

Long-term Funding

**SCVO long-term funding survey and roundtable
report**

July 2013

Overview

Third Sector organisations across Scotland receive funding from right across the public sector, ranging from local authority departments to central government, through block grants, service level agreements and contracts commissioned or won through procurement exercises.

There is a breadth of anecdotal evidence across Scotland about how these funding arrangements operate and how permanent or semi-permanent they are.

Funding was the focus of a 2009 joint statement signed by the Scottish Government, COSLA, SOLACE and SCVO. On the relationship at local level between government and the third sector, it was agreed that:

“Funders should always consider and justify what grant and contract funding period is most relevant within the context of meeting service user outcomes and overseeing the provision of services. As a general rule funders will aim to take a 3-year approach to both grant and contract funding. We recognise that third sector organisations require the necessary stability to retain and train their staff, and to plan their service development. As per SPPN 10 2008 Social Care Procurement: Advertising and Competition, contract duration of longer than 3 years will be appropriate in some circumstances – e.g. where services are being delivered to vulnerable people and continuity of service is important.”

It should also be noted that:

“Where 3-year funding is declined, Local Authorities will be clear on the reasons for this decision. If this decision will have an impact upon the business planning of the organisation then Local Authorities should give sufficient notice.”

During a 2012 inquiry into improving employability the Scottish Parliament’s Finance Committee noted that: “a key issue raised by third sector organisations in both the oral evidence and workshop sessions was the issue of annual funding and the resulting lack of security as to whether these organisations would be able to continue to provide their services.”

The Committee also highlighted evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth stating:

“[B]y setting out a three-year budget, I am seeking to encourage other organisations to set out their own three-year budgets for deployment to third sector organisations, for which I accept that interruptions in funding can be a real issue.”

Following the Committee’s report and the subsequent debate in the Scottish Parliament, SCVO in partnership with Gavin Brown MSP held a roundtable meeting of third sector organisations and MSPs. The meeting was held to highlight the true breadth of the issue and, whilst the Committee had focussed on employability, the roundtable featured organisations from areas such as homelessness, children, education, social care, social justice and more, all with the same concerns about annual funding from the public sector.

On the 1st May 2013 the Scottish Conservative Party held a debate in the Chamber of the Scottish Parliament on long-term funding for the third sector in Scotland.

Gavin Brown MSP led the debate on behalf of the Conservatives and stated:

“Single-year funding is just not an ineffective way in which to conduct business. It is inefficient because it means that far too much time is spent on application processes, and it diverts key staff away from the critical function of delivering for the most vulnerable service users. Any time that is spent on filling in extra application forms is time that is not spent on the front line with those who need their help.

Single-year funding can also lead to instability. What is required is stable employment for staff in the third sector and a stable and consistent service for service users. Close and long-lasting relationships are key for the most vulnerable citizens, who use the services, and any hint of instability through single-year funding is to be avoided. When inefficiency is combined with instability it leads to a less effective service for those who truly need it and an overall negative impact.”

During the debate there was a collective consensus from all parties that there should be action on long-term funding for third sector organisations.

The Cabinet Secretary in his opening remarks stated:

“I agree in principle and in practice with the Conservative point on this issue. Indeed, Gavin Brown has fairly reflected the fact that a preference for three-year funding—I think that it is a preference, given that it is not mandatory in the joint statement—lies at the heart of the 2009 statement that was agreed jointly between the Government, the SCVO, SOLACE and COSLA. I am committed to ensuring that, wherever possible, we can deliver three-year funding allocations to public bodies to enable them to deliver on those commitments.”

The Cabinet Secretary also stated that:

“On Gavin Brown’s point about a call for action, I am willing to explore the issues around and performance on the delivery—or not, as the case may be—of three-year funding. I am willing to discuss with relevant public sector partners how we can take forward the particular concern. I accept in principle the point that if we give funding certainty to organisations, they will be able to spend more time focusing on the delivery of better outcomes for the citizens involved, rather than wondering where the money is going to come from. We will certainly explore those questions, and that is at the heart of the Government’s amendment today.”

Context

During the debate on 1st of May 2013 there was a consensus amongst the politicians that whilst anecdotal evidence and first hand experiences was of third sector organisations struggling on one year funding agreements it was felt that greater clarification was required to back up the anecdotal evidence.

Following the debate, the Cabinet Secretary asked the Scottish Council for Voluntary Organisations (SCVO) and the Coalition of Care and Support Providers Scotland (CCPS) to conduct research across the third sector into the proliferation of three-year funding agreements.

This report will detail the findings of the survey and roundtable discussion that were undertaken to inform the debate on long-term funding. Whilst the survey and discussion are not conclusive, they are a very helpful first step to steer the debate and provide insight of the experiences of third sector organisations and their funding partners in the public sector.

It should be noted that the issue of long-term funding is not about more investment and more money. It should be about strategic investment and long-term support to ensure the delivery of better outcomes at local and national level and ensure that public spend is having the greatest possible social impact and leading to more sustainable public services across Scotland. There is a mature debate developing in Scotland regarding parity for the third sector with private and public sectors. It's a debate that requires strong voices to challenge doing things differently where the relationship is advantageous to our public sector and dangerous to the third sector.

Executive summary and key findings

Length of awards

- 1-year funding is still the norm for most organisations
- Three-quarters of grants and two-thirds of Service Level Agreements were for 1 year
- Contracts were more likely to be agreed on a longer basis, but only 40% were for 3 years or more
- A small number of respondents reported that their funding is now allocated over a longer period, and welcomed the increase in the award length
- However, several other respondents noted that while their local authority was looking at 3-year funding, or had verbally committed to longer funding periods, this had not yet materialised
- Funding periods vary not just between different councils, but can also vary widely within a single council
- A large number of respondents reported that not only is their funding given on a short-term basis, but they have actually seen decreases to funding cycles in recent years
- Six respondents noted that while they theoretically receive 3-year funding, they have to apply for it annually, or it is subject to an annual review
- The impact of short term funding was also raised by many respondents, who highlighted the difficulty this creates in planning ahead, and the uncertainty facing organisations and their staff.

Annual Inflation

- Only 7% of respondents said that their funding packages make provision for annual inflation
- The overwhelming majority of respondents (83%) said that they did not receive annual inflationary increases
- In many cases, respondents reported that this is not a recent phenomenon, and that budgets have been static for many years
- Not only have budgets been falling behind inflation, meaning less money in real terms, but large numbers of respondents – both national and local – reported that their budgets had been cut.

Surpluses and clawback

- 52 organisations (21%) said that they had been asked to return money deemed as surplus
- Many who said that they had not been asked pointed out that this was because they never have any underspend, or because their grant is paid retrospectively
- Only 16 respondents stated that the local authority had asked them to return a percentage of their funding, but several reported that they had been asked to reduce their overall costs and make savings by the local authority.

Observations from phase 1

It is clear from the work so far that the focus of this is the principle of better outcomes for Scotland's communities. It is about delivering positive social outcomes from public spend and developing sustainable public services for Scotland's future.

