

SCVO response to the Advisory Group on Economic Recovery

May 2020

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector. We champion the sector, provide services, and debate big issues. Along with our community of 2,000+ members, we believe that charities, social enterprises, and voluntary groups make Scotland a better place.

Scotland's voluntary sector

The Scottish voluntary sector encompasses an estimated 40,000+ organisations, from grassroots community groups and village hall committees to more than 6,000 social enterprises, nearly 25,000 registered national charities, and over 100 credit unions. Scotland's voluntary organisations are focused on delivering vital services and empowering some of Scotland's most marginalised communities. They also have a big role to play in protecting Scotland's environment as well as campaigning and advocating for change. Together, they employ over 100,000 paid staff, work with over 1.4 million volunteers, and have a combined annual turnover that reached £6.06b in 2018. This includes a range of mixed-income sources such as contracts, grants, and fundraising.

Our position

The First Minister has recognised the voluntary sector's enormous contribution during the coronavirus outbreak in Scotland, and many of our organisations are still responding to the crisis. Recovery seems far away for those contributing to the immediate crisis response. However, the voluntary sector is ready and willing to be part of what must be a balanced, cross-sector partnership working to secure a fair and sustainable recovery. Scotland's recovery from the pandemic must recognise not only the value and contribution of voluntary organisations to human, social, and natural capitals but also our role as a significant economic actor and employer.

Our response to the Advisory Group on Economic Recovery considers the sector's role in this recovery and the system changes needed to support this. We also consider how Scotland's economic recovery should look overall, including the principles that should underpin it: planet, humanity, and citizenship. A fair and sustainable economic recovery is one that secures environmental action and ensures Scotland takes responsibility for the planet and its future generations. It ensures Scotland leads the world in supporting human rights, equality, and wellbeing for all. It fosters a society which enhances citizenship, democracy, and participation.

Our priorities

Scotland's recovery

- **Principles for recovery:** A fair recovery is one where Scotland's economy works for human rights, equality, and wellbeing of all. It supports environmental action for the planet and its future generations while enhancing citizenship, democracy, and participation for those in Scotland's communities today.
- **Transitional period:** People, communities, and organisations need certainty that there will be no cliff-edge to recent interventions. A transitional period is necessary to prevent a rushed recovery that further exacerbates long-standing inequalities. Time is required to form new social partnerships between the government and different sectors.
- **Lessons of the past:** The fiscal challenges are unmatched, but decision-makers cannot forget the harsh lessons of austerity. The government must collaborate in a balanced way with each of the different sectors – including the voluntary sector – to form a fairer, more inclusive model of recovery that prepares us for economic shocks.

The voluntary sector's role

- **A crucial voice in Scotland's future:** Decisions made about Scotland's future and matters relating to Scotland's voluntary sector must be designed with us and our beneficiaries in local and national partnerships. Cross-sector collaboration must be balanced, as our skills, knowledge, and experience are crucial in shaping Scotland's wellbeing and net-zero economy.
- **Delivering vital services:** The extraordinary response of voluntary sector services during the pandemic epitomises the effort our organisations make on a typical day. However, it is not sustainable, and the value of the sector's support must be understood and appreciated by the government once the immediate crisis is over.
- **Empowering communities:** The pandemic has exacerbated inequalities. The most marginalised communities must be part of a collective approach to shaping future services and support in a new economy, and charities, social enterprises, and community groups have a crucial role to play in helping to facilitate this through co-production and collective advocacy.
- **Economic actors:** The voluntary sector's contribution to Scotland must not be viewed as being limited to human, social or natural capitals. The sector is a significant economic actor and employer. Its economic role has been increasing and will expand further if Scotland's economy truly becomes wellbeing led.

Changing the system

National

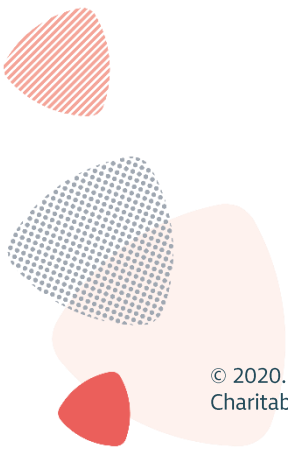
- **A framework for recovery:** Scotland's National Performance Framework is sitting ready to be put into action. The pandemic is the biggest test since its foundation, but the use and development of existing frameworks that have been developed in partnerships is essential if we are to deliver an economy that improves the wellbeing of Scotland's people.
- **A new approach to budgeting:** Future spending rounds will define the type of economic recovery, meaning we must address Scotland's low ranking for fiscal

transparency and participation and adopt human rights-based budgeting. Improved mechanisms and inclusive processes that allow sectors and the public to have a meaningful say at all stages of the budget process are required at both a national and local level.

