



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Social Justice and Social Security Committee

Thursday 10 October 2024

Session 6



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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE

27th 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:

- Karin Earl (Robertson Trust)
- Erica Judge (Inspiring Scotland)
- Professor Tobias Jung (University of St Andrews)
- Neil Ritch (National Lottery Community Fund)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 10 October 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Collette Stevenson): Good morning, and welcome to the 27th meeting in 2024 of the Social Justice and Social Security Committee. We have received no apologies today.

Our first agenda item is a decision on taking business in private. Do members agree to take item 7 in private?

Members indicated agreement.

Subordinate Legislation

Social Security (Genuine and Sufficient Link to the United Kingdom) (Miscellaneous Amendment) (Scotland) Regulations 2024 (SSI 2024/241)

09:00

The Convener: Agenda item 2 is consideration of a Scottish statutory instrument that is subject to the negative procedure. The instrument's main purpose is to amend a range of regulations in relation to the past presence test and the requirement for a genuine and sufficient link to the United Kingdom by removing references to "social security system" so that the genuine and sufficient link simply needs to be to the United Kingdom.

If members have no comments on the instrument, I invite the committee to agree that it does not wish to make any further recommendations in relation to the instrument. Are members content to note the instrument?

Members indicated agreement.

Pre-budget Scrutiny 2025-26

09:01

The Convener: Agenda item 3 is our final evidence-taking 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 panel of witnesses: Erica Judge is director of fundsat Inspiring Scotland; Neil Ritch is Scotland director of the National Lottery Community Fund; Professor Tobias Jung is a professor of management at the University of St Andrews; and, joining us online is Karin Earl, who is funding manager at the Robertson Trust. Thank you all very much for accepting our invitation.

Before we move to questions, I want to make a few points about the format of the meeting. Please wait until the member asking the question says your name before speaking and please give our broadcasting colleagues a few seconds to turn on your microphone before you start to speak. Karin, please indicate with an R in the Zoom chat-room function if you wish to come in on a question.

I ask everyone to keep their questions and their answers as concise as possible. Bob Doris will start us off.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): Thank you, convener, and good morning to all our witnesses. Thank you for supporting our budget scrutiny.

Longer-term funding for the third sector has been a key ask for some time now. I note that both the Robertson Trust and Inspiring Scotland have said in their submissions to this committee that they are trying where possible to give longer-term security to organisations that are successful in getting grants from them. Karin Earl, can you put on record why you do that and what you feel the benefits are? Can you also give a specific example of the difference that the approach has made to some of the awardees?

Karin Earl (Robertson Trust): Yes, of course. Thank you so much for having me today. I am really pleased to have the opportunity to contribute and to share some of our work.

As we mention in our submission, we are pleased that the majority of our large and small grants—about 96 per cent of them—are for two years or more, with the majority being three-year awards. We try not to make awards for a shorter duration than that unless an organisation requests it, because we feel that there is real value in committing to longer-term funding. In fact, we are delighted to have recently committed to our first

10-year award; it was for the Edinburgh regenerative futures fund, which is a pooled community fund for Edinburgh that involves a number of funders and which places decision making in the hands of the community.

We are interested in the learning that will come out of that on the benefits of much longer-term funding, because we feel as a funder—and we hear this from our funded organisations, too—that there are a number of such benefits. Primarily, we feel that it can be more impactful, because it means that organisations can concentrate on developing and delivering their services without having to apply for funding year in, year out, and without having to work on a project-to-project basis. They can work in a better way towards achieving longer-term impact and having greater stability.

We feel that such an approach gives the funded work a better chance of success, because when you have stability and security, organisations are able to retain skilled staff, and that drives up the quality of their delivery. It means that there are no gaps in provision, and, again, it contributes towards improving the impact of their work.

With much of our work, making that change and achieving that impact take time. Multiyear funding over the longer term gives organisations the chance to achieve that. Although most of our awards are for three years, we have found that, in some cases, that is not quite enough. A five-year award would be more appropriate, because we recognise that it takes time for organisations to recruit staff, build relationships with participants and stakeholders and give their work a real chance of success. We advocate as much as possible for that—

Bob Doris: Karin, I apologise for cutting across you. Those are all relevant elements, and the rest of what you would have said would have been really valuable, too, but I wonder whether I can give your colleagues an opportunity to add to that.

Karin Earl: Sorry.

Bob Doris: No, I apologise.

Erica Judge, has that been your experience, too? I am not saying that you should not repeat what has been said, but can you say anything that might add to or reinforce the point?

I will throw a second question at you, too, if that is okay. We have heard in evidence that longer-term funding could have unintended consequences. That is no reason not to do it, but Glasgow City Council and the Corra Foundation have talked about the possibility—and the risk—of those who get such awards potentially being overly dependent on one funder. We have also heard that locking in a long-term approach for

those who win the awards also locks out those who are not successful. Do you have any reflections on that?

Erica Judge (Inspiring Scotland): I agree with everything that Karin Earl said. Inspiring Scotland was founded with the ambition of providing long-term funding. Our ideal approach is to give 10-year funding, with close fund management and relationship-based management, but we are not always able to do that, because of our funding model, which gathers funds inward.

As for benefits, I can give you the example of the our future now programme, now in its fifth year of funding and something that we work closely with 12 organisations on. As a follow-on from our initial 10-year funding, we are, through that very close work with those organisations, able to collect and interrogate a lot of very robust data to understand what is working. Because we have close relationships with those charities, we are then able to tweak the model to try to drive better performance.

