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Submitted to Pre-budget 2025-26 scrutiny - Third sector funding principles
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3 What is your name?

Name:
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4 What is your email address?

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5 Are you responding as an individual or on behalf of an organisation?

Organisation

6 Please rank the following in order of importance for third-sector organisations (where 1 is least important and 5 is most important):

importance for third sector rank - Receiving funding for three years or more:

importance for third sector rank - Flexible, unrestricted core funding:

importance for third sector rank - Funding that includes inflation uplifts and covers all costs:

importance for third sector rank - Funding that enables organisations to pay their staff at least the Real Living Wage:

importance for third sector rank - A streamlined and consistent process for making funding applications, reporting, and receiving payments:

Organisation details

1 Name of organisation

Name of organisation:
Glasgow City Council

2 Is your organisation in the third sector?

No (for respondents from academic, private sector, public sector, or other organisations)

More about your organisation

1 Information about your organisation

Please add information about your organisation in the box below:

The comments from Glasgow City Council have been made by a variety of service departments/sections which reflects the variety of responsibilities held by the Council Family. These service departments/sections are identified at the start of each comment.

Financial Inclusion and Transformation Team

Glasgow City Council (GCC), Financial Inclusion & Transformation Team (FITT) are responsible for tackling poverty initiatives including Child Poverty and administration of the Whole Family Wellbeing Fund.

Currently working with Scottish Government colleagues on Glasgow's Child Poverty Pathfinder which includes workstreams dedicated to funding flexibilities and procurement & commissioning.

As part of the GCC Child Poverty Pathfinder funding flexibilities workstream GCC FITT are engaging with SG colleague with an aim to combining funding received via a variety of sources such as No One Left Behind, Whole Family Wellbeing Fund, etc. into one centralised funding pot known as The Whole

Family Early Intervention Fund to be administered across a number of years.

Grants & Monitoring Team

The Grants and Monitoring Team within Glasgow City Council delivers the Council's Glasgow Communities Fund. Comments are a strand of the Council's response, , seeking to assist Committee by providing some insight on the framework for the Glasgow Communities Fund which is allocated exclusively to the third sector.

Employability Team

On behalf of the Glasgow Futures Local Employability Partnership, Glasgow City Council (GCC), Economic Development, Employability Team and Grants and Monitoring Team manage employability funds from the Scottish Government (under No One Left Behind – including Child Poverty), the UK Govt, People and Skills element of the Shared Prosperity Fund and GCC's Employer Recruitment Incentive called the Glasgow Guarantee. The funds are currently distributed to around 40 organisations in Glasgow with around half the funds this year reaching the third sector (around £8m) The ET is currently evaluating delivery and allocation of funds since 2020 and working with partners to develop a more inclusive, fair and transparent model of allocating funding (including processes and costing methodologies) for use from 2025 onwards.

Glasgow City Health and Social Care Partnership (GCHSCP) is a partnership of Glasgow City Council and NHS Greater Glasgow & Clyde and provides all of Glasgow's community health and social care services – for children, adults and older people, including homelessness and criminal justice services and manages some services e.g. prison health care, for all prisons within the NHSGG&C area. The partnership has a grant making policy and provides a range of small grants.

2 Do you provide funding for the third sector?

Yes

Views from funders

1 Longer-Term Funding Impact: What are the primary advantages you foresee in transitioning to longer-term funding arrangements of three years or more for third sector organisations?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

Based on the feedback we have received from third sector colleagues I would deem the main advantage of longer term funding to be sustainability of staffing which in turn makes for more knowledgeable staff able to provide a better standard of services for our citizens. Currently our third sector partner organizations require to issue staff 90 day notice on an annual basis due to the year on year funding provision. This would also allow for better longer term planning and provide the opportunity for earlier interventions and more intensive support provided over a longer period as opposed to a constant funding of reactionary crisis services which has failed to make any long term impacts in the reducing poverty.