In practice and experience SCVO has known that large bodies of anecdotal evidence exist around the lack of availability of long term funding the information presented in this paper now adds survey based evidence to the contention that the principles of the 2009 joint statement are not being followed and the joint statement itself is largely irrelevant in this field.

The following are observations made from the data available and the current context in which Scotland public and third sectors operate.

1. It is time to move on from the 2009 Joint Statement as an approach through which to promote change.
2. Any future framework for the delivery of long-term funding must now be re-negotiated with Local authorities as they have not acted upon the agreements made with CoSLA in 2009.
3. It is important to recognise that work must be undertaken to help promote the rise of long-term funding across all local authorities in Scotland. However while this study has focussed specifically on local authorities we need to be mindful that third sector organisations also report similar experiences with other public bodies.
4. This debate is an important one and drives to the heart of the Scottish Government's agenda of promoting effective preventative measures and ensuring we have sustainable public services in Scotland.

Recommendations

Phase 2

1. COSLA should produce research conducted with its members to create balance within the debate and give access to the data they hold. SCVO and CCPS should also seek to work with CoSLA to validate the research
2. Local Authorities should also seek to make the information they have readily available and provide detailed indications on their funding practices
3. SCVO to develop a best practice document showcasing examples identified where third sector organisation and public bodies operate in such a fashion as to promote long-term funding

Phase 3

1. SCVO will promote the best practice guide to champion public bodies that deliver long-term funding and the organisations they work with. Develop strong narratives around the outcomes achieved because and the impact on the service users
2. Look at ways to develop practical support for public bodies and third sector organisations to deliver long-term funding through
 - a. Proliferation of methods currently being used

- b. Greater understanding of benefits of strategic investment
- 3. Develop this through a collaboration between the public sector and third sector to ensure a holistic approach

SCVO commentary

Given the current context of public policy in Scotland and the discussion regarding public service reform this piece of work is vitally important to the discussion of sustainable public services in Scotland. SCVO sees long-term funding crucial to the delivery of better outcomes for communities and promoting greater social impact through public spending.

This piece of research has been extremely useful for the third sector and should provide useful insight to both the Scottish Government and Local Authorities in Scotland. Prior to this piece of work many third sector organisations were presenting anecdotal evidence that pointed to a problem with the availability of long-term funding. What we now have is some evidence that backs this up as a real problem in Scotland.

The survey is not intended and was not designed to blame. It neither seeks to target any Local Authority over another nor target Local Authorities in the whole. The survey is in response to the growing concern that the principles of the 2009 Joint Statement between Government and the third sector were not being adhered to and that relationships were travelling in the opposite direction intended.

SCVO was asked to undertake this piece of research on behalf of the Scottish Government by the Cabinet Secretary for Finance, Employment and Sustainable Growth and it is recognised that this is just the first phase in a longer process rooted in the public service reform agenda in Scotland.

SCVO will be the first to note that this survey is not an end within itself but a snapshot of third sector experiences with public sector funding, which is designed to add more formal evidence to the existing anecdotal reports. With this in mind, we accept that this is not conclusive proof of the lack of long-term funding by local authorities but we do believe that it is a fair reflection of third sector organisations' experiences and that it warrants appropriate attention.

It should be noted that SCVO's interest in this area is not that of securing more money for Scotland's third sector organisations but securing long-term strategic funding. Our hope is that this will ensure more stability and better planning in order to deliver better outcomes and more sustainable public services for Scotland's communities.

The evidence presented in this paper clearly points to one issue - the end of the 2009 Joint Statement. Whilst it was signed in good faith between the Scottish Government, COSLA and SOLACE, the results of this survey clearly indicate that the agreements have not been adhered to.

The Scottish Government have made efforts to reduce barriers to the proliferation of long-term funding as evidenced by the Cabinet Secretary's statement to the parliament during the debate on 1st May:

"We delivered a three-year settlement in 2008 to span the three succeeding financial years, and delivered a three-year settlement to commence in 2012 to span the next three years. Therefore public sector organisations can have a reasonable amount of confidence about the rough shape of their funding allocations. They will not be able to see precisely what resources they will have

at their disposal in future, but they will certainly be able to see the general shape of those resources.”¹

Whilst this approach was taken, Local Authorities haven't afforded the same settlement to third sector organisations they fund. In the main the 2009 Joint Statement has been systematically ignored.

It is imperative that we build a new and stronger framework for supporting the services that third sector organisations deliver and the people and communities they support.

The current model of annual funding constrains third sector innovation but, more importantly, it's also an inefficient method of service delivery. In Scotland we have developed rhetoric around reform, but it's not being accompanied by action. Despite evidence to support long-term action and the positive outcomes they achieve, we are still operating on an annual basis which, simply put, is unsustainable and largely ineffective.

We believe that there needs to be collective action and collective learning from local authorities. Not only do we readily see examples of one local authority doing and the other not, but we also see examples of a department within one local authority doing and another department not.

We need to begin to level out practice and ensure that all local authorities, departments and public bodies understand their commitments and deliver on them.

The current funding processes within Scotland have created a disparity amongst the third, public and private sectors. Whilst public bodies and local authorities are willing to offer long-term contracts to the private sector, the third sector is expected to seek out funding on annual basis. This is astonishing considering the social value third sector organisations provide compared to the profit driven private sector.

This distinction is also one that is conveniently forgotten when we consider the classification of surpluses. Whilst surpluses are designated as profit for the private sector, they are seen as money that can be reclaimed from not-for-profits. In the most simplest of terms we have found that many local authorities and public bodies are happy to offer tax payers money to private companies but expect not-for-profits to pay it all back rather than reinvest it into communities.

This exercise set out to identify the good and the not so good, and there have been examples of good practice that have arisen and the latter stages of this work should seek to highlight them and analyse why they work.

Next steps

The issue of long-term funding requires much more extensive work and will require a joint solution from the Scottish Government, SCVO, CCPS, COSLA and local authorities as long as all parties are committed to working towards a solution.

¹ http://scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=8132&mode=html#iob_73831

SCVO is clear that a dialogue focusing on better outcomes and greater social impact is vital for this discussion to take place in a mature manner. The parties involved should not start from an entrenched viewpoint and there is no space for territorialism.

The Christie Commission presents a clear launch point here with a focus on positive outcomes for communities as a focal point over who delivers what service. Scotland's third sector has a proven track record of delivering under the tight conditions we have been forced to endure, but the sector is now stressed to its limits. Yet, the sector has great experience and expertise to offer in many areas and is a trusted part of Scottish society.

Moving forward we must understand what exactly we are trying to achieve and who we are trying to achieve it for. It is not a case of more money for the third sector. It's about using existing resources more effectively; an ambition to have more stable and sustainable services for those who have the greatest needs.

Methodology

Evidence was collected through two methods - a sector-wide survey and a focus group with key stakeholders.

Survey

An online survey was issued to third sector organisations in Scotland, with responses sought between 13th June and 10th July 2013. The survey was promoted widely by SCVO and CCPS.