I do not agree with the dependency argument. Referring again to our future now, I would argue that having that stability of funding allows our charities, and us, to raise more money from more diverse sources, and it enables the charities that we support to match that funding from other funders. I see less dependency in that model.

Bob Doris: That was helpful, Erica. Does that mean that if a project is £100,000, Inspiring Scotland will fund, say, only 20 or 15 per cent of that to avoid the dependency that you talk about? Are there any issues with locking organisations that are unsuccessful in getting the funding out of the process?

Erica Judge: First, on the question of locking out unsuccessful organisations, I also manage funds that get year-to-year funding, primarily from the Scottish Government, and because the timeframe is so short for everybody and because there is so much work involved, what tends to happen is that a lot of the funding gets rolled over for much longer than if you had planned a three-year or five-year funding process. The unintended consequence of year-on-year funding is that you have less opportunity to review and refresh things and invite new applicants.

Bob Doris: That was helpful.

I have one final question, which I will open to either Professor Jung or Neil Ritch. We would be looking for the Scottish Government and its agencies to provide longer-term funding certainty for the third sector, but I am conscious that they do not always have full sight of what their own longer-term budgets will be. For example, there will be a UK budget on 30 October, which will give us an idea of the Scottish Government's budget. Early

next year, though, there will be a spending review, which might lead to revisions in-year, let alone what might happen in years 2, 3 or 4.

Mr Ritch, do you recognise that that might be a challenge for the Scottish Government and other public agencies? How could they circumvent that in order to give the longer-term funding that we would all like to see? That is a nice easy one for you to start with.

Neil Ritch (National Lottery Community Fund): If I knew the answer to that, I might be doing a different job.

There are a couple of issues here. Some of it is about funding scheme design. In any funding scheme, there are winners and losers, and yes or no decisions have to be made. However, the extent to which people are locked in or out depends on the rhythm of that funding stream.

Getting to longer-term funding is about managing a change process. The National Lottery Community Fund's average main grants are for around three years, but we often fund for much longer than that under different arrangements—for up to 10 years, and even more at times. We are in the process of developing new programmes and moving to more of a five-year horizon, so we are conscious of the need to think about how we shape our budgets over a period of time.

The Government is challenged by having annualised budgeting but it is also empowered by having more money than any of the rest of us. This is all about choices—it is always about choices. For example, national lottery funding is predicated on a projection of future national lottery income, and all our grants are mortgaged against the future. In other words, we make an assumption that we will have money in the future, and we manage the risk. Much of this conversation is about how we can sensibly take an evidence-based approach to managing risk in funding, and that would be my best guess at how the Government might handle that.

Bob Doris: That was very helpful. I have no further questions, but perhaps Tobias Jung would like to add something before my colleagues come in.

Professor Tobias Jung (University of St Andrews): Yes, if that is all right. Can I be frank?

The Convener: Yes.

Professor Jung: I am not sure that we are asking the right questions in this document. I have researched the field for the past 15 years, and those questions have been around for just as long. The answers and the evidence base for how we approach the benefits and issues of long-term funding are pretty well established.

However, those are secondary questions; what should come beforehand is the actual vision for the third sector. Is it about public sector and public service deliveries? Is it about innovation? Is it about accuracy, or about holding the Government to its responsibilities? All the answers to those questions depend on the overarching vision, but what if we do not have clarity on that?

Coming back to the question on long-term funding benefit, I would just point out that across from St Andrews lies Dundee. According to the Dundee Bairns charity, one in three children in Dundee lives in poverty, while according to the Dundee poverty profile, 28.7 per cent of the children there are currently in poverty. Right now it is the school holidays, so they are not getting school meals and will probably be hungry. Do they need long-term funding? No. Right now, they need to be fed. That requires short-term funding. Then they will need to be fed for the whole of next week. That will also require short-term funding. Will that address the underlying issue? No. For that, you will need long-term funding.

We need to make the move from alleviating existing circumstances to being strategic in addressing the underlying issues. Some of the questions that we have here are about dealing with second-order issues, without having the overarching vision in place first of all.

Bob Doris: Professor Jung, I have so many follow-up questions that I would love to ask, but I will ask none of them, as the convener will chastise me if I do.

Jeremy Balfour (Lothian) (Con): Many of the questions that I have been wanting to ask have already been addressed, but I would like to go back to Karin Earl to get the Robertson Trust's perspective on dependency or locking out other groups in the sector that might come in. After all, the trust gets lots of applications from lots of different people. What if you were providing funding for three or five years and I were to come along with an entrepreneurial idea? Would I be frozen out? How would I persuade you that I would be worth funding, given that you are already funding X groups?

I must ask you to keep your response fairly brief, so that I do not get on the wrong side of the convener, either.

09:15

Karin Earl: No bother.

I suppose that that is a challenge. There is a trade-off here. Just now, we are grappling with the question whether, as has been the case for us to date, we go wide with our funding and fund a number of organisations with smaller amounts of

funding, or whether we go deep and provide five-year funding and higher levels of awards to organisations that are most closely aligned with our mission and are likely to achieve greatest impact.

We do not like to create a dependency on our funding; often, we are just one of a number of funders in the mix. We fund a mixture of organisations that are new to us, and which have innovative requests, and organisations that we have funded year in, year out, just to do what it is they do. There is a fine balance to be struck here. As I have said, it is something that we are considering just now; it is likely that we will start to make more of the larger longer-term awards that have a sharper focus and are more aligned with our mission, but there is absolutely a trade-off here.

