

Scottish Parliament Social Justice and Social Security Committee

Social Justice and Social Security Pre-Budget Scrutiny 2024-25

Written submission by the Scottish Council for Voluntary Organisations (SCVO), 31 August 2023

About our response

SCVO welcomes the opportunity to give evidence to the Social Justice and Social Security Committee ahead of the 2024/25 Scottish Budget. Our submission draws on evidence from:

- SCVO's engagement with the Social Justice and Social Security Committee.
- Parliamentary records and Scottish Government publications.
- SCVO support services (funding, digital, membership support, and information).
- SCVO policy submissions, engagement, and research with the sector throughout 22-23.
- The **Scottish Third Sector Tracker**
- SCVO's **State of the Sector statistics 2022**.

Our response

A. Influencing how the Budget is prepared to support a Wellbeing Economy

The Scottish Government has articulated its vision to transition to a wellbeing economy, focused on ***'thriving across economic, social and environmental dimensions.'*** SCVO supports this aim, which will benefit current and future generations. However, a crucial gap remains, in that the significant contributions of the voluntary sector to this vision remain largely unacknowledged; there is a widely held misconception that the voluntary sector is outside of rather than part of the economy.

The appointment of a representative from the voluntary sector to the National Strategy for Economic Transformation (NSET) Board is a welcome development. However, more engagement is needed to signify an understanding that businesses or public bodies alone cannot deliver a wellbeing economy. For a genuinely inclusive transition, it is crucial that all three sectors—public, private, and voluntary—work in close alignment and partnership.

To fully harness the voluntary sector's existing and potential contributions to the Scottish economy, the Scottish Government and local government must fully integrate the sector into economic strategy and policy development. SCVO's engagement with the Finance and Public Administration Committee's inquiry on effective decision-making within the Scottish Government highlighted several actions that could be taken to achieve this. Central to this is recognising that the voluntary sector is not just a recipient of funds, but a strategic partner in shaping the economy.

To support effective decision-making as part of the Budget process, the Scottish Government should:

- **Broaden and deepen representation:** Ensure that the voluntary sector is actively represented at multiple levels of economic development. Early involvement is crucial, especially before formal Budget proceedings where it becomes challenging to influence decision-making.
- **Greater understanding of the sector:** Acknowledge that the value, size, and diversity of voluntary organisations requires wide scale representation. Improved understanding of the sector's unique remit and operational challenges will foster more open and honest conversations.
- **Improved communication:** Develop engagement protocols that set mutual expectations, including aspects such as consultation response times, terms of reference for working groups, timely written communication, and availability of contact information.
- **More financial transparency:** Adopt a comprehensive approach to financial openness, including within budget lines and grant funding across all directorates. SCVO outline several solutions to achieve this later in our response.

B. Improving transparency, participation, and accountability in the Budget

The Scottish Parliament and other stakeholders should have a clear understanding of government spending and its impact on priority areas. Transparent funding is crucial, not only for voluntary organisations and scrutiny bodies, but also for Scottish Government officials if we are to arrive at a place where voluntary organisations play an active role in effective decision-making.

The Scottish Exchequer recognises that existing fiscal information is fragmented, generally inaccessible, and complex. This has led to a reliance on estimates from SCVO to highlight the scale of Scottish Government funding direct to the voluntary sector - estimated to be around £480 million annually. Official data is notably absent, creating gaps in our understanding of fund distribution, including criteria like multi-year funding commitments and uplifts.

Last year, the Social Justice and Social Security Committee highlighted the importance of enhanced data collection to target new and existing policies effectively and to meet service delivery needs. Similar calls for increased transparency have come from:

- The Finance and Public Administration Committee, urged the Scottish Government to routinely publish timely information on the decisions it takes – including the options considered and those discounted – and links between spending and the National Outcomes.
- The Equalities, Human Rights, and Civil Justice Committee recommended that the budget process should align with the core principles of human rights budgeting, encompassing data transparency, participation, and accountability.

