Social Justice and Social Security Committee

27th Meeting, 2024 (Session 6), Thursday, 10 October 2024

Budget scrutiny 2025-26 - Third sector funding principles – Evidence Session Three

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Introduction

Each year, the Social Justice and Social Security Committee reviews potential considerations for the Scottish Government's budget planning. This year, the Committee will investigate the funding difficulties within the 'third sector'.

The Committee aims to explore how the Scottish Government's strategy for fair and efficient funding can support the ongoing effectiveness of the third sector. To do this the Committee is holding several evidence sessions with relevant experts including funded and funding organisations. In this funder focused evidence session, the Committee will hear from the following witnesses:

Erica Judge, Director of Funds - Inspiring Scotland

Tobias Jung, Professor of Management - St Andrews University

Karin Earl, Funding Manager - Robertson Trust

Neil Ritch, Scotland Director - Big Lottery Fund Scotland

Background

The third sector, encompassing charities, social enterprises, voluntary organisations, and public social partnerships, is seen by many to play an essential role in supporting communities across Scotland. However, it currently faces significant pressures due to increased demand for its services and broader economic challenges.

The COVID-19 pandemic has led to a heightened demand for third sector support, while the ongoing cost of living crisis has caused more individuals and families to seek assistance. Additionally, third sector organisations are experiencing rising operational costs as a result of inflation.

Since a considerable portion of third sector funding is derived from public sector contracts and grants, including those provided by the Scottish Government and local authorities, addressing the financial sustainability of the sector is of particular importance to the Committee.

The third sector has identified several funding needs, including:

- Longer-term funding commitments of three years or more.
- Flexible, unrestricted core funding to ensure security, effective planning, and good governance.
- Sustainable funding that considers inflationary increases and covers full operating costs.
- Funding that enables organisations to pay staff at least the Real Living Wage.
- Streamlined, accessible, and consistent funding application and reporting processes.
- Timely processing of applications and payments.
- A partnership-based approach between funders and funded organisations.

The evidence sessions will examine these issues, gathering evidence on how the Scottish Government can best support the third sector in navigating these challenges.

Scottish Government's Fairer Funding Principles

The Scottish Government recognises that changes need to be made regarding funding of the third sector and is committed to addressing long standing issues by 2026. It is "committed to ensuring that grant making is continuously improved and that best practice in grant management is mainstreamed across government, whilst understanding that the issue of fairer funding is a cross-government and cross-portfolio commitment".

To do this, the Scottish Government has set out several improvements to the way it provides funding to the third sector including:

- "improvements to our grant-making arrangements to provide greater clarity and consistency of practice
- increasing the number of multi-year agreements to provide stability
- proportionate reporting and monitoring
- ensuring prompt notification of funding and
- reviewing grant conditions"

By addressing these issues, the Scottish Government suggests that it is recognising the "sector's strategic role in enabling the transformation and delivery of person-centred services for the people of Scotland".

SCVO's Fair Funding Definition

Whilst SCVO welcomes the Scottish Governments Fairer Funding principals, they suggest that there is a lack of clarity surrounding what progresses has been made as part of the programme of reform. SCVO also notes in their Call for Views response that many of the issues that have been raised previously with the Committee have yet to be actioned by the Scottish Government. Despite this, SCVO continues to ask the Scottish Government to align their Fairer Funding principals with SCVO's definition of Fair Funding.

SCVO defines Fair Funding as follows:

"Fair Funding is central to a sustainable voluntary sector in Scotland. It includes, but is not limited to, longer-term funding of three years or more, flexible unrestricted funding, timely payments, more accessible application processes, sustainable funding which incorporates inflation-based uplifts, and transparent approaches to monitoring and reporting."

