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An t-Ionad Fiosrachaidh

## **Social Justice and Social Security Committee**

**13th Meeting, 2021 (Session 6), Thursday,  
9 December**

### **Third Sector: COVID, recovery and renewal**

#### **Introduction**

This session with various representatives from third sector organisations and support bodies focusses on the impact of the COVID-19 pandemic on Scotland's third sector and the sector's role in economic recovery and social renewal.

There are two panels today. The first includes national regulatory, support and intermediary bodies, whilst the second provides a more local and organisation-specific perspective.

#### **Panel 1:**

- [Scottish Council for Voluntary Organisations](#) (SCVO) national membership organisation for the voluntary sector with 2,765 members.
- [Office of the Scottish Charity Regulator](#) (OSCR) is a non-ministerial office and part of the Scottish Administration following commencement of the Charities and Trustee Investment (Scotland) Act 2005. They are the independent regulator and registrar for over 25,000 Scottish charities including community groups, religious charities, schools, universities, grant-giving charities and major care providers.
- [TSI Scotland Network](#) - a body of charities that support the third sector across Scotland. There are 32 TSIs – or Third Sector Interfaces in Scotland, one for each local authority area.
- [Social Enterprise Scotland](#) - an independent, membership-led organisation, built and controlled by social enterprises. They provide information for the media and public and promote a positive vision for social enterprise.

**Panel 2:**

- [Western Isles TSI](#) supports, develops and promotes the interests and work of voluntary and community organisations in the Western Isles.
- [Glasgow Council for the Voluntary Sector](#) (GCVS), has a membership of 600 voluntary-managed organisations in Glasgow. It is the main development agency and advocate for voluntary and community organisations in Glasgow. They are also one of four key partners – (GCVS, Volunteer Glasgow, Glasgow Social Enterprise Network and the Third Sector Forum) – that form Glasgow’s Third Sector Interface
- [Citizens Advice Scotland](#) (CAS) Citizens Advice Scotland, the Extra Help Unit and the 59 member bureaux form Scotland’s largest independent advice network. Citizens Advice Scotland is a registered charity which supports Scottish Citizens Advice Bureaux by providing expertise on things like management and fundraising, resources such as IT support, tools and training to support advice giving, and help with running campaigns.
- [Letham4All](#) - a community organisation in Perth created by locals to support people to be involved in their community and develop ideas to improve the health and wellbeing of the area. They also run the local Community & Wellbeing Hub.
- [People Know How](#) is a charity formed in 2013 aiming to support positive school transitions for all children and young people and eliminate data poverty through connectivity for all. Over the last year the team has provided devices, digital skills and connectivity to thousands of people across Edinburgh and East Lothian. They recently won the Digital Citizens award at the [2021 Scottish Charity Awards](#).

## Theme 1: Covid and the third sector

There are over 40,000 third sector organisations in Scotland, including charities, community groups and social enterprises. They work in a wide range of policy areas including social care, culture and education, law and advocacy, health, environment, animals, community economy and social development and housing.

Third sector organisations have been recognised and celebrated for their innovative and fast-moving responses to the challenges posed by COVID-19. As the Chief Executive of Scotland’s charity regulator [reminds us](#) “charities have often led the way in connecting communities and helping those who need the most support as our lives have been turned upside down over the past year”. This has led to improved partnerships, with [a recent Scottish Government survey](#) highlighting enhanced collaborative working between the third sector and local councils.

However, the pandemic has also inflicted real damage. In [a survey of the sector conducted late last year](#), the charity regulator, OSCR, found that 90% of charities reported negative impacts on their ability to deliver services, and 70% reporting increased negative outcomes for their service users. [Various other surveys](#) have revealed the extent of income loss for the sector. Some organisations have seen

reductions in the number of volunteers and significant impacts on staff wellbeing. Many smaller charities have stopped operating altogether.

OSCR has [undertaken a preliminary examination](#) of the income levels from a sample of the charities that have submitted their Annual Return for 2020-21. They found that, overall, small charities have seen their income more adversely affected than larger charities over the past two years. It is worth remembering that the majority of charities in Scotland have an income of less than £25,000 per year, with over a third reporting an income of less than £10,000.

