

Community Planning
Improvement Board

Guidance for Fair Funding of the Voluntary Sector

Introduction

The Community Planning Improvement Board identified the need for sustainable funding for the voluntary (third) sector as a recurrent theme across its work streams.

It agreed that the principles contained within the [Verity House Agreement](#) defining how Scottish Government and local government interact could, indeed should, apply equally in community planning partners' relationships with the voluntary sector. The voluntary sector is vital to the achievement of Local Outcome Improvement Plans, so maintaining positive, ongoing relationships is important.

SCVO has developed [Fair Funding Principles](#) in consultation with the voluntary sector and the TSI Network has developed a [funding charter](#) for use in local areas based on the same principles. You can see how this has been developed in one local authority area in the [North Lanarkshire Community and Voluntary Sector Fair Funding Charter](#).

Therefore, the CPIB has drawn on the Verity House Agreement and the work of SCVO and the TSI Network to set out guidance that will make for a more strategic and equal relationship between public sector community planning partners and the voluntary sector in their local areas. The principles apply equally where the CPP or any of its members are working with an organisation representing the sector, such as a third sector interface (TSI) or when working with an individual charity, community organisation or social enterprise.

Principles

- 1 A positive working relationship, based on **mutual trust and respect**.

Community Planning Partnerships recognise the significant contribution the voluntary sector makes to public services, including in prevention and early intervention. They recognise that a strategic investment approach is better for everyone than short-term, transactional relationships.

- 2 A **focus on the achievement of better outcomes** for individuals and communities, with jointly developed, simple structures for assurance and accountability that recognise context and reduce burdensome reporting.


CPPs recognise that an outcomes-based approach, where the individuals and communities who engage with the activities of the voluntary organisations are at the heart of the process and there is a trusting relationship works best for everyone. Funding arrangements should be proportionate and streamlined, not a “one size fits all” contract.

- 3 Councils and their community planning partners will work together with local representatives of the voluntary sector to **consult and collaborate as early as possible in all matters** where the voluntary sector has a key interest and/or is the key delivery mechanism.


CPP partners recognise that they are working with voluntary organisations because they have the right expertise and connections, not because they are a cheap option. They should be involved in planning at as early a stage as possible. This may be with individual organisations engaged with particular people or issues, or with representative organisations such as the third sector interfaces where there is a more strategic/broader interest.

- 4 **Activities and funding** of voluntary organisations will be reviewed regularly to ensure adequacy and alignment with effective delivery of outcomes.

It is important that investment in, and collaboration with, the voluntary sector is an active relationship that is focused on effective delivery for the people and communities in local areas. Following the [Principles of Positive Partnership](#) will help.

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- 5 In relation to funding, the default position will be **minimal restriction or direction of funding**, unless there is a clear, joint understanding that it is necessary.

The funded organisations are best placed to make best use of the allocated funding. They should be trusted to use the money effectively to achieve the agreed outcomes. It is not appropriate for the funder to micro-manage or direct the activities. The funder recognises that core costs are legitimate expenditure as, just like councils or health boards, organisations can't deliver frontline activities without the infrastructure to underpin it.

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- 6 **Community Planning Partnerships**, as the key partnership delivering shared local priorities, will recognise the voluntary sector as an equal partner. This should normally be through the third sector interface.

A key role of the TSI is to engage in community planning. They receive some funding from Scottish Government to enable this work, but it doesn't cover the increasingly wide range of activities they are called on to participate in. For example, Regional Economic Partnerships, IJBs or climate hubs. They can only do this effectively if CPPs respect their role and include them as equal partners. It is to the benefit of the CPP as a whole as it makes for a more strategic approach, and minimises the chances of problems arising that could easily have been avoided.

- 7 When funding voluntary organisations, community planning partners **will seek to ensure better strategic alignment on workforce issues, including fair work.**

When commissioning voluntary organisations, the CPP partners should take account of Fair Work Principles and ensure that their arrangements accommodate the payment of the Living Wage, as well as the other principles such as job security. Decision-making, communication and timescales for grants must enable organisations to meet their obligations as an employer. For example, where redundancies are necessary because funding comes to an end and recognising the need to access to training.

What this looks like in practice

- 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 core operating costs.
- Funding that accommodates paying staff at least the Real Living Wage and other Fair Work principles, and supporting volunteers.
- Accessible, streamlined, proportionate, and consistent approaches to applications and reporting, timely process and payments, and partnership between the funder and funded organisation.

Multi-year funding

While of course there may be times when a one-off grant is appropriate, eg for a specific community event or improvement to a building, generally funding should be allocated for a minimum of three years. This takes away uncertainty, enables longer term planning and reduces the time both the organisation receiving the funding and the funder spend on bureaucracy. It represents an investment approach.

Flexible funding

To achieve the best results for people and communities, the voluntary organisation should be able to develop what it does to meet emerging need and adapt to changing circumstances.

Sustainable funding

In order to invest in staff and volunteers, property and longer-term priorities such as climate change, voluntary organisations need investment that supports development and infrastructure and enables scarce resources to be used to deliver frontline activities rather than perpetuating the never-ending cycle of chasing income. That includes being able to fulfil the Fair Work Principles.

Accessible funding

Ideally, there should be a collaborative approach to commissioning, and CPP partners should recognise that not all commissioning needs to result in procurement. The approach taken should be proportionate to the nature of the activities and the size of the budget.

Application/bidding processes should be streamlined and designed to produce the best decisions, allowing sufficient time to prepare bids. Criteria should be clear from the outset and timescales clear for decision-making and communications. Similarly, monitoring and evaluation should be clear and proportionate.

Good endings

When funding is coming to an end, it is important that the process is managed properly, respecting the staff and volunteers and especially the people and communities who have been receiving the services. There should be plenty notice and clear explanations of what will happen next.

About the voluntary sector

There are around 46,000 voluntary organisations in Scotland, around half of which are registered charities. The others are community groups, social enterprises or community interest companies. The sector has a combined annual turnover of over £8.5 billion and employs over 135,000 staff, while 1.2 million people volunteer. It is important to remember that while volunteers give their time for free, they are not a free resource. For volunteering to be of a high quality and meet essential safeguarding requirements, there needs to be investment in recruitment, training and support as well as payment of expenses.

For most people in Scotland, voluntary organisations are part of everyday life. They are critical to Scotland's wellbeing, prosperity, and success. Voluntary organisations:

- Provide good quality jobs and support into employment
- Tackle digital exclusion, provide childcare, social care and housing, and support the most disadvantaged people and communities
- Undertake vital medical and environmental research
- Run most of Scotland's theatres, museums, galleries, and sports clubs
- Campaign for change, ensuring the voices of people and communities are heard.

They are part of every industry from tourism and the arts to retail, health and social care, transport, education and justice. They protect our environment and heritage as well as people and communities.

They have to comply with high standards of governance, have their annual accounts audited or independently examined and meet various regulatory requirements. Charity trustees are volunteers but (the Board) have legal obligations and are, rightly, subject to public scrutiny.

Polls consistently show that the public trusts charities more than they trust the private or public sectors.

You can find more information by visiting scvo.scot/about/the-sector
Each TSI will have information about the sector in its local authority area.



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