Jeremy Balfour: My next question, which is on forward planning, is for any of the three funding organisations. Do you know what your budget will be in year 2 and year 3 from here, or are you working with variabilities, too? Presumably, it all depends on how many people buy lottery tickets, Neil.

Neil Ritch: It absolutely depends on how many people buy lottery tickets, and I encourage you all to do so.

Our budgets are based on forward projections that are agreed with the Gambling Commission, but we also carry a balance in the national lottery distribution fund, which gives us confidence that we can meet the commitments that we have already made in those forward projections.

I just want to say a couple of things about dependency on long-term funding. Our average grant length is three years and more, but around 30 per cent of the folk whom we fund in any given year are new customers to us. That suggests that you do not necessarily lock folk out, once you get the rhythm. The key to that is not long-term funding, but the fact that we operate rolling grant programmes, which means that we do not have deadlines that fall off. We also take a relational approach—that is, we talk to people about what they want to do and where they will fit in our funding model.

The other thing to bear in mind, and which I am conscious of, is the massive diversity in the size and sophistication of organisations in the third sector. The communities and places that we serve across Scotland have different needs and require different mechanisms. Therefore, funding at the scale that we fund, at around £60 million to £70 million a year in Scotland, requires a series of grant-making solutions if we are to work with different organisations that are trying to do

different things. It will be the same for Karin Earl and her colleagues at the Robertson Trust.

I do not worry hugely about folk with good ideas being locked out. Sadly, there are always more good ideas than resources to make those good ideas happen, but it feels to me that there is scope and space for people to bring those ideas to us and to have a sensible conversation.

Jeremy Balfour: Thank you, convener.

Paul O’Kane (West Scotland) (Lab): In the evidence that we have taken so far, we have been interested in hearing about approaches to accountability and transparency when it comes to flexible funding. We know that views vary on unrestricted and restricted funding models. We are interested in how you ensure accountability and transparency in the use of flexible, unrestricted funding without overburdening organisations with regard to their reporting requirements. When we took evidence in person with lots of different organisations in the sector, they spoke to us about that issue. Will the witnesses offer a view on that? Erica Judge, would you like to start?

Erica Judge: Sure. It is, of course, not unreasonable to ask organisations that are receiving money, including public money, to provide information on what they are using the money for and to show that the money is being used effectively. The real issue is that requests need to be proportionate. You will often see that the reporting framework will be the same for £10,000 as it is for £250,000, or the same for £100,000 as it is for £1 million.

It is very easy for funders, especially if they do not have expertise in the design of reporting or of funds, to ask for everything that they might be interested in, or everything that they think a minister might ask for, but there can be a power imbalance whereby the organisations that are being funded find it difficult to push back. Funders need to accept some risk and to acknowledge that there are costs associated with such an approach. Ultimately, the impact of adding costs is that fewer services get provided to the end users.

Fundamentally, that can be managed through long-term, relationship-based fund management. There are practical things that can be done, and we do them. We can co-produce the reporting framework with the people who receive the funding to make sure that it is fit for purpose. We talk about unrestricted funding, but we need to be focused on outcomes, too. We can have flexible but restricted funding that is outcome focused, so that we focus not on the inputs per se but on what we are trying to achieve and whether we are achieving it. That is what we try to do.

It is really about having appropriate, proportionate reporting that is focused on impact,

and the onus is on funders to ensure that things are designed as they should be.

Paul O’Kane: Neil, in your written response, you mention the need for

“a more equitable dynamic between the funder and funded groups”.

Relationships are important. Will you say something about the National Lottery Community Fund’s experience in that respect?

Neil Ritch: Certainly. We have tried to develop a relational approach to our funding. We acknowledge that there is a power relationship and that there are really strong cultural ideas about how we all behave around money, and we are trying to acknowledge that as a starting point and then work with people in a sensible way. The whole business of funding and grant making has that kind of power relationship ingrained in it, but what we want to get is a partnership approach.

Funders are trying to put money to work in communities, and to do that, we are dependent on organisations and communities. We are trying to acknowledge that and work in a way that is helpful. We have structured our teams so that we are relatively local and have continuity of engagement with organisations, because a lot of the accountability lies in talking to folk, knowing what they are up to and understanding their challenges. That enables us to be flexible in how we manage grants. Indeed, Erica Judge has just described that kind of approach.

There are opportunities for better funder collaboration. We have tried a few times to harmonise grant reporting, and we will say, “We’ll accept a report you’ve created for another funder, instead of you writing a bespoke one for us.” We have been on a journey in that respect; we used to make folk write an awful lot, but we do not do that now. What is it that people say about a sinner who has repented? I think that we have done well there.

The other thing that is a real challenge for funders—we are only starting to have a conversation about this and to understand it—is the need to review our approaches to risk. What are the assumptions on which we assess risk? My job is to balance excellent customer service for folk who want to do things in communities with lottery money and the rules around managing public money well. In doing that, we talk about assessing risks. What is the risk of loss? What is the risk of error? What is the risk of fraud? What is the risk of outcomes not being achieved? My experience of those risks from my long career in funding is that, although those things are difficult to manage when they happen, they are relatively unusual. How we take a genuinely evidence-

based approach to the management of risk is something for all of us to reflect on.

Paul O’Kane: Karin, the Robertson Trust has advocated increasing the amount of unrestricted core funds. How have you adapted the reporting requirements for those who receive funding? What feedback have you had from people who have been in receipt of Robertson Trust funding on those changes or further changes that they want to see?