SCVO welcomed commitments in the Scottish Budget 2023/24 to increase transparency around public finances, and we acknowledge the work of the Scottish Exchequer as part of the Open Government Action Plan (2021-25). We also appreciate the First Minister's recent emphasis on the need for transparency to underpin delivery to support accountability. Voluntary organisations, being primary users of fiscal data, must be part of efforts to shape transparent, accessible financial data systems. Transparent data is essential for evaluating how well the government is delivering on its Fairer Funding commitments, as outlined in the Policy Prospectus, New leadership - A fresh start.

We acknowledge that improving data infrastructure is complex. However, to better understand public spending effectiveness, the Scottish Government should commit to ongoing improvements:

- **Adopt the 360Giving Data Standard:** Publish awards to the 360Giving data standard, which should include basic identifier core fields such as recipient name, organisation, and charity number.
- **Expand existing monthly reporting:** Include all significant spend, not just amounts over £25,000, in the monthly reports the government currently publishes and improve categories to ensure data is useful and accessible.
- **Develop cross-departmental funding overviews:** Collect information across all government departments and produce totals and breakdown of Scottish Government funding to all sectors (voluntary, private, and public), by department and budget line.

- **Track Fair Funding metrics:** Within this data, Scottish Government should record Fair Funding progress by collecting and publishing what proportion of grants and contracts are:
 - Delivered on a multi-year basis.
 - Include annual uplifts.
 - Accommodate payment of the real Living Wage, including annual increases to this rate.
 - Communicate funding intentions at least three months in advance and make payments no later than the first day of the new financial year.

C. Responding to fiscal and wider policy challenges in the Committee's remit

Scotland's voluntary sector plays a vital role in addressing poverty, climate change, and social inequalities. Voluntary organisations provide practical and emotional lifelines for people and communities and support them on their journey out of poverty. The sector also supports people to be economically active by providing employability, mental health, and wider support for people, families, and communities. However, current challenges, such as inflation and rising living and operational costs, are straining the sector and the communities we work with.

Continuing to mistake the sector's short-term perseverance through crises for long-term resilience will undermine the sector's ability to continue to support people and communities and provide the many additional services that make up the fabric of Scottish society. Years of underfunding and poor funding practices, and crises such as the pandemic, have put the sector under increasing pressure, exacerbating financial and operational challenges, and impacting the sector's ability to adapt; although, voluntary organisations continue to do so in remarkable ways.

In the Spending Review Framework, the Scottish Government recognised that in the current climate of rising inflation and the resulting cost-of-living crisis, demand for public services will be high, and the voluntary sector will continue to play a crucial role. Despite this and the sector's significant contribution, the voluntary sector remains underappreciated and under-resourced. Wave five of the Scottish Third Sector Tracker found that 10% of voluntary organisations are uncertain about their future viability, and 39% are struggling with long-term planning. Similarly, the latest Fraser of Allander Institute (FoA) Scottish business Monitor shows that the voluntary sector faces more cost pressures and recruitment challenges compared to other businesses.

Recognising the rising demand for services and the sector's crucial role, in the Spring Statement the UK Chancellor, Jeremy Hunt MP, announced over £100m of additional support for charities and communities in England. Since then, charities

and community organisations in England carrying out vital work have been invited to apply for a major government support package worth £76 million. Despite pressure on the sector in Scotland steadily intensifying, approximately £10 million in Barnett consequential has to date, not been made available to the sector.

SCVO has called on the Scottish Government to *‘share a clear plan for how the full Barnett consequential of this announcement will be used to support the voluntary sector in Scotland. This investment should include a mix of short and long-term support enabling voluntary organisations to both weather the current crisis and adopt energy efficiency measures, allowing them to reduce future operating costs and become more sustainable.’*

In response, the Scottish Government informed SCVO that *‘Barnett consequentials are not ring-fenced and it is for the Scottish Ministers to decide how this funding should be best applied. We will continue to prioritise support for individuals and the sector as we move through 2023-24 as part of optimising the application of the budget we have available, and as part of developing the 2024-25 Budget later in the year.’*

However, we are increasingly alarmed about the uncertain outlook for voluntary organisations as we approach the winter months. While voluntary organisations in England have already been granted access to an extra £76 million in emergency funding, there is currently no comparable financial plan in place for Scotland. This raises serious concerns that Scottish voluntary organisations may be left without vital support during the challenging months ahead, especially if, as expected, the UK Government’s already announced funding for voluntary organisations in England is to stretch over this period.

