground, we hear about groups working with a range of funders just to sustain and keep their project going. TSIs can hear the evidence on the ground, and champion and maybe support that ability.

Jeremy Balfour: The Scottish Government is consulting on disclosure fees. You will be aware that the Government pays for third sector organisations at the moment but is consulting on whether that cost should revert back to the applicant or the charity. If that happened, what effect would it have on volunteering in the areas that you work in?

Lynn Tulloch: You are referring to the consultation about volunteers having to pay for the protection of vulnerable groups check. We had a lot of discussion within various teams here in Shetland about that. The key point is that a lot of the charities would look to absorb that cost, rather than a volunteer taking that on because, in essence, we want to make sure that volunteers come forward and the charity covers their expenses suitably. Inevitably, charities would pay for that on behalf of the volunteer. Not every charity would do that—we each have our own discretion—but there was some notion that charities would intend to pick up that cost so that it would not deter volunteers from coming forward.

Ran Majumder: I completely agree with Lynn Tulloch on that. The onus should not be on volunteers. The charity should and generally will be able to pick that cost up. From my day job as chief officer and my experience in other senior leadership positions in organisations in Edinburgh, I know that that is generally what we do.

Jeremy Balfour: How do delays in funding decisions and payments by the Scottish Government or councils affect the ability of voluntary organisations to retain staff and maintain services?

Lynn Tulloch: That is a challenge when groups are working with tight margins and do not have the reserves and the back-up to be able to bridge the gap until funding comes. Not every charity has the ability to sustain payments and staffing costs for a number of months until a payment comes.

Sometimes, because of delays in funding and because we do not have sufficient resources to be

able to pay a staff member, the staff ultimately leave and go on to other posts. That is difficult because, in the third sector, we do not have a backfill function. We can look what the current staff could cover, but we do not necessarily have somebody to backfill for somebody who is leaving.

The delays in payments are significant. Delays in announcements are also a challenge for charities because, in effect, they nearly pause all the planning. What are we going to do? Ultimately, that results in a loss of staff.

Ran Majumder: As Lynn Tulloch said, it is sometimes very difficult, especially for small charities, to take such delays into account because their budgets and resources are too tight to do so. In Edinburgh, certain groups of third sector organisations in certain workstreams try to negotiate with funders about pooling resources if that makes sense. If, let us say, £100 is given for a project, they try to pool it with other organisations that have similar funding to create a bank of resources to help each other out when there are delays. However, that is difficult to administer and co-ordinate, other than with trust between the organisations.

09:45

Paul O’Kane (West Scotland) (Lab): Good morning. I will try to pull together some of our discussions by asking about parity of esteem and how the sector feels about the budget allocations and negotiations.

First, I am particularly interested in what mechanisms we could introduce to provide third sector organisations with more stability. We have touched on three-year funding and the benefit of knowing what is coming. In the context of the demand for your services and the services of other partners in the public sector, what sort of mechanisms, in line with fair funding principles, would you like to be introduced?

Lynn Tulloch: Are you talking about the information that we report regarding our TSI activity, or would you like more information from us about the challenges and demands?

Paul O’Kane: I am talking about the interaction with the public sector and service provision. For example, what would make the process of reporting on your service level agreements easier?

Lynn Tulloch: A range of charities in Shetland have service level agreements with the local authority when work is commissioned. I am trying to think of the right way to put this. In Shetland, service level agreements have come into the charity sector, but there are also waiting lists in the sector. The challenge is that statutory demands

are high, and the service demand leads to local charities having waiting lists.

Are you talking about looking at that information together, looking at the priority needs or looking at the local challenges and which areas are being exhausted? I do not know whether I am answering the question.

Paul O’Kane: In relation to funding, whether from the Scottish Government or the local authority, do you feel that the pressures as a result of need are being managed? You talked about waiting lists—I assume that those are for voluntary sector services that provide care, support and those sorts of things. Do you feel that that is factored into your budget conversations?

Lynn Tulloch: Those issues are highlighted. In the reporting on service level agreements, it would definitely need to be shown where charities were doing the work. There should perhaps be reporting on demand and when unmet need is identified. I suppose that the charity sector could showcase what it does by saying, “This is what we have been able to deliver, and this is the unmet need.” If that information was well recorded, that could provide evidence for the need for more investment in the area or increased commissioning.

Paul O’Kane: Are there sufficient structures to have those sorts of conversations, or do we need to look at how all that is communicated?

Lynn Tulloch: Having those open conversations would be really welcome. I know that there will be a commissioning officer for every service level agreement that is provided to a charity, and it would be helpful to have open dialogue and to have that information well recorded. If that is already happening, we should ensure that it continues to happen. Evidently, if there is unmet need, there are people who are not getting the provision, support and help that they need.

Paul O’Kane: I was trying to set the scene, because we are interested in how the sector feels about its relationships. Do you feel that you are an equal partner? There is partnership and there is true partnership—some partnerships are perhaps better than others. Is there still a sense in the sector that it is often looked at as the cheaper alternative to public services? We have certainly heard that people feel that way.

Lynn Tulloch: There is an element of truth in that. In Shetland, things are definitely done more in partnership and in a much more collaboratively way. Covid helped to bring things together and enabled us to join forces to help and support each other where we could. There were good examples of things working well. Perhaps working in a smaller rural community helps to embed some of that working.

However, there are still challenges with budgetary stuff. There are pay differences between the public sector and the charity sector, but people love working in the charity sector and it is not necessarily all about the salary. There are some examples of situations where you have great staff who love the charity sector—they love the work and the freedom and ability to work in the sector—but, in essence, they could do something very similar in the public sector, so we have the challenge of retaining staff when they have the opportunity to do something similar with the local authority.

Paul O’Kane: Can I bring Ran Majumder in to give us the urban context? Shetland is a helpful example of where things are working well and where the challenges are. Ran, do you see some of the same things in the Edinburgh context?

Ran Majumder: Yes, absolutely. You and Lynn Tulloch have touched on the main points. My experience from my day job and as a trustee of EVOC as well as from talking to a lot of organisations here and the statutory sector, is that the communication and the structures are perhaps a bit more robust than is the case in rural areas. However, I still feel that it is a work in progress.

Lynn Tulloch mentioned what happened as a result of Covid. In our opinion, from the perspective of the third sector and the third sector interface, things were much more open and the conversations were much more flexible. Post-Covid, the approach has gone back to being a bit more systemic and structured—for example, with regard to monitoring and evaluation and paperwork. If that is the post-Covid scenario, we need to ensure that the governance and the infrastructure support to third sector organisations, perhaps jointly with the third sector interface, offices and the statutory sector, are looked at again and made much more unified.

