

SCVO response to the Scottish Government

Resource Spending Review

About us

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector (sometimes referred to as the third sector). We champion the sector, provide services, and debate big issues. Along with our community of 2,900+ members, we believe that charities, social enterprises, and community groups make Scotland a better place.

About the Scottish voluntary sector

Scotland's voluntary organisations are focused on delivering vital services and empowering some of Scotland's most marginalised communities. And the sector has a role in all aspects of Scottish society, from tourism and housing to the justice and social care systems.

The sector is an essential part of Scotland's economy, encompassing an estimated 40,000+ organisations, from grassroots community groups and sports clubs to approximately 25,000 registered charities and over 6,000 social enterprises.

About our submission

SCVO welcomes the opportunity to respond to the consultation on the Scottish Government's Resource Spending Review. Our submission is split into two parts: a **summary of our response** and **our full response**.

Our submission draws on evidence from:

- Recent interviews with 65 voluntary organisations covering funding experiences.
- Historical engagement with voluntary organisations during the pandemic.
- Feedback on our submission to the Finance & Public Administration Committee.
- Parliamentary records, including sector evidence, and government publications.
- Experiences from SCVO's Funding Scotland team.

Summary

This summary shares our high-level asks of the Scottish Government and the Resource Spending Review to ensure that resource spending decisions over the next three years reflect the current and potential contribution of Scotland's voluntary sector to our society and our economy.

Question 1: the priorities to guide the spending review process

- Meeting child poverty targets, addressing climate change, and securing a stronger, fairer, greener economy will be substantially dependent upon investment in the ongoing invaluable work of the Scottish voluntary sector.
- SCVO would like to see evidence that the Scottish Government has considered the voluntary sector's direct and indirect roles across all three priorities to guide the Resource Spending Review to deliver maximum value.
- We ask Ministers and civil servants to address any gaps in the Scottish Government's consideration of the voluntary sector's current and potential role as employers and as partners alongside the public and private sectors in the delivery of services and solutions.
- SCVO would like to see the Scottish Government supporting a more prominent role for the voluntary sector in our economic eco-system, better involving the sector in economic policy design and delivery and recognising and utilising the sector's ability as an agent for change across sectors and society.
- A transformative spending review – the first in over 10 years – would target fair, flexible, and accessible funding of the sector's existing services and of its potential to drive change towards inclusive, wellbeing-oriented local economies, alongside the public and private sectors.

Question 2: drivers of public spending over the spending review period

- This spending review should be used to visibly address the disparities that have widened over many years between public services led by public bodies and those delivered by voluntary organisations.
- Investment in Fair Work is vital, and this is equally true for the public sector as for the voluntary sector workforce. This means ensuring voluntary sector organisations are given fair, flexible, and accessible funding to realise the Fair Work principles.
- The Scottish Government cannot continue to rely on voluntary organisations in receipt of static public sector grants and contracts topping up unrealistic settlements with funding from other sources, including their reserves.

- Longer-term grants and contracts from both the Scottish and local government must factor in inflation upfront and include mechanisms to review and amend uplifts in funding to ensure arrangements are still adequate to deliver Fair Work.

Question 3: growth of the public sector workforce as a key driver

- The public service landscape is complex and includes a huge mix of public, private, and voluntary organisations. Policy directions must look to maximise the potential of the voluntary sector and ensure everyone involved in delivering public services is valued and rewarded, not simply those in the public sector.
- The Scottish Government and other public bodies should invest in the training and development of civil servants overseeing funding relationships with voluntary organisations, to equip the public sector workforce with the skills and knowledge they need to understand and support voluntary sector partners effectively.

Question 4: how to get the best value from public spending

- What is needed for the voluntary sector to have maximum impact is fair, flexible, and accessible funding which recognises the significant financial pressures facing the voluntary sector and its place as a key delivery partner directly alongside the public sector.
- Fair funding is multi-year, increases in line with inflation, and provides adequate contributions to core operating costs. Flexible funding is less restrictive of how projects and services are delivered and how budget is spent. Accessible funding means clear and transparent processes, decision-making, and communications.
- It is essential that multi-year funding with positive terms is allocated to the voluntary sector at both local and national levels, with multi-year arrangements from the Scottish Government to local government mirrored in local government funding of voluntary organisations.
- We welcome the Scottish Government's new prompt payment guidance on procurement contracts and believe this must provide inspiration for timely decision making on grant funding of voluntary organisations.
- SCVO supports a greater role for the Third Sector Unit in collating and sharing voluntary sector experiences across the Scottish Government to improve internal processes, and the Scottish Government should review its internal finance, human resource, and other systems to ensure funding is paid on time.
- The Scottish Government, and local government, should commit to working with voluntary sector intermediary bodies to support the onboarding and training of civil servants tasked with managing funding relationships with voluntary organisations to ensure consistency across all government portfolios.