Response rates

The survey was started by 497 respondents. 369 respondents were in receipt of local authority funds and 364 valid responses form the basis of the analysis. Responses were sought from a range of organisations across Scotland, and the survey was completed by 155 National or regional organisations, and 209 local organisations.

Geographical spread of respondents

Responses came from across all local authorities in Scotland, although as expected responses from Edinburgh and Glasgow dominated, and some areas such as the Western Isles had low response levels. National organisations were asked to complete the survey by choosing up to two areas they work in and responding for those, ideally selecting local authority areas which fund them in different ways (e.g. contract versus grant) or have different funding practices and policies.

Local authority area of responses	National	Local	TOTAL
Aberdeen City	16	4	20
Aberdeenshire	16	8	24
Angus	5	5	10
Argyll and Bute	2	7	9
Clackmannanshire	4	1	5
Dumfries & Galloway	4	5	9
Dundee	9	3	12
East Ayrshire	1	3	4
East Dunbartonshire	2	2	4
East Lothian	7	5	12
East Renfrewshire	2	1	3
Edinburgh, City of	35	26	61
Falkirk	6	2	8
Fife	9	11	20
Glasgow City	36	18	54
Highland	5	15	20
Inverclyde	1	2	3
Midlothian	7	1	8
Moray	2	2	4
North Ayrshire	3	4	7
North Lanarkshire	7	5	12
Orkney	0	3	3
Perth & Kinross	3	11	14
Renfrewshire	4	4	8
Scottish Borders	4	6	10
Shetland	0	5	5
South Ayrshire	4	3	7
South Lanarkshire	6	8	14
Stirling	6	4	10
West Dunbartonshire	1	0	1
West Lothian	5	2	7
Western Isles	0	1	1
Total	212	177	390

Key findings

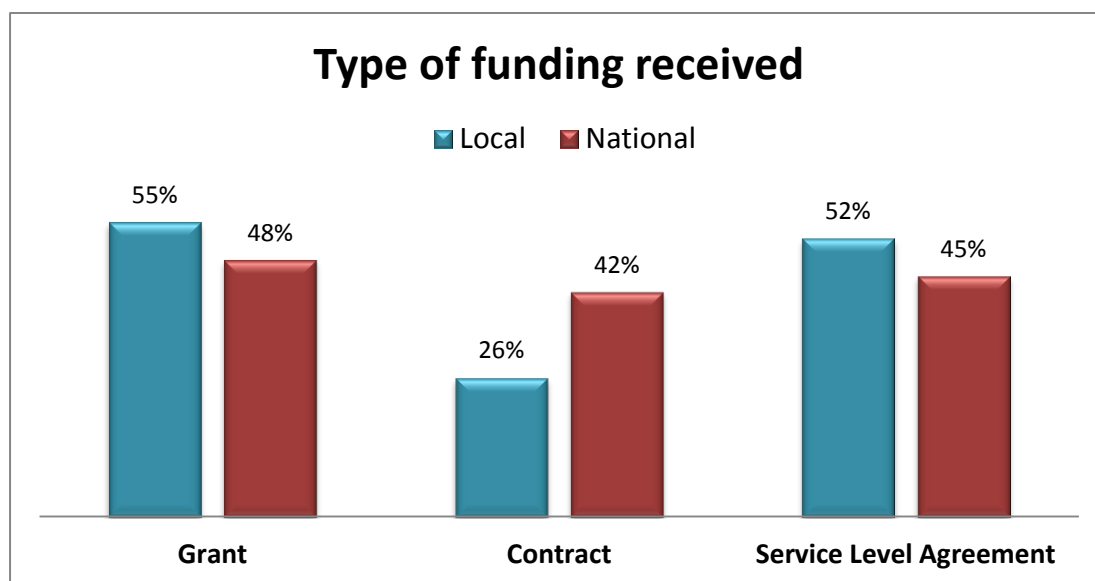
Types of funding

Respondents were asked to say what types of funding they receive from their local authority funder. Three options were given - grants, contracts and service level agreements (SLAs) – as they reflect the most commonly used terms currently used by funders and funding recipients. However, it is important to note that funding terminology can cause confusion for both parties in the funding arrangement. In particular, interpretations of contracts and SLAs can vary significantly, with some regarding these as completely separate types of funding agreement and others seeing SLAs as a component of a contract.

Further reading: See Senscot briefing note, commissioned by Highlands and Islands Enterprise

(HIE) to clarify the definitions of contracts, service level agreements and grants by public sector organisations <http://www.socialenterprisescotland.org.uk/policy/100>

Both local and national respondents reported receiving their funding through a range of funding agreement types. National bodies were significantly more likely to be in receipt of contracts than local organisations, but grants and Service Level Agreements (SLAs) are still the most common type of funding for both local and national organisations.



Three quarters of survey respondents receive funding from the specified local authority through only one primary funding type, but a quarter reported that they receive funding through a combination of two or more different types of funding:

- 74% receive **one** type of funding from LA
- 20% receive **two** types of funding from LA
- 6% receive all **three** types of funding from LA

Period of funding

By far the most common funding period for all organisations, across all funding types, was 1 year funding:

- **1 year funding is still the norm for most organisations**
- **Three quarters of Grants and two thirds of SLAs were for 1 year.**
- **Contracts were more likely to be agreed on a longer basis, but only 40% were for 3 years or more.**

Average Grant length	1.4 years
Average Contract length	1.9 years
Average SLA length	1.6 years

- **Moves towards 2 or 3 year funding: a small number of respondents reported that their funding is now allocated over a longer period, and welcomed this increase in the award length**

Sample - positive Comments

This has been changed to a three year award recently and has particularly help our financial planning and to secure additional match funding.

A recent and welcome improvement from one year grants [respondent now receives 2 year funding]

This year we received 2 year funding for the first time, previously was always 1 year funding

Just moved to three year funding

Clear contract. Well organised. clear lines of accountability.

2 years has been applied from 2013/14, before that it was annually

- **One respondent reported a mixed experience – their funding is now agreed for 3 years, but has been set at a reduced amount:**

“This year the award was made for 3 years - previously it was an annual award - there will be no increase over the next 3 years. Two years ago we had a 5% reduction on our annual grant funding, then standstill last year and this year it continues at the reduced level but the award is for 3 years

- **However, several other respondents noted that while their local authority was looking at 3 year funding or had verbally committed to longer funding periods, this had not yet materialised.**

Sample Comments

This process has been in place from 2006 and still not developed for a three year funding package

Council states that all funding is reviewed annually so no longer term commitment can be made

The LA is looking at 3 year contracts but such an exciting notion hasn't been put into practice yet

Although in the last few years there has been a verbal commitment to 3 year funding, this has never materialised

- **A large number of respondents reported that not only is their funding given on a short-term basis, but they have actually seen decreases to funding cycles in recent years.**

Sample Comments – National organisations

Used to be 3 year funding, but is now done yearly. The Local Authority say this is due to the Scottish Government allocating their budget on a yearly basis

CEC adheres to a 3 year grant funding cycle where an organisation can submit a strategic plan. However this year 'due to budget pressure' we were informed that awards will be annual

This used to be 3 yearly, but was reduced to 1 year a number of years ago

It used to be three years but for the last few years it has been annually

Sample Comments – Local organisations

we originally had a succession of 3 year SLAs then a 5 year one (which was very reassuring despite no increase over the years!) but now had 2 successive 1 year ones (due to la doing review of services but no action/outcome)

South Lanarkshire Council withdrew from all three year funding agreements.