Additionally, due to previous funding practices and future challenges SCVO highlights the following as urgently needed:

- "Longer-term funding of three years or more;

- Flexible, unrestricted core funding, which enables organisations to provide security, plan effectively, and fulfil good governance requirements;
- Sustainable funding that includes inflation-based uplifts and full costs, including core operating costs;
- Funding that accommodates paying staff at least the Real Living Wage and pay uplifts for voluntary sector staff on par with those offered in the public sector;
- Accessible, streamlined, proportionate, and consistent approaches to applications and reporting, timely processing and payments, and partnership between the grant-maker and grant-holder; and
- A comprehensive and proportionate approach to financial transparency around grant funding to support organisations and the public to understand spending decisions."

More detailed information on Fair Funding and its four distinct elements, multi-year funding, sustainable funding, flexible funding, and accessible funding can be found on SCVO's Fair Funding webpage.

Recent Funding

Recent third sector funding in Scotland has faced notable challenges, with organisations grappling with Covid-19, the cost-of-living crisis, budget cuts and financial uncertainty. Despite the role these organisations play in delivering services and supporting communities, many feel funding has not kept pace with rising costs and demand.

The third sector budget line in the Scottish Budget covers delivery of third sector infrastructure to provide development, voice and practical support to wider third sector. It also provides delivery of Social Enterprise and Volunteering Action Plans and Fairer Funding for the Third Sector. For the 2024-25 year the budget was £21.1 million. This is a decrease in both cash (-0.5%) and real (-2.1%) terms compared to £21.2 million in the 2023-24 budget.

Despite pledging to increase the number of two year grants in the 2024-25 budget the then Deputy First Minister delayed the implementation of a multi-year funding approach, deferring it to the forthcoming Medium-Term Financial Strategy.

SCVO's State of the Sector – Funding and Finance Research from 2021 demonstrates that public sector funding makes up a significant part of the sector's income with the two largest incomes sources in the sector being local authorities and the Scottish Government.

Additionally, in 2022 the Scottish voluntary sector spending was £8.8bn compared to £7.9bn in 2021, an increase of almost £1bn. Of this spend, 43% was related to staffing in 2021 with charities spending ranging from 20-40% at small charities to 70-80% at large social care and health charities. This demonstrates the impact changes to funding can have not only on the charity and those they serve, but the staff themselves.

In the most recent Third Sector Tracker, published June 2024, SCVO reports that 88% "of organisations reported taking actions to mitigate financial challenges that they had experienced since December 2023". Of the action recorded, the most common were applying for new funding from new funders and using financial reserves. SCVO also reports that of the 39% of organisations who have used their reserves since December 2023, 60% believe that their usage is unsustainable.

The reduction in the third sector budget for 2024-25, coupled with the delay in implementing a multi-year funding approach, highlights the ongoing financial pressures faced by third sector organisations in Scotland. Despite the sector's growing expenditure, particularly in staffing, the reliance on public sector funding remains significant, making these budgetary changes especially impactful. The findings from SCVO's recent research highlight the immediate and unsustainable measures that many organisations are resorting to in order to address financial challenges, further emphasising the need for a more stable and predictable funding environment. The deferred multi-year funding approach, now linked to the forthcoming Medium-Term Financial Strategy, will impact the third sector, particularly as it continues to navigate a landscape of financial uncertainty.

Call for Views Summary

The Committee conducted a call for views from 19 June to 16 August 2024 and received upwards of 190 submissions. The Committee sought input from both funded and funding organisations, aiming to understand what changes could be undertaken to improve the funding process, allowing available resources to be used more effectively. Below are several high-level themes from the submissions. A more detailed analysis will be published at a later date and the full submissions from the organisations presenting evidence can be found in on the Committee's webpage.

Barriers and Challenges in Funding Processes

Respondents from various sectors identified several barriers to effective funding processes. A prominent issue was the complexity and inconsistency of application forms. Smaller organisations, in particular, reported that these processes are burdensome and time-consuming, often stretching their limited resources. The lack of standardisation across different funding bodies further complicates the application process, making it difficult for organisations to navigate multiple funding streams efficiently.