- **A just transition:** The Scottish Government's commitment to a 'green recovery' must mean that any medium- and long-term policy and budgetary decisions concerning our economic recovery are environmentally stress-tested. The government and parliament should work with environmental voluntary organisations to embed green recovery principles and policies in this way.
- **No one left behind:** Those furthest from the labour market and hardest hit by the virus must be at the centre of a new employability system. As more specialist and intensive support will be required, the voluntary sector can help develop a person-centred service design approach. This requires much closer partnerships between sectors and explicit recognition of voluntary organisations' capability with communities.

Sector specific

- **Balanced relationships:** Public bodies and the voluntary sector must work together to build new, balanced, and trusting partnerships that can genuinely change outcomes rather than the transactional and competitive relationships that limit our collective ability to learn and improve how we work with communities.
- **Rethinking funding:** As recommended by the [Scottish Parliament](#) in November, the Scottish Government should 'set up a working group, involving key stakeholders, to examine the longer-term funding models available to statutory funders and for its conclusions to be made available before the end of this parliamentary session.'
- **Rethinking procurement:** There must be a significant shift to person-centred procurement models that put the needs of beneficiaries of services ahead of driving down costs through competition. A relationship-based approach is vital in service delivery, and the managing authority and service provider must be able to work with an individual to establish what is needed to achieve the best outcomes.
- **Alternative models:** We must be willing to discuss alternative models of support that recognise the expertise, experience, and reach of the voluntary sector. This includes parity in the design and access of new and existing sources of finance – such as the Scottish National Investment Bank – and establishing opportunities for long-term strategic partnerships between the private and voluntary sectors.



Our position

1. Scotland's recovery

a) Principles for recovery

A fair recovery is one where Scotland's economy works for human rights, equality, and wellbeing of all. It supports environmental action for the planet and its future generations while enhancing citizenship, democracy, and participation for those in Scotland's communities today.

Before the coronavirus crisis hit Scotland, SCVO's Policy Forum published a [Manifesto for the Future](#). It draws on a wealth of knowledge and expertise to outline the foundations required to ensure that Scotland stands ready to face the challenges of the next decade and help to build a fair and prosperous future for everyone. The pandemic will exacerbate the imminent environmental, political, and social challenges reflected in this manifesto. The crisis does, however, afford us with a duty to build back better through cross-sector collaboration in devising solutions to the challenges ahead. We know that the Scottish Government is committed to a recovery that builds a fairer, greener, and more equal society. As welcome as this promise is, there may be a temptation for governments to fall back on growth as our only measure of success; Scotland must avoid this.

We have seen the very best of society and support for each other that has undeniably been vital in helping individuals and families survive. We have also witnessed the public maintain compliance with the rules to protect other people and the strength of the community-based response to coronavirus. We need to ensure that the community ties built up through the pandemic are not lost. Every effort must be made to future-proof newfound resilience in communities to reduce the impact of future public health crises and limit the harm from subsequent economic shocks. That includes gains that have been seen in our environment, from the uptake in bicycles and lower car usage to improvements in biodiversity. The crisis cannot be used to avert existing regulations, and our economic recovery must strengthen and not roll back Scotland's social and environmental standards.

Securing a fair and sustainable recovery from the pandemic requires us to be mindful of the three areas of significant importance mentioned in setting out SCVO's overall position for recovery: planet, humanity, and citizenship.

b) Transitional period

People, communities, and organisations need certainty that there will be no cliff-edge to recent interventions. A transitional period is necessary to prevent a rushed recovery that further exacerbates inequalities. Time is required to form new social partnerships between the government and different sectors.

The predicted economic shock of coronavirus will undoubtedly be far more significant when compared with the 2008 financial crash. This crisis is likely to be exacerbated further by the unpredictable nature of the UK's upcoming exit from the EU, which will have a substantial financial impact not only on people and communities in Scotland but also on the resources of vital voluntary sector bodies. A significant economic downturn of the type we expect to see will have a disproportionate impact on those people already marginalised in our society. The immediate response to the economic fall-out from the

pandemic highlights how far Scotland is from a wellbeing economy that is inclusive and can sustain the shock. It has laid bare the insecurity of so many people's working lives and how under-resourced, yet necessary parts of our foundational economy are, notably the voluntary and care sectors.