We have recieved three-year funding in the past.

Previously 3-year Service Level Agreement but recently changed

This was initially a 3 year SLA but has been moved to a 1 year SLA since 2009 with 20% cut each year since 2009.

Grant Funding was for three years last two years grant funding reduced and for one year only

SLA converted to 1 year contract 3 years ago

- **Six respondents noted that while they theoretically receive 3 year funding, they have to apply for it annually, or it is subject to an annual review.**

Sample Comments

This has been an application and award of the same grant and the same value for several years and is used to deliver service, but is only annual award although states 3 year award

Although given for 3 or 4 years there is a annual determination of level of funding, so it real terms it's still only guaranteed for one year, because if Local Authority need to cut they do, some cases 10% some 30%.

"Contract" given until 2015 but subject to "annual review"

SLA lasting 3 years still requires us to make annual grant applications!

[SLA given for 3 years] However, each year we have to reapply (unnecessarily)

three years but SLA renewed annually

- **The impact of short term funding was also raised by many respondents, who highlighted the difficulty this creates in planning ahead, and the uncertainty facing organisations and their staff.**

Sample Comments – National organisations

It makes it extremely difficult in planning ahead/good business planning. Also it is very late in the day that we find out if funding is to continue-which puts our Board in a difficult position e.g.: this year it wasn't until the end of May 2013 that our funding for April 2013-March 2014 was confirmed. Colleagues in the private sector/on our board state that they would not take on this type of uncertainty year in year out in the private sector, yet it seems the norm in the Third/Voluntary Sector. I feel this is unsustainable and new thinking is needed.

Difficult to plan when under annual review and application process.

Due to the timing of council decision making we get news of whether our application is successful around the 30th of March (grants run theoretically on the financial year.) This means we routinely have to put staff at risk of redundancy and cannot confirm posts until well into April of the same year.

We have multi million pounds worth of business with GCC and have no contracts and only a few SLA. Glasgow's position is that we have implied contracts, however this does not offer any security and allow for 3 year planning

As in other councils there is always the opportunity to negotiate "extensions" so we manage to achieve some continuity but always with the uncertainty hanging over us and, certainly in the past with this council, a threat to re-tender.

Sample Comments – Local organisations

Used to be a 3 year service level agreement but changed 3 years ago causing great concern an uncertainty in our organisation

very uncertain about future/unable to plan

This makes it difficult to plan provision and provide commitment to local residents and communities.

Grant made for 1 year even though it could have been made for three. Need to apply each year. This creates a climate of uncertainty especially when peoples job are at stake.

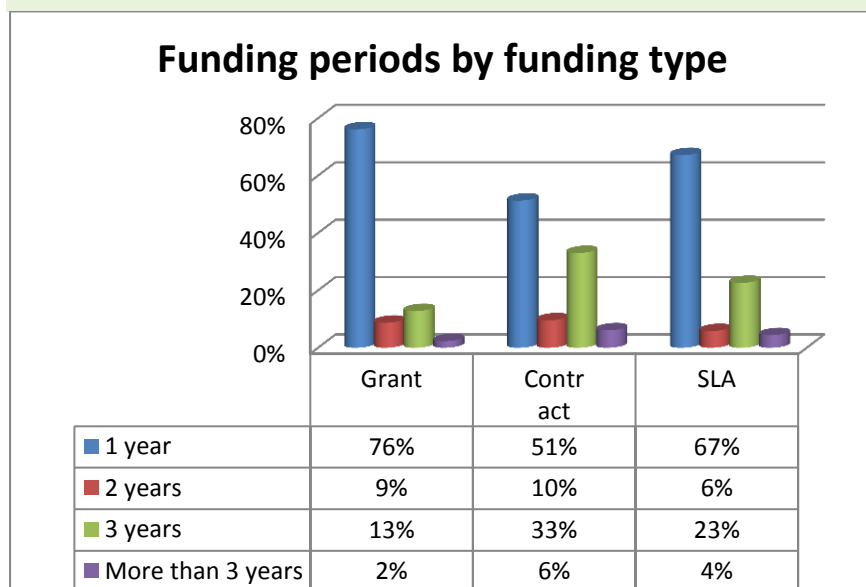
contracts are for six month periods now - for last year have been quarterly. we feel we have essentially been stopped in our tracks