Concerns were also raised regarding the transparency of funding decisions. Some respondents indicated that there is insufficient feedback on unsuccessful applications, leading to perceptions of inconsistency and, in some cases, allegations of corruption. The overall call from respondents was for more streamlined, standardised, and transparent processes that would facilitate easier access to funding and more manageable reporting requirements.

Multi-Year and Flexible Funding

There was widespread support among respondents for multi-year funding models. Such funding was highlighted as beneficial for providing financial stability, enabling more effective long-term planning, and reducing staff turnover within organisations. These outcomes are seen as critical for the sustainability of third-sector organisations, particularly in terms of retaining skilled staff and maintaining service delivery standards.

Flexible funding was also viewed positively, with respondents noting that it allows organisations to respond more effectively to changing circumstances and emerging needs. However, some respondents expressed concerns about the potential challenges associated with flexible funding, particularly in relation to governance and oversight. It was noted that robust management structures and clear guidelines are essential to ensure that flexible funds are used appropriately and effectively.

Real Living Wage and Inflation Adjustments

The commitment to the Real Living Wage (RLW) was acknowledged as an important factor in ensuring fair compensation within the third sector. However, respondents identified significant challenges in sustaining this commitment, particularly in light of limited and non-inflationary funding. Without corresponding increases in funding, organisations reported difficulties in maintaining RLW payments, which could lead to staff reductions or cuts in services.

Inflation was identified as a critical issue exacerbating these challenges. Respondents suggested that funding models should include provisions for inflation to ensure that wages and operational costs remain sustainable over time. Some funders recognised these challenges and indicated a willingness to consider inflation adjustments in their future funding strategies.

Application, Reporting, and Payment Processes

The administrative burden associated with funding applications, reporting, and payment processes was a recurring concern among respondents. Many called for these processes to be simplified and made more proportional to the size and capacity of the organisations involved. Standardisation of application forms and reporting templates across different funding bodies was suggested as a way to reduce this burden, making it easier for organisations to apply for and manage multiple funding streams.

Timeliness in funding decisions and payments was also highlighted as crucial. Delays in receiving funding can have significant consequences for organisations, particularly those operating with tight margins. Respondents stressed the importance of clear communication from funders regarding timelines and expectations to enable effective planning and prevent cash flow issues.

Alignment with Strategic Goals and Long-Term Planning

Respondents emphasised the importance of aligning funding with both the strategic goals of funders and the operational needs of third-sector organisations. Long-term and flexible funding models were seen as essential for enabling organisations to set and achieve their long-term objectives. This alignment was viewed as key to ensuring that funding is used effectively and leads to sustainable outcomes.

Increased job security for staff, resulting from more stable and predictable funding, was highlighted as a critical factor in improving organisational stability and service delivery. This stability allows organisations to invest in staff development, enhancing their capacity to deliver high-quality services.

Overall Summary

The responses from funders, third-sector organisations, and other stakeholders reflect a consensus on the need for more stable, flexible, and long-term funding arrangements that support strategic planning, organisational stability, and effective service delivery. While there is broad support for these changes, concerns about effective management, clear guidelines, and strong governance remain. Addressing challenges related to the Real Living Wage, inflation, and the complexity of funding processes is seen as essential for enhancing the sustainability and impact of the third sector.

Themes from Funders Responses to the Call for Views

The responses from The Robertson Trust**,** Inspiring Scotland, and The National Lottery Community Fund illustrate a shared belief in the importance of long-term, flexible, and inflation-adjusted funding for third-sector organisations. These approaches are seen by them as key to enabling organisations to plan strategically, retain staff, and innovate in response to community needs. Expanding on these key themes are insights from other responses to the call for views which provide a broader understanding of sector-wide perspectives.

Theme 1: Longer-Term Funding

The Robertson Trust and Inspiring Scotland are proponents of longer-term funding, with both organisations implementing multi-year grant programmes as a core part of their funding strategies. Inspiring Scotland advocates for funding terms as long as ten years, recognising that such stability allows organisations to plan strategically, retain skilled staff, and focus on innovation without the constant disruption of reapplying for funding each year. This view is echoed by The Robertson Trust**,** which reported that 96% of their large and small grants in 2023-24 were for two or more years up from 93% in 2022-23.