- Contracting bodies must ensure voluntary organisations with procured contracts are properly funded to meet at least minimally agreed contract standards and to be able to deliver on Fair Work principles, decarbonise their operations, and meet other government priorities.
- The sector needs fair, flexible, and accessible funding to enable organisations to gather and provide evidence, identify need, and demonstrate where policy and practice are not working without having to balance the ability to challenge with securing funding in a constant cycle of short-term negotiations.

Question 6: engaging with people and organisations

- The engagement of the voluntary sector in local and national planning must be integral, not an afterthought, and the support required to enable the sector to participate as an equal partner must be built into structures and processes from the outset.
- Specific to the Resource Spending Review, there needs to be participative opportunities beyond the consultation for voluntary organisations to be heard, particularly those that do not have the funding nor the capacity to respond directly to consultations.
- Throughout the lifetime of the spending review, those responsible for overseeing funding relationships with voluntary organisations must communicate clearly and often, including regular dialogue relating to internal processes, timelines, decisions, and feedback. Consistent guidance would be beneficial.
- It would be helpful for the Scottish Government to consider how it disseminates across Ministerial portfolios any issues and concerns relating to the voluntary sector that are raised by SCVO and similar intermediaries, to ensure we can address emerging issues and mitigate their impact at speed.
- SCVO is pleased with the length of time offered to respond to this consultation. Consultations are often open for too short a time and the lack of engagement this leads to is often compounded by holding consultations over key holiday periods such as the summer. More could be done to make consultations accessible to all.

Our response

As the national membership organisation for the voluntary sector, our priority is to see a Resource Spending Review that recognises the vital role that the voluntary sector plays in Scotland's economy and society, both in short to medium term recovery and in the longer-term economic transformation that Scotland needs.

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- SCVO would like to see evidence that the Scottish Government has considered the voluntary sector's direct and indirect roles across all three priorities to guide the Resource Spending Review to deliver maximum value.
- We ask Ministers and civil servants to address any gaps in the Scottish Government's consideration of the voluntary sector's current and potential role as employers and as partners alongside the public and private sectors in the delivery of services and solutions.
- SCVO would like to see the Scottish Government supporting a more prominent role for the voluntary sector in our economic eco-system, better involving the sector in economic policy design and delivery and recognising and utilising the sector's ability as an agent for change across sectors and society.
- A transformative spending review – the first in over 10 years – would target fair, flexible, and accessible funding of the sector's existing services and of its potential to drive change towards inclusive, wellbeing-oriented local economies, alongside the public and private sectors.

The three priorities are of central importance to a wellbeing economy, and SCVO supports the focus on them. However, there is a lack of recognition within the framework – and in the new economic strategy that underpins priority three – of the integral role played by voluntary organisations in these areas. For these priorities to be achieved, the Resource Spending Review must recognise the direct and indirect roles of the voluntary sector and support it accordingly through fair, flexible, and accessible funding in partnerships built on trust. We cover funding issues in detail in our response to question four.

Priority 1 – Tackling child poverty

SCVO fully supports the Scottish Government's commitment to tackling child poverty. Voluntary organisations are involved with local government and other partners in what is recognised as a shared responsibility across sectors. As with many other areas, voluntary organisations are at the centre of tackling child poverty

must be recognised for the role they play, and this starts with fair, flexible, and accessible funding to develop their services and contribute to this national priority. However, it is not only those organisations with a strategic focus on child poverty that must be supported; voluntary organisations are employers and must be supported to deliver Fair Work for all staff as part of this national priority.

Priority 2 – Addressing climate change

Voluntary organisations also have a crucial role to play in Scotland's transition to a net-zero economy. Voluntary organisations' work is essential to the green economy, through supporting local energy networks, conserving Scotland's land and marine life, and focusing on greener, sustainable transportation, such as cycling and walking, in neighbourhoods empowered through vital voluntary sector infrastructure. Our organisations provide greener active-travel services, benefiting health, the environment, and increasing access to local amenities.

However, it is not only those organisations with a clear strategic focus on the environment that must be supported; many other voluntary organisations are in survival mode and are focusing on the here and now, and rising costs along with the long-term funding challenges we raise in response to question four mean it is unlikely that voluntary organisations can prioritise decarbonising their operations without adequate support from the Scottish Government. We are yet to see how the sector will be supported to play its role.

Priority 3 – Securing a stronger, fairer, greener economy

The third priority – securing a stronger, fairer, greener economy – is substantial and will be vital to delivering on priorities one and two. SCVO, and colleagues across the sector, were disappointed by the lack of references and understanding of the voluntary sector's current and future role in the economy in Scotland's National Strategy for Economic Transformation. The Scottish Government has said that it can now 'make the choices about the sort of economy we want to have and focus our effort on building back fairer.' However, the strategy gave no mention to the pioneering work done by voluntary organisations to create and develop the wellbeing economy. The strategy will underpin many of the decisions made over the coming years, and the Resource Spending Review can and must do better at recognising the importance of Scotland's voluntary sector.