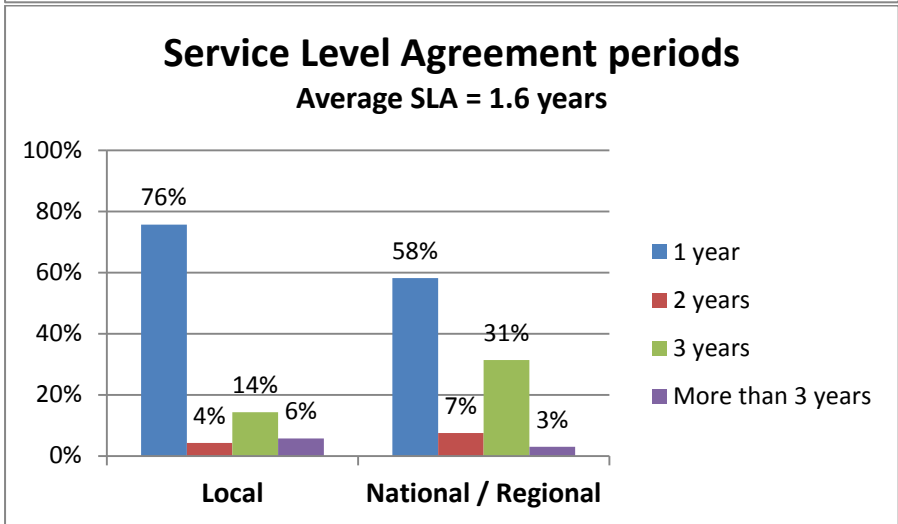
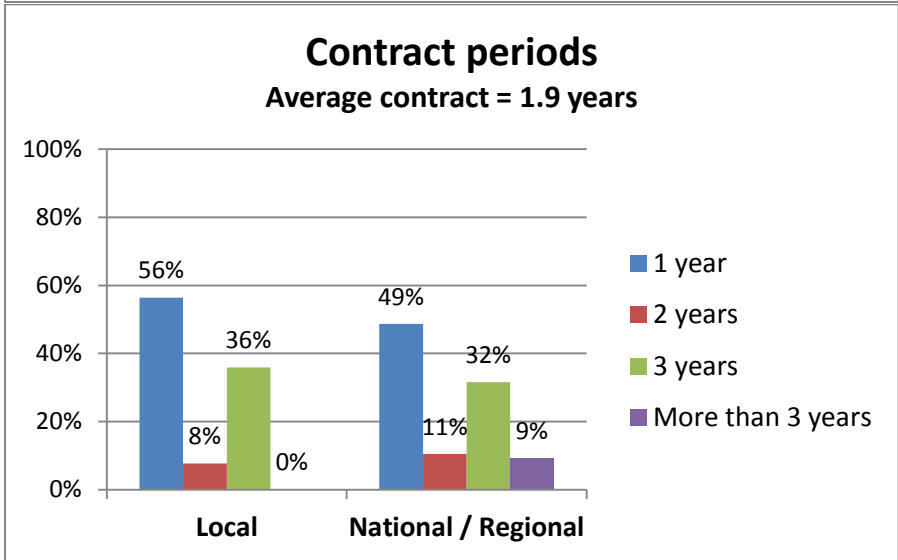
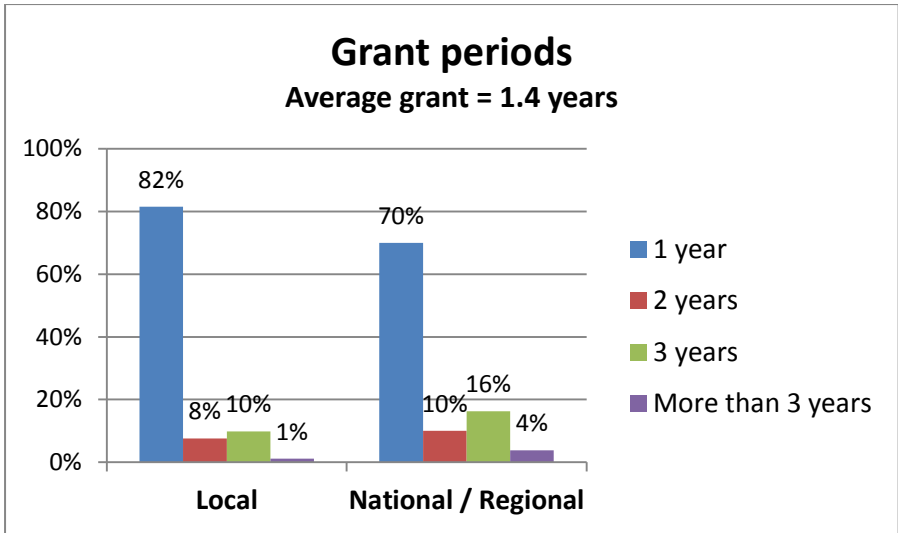
Very unsettling at present as we were informed early in 2012 that we were going to be asked to tender in future. This has not happened yet and we now believe it will not happen till 2014 but the uncertainty has caused a great deal of stress within the organization

this is quite unsettling and does not help with long term planning or staff motivation when there is the constant spectre of tendering/3 month notice period.

This does not allow for long term planning

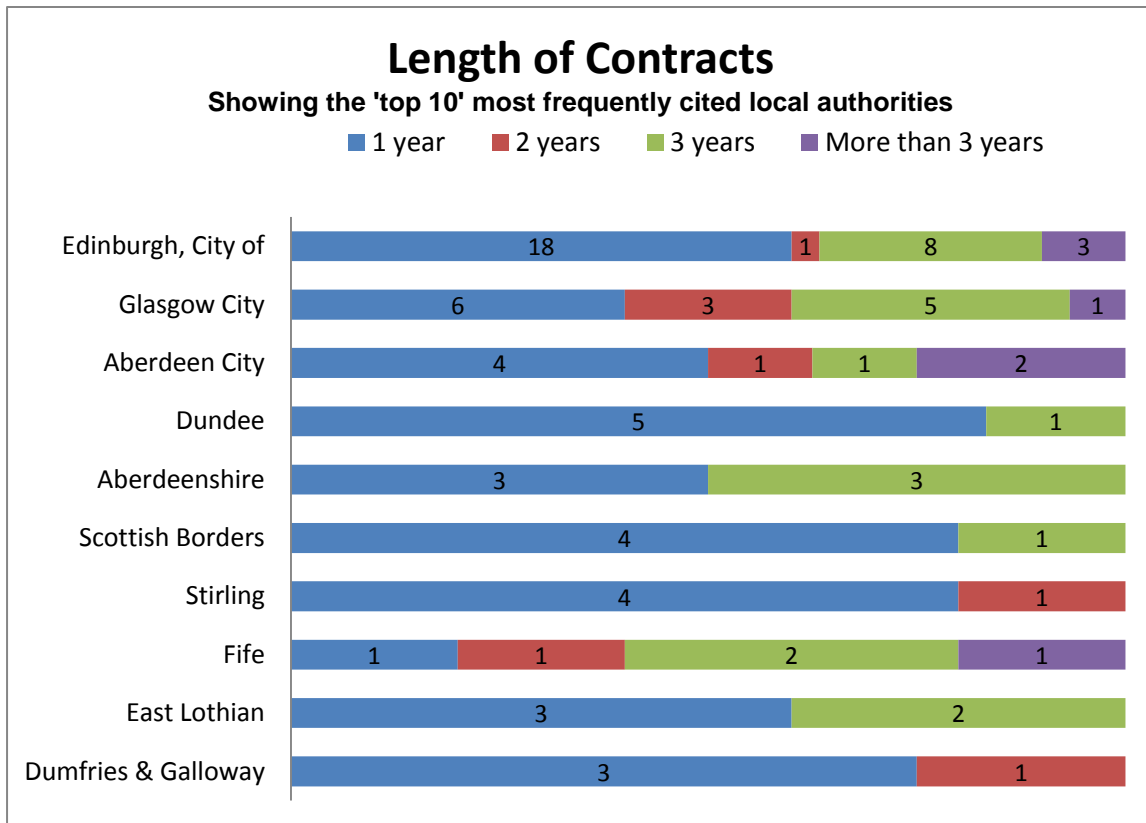
A three year grant would allow longer term planning, and give security for the service and to passengers.





- **Variation within Local Authorities**

As well as funding policies varying between local authorities across Scotland, it is also interesting to note that funding periods vary within a single council. There is not enough data to establish reliable patterns for each local authority area, but for areas like Glasgow and Edinburgh we can see that Contract lengths can vary significantly. This may be down to different council departmental funding policies.