I talk about things being unified all the time because, although, in pockets, the conversation with the statutory sector, partners, funders, the interface organisations and the third sector works great, that is not the case across the city or across all sectors. That is where the conversations about more fairness and transparency and not having the infrastructure come in. The models are all there—the conversations have already happened—and excellent and innovative services are already being delivered; it is just a case of how we can best tie them together. I think that that is a governance and infrastructure issue, rather than a need to reinvent the wheel of service delivery, procurement, allocation and evaluation.

Kevin Stewart (Aberdeen Central) (SNP): Good morning. We have covered a lot of ground today: multiyear funding, flexible funding, inflation adjustments, the real living wage—the list goes

on. However, over a number of years, the austerity agenda has continued. The Chancellor of the Exchequer will get to her feet on 30 October to deliver her first budget. What would your message to her be?

Lynn Tulloch: My message would be about continuing to value what the charity sector does in supporting people in the community and grass-roots organisations and looking to invest in that to ensure that charities are in the best possible position to provide early intervention and support to people in communities in order that they can live well for as long as possible. It is about making sure that we are in that budget and that the Government invests well in our services going forward.

Kevin Stewart: Should that include a multiyear spending review, rather than an annual budget, which is what we have seen far too often of late?

Lynn Tulloch: Yes, that would be fabulous.

Ran Majumder: I completely agree with Lynn Tulloch that a multiyear review, in addition to the annual budget review, is absolutely important. However, if the strategy of the Government and local authorities and across the country is about prevention and early intervention, we must understand that people’s journey is important, which goes back to the end user of services. My plea to the chancellor is to think about the passions of communities and how important the charity sector is in co-ordinating and helping with that work.

The Convener: Thank you all for your evidence. I now suspend the meeting to set up for the next panel of witnesses.

09:56

Meeting suspended.

10:00

On resuming—

The Convener: Welcome back. We will now hear from our second panel of witnesses. I welcome Allan Faulds, senior policy officer at the Health and Social Care Alliance Scotland, which is known as the ALLIANCE; Rachel Cackett, chief executive officer at the Coalition of Care Support Providers; Euan Leitch, chief executive at SURF—Scotland’s Regeneration Forum; and Dr Judith Turbyne, chief executive at Children in Scotland. Thank you all for joining us today.

Before we start, I have a few points to mention about the format of the meeting. 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 Jeremy Balfour.

Jeremy Balfour: Good morning. I will start with funding, and specifically multiyear funding. From your experience in your different organisations, what is the benefit of multiyear funding? Are there any disadvantages to multiyear funding? You probably want it for 100 years but, realistically, what timescale are we looking at for multiyear funding? Is it two, three or five years? From your experience, what would work best? We will start with Judith Turbyne and work our way along the line of witnesses.

Dr Judith Turbyne (Children In Scotland): Good morning, everybody. It is lovely to be here.

You ask a very good question and there is a good answer to it. If our organisations do not have multiyear funding, we scabble around to put things together every year and we cannot look strategically into the future. We try to take that strategic look, but we are stymied by the fact that we are on a one-year funding cycle. That means that, sometimes, we do not optimise our use of resources. We might think, “Well, we had better spend that this year because, quite frankly, we do not know what is happening next year.” We might not take the right strategic decision, which could be to invest in something in year 2. That makes the work less strategic and leads to a lot of uncertainty, so multiyear funding would give organisations more certainty.

With any multiyear funding, there would have to be break clauses and reasons why the funding might stop, so it would not give 100 per cent certainty, but it would allow us to have that discussion with our board, reassure our staff and not be at the stage in December—this happens in many years—where we think, “Do I have to put out redundancy notices or not?” All that stuff is unsettling, and it takes attention away from the work and from what we are meant to be doing, which is supporting the end user, whoever they might be, with whatever service we are offering. It is really about using money well, and the benefit for us would be that ability to take a strategic look.

There is also a real opportunity cost to one-year funding. The work sits not only with the people who receive the money and have to do yearly reports, proposals and business plans, but with the people who have to service that—they spend a lot of time on that. Multiyear funding makes things very efficient over time.

Having good multiyear funding makes organisations want to look at developing funding relationships. It is about trust and how we build those relationships. It is not that we do not have relationships of trust, but we need a different way

of monitoring and interacting. There is some work involved in that.

With regard to how many years would work best, people talk about three years. In the delivery of a long-term service, three years is quite short, but it is a lot better than one.

Five years would be a good interim measure. If you are investing in a new service, you would hope to see the impact in five to 10 years, so you would want to have funding for a bit longer. It is difficult to commit to that length of time, but three to five years could be a good approach. As I said, if you are developing relationships of trust, good monitoring and instruments based on that, you have to be able to have a conversation, if things are not working, about what you are doing with the funding. It should not be the case that you can never readjust the funding arrangement.

I will stop there.

Jeremy Balfour: I think that the convener was going to tell me off there. It is important that we get your views on the record, but could we keep the answers slightly briefer? Otherwise I will be told off by the convener once you all leave the room.

Dr Turbyne: Sorry.

Euan Leitch (SURF—Scotland’s Regeneration Forum): Five-year funding would be preferable. The Government already gives three-year funding. There is multiyear funding directly by Government through the investing in communities fund and through Creative Scotland and Historic Environment Scotland. Those bodies have regularly given three-year funding deals. They all have caveats, depending on an annual spending review. Until this year, I have never been aware of anyone losing funding during a three-year period. This year, something different has happened in the investing in communities fund, which has been quite destabilising, although that might have been rectified. That is in the second year of funding in a three-year programme.

I have previously received three-year funding. It is too short. In the first year, not a lot happens. In the second year, things are happening. In the third year, it is good, but it is beginning to decline. Five years should be the minimum that we are looking for and it should be five to 10 years, for all the reasons that Judith Turbyne gave.

Rachel Cackett (Coalition of Care and Support Providers in Scotland): We have not had multiyear funding beyond two years—we have had a couple of two-year grants. However, I would like to talk more about our membership—our 90 charitable members who provide social care. Social care is based on a relational approach, and it is hard to maintain the relationship between

front-line staff and service users in an unstable and uncertain funding arrangement.

I am aware that some areas of Scotland are beginning to look at much longer framework agreements for multiple collaborative approaches of up to 10 years. That is great, of course. It is important that new entrants to the sector have an opportunity to come in and join that type of framework, so that we are not sewing everything up. Many community organisations are built from the grass roots, and the diversity of provision remains incredibly important.

You asked about risks. One of the risks for us of multiyear deals is that inflationary uplifts, at the very least, may not be passed on. An issue that we have been dealing with this year, whether with annual or multiyear funding, is that the Government has put out a letter on pay—at least there is an uplift in pay, although it is not enough—but that is often causing issues with non-workforce costs.

For example, Scotland Excel, the national agency for procurement, is responsible for the care and support framework. That was due to begin anew in April but, because of various delays due to governance at Scotland Excel's end, that has not been concluded and is unlikely to be concluded until the end of this month. Although the pay uplift has been awarded to everybody on the framework, all non-workforce uplifts have not been, and nor will they be backdated, even though it was not the fault of providers that the framework has been delayed. That means that individual organisations are now trying to manage all non-workforce uplifts for the first six months of this year, but none of that will be replicated in the new framework when it comes in.