We agree with the [Fraser of Allander Institute's](#) economic commentary that the government's response in recent weeks 'is arguably the first step on a new social partnership' between the state and organisations focused on tackling inequalities and sharing economic proceeds more evenly across Scotland. The response of the Scottish Government to the public health and immediate economic crisis has been extraordinary. The voluntary sector welcomes the efforts of the government to support the voluntary sector carry out its community support role in helping individuals and families survive and reaching marginalised groups who are otherwise not well served. These members of society cannot be forgotten as we look to build back better, and the voluntary sector must be backed to provide access to the support they need. The response to the pandemic has laid the foundations for closer and more joint up working between sectors.

We also welcome the Scottish Government's commitment to recognising that not all of society will feel the same impact of the pandemic. One example is the likely long-term consequences for women's equality and the necessity for gender perspectives and women's needs to be integrated into Scotland's economic recovery. These inequalities are long-standing, and this recognition must be a driving factor in what happens next. Preventing a return to the status quo, which would cement women's labour market and economic inequality in the process, requires more than quick fixes. As with tackling all inequalities, the voluntary sector is a critical partner in ensuring this. Leading charities have also highlighted that responses to coronavirus have had a disproportionate impact on disabled people, people living with long term conditions, and unpaid carers. The pandemic risks making the situation worse for those already facing social inequalities, including in the labour market.

Inequalities are likely to get worse. For those furthest from the job market and for young people approaching the early stages of employment, everything has just become harder. They face the most significant barriers to re-entering the labour market and are likely to require considerable specialist support to do so. The pandemic has hit hardest on those who were already persistently disadvantaged: disabled people, black and minority ethnic (BME) communities, women, families living in poverty, carers, those with poor mental and physical health, and older people. These and others are the people and groups that voluntary organisations already know and support, and they trust the voluntary organisations they come into contact with. Rural communities, where tourism is a significant employer, are also particularly exposed.

c) Learning from the past

The fiscal challenges are unmatched, but decision-makers cannot forget the harsh lessons of austerity. The government must collaborate in a balanced way with each of the different sectors – including the voluntary sector – to form a fairer, more inclusive model of recovery that prepares us for economic shocks.

Ten years of austerity have already seen inequalities widening and levels of poverty increasing in Scotland. Fifty-three per cent of those currently living in relative poverty in Scotland are in a household where at least one adult works. Governments exacerbated gender inequalities as interventions did not explicitly tackle women's labour market

inequality. There is also now little for families to fall back on at the best of times; their economic resilience has deteriorated in recent years. The consequences of a decade of cuts made in the wake of the financial crash remain real, seen in premature mortality rates increasing to their highest point this January since 2008. The pandemic will exacerbate this while offering a stark reminder of the past choices that limited our readiness to respond to economic shocks.

If we do not act now, the question is when? We cannot return to business as usual or, even worse, to a more harmful version of what came before. We cannot afford to undo the social and environmental gains we have made. Public policy cannot avoid difficult questions and challenges as it has perhaps done so before. Efficiencies have had the opposite of their intended effect, with efforts to curtail waste and expense leading to lost lives and a lack of preparedness to weather economic shocks of this scale.

The fiscal challenges are significant, but we need evidence-based approaches to taxation, borrowing, and investing rather than deeper, impossible cuts to our economic foundations. A thorough evaluation of the existing fiscal framework– due to be reviewed in 2021/22 – must inform future proposals and decisions. We must make sure that the interventions taken by governments in response to the pandemic are the starting point in building a more balanced and inclusive economy as opposed to the beginning of a new decade that exacerbates existing inequalities made worse by the pandemic.

2. The voluntary sector's role

a) The impact on the sector

Scotland's voluntary sector is wide-reaching and covers every area of society. Our organisations work tirelessly to ensure that human rights are protected, that the environment is front and centre in policy decision-making, and that the rights of Scottish citizens are upheld in our democracy. This has continued throughout the pandemic, and the Scottish Government's initial support of the sector was a welcome recognition that without the voluntary sector, public authorities would not have been able to overcome the initial crisis with the support and advocacy necessary for the economic, physical, and mental health of the nation.