Several respondents to the call for views expressed similar views on the importance of longer-term funding. For instance, Gannochy Trust cited their partnership with Perth and Kinross Council on Universal Youth Work as a successful example of multi-year funding. Through this initiative, youth group membership increased from 674 to 3312 over five years. Additionally, SCVO stressed that annual funding cycles limit organisations' capacity to recruit and retain staff, which in turn undermines their ability to offer secure jobs that align with Fair Work principles. SCVO has consistently advocated for a minimum three-year funding commitment from the Scottish Government to enhance the sustainability of the sector.

However, there are challenges to the implementation of long-term funding. Respondents, including Glasgow City Council and Corra Foundation, noted that while longer-term funding brings significant benefits, it can also create dependencies. Organisations may become reliant on a single source of funding, which poses a risk if government policy changes or if funding is withdrawn mid-term. Additionally, some funders raised concerns that long-term commitments could reduce the number of organisations funded, as resources become locked into multi-year agreements. This could potentially limit opportunities for new or emerging groups to receive funding.

Members may wish to ask:

1. **How can funders ensure that long-term funding commitments to third-sector organisations are flexible enough to adapt to unforeseen challenges, such as economic downturns or emergencies, while still providing stability?**

Theme 2: Flexibility in Funding

Flexibility in how funds are used is a key priority for third-sector organisations who responded to the call for views. Inspiring Scotland advocates for unrestricted core funding, arguing that it allows organisations to innovate and adapt to changing circumstances. During the pandemic, Inspiring Scotland provided flexible funding, which enabled organisations to respond quickly to community needs. This flexibility, they argue, is critical in sectors such as employability and social care, where organisations must often pivot in response to local economic changes, such as the arrival or departure of major employers.

The Robertson Trust similarly supports flexible, unrestricted funding and has significantly increased the proportion of such grants in recent years, reaching 52% in 2023-24. They also report having signed up to IVAR’s principles for Open and Trusting Grant Making which asks funders to agree to the following 8 commitments:

1. Don’t waste.
2. Ask relevant questions.
3. Accept risk.
4. Act with urgency.
5. Be open.
6. Be flexible.
7. Communicate with purpose.
8. Be proportionate.

The Robertson Trust argues that unrestricted funding allows organisations to focus on their core mission rather than being tied to specific projects, thus enabling them to better respond to the needs of the people and communities they serve. The National Lottery Community Fund also advocates for unrestricted, multi-year funding, stating that this approach fosters trust between funders and organisations, allowing for more "equitable dynamic between the funder and funded groups and supports a relational funding model".

SCVO also highlighted the inefficiency of restrictive funding models, arguing that flexibility is essential to ensure that organisations can adapt to real-time needs and avoid mission drift caused by funders' changing priorities.

However, flexibility does present challenges. Some respondents, such as Glasgow City Council**,** noted that unrestricted funding can make it harder to track specific outcomes or to hold organisations accountable for how funds are used. There is a perception that flexible funding may reduce the oversight funders have, making it difficult to measure impact. To address this, funders such as The Robertson Trust have adopted robust due diligence processes to ensure that while funding is flexible, organisations are still delivering on their missions.

Members may wish to ask:

2. **How would you ensure accountability and transparency in the use of flexible, unrestricted funding without overburdening the organisations with reporting requirements?**

Theme 3: Benefits and Challenges of Long-Term Funding to Funders

Benefits

Many third-sector organisations and funders see long-term funding offering several key benefits to funders, including by fostering more efficient, impactful partnerships with third-sector organisations. Inspiring Scotland highlights that committing to long-term, unrestricted funding allows organisations to plan strategically, innovate, and provide more stable, continuous services. This reduces the need for organisations to repeatedly apply for funding, which in turn decreases the administrative burden for both the funder and the funded organisation.