That is one example of many that I could give of the fact that, even where there are multiyear frameworks, there are massive pressures on the sector that we are being asked to pick up, particularly around non-workforce costs.

Allan Faulds (Health and Social Care Alliance Scotland): I will not repeat all the points that Judith Turbyne made about long-term planning, strategy and so on.

The point about the time taken up with applications and seeking funding is important, particularly for smaller organisations. For larger organisations, it is still not great to spend so much time looking for new funding but, in many smaller organisations, the people involved are also doing on-the-ground service delivery. For volunteer-led organisations, that work takes away from their volunteer time. Multiyear funding means less time spent doing that kind of administrative work.

The point about better relationships is also important. It can be quite a damaging relationship

if funding is constantly being chopped and changed.

On disadvantages, Rachel Cackett touched on inflationary uplifts, on which I have some points to make. Multiyear deals are no good unless inflationary uplifts are built in—otherwise, it is the same money every year.

I am aware that points have been made—as I know they were made at the committee's workshop in Dundee the other week—about what happens if there is a three-year tranche of funding. If all the funding is done at that point, an organisation that does not get funding then will potentially have no prospect of funding for three years, or will have to seek alternative funding sources.

One solution would be that, instead of all that money being distributed as a three-year tranche, that could be done on a rolling basis, with some of the money going out one year, more money in the next year and so on. That would at least provide a rolling opportunity, and it would be helpful for any new organisations that might emerge during that time.

On timescales, three years is a lot better than what we have right now, and I think that everyone would agree that we would be happy with three years. One could argue that five-year funding deals from the Government might align with parliamentary sessions, but that brings us back to the point about staggering. To be honest, however, anything more than the current one-year deal that a lot of organisations are getting would be a significant improvement.

Jeremy Balfour: I will follow up on that briefly. Obviously the money itself is important, but is there, to a degree, a perception of work in the third sector that is based on the funding model? The Government guarantees funding for public bodies and public services for indefinite periods, so a doctor or someone who works in the Parliament knows that they are going to get paid, and have a job, next year, but that is not true for the third sector. Does that affect recruitment, because people do not want that lack of stability?

Allan Faulds: I definitely think so. We are very much aware that there is a problem with the lack of job stability and the lack of ability to guarantee that we will give inflationary pay uplifts. In addition, we know that a lot of roles in the third sector are paid at a lower rate than equivalent or similar roles in other sectors. We have heard directly from some of our members that that draws away people who have been trained up by, and at a cost to, the third sector. They end up moving to another sector, taking those skills with them.

Obviously it is not the case that public services definitely have guaranteed funding from the

Government; we know that the budgetary situation is tight. However, the public sector has things such as a guarantee of no compulsory redundancies. That is very good—we do not want to see compulsory redundancies in the public sector—but we find that, where there are cuts coming down the line to the third sector, public sector funders are not applying that same approach. We have heard the no compulsory redundancies policy described as effectively meaning that, in some cases, redundancies are simply shifted from the public sector to the third sector.

The ALLIANCE has made that point specifically, in particular when we knew that the statement from the Cabinet Secretary for Finance and Local Government on in-year budget shifts was coming up. We wrote and said that we would like a commitment to ensuring that there are no compulsory redundancies in the third sector as a result of those decisions, on the same basis that such a guarantee is given in the public sector.

The Convener: I now invite Bob Doris in.

Bob Doris: Good morning, everyone. A lot of what we are saying today about things such as flexible funding is well-trodden ground; we have heard it all before. At the committee's away day, which Allan Faulds attended, we heard a variety of things. For example, irrespective of the quantum of cash available, more funding going towards core costs would be helpful, as would a small sliver of funding towards reserves. In addition, unrestricted funds would be helpful, along with more flexibility in how funding is used more generally, in order for organisations to deliver outcomes in different ways as people learn from experience. There are a lot of examples of what flexible funding can do.

Judith Turbyne, I will come to you first, I am afraid. Any brief reflections on those thoughts would be helpful. Perhaps there is something that I have not mentioned, or something in particular that you think would be welcome. If so, please put it on the record.

The best way of getting funders into that position is to have them co-producing the criteria that are used for those funds in the first place. Do you have any examples of where funders have met with the third sector to discuss what the criteria for funds may look like and how we can build in flexibility at source as we design that fund?

Dr Turbyne: I will talk briefly about our experience with the children, young people and families early intervention and about the adult learning and empowering communities fund, and about the proposed children, young people, families and adult learning fund. Members will have seen from the submissions that there have been challenges with that funding. Nevertheless,

the nature of the CYPFEI and ALEC fund, and the way in which it was designed, followed a lot of conversations with the sector around it being for core funding based on an organisation's own strategic plan. Organisations have been reporting on outcomes—they are not reporting on the activities that they are doing with that funding. As we were coming to new phases of the funding, there were some very good conversations about that. Unfortunately, the new fund was not launched.

10:15

We should not be doing engagement exercises that are too immense and do not work; we should be bringing people together to say what is or is not working. The knowledge is there. At a very early stage—before you start to think about how you will design the fund—that conversation is needed about what would work for the sector. The things that we have talked about are the things that would be taken into account anyway. In a way, we would just be building slightly on that.

We also need to make sure that people's voices are listened to. The challenge is that the process should include not only the usual voices but some others.

There are good examples of co-produced work. I could go on at length about the disadvantages of the CYPFEI and ALEC fund, but what came out was a good example of what funding could look like, even if it was not multiyear.

Bob Doris: Thanks, Judith. That was commendably concise, and I appreciate that.

Euan Leitch: SURF's membership ranges from local authorities to housing associations to the grass roots—volunteer groups and individuals. It is a big cross-section of organisations, and we did some research with them last year on capital versus revenue spend.

There are huge sums. During this parliamentary session, about £350 million is allocated for a place-based investment fund. Money is received from the regeneration capital grant fund and the vacant and derelict land fund for large-scale physical projects. Recipients are grateful for those projects, as they result in a bit of community bling. However, in research by a University of Edinburgh postgraduate student, respondents said that, when it comes to running a project, "We have this nice thing, but we don't have enough money to deliver the services to the standard of the new thing that we have built."

There needs to be a rebalancing around that. Capital projects are expensive and, sometimes, you can see a lot of money being spent in communities. You can see it in Govan, where we

are based. Everyone looks at the bridge, which cost £29 million, but, at the same time, people are thinking, “Where could £29 million go in our daily lives? The bridge will be transformational, but what do we need now for the community?” There is an issue around that balance of spend.

When it comes to criteria, groups of funders meet and talk to each other, although that does not always happen with the Government. Independent funders, the National Lottery and non-departmental public bodies discuss how to improve their grant-making processes and continually refine them. If you get money from any Government departments, the apparent making of decisions and the processes vary wildly.

