SCVO local funding survey

Autumn/Winter 2016/17

Summary

When it comes to local funding from public bodies, the sector suffers from short term, small pots of money – which can have real impacts for individuals and communities. The sector still does not always get the support it needs, and funding processes and monitoring can still seem unduly long and burdensome. There is some good practice across Scotland – showing that there is a better way to operate – and this needs to be the norm rather than the exception.

In brief:

- o If the funding situation for the sector continues as at present, much of the sector is likely to be unable to continue its work – leading to a loss for communities and individuals across Scotland and beyond.

- o All local and regional bodies must improve their processes and their funding systems so that the third sector can function to the best of the ability, delivering the aims that its organisations exist for.

- o Currently, a large proportion of time and energy is expended by organisations on seeking funding in order to stay afloat. This is time that could be better spent on achieving an organisation's aims, were money not an issue.

- o Much funding does not allow for long-term projects or planning, meaning regular stress and upheaval for organisations, communities and individuals.

- o It is not, generally, large amounts of money that are needed to improve this situation for the sector, but rather a change in funding terms and processes. Supportive staff at funder organisations can also help here.

Recommendations

Funding processes

1. More must continue to be done to simplify all application and bidding processes wherever possible. Forms and processes should be standardised wherever appropriate.

2. Full support should always be available to applicants to help them through the application or bidding process. Useful and timely feedback should be provided as a matter of course.

3. Information across funders and commissioners should be pooled where appropriate, to ensure that the third sector is not unnecessarily repeating information that has already been shared.

4. Shared learning on best practice amongst funders and commissioners would be beneficial.

5. The third sector, working alongside funders, should ascertain whether it would be both useful and practical to create a single point where third sector organisations can apply for grants.

6. Where consortium bids are encouraged, support should be given, particularly to small organisations.

Funding terms and conditions

1. The most appropriate form of funding mechanism must be used for each situation; open tendering processes should only be used when appropriate.

2. Minimum wage costs and uplifts, and inflationary uplifts, should be provided as a matter of course wherever applicable.

3. Funding levels must match the service levels required, and core costs must be taken into account when calculating funding.

4. Funding should cover periods greater than a year for continuing services and projects – preferably three years – in order to provide stability to those the sector supports.

5. Whatever the grant or contract length, funding should never be withdrawn 'out of the blue'. Neither should funding be reduced because an organisation has raised funds elsewhere.

6. Monitoring and evaluation should be kept to a level commensurate with the amount of funding/size of agreement applied for.

Commentary

In this report, we demonstrate the many difficulties and intricacies of local funding for much of the third sector. Most of the funding issues faced by the sector arise whatever type of funding the organisation is seeking: grant funding, a service level agreement, or a contract. Similarly, these issues arise for organisations regardless of whether they are working with local authorities, health boards, or other local or regional public funders.

At a time when we are still (ostensibly, six years on from the Christie Commission on public service reform), seeking to move to a prevention agenda; when community resilience is being held up as the holy grail; when the move to participatory budgeting and open government screams transparency; how is it that much of third sector continues to find itself in a seemingly never-ending cycle of funding bids, wasting time and resources on securing the money it needs to do its work; being hamstrung by short term funding that prevents long-term planning, losing good staff and volunteers, who have relationships in their communities, due to the insecurity of the organisation's viability; and being faced with funding black holes, where decisions regarding bids and negotiations are not always transparent, and not honoured with useful feedback that can help the sector to understand why, exactly, they have not been successful?

The Scottish Government, which is currently running a minority administration, set out in its 2016 manifesto a series of aims in relation to third sector funding, in order to make it work better for the sector. But it is not just Scottish Government that needs to clean up its act in this regard (and, it should be noted, we are yet to see it do so – particularly in relation to long-term funding). As this report shows, all local and regional funders also need to improve their processes and their funding systems so that the sector can function to the best of the ability. And let's not lose sight here of what the sector is for: at a time when the third sector sometimes find itself maligned in the press or attacked by politicians (here in Scotland as well as at a UK level), it is worth reiterating the public good that the sector, in all its guises, works towards. Unlike private companies, that work and lobby and influence always to turn a profit, the sector seeks to promote, support and create positive change for the communities, individuals and causes it works with. Unlike government, whether local

or national, the third sector has no need to focus on vote-winning actions, or to alter what it needs to say in order to fit in with a party narrative. The plurality that the sector brings to society, its ability to support and amplify politically unpopular causes, and to work and innovate in areas that are not profit-making, is unique. Such a sector deserves support to ensure it is as robust and sustainable as it can be.

In this section I particularly want to highlight a few of the findings that will follow, in order to provide an idea of the kind of challenges which this research reveals.

Let's begin with a look at the process of applying for funding. Over seven in ten respondents said their organisation sought for funding from local authorities, health boards or other regional public bodies at least once a year; and over one quarter applied, on average, a whopping three times a year or more. Let's just stop a moment, and think through the logic of that statement, about what that statement means for the third sector. Here are a group of hard-working, committed organisations, trying to do the best they can for the communities and causes for which they work. They might have dedicated staff, or committed volunteers who they have spent time training. They probably have rental agreements for office space or community spaces. And they will almost certainly have long-standing relationships with, and commitments to, others in their community who they seek to support; in some of these cases, these people will be in vulnerable situations, with the third sector organisation offering them support where no-one else can. Now think again as to what it means for that organisation to have to reapply for funding, year on year, in order to carry on existing. Think about the staff who are placed under threat of redundancy every twelve months, who are forever wondering if they should take the leap now, out of the sector, to a more secure workplace. Think about the volunteers who don't know whether their cause is one that they will still be around to support in a year's time, whose ability to pay small travel expenses or hire of a space for them to do their work in depends on them getting their application absolutely right – and keeping their fingers crossed that there will be enough money available to support their cause this year. Think too about the causes that will be forgotten after the organisations that, having fought so hard for the cause they support, having gained by themselves so much expertise, have the funding rug pulled out from under their feet and are no longer able to carry on their vital work. Most importantly, think about the individuals who, at the end of their tether, and with nowhere else to go, are

suddenly faced with the one organisation they trust closing shop, unable to help them and with no-one in their place to offer support.