SCVO is keen to stress again that the voluntary sector is an employer, a partner, and a vital social and economic actor. The voluntary sector's huge role in our economy extends well beyond the 100,000+ people it employs and an annual turnover of over £6 billion. Voluntary organisations have a direct role in developing people and skills, providing job opportunities through employability programmes for those furthest from the labour market, skills development, and apprenticeships for young people. Volunteering goes far beyond merely contributing to GDP; it has non-monetisable value to the economy, supporting skills and innovation, the transfer of positive values across sectors, combatting loneliness, and sustaining positive mental health of those involved.

Volunteering

SCVO, as part of the Scottish Volunteering Forum, believes that the Scottish Government and others such as local government can do more to recognise the true value of volunteering and to support people and communities to volunteer. The vital role of volunteers during the Covid 19 pandemic is just one example of the many essential contributions of volunteers across Scotland.

Digital inclusion

The voluntary sector is working tirelessly to tackle digital exclusion to help us balance society's cohesion and ensure Scotland leaves no one behind in a rapidly changing economy where all citizens will need to be online and connected. As an example, SCVO has been working on digital inclusion and capacity building for many years, working in a broad partnership of voluntary organisations, social housing providers, local authorities, and other public sector bodies.

Supporting communities, individuals, and sectors

The sector also plays a crucial role in monitoring and reporting the impact of changes on different marginalised communities. This includes not only working with the Scottish and local governments, but also working with the private sector on equity and inclusion across their workforces and in the business decisions they take. Our organisations also provide key services to the private sector, such as mental health support for employees and debt and financial advice, to name a couple. Scotland's 6,000 social enterprises put profits and surpluses towards social and environmental missions, but they are also standard setters, influencing change in the norms and behaviours across the private sector.

Culture and leisure

Voluntary organisations run most of our theatres, museums, galleries, and sports clubs, playing a crucial role in Scotland's cultural heritage and providing Scots with a sense of belonging and connection to each other. These are intrinsic to Scotland's wellbeing and how Scotland is viewed both at home and overseas.

Care

Voluntary organisations not only deliver vital person-centred care, but they also provide community-based interventions and, vitally, support early interventions and prevention, where we as a nation – 11 years on since Christie – are still falling short. The more people voluntary organisations can support in their communities, the more people who can remain economically active and who would otherwise have significant caring responsibilities.

The above are just some areas in which the voluntary sector plays a vital role in our economy, but it is by no means an exhaustive list. The voluntary sector has a role in all aspects of Scottish society, from tourism and housing to the justice and education systems.

We are encouraged by the Cabinet Secretary for Finance and the Economy's plans that go beyond the consultation to listen to a broader range of views from across the voluntary sector as part of the Scottish Government's engagement around the Resource Spending Review. A wellbeing economy that works for all must be based on a broad range of contributors and support diverse needs. To transform Scotland's economy, the Scottish Government should support a more prominent role for the voluntary sector in our economic eco-system, placing the sector as a partner of the public and private sectors with equitable involvement in economic policy design and delivery and recognising and utilising the sector's unique ability as an agent for change across sectors and society.

The spending review needs to support improvements in co-operation and collaboration between sectors in shaping Scotland's economic development. With the right investment, the voluntary sector can directly provide alternative ways for organising our economy, as we see through the examples outlined above. The sector can also make an indirect contribution, too. As we have seen with social enterprise, our organisations can lead the way on changing norm and behaviours in other sectors and can support the shift in consumer preferences. A strong voluntary sector that has the infrastructure to fundraise can also bring more resources into efforts for collective support of basic needs. Our organisations can provide the vital economic infrastructure – childcare, active-travel, digital skills and so much more – that all sectors rely upon to ensure people can secure and remain in work.

A lack of long-term investment in our organisations through the spending review will prevent the Scottish Government from realising these possibilities. It will compound the acute financial strain that voluntary organisations are already under due to rising energy costs, inflationary pressures, and the end of COVID-related funding. This, combined with the challenges outlined in response to question four around insecure funding, lack of timely payments and omissions of core costs and inflationary uplifts, mean that many voluntary organisations are facing constant financial risk. The £800,000 cut to the voluntary sector budget line in the Scottish Government's budget 2022-23 supports our concern that things might be going in the wrong direction at a time when an economically sound operating environment for the voluntary sector is vital for people and communities across Scotland.