In the SCVO’s recommendations for what should happen, such as multiyear funding, a whole bunch of stuff would not have any costs but would require different activity and behaviour from across Government so that there would be consistency in the grant-making process and transparency both within the Government, between departments, and for external organisations to look at how things are being funded.

Bob Doris: That is very helpful.

Rachel Cackett: In social care and support, at the moment, there is a lot of language about ethical and outcomes-based commissioning. Obviously, the proposals for a national care service are meant to embed those recommendations from Derek Feeley. On a slightly more depressing note, there is not as much evidence, either nationally or locally, that that is being enacted within social care as one might expect from the language being used, or as one might hope, given the aspiration. I am remembering as well that Feeley’s report is now nearly five years old.

In order to get to that point, we need to do a few things. First, we need to challenge the idea that the third sector is a transactional recipient of cash. We who are in the social care sector provide a significant proportion of delivery, in which taxpayers’ money, through public funds, is distributed through a system that includes the third sector. If we continue to see third sector provision as just a transactional arrangement that has to be so closely managed that armies of people have to service grants, we do so at our peril.

My members have said to me that, through Covid, there was a great deal more trust in the ability of those third sector providers to do what they do well, with the people that they know so closely and work with every day in social care.

One issue that we have is how much flexibility there is at the front line to adjust provision for people’s needs. That can quite often get caught up in red tape, and it can mean that funding is not

flowing in the way it should. For example, if an organisation had even an annualised budget that could be adjusted at the front line, based on the relationship and contact between the people who are providing the service and the person who knows what people need, it would have much more flexibility to meet people’s needs more effectively.

There is an inefficiency in how we handle public money that flows into public service, which includes third sector provision, and how that allows people to be flexible. I am talking about the people who really know what needs to be done—not the people who are five or six steps away, but the people at the front line in the relationship for social care—and that really matters. We could do that so much better, whether with multiyear funding or not.

Allan Faulds: I will put on the record a brief point about flexibility. One issue at the moment is that there is often a quite rigid split between core and project funding. To make up some numbers, you might have a project that is 1.6 full-time equivalent staff, and another that is four full-time equivalent staff, and then you have your core. You might find that a lot of those things are interlinked and there might be relations between those different projects, but because you have strict splits between pots of cash, it can be difficult to link those projects together.

Projects end—that happens. However, if you have more flexible arrangements, you can better plan transitions for staff. You might have staff who have been working on a particular project and have developed connections, skills and resources that might be useful to keep in your organisation, but if they are tied to that one project, you might have to let them go at the end of it. If you have more flexibility to use core funding, you might be able to find ways to redeploy them. You could be more flexible about how money could be used to support different projects and staff rather than being very specific and saying, “We have funded £X for that project, and you cannot spend more or less than that on it.”

The Convener: Before I bring in Roz McCall, I invite Kevin Stewart to ask a question.

Kevin Stewart: I have a devil’s advocate question for Euan Leith about his commentary on the different forms of application in Government and how the cake is split. Let us take some examples that Euan will be aware of. In relation to capital regeneration funding, the Government is in agreement with the Convention of Scottish Local Authorities that it has a major part to play in the allocation of funding. The Corra Foundation has done a huge amount of the legwork in some of the scenarios that have come about of late, such as funding for health and social care for addiction.

There are scenarios in which the Government has agreed that others become involved in processes. I take it that you are not arguing for universality of decision making—or perhaps you are, I do not know. Could that be streamlined, or do we just need to communicate better how those things are done?

Euan Leitch: I am talking about consistency within Government directorates. Some money goes to external organisations. I am not asking for centralisation but for consistency across funders. During Covid, funders began behaving differently and began being much more flexible about giving out money, and there was also a simpler process to access those funds.

Organisations invariably get money from different departments and different directorates, and they do not all have the same approach to the process or to deciding how much information to give out. An organisation will have to go to different directorates for different reasons.

I come back to the fact that when we have been creating new funds—this sounds heretical—we suddenly introduced a lot of money around climate change. That is very important, but we ended up setting up a bunch of new organisations to deliver on climate change issues when there were already a bunch of organisations that were delivering things related to climate change but did not have “climate change” in their name. We have created another layer that requires governance and management when there are established organisations and anchor organisations that could have been asked to help to deliver projects that tie into their general work anyway, and the money would have gone a bit further.

I am not saying that we should take money away from climate-focused organisations, but that was an example of something seeming new and a decision being made to do something new. Introducing new funds and creating new organisations in an already overcompetitive third sector and requiring more competition does not necessarily result in a healthy ecology of organisations delivering change on the ground for communities.

Kevin Stewart: Does the badging of something as “new” often create a scenario in which a bureaucracy grows and other people come into play?

Euan Leitch: It can.

Kevin Stewart: That is a good steer. You said that that is within directorates.

I have a question for Rachel Cackett about mental wellbeing and social care. The adult mental health and wellbeing fund is distributed by TSIs. That is different from how we funded the children’s

equivalent, which was done through local authorities. Is that confusing for the third sector? Would the sector like some uniformity in such processes, for example?

Rachel Cackett: I guess that it depends what you mean by “uniformity”. I totally agree with Euan Leitch about Government directorates. We deal with a number of them.

Kevin Stewart: It is one directorate, basically.

Rachel Cackett: No, we deal with directorates beyond that one, because we also have funding through justice and other areas. There are significant differences between them in the way in which we apply and the way in which we are monitored. In the main directorate that we deal with, which is the adult social care directorate, there have been moves this year to try to streamline that for us, because the administrative burden on us as a small organisation is high.

There is a complex funding landscape for people who work in the sector. Remember that many social care organisations work across age ranges and particular needs, which may include mental health. The burden ends up being on the recipients of funding to try to negotiate a complex system.

This week, I was in a meeting with housing support providers who were talking about how many different sources of funding they have just in housing. Sometimes that means, for example, that some homelessness or housing services are included within the adult social care pay uplift and some are not, because lines are constantly being redrawn on the way in which budgets are handled, rather than a view being taken that there are people in society who need support to lead a good life and, therefore, funding is made available to support that from the public sector through public service.

Organisations constantly have to work out the lines and jump through the hoops with funders that have very different ideas for how funding is distributed, whom it is distributed by and what monitoring there is of that funding. Some simple streamlining of that could make a significant efficiency difference for third sector organisations, which are incredibly stretched right now.

Kevin Stewart: I could probably go on at length about things like the national care service in relation to that, but I will forgo that.

Roz McCall: Good morning, everyone. I want to pinpoint the inflation uplift point. I will come to you first, Rachel, as you mentioned it. We have talked about multiyear funding and flexible funding. We will always rub up against a dichotomy with the fact that there will be fixed costs that have to be taken into consideration. That is a standard point.