This links clearly, too, to the reality of short-term funding, something that the sector has been battling with for years. Of those who were funded by grant who responded to our survey, almost eight in ten of them sought funding for one year or less – a situation which again feeds into the very scenarios described above. Whilst funders and politicians may argue, here, that they cannot possibly commit funds for longer term than one year, as they themselves don't know what their own finances will be in coming years, this notion is fanciful when you consider the small sums involved that much of the sector is seeking – over eight in ten grant funded respondent organisations asked for less than £50,000; and over half asked for less than £10,000. To say that a large public body cannot, where appropriate, commit to longer term funding when the sector is seeking such small amounts of funding is absurd. And yet, by committing to longer term funding, funders could ensure increased sustainability for the sector, giving time and space to those involved with third sector organisations to focus on their aims and on those they support, rather than being caught in a never-ending financial merry-go-round.

This is the reality of poor funding for the sector, and this has to stop.

The two points I have outlined here are just some of the insights to be gained from this report. What follows is a detailed set of recommendations, based on the findings taken from throughout the survey, and then the survey results – and its analysis – itself.

It is clear that we all still have some way to go on funding for the third sector, and there is, as ever, a role here too for the sector itself – in presenting clearly the case for longer-term funding whenever we get the opportunity, say, or in working with funders to suggest ways to improve processes whenever possible. We hope that this report, alongside the work of others in the sector, and work that we will continue to do here at SCVO, will enable funders and the sector to map out a better system for the coming years.

Jenny Bloomfield, Policy Officer, Winter 2016/17

Introduction to the data

The third sector is diverse, working on a range of areas from the environment, to social security, to international development, to name just three. However, one thing that all organisations have in common is their need to fund the work that they do.

For many in our sector, this involves the task of either applying for grants, and/or negotiating a service level agreement, and/or going through a procurement process. All of these involve their own particular skills and, perhaps more importantly, a certain amount of time. Often processes vary from region to region, so for those organisations working across multiple areas, this means learning those different processes. Equally, once funding is secured, monitoring demands vary.

All of this makes sense to a certain extent – funding applications should vary regarding the amount of money and the length of time involved in the proposed project, with larger projects or bids needing a greater amount of scrutiny than smaller ones. However, sometimes the application length and information requested is not proportionate to the amount of funding requested. And it is still the case, three years on from SCVO's last funding sector survey, that inflationary increases in funding is not occurring.

We have put together this report to paint a picture of the funding situation for the sector at present. As always, we offer our recommendations and support in the hope of improving the situations that so many excellent organisations struggle with right across Scotland. We would also, at this point, like to offer our sincere thanks to all those who took the time to respond to the survey directly, and/or to follow up with our policy officer with their thoughts. Your time has been very much appreciated.

Who responded to the survey?

The data for this paper is based on responses from 473 of our members to a survey which we conducted in the summer of 2016. Our members were asked to respond to our online survey – which asked for their experiences of funding from local and

regional public sector bodies – and 473 did so, of which 386 were relevant responses[1].

For the rest of this paper, we will refer only to those 386 responses in our analysis.

Section 1 – Organisation Type

The vast majority of responses were from organisations in receipt of grants, and 73% of organisations apply for funding to local authorities/health boards/other regional public bodies at least once a year, with 26% of them applying (on average) a whopping three times a year or more.

77% of organisations who answered the details about their organisation type were local (i.e., working predominantly in one local area or region), with the top three areas being Edinburgh, Glasgow and West Lothian. Organisations responding to the survey were generally small – almost a third had an annual income of under £25,000, and the vast majority (87%) had an annual income of £1million or less.

Above: Word cloud of locations where responders operate. The size of the word is proportionate to the number of respondents who listed that area as being one in which they operate.

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[1] The first question in the survey asks 'How many times a year (on average) does your organisation apply to local authorities/health boards/other regional public bodies for funding of any sort (whether you are successful or not)?'. Those who responded with 'never' were exited from the survey.

Section 2 – Funding Process

> "I feel applications can be easier, clearer and less like drawing blood."

