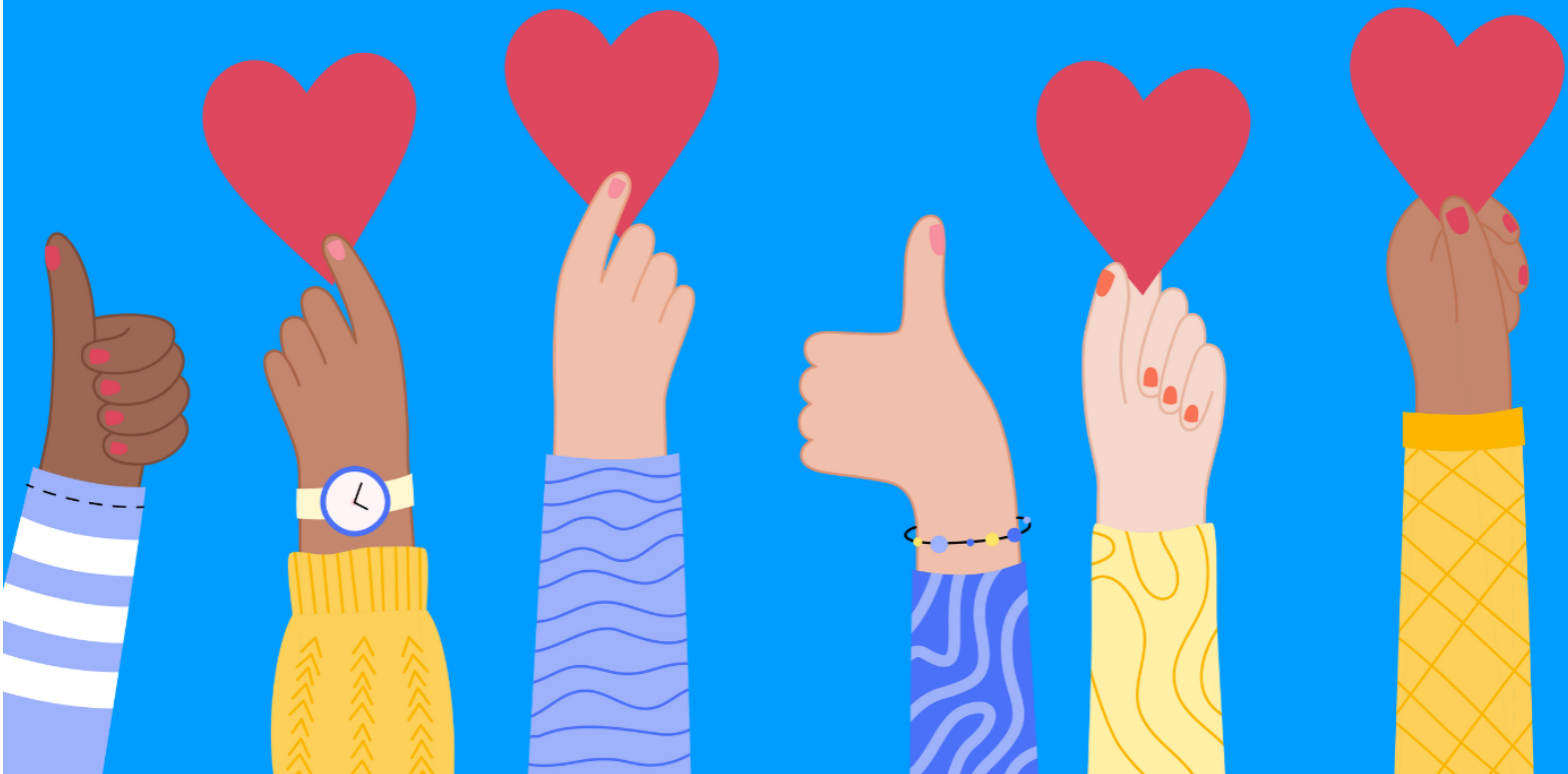




Challenge Poverty Week 2024
Policy Briefing 5

A Scotland where we value our communities and volunteers



What is Challenge Poverty Week?

Challenge Poverty Week was launched by the Poverty Alliance in 2013. We wanted to highlight the injustice of poverty in Scotland, and to show that collective action based on justice and compassion can create solutions. The week is an opportunity to raise your voice against poverty and unite with others in calling for a just and equal Scotland. Each year, hundreds of organisations in Scotland do just that, including elected representative, charities and NGOs, local authorities, faith groups, businesses, school and colleges, trade unions, professional bodies and more.