If we put that into multiyear funding, the inflationary uplift becomes part of an issue. Will you give me a little more information on what you mean by inflationary uplifts? How will they happen? How can we do it? I know that that is a big question.

Rachel Cackett: It is a big question. I will try to keep the answer concise.

Before we even start to talk about inflationary uplifts in the sector that I represent—social care—we have to remember that, historically, there has been a relatively low amount of investment in the sector in comparison with other parts of the public sector. Therefore, we are not necessarily starting from a benchmark that represents the true cost of care. You have only to look at some of the negotiations on the care home contract, for example, to see how far we often are from delivering the true cost of care.

Mr Stewart mentioned the national care service. One thing that is not in the National Care Service (Scotland) Bill at the moment is a mechanism to assess the cost of providing care and support to the Scottish public in the way that we would want. That is not to say that there is a magic money tree that would be able to fill that gap, but if there was such a mechanism we would at least be able to manage the risk between the available funds and actual need. However, that does not take into account unmet need, of which there is much. Let us start with the fact that, even if we started to add inflationary uplifts to what we have, it would not be enough, because we are not actually funding the true cost of delivering care at this time.

10:30

We are in a situation where the Scottish Government sets the uplift for social care—that was previously just for adult social care, but it is now also for children's social care. However, I note that the letters for children's social care uplifts are going out only now, six months into the year, so children's providers have been trying to manage that gap. Although the benchmark is very low, as I said, there is an inflationary uplift. We are told that there has been a 14.9 per cent rise in two years, but that is 14.9 per cent of not enough.

We have a situation in our sector in which the inflationary uplift—or the uplift—for staff wages is still causing a turnover of more than 20 per cent. Once we take that out of the way, we also have a formula that does not allow third sector organisations to maintain differentials, so management jobs have become incredibly unpopular because the amount of money that is left to add a differential in a pay uplift to managers is very small. Social care managers are asked to undertake a huge amount of responsibility, but

there is not enough of a pay differential to make that attractive. We therefore do not have enough even within wages.

We then need to look at running costs. If someone is running a residential space, they will have all the usual costs, but even if they are just running an organisation and they need a head office to do that, they will have fuel costs and everything else that goes around that. Because the letter from the Scottish Government is limited to only a particular way of applying a pay uplift, the negotiation of everything else is left to local negotiations or national frameworks with Scotland Excel. What we have seen this year is that those negotiations have been depressed and the additional costs are being held by charities.

I had a meeting with my members on Monday, which was probably the most depressing meeting that I have had with them in more than two years. We had the central announcements last week, and I am hearing about members going into pretty aggressive conversations at a local level, with cuts being made mid-year. That includes real pressure on non-workforce costs, which are the one thing with a level of protection around them.

Roz McCall: I totally accept that, and I understand the position that you are in. I am sorry to force the issue, but what I am trying to get at is that we need to know what you advise on how we can do this. I know that that is a big question. It is not just a matter of doing a simple sum and giving inflationary rises. Given that there are fixed costs, we have to assume that, with multilevel funding, they will be fixed for the term, whether that is three, five or 10 years. Are you talking about an inflationary rise on everything? What are you asking for?

Rachel Cackett: I guess that I am asking for—

The Convener: I remind everyone to make their questions and answers as concise as possible.

Rachel Cackett: To be frank, I think that it works at its best when there is a grown-up discussion between those who hold the purse strings and those who actually deliver the service. It has to be done on the basis of a genuine discussion about the true cost of delivery.

Despite what I said earlier about Scotland Excel and the slowness of the process, there were discussions with providers at the early stage of that process to help and work with them to estimate the true cost of delivering the care. Of course there will be negotiation over that, but it is not just about fixing a number and then sticking to it; it is about being flexible throughout the process and trusting that providers are there not to make money but to deliver a service that is affordable. That comes down to a genuine conversation between commissioners and providers. Too often,

the conversation is held under extreme pressure, and the main focus at the moment is on pushing costs down.

Roz McCall: Okay. I accept that. I do not think that I have time to ask anyone else to comment.

The Convener: I think that Judith Turbyne would like to come in.

Dr Turbyne: When you are in that kind of relationship, you might get inflation uplifts. If you are grant funded, you tend not to get them. We have not had them for years, so there has been a 40 per cent decrease in the value of the funds over the past five to eight years. I agree with Rachel Cackett that, in a way, it is quite easy to do it if you have a trusting relationship.

Marie McNair: Good morning. I will stay on the issue of the real living wage. I do not know how much our witnesses can tell us about this, but I would like you to describe the challenges that you and your partners experience in meeting the commitment to pay the real living wage. What more needs to be done to support organisations to meet that commitment? Perhaps Allan Faulds could start. In the interest of time, I ask you all to be brief.

Allan Faulds: The point about the real living wage point is important. For many third sector organisations, it is a condition of their contracts that they pay it. I think that all organisations want to pay the real living wage—they want their staff to be well paid. However, if the Government is attaching that condition, it needs to provide funding to ensure that organisations can do that; it cannot just attach it and then not provide the relevant funding. We all know what the real living wage is. Each year, we know what it goes up to, so there is at least a baseline there for everyone to work from.

I will pick up on Rachel Cackett's useful point about the flattening of pay grades. That also needs to be taken into account, because the third sector needs to remain an attractive place for people to build a career. If they cannot see a long-term career in the sector, we will lose them, their talents and their skills. Clearly, that is not a circumstance that we want to be in.

I had another point to make but, as sometimes happens on these occasions, it has completely gone from my brain. I will finish there.

Marie McNair: You can always come back in. Perhaps Rachel Cackett could go next. I am sorry for hesitating—I could not immediately read your name plate, because the light was shining on it.

Rachel Cackett: The "Fair Work in Scotland's Social Care Sector 2019" report came out in 2019, since when the Government's aspiration has been to provide fair work in social care. One of my

current concerns is that the real living wage, which is a superb mechanism to genuinely examine the minimum that we should apply to enable people to live a decent life, is being equated with fair work in that sector.

We must remember that a front-line social care worker is trained and regulated in ways that are very different from those for an equivalent worker in the NHS. A social care worker does increasingly complex work as people's needs change. The First Minister did not mention social care in his speech on the programme for government, but the programme document continues to link baseline pay for a social care worker to the real living wage. The real living wage is a great thing, but it is an inappropriate baseline for what we are asking social care staff to do.

As has been said, it is often a condition of bodies' receiving grants that they pay the real living wage, but that does not deal with the current recruitment issue. If an employer pays both a cleaner and a front-line social care worker the real living wage because it is being funded to do so for the front-line worker, it is certainly not recognising that worker's qualifications or the professional regulation within which they are expected to work. It also cannot maintain those differentials, because it cannot pay people enough through the system.

I would really like to decouple those two ideas: delivering the real living wage is not the same thing as delivering on the 2019 recommendations on fair work in social care.