Question 2: drivers of public spending over the spending review period

- **This spending review should be used to visibly address the disparities that have widened over many years between public services led by public bodies and those delivered by voluntary organisations.**
- **Investment in Fair Work is vital, and this is equally true for the public sector as for the voluntary sector workforce. This means ensuring voluntary sector organisations are given fair, flexible, and accessible funding to realise the Fair Work principles.**
- **The Scottish Government cannot continue to rely on voluntary organisations in receipt of static public sector grants and contracts topping up unrealistic settlements with funding from other sources, including their reserves.**

- **Longer-term grants and contracts from both the Scottish and local government must factor in inflation upfront and include mechanisms to review and amend uplifts in funding to ensure arrangements are still adequate to deliver Fair Work.**

SCVO recognises why these will be the primary drivers of public spending and believes the voluntary sector has a very important role in responding to the challenges and opportunities these will bring. The voluntary sector is increasingly filling gaps left by the public sector and, while the sector is well placed to do this, supporting the ever-changing and growing role of Scotland's voluntary sector in public service delivery will be essential over the next three years and beyond. This spending review should be used to visibly address many of the disparities between public services led by public bodies and those delivered by voluntary organisations.

As an example, SCVO endorses the Fair Work principles and supports the investment needed in their realisation. We believe that to be equally true for the public sector as for the voluntary sector workforce. This means ensuring voluntary sector organisations are given fair, flexible, and accessible funding to ensure they can realise the Fair Work principles. Including, for example, additional funding to ensure payment of the real living wage, something which has not always been covered previously, alongside recognising the benefits of volunteering to individuals, organisations, local communities, and Scottish society, and investing in the infrastructure needed to ensure volunteering opportunities are available to all.

The expansion of Fair Work First criteria to include payment of the Scottish Living Wage is an opportunity for the Scottish Government and the voluntary sector to work together to remove barriers to paying the Living Wage. However, SCVO is concerned that too few people within the sector feel they have been provided with enough information for both Fair Work First and the changing criteria. It is vital that the Scottish Government provides adequate notice of changes to any prerequisites for Scottish Government funding, and that organisations are given good lead in times to address the changes they are expected to make to secure future public funding. The Scottish Government cannot continue to rely on voluntary organisations in receipt of static government grants and contracts topping up unrealistic settlements with funding from other sources, including their reserves.

Many voluntary sector organisations have faced significant financial challenges in paying the living wage. There is often no change to government funding of voluntary organisations to reflect rising inflation, meaning some organisations have been unable to provide a cost-of-living increase for five years or more. Many procurement contracts from health and social care partnerships have not covered uprating, despite public sector partners implementing this for their staff. Static funding is hugely challenging for all voluntary organisations, and small and medium-sized organisations struggle most in plugging the gaps. Those more fortunate may be able to use some reserves or other income streams to top-up government grants and contracts, but this is unsustainable.

In regard to inflation, this must be addressed as part of a fair funding package for the voluntary sector. As outlined in more detail in our response to question four, from our own research we have found many voluntary organisations have been providing the same services year on year without any inflationary uplifts to the funding they receive. A more comprehensive funding package for the voluntary sector is needed, considering core costs, inflationary pressures, and cost of living increases. Inflation was at an average of 2.7% a year between 2018-21, yet many organisations received no uplift over this period. Continued static funding is simply unworkable at a time when prices rose by 6.2% in the 12 months to February this year, the fastest increase for 30 years, and look set to continue to reach high levels in 2022. Longer-term grants and contracts from both the Scottish and local government must factor in inflation upfront and include mechanisms to review and amend uplifts in funding to ensure arrangements are still adequate to deliver Fair Work.

Question 3: growth of the public sector workforce as a key driver

- **The public service landscape is complex and includes a huge mix of public, private, and voluntary organisations. Policy directions must look to maximise the potential of the voluntary sector and ensure everyone involved in delivering public services is valued and rewarded, not simply those in the public sector.**
- **The Scottish Government and other public bodies should invest in the training and development of civil servants overseeing funding relationships with voluntary organisations, to equip the public sector workforce with the skills and knowledge they need to understand and support voluntary sector partners effectively.**

Although this question refers solely to the public sector workforce, given how vital the voluntary sector is to delivering public services, we feel it necessary to comment because the question assumes that only the public sector provides public services. The public service landscape is far more complex than this, with a mix of public, private, and voluntary organisations delivering vital services. There is also potential for further developing the voluntary sector's involvement in providing public services, but that can only be realised by expanding policy interventions to maximise the value achieved from the voluntary sector workforce. Our submission outlines several policy interventions that the Scottish Government could deploy to maximise value and ensure everyone involved in delivering public services feels rewarded and valued in their work. These necessary changes will only occur once there is greater and more consistent understanding within public bodies of the voluntary sector's role across Scottish society and its unique offer and needs.