In this section, we explore how our sector has experienced the application process for funding of various kinds.
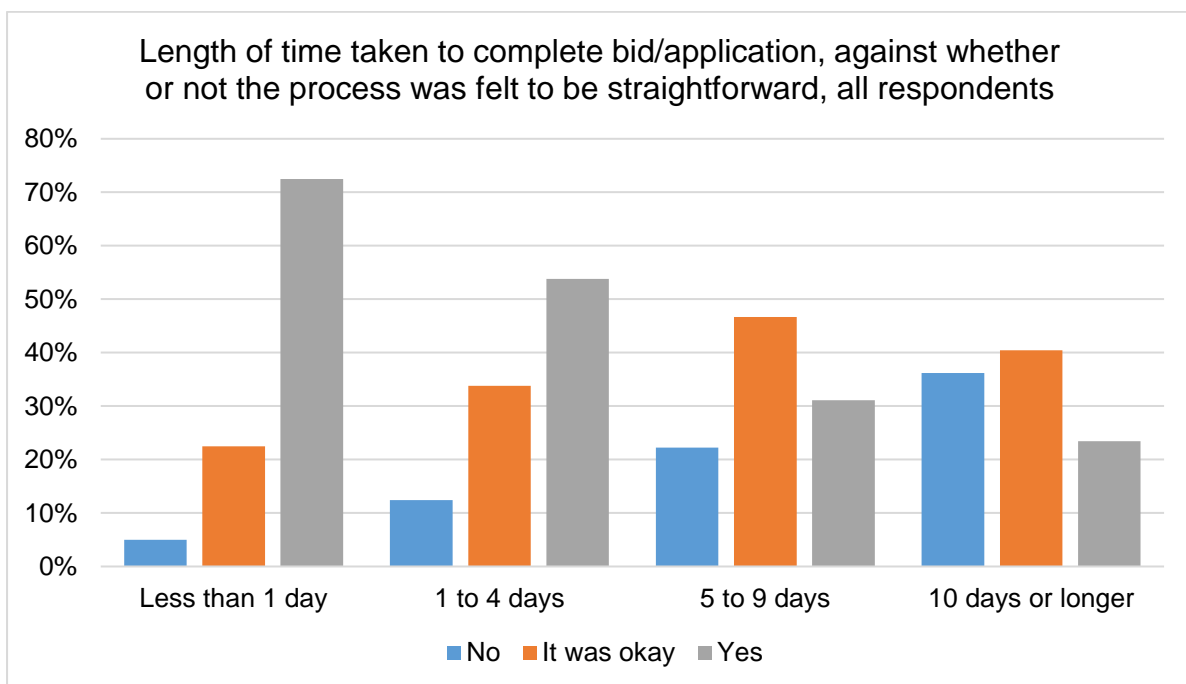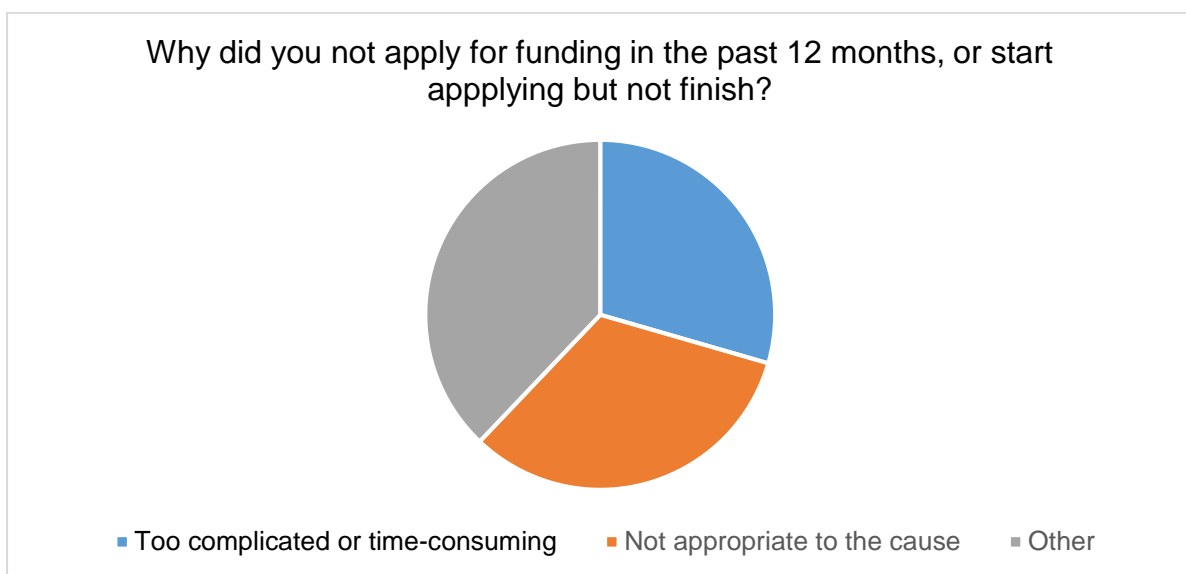
What are the findings?

Our key findings relating to the funding process are:

- 75% of respondents had applied to funding in the past twelve months. Of those that hadn't, almost a third hadn't done so due to process reasons – as they found the application process too complicated or too time-consuming to warrant making (or completing) the application. This was equally true for all types of funding applied for.

- Almost 80% of respondents had sought grant funding, rather than contracts or service level agreements. Of those who were grant funded, over 80% asked for less than £50,000. In contrast, of those who sought contracts or service level agreements, 50% were seeking £50,000 or more.

- For those seeking <u>grant</u> funding:
    - almost 80% sought funding for one year or less
    - just over seven in ten took five days or fewer to complete the application, with 32% taking one day or less
    - almost half found the application process straightforward, with a total of 85% finding it straightforward or okay
    - 55% were fully successful in their request for funding (i.e., they received the full amount they requested), with just over eight in ten respondents being fully or partially successful.
    - of those successful in full or in part, over eight in ten were happy with the amount of funding secured.

- In contrast, the experience for those seeking contracts and service level agreements was much more mixed.

In more detail – length of time taken to complete the process

From our data, we can see that there are still issues that need to be dealt with – both on the funders' and on the third sector's side – as regards the application process. Almost three in ten of the respondents who chose not to apply for funding, or not to complete an application, took that decision due to perceiving or finding the process to be too complicated or too time-consuming. It is clear, therefore, that more needs to be done to both simplify processes wherever possible, and to ensure there is always full support available to applicants. It is clear, too, that particularly long processes are (perhaps unsurprisingly) found to be difficult.

Why did you not apply for funding in the past 12 months, or start appplying but not finish?

■ Too complicated or time-consuming   ■ Not appropriate to the cause   ■ Other

Length of time taken to complete bid/application, against whether or not the process was felt to be straightforward, all respondents

■ No   ■ It was okay   ■ Yes

Whilst respondents often recognised the need for thorough application processes, others questioned the size of the application given the amount of money being applied for; whilst others pointed out that, with very limited staff capacity, the expectation that they would be able to complete onerous applications was unrealistic; and complaints were also made about the variation between funders in terms of what is required to complete applications.