What are we calling for?

Introduce fair and sustainable funding of three years or more for the third sector.

How do we get there?

To do this, the Scottish Government must provide funding for community and voluntary organisations that is:

- Fair and recognises the value of the third sector;
- Longer-term, guaranteeing income of three years or more;
- Sustainable, including awards that cover the payment of the real Living Wage, inflation-based uplifts and full costs, including core operating costs; and
- Accessible through providing proportionate, and consistent approaches to applications and reporting.

Introduction

Organisations in Scotland's third sector are often at the frontline of efforts to challenge the injustice of poverty, providing vital support to people who are held back from being able to live in decency and dignity. The pandemic and the on-going cost of living crisis have seen demand for services and support provided by third sector organisations soar. Yet too many of these organisations have been left without the security they need to survive and thrive.

A sustainable voluntary sector is central to the Scottish Government's core mission of eradicating child poverty and plays a critical role in delivering the public services that provide lifelines to people living on low incomes.

For almost a decade, the Scottish Government has committed to longer-term funding for the voluntary sector across multiple government strategies, including within several Scottish Budgets, the Programme for Government, and the Economic Strategy. However, this commitment has not been met by action which is

increasingly urgent and the third sector continue to call on the Scottish Government to make good on their commitments. The Poverty Alliance's membership have been increasingly clear that fair funding for the third sector is a vital building block of our efforts to tackle poverty, and alleviate its impact.

Fair funding is critical to adequately value the crucial work that our voluntary and community organisations deliver for us all, but particularly for the most vulnerable in Scotland. The Scottish Council of Voluntary Organisations (SCVO) have defined Fair Funding² as a long-term, flexible, sustainable, and accessible approach to funding. This includes, but is not limited to:

- Longer-term funding of three years or more;
- Flexible unrestricted core funding;
- Timely decision-making and payments;
- Accessible and proportionate application and reporting processes;
- Sustainable funding with inflation-based uplifts; and
- Proportionate, transparent approaches to monitoring and reporting.

This approach is essential for a sustainable voluntary sector which can offer fair work, support volunteers, and deliver high-quality outcomes for people and communities. In a just and compassionate Scotland, we recognise the invaluable work that our volunteers and community organisations provide. This cannot simply be noted with rhetoric and praise. We must match this value with fair, secure, and adequate funding to allow these organisations to continue to deliver lifeline support for Scotland.

How do we get there?

The challenge of funding is one that is shared across the third sector. We are pleased that the Social Justice and Social Security Committee have made third sector funding the focus of their 2025/26 pre-budget scrutiny. As part of the Poverty Alliance's engagement with that scrutiny, we conducted a survey of our membership.¹ The responses identified a range of impacts relating to current funding structures in their survey answers which pointed to key overarching themes:

- Issues with staff retention, recruitment and morale;
- A lack of capacity for future planning and strategic development; and
- Significant challenges around continuity of vital service provision

To overcome these challenges, we need to mobilise the definition of fair funding as set out by SCVO. This briefing outlines the key findings from our membership survey, the findings of which align with SCVO's evidence base, including the Third Sector Tracker. We are pleased to join SCVO in campaigning for fair funding for the third sector.

¹ 47 of the Poverty Alliance's membership responded to this survey.

Longer term funding of three or more years

Short-term funding cycles and ingrained operational issues - such as delayed decision-making and payments, inconsistent processes, and poor communication - significantly impact the effectiveness of voluntary organisations by creating ongoing uncertainty and insecurity on a scale unparalleled in any other sector. Organisations in the Poverty Alliance's membership cited challenges in delivering **continuity in service provision**:

"The short time funding has impacted our organisation because for some point when the funding is finished we have to stop our ongoing project and our research shown the necessity of the need in our community." (Community organisation)

"It can have impact on the services we provide, for example, we recently had a Lanark domestic violence outreach service have funding come to an end after less than two years." (Social care provider)

This, in turn, inhibits organisation's **future planning and strategic development**:

"Having strict reporting requirements for the short term funding projects takes away from overall project delivery, and our ability to plan ahead for the future. In a worst case scenario, the time spent reporting on this project could potentially take away time needed to secure funding for long term project, putting the sustainability of the organisation at risk." (Greener Peebles)

Respondents were clear that lifting the burden of very time-limited funding would allow for **better strategic planning and development**. This would ultimately improve the quality of services being provided and increase organisational sustainability:

"Peace of mind and the ability to plan longer term projects and research objectives. Funding in line with government terms of 5 years would be beneficial." (Scottish Pensioners Forum)

Organisations that support and engage with marginalised communities must receive consistent, adequate funding to enable them to carry out their work. In the Poverty Alliance's research, *Voices from our Communities*, one organisation highlighted the time that was required to build relationships with people who would be too-often viewed as *"hard to reach"*, and the benefit that this has on effective service delivery.³ Longer term funding therefore allowed stability of employment for staff in third sector organisations, which in turn enabled relationships to be developed. The theme of short-term funding inhibiting **community and trust building** came through strongly in survey responses:

"When working with people affected by long term conditions and living in rural and social isolation it is absolutely crucial that time is spent to develop trusting relationships. We need to invest time and resources and listen carefully to

understand better and identify an individual's unique needs if we are to offer a beneficial tailored person centred, self management support package."

(Multiple Sclerosis Centre, Mid Argyll)

"We are the only Sikh family support charity in Scotland. We have been delivering services to the Sikh community in Edinburgh for 35 years. We have been impacted by Scottish Government cuts, local council cuts and COVID burn out alongside the short term funding. We are close to closing down."

(Sikh Sanjog)

Additionally, short-term funding severely undermines job security – which is one of the Scottish Government's Fair Work Dimensions - across the voluntary sector's 135,000 strong workforce. It results in voluntary organisations frequently issuing redundancy notices, with delayed decisions from the Scottish Government and local authorities, particularly when funding is provided on an annual basis, compounding this issue. During Challenge Poverty Week 2023, we heard from volunteers, staff and third sector organisations across Scotland that burnout - because of being in crisis mode since 2020 - is a pervasive issue. It has never been more important to do better by our third sector and build a fairer system of support and funding.

This theme of **staff retention, recruitment and morale** was a recurring concern in responses to our survey. This is particularly in the context of organisations not being able to offer the security and stability that can be found in other sectors, with some citing having to make staff redundant because of lack of funds:

"Staff retention, recruitment problems, staff morale, services for clients, almost impossible with short term funding." (CHAI: Community Help and Advice Initiative)

"Need continuity of revenue funding for staff to become more sustainable as an organisation and to involve more local people with increasing levels of need." (Community sports club)

In thinking what a shift to longer-term funding of three or more years would mean to their organisation, the overarching theme was that this would allow for organisational **security and stability**. Most answers stated that it would ease the burden of worry about staff jobs and service provision:

"This would be beneficial in that it would free up more time that we normally spend on applying for funding and give us more security in being able to continue operating." (West Dunbartonshire Community Foodshare)

Third sector organisations are often at the frontline of efforts to challenge poverty in Scotland, which means that during the pandemic and the cost of living crisis, demand for services and support provided by these organisations soared. Our members therefore identified that longer term funding would allow their organisations to **better meet this growing demand**:

“Increased funding security would enable Kintyre Food Bank to plan ahead for the still increasing number of Food Bank users at a time when donations of food via supermarket baskets are decreasing. At the moment stock is being very tightly managed to ensure fairness to all users. All connected to Kintyre Food Bank are volunteers and this causes strain on them. As grants and donations are shifting away from Food Banks there is a constant fear for the future which more secure funding would alleviate.” (Kintyre Food Bank)

Sustainable funding that covers the payment of the real Living Wage, inflation-based uplifts and full costs, including core operating costs.

Where organisations do not receive core funding, many point to a **constant struggle to stay open**. This puts emotional and financial strain on those who are working and volunteering in these services, as well as implications for the delivery of vital services for those living in poverty:

“We are struggling. We have lost our premises, we have been in temporary premises since August last year because we had no core funding. Our youth services have had to be cut and outsourced. We have gone back to having to rent space for our groups. We are not being supported by local council or Scottish Government to assist us to identify a permanent space even although we have written to them asking for help.” (Sikh Sanjog)

Additionally, organisations point to the **time and capacity burden created by constant fundraising efforts and funding applications** to try and cover these core costs. These resources could be used instead to deliver services:

“We need to generate the income ourselves which means putting on events. This puts a big burden on a small group of people.” (Coldstream Community Trust)

“We spend a proportion of our time fundraising and seeking grants, core funding would allow more time to be hands on delivering our projects.” (Multiple Sclerosis Centre, Mid Argyll)

Improving funding arrangements would **overcome this burden of constant fundraising**, and give further capacity for service delivery and future planning:

“It would allow our organisation to be able to pay the real Living Wage without fear of going over budget.” (Maryhill Integration Network SCIO)

“Staff are skilled and should be paid above this. Experience and skills of organisation need to reflect funding.” (FAIR Ltd)

Further to this, a recommendation in the Cross-Party Group on Poverty’s recent inquiry into rural poverty in Scotland highlighted the need for geographical considerations in funding processes. The report of the inquiry recommended the exploration of opportunities to build in rural uplifts for third sector grants and funding awards (including by independent funders).⁵ The voluntary sector plays a key role in

rural communities, and in particular supporting people living on low incomes and at risk of poverty. The Rural Lives report, which looked at experiences in rural communities in Scotland and the North East of England, found that Voluntary Community or Social Enterprise (VCSE) organisations are often the “*first port of call*” for those experiencing hardship and, for some, seen as their only source of support.⁶

Organisations in rural areas will often be one of a small number locally, or even regionally, which means that they will sometimes cover large distances to meet community needs, particularly in cases where statutory support has dropped away. The challenge of this for small organisations with insecure funding are significant. As well as challenges because of cuts to overall funding available to the third sector, rural organisations report that funders can be skewed towards urban perspectives metrics, for example by prioritising projects which reach high volumes of participants or service users. Furthermore, funders do not necessarily recognise the higher costs associated with delivering services – such as transport and energy costs - within awards they make to projects in rural areas. Exploring the possibilities of building in rural uplifts to project funding would go some way to recognising this rural premium in funding principles and process.

Recognising the higher costs associated with delivering services for disabled people through funding decisions is also urgent. Research by Scope found that, on average, disabled households (with at least one disabled adult or child) need an additional £975 a month to have the same standard of living as non-disabled households.² This disability premium is a result of structural inequalities, social attitudes, and the persistent failure of policies and services to meet disabled people’s needs. This, in turn, results in higher costs for delivering services to disabled people. Funding decisions must therefore recognise these additional delivery and support by considering uplifts to core cost awards for disabled people’s organisations.

Overall, core costs are essential to the successful, sustainable running of an organisation but they are often viewed as an add-on. While this attitude is persuasive among funders, it is very difficult for organisations to cover these essential costs - threatening their sustainability in the longer term or forcing organisations into additional activities to cover these costs.

Sustainable funding models are also necessary to allow third sector employers to provide fair work opportunities. Wages are failing to keep pace with the real cost of living and rising insecurity in the labour market. This is undermining the impact of paid work on poverty rates, meaning that it is not always the case that paid work is the route out of poverty that it ought to be. In Scotland, the latest data shows that 70% of children and 60% of working-age adults living in poverty reside in a household where someone is in paid work.⁸ It cannot be right to pay workers a wage

² Scope (2023) *Disability Price Tag 2023: The extra cost of disability*. Available at: [Disability Price Tag 2023: the extra cost of disability | Disability charity Scope UK](#)

that keeps them locked into poverty and does not allow them to have a decent standard of living.

Many organisations are aware that a **lack of funding is holding them back from paying the Real Living Wage**, and offering fair and competitive employment to skilled people delivering vital preventative and crisis services:

“I am fully aware that in some cases we are paying experienced, well trained and well liked youth workers who are making a difference to the lives of young people, less that they would get by working in our local supermarket. Given a uniform, overtime, the chance to eat their lunch at lunchtime without distractions, staff discount on their household food bills. There is no way in this financial climate I can compete with this. The mileage of 45p per mile has not went up for years, although the cost of fuel and car maintenance and insurance has. So staff would be within their right to refuse to use their car for additional use – i.e. taking a young person to an appointment. There is also the pension payments were we can only pay the minimum requirements.”

(Youth project)

Ultimately, the ability to offer fair work opportunities that enable better staff retention would allow for **improved and sustainable service delivery, which is essential for the realisation of the Scottish Government’s core mission of eradicating child poverty:**

“We would be able to secure the services of more staff, in turn that would improve our overall service delivery to the local community on a larger scale and we could then deliver so much more.” (Agape Wellbeing)

“Longer term funding would allow us to offer longer term positions for staff. For those who are new to the field it would offer time to bed in to their career, for those who have been WROs and Money Advisers for a long time it would offer them financial peace of mind when they are working so hard with clients.” (Bute Advice Centre)

Proportionate, and consistent approaches to applications and reporting

In responses to our survey, organisations pointed to the need for:

- Standardisation in applications;
- Clarity in application and reporting processes;
- The scale of information required during application and reporting to be proportionate to the size of funding being given;
- Advance notice of available funding and reporting processes; and
- Clear timescales for notification of application outcomes and funding payments.