Our recent research with the voluntary sector found that whilst a generally positive relationship between voluntary organisations and the Scottish Government exists, there are several key issues relating to the quality or purpose of these relationships. Our findings reveal that the quality of the relationship is often dependent on having a 'good person' in the Scottish Government. Where the quality of relationships was less good or challenging, voluntary organisations felt their Scottish Government colleagues often had gaps in skill or experience working alongside voluntary organisations. Or, they had gaps in their knowledge, leading to a lack of understanding of how their actions and decisions impacted on voluntary organisations; for example, the Scottish Government changing funding terms or timescales without understanding the legal and more practical delivery ramifications for the funded organisation. A commitment from the Scottish Government and local authorities to invest in upskilling and building knowledge of the voluntary sector amongst civil servants responsible for fund management with voluntary organisations would be very welcome.

Question 4: how to get the best value from public spending

- **What is needed for the voluntary sector to have maximum impact is fair, flexible, and accessible funding which recognises the significant financial pressures facing the voluntary sector and its place as a key delivery partner directly alongside the public sector.**
- **Fair funding is multi-year, increases in line with inflation, and provides adequate contributions to core operating costs. Flexible funding is less restrictive of how projects and services are delivered and how budget is spent. Accessible funding means clear and transparent processes, decision-making, and communications.**
- **It is essential that multi-year funding with positive terms is allocated to the voluntary sector at both local and national levels, with multi-year arrangements from the Scottish Government to local government mirrored in local government funding of voluntary organisations.**
- **We welcome the Scottish Government's new prompt payment guidance on procurement contracts and believe this must provide inspiration for timely decision making on grant funding of voluntary organisations.**
- **SCVO supports a greater role for the Third Sector Unit in collating and sharing voluntary sector experiences across the Scottish Government to improve internal processes, and the Scottish Government should review its internal finance, human resource, and other systems to ensure funding is paid on time.**
- **The Scottish Government, and local government, should commit to working with voluntary sector intermediary bodies to support the onboarding and training of civil servants tasked with managing funding relationships with voluntary organisations to ensure consistency across all government portfolios.**

- **Contracting bodies must ensure voluntary organisations with procured contracts are properly funded to meet at least minimally agreed contract standards and to be able to deliver on Fair Work principles, decarbonise their operations, and meet other government priorities.**
- **The sector needs fair, flexible, and accessible funding to enable organisations to gather and provide evidence, identify need, and demonstrate where policy and practice are not working without having to balance the ability to challenge with securing funding in a constant cycle of short-term negotiations.**

During the pandemic, the voluntary sector was hit by a perfect storm of income loss and fluctuating service demand. This intensified longer standing financial challenges which do not appear to be abating even as we transition out of the pandemic. Before the pandemic, a 2019 report from the then Equality and Human Rights Committee highlighted a range of issues including uncertainty with short-term funding, the impact on partnership working of a competitive funding environment, and the limitations of ring-fenced funding that does not cover core costs.

From our own recent research with the sector, we have seen a combination of the need to constantly search for short-term funding, lack of support for core costs and inflationary uplifts, untimely payments and funding inflexibility, resulting in many voluntary organisations and their staff continually facing a very uncertain future. For the voluntary sector to have maximum impact in the delivery of the spending review's three priorities, we need to see a mainstreaming of fair, flexible, and accessible funding in the voluntary sector built on trust.

- **Fair** means multi-year funding on terms that provide appropriate inflationary uplifts and contributions to core operating costs that set foundations for project and service delivery. Fair means ensuring voluntary organisations can meet the Fair Work principles through pay that meets cost-of-living increases and making sure staff are not in a constant cycle of short-term contracts.
- **Flexible** means less restrictive funding, providing voluntary organisations with the flexibility to review their approach and alter their budgets to suit changing needs and improve their impact. Flexible means allowing public sector funders to discuss the impact of their fund with the funded organisation and learn from the successes and challenges, with the ability to agree changes in approach where needed.
- **Accessible** means greater clarity and transparency upfront in government processes, particularly concerning application processes, negotiations and decision making, and payment timelines. Accessible means giving voluntary organisations the information they need to plan properly and to meet their legal and operational responsibilities.

The following section offers a more detailed explanation of how a fair, flexible, and accessible funding system can be developed and what it should include to maximise the positive impact of public spending.

Multi-year funding

Multi-year funding is a key pillar of fairer funding. We have seen over the years a significant move away from three-year Scottish Government grants to one year funding. This move to more 'contractual' funding has not taken into consideration the impact on voluntary sector planning or sustainability and has created significant funding challenges for voluntary organisations. We need this trend to be reversed.

The framework does outline the intention to publish multi-year spending plans in May 2022 but does not specifically identify this as applying to the voluntary sector. We welcome the interest shown by the Finance and Public Administration Committee in multi-year funding during the pre-budget process and point to comments from the Auditor General and a plethora of reports over many years, which have called for a meaningful shift away from annual budgeting. SCVO welcomed cross-party support for multi-year funding in the run up to the 2021 Scottish Parliament election.