Social Enterprise Scotland [also provided the Committee with insights](#) into what their social enterprise members are sharing regarding challenges and recovery from Covid-19. For example, their research found that 58% of respondents were negatively impacted by the pandemic and two thirds had applied for financial support.

### *The Scottish Third Sector Tracker*

SCVO has carried out [a large amount of research](#) looking at the impact of the pandemic on the sector, including financial analysis and surveys of members. SCVO partnered with a range of stakeholders – including the Scottish Government - to build a [Scottish Third Sector Tracker](#) which aims to provide an accurate and up-to-date data and evidence source to support decision making. Its [first report](#) was published at the end of November and found that almost all organisations have faced challenges since the start of the pandemic in March 2020, the biggest being: national and local lockdowns (65% of respondents); social distancing restrictions (63%); planning for the future (36%) and fundraising (32%).

Almost half (48%) of all organisations saw a decrease in turnover compared with pre-pandemic levels. Of these, 71% predict reduced turnover for at least another three months, including 19% who expect it to continue for at least another year. This decrease in turnover was most evident in smaller organisations (56%) compared to 29% of larger organisations and predominantly driven by a drop in trading (34%); fundraising (25%) and donations (13%). They also found that 61% of organisations hold less than 6 months' worth of financial reserves.

The pandemic has increased demand for third sector organisations, services and activities, with 57% of organisations reporting an increase. This increase is most pronounced in umbrella bodies (73%); law, advocacy, and civic organisations (72%) and those organisations working in health (68%).

Many organisations (96%) also reported emerging and new needs in the communities and target groups they serve. The most common were mental health and wellbeing (90%); loneliness or isolation (89%); financial hardship or vulnerability (74%); physical health and wellbeing (72%) and digital exclusion or barriers to digital access (66%).

**Members may wish to ask about:**

1. The impact of the COVID on your organisation.
2. How can Scotland capitalise on the increased recognition of the value and role of the third sector?
3. The TSI National Survey (published in May 2021) found that “the financial situation of social enterprises as a consequence of Covid-19 is perilous, and without urgent financial support, many will not recover”. Is this still the case? (Panel 1 only)
4. The TSI Review also highlighted that a “key pinch point in the financial recovery of all organisations will be the cessation of the Job Retention Scheme”. What has been the impact on the sector since the Scheme ended in September?

**Theme 2: Scottish Government support for the third sector during the COVID-19 Pandemic**

In March 2020 the then Cabinet Secretary for Communities and Local Government [announced £350 million of funding](#) to support communities impacted by COVID-19. Part of this was the £22 million Third Sector Resilience Fund (TRSF), open between March and September 2020. This provided emergency funds for charities, community groups, social enterprises and voluntary organisations working in Scotland. [According to the Government](#) the Fund provided grants to 1,349 organisations, with an average grant size of £16,792. This contributed to the safeguarding of over 14,000 jobs in the sector.

In June 2020, the former Local Government and Communities Committee explored the delivery and effectiveness of the TRSF [during its inquiry into COVID-19](#). The Committee received [submissions from 18 TSIs](#) and invited three (North Lanarkshire, Midlothian and Western Isles) to an online evidence session. As can be seen from the [Official Report](#), all three provided frank and interesting evidence to the Committee.

Witnesses were asked about the longer-term resilience of the third sector in their local areas and future challenges. The following themes highlighted during this short inquiry could be explored in more detail with today’s witnesses:

- the precarious financial situation of many third sector organisations
- the need for certainty around core funding from public bodies
- Scottish Government and local authority help to build capacity
- the third sector’s role in tackling inequalities and poverty
- the sector’s role in ensuring people access benefits and employability support
- the third sector’s role in supporting those with mental health challenges
- how to harness the things that have worked really well during the pandemic
- what resources are needed to support volunteering.

In September 2020, the [Scottish Government announced](#) the “refocusing” of part of the Communities Fund into a £25 million Community and Third Sector Recovery Programme. This included funding for the [Adapt and Thrive Programme](#) (now closed) which was delivered in partnership by Firstport, Corra Foundation, SCVO, Just Enterprise, Community Enterprise and Social Investment Scotland. It was aimed at helping third sector organisations adapt to the challenges presented by COVID-19 and to “build back better to thrive in the future”.