There was an overarching feeling that because the nature of short-term funding necessitates constant application for, and reporting on, funding these processes

should be made as streamlined and proportionate as possible to allow more time and resources to put into actual service delivery.

On the **standardisation of applications and reporting**, organisations said:

“There can be massive delays due to communication, and every local authority handing funding differently. This can cause issues with our budgets and future planning.” (Social care provider)

“All funders require the same information in different formats. Standardised application forms, with maybe one variance per funder would cut down preparation time for applications.” (Small social enterprise)

Related to the above, many cited their experiences of the disproportionate level of reporting required by funders in comparison to the size of funding that is being awarded. This in direct conflict with SCVO’s criteria for fair funding, and represents an unnecessary time and capacity drain, particularly for smaller organisations and those whose outcomes are less easily quantifiable. This time could be better used for strategic planning, or in the vital service delivery that many third sector organisations provide to those living in poverty in Scotland. **Reducing application and reporting burdens, and providing advance notice of funding applications and reporting** emerged as an urgent improvement suggested by our members:

“Some provide clear and straightforward guidance about funding applications. Others (e.g local government) require a volume of information that is disproportionate to the funds that may (or may not) be received. Fundraising activities are not only time-consuming and effort-full, but also high risk - since success rates in the creative sector have dropped significantly in recent years.” (Eastgate Theatre and Arts Centre)

“More proportionate approaches to the size of funding (often the same amount of information is required for small and large grants).” (Parenting Across Scotland)

“I do think there could be more trust in quantifying certain outcomes [...] breaking generational cycles of poverty/addiction and isolation cannot be measured and accounted for easily and sometimes some trust in the organisation that they are doing good could be beneficial rather than having to prove it all the time. Reporting for funding is one of the biggest time drain for us as an organisation - time where we could be helping the most vulnerable in society rather than reporting on it.” (Fullarton ConneXions)

They highlighted that this must be coupled with **clear timescales for notification of application outcomes and funding payments**.

“Payment from government and local authorities tends to lag way behind our outgoings which isn’t good for cash flow.” (Wester Loch Ewe Trust)

“We receive funding from the Scottish Government Investing in Communities Fund - there always seems to be slippage within the application process and

the timeline for finding out if an application is successful gets pushed back. This is unsettling for staff who are waiting to hear if their contracts will be extended; it also leaves little time to seek alternative funding if an application is unsuccessful.” (Moray Food Plus)

Developing our policy asks

This year, the policy asks for Challenge Poverty Week were developed in collaboration with a short life working group with representation from a variety of third sector organisations. We would like to thank these organisations for their participation in this process.

What we heard from our Short Life Working Group:

- The lack of fair and sustainable funding is a barrier to achieving fair work in the third sector. While the anti-poverty movement is supportive of the introduction of Fair Work First Conditionality, seeing this as critical to addressing in-work poverty, the implementation of those standards is challenging without additional support and funding.
- The lack of fair funding is a barrier to meeting demand for the support offered by third sector organisations.
- The third sector is increasingly being asked to deliver more for less. This structure of funding means that the sector is often firefighting rather than facilitating the systems change needed to end the injustice of poverty.
- The Scottish Government must recognise the third sector as a trusted, respected and equal partner in efforts to tackle poverty in Scotland. This should involve the inclusion of the sector in the strategic planning of key public services including, for example, health and social care provision.

How will this help Scotland to meet our child poverty targets?

- At the heart of the need for fair funding for the third sector is the reality that organisations in Scotland's third sector are often at the frontline of efforts to challenge the injustice of poverty in Scotland through the expertise of highly skilled volunteers and staff. A sustainable third sector with well-resourced organisations is therefore central to the Scottish Government's core mission of eradicating child poverty and must be recognised as such.
- Voluntary organisations across Scotland are critical to the delivery of policies in *Best Start, Bright Futures*. The third sector supports people into employment; campaigns against the root causes of poverty; provides essential support such as foodbanks; delivers key public services such as social care and childcare; and enables people to access the benefits to which they are entitled.
- Fair and sustainable funding will support the delivery of fair work in the third sector, ensuring more people have access to secure employment that pays the real Living Wage. As the sector has a higher representation of women, part-time workers and disabled people, this will also progress the Scottish Government's ambitions around tackling inequality in the labour market.

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