- **Increased use of Framework Agreements was mentioned by some respondents, with some highlighting that spot purchasing and call-off funding can be problematic.**

Sample Comments

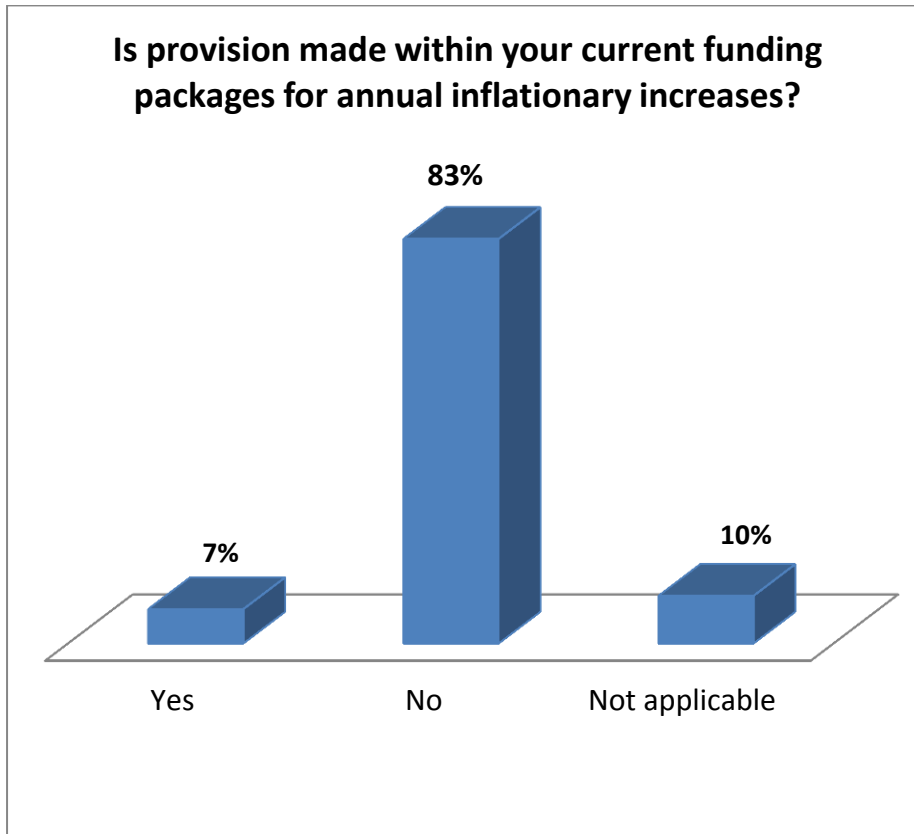
LA is moving away from Grant funding and moving towards call off contracts, which effectively means a significant cut in overall budget. Grants have been around for a number of years in some services and as such are used to cover overall operating costs. The move to call off means that some core costs will not be met and we have taken the tough decision to withdraw from the contract

officially work allocated within framework agreement. some work allocated outside it and can be on call-off basis

Only on a 'spot-purchase' basis funding agreed prior to clients being referred length of residential stay varies between 1 week and 4 months - average approx 6 weeks

Annual Inflation

- Only 7% of respondents said that their funding packages make provision for annual inflation
- The overwhelming majority of respondents (83%) said that they did not receive annual inflationary increases.



- In many cases, respondents reported that this is not a recent phenomenon, and that budgets have been static for many years.

Sample Comments

No inflationary increases for 9 years

There has been no inflationary uplift for the past 5 years

Budgets have been static for 6 years

Locally and nationally we have had stand still budgets for 7 years

- Not only have budgets been falling behind inflation, meaning less money in real terms, but large numbers of respondents – both national and local – reported that their budgets had been cut.

Sample Comments – National organisations

Awards are at stand still or in some cases, cut, budgets, with no scope for any annual salary increases or increased project costs taking into account inflation.

Frozen at 2003 levels with some slight cuts over the past three years.

Over the last 4 years our grant has been cut by at least 10%

took a cut this year and frozen last year and the year before.

We received a 10% cut in funding this year.

No changes have been made to increase but reductions with minimal notice have been made

Contract prices, as a result of negotiations and/or tendering have been cut by up to 14%, a real cut of almost 40%.

Our funding goes down consistently

We were given a 5% reduction to our contract this year, and expected to deliver the same service. We are unable to do this - but yet are having to wait 4 months before we can meet the contracts team face to face to discuss further. There has been no request for an impact assessment to be undertaken on this cut.

Sample Comments – Local organisations

South Lanarkshire Council reduced level of funding allocated on the basis of 'achieving savings'.

Our funding has been reduced by 20% this year

We continue to seek additional funding from elsewhere each year and to make further savings to budgets to keep the service operating at the same level. This is not sustainable.

Our organisation actually received MORE money £ for £ in 2005

We have had standstill funding or cuts over the last several years. We received an 8% cut 2 yrs ago with another 8% cut indicated for next yr.

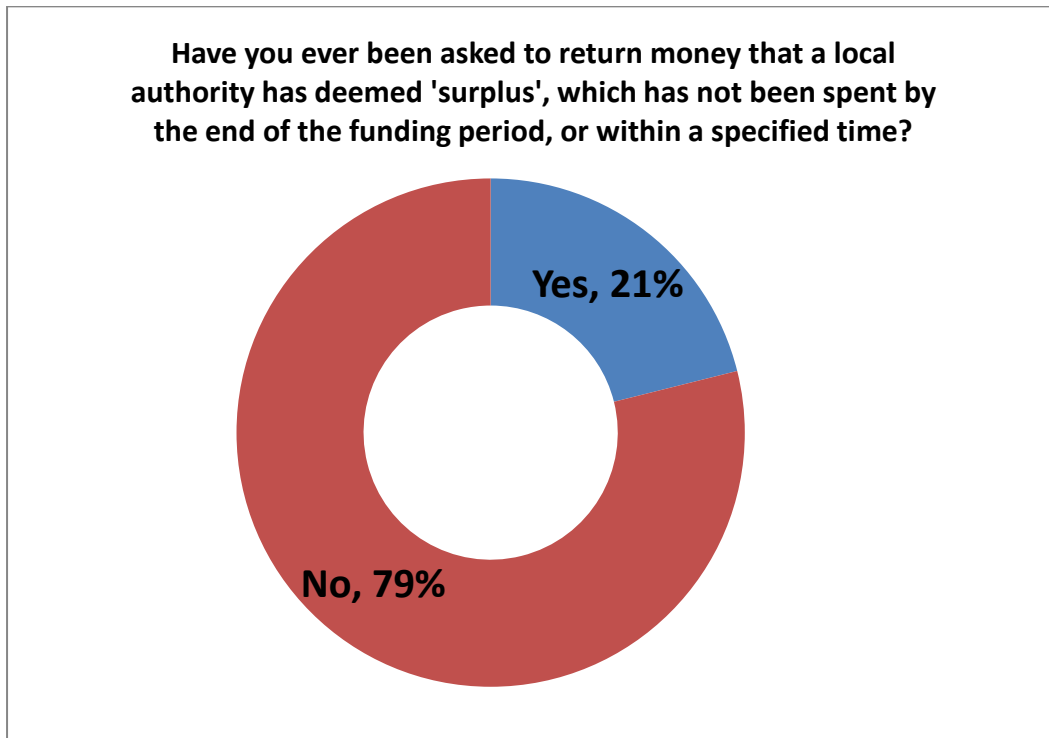
We have been asked to provide a new budget with a decrease of 1% for this year and next year

20% cut each year since 2009.