Another strand of the £25 million package is the [Communities Recovery Fund](#), which is still open and has been supported in 2021-22 by an additional £7 million. [According to SCVO](#), this is targeted at “those areas and communities experiencing the greatest impact from the pandemic” and aims to encourage “collaborative and partnership approaches to help maximise the funding available”. An initial group of 10 Local Authority areas were identified as “priority areas”<sup>1</sup>. From August 2021, this was extended to another 10 areas<sup>2</sup>. Why these twenty local authority areas have been selected as “priority areas” is not clear. [Applications can be made](#) by organisations registered as Scottish Charitable Incorporated Organisations (SCIOs) with OSCR or community companies limited by guarantee registered with Companies House. Community councils may also apply.

### Members may wish to ask

5. Views on the Scottish Government’s support for the third sector during the pandemic – what has worked; what hasn’t; lessons learnt.
6. How did TSI’s help local groups access the support available to them.
7. Why certain local authority areas were identified as “priority areas” for the purpose of the Communities Recovery Fund, and others weren’t. (Panel 1 only)

## Theme 3: Scottish Government’s third sector budget and TSIs

Much of the Scottish Government’s regular – i.e. non COVID-related - third sector funding of around £25 million goes to supporting the third sector interfaces (TSI) network. Each local authority area has a TSI, providing a single point of access for support and advice to the third sector within local areas. In last year’s [Budget document](#), the Scottish Government confirmed that it’s third sector budget:

“...will provide investment in the local and national third sector infrastructure, support the capacity and growth of social enterprises, and ensure the third

<sup>1</sup> Angus, Dumfries & Galloway, East Ayrshire, Highland, Inverclyde, Na h-Eileanan Siar, North Ayrshire, Scottish Borders, South Ayrshire and West Dunbartonshire.

<sup>2</sup> Aberdeenshire, Argyll & Bute, Dundee City, Fife, Moray, North Lanarkshire, Orkney, Perth & Kinross, Renfrewshire and South Lanarkshire.

sector can help people and communities recover from the impact of the pandemic.”

The TSI model was developed in 2010 and reviewed in 2017. Although each TSI is independent they operate nationally as the TSI Network Scotland and they have an important role in supporting the third sector and volunteering through their [shared outcome framework](#). The Scottish Government’s expected medium-term outcomes from the TSI Network are:

1. People are more involved in their community.
2. Improved cross sector collaboration.
3. Third sector organisations are better able to lead and develop shared agendas.
4. Third sector organisations are better able to respond to local need
5. Key decision making includes third sector input.
6. Third sector organisations are better able to contribute to a strong and inclusive local social economy.

The Social Renewal Advisory Board highlighted the **importance of volunteering** and suggested a number of ways volunteering could be made easier for those who are in paid work, as well as for those who are not. Highlighting a “volunteering gap” for both disabled people and people from minority ethnic communities, the Board called for adequate resources so that opportunities for volunteering are better supported, accessed, and utilised:

“Third Sector Interfaces, along with other local authority and voluntary sector provision for community capacity building and learning, have a key role in helping communities to thrive.”

[Volunteer Scotland analysis](#) of 2019 Scottish Household Survey data found that formal volunteering<sup>3</sup> participation for those permanently sick or disabled is only 10%; the lowest rate recorded since 2011. The headline rate for the population as a whole was 26% (it’s worth remembering data is for the pre-COVID period).

In August this year, the [TSI Scotland Network published a report](#) setting out the role of Third Sector Interfaces during the Covid-19 pandemic. This is useful and interesting research which found that since March 2020, TSIs have:

- Gained intelligence about community provision and needs of Third Sector Organisations (TSOs) and communities
- Built directories of TSOs, groups, volunteers and services
- Identified gaps and found ways to support local groups and organisations to fill those gaps
- Matched lots of volunteers with opportunities
- Linked providers and groups to enable local coordination
- Fed knowledge into coordination groups

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<sup>3</sup> Formal volunteering is defined as “giving unpaid help to organisations or groups”.

- Ran thematic forums and networks

Members may wish to ask

8. Given the Government's ambitions for the TSI Network, is an annual budget of £26 million sufficient? What does this money buy? What would witnesses like to see in this afternoon's budget statement? b
9. How TSIs and other organisations ensured everyone who wanted to volunteer over the past 20 months were able to do so? b
10. What more can be done to remove barriers preventing disabled people, and other underrepresented groups, from formal volunteering?