Similarly, The Robertson Trust notes that long-term funding allows organisations to concentrate on delivering sustainable impact rather than diverting their energy towards securing annual grants. For funders, this leads to more meaningful, long-term engagement with the organisations they support. By reducing the cycle of constant applications and reporting, funders can better monitor outcomes and engage in more strategic discussions around the delivery of services.

The National Lottery Community Fund also sees long-term funding as a way to enhance trust and collaboration between funders and grantees. With more stability in place, organisations can focus on developing robust programmes that meet the long-term needs of the communities they serve. This not only improves the outcomes of funded projects but also reduces the need for emergency interventions, as organisations are better equipped to manage their resources effectively over time.

Moreover, multi-year funding enables funders to better align their grants with strategic priorities and long-term objectives as highlighted by the Robertson Trust in their response to the call for views. As The National Lottery Community Fund and Inspiring Scotland both note in their responses to the call for views, long-term funding reduces the need for reactive short-term grants, which are often inefficient and less impactful. Instead, funders can focus on supporting organisations to develop deep, sustainable solutions to the issues they aim to address, providing greater long-term value for money.

Challenges
One key concern highlighted by funders is the reduced flexibility to respond to new or emerging needs**.** The National Lottery Community Fund states that committing funds for multi-year periods may limit a funder's ability to quickly address unexpected crises, such as the COVID-19 pandemic or the cost-of-living crisis. Funders suggest a need to balance their long-term commitments with the need to maintain a degree of financial flexibility for emergency interventions.

Additionally, several responses to the call for views point out that long-term funding could potentially reduce the number of organisations that receive support, as resources are tied up in multi-year agreements. This could make it more difficult for new or emerging organisations to secure funding, as funders may have less available to allocate to new projects. They suggest that funders must, therefore, consider how to strike a balance between providing stability to existing grantees and ensuring that they remain open to new applicants.

Finally, Glasgow City Council notes that multi-year funding requires strong leadership and management skills within funded organisations to transition from short-term project planning to long-term strategic delivery. They state that this shift may be challenging for some organisations, particularly those charities that are used to operating on a year-to-year basis.

Members may wish to ask:

3. **What do you see as the primary benefits of committing to long-term funding from the perspective of funders, especially regarding relationship-building and impact measurement?**

4. **What challenges does longer term funding present to funders and how can these challenges be mitigated?**

Theme 4: Inflation and Financial Stability

One of the recurring concerns raised by third-sector organisations in the call for views is the challenge of financial sustainability in the context of rising costs and insufficient inflation adjustments in funding models. Inspiring Scotland highlights that the absence of inflation-linked uplifts in grants is putting considerable pressure on organisations, particularly as the cost of service delivery continues to rise. Other funders who responded to the call for views explain that without such adjustments, organisations are increasingly forced to dip into reserves or cut back on services, which exacerbates their financial fragility. Additionally, many organisations state having already depleted their reserves, leaving them more vulnerable to future financial shocks. Inspiring Scotland also points out that while longer-term funding is beneficial, it must include inflationary uplifts to ensure that funding remains sufficient over time.

The Robertson Trust has responded to this challenge by proactively offering cost-of-living uplifts to its grant holders in 2022 and 2023, amounting to £2.9 million. These uplifts were provided without requiring additional applications or conditions, demonstrating a flexible and responsive approach to managing rising costs. They did this because they “recognised that the increase in costs was out with the range that we would expect organisations to factor into their planning”. However, The Robertson Trust also emphasises that “the onus is on us as funders to work collectively in how we approach funding operating costs and inflation-based uplifts because that is how we can have the biggest benefit to third sector organisations”.

