

**Richard Lochhead MSP, Minister for Just Transition, Employment and Fair Work**  
**cc Shona Robison, Cabinet Secretary for Social Justice, Housing and Local Government**  
by email

19 January 2023

Dear Mr Lochhead

Yesterday, the Cabinet Secretary for Social Justice, Local Government and Housing outlined to the Social Justice and Social Security Committee the Scottish Government's plans to introduce multi-year funding for the voluntary sector, including making an explicit link between the stability of multi-year arrangements with the sector's ability to deliver on the government's Fair Work aspirations.

This is extremely welcome, but unless this longer-term funding is accompanied by timely funding decisions and communications, the sector will continue to face challenges in relation to Fair Work.

I'm sure you will be aware of the pressures faced by charities and community organisations in your own constituency. We will shortly publish a report on Fair Funding and Fair Work, setting out in detail the ways in which fairer funding for the sector will enable the sector to fairly remunerate staff, and contribute to all five Fair Work principles. This is a summary, with some recommendations for you to consider.

Some of the key challenges facing the sector are:

### **Short term funding**

Despite a cross-party commitment to multi-year funding for the voluntary sector, short-term contracts and grants – often for one year or less – are still the norm. These short-term financial arrangements leave employers unable to offer secure jobs, as contracts can only be fixed term for up to a year; and in an annual cycle of issuing redundancy notices, rescinding them if funding is granted, or losing skilled and experienced staff, only to recruit again if the money comes in later. This lack of job security for staff creates significant issues around recruitment, retention and development of staff, as well as impacting on staff morale.

### **Standstill funding**

Where projects or activities continue for longer than a year, most grant and contract agreements contain no uplift to recognise increasing costs, yet expect the same or more to be delivered. This makes it extremely difficult or impossible for voluntary sector employers to keep pace with salary increases in other sectors, meaning that they lose good staff to similar jobs in the public sector or to different jobs in the private sector. Pay erosion in the sector also has a significant impact on staff morale.

### **Restricted funding**

Voluntary sector funding is often restricted to specific projects or outcomes, meaning that while organisations secure funds for specific projects, they struggle to meet core costs for bills and vital roles. This can mean, for example, that voluntary organisations are not able to access funding for redundancy payments, learning & development or pension contributions.

### **Delayed decision-making**

Delays in the timeframe of awarding grants and making payments are common, and it is often the case that funding streams are over-subscribed, in part because the criteria for the fund are not tight enough. This means that recruitment can't begin in time to start the work at the beginning of the financial year or funded period, which in turn means a shorter period of activity therefore less benefit to people or communities. It also contributes to an annual cycle of issuing redundancy notices, rescinding them if funding is granted, or losing skilled and experience staff only to re-recruit if the money comes in later.

Taken together, the cumulative effect of the funding practices above seriously undermines the concept of Fair Work in the voluntary sector:

#### **1. Security**

A lack of job security is one of the biggest causes of low morale, sickness absence and attrition. This impacts both the employee and the employer. In practical terms, it negatively impacts on people's ability to have secure housing and to make provision for their future in terms of both career development and pensions.

#### **2. Fulfilment**

If a worker is constantly in fear of losing their job, they are less able to focus on job satisfaction and their own development, because they are focused on the short term, eg finding secure employment. Most people who work in the voluntary sector don't do it for the money or the working conditions, they do it because it fits with their values and they believe in the mission. However, that can only be taken so far before it becomes unreasonable. Being unable to guarantee consistent, quality services to their often vulnerable clientele undermines a sense of fulfilment in the day to day work.

#### **3. Opportunity**

An endless cycle of short-term posts leaves little opportunity for stability and development, let alone career progression. It leaves the employer unable to invest in medium to long-term workforce, or organisation, development and it leaves the worker looking for opportunities elsewhere, even if it is doing a job that is less fulfilling on the face of it.

#### **4. Respect**

Treating staff as dispensable on an annual basis and not offering the security, fulfilment or opportunity they should be able to expect shows little respect for them or their

families. Similarly, treating the work done by voluntary organisations as dispensable doesn't reflect the rhetoric about the sector being an integral part of Scottish society and the economy.

## 5. **Effective Voice**

Most voluntary organisations are small and are not unionised. Most strive to have supportive, values-based workplaces that listen to staff and encourage them to have a voice. However, if you are worried for your future employment, you are less likely to speak up – you keep your head down and get on with the task in hand with little room for creativity or challenge.

To improve this situation, our report calls on the Scottish Government to:

- Implement its commitment to multi-year funding of three years or more, across all Scottish Government departments, as Ms Robison stated in her evidence to Committee yesterday
- Ensure that all multi-year funding arrangements have annual uplifts built in, at a level as close to inflation as possible
- Ensure that all public grant funding and procured contracts have both the Real Living Wage and annual uplifts to the Real Living Wage built into the amount awarded
- Ensure that funding decisions are issued no later than December and funds paid no later than the start of the tax year in April to prevent funding gaps and uncertainty
- Ensure that funding decisions are taken and communicated within the agreed timescales
- Work with the voluntary sector to ensure that good practice is highlighted and shared
- Calculate what proportion of grants and contracts are delivered on a multi-year basis, uplifted to keep pace with inflation, and accommodate payment of the Real Living Wage.

In very simple terms, if together we maximised the learning inside and outside Scottish Government, if policy teams treated grant applicants as customers and if they and their finance colleagues better understood the impact of their work on the organisations and people they deal with, we would be closer to achieving our shared ambitions.

My colleagues and I would be very happy to meet with you and/or your officials to discuss how to make this ambition a reality.

Yours sincerely,



**Anna Fowlie, Chief Executive**