In addition, the most recent Programme for Government also contained a commitment to develop longer term funding models for the sector and, in Parliament in December 2021, Kate Forbes MSP, Cabinet Secretary for Finance and the Economy, agreed that the voluntary sector should receive multi-year funding. The Social Renewal Advisory Board also included a call for multi-year funding. Now is the time for this to become a reality and it must include the voluntary sector. Not just in direct relation to these three core priorities, but across the board for voluntary sector funding at both national and local government levels.

As SCVO and others across the voluntary sector have highlighted many times, a predictable income would enable voluntary organisations to:

- plan services and free up the capacity otherwise required to chase annual funding
- provide a greater continuity of service, which individual service recipients and communities so greatly value
- improve staff retention by reducing worries over redundancies and potential closures and alleviate the stress and uncertainty this puts staff under.

When SCVO gave evidence to the Finance and Public Administration Committee in March 2022 on the uncertainty for staff created by single year funding, the committee's convenor stated: "The situation really is unacceptable, so we must address it".

We recognise that multi-year funding is a challenge for both local and national government due to the uncertainty over their yearly block grants. That said, both Scottish Government and the 32 local authorities still know they will receive some funding every April, whilst many voluntary organisations are uncertain if they will continue to be in existence by then. What is required is mainstreaming multi-year funding for the voluntary sector both across Scottish Government, and at local authority level.

Local government funding of voluntary organisations is vital. Voluntary organisations receive approximately £500 million from the Scottish Government and around £1 billion from local authorities. We welcome the intention in the review to create multi-year funding for local authorities and commend the reference in the COSLA submission to the Finance and Public Administration Committee (January 2022) to wanting to provide multi-year funding for the services that local authorities commission. We need to see this happen in practice.

Inflationary uplifts and contribution to core costs

However, multi-year funding on its own will not tackle all the financial challenges which currently prevent the voluntary sector from making the greatest impact. A recurrent lack of coverage for core operating costs or inflationary uplifts means many voluntary organisations delivering services are under acute financial strain in an increasingly challenging economic environment. This situation has been severely exacerbated due to the cost-of-living crisis, which strains the sector's ability to be fair work employers when funding remains static over many years. Negotiating agreements with voluntary organisations where the only difference is that these arrangements will last longer than before is not the transformative change we must see.

In our own research we came across many examples of problematic funding practices, with organisations having to dip into reserves to ensure wages are paid and services continue even when awaiting delayed contract renewal decisions. We identified one organisation that had not received an inflationary uplift in 13 years, amounting to an estimated 27% real terms cut in the funding that it had received from a local authority. Although this example is towards the more extreme end of the scale, it is indicative of the wider punishing financial environment in which voluntary organisations are struggling to survive.

Several organisations we spoke to had to use some of their reserves to ensure staff funded through Scottish and local government grants and contracts received increases in their pay to meet the rising cost of living. Other organisations, that receive no or minimal core costs, were unable to maintain their staffing capacity between funded projects and services, meaning provision dropped off a cliff for those who relied on this support. We cannot expect organisations to continue to deliver services to the highest standard and with the most impact under these conditions.



Less restrictive funding

A key part of a flexible funding system would be funding which is not overly burdened with prescriptive requirements. When this is the case, it hampers the ability of the funded organisations to adapt and respond to changing circumstances. However, we know this is in no way universal across all funding arrangements, and indeed during the pandemic we have seen greater flexibility given to voluntary organisations to deal effectively with changing circumstances. We hope the Resource Spending Review will build on such examples of good practice and embed them across government departments.

Civil servants responsible for the funding relationship with voluntary organisations should work closely to agree on what should and should not be measured, what is possible to measure, and provide flexibility within funding agreements to achieve these outcomes. Providing mechanisms to review progress not only provides the funded organisation with the opportunity to review their approach and adjust to improve their impact, but it also enables fund managers to learn from successes and challenges and get the most from their funds. Here, we are not asking for extra funding for the voluntary sector; we are asking for the flexibility to allow organisations to flourish, enabling them to have the most impact.

Timely decision-making and payments

Central to delivering accessible funding is the systematic adoption of the timely payments principle. Timely payments would not only reduce the strain of uncertainty for organisations and their staff but would also limit the need for time and energy to be utilised for the resource intensive process of regularly applying for funding.

For example, recently at SCVO, because of process delays inside Scottish Government, we did not receive the annual grant letter for Community Jobs Scotland until August, four months after the start of the financial year. This has meant that around 160 jobs for disadvantaged young people have not been created, and there is an underspend of £1m. We had plenty of voluntary sector employers and young people ready and waiting, but we have not been able to meet that need, all because a letter was not issued. We welcome the Scottish Government's new prompt payment guidance on procurement contracts and believe this must provide inspiration for timely decision making on grant funding.