Karin Earl: A couple of points that Neil Ritch and Erica Judge made are really important for us, too. We place our trust in funded organisations to deliver what is needed for the people and communities that they support. If their work is aligned with our mission, we can be confident that they are using our money well to deliver the change that we want to see from our funding, which means that we do not need to impose burdensome reporting requirements on them. If we take a relationship approach—that is, if we are clear with organisations about what they can expect from us, that we are open to hearing about things that have not gone well or to plan and that we are interested in what was learned from those experiences—it fosters accountability and transparency, which means that we do not need long reporting forms.

We ask consistent questions about what our funded organisations did, what difference it made and what they learned, and we find that that is enough. We get good feedback from our funded organisations, and we run an annual survey of grant holders and have online surveys when end-of-year reports are submitted. We feel that we have struck a good balance between proportionality and due diligence, and the information that we gather satisfies our audit requirements, which is really helpful.

Paul O’Kane: Professor Jung, what is your view on reporting and how information from organisations could be used better?

Professor Jung: We have a strong evidence base in Scotland on approaches to that issue.

Neil Ritch talked about our response to risk. There is an overarching question about where risk sits. Historically, the public sector has been risk averse because it needs to deliver public services—that is fair enough—so third sector organisations such as foundations have been the risk takers. Instead of trying to take an overarching approach that addresses all grant funding for the third sector, we need a portfolio containing different timeframes, different risk levels and different approaches, given the complexity.

We are talking about long-term funding as though it is actually long term. From a policy perspective, though, three to five years is not long

term; it is the shortest of short terms. Once a policy change is made, it normally takes six years before we see any impact. In other words, that is the short term, 14 years is the medium term and 20 to 40 years is the long term. We need to define what we mean when we talk about long-term funding.

Paul O’Kane: That was very helpful.

Kevin Stewart (Aberdeen Central) (SNP): I would like to tease out these issues a little further. Karin Earl mentioned audit requirements, and we have heard about risk. Trust factors are also at play. However, the key thing in all this is outcomes, which are—let us be honest—sometimes hard to measure. For example, you can say that you will feed 50 kids in Dundee next week but, in most cases, the outcome of doing that will be much greater than just feeding 50 kids.

How do we get all the balances right? Are we getting them right? Are audit requirements sometimes too rigorous? Is the appetite for risk sometimes too low? Do we trust communities and organisations enough to utilise funding properly? Are we measuring outcomes well? I know that I have covered a fair amount, but that is the nub of all this, as far as I am concerned.

Professor Jung: As the deputy convener said earlier, there are so many points to discuss.

First, how do we get all of that right? I do not know. For that, we need a national conversation about the role of and vision for the third sector. Is it merely about public service delivery in propping up the public sector and filling the gaps that the Government cannot fill, or is it about innovation, alternative solutions, developing communities and providing advocacy? The answer needs to be developed collectively.

On whether we are trusting enough, in organisation studies, there is a saying: “Organisations that trust people get people they can trust.” There is something to explore on that front.

I will make an overarching observation. If we look at all the outcomes and at the history of how organisations that receive grants report and respond to grant makers, we see that they are normally not honest—no, that is not the right word. [*Interruption.*] Let me rephrase that. They speak euphemistically and try to be as positive as possible. If we look at the whole evidence base, they are highlighting that things are creaking. If grantees say that things are creaking, things must be pretty bad—that will be only the tip of the iceberg. We therefore need a wide accommodation about the overall vision for the third sector.

09:30

Karin Earl: On the audit requirements, we need to ensure that our funds are accounted for, but that should not be the primary focus of why we ask organisations to tell us how they have used our funding in their work. There is definitely more that we could do in relation to placing our trust in funded organisations and maybe thinking differently about how they report to us, but the point about measuring outcomes is a really valid one, particularly when we are talking about unrestricted funding.

How do we measure the outcomes of unrestricted funding? What is it that we are interested in? Is it the benefits to the organisations in terms of what that funding enables them to do or is it the benefits to the people and communities that they support? We are developing our thinking on that just now. We are trying to think more in terms of our contribution to those differences rather than in terms of attribution, recognising that it is not just our funding that will help to make those differences.

I do not think that we have the answer to that just now, but we are developing our thinking and looking to others to learn from what they are doing in relation to best practice. We would be happy to share any learning that we bring together on that as our work progresses.

Erica Judge: The shorter the length of the funding is, the harder it is to collect data and to figure out what is going on and what the outcomes are. I see the issue as part of the whole. You take flexibility in funding, you add long-term funding and you add skilled relationship-based fund management—

Kevin Stewart: I will challenge you on that point. You said that the shorter the funding period is, the more difficult it is to measure outcomes. However, is it not the case that sometimes, if there is flexibility around one-off funding or a change of funding, you get positive outcomes very quickly?

Erica Judge: Well—

Kevin Stewart: I will give you an example.

Erica Judge: Yes—please do.

Kevin Stewart: As a minister, I introduced a fund whereby front-line staff could help homeless people quickly with small amounts of cash, and we could see the differences very quickly. For example, if folk who do not have the right official paperwork can get a wee bit of money to sort that out, we can see positive outcomes quickly because a lot of things are resolved. Sometimes, that flexibility can lead to positive outcomes quickly. The difficulty with that fund was that lots of folk were saying to me, “How do you audit that?” There was far too much emphasis on the audit

requirements and worrying that we could not trust folk. Sometimes, with short-term funding, we can measure outcomes quite quickly.