Currently reducing by 5-10% per year

Surplus

- 52 organisations (21%) said that they had been asked to return money deemed as surplus
- Many who selected 'No' said that this was because they never have any underspend, or because their grant is paid retrospectively.



Most of those who were asked to return surplus (22 Nationals and 11 local organisations) indicated that this was a pre-agreed condition of their funding arrangement.

However six respondents said that the return of underspend had not been pre-agreed, and that requests were sometimes the result of the council seeing surpluses in their annual accounts.

One respondent felt that clawing back of all underspend does not do enough to distinguish between underspend due to efficiency savings and underspend due to under delivery.

Another respondent said that their funding had been reduced due to a perceived underspend, but without any discussion or agreement.

Sample Comments

It is a pre-agreed condition that we'll return every penny we don't spend by the end of each financial year.

Yes, Pre agreed condition of SLA

We have never reported an underspend but it is a condition of the grant to return any unspent funding if there is any.

If we have been paid more than we have delivered we have refunded

Yes, this continues to happen repeatedly year on year, regardless of whether full contract delivery has been achieved. there is no differentiation between overpayment and underspend through efficiency.

there was no discussion Supporting people officers just cut the funding for the first two payment for what they perceived as an underspend but were stopped from continuing this by our then Link Officer in Social Work because of the impact this was having on our work.

No - Funding is claimed retrospectively on spend

The money isn't returned as such, it is just never received. We only ever get paid what we have spent, so if we underspend one year we do not receive the full grant allocated

Was as a result of sending through audited accounts and was not pre agreed.

We pointed out that we raise other funds (eg Rag Bag income) and that monies in our account at the end of the financial year are not underspends of Council funding

We never have any unspent surplus - our core service expenditure is augmented by us fundraising to deliver value added services which contribute to core bureau running costs.

32 respondents stated that requests for the return of any underspend is not an issue for them, as they had never had a surplus to return.

Sample Comments

Surplus? On a local government grant?

No, but we have never yet had any surplus expenditure

No. Because it is always spent

We never have any underspend

The budget is always adhered to - we break even - a surplus is unheard of!

Several respondents also pointed out that far from having any surplus to return, they are often subsidising the full cost of the service through other funding sources.

Sample Comments

We are not 100% grant funded and are required to raise balance of our total expenditure

No, because the money we get from the LA only pays for a fraction of our costs.

We have consistently for (20years) raised funds through day care income to cover any shortfalls in the budget and fundraise for all the carers services we provide. We receive nothing like the funding the national organisations are claiming is required even although we are known as a centre that provides the highest quality of care to those we serve.

Unlikely to have underspend - funding meets expenditure needs - sometimes not all of the funding required is covered and multiple funders are required to meet costs

Some respondents explained that they have had to return 'underspent' money, but that this created problems planning services to fit into the funding period, carrying out other activities or when trying to build reserves to ensure the organisation can cover running costs.

Sample Comments

We needed to return some funds as it couldn't be spent within the financial year. However this was due to circumstances out-with our control and in order for this essential work to be done we now have to find extra funds from other sources from this year's budget. The council asked us to undertake this piece of work and will not provide us with additional funding to do this.

Yes we had made saving in other areas and highlighted that we wanted to keep the funding as our reserves however we had to repay £15000. Several months later we had to make long term members of our team redundant so they repaid £10000 to help cover the redundancy costs that we would have had in our reserve 'pot'

It is a pre-agreed condition that we'll return every penny we don't spend by the end of each financial year. This means we have to tightly control when work streams end, which simply isn't practical.

Any surplus from salaries and salary related costs has got to be refunded to the local authority even though there is areas of work or costs within the funded project that would clearly benefit from additional monies

Some of our grant we are allowed to keep one twelve which is of no use we cannot accumulate to 3 months running costs which to us makes good governance

Examples of flexibility were also reported by organisations, with some funders happier to negotiate funds being carried forward, or overlooking underspend due to careful budgeting.

Sample Comments

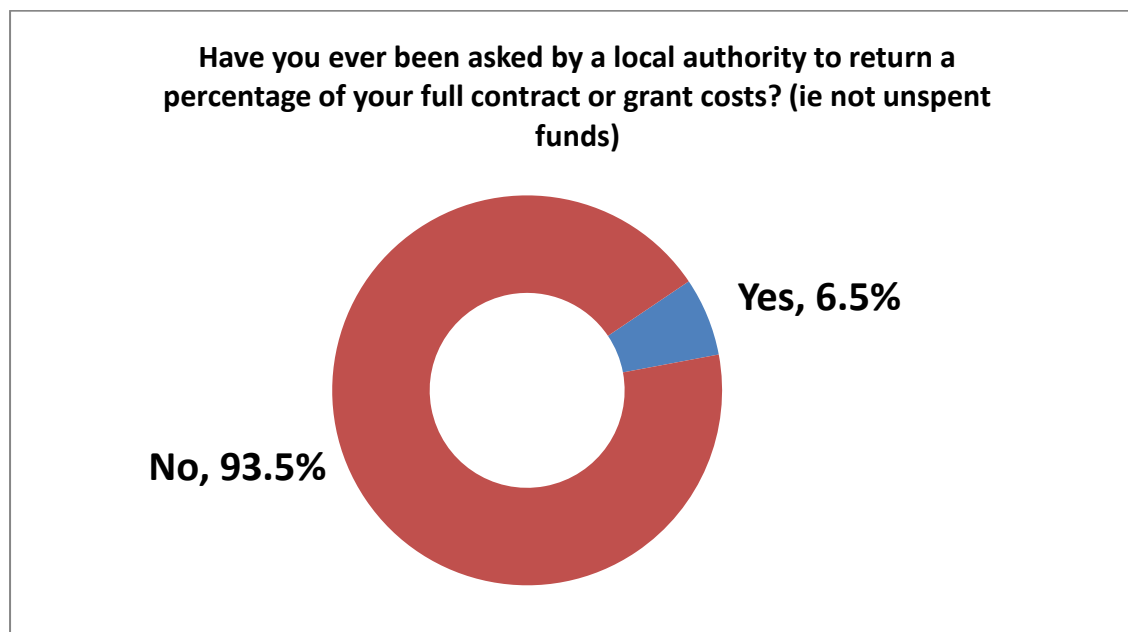
Informal agreement that good "house-keeping" will not be punished.

All our SLAs are explicit that unspent funds (surplus) must be returned, however we have been able to negotiate carry forwards with some of our funders although two adamantly insist on the funds being returned.

It is usually an condition of grant, if we can negotiate the use of surpluses for the same conditions as awarded, we have some success but its very limited.

Clawback

- **Only 16 respondents stated that the local authority had asked them to return a percentage of their funding, but several reported that they had been asked to reduce their overall costs and make savings by the local authority.**



Sample Comments

Again this is common practice. Almost every LA that we work with has requested a % reduction in overall contract over the last few years. GCC even put in place an in year % reduction which meant that we were informed in Nov/Dec that our contract for a number of services was being reduced by 5% from Jan to March.