Improving internal processes and systems

SCVO welcomes the references in the framework to improving cross-government collaboration to get the best value out of public spend. SCVO believes that integral to this is improving cross-government collaboration with the voluntary sector. Voluntary organisations tell us of different experiences across different Scottish

Government departments and greater support for the Third Sector Unit to share this learning across government would be welcome. This is particularly the case for those organisations that receive funding from multiple government departments; unilateral funding decisions, such as on issues of duration and requirements, can often conflict with the needs and requirements of other funders within government and more could be done to join this up better.

The Scottish Government should also review its internal finance, human resource, and other related processes and systems to ensure these are efficient and effective at distributing funding on time. If the funding relationship is smoother in some parts of the Scottish Government, then it is possible to replicate this elsewhere. Internal delays in approving finance and HR decisions and coding, which have been reported to us, suggests improvements are there to be made and these have the potential to save time and costs.

Strengthening knowledge and understanding of the voluntary sector

Greater understanding within local and national government departments of the acute financial strain currently being placed on voluntary organisations would advance progress towards fair, flexible, and accessible funding. Greater appreciation of, for example, the legal need to issue redundancy notices whilst awaiting funding decisions and the legal duty of Trustees to provide evidence that their organisation can operate on a going concern basis would, we believe, reduce delays in decision making. The Scottish Government, and local government, could commit to working with voluntary sector intermediary bodies to support the onboarding and training of civil servants tasked with managing funding relationships with the voluntary sector. We would also envisage that awarding multi-year funding would result in cost savings for local and national Government teams in not having to run annual application phases, and a stronger understanding of the sector's operating environment would enable public sector colleagues to support us to have maximum impact. See our response to question three for more details on training and development.

Procurement

Another important aspect of voluntary sector funding is ensuring a procurement system which enables the sector to thrive. By this we mean one which ensures organisational sustainability, realisation of the fair work principles, continuity of service delivery, and encourages and supports partnership working where best suited. This includes ensuring that cross-sector partnership of the voluntary, public, and private sectors, is central to new commissioning and procurement models. As with other funding arrangements, voluntary organisations with procured contracts should be properly funded to meet at least minimally agreed contract standards and ensure they are able to deliver on Fair Work principles. This involves no longer

including non-committal frameworks in procurement contracts, which run counter to the Fair Work agenda.

In social care in particular, workforce costs are a significant part of procured services. We believe part of health and social care integration should involve recognising the social care workforce as being on an equal footing to those in health, where better wages, job security, and terms and conditions in general prevail. But to do this requires financial provision within contracts to enable voluntary organisations to meet these and other Fair Work aspirations such as volunteering.

On procurement, SCVO conducted member surveys in 2013 and 2019. Whilst we have identified areas of slight improvement, our central message is that comprehensive reform of procurement is urgently needed. The current system of competitive tendering is creating undue strain and uncertainty for the voluntary sector and its workforce and is failing to deliver a rights-based, person-centred approach. We believe a decisive shift is needed from this current competitive environment to a more collaborative approach to drive up the delivery of public services, ensure sustainability of the voluntary sector, and realise the Fair Work principles.

Multi-year funding and improved terms would also provide the vital financial stability needed for voluntary sector organisations to accelerate progress towards both Fair Work outcomes and their own environmental transition. Continued uncertainty through short term contracts alongside ever shrinking reserves not only makes staff retention challenging, but also hinders an organisation's ability to offer training and development opportunities, as well as make important environmental choices, such as decarbonising their operations.

Prevention and spend-to-save

We welcome the references in the framework to considering preventative approaches and recognising how they can improve services and save public money by reducing demand in other areas. We also highlight the endorsement of Christie Commission principles. However, beyond this, there is a lack of recognition of the invaluable preventative role played by the voluntary sector across the length and breadth of Scottish society.

From reducing demand for key services such as hospital admissions to providing a compassionate, nurturing approach to ensure, for example, ex-offenders turn their lives around, voluntary organisations have long led the way in realising the principles of the Christie Commission and the more recent Social Renewal Advisory Board (SRAB). Unfortunately, much of this work has often not been acted upon by the Scottish Government and once again this framework offers a lack of depth as to how it will support the voluntary sector to continue to achieve this agenda.

The demographic changes outlined in the review make the case for more sustainable sector funding even stronger. As the framework identifies, multi-year funding can ‘create the fiscal space to invest in long-term, preventative measures which have a greater impact on these cross-cutting priorities’. Given the critical role voluntary organisations have played in pioneering preventative, person-centred approaches, investment in the voluntary sector and an improved funding environment for voluntary organisations is vital and must be outlined more clearly in the review.

Support the voluntary sector’s role in policy development

The voluntary sector plays an invaluable role in policy development in Scotland, and this should be recognised by the spending review. It is vital that organisations are enabled to gather and provide evidence, identify need, and demonstrate where policy and practice are not working. There is a perennial challenge of maintaining an organisation’s ability to challenge public sector decision making when organisations are on short-term funding and are constantly in the cycle of negotiating replacement funding. But the sector must have the ability to do this work and must have fair, flexible, and accessible funding in place to enable this to continue.