Erica Judge: I would agree that it is about asking what the risk is, ultimately, if we give people £200 or whatever. The risk is that we lose £200, but that is offset by many people benefiting from the money, so the risk is small. However, that is more of an emergency approach. It does not change the underlying system whereby people do not have the right paperwork and they are homeless and the third sector—

Kevin Stewart: Again, I will play devil’s advocate, because sometimes it does change things in the long term. Sometimes, little things can make big changes, but we do not necessarily measure that well. Do you agree?

Erica Judge: There is a place for all the different types and amounts of funding. Immediate short, sharp cash interventions can have value—I am definitely not arguing against that—but if we are ultimately trying to address poverty and long-term deprivation, those things require complex interventions with longer-term funding and people who really know what they are doing working with people to make change. We therefore need different profiles of time, amounts of money and objectives.

Neil Ritch: Building on what Erica Judge said, I note that long-term support for little things that are effective is even better. We know that cash-first approaches can work well and be transformative for people. Often, when we want to get to the root causes of how people found themselves in a fix, we need to be around for longer in that relationship.

As for your question whether we are measuring outcomes well, my answer is that we do that sometimes. What could funders and the organisations that we work with do better in that respect? There are a few straightforward things that could be done, the first of which is to resource the work. If you want to place important requirements on an organisation, you need to recognise that, as an organisation with power and resources, you are asking it to do something for you, and you should cost that into your model.

The second thing is to be clear about what you are after in your design. That will give folk a framework within which they can try to report and understand what they are doing against the outcomes.

Another issue is the need for funders to collaborate and invest in the right skills and systems so that they can ask the right questions in the most efficient way. We have seen bad examples of funder reporting where folk have not designed what they are asking well—they have

not used technology well and they are kind of stumbling around. They are saying, “We need to know what’s going on”, but they are not being clear enough.

Kevin Stewart: I want to follow up on that point briefly and, in doing so, perhaps come back to some previous comments. When we measure outcomes—obviously, you guys are the ones who go back to the organisations that are reporting—are we asking people enough about what difference they think the funding has made to them?

The Convener: Before Neil Ritch comes in, I note that Professor Jung had his hand up to come in on the previous question. I will let Neil answer this question and will then bring Professor Jung back in.

Neil Ritch: I have two points to make in response to your question, Mr Stewart. Specific projects will do what you asked about in different ways, and we use different methodologies and techniques to talk to people about distance travelled and so on. For example, we fund a lot of work with young people on building confidence and positive outcomes, and we can see big changes at those points in people’s lives. We also fund a lot of support for vulnerable people. In such cases, we might use specific multistep programmes and measure progress in that way.

Kevin Stewart: That is grand. It comes back to Professor Jung’s point about whether we are asking the right questions of people when we do this work. Perhaps Professor Jung will want to answer that question as well as making the point that he wanted to make in response to the previous question.

Professor Jung: It is okay to call me Tobias, by the way.

First, on Mr Stewart’s challenge to Erica Judge, you might address a short-term issue, but not the reason why the person was homeless in the first place. That comes back to the issue of alleviation versus strategic change and the tension in that respect.

Secondly, on the question of trust, what we are looking at is, in essence, a really nice ecosystem. If we are talking about providing long-term funding, we need to remember that all these organisations are in a symbiotic relationship. If I, as a funder, want to achieve my aims, I am reliant on the third sector organisation in question to be successful. There is huge co-dependency. With long-term relationships, I can develop and learn, which brings mutual benefits, and I can develop trust, too. It is a natural cycle.

Thirdly, on measuring outcomes, if you look at the history of impact measurements in the United

Kingdom, you will see that back in 2014, I think, the Cabinet Office put out a total impact tool for funders, the idea behind which was that you should really fund only those aspects that have the most impact. How far measurement in that respect is meaningful is, I think, for another conversation. Quite often, the way forward is to work with people who receive grants at the bottom end and to co-design measurement frameworks, instead of trying to impose them.

Kevin Stewart: That is grand. Thank you.

The Convener: Thanks, Tobias. Roz McCall is next.

Roz McCall (Mid Scotland and Fife) (Con):

This has been an incredibly interesting session. I am going to go back a little, if that is okay, because the theme that I want to ask about is the benefits and challenges of long-term funding. We have heard a lot about the benefits of such approaches but, again, this is all about teasing things out. The fact is that, when it comes to being risk aware or risk averse, local authorities and the Government are very much on the risk-averse side rather than the risk-aware side. It is just in our nature. It therefore does not surprise me that Glasgow City Council highlights in its submission certain major concerns about all of this.

I will come to you first, Professor Jung, on that juxtaposition, because you mentioned that relationship. Given that the issue is systemic and that that is how Government works, will it be difficult to turn that tanker? How can we move from a risk-averse process to a risk-aware process in a Government structure? How do we look at funding in that way, considering the concerns and challenges that Glasgow City Council puts across in its submission?

Professor Jung: Can I have 30 seconds’ thinking time, please?

Roz McCall: Yes—I am happy with that. I know that it is a big question.

Glasgow City Council has highlighted that there are barriers in leadership and management as regards how that long-term funding process would take place. It falls back on the risk-averse processes that we all work under. I get it that your funding process is very much risk aware, but Government and local government are very risk averse. We have to follow the public pound and be accountable to taxpayers. It is a different set of requirements rather than an auditing requirement. Is long-term funding possible?

Professor Jung: I do not know. The issue is the tension, is it not? Do we expect Glasgow City Council to take a third sector funding perspective? It is not designed to support the third sector as an advocacy organisation would. There is something

about unpicking the conflicting responsibilities that needs to be clarified.