Euan Leitch: An issue that came up for us recently was that a Government agency sponsor wanted us to apply the real living wage to SURF award applicants. We had to draw its attention to the fact that some of those projects are completely volunteer based. Also, some areas are experiencing deprivation so the wages that are paid there are not high. We would love to be able to say that paying the real living wage is possible, but it is not, because, as Rachel Cackett has just said, the funding to make it happen is not there.

My second point—I bring it up now because no one else has mentioned it so far—is about the power dynamics that surround the real living wage and the cost of living. No one has mentioned pensions yet. Because committee members are state employees, I know roughly what their pension contributions might be. In contrast, those for our staff might be about 3 per cent or 6 per cent, which is tiny. The good news is that that means that you will retire rich and can then volunteer. However, people who work in the voluntary sector will not retire rich, and they will not be on significant pensions at that point. That is also a cause of people leaving the sector.

I started my pension far too late in life, but I see people who are 10 to 15 years younger than me choosing not to work in the voluntary sector because they are sensible and they think in the longer term. They are moving to organisations that are still in the public sector but where pension contributions are above 25 per cent. Nobody in the voluntary sector is taking that on, because the salaries are currently not good enough, but it will continue to be a significant issue across staff there, quite apart from the matter of the real living wage.

Dr Turbyne: We love the idea of the real living wage and, as an employer, Children in Scotland pays it. It meant that we had to lose one of our pay rungs, so we had to squish together roles that might have been in different places before. We sign up to the real living wage but, as Euan Leitch said, it puts pressure on the memberships of tiny organisations that have very little budgets. If the grants or other money that they get do not reflect the real living wage and do not have inflationary uplifts, it becomes more and more difficult for them to fulfil the commitment. We are very committed to it, but it makes things tricky.

Marie McNair: Allan, I do not want to put you on the spot, but do you want to come back in?

Allan Faulds: Yes. I have recalled the point that I wanted to make. At a previous evidence session, someone said that some organisations are now taking the approach of having fewer people but paying them better. That has implications not just for how many people are in work, which is important for the wider economy, but for those fewer individuals' work as regards how much they are doing, how much pressure they are under and how many people they are able to provide services to.

The Convener: Before I bring Katy Clark in, I will touch on what Euan Leitch said about pensions. In addition to work on the real living wage, has any work been undertaken with the Living Wage Foundation on introducing a real living pension and real living hours? Has that posed any challenges?

Euan Leitch: We have not been involved in that work, so I cannot comment on it in an informed way. We are signatories to the real living wage, but the pension side of things has not arrived at the doors of the voluntary or third sectors in such a way that we could address it significantly.

Rachel Cackett: Under the fair work and social care workstreams that the Government leads, a terms and conditions group has been looking at wider terms and conditions.

I have a couple of things to add. A lot of work was done during the Covid period to look at sick pay and maternity and paternity pay, which are not

equal. We have to remember that some social care is delivered in-house in the public sector, through local government, but much of it is not. There is no parity in the way that workers are treated in relation to pay or terms and conditions, and that certainly includes pensions. The group that looked at the terms and conditions had money set aside in the budget last year, which then just disappeared. Around £50 million was left, and none of the recommendations could be implemented.

Pensions is another area where there is significant disparity, which it would cost a great deal to equalise. This is where we come to how cost is accounted for through the public purse. The cost of not giving a decent retirement to people who have given public service is also great, but we do not tally that in the same way. Obviously, the cost applies over many years, but it comes back to departmental budgets. Because of the way that government is split, the cost of not allowing people to have a well-funded retirement is not necessarily borne by the people who need to put the budget in at the beginning.

Dr Turbyne: With regard to what was said about sick pay, it is important to note that some of the contracts that come with grants from the Scottish Government say that the grants will not cover sick pay, so the risk for sick pay for anybody who is paid for through that grant sits with the organisation, as does redundancy. They have to be paid from money that exists in the organisation. Again, that puts extra stress on the organisation.

Katy Clark: My question is about funding applications. How could funders work with third sector organisations, particularly smaller ones, to create more proportionate application and reporting processes? Who would like to answer first?

10:45

Dr Turbyne: I can give a quick answer to that. I refer to what Euan Leitch said about there being good examples, mostly from the independent grant-giving sector, of how to construct an easy-to-use intuitive process. In those, organisations create something that people can use easily. If they can obtain a little support throughout the process, including a bit of advice at the beginning so that they know what they are doing, they can take that and then apply a bit of nuance to it. It should not be the case that they submit something and are then marked out of 10 on it. If the work is good, there should be opportunities to talk about it. There are good examples to draw on. It is not rocket science or difficult to do.

Katy Clark: The previous panel said that having more uniform processes would help. Do you agree with that?

Dr Turbyne: You look as though you want to comment on that, Euan.

Euan Leitch: I agree, but I am mindful of what Kevin Stewart said about not everything having to be identical. The groups that we work with often need what we might call a cocktail of funding, which can be a problem for projects. It would be good if there was some coherence on what such funding looks like.

I am inclined to say that the same group of funders continually fund community-based projects. They could say—I was about to swear there [*Laughter*]—“Let us scrap what we’re doing, go to a place and say, ‘Collectively, we can give you this sum of money.’” I do not want to say that it could be like the process for the town money that was to come through levelling up, but it could involve going somewhere and saying, “Here’s a sum of money. How would the community want to spend it?”

I am talking about regeneration projects; I am not suggesting that that would happen in social care. Regeneration funders are all part of one process, and they all want the same outcomes for communities. They are all linked to the national performance framework—which, frankly, everyone could sign up to, because it is about high-level policy. However, although all funders want the same outcomes, they have to follow a different process in each case. Some have started to behave differently by aligning decision-making dates so that, when one of them has made a decision, the next organisation knows that it has been made. They are basically adding money to a project that is already a goer. We could say that that is conspiratorial, but it is a healthy way of ensuring that funds arrive in the right places.

I go back to the issue of new entrants being prevented from coming in. We do not have growing pots of money to fund the third sector. We often look for new things to happen, because everyone loves cutting a ribbon, but that is not always the right answer. If we give more funding to existing organisations that are already doing great work in the community, that money will go further. There needs to be some adjustment for places where we have identified cold spots, by which I mean places where there is no community anchor and no help. People in those places really need support, as opposed to just wanting something nicer in the already nice place where they live.

Allan Faulds: I go back to the point about more proportionate reporting. Judith Turbyne said that there are good examples of best practice. I suppose that it is just a case of learning from

those. We do not need to reinvent the wheel, especially for smaller organisations whose capacity to engage in lengthy redevelopment processes might be limited. Transparency would help with that.

We should ask what reporting is for and what it does. It is easy to say that it is done to show that public money is being used appropriately and effectively. However, does reporting achieve that, or does it just gather a lot of information that sits with the civil servant who is responsible for that pot of cash while a different civil servant or local government department holds the bits of reporting from the various organisations? A huge amount of data is being collected, but we must ask whether it is being used in a coherent way to guide policy.