The need for inflation-linked funding is a view shared by other respondents to the call for views. SCVO stresses that many third-sector organisations have faced real-term cuts to their funding due to a lack of inflationary adjustments, despite being asked to deliver the same—or even expanded—services. Additionally, responses to the call for views state that without the ability to offer competitive cost-of-living salary increases, organisations are struggling to retain skilled staff, which further undermines their ability to meet the needs of their communities. SCVO calls for the Scottish Government and other funders to adopt inflation-adjusted, multi-year funding as a standard practice, ensuring that voluntary sector organisations are not left to absorb rising costs on their own.

Similarly, Corra Foundation highlights that the ongoing cost-of-living crisis has exacerbated the challenges faced by third-sector organisations, particularly those working with the most marginalised communities. To combat this Corra explains that “As part of [their] assessment process, [they] expect applicants to demonstrate how they plan to manage funding over multiple years – this includes salary uplifts”.

Another perspective comes from The National Lottery Community Fund**,** which also recognises the importance of addressing inflation in funding models. They offer “grant holders Full Cost Recovery, and … encourage them to include that in their applications”. The fund stresses that long-term funding must be designed to take inflation into account, as failing to do so risks eroding the real value of grants over time, leaving organisations struggling to meet rising operational costs and is detrimental to staff. They recommend that the “Scottish Government and other third sector funders should collectively commit to inflationary uplifts to remove this discrepancy”.

Beyond the financial strain of inflation, some funders, such as SCVO, have warned that without inflation-adjusted funding, the sector will continue to experience workforce instability. This instability is particularly concerning as the Scottish Government's commitment to Fair Work principles becomes harder to implement when organisations cannot afford to offer secure, fairly-paid jobs. SCVO stresses that inflation-adjusted, multi-year funding is essential not only for financial stability but also for ensuring that third-sector organisations can uphold Fair Work standards by providing their employees with fair wages, job security, and opportunities for professional development.

Members may wish to ask:

5. **How can inflation-linked funding be integrated to provide financial stability over multi-year funding periods, and what role should funders play in this?**

Theme 5: Impact on Staff Retention and Wellbeing

Staff retention and wellbeing are central concerns for third-sector organisations, and many highlight the critical role that longer-term, stable funding plays in addressing these challenges. Inspiring Scotland notes that long-term funding cycles often have a stabilising effect on employees “by offering staff security, retaining vital skills and expertise, and providing security that enables innovation, longer-term planning, and evaluation”.

The Robertson Trust similarly points out that staff retention is a key benefit of longer-term funding. Research they part-funded, “highlighted the challenges that short-term funding can present for third sector organisations. In particular, it creates instability for organisations which can lead to fair work and retention challenges”. The trust has emphasised that longer-term, inflation-linked funding models, could allow organisations to pay the real living wage and have a reduced risk of falling into poverty.

The National Lottery Community Fund highlights difficulty in requiring organisations to pay the real living wage:

“A primary difficulty that arises in attempting to incorporate the Real Living Wage as a requirement for our grant holders is the possible wage discrepancies that might emerge. Where grant holders are funded by a variety of funders, varying wage requirements and funding principles could create an array of wages within a team. This leaves the grant holder vulnerable to employee disputes. Attempts to equalise pay within a team can also lead to the reduction of hours which can be harmful to the staff force and exacerbate the epidemic of unpaid overtime in the third sector. This becomes increasingly pertinent for groups when limited to short-term funding arrangements and can cause tensions in frontline staff forces.”

Other funders who responded to the call for views add that short-term funding not only leads to higher turnover but also disrupts services, as organisations are forced to repeatedly recruit and train new staff. Additionally, they highlight that this process is time-consuming and costly, detracting from the organisation’s ability to focus on service delivery. SCVO also stresses that insecure, short-term funding undermines the ability of organisations to offer secure jobs, which is inconsistent with the Scottish Government’s commitment to Fair Work principles.

In addition to the financial insecurity caused by short-term funding, several respondents highlighted the emotional toll it takes on staff**.** The National Lottery Community Fund reported a "positive domino effect of funding stability on job security which in turn promotes positive mental wellbeing for staff and minimises emotional burnout". The fund noted that this also has an impact on staff recruitment and training. One of their funding officers explained that "with short-term funding, staff often move on before the end of the term due to job insecurity. Longer-term funding helps organisations to retain and invest in employees thus reducing time, resources and money spent on recruitment and training. Work or projects can continue seamlessly without a change of staff ensuring the best outcomes/service for those the group support".