As regards the benefits of long-term funding, there is a huge opportunity around knowledge sharing, because both organisations benefit on that front. There is also a huge issue around the usual suspects: once something has attracted funding, is it more likely to attract it again?

I cannot provide the answer to that yet. I will go back to the ivory tower and come back to you on it.

Roz McCall: That is lovely. I will give you longer than 30 seconds to think about it.

Neil, you say in your submission that long-term funding may limit funders' ability to quickly address unexpected crises when they happen. Given that we are looking at the whole process and how Government structures consider long-term funding, will you explain that crisis problem a little more and say how a Government structure could get around that?

Neil Ritch: It is important to note that local government has real challenges around accountability that are different from those of independent funders. The risk for us in having no contingency in the budget because we have committed as much as we can in order to be as flexible and long term as we can is that, when crises turn up and unfortunately stick around, it is harder to respond. During Covid and the subsequent cost of living challenges, we were able to vary live grants to the tune of £10 million one way or the other. That enabled existing organisations to move quickly, shift what they did and respond to communities. Having some contingency allows you to respond to a crisis.

The issue that loads of third sector bodies face is how much they should hang on to for a rainy day and how much they should recognise that it is raining now. That is definitely the dilemma that funded organisations have; we see that clearly in things such as the third sector tracker.

Larger institutions such as the National Lottery Community Fund and the Government can use bigger levers and flex greater financial capacity when there is a crisis. For example, our investment is at a manageable scale for us. That is one of the unique things that the state can do better in this space than anybody else can, and it is worth hanging on to that, given its value.

Roz McCall: That is excellent. Karin, I will come to you to get your opinion on that issue, and I will give Erica a chance to comment, too. The Government has restrictions and we know that we have to go back to the public pound and be accountable to taxpayers, so is long-term funding possible?

Karin Earl: We are in the fortunate position of being an independent funder with a relatively secure budget. I appreciate that it is easier for us to implement some of those things than it is for the Government.

I want to comment on the point about being risk averse and the point about whether there are barriers to awarding longer-term funding if there is a gap in skills, leadership and management in the sector. It might be a simplistic approach, but we would probably consider how we could help to overcome existing barriers. We would explore whether we could put training and support in place for leadership in the third sector. Could we put funding into programmes that are already out there in order to help to upskill people so that we can then be confident in putting out longer-term funding?

09:45

On the point about responding to crises, our position is similar to Neil Ritch's. It is not always about the ability to provide additional funds; it is also about where we can bring in flexibility. For example, during the Covid pandemic, we lifted all restrictions on our revenue grants so that organisations could respond flexibly. It is all about what will work within the structures in which each of us operates.

Roz McCall: That is very helpful. Thank you.

Erica, what are your comments on the point about being risk averse or risk aware, and on the leadership and management issues?

Erica Judge: We managed that through the Covid pandemic, so we have experience of being flexible during a crisis. That is a very recent experience. There is a widely accepted view that the third sector responded brilliantly in that environment and the risks did not materialise.

One way in which Inspiring Scotland adds value in the sector is that, as managers of funds for the Scottish Government and local authorities, we are able to absorb some of that risk and put in place the knowledge, relationships and trust that are required to make the whole thing work. As Tobias Jung said, a local council is not set up to do that, and the Scottish Government is not set up to have relationships with individual small charities and understand how well they are working. They place their trust in us, and that trust is renewed over time. We work with organisations to ensure that what should be happening is, in fact, happening. Where it might not be, we take measures to address that and to support and improve capacity in the sector. It is about understanding what we want to have happen and putting resources in the right places to make it happen.

Roz McCall: Yes—and who delivers it.

I see that Tobias Jung wants to come back in.

Professor Jung: I will be quick. A long-standing set of experiments has been carried out in the Scottish sector. Some 10 years ago, the Robertson Trust hosted a forum on bridge funding and alternative funding models for public sector and public services. Perhaps we could revisit existing historical databases as well, to enable us to develop a portfolio rather than have just one solution.

Roz McCall: That is very helpful. Thank you.

Katy Clark (West Scotland) (Lab): I want to ask about inflation. It is important that third sector organisations are able to function properly and provide services, but also to be good employers and meet minimum standards, including the fair work agenda. How could inflation-linked funding be integrated to provide financial stability over multiyear funding periods? What role could funders have in that? Perhaps Neil Ritch would like to answer that first.

Neil Ritch: We do that—we expect people to recognise that their costs will increase year on year when they apply to us for multiyear funding. If they have not recognised that, we ask them the question. Any organisation that wants to be a multiyear funder must recognise that inflation exists. It is pretty straightforward to put in place tools that enable grant applicants to make sensible estimates. We can provide parameters around that.

In the past few years, funders have probably come to know a wee bit more about the cost base in the third sector than we knew previously, because we have focused on it as a result of the impact of Covid and the consequent loss of income, and of the spikes in inflation and costs that we have seen across the board.

If we fund a capital project, we would expect to put contingency into it, and we do. With revenue funding, there is sometimes a presumption that people can juggle and make magic stuff happen, but the reality is that the costs of, for example, energy and premises go up. Everything goes up, and we should plan for that. We make multiyear grants that take account of inflation, which I consider to be the responsible thing for multiyear funders to do.

Katy Clark: There are lessons to be learned from organisations such as yours.

Neil Ritch: There is always somebody doing it better than we are. For example, I am sure that Karin Earl will explain why her organisation might be doing it better. However, I agree that there are models and lessons, and we know how to learn from those.