Considering the impending challenges that the winter months are likely to bring, we strongly recommend that the Scottish Government offer:

- **Winter support:** Brief the Committee and key stakeholders, such as SCVO, on the scenario planning it has conducted ahead of the winter months to support voluntary organisations. Clarify whether there are plans to ensure that voluntary organisations can access additional financial support, similar to that available to voluntary organisations in England.
- **Transparency around Barnett consequentials:** Ensure that voluntary organisations in Scotland benefit from the full Barnett consequentials of the additional support the UK Government provides to charities and communities in England and communicate decision-making on these matters transparently.

D. Budget priorities for better results and outcomes when compared against the Scottish Government's targets and goals

Voluntary organisations play a vital role in achieving the Scottish Government's National Outcomes. They are crucial in advancing equality, inclusion, and human rights for people across Scotland.

However, the sector faces significant challenges, including the effects of rising inflation and increased cost-of-living. These challenges disproportionately affect the most vulnerable in society, many of whom rely on voluntary sector services. The Poverty Alliance's latest Challenge Poverty Week [policy asks](#) echo SCVO's calls on Fair Funding to support organisations that are often at the frontline of efforts to challenge poverty in Scotland.

SCVO welcomes the ongoing, constructive talks with the Cabinet Secretary for Social Justice. However, the Scottish Government's operational approach to managing available funding has made an already difficult funding environment even tougher. The persistence of these problems indicates a troubling trend across the Scottish Government and public bodies.

The upcoming Scottish Budget is an opportunity for the Scottish Government to address existing funding challenges that undermine efforts to provide the Fair Funding our sector needs to offer Fair Work, support volunteers, and continue to provide the services and support people and communities rely on. We recommend Scottish Government:

- **Align funding priorities and take immediate action:** Align Scottish Government's Fairer Funding principles with SCVO's definition of Fair Funding – developed through significant research and engagement with the voluntary sector. Establish transparent delivery goals, timelines, and accountability mechanisms – such as reporting and stakeholder groups - to ensure progress on Fairer Funding can be scrutinised by the voluntary sector and Parliament.
- **Review and improve grant-making processes:** Ahead of the 2024/25 Scottish Budget and annual funding round, review and significantly improve the Scottish Government's grant-making systems to address poor fund management approaches and create a framework for regular re-evaluation to ensure timely decision-making, communications, and payments.
- **Make progress on multi-year funding:** Implement multi-year funding across several Scottish Government funds in the 2024/25 funding round to demonstrate progress towards the Scottish Government's 2026 fairer funding commitment. The Scottish Government should report on the impact

of this change to inform and develop a multi-year funding model as standard by 2026.

- **Resource living wage commitments:** Resource Living Wage uplifts in grants and contracts as part of expanding the Scottish Government's Fair Work First criteria to ensure that the policy is not unfunded and that the Scottish Government does not expect voluntary organisations to subsidise government funding that does not cover the real Living Wage or provide inflation-based uplifts.
- **Parity across inflation-based uplifts:** Commit to annual inflation-based uplifts for public grant funding and contracts regardless of the type of delivery partner, recognising the impact of rising inflation on the voluntary sector workforce and the need for pay uplifts for voluntary sector staff on par with those offered to the public sector.

About us

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector (sometimes referred to as the third sector). We champion the role of voluntary organisations in building a flourishing society and support them to do work that has a positive impact. Along with our community of 3,500+ members and supporters, we want to see thriving charities, social enterprises, and community groups at the heart of a successful, fair and inclusive Scotland. Further details about SCVO can be found at scvo.scot.