Health and Social Care Partnership

- Short term funding hinders third sector organisations to plan and prepare, having longer term funding provides greater stability around the work they are delivering locally as well as retention of their staff.
- Short term funds have an 'administrative premium', which re-orientates effort and reduces outcomes for funders and the funded organisations.
- Longer term funding changes the nature of funding commitments e.g. more on the social ecosystems for change and less on discrete programme delivery.
- Relationships take time to develop, longer term funding allows us the opportunity to build trusted and meaningful relationships between third sector and public sector.
- Stronger trust is established between third sector organisations and communities when they have been embedded into communities over a sustained period. This can lead to stronger impact/outcomes and provides the organisation the time to set up and deliver new programmes (which can be more challenging if funding is for a short period)
- Longer term funding makes it easier for public services to work with the third sector e.g. GPs haven't got the time to invest in relationships and setting up referral pathways with organisations that are here today and gone tomorrow.
- By providing longer term funding it demonstrates the trust and value we have in third sector organisations. It is often articulated that the third sector do not feel valued for the work that they do.

Grants & Monitoring Team

Glasgow City Council's primary source of grant funding for the 3rd sector is it's "Glasgow Communities Fund" (GCF). The GCF was first introduced in October 2020, replacing a previous programme involving annual grant funding. The Council responded to the challenges and constraints of annual grant funding arrangements when introducing the GCF. The GCF provides a 3-year funding programme distributed exclusively to third sector organisations to deliver on the six outcomes of the Fund. The fund objectives are broad, supporting a diverse range of a project activity. The current 3-year programme value is £49m, funding 220 projects delivered by 3rd sector organisations. In a recent survey (2024) of organisations currently funded from the GCF, we asked "Please indicate how important a 3-year funding commitment is to enable organisations to maximise project delivery and impact". 100% of the 119 respondents indicated 'very important' or 'important'. Responses indicated 3-year funding enabled effective planning, leveraging additional funding, stability for staff and service users, strategic planning, efficient project delivery, and evidence of impact over time.

"3-year funding is crucial to the 3rd sector organisations, it allows for planning and continuity of services, families relying on continued support need the reassurance of services still being there, and know it is not a short-term fix which then creates a big problem when the service is withdrawn"

We know that 3-year funding provides security, enhances staff retention and recruitment, supports consistency, and enables forward planning. It also

enables more effective partnership working and overall impact and promotes positive relationships between funder and third sector. The efficiencies of having one application covering 3 years benefit both the Council and the funded organisations.

Employability Team

We have recently concluded the first part of a service design process and the following is based on this engagement as well as engagement with other local authorities through the Scottish Local Authority Economic Development network (SLAED) People Group which meets fortnightly.

Advantages:

- Recruitment, retention and development of staff
- At the same time that allows for the development and refinement of services delivered.
- If funding was in place for longer, it allows for a more rapid response to any labour market changes/shocks that may attract funding as contracts/agreements can be amended. This hasn't been possible up to this point as funding has been annual under NOLB.

Corporate Finance

Glasgow Communities Fund already operates over a three-year period. It is anticipated that three year funding helps organisations to plan ahead with more certainty, allows to focus on long-term objectives and strategic financial planning, improves financial awareness in partners, can deal with potential cashflow planning gaps, financial stability, commit with more certainty to longer term leases or legal contracts over a period of time, reduced time on annual budgeting, deal with potential future funding deficits or surpluses at an early stage and take timely action.

2 Longer-Term Funding Impact: What potential challenges do you foresee in transitioning to longer-term funding arrangements of three years or more for third sector organisations?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

Other than available budget which is covered separately in Q. 5, there are very few additional challenges.

In terms of utilising longer term funding to provide more intensive support if during an extended funding period the defined service was not achieving the desired outcome e.g. performance, etc. this would be managed through a performance framework to ensure the public purse remains protected.