The Scottish Parliament's [recent inquiry](#) into the voluntary sector similarly concluded that 'the ability of the sector to provide support to the most vulnerable in our society in uncertain economic times is crucial.' But, for many of Scotland's charities and community groups, the outlook for 2020 was already 'unsettled' well before the pandemic hit. Respondents to our 2019 Sector Forecast Survey echoed known challenges of increasing demand against a backdrop of shrinking public sector budgets. 34% thought their organisation's financial situation would deteriorate, 75% believed the sector's economic situation would worsen, and 82% were worried about funding cuts.

In these early stages of the pandemic, voluntary organisations have repurposed their offerings and increased the level of support they provide with pace and flexibility. They have done so often without or with only limited additional resources, but many face the threat of closure in the months and years ahead. The consequences of the pandemic for the sector are severe. Several organisations have already had to reduce services because of the financial impact of the pandemic. While emergency Scottish Government funding streams have provided vital support, many organisations had already ceased operations.

The reduction of income from fundraising, trading, service delivery and increased costs will have long-term consequences. The sector has diversified its income sources since the financial crash, but mixed-income streams now appear brittle at a time when the sector is never more needed, with increasing referrals for our services and support. Scotland's

voluntary sector adapts well in a crisis, but perhaps too well at times. The values that underpin our spirit and determination to go above and beyond must not mislead governments into perceiving a sustainable sector that can endure crisis after crisis. It cannot do so while meeting the growing demand our services face.

Voluntary organisations relying on their reserves and have not been eligible for immediate crisis funding may find their resilience diminished at a time when their own reserves and existing government and independent funds dry out. In very many instances, voluntary organisations were already heavily subsidising underfunded critical services for vulnerable people, including older people's care services, which are at the frontline of the impact of the pandemic. It is not just the provision of vital services at risk. The pandemic highlights how important a confident and sustainable voluntary sector is to Scotland on several fronts, from empowering communities and being an essential voice in shaping Scotland's future, to our role as employers and economic actors vital to driving forward economic recovery.

The report from the Scottish Parliament's [inquiry](#) on the voluntary sector, published four months before the pandemic hit Scotland, called for a voluntary sector funding revamp centred on collaboration and sustainability. The coronavirus outbreak shines a light on how important the committee's recommendations are, and our response covers this in further detail in part three.

Finally, it is important to remember that it has neither been appropriate nor possible for every voluntary organisation to contribute to the immediate crisis response. Many of these organisations have had to stop operating and have furloughed staff as they have not been able to access crisis funding. However, those organisations and community groups will be needed as we emerge into a period of recovery. We will need youth work, arts and culture, sport, and nature; we will need community cafes, transport schemes, and childcare. We need to make sure those organisations do not become inadvertent casualties of a well-intentioned short-term response.

b) The role of the sector

A crucial voice in Scotland's future

Decisions made about Scotland's future and matters relating to Scotland's voluntary sector must be designed with us and our beneficiaries in local and national partnerships. Cross-sector collaboration must be balanced, as our skills, knowledge, and experience are crucial in shaping Scotland's wellbeing and net-zero economy.

We need equity between public, private, and voluntary sectors in discussions around rebuilding the economy. We have seen through the recent letter coordinated by Friends of the Earth Scotland how ready and willing the voluntary sector is to play its part. The voluntary sector must be part of a collective approach at every stage and it should not have to ask to be involved. This approach should adhere to principles of transparency and participation while ensuring the sector retains its ability to challenge partners and hold decision-makers to account - this is compatible with a partnership approach.

Principles mentioned in the Scottish Government's [framework for decision making](#) are in line with those the voluntary sector has called on for years: a wellbeing economy; inclusion; equalities; human rights; kindness and compassion - all already encompassed in our National Performance Framework and the UN Sustainable Development Goals. Putting these principles into action has never been more crucial.

Environmental and human rights organisations have a critical role in reminding us of our international and domestic responsibilities. Those working with disabled people must be involved to help avoid unintended consequences of new norms and regulations. Research-based charities will have crucial insights to contribute to national discussions. The sector can also play a key role in monitoring and reporting on the impact of changes on different marginalised groups.

Delivering vital services

The extraordinary response of voluntary sector services during the pandemic epitomises the effort our organisations make on a typical day. However, it is not sustainable, and the value of the sector's support must be understood and appreciated by the government once the immediate crisis is over.

Voluntary sector service providers have responded superbly to deliver vital support during the pandemic, and our services have been crucial in easing the burden on statutory services. The sector has led the way in innovating to promote social connections for those at risk of isolation, embracing digital technology like never before.