Sample quotes on the difficulty of the funding process

"[U]ntil we have financial support to pay staff we don't have the resources to fill in complicated and time consuming applications"

"It requires a lot of work for volunteer committee members to collect together the necessary information and to fill in the necessary forms, in their spare time, and submit in the required timescale."

"[E]very funding body has their own guidelines. Applications are complicated time consuming - even for small pots of funding, with no feedback help or support as to why we weren't unsuccessful"

"[The funder] repeatedly asked for information they already had."

It is also worth noting that whilst the difficulty of the funding process definitely beared some relation to the amount of funding being sought, the amounts sought were not, generally speaking, large. It is therefore surprising to see, for example that, organisations are sometimes spending more than ten days applying or bidding for funds of not much more than £100,000.

Average amount asked for,
against time application/bid took to complete
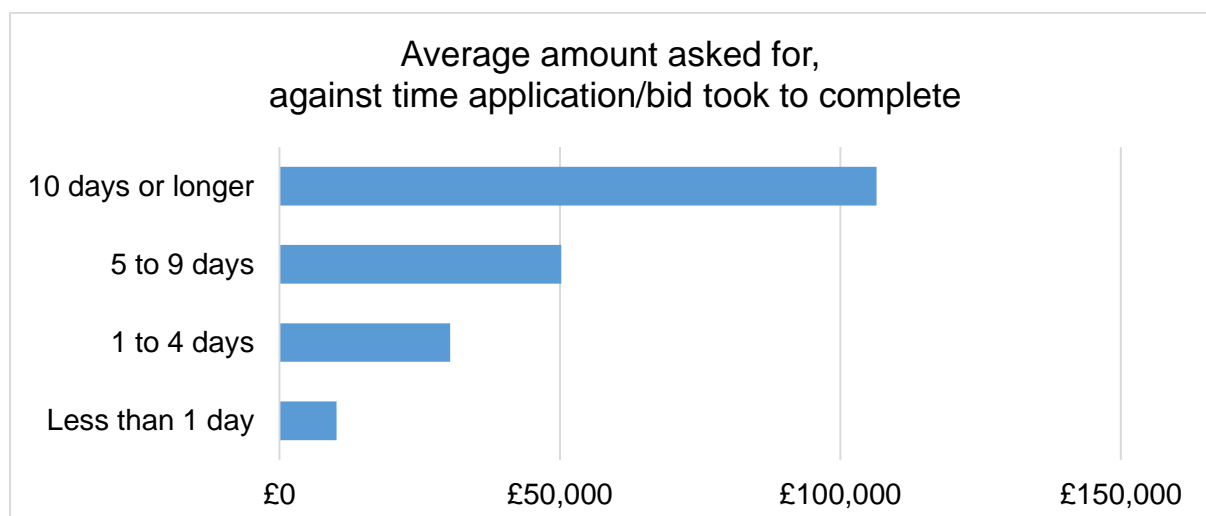
Similarly, whilst the longer-term funding applications and bids generally took longer to complete than those for shorter periods of time, this was not always the case.

Length of funding agreement sought, against time bid/application took to complete
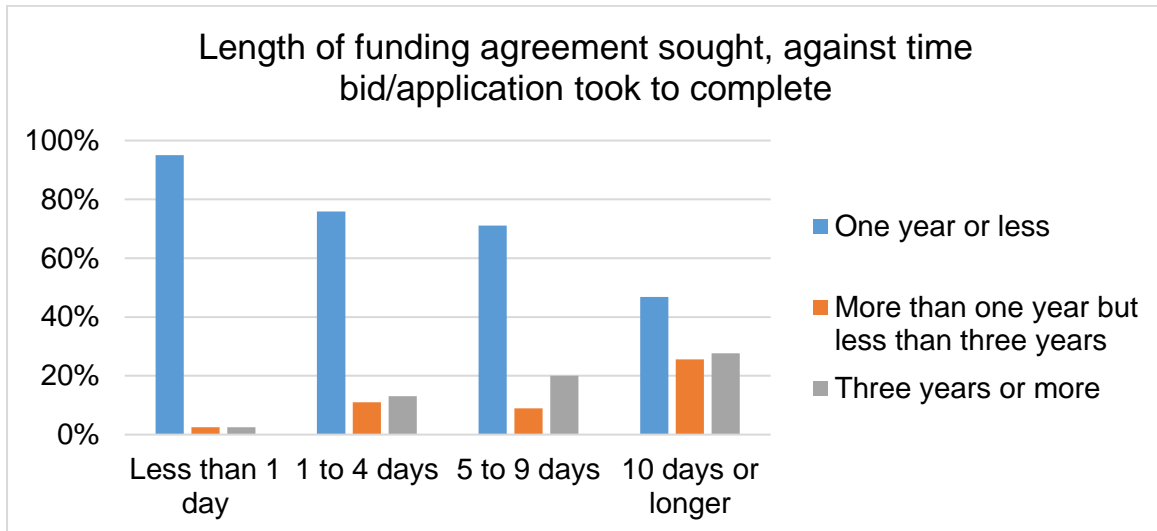
These two items suggest that funding applications and bid processes are not always well-suited to the funding opportunities offered, potentially leading to wasted hours spent on overly-complicated applications and bids, rather than that time being used to further organisations' aims.

Furthermore, the amount of time that organisations spent on funding processes does not seem to correlate to success. This suggests that there is some learning to be done on the third sector side as to effective completion of funding negotiations and forms, and/or that funding is so competitive that even well-put-together applications fail (without further data, it is hard to tell which of these is most accurate).