Health and Social Care Partnership

- Third sector organisations are often in receipt of a range of funding streams. A miss match around length of funding arrangements could arise where awards have been given that can't viably be spent if the rest of the organisations funding disappears part way through.
- Over a longer period how do we monitor and ensure on course for what was said was going to be delivered?
- The term of funding will determine the value of the total award. Larger awards may require different financial probity arrangements.
- Capacity – increase reporting, is there the skills and capacity to deliver on reporting?
- Some smaller organisations can be left behind (in terms of monitoring/reporting). How will the public sector help around capacity? They may also struggle at application stage as funders can be more risk averse to awarding longer term funding to small groups, impacting on their stability and capacity for growth.
- Changing need and context. Things can quickly change in terms of public perception and acceptability of activities and bodies, including community bodies. Some safeguards are required to enable funders to respond where required e.g. if an organisation strategically changed during the funding in a manner not conducive to public interests.

Grants & Monitoring Team

With 3-year programmes (or more) funding for new projects is closed for that period, limiting the ability to fund 'one-off'/'in-year' activity.

Employability Team

The challenge here for as managers of funds from the Scottish government, is that the funding we receive from SG is annual and grant offer letters are not issued in advance of the financial year. There are ongoing discussions with SG to explore multi annual funding. It is a challenge on us because of the SG annual funding approach.

The only other challenge is ensuring there is a robust approach to performance and spend management over a multi annual award to ensure impact and value.

Corporate Finance

External factors such as political or economic changes may impact on funding available such as change in government or inflation or interest rate increases may change the funding available, political changes, organisations may not see the benefits of longer term financial planning as staff involved may think they will have moved on during the period, difficulties in new or additional organisations claiming funding during the three year period, time taken to prepare and may see limited improvement or impact from it, uncertainty of the future and any future financial risks. Cultural issues within organisations and people who are used to thinking one year ahead and may be resistant to longer term planning, financial skills and awareness to plan over longer term, resistance to change.

3 Flexibility and Core Funding Needs: What are the challenges you see in providing flexible, unrestricted core funding to third sector organisations and how could these be overcome?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

As GCC currently allow grant funding to be allocated to core elements such as rent and utility costs, etc this can at times have an impact on the service provision element we receive in line with the funding allocation. This is predominantly due to other funders restricting funding to non core elements. This in the past has resulted in a lack of flexibility around service provision however GCC FITT are currently working in partnership with the city's financial inclusion sector on a new model which provides both core and flexible resourcing for a small uplift to current grant funding.

If successful GCC plan to roll the same model out across other sectors such as; mental health supports, English for Speakers of Other Languages, etc.

Health and Social Care Partnership

- Unrestricted funding was utilised during the pandemic period with the Institute of Action Research (IVAR) developing the Open & Transparent Grant Making approach.
- Challenges – organisations/group needs to show its mission is strongly aligned to the funder. It can't entirely be a "free" for all. There are Public Sector requirements i.e. activity to reduce health inequalities.
- Not being overly prescriptive, funding around a particular theme but third sector organisations having the flexibility on how they deliver upon this.
- Importance on how we create a more balanced relationship around those in receipt of funding and funders.
- Number of funders such as the William Grant and the Robertson Trust have unrestricted funding. Would be good to see the learning around this.
- Observation of the third sector – what they were originally set up to achieve/deliver on several years ago now totally different. Pushed into a funders niche, less about the third sector more about what we want.
- Funders specifying eligible costs makes it harder for third sector organisations but having no boundaries leaves funders open to the inappropriate use of funds. A set of principles to be applied in the use of the funds, rather than a specific set of eligible costs would work better e.g. must be used in accordance with the Equalities (Scotland) Act or the UNCRC etc.
- Flexibility around using funds across financial years is a considerable issue. Often the practicalities of implementation mean first year spend is below anticipated, the ability to vire between years would provide organisations with the means to adjust delivery programmes and staff contracts in a more meaningful way.

Grants & Monitoring Team

Our eligible fund costs support 'core' (salary) costs. We allow organisations to re-profile their awards between budget spend headings in-year, enabling them to adjust spend to respond to unforeseen and/or circumstances.

We would not offer grants on an unrestricted basis due to our accounting requirements and our corresponding procedures and systems.

Our public sector accounting practices require grant funding to be accounted for each financial year. Organisations need to evidence spend against the approved purposes and allocated funds must be committed by 31 March for funds to be legitimately drawn down by awardees.