Question 6: engaging with people and organisations

- The engagement of the voluntary sector in local and national planning must be integral, not an afterthought, and the support required to enable the sector to participate as an equal partner must be built into structures and processes from the outset.
- Specific to the Resource Spending Review, there needs to be participative opportunities beyond the consultation for voluntary organisations to be heard, particularly those that do not have the funding nor the capacity to respond directly to consultations.
- Throughout the lifetime of the spending review, those responsible for overseeing funding relationships with voluntary organisations must communicate clearly and often, including regular dialogue relating to internal processes, timelines, decisions, and feedback. Consistent guidance would be beneficial.
- It would be helpful for the Scottish Government to consider how it disseminates across Ministerial portfolios any issues and concerns relating to the voluntary sector that are raised by SCVO and similar intermediaries, to ensure we can address emerging issues and mitigate their impact at speed.
- SCVO is pleased with the length of time offered to respond to this consultation. Consultations are often open for too short a time and the lack of engagement

this leads to is often compounded by holding consultations over key holiday periods such as the summer. More could be done to make consultations accessible to all.

SCVO welcomes the opportunity for the voluntary sector to engage with the Scottish Government on the Resource Spending Review. We appreciate the commitment given in Parliament by Kate Forbes MSP, Cabinet Secretary for Finance and the Economy, to meet with the voluntary sector during this process and look forward to hearing more details about this. Consultations are a key part of the engagement process, but there needs to be more participative opportunities for voluntary organisations to be heard, particularly those that do not have the funding nor capacity to respond to consultations. From our considerable experience in engaging with the Scottish and UK Governments and parliamentary committees, we have seen a wide range of practice from the good to the not so good levels of engagement.

The Scottish Government can build in mechanisms to engage with the voluntary sector throughout the lifetime of the spending review to ensure those responsible for overseeing funding relationships with the voluntary sector communicate clearly and often. This includes regular dialogue about internal processes and timelines. It includes asking voluntary organisations what they need to deliver on the outcomes within their funding agreements. It also means listening to the suggestions made by voluntary organisations, be that to do with changing parts of how they will deliver their service or concerns relating to delayed letters of confirmation or not receiving payment before the start of the financial year. Investing in the training and development of those responsible for these key funding relationships will ensure successful ongoing communications between the Scottish Government and those voluntary organisations it funds or who are seeking funding.

Voluntary organisations will often reach out to SCVO to raise their concerns with a lack of communication and confirmation from the Scottish Government surrounding their funding for the next financial year. In recent years, SCVO has written to the relevant Cabinet Secretary to raise these issues with the hope of securing cross-Ministerial support for prompt decision-making well ahead of the new financial year. Occasionally, we see some progress. However, it would be helpful to consider how the Scottish Government can disseminate across portfolios any issues and concerns relating to the voluntary sector raised by SCVO and similar stakeholders. It is essential to recognise that the Third Sector Unit is only responsible for a small proportion of Scottish Government funding to the voluntary sector. All Ministers have a role to play in ensuring fair, flexible, and accessible funding for the voluntary sector.

Consultations need to have a considerable length of time to allow organisations, particularly smaller ones, often volunteer-led, to have the capacity to engage meaningfully. In addition, where possible clear and accessible language should be used to avoid people and organisations believing it is too complex for them to

engage with. Sadly, this was not the case for the consultation on the National Economic Strategy. Due to the lack of core funding and other financial challenges facing the voluntary sector, as outlined in response to question four, many voluntary organisations with great insights to share are unable to do so, due to lack of capacity and resource. Running consultations and engagement over the summer months, as happened with the economic strategy, will also reduce the level of feedback and involvement the Scottish Government can secure from voluntary organisations. In these instances, it is likely that submissions will be made by the usual suspects, failing to capture the breadth of Scotland's voluntary sector.

Voluntary organisations also did not find the National Care Service consultation easy to participate in. During the consultation we heard from several local and national intermediary bodies that organisations, often smaller and more local, did not feel that this consultation exercise was accessible to them. They were daunted by the length and complexity of the document and found it difficult to find an accessible entry point to the discussions. Intermediary bodies, keen to support these organisations to engage, also found that the length and complexity of the document made it difficult to break down/make accessible for their constituent groups, particularly within the timescales allowed. While the extension of the consultation process was welcome, with so many interconnected issues to consider, and with intermediaries responding to many other national consultations and frontline organisations still stretched extremely thin due to the pandemic, the extra two weeks did not make a significant difference to organisations' ability to engage.

SCVO believes the Scottish Government must think more creatively about how to ensure the sector's voice is heard in its work. The engagement of the voluntary sector in local and national planning must be integral, not an afterthought, and the support required to enable the sector to participate as an equal partner must be built into structures and processes from the outset. It is important that the Scottish Government is fair with its engagement opportunities.

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