



Pre-budget 2025-26 scrutiny - Third sector funding principles

1. Longer-Term Funding Impact: How would a shift to longer-term funding of three years or more support your organisation?

We believe longer-term funding to be of fundamental importance to charities of all sizes across Scotland.

Firstly, it protects core work, providing a secure and steady stream of funding, which enables organisations like ours to strategize more long-term. This is key to achieving our corporate goals and reducing workload and stress on senior management staff. Secondly, it establishes greater incentive for new staff, who in some cases, require longer-term contracts and security in order to support their families and therefore may be deterred by existing shorter-term contracts. This will also hopefully encourage staff with greater experience to consider careers in third-sector organisations.

Thirdly, delivering on key long-term organisational objectives will be more easily achievable with the knowledge that funding will be consistent and secure. This will ultimately increase the impact that charities can have upon society, allowing them to provide essential support and services for people across Scotland.

Finally, longer-term funding would reduce admin costs and staff time spent on seeking alternative funding sources. It would simultaneously reduce recruitment costs, new staff training costs and provide more time for staff teams to build strong working and personal relationship, which is crucial for morale, job-satisfaction and retention.

2. Longer-Term Funding Impact: What specific challenges do you foresee in transitioning to such a funding model?

We don't envisage any challenges with this transition.

3. Longer-Term Funding Impact: If relevant, please provide any specific examples of how your organisation has been affected by a lack of longer-term funding certainty.

"I have been in my current post for 13 years in which only six of those years consisted of long-term, 3 year funding. For 7 years we scraped the barrel and struggled to grow and survive with yearly funding. This included funding from the Scottish government and other funders, including the National Lottery. This had a massive impact on staff retention; staff who I had spent hours of time training and supporting simply couldn't stay with the organisation as there was no guarantee of future work. Trying to recruit experienced staff was a huge issue as many potential employees wouldn't risk a move to a short-term contract due to the lack of security and their need to provide for their

families. There was also a mental toll in having to say goodbye to so many great staff members, and the constant need to try and do better and find better funding solutions. The loss of so many staff meant higher recruitment and training costs for the org which hit the already squeezed budget very hard.” – Alison Clyde, CEO Generations Working Together

4. Flexibility and Core Funding Needs: In what ways would flexible, unrestricted core funding enhance your organisation's operational effectiveness and governance?

We would be able to plan longer term, protect the core staff and operations of our organisations and effectively measure the impact of our work, which would be much improved. Unrestricted core funding would completely enhance almost immediately any organisation's operational effectiveness and governance, allowing staff to prioritise organisational objectives.

5. Flexibility and Core Funding Needs: What specific challenges do you foresee in transitioning to such a funding model?

We see no immediate drawbacks in a transition to this funding model.

6. Flexibility and Core Funding Needs: If relevant, please provide any specific examples of how your operational effectiveness and governance have been affected by a lack of flexibility in your core funding.

See answer to Q3. which we believe responds to both questions about longer-term funding and flexible core funding.

7. Sustainable Funding and Inflation Adjustments: How critical are inflation-based uplifts and full cost covering, including core operating costs, to the sustainability of your organisation?

Both of these are extremely critical in the retention and satisfaction of all levels of staff and for volunteers as well.

8. Sustainable Funding and Inflation Adjustments: What impacts have you observed or anticipate without these adjustments in your funding?

Loss of valued and experienced members of staff who leave in search of promotions and increased salaries.

9. Sustainable Funding and Inflation Adjustments: If relevant, please provide any specific examples of how your organisation's sustainability has been affected by a lack of inflation uplifts and/or full cost covering.

We have been unable to give our staff the proper cost of living increases which would have resulted in our whole team being financially better off, in line with inflation. Staff

recruitment and retention is also made more difficult when you are unable to satisfy salary expectations and increases where necessary to match rising living costs.

10. Real Living Wage Commitments: What challenges does your organisation face in ensuring all staff are paid at least the Real Living Wage?

We are a living wage employer and haven't faced any challenges on this.

11. Real Living Wage Commitments: How would improved funding arrangements support your organisation to meet this commitment?

N/A

12. Efficiency in Funding Processes: What improvements in the application, reporting, and payment processes could make the funding system more efficient for your organisation?

We would ask that Scottish Government stick more rigidly to their funding timelines. There have been instances in the past whereby funding announcements have been made so late, that we've had to prepare redundancy letters for staff – only to find out two weeks before their last day, that their funding has been extended. This is a tremendously time-consuming process, not to mention the unnecessary stress that it places staff under. If there is an expected delay in funding, regular updates ought to be provided and reassurances made, to mitigate undue stress and save charities vital resources.

Another issue around funding we would like to raise, is the lack of funding opportunities for capacity building organisations especially when funding is targeted at grass roots/project level. Capacity building is essential in many fields and brings so many benefits including improving practice, outcomes and achieving greater impact. We understand the need to support grassroots as well, but funding a capacity building organisation can be the catalyst to establishing more grassroots work and crucially, of real quality and impact. We would be happy to elaborate further on this and express our concerns.