As our understanding of the impacts of the pandemic increase, it is also becoming apparent that demand for the sector's services and support is going to increase at a time when financial resource will become more stretched than ever. This rise was happening long before the coronavirus outbreak hit, and it is a trend that will continue upwards, no matter how testing this will be for the sector's stability.

The effects of social isolation on mental health, immediate financial troubles, and continued shielding will see demand continue. Fiscal choices will shape levels of poverty and inequality in Scotland for years to come, and the sector will perform a vital role in reskilling and employability, particularly for those furthest from the labour market.

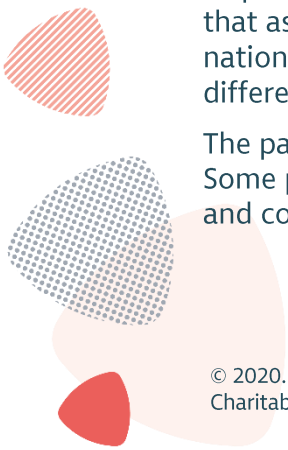
Empowering communities

The pandemic has exacerbated inequalities. The most marginalised communities must be part of a collective approach to shaping future services and support in a new economy, and charities, social enterprises, and community groups have a crucial role to play in helping to facilitate this through co-production and collective advocacy.

Confidence in voluntary sector services comes to exist because of the work to nurture trusting relationships between the organisations and the people they work with. This allows the sector to gather lived experience to advocate for change, and these relationships also make the sector well-placed to work with those most disengaged and isolated.

Whether concerning food distribution, digital inclusion or many other things, the response to the pandemic has been community empowerment in action. We cannot lose that as we transition into recovery. There is a vital role for the sector in ensuring that the national conversation about the economic recovery from the pandemic is accessible to different groups within society.

The pandemic has shone a light on the disadvantage faced by the least digitally engaged. Some people cannot access the benefits of being online because of the affordability of kit and connectivity, or the confidence and skills required to be able to use technology



effectively. The voluntary sector has worked in partnership with the Scottish Government and independent funders to make sure that as much of Scotland is connected during the pandemic and can access vital support. However, further investment is vital for reducing unequal access to a changing labour market and to a fair economic recovery.

We are very supportive of the references to co-production in the Scottish Government's framework for decision making, viewing this as an essential element of a human rights-based approach. Many voluntary organisations have been working in this way, and advocating for its rollout, for many years, and the sector is well placed to make this way of working a reality.

Economic actors

The voluntary sector's contribution to Scotland must not be viewed as being limited to human, social or natural capitals. The sector is a significant economic actor and employer. Its economic role has been increasing and will expand further if Scotland's economy truly becomes wellbeing led.

The voluntary sector's contribution to the Scottish economy stretches well beyond the 100,000+ people we employ and the sector's significant yearly turnover, which reached £6.06b in 2018. We work with over 1.4 million volunteers, the economic and social impact of which is mostly unmeasured but vital to Scotland's response to the pandemic and broader social and economic success.

Voluntary organisations also support people to become economically active through the employability programmes they deliver, helping to reduce unemployment and tackle issues such as the disability employment gap. More specialist employability programmes will be vital in the context of increasing unemployment and a transition to a wellbeing-oriented economy where skillsets will need to adapt. The role our organisations play in caring for people also means that many families can remain economically active at a time when they would otherwise have significant care responsibilities.

If Scotland is successful with this transition, the largely unmeasured and understated economic contribution of the voluntary sector will become even more significant. The 6,000 social enterprises in Scotland putting profits and surpluses towards social and environmental missions are another example of the sector's contribution across the economy and its capabilities and capacity to support economic recovery in a way that is inclusive, sustainable, and good for environmental and human wellbeing. Further specific details on the role of social enterprise in Scotland's recovery can be found in Social Enterprise Scotland's response to the advisory group.

3. Changing the system

The type of economic recovery Scotland needs will require changes to the existing structures and relationships that underpin our economy. If we are to transform the quality of life for people in Scotland positively, then the voluntary sector must be a significant player in any new system. We have divided our initial priorities for changes to the system into national and sector-specific categories.

a) National

A framework for recovery

Scotland's National Performance Framework is sitting ready to be put into action. The pandemic is the biggest test since its foundation, but the use and development of existing frameworks that have been developed in partnerships is essential if we are to deliver an economy that improves the wellbeing of Scotland's people.