A bit of transparency on those factors might help with reporting, just to clarify why funding is happening. Perhaps it would also trim out certain aspects that might not be particularly useful, which could then be dropped.

Rachel Cackett: Having uniformity as the main focus would work only if the process was so utterly brilliant that we could be happy with that. Uniformity in and of itself should not be the focus. Transparency, not just in reporting but in the process around the ability to get funds, is also important. Sometimes, the diversity of ways in which we are expected to jump through hoops lacks a level of transparency.

Above all, at the moment, the timeliness of decision making in the process is an issue. Earlier, I gave some examples of providers that are still waiting to know what they should have known in April. My organisation did not have our complete funding until the end of April, and I know that many organisations were in an even more difficult position. Charities have to try to make that work. They are either holding a reserve in order to not make people redundant, or they risk having to make people redundant before they know what their funding will be, thereby losing all those people’s skills and then finding out that they have the funding after all.

The lack of available time is crucial to whatever we do next. We are at the bottom of the food chain when it comes to the distribution of money. We know what funding we are getting far too late in the process. It is inefficient, it is poor use of public funds and it is certainly not true to the principles of fair work to hold staff to a position where they do not know whether they will have a job or not because the timing of decision making, whether that is at a national or local government level, is such that it is far too late.

The Convener: That brings us nicely on to Jeremy Balfour’s area of questioning.

Jeremy Balfour: I see the problem that you are outlining, Rachel, but what is the solution? How do we get around that problem?

Rachel Cackett: There is an issue with how late the Westminster budget is and then how late the Scottish budget is. Certainly the budget here feels like it always gets a little bit later, although I do not think that the situation is as bad this year as it was last year, when the budget statement took place on the day before the Christmas recess. I understand that there then has to be a decision and a flow-through of money, but that has always been the case—Parliament always has to pass a budget by a certain date in February.

My sense at the moment is that, increasingly, instead of having significant discussions in advance of the final decision, the public sector bodies with their hands on the money are waiting until they know for sure what the position is until they have those discussions. That is too late. We are not getting even in-principle decisions, which, although they might not be in the final letter, would at least let people know what the likely position might be. It often used to be the case that, before Christmas, we would have an in-principle decision that would let us know what the intention was, although, of course, there would still be a parliamentary process to follow. That has not been the case lately, and decisions are being made later and later.

My organisation's board has to underwrite salaries for the first quarter of every year so that I do not have to give out redundancy notices in January, because I do not want to lose my staff—and nor do my public funders, because it is those members of staff who hold our expertise. We are operating in almost a crisis-management mode with regard to timing, and in-principle decisions and other decisions are not being made early enough for us to at least begin to plan. We need to stop that.

I appreciate that, until Parliament has passed a budget, we cannot be certain about the position, but we could have a level of certainty that we do not currently have.

Jeremy Balfour: With regard to the letters about in-principle decisions, are we going back to what the situation was like before the pandemic? Is the situation something that disappeared during the pandemic and has come back, or are we talking about a longer period of time?

Rachel Cackett: Even last year, we had at least an in-principle decision earlier, whereas this year I think that we had that for only one of our funds. Again, I am talking about my organisation rather than our members, because we receive Government funding. We got some decisions by the end of March—that was generous—but it was

the end of April before we got final decisions on everything.

Euan Leitch: I agree. It feels worse now, but it has been an on-going question whether you get the in-principle decision just before Christmas—which is a nice thing to have, simply because it means that you and your staff know what will happen in the coming year. This year, however, we found out in April. I know from my predecessor that there has long been inconsistency around when we get told about the decision, and that introduces a high degree of instability for staff.

Jeremy Balfour: I want to address one other issue, convener.

The Convener: Please be as concise as possible.

Jeremy Balfour: As always, convener.

On the issue of Disclosure Scotland fees, you will be aware that the Scottish Government is consulting on whether the fee should now be paid by the individual or the charity rather than by the Scottish Government. What impact would that have on people volunteering or on the organisation?

Dr Turbyne: For some organisations, it would have a big impact. If you have a very small budget, it is yet another additional payment and you have to have it in place to safeguard your work. I think, therefore, that it would have an impact, so if it were possible not to push that payment back to the charity, that would be a good thing. I do not know whether other people have the same issue.

Rachel Cackett: For me, it comes back to the point about fair work. If you are in the public sector delivering a public service with the public pound and the burden of fees falls on individuals, instead of being paid for through the public purse, it is a problem. Indeed, Scottish Social Services Council fees would be another such issue. If you are going to have parity in delivering public services—and, after all, people in the third sector are already paid less than those in a local government job doing identical work—you need to look at parity with regard to all the expectations on individual staff members and, indeed, on those organisations that might well have to find the money to pay those fees.

The Convener: Before I invite Paul O'Kane to ask a question, Kevin Stewart would like to come in.

Kevin Stewart: Thank you, convener.

You have touched on award letters and letters of comfort and, indeed, on parliamentary budgeting processes, which often have a major impact on some of those letters. You probably

heard me ask the previous panel about what the chancellor should do when she gets to her feet on 30 October, but what does the chancellor need to do about multiyear funding, fair pay and the other issues that we have talked about today?

Allan Faulds: We need to get certainty around multiyear budgeting. I am aware that there is supposed to be a statement in the spring on taking more of a multiyear approach to budgeting, and I hope that, when that statement is made, it gives the Scottish Government more ability to plan its finances. I hope that it will also lead to the Scottish Government and other public sector funders in Scotland being able to provide multiyear security to organisations.

All third sector organisations want from the budget a commitment to the third sector—that is, to recognising the value of the charitable and voluntary organisations across the UK—and an investment in public services to ensure that there is less need for the third sector to step in and support people when there is, in effect, a public service failure to provide people with the things that they need.

Dr Turbyne: First, I would say to the chancellor, “When you talk about your public services, talk about the totality of public services, of which the third sector is a part.” The budget has to show how it will really support that. I would also say that we need to invest in prevention, because we are storing up problems for ourselves if we do not carry on working on that.

I would say to the chancellor that every pound invested in charities and third sector organisations—perhaps not every charity and every third sector organisation, but the majority of them—is investment that leverages money from other places so that we can offer these services and have a bigger impact on the ground. Finally, I would also say that she should take the risk and make things multiyear now if she can. She certainly needs to say that decisions will be timely and that they will come out to ensure that we are not in this position in April.

Kevin Stewart: Rachel, should there be a three-year, a five-year or a 10-year spending review?

Rachel Cackett: We need a proper spending review, of course, and we would welcome a proper multiyear spending review, particularly in the current circumstances.

However, I would add something to your question. Whatever the chancellor in Westminster says when she stands up in October, the Government in Scotland still has to make its own decisions within whatever comes its way. I cannot tell you how dispiriting it was last week to hear a programme for government speech that did not

even mention social care. That has had a huge impact on our members. Therefore, no matter what comes to Scotland, I would say, “Great, but in your decision making, you must invest properly in social care.”