Katy Clark: Would Karin or any of the other witnesses like to comment?

Karin Earl: I am not sure that we are doing things better, but we ask organisations to build inflation into their budgets from the outset and we take it into consideration when we make our awards.

It is important for funders to work together. We know that we are often one funder out of many and we are not meeting an organisation's full costs. We should all encourage organisations to build inflation into their budgets up front, and we should explore ways of embedding that approach in our funding processes.

Professor Jung: What has been suggested must be done. We got into the situation that we are in in the first place because of the non-profit starvation cycle, which means that third sector organisations underreport their costs in order to attract more grants and make their applications more attractive.

Katy Clark: Thank you.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning. The committee really appreciates the witnesses taking the time to be with us this morning.

Karin Earl, in your written submission, you say that you do not make payment of the real living wage a condition for your grant holders. Will you expand on why that is the case, and can you give examples of why funded projects might struggle to do so?

Karin Earl: Paying the real living wage is really important, along with other fair work principles, but we are not able to stipulate that organisations pay it because we are one funder of many, so we never meet the entire staff costs of an organisation. We recognise that, if we said that the salary costs that we funded must go towards payment of the real living wage, that would create a challenge in providing parity across other staff roles in an organisation, because there might not be sufficient funding to provide those wages.

Funders need to work together on that principle. We ask organisations whether they are accredited as paying the real living wage and what barriers they face in that regard. As funders, we think that, collectively, we could do more to stretch our ambitions. For example, we could look to the real living wage network to learn what others are doing. Although we feel that payment of the real living wage is important, we are not in a position to stipulate that organisations must pay it.

Marie McNair: Neil Ritch, your position is similar. You ranked the issue at 1—as quite a low priority. Will you expand on why you did that?

Neil Ritch: Part of the reason was that we just found it really hard to rank the priorities. I agree with everything that Karin Earl said. We are a real living wage-friendly grant maker, but we are conscious that we fund a huge range of organisations and that an awful lot of our funding through the awards programme is for very small community-level organisations. We are conscious of the need to help people to get to that stage without imposing payment of the real living wage as a barrier to receiving funding.

We try to move in step with other funders—we are often a match funder with our colleagues at the Robertson Trust—but organisations will often have folk in jobs that we do not fund, so there is a challenging position in that regard. We encourage people and talk to them about payment of the real living wage during the grant assessment process, but we do not require it as a condition for grants because, although it is a good aspiration, it provides another level of inflexibility in what an organisation can do to manage its finances.

Marie McNair: I appreciate that. Erica Judge, you scored payment of the real living wage as a 3. Will you expand on your thoughts behind that?

Erica Judge: Inspiring Scotland is a real living wage employer, and we are very supportive of the real living wage and the other fair work commitments. However, recently, there has been a diktat from the Scottish Government that its grants must incorporate payment of the real living wage, without there being any kind of uplift associated with that. That is very challenging because, if wages are increased, there will be less output and fewer outcomes, and there is no recognition of the complexity in how charities build their profit and loss statements. We advocate a flexible approach, such as that which has been taken by the Robertson Trust and the National Lottery Community Fund, in which payment of the real living wage is encouraged while organisations maintain their autonomy.

I will give an example of the resulting challenges. I am a trustee of a charity that, among its many other operations, runs a cafe. The employees there are not currently paid the real living wage, although we are working towards that. However, that cafe still has to at least break even. If it does not, we cannot continue to operate it, in which case there would be no wages—not that everyone would get the real living wage. Therefore we need to acknowledge the economic realities. We try to be as flexible as we possibly can while still supporting the right outcomes.

Jeremy Balfour: Good morning. I will move on to what you expect back from the reporting process. It is interesting that one of the charities that has been here this week is funded by at least two, if not three, of you. It was very complimentary

about that. Clearly, things will change during a three-year period. It says that it is not a case of its having to resubmit an application; rather, there is a very open conversation about why it is changing things. How flexible are you about such reporting, particularly over a three-year period? Do you have strict deadlines—for example, that everything has to be reported every six months? What works well for ensuring that the system is used properly? Perhaps Erica Judge could start with that one.

Erica Judge: We manage 16 funds. If I am honest, there are different timelines and reporting processes for each one of those funds. We tailor them according to how the fund is set up, who the funder is, and what the requirements are.

However, we also generally operate a continuous improvement approach. If we set up reporting in a portfolio in which we work constantly, but either we find that it does not work for our needs or our charities tell us that it is not quite working, we would adjust that and amend it over time.

We are often in the position of taking information in and negotiating with our funders on what is actually necessary. A big principle for us is that people should not ask for more information than they need; they should ask only for what they need and will use. They should be mindful of what they are asking of people and should not be extractive, but should try to ensure that the information always adds value.

Jeremy Balfour: Karin, can I bring you in?

Karin Earl: I agree with Erica Judge's point about only asking for information that is needed. We have slightly different reporting requirements for each of our funds, but they must all be proportionate. There is normally annual reporting, but for our smallest grants, or wee grants for grass-roots community groups, we do not ask recipients to report back at all. We just say that if they want to tell us about what they did with the funding, or to send us pictures, they should feel free to do that. Our main reporting asks key questions about the differences that the funding made to the organisation, what it did, what it learned, and what the challenges and changes were. We will accept reports from other funders if an organisation finds it difficult to use our report.

We can be quite flexible during the funding period if there are restrictions on our funding that are not working for the organisation or the communities that it supports. The last thing that we want to do is withdraw funding and make an organisation reapply, so we will work with it to understand how it can best use our funding to prevent or reduce poverty and trauma in its community.