Answer to question 'Was your funding successful?', against time bid/application took to complete
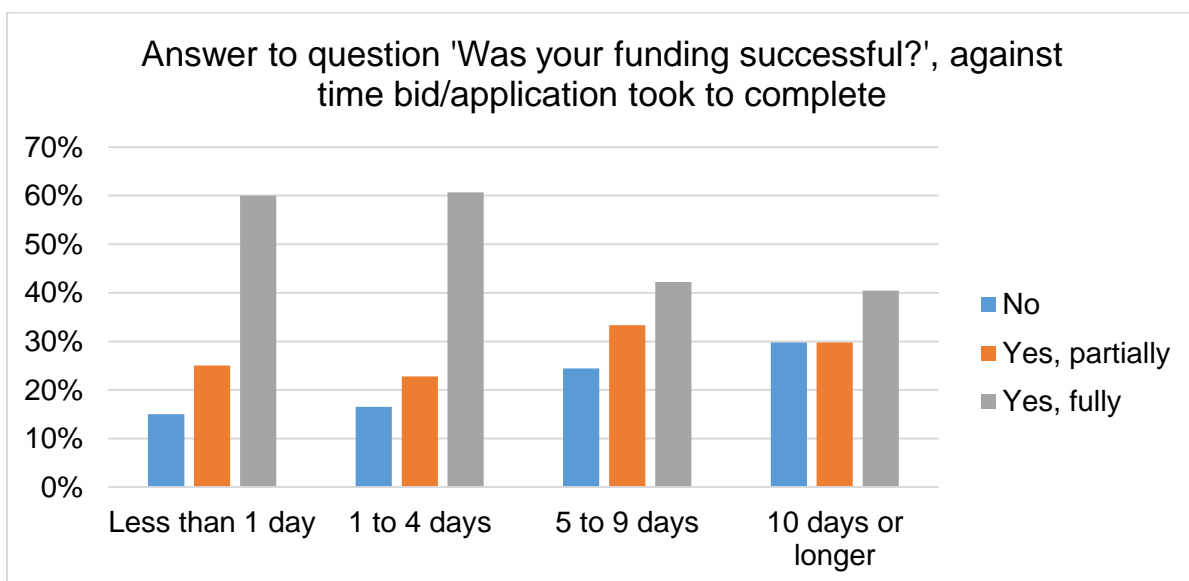
Such results and comments suggest that the sector could benefit somewhat from forms and processes being standardised where appropriate, and, perhaps, from the pooling of information across funders to ensure that the sector is not unnecessarily repeating information that has already been shared.

There was positive praise, though, in some quarters, for the support given to the sector by funders, and also for some simple forms – so some shared learning amongst funders would, it seems, be beneficial.

Sample quotes on the ease of the funding process

"[The application was a] very easy to understand, straightforward form, which we are familiar with having used it for several years"

"Staff at the funding bodies were extremely helpful."

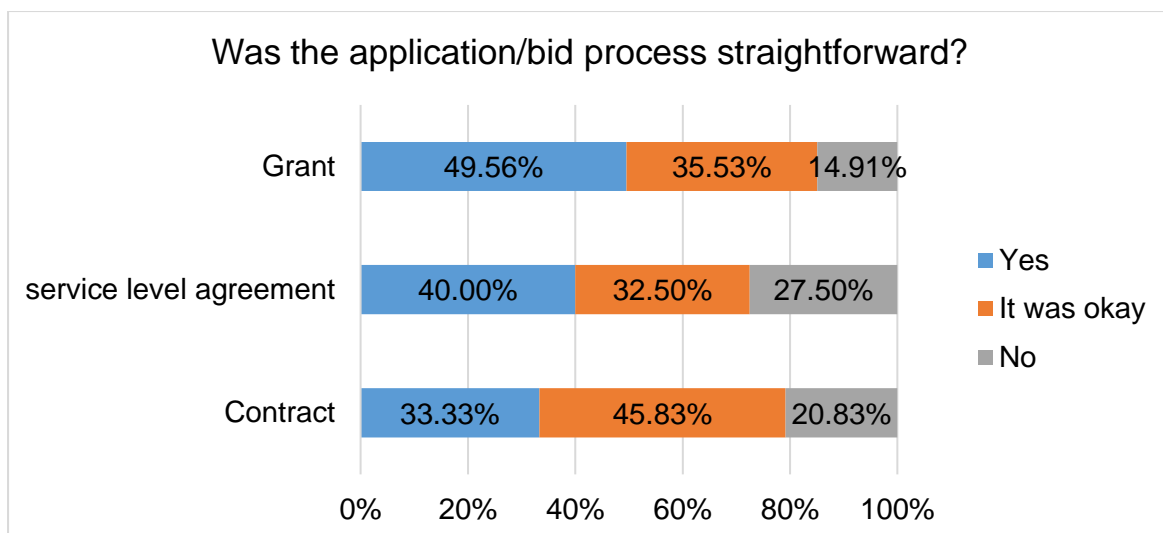"There was a meeting first and then a simplified form was completed"

"The local authority employs a community development officer who is available for advice when completing the application form."

"The staff in Angus Council are absolutely brilliant. They go out of their way to support individuals and organisations to understand the process and learn how to complete applications. They make the process simple and straightforward."

In more detail – Grants, contracts, or service level agreements

We now focus on the different experiences between those who applied for grants and those who were seeking funding through contracts or service level agreements.

We began by asking, was the application/bid process straightforward?

Was the application/bid process straightforward?