In all cases, grant funds are awarded for specified project delivery costs. We can and will be flexible with organisations to an extent, but moving to unrestricted funding wouldn't satisfy the necessary control requirements that come with public sector grant funding.

Employability Team

The funds we receive are restricted and must be used for employability. Core costs related to the direct delivery can be claimed but through an apportionment of staff time directly supporting the delivery. This would have to be addressed by SG in the grant agreement.

Corporate Finance

Availability and certainty of future funding, annual budget savings, impact to future funding due to political and economic environment operate in, likely reduced financial settlements to local government leading to annual financial savings and other conflicting financial commitments local authorities have.

4 Sustainable Funding and Inflation Adjustments: What measures do you currently have in place to ensure that the funding you provide includes inflation-based uplifts and covers full operating costs?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

Historically there has been no measures in place to allow for uplifts. Due to reductions in public sector funding this has had a knock on impact to our third sector partner organisations who have received a reduction in funding. The grant funding model does however allow organisations to determine the level of allocation year on year once the total grant has been agreed.

The new model GCC FITT are developing in relation to Financial Inclusion has also built in an uplift to better understand what impact this test of change will have on the sector.

Health and Social Care Partnership

- When commissioning services – try to fully cost when we can (when budget allows) or adjust the ask of the contract in relation to rising known costs for delivery.
- Winter Social Fund an example where we increased the level of the awards organisations could make to compensate for higher delivery/staffing costs, which meant fewer organisations could then be funded from the available award.
- Working collaboratively with funded organisations so that funders have a good understanding of challenges for recruitment/retention and delivery related to inflation aspects.
- Need to be supportive of staff within third sector organisations. For example, remove an activity so that inflation costs can be met.
- Uplifts are not automatically provided to staff; each charitable body determines where their funds are allocated. This means that where you have more than one charitable body delivering the same activity e.g. Community Link Workers in Scotland, these staff are all on different rates of pay. Some guidance on pay scales appropriate for different charitable functions would be helpful. This is particularly true for the financial advice sector in Scotland.

Grants & Monitoring Team

Our grants programme is awarded on a 3-year basis with the same flat award value in each financial year. Organisations have the flexibility to adjust how much they want to spend on their delivery costs each year.

Full-cost recovery is supported by our fund – a list of eligible costs is set out below:

- Employee costs including staff salaries which may include annual inflationary increases and training costs
- Activity and programme costs
- Running costs including premises, utilities,
- equipment
- Event costs
- Professional fees including audit costs

□ Full Cost Recovery

Employability Team

We currently set an amount per service/contract and ask that projects deliver within that amount and include their uplifts. We monitor actual cost against initial profiles and support movement around budget headings. We are currently evaluating the delivery and spend since 2020 and are looking to develop a value for money framework for 2025 onwards. Part of the evaluation is exploring current costing models to understand a more flexible and realistic way forward and that ensures full cost recovery. However, the SG grant agreement contains restrictions with not all costs being eligible so this may not be entirely possible.

5 Sustainable Funding and Inflation Adjustments: How do you balance the need for sustainability with fiscal constraints and changing economic conditions?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

As mentioned above this has been our main challenge and although GCC do consider the funding of third sector organisations at a community level, strategic level and a sector level funding restrictions have had a detrimental impact on our ability to adjust for economic conditions.

Health and Social Care Partnership

- Having a system that progressively re-orientates grant giving terms e.g. all SG funds for charitable purposes are analysed and refreshed for e.g. 5% for 7 yrs., 10% 6 years, 15% 5 years, 20% 4 years, 15% 3 years, 10% 2 years and 5% 1 year would enable progressive change over time, with the agreed proportions being periodically reviewed and refreshed. This would also reduce the burden of award processes being run by charity funders, releasing some funding to respond to economic conditions and cost of living aspects.
- Rather than sporadic in year announcements on investments and short-term funds the key bodies providing charitable funds could be more collegiate. Systems for applying to multiple funders simultaneously, and for the same end date would concentrate uncertainty and periods for change across the sector, especially if this was considered over longer funding periods. It would also enable local systems to consider the impact across its charitable sector at those change times. Such an approach would need to be trialled first on a small local area to work through the unintended consequences, as there would be many.
- What learning can we take from other nations on different and better systems for charitable funding?
- The Scottish Government disperses considerable resources to large charitable bodies to manage bespoke funds on their behalf, having a commitment to sustaining the level of charitable funds but reducing the number of discrete/bespoke awards over a parliamentary term would also nudge a system change in the right direction.