Jeremy Balfour: I have a couple of quick questions. Going back to the start of the process, there seem to be about 101 different application forms. Is there any possibility that the process could be standardised with all the organisations like yours getting round the table and designing one application form, rather than the third sector having to obtain slightly different information for every application that is made?

Neil Ritch: This is a project that breaks down somewhere after question 5: Who are you? Where are you? What do you want to do? Why do you want to do it? Who are you doing it with? What happens is that, because of the way in which they are funded or set up, some organisations, in particular trusts and foundations, have specific things that they need to know.

We have done some work on that in the past, in which we explored both harmonising how people report to funders and whether we could have what is often called a “single front door” to funding. During the Covid pandemic, we did really good work with our colleagues at the Scottish Council for Voluntary Organisations on creating a single access point. That works okay in general, except that you are creating some kind of system or artefact. People access lottery funding, for example, by phoning us or sending us an email. They find that approach much more helpful, because it allows them to get strong advice about whether they should proceed with the work of applying. That has been quite important.

10:00

The idea of a clearing house or a single point of entry has been important, but the little discomfort or risk around that is that it is also a single point of being told “No”, so if you do not get in that single front door, there are no other doors to knock on. That can be problematic for innovation and for very small funds.

It is probably worth saying out loud that getting right data, data sharing and all that is a challenge for funders. That is definitely a live issue. We signpost and refer across to other major funders, so if you phone us up and we do not think that the National Lottery Community Fund is for you, we might direct you to our other lottery fund distributors or to the Robertson Trust, Inspiring Scotland and so on.

It is probably important to recognise that funders have sought to do bits of that. That has been harder than it should have been, for good reasons, but that is not to say that we should not keep our eyes on that prize.

Jeremy Balfour: One comment that we hear a lot from the third sector is that funders always want something new, so they have to redesign

what they do and, rather than just carrying on, they slightly change the name or something else. There is a perception that they will not keep getting funding unless what they do is a wee bit new, or another organisation will be brought in but it has to start again, when the first organisation could still be doing it well.

Is that fair, Karin, or was the third sector just moaning? It is a leading question.

Karin Earl: We hear that often. We fund the tried and tested, in terms of core services, just do what they do. We fund organisations that have been around for a long time. We are not looking for new and innovative work, although we can support that, but in terms of how we award our funding, that is not something that we look for. Third sector organisations may come across that in accessing funding from other sources, but we are more than happy to fund existing work that works and does not need to be turned into something new and interesting.

Erica Judge: There is something fair in that comment on the funding landscape; organisations are not just making it up or moaning. We have 10-year funds, so we are not asking people to do something new. We are asking our charities to continue to work to the outcomes and objectives of the fund.

However, when we open new funds or when things are initiated from multiple different kinds of funders, it tends to be asked that what will be funded is new or different, and we try to push back on that. As you say, we know in many cases what the solution is, so we just have to keep on doing it. We can push back on that ask, and we will continue to do so.

Jeremy Balfour: I should also say for the record that I am a trustee of a charity that is receiving funding from the Robertson Trust, so thank you for that.

The Convener: Before we finish up, I would like to ask your views on how the Scottish Government could work better with independent funders. Can you share any best practice stories with us?

Karin Earl: The important thing from my perspective is to keep the dialogue open and to work more closely together and share our learning, because we can learn a lot from each other.

Professor Jung: The same criticism that has been applied to other questions about organisations and power applies here, too. There is a power dependence relationship between the Scottish Government and those organisations, and recognising and trying to alleviate that is important.

Neil Ritch: Scottish Government colleagues and independent funders are doing a number of positive bits of work on a range of things. We work with Highlands and Islands Enterprise to deliver the Scottish land fund on behalf of the Scottish Government. We have done that since 2012 and we enjoy a sensible and helpful relationship with colleagues, so there are points of light and good things to build on.

Among the most important things that we can all do are learn together, test together and share best practice more effectively together by connecting through fora such as Scottish Grantmakers or the Scotland funders forum, which enable funders to come together and discuss our issues.

Erica Judge: We work very closely with people in the Scottish Government across multiple directorates. If I am honest, I find that they are as constrained by such practices as we are. I think that they would like to see things change, as well. We have very constructive conversations and they want to make the right things happen. There is no question or doubt about that in my mind. The feedback that we get is that multiyear funding cannot be delivered because of the lack of security of the Government's own funding. Often, decisions are made at a very high level, and not at the level of the people whom we deal with.

We are hoping that the multiyear spending review will make a difference to that, but it is worth saying that there is precedent for giving three-year grants and five-year grants—national and local government have given those amounts of money in the past—so we are not exactly sure why it changed to what we have now, but I think that we have a shared objective to change it back.

The Convener: Okay, that is lovely. Thank you all very much for sharing your views with us today. It has been really interesting and I think that all the members will have found it really worth while. We will be reporting in November on the evidence that we have heard.

Before we move into private session, I note that Roz McCall will be replaced by Liz Smith on the committee following decision time today, so I would like to put on the record the committee's thanks to Roz for her valuable contributions. You are going to be sorely missed.

Roz McCall: I have really enjoyed being on this committee. Thank you very much, convener, and thank you to everybody for helping me. We have looked at some really interesting topics over the past year and I am sorry to be leaving, but I thank you very much for putting that on the record, convener.

The Convener: Thank you once again. We now move into private session.

10:08

Meeting continued in private until 10:35.

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