We once received a cut in the fourth quarter on our previously agreed grant, which in effect was us returning/not receiving approximately 6% of our grant.

Savings percentages asked for from a number of LAs

Regularly asked to reduce our price. This year 3 LAs have told us our income/prices would be reduced by a % set by them.

We have been asked to make a 1% reduction in our budget this year so we may have our monthly funding cut later in the year

we get peanuts so nothing to claw back

They just reduce what they give you and wait for you to question it.

We have been asked to roll money into next financial year and to receive less payment that year. Not a condition of funding but some of this is vague as some LAs are very poor at actually issuing and signing contracts.

Roundtable event

SCVO held a round table event that was attended by 15 third sector organisations and 2 government officials from the Scottish Government's third sector division.

There were a number of common experiences and issues raised by members of the third sector in relation to funding. It is firstly necessary to point out that it was noted that experiences varied and some Local Authorities were highlighted for their good practice.

How does short term funding impact the third sector?

Despite positive stories, it remained clear that many third sector organisations were facing difficulties relating to one year funding. On the basis of the long term funding report, it is evident that the majority of third sector organisations are dealing with these issues.

The impact of such short term funding on third sector organisations is significant. Participants at the round table event highlighted some of the key ways in which they are affected. One of the most common themes was that as a result of one year funding agreements, third sector organisations found it difficult to plan ahead and as a result, were unable to think as strategically as they would like. A participant in the Long term Funding study stated that,

'It makes it extremely difficult in planning ahead/good business planning. Also it is very late in the day that we find out if funding is to continue-which puts our Board in a difficult position e.g.: this year it wasn't until the end of May 2013 that our funding for April 2013-March 2014 was confirmed.'

In addition, their ability to operate as effectively as possible was hindered by the fact that staff have to dedicate a significant amount of time and effort to chasing small pots of money. This acted as a diversion from service delivery.

One issue that was clearly linked to this was the fact that a number of third sector organisations explained that their staff operate on short term contracts, their terms and conditions are reduced and in some cases they either operate under a permanent threat of

redundancy or are issued redundancy notices at in December. Participants of the survey also indicated that,

“Due to the timing of council decision making we get news of whether our application is successful around the 30th of March (grants run theoretically on the financial year.) This means we routinely have to put staff at risk of redundancy and cannot confirm posts until well into April of the same year.

This understandably reduces staff morale. This is supported by response to the long term funding survey, one of which states,

This is quite unsettling and does not help with long term planning or staff motivation when there is the constant spectre of tendering/3 month notice period”

Organisations at the roundtable event highlighted that as a result of poor staff morale it was often the case that they lost quality staff. In turn, the loss of quality staff means a reduction in the quality of the services that are provided

Furthermore, it is difficult to effect lasting change within 12 months and the need to constantly prove that the organisation can provide an effective service within such a short time frame, means that it often becomes a tick box exercise. Resulting from this, organisations are likely to have to focus their efforts on ‘low hanging fruit’ rather than those who really need the service as the results can be seen more quickly.

As a result of all of these issues it was felt that there was a declining quality in services.

Furthermore, some third sector organisations could not keep up with the constant circle of applications and reductions in budget and were therefore forced to pull out of providing services. Changing services cause disruption to the service user and as a result can often be more costly in the long run as the service user then needs to access more critical services.

The reasons for one year funding and barriers to three year funding

A number of those involved in the roundtable event highlighted that Local Authorities often used the excuse that ‘we don’t know what our budgets are going to be’. There was a feeling that this reason was a poor excuse as the differences in Local Authority budgets year on year were marginal.

The issue was also raised that funding often came from a number of different departments and this could often be a barrier to long term funding. A number of participants at the roundtable event highlighted the lack of transparency of Local Authority budgets and felt that this acted as a barrier to three year funding. Much of this related to the fact that it was often felt that Local Authorities tried to protect their own staff and internal issues rather than consider the services that they were delivering.

There was a clear feeling that the attitude at Local Authority level was much more focused on corporate interests and there is a lack of thinking beyond solely economic terms. A number of those present highlighted that Local Authorities did not look at the care inspectorate result for a care providing organisation, nor did SROI studies make any difference to the Local Authority’s decision. It was therefore felt that this focus on economic issues was at the expense of quality. It was also highlighted that a culture of micro-management exists.

Whilst it was understood that scrutiny was necessary, it was pointed out that it had to be proportionate and the third sector felt that they were often subjected to more than the private sector. Following from this, there was a clear feeling that the third sector was often seen as the cheap option and did not command the same respect as the private sector did. As a result the arrangements with the Local Authorities were not viewed as a partnership but more as a commissioning arrangement. This was a view supported by the comments in SCVO's Long term funding survey in which participants stated,

“Colleagues in the private sector/on our board state that they would not take on this type of uncertainty year in year out in the private sector, yet it seems the norm in the Third/Voluntary Sector.”

The information level of local councillors was also highlighted as a crucial barrier to longer term funding. This was partly due to a lack of general knowledge about services but was also due to the fact that the level of reporting to councillors was often not what it should be. One particular example was that externally purchased social care was often non-existent in reporting to councillors.

A worrying trend was that third sector organisations reported that they felt fearful of standing their ground in relation to longer term funding, in the case that their funding might be pulled completely.

What the third sector could do with three year funding

Participants at the roundtable event agreed that longer term funding would be highly beneficial for third sector organisations. Firstly, in relation to staff retention and development, a longer term strategy would allow staff to gain a sense of longevity and perhaps stay at the organisation longer, thus saving money on training new staff. This could be redirected into developing existing staff and helping the organisation to become more effective.

In particular, a longer term strategy would allow third sector organisations to lift their head from the day to day business and think about how to create their own income, including the opportunity for working alongside corporate partners. For example, corporate partners are more likely to agree to work in partnership with an organisation that can say it will definitely be around for longer than the next nine months.

Furthermore, hours that are currently spent reapplying for funding, filling in tenders and worrying about whether the organisation will still be around next year, could be redirected towards front line service deliver, thus providing the local authority with more services for its investment. A further effect of having longer term funding would be the ability to think more creatively and innovatively about the services that are provided.

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About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 137,000 paid staff and approximately 1.2 million volunteers. The sector manages an income of £4.4 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1300 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1300 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland

SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change. Our policy is determined by a policy committee elected by our members.²

Further details about SCVO can be found at www.scvo.org.uk.

References

Scottish Voluntary Sector Statistics 2010, SCVO

www.scvo.org.uk/evidencelibrary/Home/ReadResearchItem.aspx?f=asc&rid=1078

² SCVO's Policy Committee has 24 members elected by SCVO's member organisations who then co-opt up to eight more members primarily to reflect fields of interest which are not otherwise represented. It also includes two ex officio members, the SCVO Convener and Vice Convener.