Scotland's National Performance Framework (NPF), now linked to the Sustainable Development Goals (SDGs), provides an excellent starting point for agreeing our spending priorities and measuring the non-financial social and environmental impact of these in an economy that is driven by outcomes rather than the other way around. Other frameworks and international standards – such as those relating to human rights and labour - must be drawn upon where gaps in the existing indicators exist, such as those relating to gender.

Whether the NPF can be used as a framework to drive recovery through this crisis and logically inform the choices made will be a test of its legitimacy and long-standing recognition received across the world. The approach and tools developed for the Scottish National Investment Bank to help understand the potential value of new investments in achieving Scotland's National Outcomes could be explored and adapted further for broader use.

A new approach to budgeting

Future spending rounds will define the type of economic recovery, meaning we must address Scotland's low ranking for fiscal transparency and participation and adopt human rights-based budgeting. Improved mechanisms and inclusive processes that allow sectors and the public to have a meaningful say at all stages of the budget process are required at both a national and local level.

Shifting the conversation from budget reductions to one focused on what Scotland needs to accomplish through its budget and how to realise this in challenging circumstances would lead to a fundamental change in how the government works with the voluntary sector. However, Scotland provides the public with minimal opportunities to engage in the budget process and scrutinise financial spend on national priorities. Voluntary organisations must be able to examine and interrogate Scotland's spending decisions as part of its contribution to the discussions around Scotland's future.

When it comes to fiscal transparency and public participation, Scotland falls significantly short of globally recommended standards, scoring only 43/100 and 20/100 on these critical measures in the international Open Budget Survey 2019. The [report](#) on Scotland's open budget performance, published by the Scottish Human Rights Commission and the Health and Social Care Alliance in May, reflects how hard it is for those on the outside of government to contribute meaningfully to the discussions on Scotland's future.

A just transition

The Scottish Government's commitment to a 'green recovery' must mean that any medium- and long-term policy and budgetary decisions concerning our economic recovery are environmentally stress-tested. The government and parliament should work with environmental voluntary organisations to embed green recovery principles and policies in this way.

The pandemic does not change the fact that we require a significant reduction in greenhouse gas emissions in Scotland. Widespread and swift action needs to take place to achieve that, as well as looking beyond the current net-zero targets. There needs to be the recognition that urgent action is required that helps to facilitate the meaningful recovery of nature and living within planetary limits.

We must build environmental justice principles into the foundations of all climate, ecological, and related social policymaking. By assessing the impact of policy on the environment at the very beginning of the decision-making process, we can identify and address future challenges. If we are to meet the current targets set and the more ambitious targets we need, the Scottish Government must build back from the pandemic by securing cross-sector consensus that will be essential to the adequate protection of Scotland's environment.

For any medium- and long-term policy and budgetary decisions made in Scotland's economic recovery, environmental stress testing should be implemented, and sustainability needs to be moved into the heart of all policymaking. It should be present throughout the policy cycle. Scotland should also adopt a Future Generations principle which moves beyond political and economic short-sightedness and recognises and can curate cross-sector solution to address long term challenges such as climate change in a long-term, non- partisan way.

No one left behind

Those furthest from the labour market and hardest hit by the virus must be at the centre of a new employability system. As more specialist and intensive support will be required, the voluntary sector can help develop a person-centred service design approach. This requires much closer partnerships between sectors and explicit recognition of voluntary organisations' capability with communities.

When it comes to the impact on the labour market through an economic crisis and during recovery, the more vulnerable groups are the hardest hit. They are the most likely to be overlooked and it is vital that labour market and economic recovery policymaking addresses the inequalities that different groups face when it comes to employment. There also needs to be closer alignment with those relating to education and justice, for example the value and contribution of non-formal education to the labour market and reducing re-offending by supporting those in the justice system into fair work.

Current work being undertaken with the more vulnerable groups in society along with the development of the No One Left Behind model should continue and be upscaled to help those who are becoming longer-term unemployed. To address unemployment and associated inequalities, we need true partnership working across all sectors with the voluntary sector addressing unemployment both as service providers, employers, and as the voice of people and communities using the services.

The voluntary sector is a crucial partner to support the most vulnerable people in our society and is already doing this because the current labour market, as with the justice and education systems, is not working for everyone. However, the employment and skills sector in Scotland has shrunk significantly in recent years with the changes to modern apprenticeship contracting, limitations of ESF match funding, cuts to local authority expenditure, and the commissioning of Fair Start Scotland. Coronavirus will have a further significant impact on training and employability providers in Scotland, many of whom are dependent on outmoded payment by results contracts.