Additionally**,** Corra Foundation points out that the recruitment crisis in areas like childcare is exacerbated by short-term funding. Corra argues that "longer-term funding arrangements could allow organisations to keep staff, skills, and knowledge".
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Members may wish to ask:

6. **How can funders ensure that third-sector funding adequately covers the Real Living Wage and other Fair Work commitments, such as secure contracts and opportunities for professional development, without compromising service delivery?**

Theme 6: Application and Reporting Process

The application and reporting processes for third-sector funding are highlighted as critical elements by several funders. Streamlining these processes can enhance efficiency, reduce administrative burdens, and allow organisations to focus more on service delivery and impact as seen in responses to the call for views. Funders, including Inspiring Scotland**,** The Robertson Trust**,** and The National Lottery Community Fund**,** emphasise the importance of improving and simplifying these processes to maximise the effectiveness of funding in their responses to the call for views.

Inspiring Scotland advocates for a streamlined and consistent approach to funding applications and reporting. They argue that the current processes often place a heavy administrative burden on organisations, particularly those working with limited staff and resources. They suggest proportionality in reporting, prioritising impact reporting, and clarity in how information is being used.

In their call for views response, The Robertson Trust highlighted the 10 actions for funder presented in the 2022 findings from the Funding Experience Survey.

1. Offer charities the chance to ask questions before they make an application.
2. Have a two-stage application process.
3. Be clear about success rates at each stage of your process.
4. Don't ask for detailed information until a charity has a good chance of funding.
5. Give meaningful feedback to charities whose applications are turned down.

6. Give multi-year funding.
7. Allow grantees to adapt and change project plans and budgets if needed.
8. Give unrestricted funding.
9. Only ask for information that you will use.
10. Allow grantees to use existing reports (e.g. to other funders, annual reports etc.

The National Lottery Community Fund has similarly recognised the need for a more flexible approach to application and reporting processes stating “Scottish Government and funders of the third sector should welcome this opportunity to make a more significant difference and reduce the need for organisations to invest time in the endless cycle of funding applications and reporting. However, whilst the results of a funder’s investment will change, there should nevertheless be clarity about what this looks like, and clear parameters established. Rather than reporting on project or fund outcomes, organisations should be able to evidence a strategic impact as their work is aligned with key areas of public policy.”.

The National Lottery Community Fund presents the following three recommendations in their call for views response:

1. “Funders should prioritise accessibility in funding communications and the application process.
2. Funders should work in partnership to provide a single-entry point to allow applicants to access multiple funding pots through one application process.
3. Funders should work to reduce reporting burdens on organisations to ensure that reporting requirements are proportionate to the amount of funding received.“

Corra Foundation adds that funders should harmonise their reporting requirements, reducing duplication for organisations that rely on multiple funding sources. Many organisations face a patchwork of reporting requirements from different funders, which can lead to significant inefficiencies. Corra stated in their call for views that they have already begun accepting reports written for other funders in place of separate reports for their own grants, and they encourage other funders to adopt similar practices to reduce the administrative burden on grantees.

Other respondents to the call for views also highlighted the need for improvements in the application and reporting process. SCVO notes that many third-sector organisations are trapped in a cycle of constant applications, which drains time and resources that could be better spent on service delivery. They advocate for more accessible application processes, particularly for smaller organisations that may not have the capacity to manage complex administrative tasks.

Members may wish to ask:

7. **What are the barriers to creating and simplified application and reporting process for multiple funding streams and how could these be overcome in practice?**

8. How could a consolidated funding application and reporting approach be made proportional to different organisations with vastly differing sizes and levels of capacity?

Kelly Eagle, Senior Researcher, SPICe Research
04 October 2024

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