I would also point out that, in an answer to a parliamentary question last December, we were told that third sector organisations would know by the end of March what their funding was. That was not the case—we did not know what our funding was by then.

Of course, I hope that we get multiyear, proper spending reviews and that additional funding can be invested in the people of the United Kingdom, including in the budgets will come to Scotland, but the fact is that Scotland still has to do some work on what it does with whatever the chancellor says that it is going to get. I certainly hope that social care gets more of a mention.

Euan Leitch: I agree with what has been said. I would also say to the UK and all levels of government, “Stop asking us to do more with less.”

11:00

Paul O’Kane: I want to draw together a lot of what we have been talking about this morning. We have had a wide-ranging discussion, but we have focused particularly on finance, which is only right when we are talking about funding. We have been talking about fair funding principles for some time now, and we have been talking about parity of esteem and respect in the sector for a long, long time.

Euan, you mentioned the fact that other mechanisms could be looked at to embed a fairer funding principle and that they would not necessarily cost money, because it would be all about changing the structures. What are some of those mechanisms, and how might we move forward on those issues?

Euan Leitch: I will just pick up on what has been said about the timing and transparency of decisions and the need for relative uniformity in the process of applying for a grant across the Government. The transparency issue relates to the application process. It might be uncomfortable for everyone who receives a grant from the Scottish Government, but those agreements and our reports should be published. My fear, sometimes, is that reports do not get read but just sit on a shelf; they contain rich information, and that information is not being used elsewhere. I mean no disrespect to my overworked civil servant contacts, but we are talking about a huge amount of information that could be published.

When, as an organisation, you look at projects that you might want to do in the future, it would be helpful to know what other organisations have been specifically tasked to deliver through Government funding. You might suspect some gap in provision, but if this approach were taken, you would know whether there was such a gap, because you would know what outcomes the Government was expecting across a range of organisations that you worked with.

Those are all process issues that could be changed, even if we did not get multiyear funding, and they would help with the dynamic of the processes, which we in the sector are still enduring. It will not be nirvana—which we are not going to get to—but the processes can be improved, and that is something that can be done in the short term.

Paul O’Kane: Does anyone else want to comment on that broad point?

Rachel Cackett: As far as our sector and the members that we represent are concerned, the independent review that Derek Feeley produced during Covid recommended an end to competition based on price—and yet here we are, some time later, and the predominant experience of members is of being in competition on a massively depressed price and increasingly under pressure.

A lot of what we have been talking about this morning is about a much more trusting approach being taken to public service delivery through the third sector. There are already options and levers out there, particularly for local government, which could look at different ways of flowing public funding into public service through the third sector. Those options are not being used, and too often we revert to type in the expectation of competition.

If we are looking at a national care service bill, we have to ensure that it changes not just the structure but the culture around how money flows, so that we stop basing things on the lowest possible price and a suspicion that things are not being delivered and that we have a trusting relationship in which the true cost of care is properly delivered.

Paul O’Kane: You have pre-empted my next question, which you might have heard me ask earlier, on parity of esteem and ensuring that this is not about the voluntary sector doing something more cheaply than the public sector. Euan Leitch talked about being asked to do more and more with less, and we have heard from SCVO and others—as well as from Rachel Cackett—that many organisations are at their lowest ebb. What else can be done to start to repair the relationship? Whatever happens, there has to be a kind of reset moment—although I feel that we have had lots of “reset” moments over the years.

Is there one thing that could be done immediately that would start to really change the conversation and the approach?

Dr Turbyne: It does not matter that a reset has been done before—it is important that we have one now. It would be good if someone stood up and said, “We’ve got some of this wrong, but now we’re really committed to implementing fair funding.” One change that we can make is to foster a culture of trust, mutual respect and parity of esteem. It is not that such a culture does not exist at all—we get it in bilateral relationships and other places—but the system does not really offer parity of esteem. We need to start to rebuild that culture.

It is a case of recognising that we are in this together. We need to start with the perspective that we are all part of the process of delivering public services; it is not a situation where we have the public sector here and the third sector there. We are doing a common thing together, and we need to ask how we can make it as good as we can.

There needs to be a little bit of honesty on the part of the Government. Often, when people are in a crisis moment, they begin to look in on themselves and try to exert more control over funds and processes, because they are panicking about what is going on. I have seen that a bit in the Scottish Government over the past few years. When you are in a crisis, you should lift your head up and say, “This isn’t the right way to do it. How do we work together better?”

That is all a bit airy-fairy, but if we were to reset the culture and have a culture of trust, we could make big strides.

Paul O’Kane: I think that Allan Faulds wants to comment.

Allan Faulds: I will be very brief, because a lot of the points have been touched on already.

One thing that we could do now would be to recognise the third sector as an equal partner in appropriate places. Rachel Cackett has mentioned the NCS a great deal, and I think that she would share our concern about there being no proposal for the third sector to be represented on the proposed NCS board.

We need to make sure that the third sector is recognised as an equal partner, and that extends to recognising the third sector when it comes to setting economic and tax strategy. There has been some positive movement on that front—for example, the ALLIANCE has been involved in some of the discussions on the tax strategy. In the past, there was perhaps a view that the third sector did not fit in when it came to areas such as the economy and taxation. However, we are part

of the economy, and formally including us in consideration of that area and all aspects of Government planning would be a way of properly recognising our value.

Rachel Cackett: Ultimately, the point of our sector is to be able to provide support to people who need it. We know that we have a crisis in every community in Scotland, but there is not enough money for us to provide support in the way that we would want to. We need to re-coalesce around the fact that all of us, whether we are involved in the commissioning or the provision of services, are in this to provide a service to people who need it. Therefore, the solution must lie with all of us.

To pick up on Judith Turbyne's point, it would make a real difference if, instead of the discussions about commissioning and the reallocating of budgets being about how to squeeze the last penny out of the funding, we recognised that we do not have enough cash to do what we need for people who need support and that we need to think about how we are going to do that together.

Back in the winter of last year, we did work to look at the resilience of our sector. We know from the members who responded to the survey that we put out that, in March of this year, 83 per cent of them were continuing to deliver a public service despite having a deficit budget. The problems that local government and national Government face are no different from those that are faced by the independent charitable organisations that I represent, which are having to dig into reserves and still work with deficits.

The problem is that, at the moment, the risk is being pushed down to the people who need support, in an effort to manage the deficits. We need to work together. The issue is about the tone of the conversation as much as anything else. It is a case of asking how we solve the problem jointly, instead of thinking about how we can squeeze people for money and ask them to do yet more for even less.

The Convener: Thank you. That concludes our questions.

I thank the four members of our panel for sharing their views with the committee—I have found the evidence very helpful indeed. We will hold a further evidence session in October.

That concludes our public business for today.

11:09

Meeting continued in private until 11:18.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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