It will take time for new businesses to replace those that have shut down and for people to find new jobs. The Scottish Government and others must continue to promote the importance of fair work principles in this transitional period and make every effort for fair work to be the norm across Scotland's labour market. Too many people, particularly women and younger people, are already trapped in poverty by low-paid and insecure work. As with the financial crash in 2008, it is likely that the debt burden will fall on future generations with young people's prospects hit the hardest. Any impact on household incomes increases the risk of children slipping into poverty. Research published by [Close the Gap](#) has also found that the coronavirus pandemic is already having a disproportionate impact on women's employment, and any recovery will further this effect on women if a gendered approach is not taken.

The Scottish Government must also use its powers creatively and to their fullest extent to ensure that our social security system can keep any one of us afloat during difficult times. The coronavirus pandemic has highlighted the shortcomings of our 'just-in-time' system for wages, rent, and bills, and the need for an adequate income for every one of us. It has also demonstrated the need for universally safe and accessible transport that is flexible for all of those who require it to meet their human rights to employment.

b) Sector-specific

Balanced relationships

Public bodies and the voluntary sector must work together to build new, balanced, and trusting partnerships that can genuinely change outcomes rather than the transactional and competitive relationships that limit our collective ability to learn and improve how we work with communities.

Relationships matter. We need a visible commitment to new, balanced relationships between public bodies and the voluntary sector that are characterised by trust, openness, and honesty. All levels of government and other public bodies must support partnerships to develop new ideas, explore person-centred services, and evaluate the impact of public funding. We must remove disparities in these relationships between the voluntary and public sectors.

The pandemic has shown what can be achieved through positive partnerships with statutory partners, regulators, and funders with funding decisions and reporting procedures shortened and without unnecessary bureaucracy. The pandemic has encouraged partnerships and joint working and continuing to fund intermediaries will support the ongoing development of partnerships, shared learning, and more effective interventions. We must also find new ways to collaborate better and build trust and relationships around data and improve tracking and aggregation of intelligence to improve outcomes across sectors.

Space must be created for true co-design, collaboration, and meaningful user involvement to give Scotland's voluntary sector greater equity within partnerships. There is a lot that local and national government can learn from the relationships between voluntary organisations and independent funders, where those investing build an understanding in the organisation, what they do, how they do it, and how they can work best together to change outcomes.

Rethinking funding

As recommended by the Scottish Parliament in November, the Scottish Government should 'set up a working group, involving key stakeholders, to examine the longer-term funding models available to statutory funders and for its conclusions to be made available before the end of this parliamentary session.'

There needs to be proactive work taken forward as soon as possible to look at funding streams for beyond the initial crisis to provide stability to the sector, and the wider sector must be part of those discussions. Shrinking public sector budgets and the direct and knock-on effect of local authority cuts on voluntary organisations and the communities they work with have long been hitting people and communities hard, with several services and activities either being limited, stopped, or expected to fill gaps left by cuts to statutory services.

The big question is how more funding can be made available to the voluntary sector at a time of an economic downturn which, at the same time, will drive increasing demand? The sector has stood up to the task throughout the coronavirus crisis. We can and must build on this when creating a new operating environment for voluntary organisations in Scotland. The sector needs consistent core investment for the long term. New, balanced relationships should also acknowledge the core costs required by the voluntary organisations receiving grant or contract funding to deliver specific services.

The [Scottish Parliament's](#) recent inquiry on sector funding reported that short-term public funding, sometimes for one year or less, means that organisations can struggle to deliver projects and plan their workforces. Competition for funding can lead to an organisation straying from their purpose in their efforts to survive. Longer-term funding agreements that move us beyond a one-year cycle are vital to planning effectively. The recommendations of the Scottish Parliament's recent inquiry into voluntary sector funding should be adopted by the Scottish Government, including the recommendation under paragraph sixty-four to establish the working group on funding models and report before the end of this parliamentary session.

What the Scottish Parliament's report does not cover is the role of independent funders, whose responses during the pandemic - including their commitments to speed, flexibility, and additional funding - have already proven crucial to the sector. Sector bodies - including SCVO - are working with funders to support a collaborative, aligned response to the immediate crisis at this time. There is a genuine opportunity and appetite to strengthen these relationships between independent funders, public sector funders, and voluntary organisations, to ensure the constituent parts of our complicated funding system complement one another in the medium and longer-term.