	Yes	It was okay	No
Grant	49.56%	35.53%	14.91%
service level agreement	40.00%	32.50%	27.50%
Contract	33.33%	45.83%	20.83%

Looking at the chart above, it is clear that the overall experience for those seeking grant funding is more positive than for those receiving other funding types. Perhaps this is not unexpected, as the very nature of contracts and service level agreements requires more complex negotiation and higher levels of detail than perhaps would be expected of a grant application. Moreover, those who were applying for grants were often seeking smaller amounts of funding than those negotiating contracts or service level agreements:

- Over eight in ten grant applicants who responded to the survey had been seeking less than £50,000. Over half, in fact, were seeking less than £10,000.
- This contrasts to those who were seeking funding though contracts or service level agreements, half of whom were seeking £50,000 or more in funding.

So it is, perhaps, unsurprising that respondents who had been applying for grants were more positive about the ease with which they faced the application process than those looking to fulfil contracts or services. Indeed, only two of the twenty-five positive comments given by respondents regarding the application process (some of which are in the box above) come from respondents who were seeking contracts or service level agreements.

Having said that, many of the negative experiences were also highlighted by grant applicants, so it is clear that more can be done to improve the process for grant applicants – and that funders can learn from each other ways to best support applicants. It might be too, that it is now time – given the constant improvements in digital technology – to try and find a way to pull funders together so that there is a

single point where third sector organisations can apply for grants, with information put into the system used to pre-populate new application forms, and information from other places – such as the Scottish Charity Register held by the Office of the Scottish Charity Regulator – also pulled across.

It is also worth stating that a number of respondents commented on the difficulties of going through procurement processes, particularly for smaller organisations – and explained, too, why some organisations do not wish to go down this route. As one respondent stated, "We are very worried about the general shift from grants (or even SLAs [Service Level Agreements]) to commissioning and even worse, tendering, for community services. Small to medium, local, 3rd Sector organisations do not generally want or are able to, 'compete' in this market with the more 'commercial' big players. In these cases, what makes local, community based 3rd sector organisations special, is in danger of being thrown out with the bath water." Another noted "The main issue with Tendering is that it takes away the opportunity for innovation provided by Third Sector. We don't all want to deliver public services designed by public sector." Furthermore, small organisations throughout the survey indicated the disadvantage they felt in some of these protracted, complex processes.

Finally, we also asked respondents whether or not they had received feedback on their application.
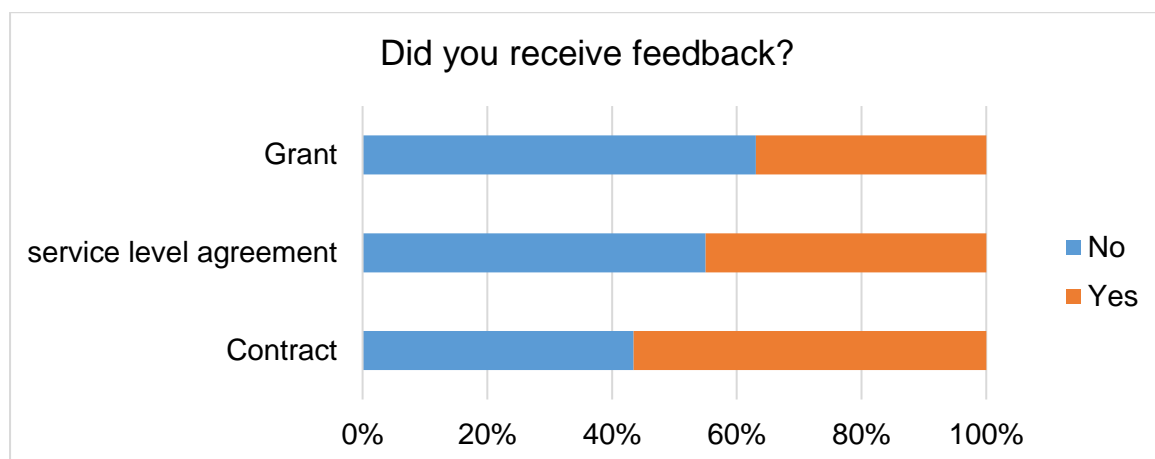
We found that:

- those seeking funding in the form of contracts or service level agreements were more likely to request feedback than those who were seeking grants

(43% versus 27%), and were more likely too to receive feedback (49% versus 38%).

But,

- contract and service level agreement seekers were much less likely than grant seekers to find that feedback useful (68% versus 88%) or timely (74% versus 93%).

These statistics suggest that funders are still a long way from giving application feedback as a matter of course, and from always ensuring that it is done so in a useful and timely manner. Given the differences in satisfaction of the feedback received, perhaps the authorities involved in contracts and service level agreements can learn something from grant givers regarding the quality and timeliness of that feedback.

Recommendations to improve the funding process

- More must continue to be done to simplify all application and bidding processes wherever possible. Forms and processes should be standardised wherever appropriate.
- Full support should always be available to applicants to help them through the application or bidding process. Useful and timely feedback should be provided as a matter of course.
- Information across funders and commissioners should be pooled where appropriate, to ensure that the third sector is not unnecessarily repeating information that has already been shared.
- Shared learning on best practice amongst funders and commissioners would be beneficial.
- The third sector, working alongside funders, should ascertain whether it would be both useful and practical to create a single point where third sector organisations can apply for grants.
- The most appropriate form of funding mechanism must be used for each situation; open tendering processes should only be used when appropriate.

Section 3 – Funding Terms and Conditions

"One year funding is hopeless"

In this section, we take a look at the details of the funding supplied, once the application process is over and the funding has been successful.

Yearly increases

First, we focus on those who applied for longer term funding. Of those who requested funding for over a year (note, this was not a large sample within the survey respondents), we found that:-

- For those who received grants:
    - 7/32 received a minimum wage uplift for wage costs, whilst 12/32 didn't (this was not applicable to the remainder as they had no wage costs for example);
    - 7/32 received inflationary uplift, whilst 20/32 didn't.