## Theme 4: The importance of multi-year budgets and financial stability

Extremely important to the financial sustainability of the third sector is the matter of multi-year funding for projects and contracts delivered on behalf of local authorities and other public bodies. It is worth remembering that the public sector, through contracts for services and grants, is the source of 35% of the third sector's total annual income, or £2.1 billion (see [SCVO statistics](#)).

[Figures published by the Scottish Government](#) show that in 2019-20, local authorities across Scotland paid third sector organisations more than £780 million either in the form of contracts or grants. The vast majority of this spend (£510m) was in the area of "social work services", which includes social care.

This issue was discussed in some detail last session by the [Equalities and Human Rights Committee](#), who reported in 2019 that:

"Short term funding impacts on third sector organisations' ability to retain and develop staff. Some staff are being employed as supply workers on zero hours contracts creating a constant churn that affects organisations' ability to plan ahead. Third sector organisations consider five years to be optimum length of funding.

That Committee also reminded the Scottish Government, and other public bodies, that way back in 2011 [the Christie Commission](#) heard evidence "on the benefits of multi-year contracts for service providers to provide stability, and underpin quality and innovation. The Fairer Funding Statement, signed by the STUC, SCVO, CCPS, UNITE and UNISON, calls for five-year contracts for third sector providers".

In the area of local government, COSLA has consistently acknowledged the benefits longer-term budgets could bring to the third sector. However, [they argue](#) that one-year budget settlements from the Scottish Government mean that "councils are not in the position to guarantee longer-term budgets for [third sector] partners".

The Cabinet Secretary for Finance [confirmed to the Local Government, Housing and Planning Committee in August](#) that the reason the Scottish Government cannot commit to multi-year settlements to local authorities is because, in recent years, the Scottish Government has received only one-year allocations from the *UK* Government. However, with the UK Government [publishing a 3-year spending review](#) in October, including Scottish Treasury spending limits through to 2024-25, this barrier may have been removed.

Furthermore, in its [2021-22 Programme for Government](#), the SG committed to working with SCVO and COSLA “to progress further a multi-year funding model”. There is also clear [cross-party support](#) for multi-year funding for the voluntary sector.

### Members may wish to ask

11. How important is multi-year funding to your organisation or the organisations you represent? Why? What impact do current funding arrangements have on staff and fair work?
12. Whether witnesses are hopeful that multi-year settlements for local authorities will take place soon; what impact could this have on third sector bodies.  
(Panel 1 only)

## Theme 5: The third sector’s role in recovery and renewal

The Scottish Government’s Advisory Group on Economic Recovery in 2020, argued that no one single sector can achieve recovery by itself; instead the voluntary sector, public and private sectors must work together. In its [Report to the Scottish Government](#), the Advisory Group Recovery recommended:

- The Scottish Government should take action to protect the capacity and financial sustainability of the third sector, in recognition of its important role in building and strengthening social capital.
- It should examine the scope for longer-term funding arrangements for services; more flexible and collaborative approaches to procurement; and new ways to incentivise private investment in the sector.
- We were pleased to see the Scottish Government’s announcement of a £25 million Third Sector Resilience Fund to address the short-term emergency. But action on a larger scale and a wider front is needed to secure the future.

The [Social Renewal Advisory Board](#) was set up by the Scottish Government to make proposals “that can renew Scotland once we start to emerge from the pandemic”. The Board noted how the immediate response to the Covid-19 crisis was shaped by partnerships across communities, volunteers, national and local government, businesses and a wide range of third sector organisations. However, the report also raises concerns about insecure and/or short-term funding, which has led to some

third sector organisations battling to survive “at precisely the time when we need them the most”.

“Third Sector Interfaces, along with other local authority and voluntary sector provision for community capacity building and learning, have a key role in helping communities to thrive.”