Rethinking procurement

There must be a significant shift to person-centred procurement models that put the needs of beneficiaries of services ahead of driving down costs through competition. A relationship-based approach is vital in service delivery, and the managing authority and service provider must be able to work with an individual to establish what is needed to achieve the best outcomes.

Around 25% of voluntary sector income comes from public sector contracts; however, as with grant funding, short-termism makes income sources and our way of delivering person-centred services unsustainable. Sustainability is critical, and we need longer-term approaches to contracts that build in flexibility and trust that allow these services to pivot in times of crises and be agile in their response and recovery as what we know about the future evolves. This also gives voluntary organisations space to determine how to achieve what public authorities have invested in.

Existing commissioning and tendering models pitch organisations against each other and depersonalise the process, something quite different from the new, balanced relationships we are requesting. The client/contractor model reduces human services to a transactional contract that values numbers more than people. Payment by results approaches to employability services, for example, measure success by the number of people getting jobs, regardless of the quality or sustainability of the work and paying no heed to the person's journey in terms of self-esteem or mental health. That leads providers to cherry-pick the people they bring onto their programmes and leaves behind the people most in need of support, who are furthest from the labour market.

Existing procurement models often do not respect the harsh realities that voluntary organisations are working in. Many voluntary organisations already heavily subsidise underfunded critical services and core operational costs are often left out. There is now the factor of additional pandemic-related costs that will continue to fall on voluntary sector services when needing to operate these services in new ways. Traditional procurement models also do not take account of the capacity issues felt by many specialist organisations who are otherwise well placed to deliver these services. Local Equality Impact Assessments on procurement must take this into serious consideration.

We know that it is easier to change outcomes when bureaucracy and process come in second place to healthy relationships and partnership working with managing authorities. This relationship-based approach between the managing authority and service provider can also support the widespread use of a service design approach where the voluntary sector is an equal partner in co-design as well as co-production. This ensures that those people supported by a service are at the heart of decision making.

Alternative approaches

We must be willing to discuss alternative models of support that recognise the expertise, experience, and reach of the voluntary sector. This includes parity in the design and access of new and existing sources of finance – such as the Scottish National Investment Bank – and establishing opportunities for long-term strategic partnerships between the private and voluntary sectors.

There is a duty on us all to think and act differently if we want our economy to not stay the same. At a systems level, we need to overcome an outdated, hierarchical approach,

which does not currently recognise the expertise, experience, and reach of all parties equally. As mentioned in earlier sections, we need to look at how the different sectors work together with governments and form a new ethos of collective leadership and collective accountability that fits with the values set out in the National Performance Framework.

The Scottish National Investment Bank (SNIB) is an excellent illustration of this lack of parity. Despite the sector's success in securing provisions in the SNIB Act to ensure voluntary organisations can access the bank, it has been incredibly difficult to challenge the private sector and commercially focussed narrative surrounding the bank. We must consider how the voluntary sector - which includes social enterprises, community interest companies and registered charities - can locate the support needed to access patient finance, not only through the SNIB but other existing or potentially new alternatives. The missions of this new bank must also support the economic recovery from coronavirus as part of our efforts to ensure that existing infrastructure and resources are utilised.

Our response has focused heavily on relationships, and we know that more can and must be done to harness new partnerships between the private and voluntary sectors to achieve progress on shared outcomes. We must consider how the different sectors can come together, as they have done so during the coronavirus crisis. New structures must support the private sector to dial-up their work on purpose-led business through strong relationships with the voluntary sector and in partnership with the communities our organisations work with.

While financial support from the private sector is always welcome, it is becoming more material for companies to enter long-term strategic partnerships with voluntary sector organisations that go beyond just one-off financial donations. Private sector companies should be looking to use a range of their assets to make a social difference, such as their employees' time, their products and services, or property space to support the relationships they have. There are also over 250,000 trustees across Scotland who help manage, shape, and guide voluntary sector organisations, and private sector organisations have a role to play in encouraging their employees to become trustees to support the sharing of knowledge and skills across the sectors.

Note to reader

This submission to inform the work of the advisory group has been developed with direct input from a range of voluntary organisations.

It has also drawn on the [Manifesto for the Future](#) developed by SCVO's Policy Forum and our engagement with the sector as part of SCVO's [response](#) to the Scottish Government's coronavirus decision making framework.

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