- For those who received contracts and service level agreements:
    - 8/25 received minimum wage uplift for wage costs (a higher percentage than for those who received grant funding), whilst 11/25 didn't;
    - 5/25 received inflationary uplift, whilst 16/25 didn't (similar numbers as for grant receivers).

Whilst our numbers of respondents for this section are low, it is still worth noting that the general trend seems to be, whether organisations are in receipt of grant, contract or service level agreement funding, that they are more likely to <u>not</u> receive minimum wage or inflationary uplifts year on year as part of their funding agreement than they are, regardless of whether the organisation requested them or not.

Indeed, comments below illustrate the difficulties that many in our sector are facing.

Sample comments on no annual increases

"We were applying to keep current levels of funding but were told we had to trim 5% off the current amount. As such there was no room for increasing anything."

> "It was explicit in the tender document that we were not allowed to include any wage uplifts for the three year contract."
>
> "We receive a set amount each year for our Service level agreements, out 1st has not increased in over 20 years for the Council, our 2nd service level agreement was cut by 5% this year, so does not include annual wage increases."
>
> "Had already agreed amount requested frozen since 2013."
>
> "We have had a standstill in funding since 2011 and have 10% reduction this year and 10% next year but are expected to provide the same service."

As one respondent said in detail, "Although happy with the terms of delivery of our service level agreement, [we are] unhappy that […] our grant [was cut] and that there was no uplift. […] Workers here had had no inflationary increase for several years and as they are working with an increasing workload our Directors felt this had to be rewarded and will do so, despite the lowering of the grant. […] Our Board felt that the local authority did not understand how difficult things have been for us for years and years of no uplift as they have often cited that the LA [local authority] has had to make redundancies and that people were on a freeze for cost of living increase and so the third sector should also take a cut. We made the point that we have been taking "the cut" for years whilst our workload has increased! Our charity has demonstrated for years how we have shaved costs, shared costs and made best use of public monies with a whole host of monitoring and evaluation that is carried out." This quote demonstrates the many frustrations and pressures that the third sector is currently facing (and, indeed, has been facing for many years). This does not bode well for future support for those that our sector works so hard to help and empower.

Core costs and general funding levels

Turning now to consider core costs and general funding levels, of all 386 relevant responders to the survey:-

- Only 56% of grant recipients, and 50% of contract/service level agreement recipients, felt that their funding was sufficient to cover core costs for the activity associated with the funding/contract.

Even just looking at overall happiness levels regarding the amount of funding secured, there are large numbers of responders who were unhappy – particularly those with contracts and service level agreements (see chart below).
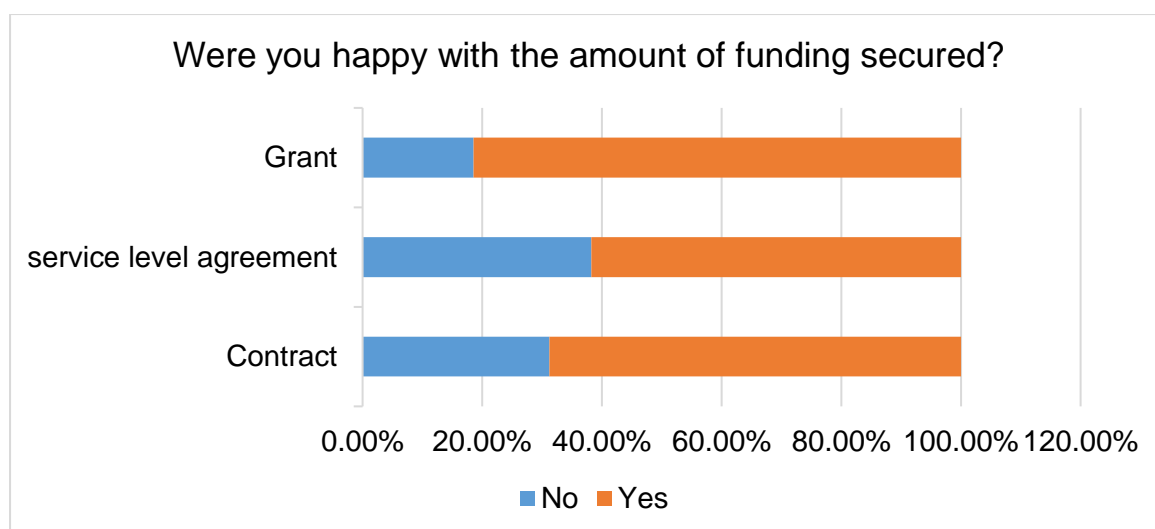
Looking at the figures above alongside the comments received, what is particularly concerning is the level of uncertainty that still abounds within the sector regarding funding: some commented on supposed three-year funding actually only being guaranteed for one year; others commented on the lack of funding impacting on their ability to provide a service to those in need, and/or the pressure it put on staff to continually apply for further funding from other sources.

Sample comments on insufficient funding

"We were pleased that our applications were approved, however, we were told in advance of forwarding the applications that no increase on last year's funding was allowed, therefore […] we cannot apply for management or administrative support costs in any funding initiative applications."

"[It was a] 3 year funding application although [the] award is only guaranteed for [the] first year (can be reviewed in yr. 2 and yr. 3) meaning we have no certainty over continued funding."

"Very happy that we have some money to continue the service but the amount received is simply not enough to develop a sustainable service without resorting to an endless, manpower intensive stream of grant submissions."

> "There is a far greater demand for our service […] than we have the capacity to meet. We had hope that there would be an opportunity to increase funding to meet this need - this was not the case."
>
> "We need core funding but this is nearly impossible to come by. This creates inconsistencies in service provision […] and employment insecurities for staff who exist on a patchwork of temporary part-time contracts. It certainly feels like our contribution to […national] outcomes are not valued by local authorities or the Scottish Government. Many good […] workers are feeling they have little choice but to leave the profession as a result."