In a [blog post](#), published shortly after the Social Renewal Board published its report, SCVO Chief Executive and Board member, Anna Fowlie, observed that “the advisory board is probably the only government-led group I’ve been on where the voluntary sector outnumbered the public sector”. Nevertheless, she expressed a degree of cynicism about “groups creating utopia”, vowing to only get involved in groups “to implement things”:

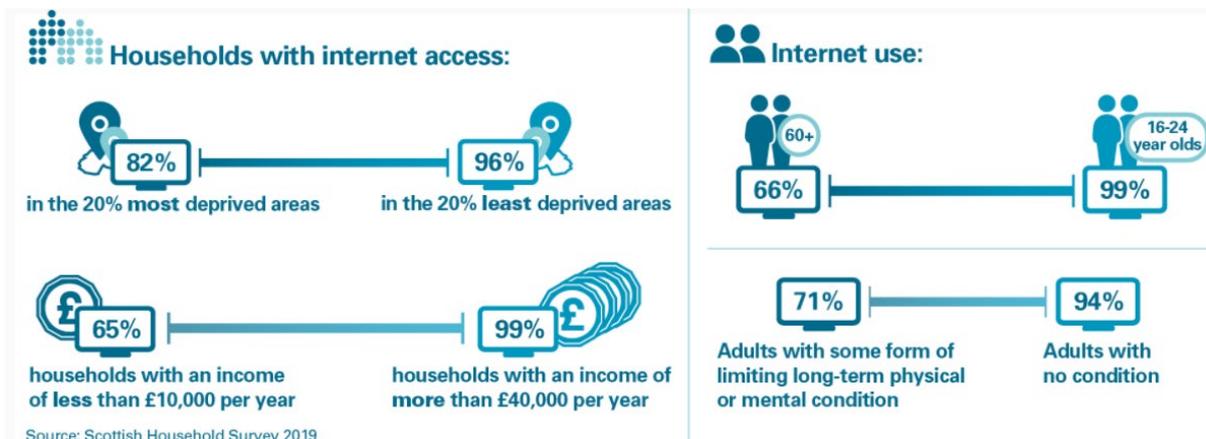
“... I’m not redefining the same problems or looking for yet more new ways of doing things. It’s time to make it happen.”

#### **Members may wish to ask:**

13. How can the third sector be at the heart of social and economic recovery over the next few years. What can the Scottish, UK and local governments do to “make it happen”?
14. Whether partnership and co-operation can be achieved and maintained if organisations are constantly competing against each other for grant funding and contracts.

## **Theme 6: Digital exclusion and data poverty**

The Social Renewal Advisory Board called on the Scottish Government to set a target to end digital exclusion in the next parliamentary term: “digital access should be considered as essential for all to avoid a re-emergence of digital exclusion in future years.” Digital exclusion is experienced by those who do not have access to an appropriate digital device, an affordable or reliable internet connection or the right skills to be able to use digital tools. The following infographic [from Audit Scotland](#) demonstrates some digital inequalities in Scotland:



One of today's witnesses, People Know How, adapted their services to online and over the phone support when Covid arrived. They delivered over 2,000 devices to people across Edinburgh and East Lothian, while also offering follow-up digital support for those who had received a device. In their submission to the Committee, People Know How write: "throughout this support we found that we continued to face the same obstacle towards digital inclusion – data poverty".

Innovation charity, Nesta, defines "data poverty" as not being able to afford sufficient access to broadband or mobile data, and not having enough information on particular topics or populations. Digital poverty also means not having access to digital devices. Nesta [recently stated that](#) "people living in poverty have fewer opportunities to engage fully in the online world. And COVID-19 social distancing restrictions have only increased our reliance on online access."

#### Members may wish to ask:

15. What witnesses understand by the term "data poverty". How this differs from other types of poverty and why is it important in the context of social and economic recovery.

## Theme 7: Charity law reforms

Finally, Members have expressed an interest in forthcoming legislation looking to reform the Charity Regulator, OSCR, as mentioned in the recent Scottish Government Programme for Government. In her letter to the Committee, the Cabinet Secretary explained that the focus of the changes will be on the [10 proposals put forward by OSCR](#) designed primarily to:

1. Enhance transparency and accountability in charities; and,
2. Increase regulatory powers for OSCR.

The Committee will have an opportunity to discuss these proposals, and potential future changes to charity law, with both OSCR and SCVO.

#### Members may wish to ask OSCR and SCVO:

16. Why reform of charity regulation is required and how does the regulatory system in Scotland currently differ from that in other parts of the UK. (Panel 1 only)

**Greig Liddell, Senior Researcher, SPICe Research**

**03/12/2021**

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