Other terms and conditions

We found that:-

- 74% of grant recipients were happy with the other terms of their funding, compared to only 62% of contract/service level agreement recipients. (8% of contract/service level agreement recipients were not happy with the terms of their funding, compared to only 3% of grant recipients.)

Furthermore, many comments discussed monitoring requirements, with respondents feeling that it was often overly burdensome. One respondent, for example, stated that: "Even where we can find small pots of money […] the resources needed to find the match funding in the first place and to meet the monitoring and reporting requirements of multiple funders are an additional cost to the charity that can't be easily absorbed."

Having said that, there were a few positive comments made, suggesting that, again, good practice could be shared across funding bodies and public authorities to ensure that the third sector is well-supported throughout their work.

> **The existence of some good practice – sample comments**
>
> "[There is] a simple monitoring form to explain what the fund paid for and the impact it had."
>
> "The funding has been ongoing from [the] Council and the service agreement is clear."

> "The only terms are to give a summary report of project status at a given date in the future."
>
> "Moving from a set annual grant to a three year service level agreement has definitely helped our organisation to have some sense of security for this period."

Returning 'surplus' funds

Finally, we also asked respondents whether they had ever been asked to return funds.

- 11% of respondents to that question had been asked to return money that was deemed as surplus by the funder.

In the majority of cases, this was a condition of the funds supplied. However, in some instances, the request to return funds deemed surplus came out of the blue. For example, one respondent stated that "[at] times the LA [local authority] has just requested the surplus back after requesting a copy of our management or annual accounts". Although not a common issued raised by respondents, we would ideally not see such a situation occur at all – as it hinders long term planning and certainty for staff, volunteers, services and campaigns, and undermines their independence from the funding body.

Moreover, a few responders had also been asked to return funds which weren't, in fact, unspent funds. In this case, one respondent experienced a cut of one third of their budget mid-year from the local authority; another had to explain to their local authority that the unspent funds in their accounts were restricted to another project and were not unspent local authority grant; and a third had to return money where the Council deemed they had not provided the volume of the service required, despite the fact that some running costs were fixed for the organisation regardless of the number of service users. Alarmingly, one respondent stated that their funding from one authority had been reduced because they had raised additional funds from elsewhere: "We have a 3 year service level agreement but have had a reduction in funding in the second year of this and will also have in the 3rd. We are having a total of 20% reduction and the basis for this is that we have been successful in getting

other funds from external bodies and there is no recognition that these funds are for other work".

All of the instances described above are, we would argue, unacceptable.

A word about consortia

Putting together consortia in order to bid for funding is currently encouraged by a number of funders. Whilst doing so allows a range of skills and experiences from across organisations to be brought in on a single project or service, they can also be difficult to get right. As one respondent explained "We are finding that […] funders are favouring partnership/consortium working which makes the application process much more complicated and time consuming because all partners need to agree the project/delivery/outcomes/costs etc. and this is very time consuming. A lead partner also has to accept responsibility for managing the money/reporting etc. which is very onerous for small organisations which are already stretched." Consortia and partnership bids, though, if done right, should allow small organisations to be included: "There may be some smaller community led groups who have a great value to their localities who may struggle and that is where partnership etc. may be encouraged so as the local expertise is not lost".

Recommendations regarding terms of funding

- Minimum wage costs and uplifts, and inflationary uplifts, should be provided as a matter of course wherever applicable.
- Funding levels must match the service levels required, and core costs must be taken into account when calculating funding.
- Funding should cover periods greater than a year for continuing services and projects – preferably three years – in order to provide stability to those the sector supports.
- Whatever the grant or contract length, funding should never be withdrawn 'out of the blue'. Neither should funding be reduced because an organisation has raised funds elsewhere.

- Monitoring and evaluation should be kept to a level commensurate with the amount of funding/size of agreement applied for.
- Where consortium bids are encouraged, support should be given, particularly to small organisations.

Overall conclusions

It is clear that there are still, three years on from our original survey of the sector, a range of issues that our affecting the third sector as they seek to obtain funding for the vital work that they do. Many organisations continue to be confused by funding applications or processes; others, find the amount of time required to find funding, onerous; still others do, unfortunately, find the rug pulled out from under their feet during the process itself. Once funds have been allocated, the difficulties do not stop there: many find the monitoring process a challenge; others find themselves dipping into reserves whilst waiting for promised funding to come through; still others have to protect their own funds, which come from other sources, from being pinched back by the funder in a mistaken case of 'unspent funds'.

None of these hurdles make running a third sector organisation, achieving organisational goals, supporting staff or volunteers, any easier. Nor do they help with long-term planning, staff and volunteer retention, or protecting organisations from risk. And, most importantly, they make supporting individuals, communities and causes that much harder and unpredictable across the whole of our sector.

As one of our responders said in detail: "The current funding landscape is often like a minefield with limited or next to no support or advice for how to get funding successfully, particularly with public authorities. […] There is often no real feedback provided even for large bids which is counter-productive and very frustrating as it can be difficult to gauge where an application has fallen short/gone wrong. For new and small organisations there's often next to no support or funding available due to the restrictive nature of many funds which requires substantial paperwork, financial budgets and evidence. The ongoing restrictions of many funds which limit or exclude salary costs or management fees is unrealistic and unsustainable […] it would be a lot more sustainable to provide less short-term funding and invest more time in offering longer term funding. The funding application process, in my opinion, needs to be completely revamped […] to allow those who are smaller but just as important to be given a platform for their ideas."

In the coming years, we hope to see improvements on a number of these issues, and hope, too, that some of the recommendations listed in the sections above will be taken up. We will continue to work with the third sector and the public sector to

ensure a robust system of funding is in place, one that ensures our communities can receive the very best from our sector across Scotland.