Grants & Monitoring Team

Organisations have flexibility to adjust how much they want to spend on their delivery costs within each financial year.

Employability Team

Under NOLB and our Glasgow Futures approach we pool all the employability funds into one overall pot and have one overall programme rather than discreet funds for discreet services. It does offer us a "buffer" and the flexibility to ensure ongoing service delivery by moving funds around in the background but there is risk involved to the Council and to the providers too under annual funding.

6 Real Living Wage Commitments: What challenges have you encountered in incorporating the requirement for third sector organisations to pay staff at least the Real Living Wage into your funding decisions?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

Although through our grant funding models third sector organisations are encouraged to pay their employees the Real Living Wage over the last few years we have had to accept that some smaller organisation who we still deem important in terms of service delivery are working towards this. Feedback from some organisations has been that although in agreement with the provision of a Real Living Wage that having to pay this would be unsustainable. This again is a result of lack of available funding.

Health and Social Care Partnership

- Feedback from third sector mostly positive on Fair Work First criteria in relation to Real Living Wage but some providers still working towards this.
- Some organisations have had no experience of staff voice processes or union engagement, this is quite a change.
- Some charities are struggling to deal with the consequential for the rest of their workforce e.g. the most junior staff uplifted and then earning more than their supervisors. This ripples across pay systems with the net affect for larger charities being considerable.
- Some sectors are more affected than others, particularly for functions that are also provided by non-charitable bodies that don't require to comply with RLW. An example of this is charitable cafes and eateries, where staff are now paid more than their counterparts in the private sector. Its great for charities as staff will move, but more challenging for other businesses.
- Organisations may cut corners elsewhere on their budget to ensure they can pay Real Living Wage to staff while fitting into the limited budgets of grant programmes.

Grants & Monitoring

When introducing the 2nd 3-year GCF programme in 2022 we asked organisations to commit to Fair Work Principles. See extract below from our fund overview doc:

'Glasgow City Council is committed to working with third sector partners on the delivery of high-quality public services that are supported and delivered by a well-managed, motivated and properly remunerated workforce with access to appropriate opportunities for training and development.

As part of that commitment, the Council encourages all organisations funded from the Phase 2 of the Glasgow Communities Fund to commit to the criteria set out in The Fair Work Framework. As a minimum, the Council asks that any staff posts funded from the Glasgow Communities Fund are paid the real Living Wage and that gender equal pay is in place.

The Council recognises that at the time of applying to Phase 2 of the Glasgow Communities Fund some organisations may pay their staff the legally required 'National Living Wage' and not the 'Real Living Wage' as set out in the Fair Work criteria. Where this is the case, organisations will not be penalised or 'scored down' when applications to Phase 2 of the Glasgow Communities Fund are assessed.

For those organisations successful in applying to the Fund, the Council will seek to get an understanding of any barriers organisations face which prevent them from paying the Real Living Wage. This information will be picked up and considered as part of the Performance Monitoring Framework. It is expected that organisations commit to the principles of Fair Work First and seek to work towards paying staff the Real Living Wage during the course of their funding in Phase 2.'

Six monthly monitoring data submitted by funded organisations in October 2023, shows that:-

- 91% of funded organisations are paying their staff the real living wage or above;
- 8% are not currently paying the real living wage but are working towards achieving this in the funding cycle (by 31 March 2026); and
- 1% have no staff.

100% of organisations are committed to Fair Work Principles.

In any future round of the GCF, it's anticipated the Council will consider whether demonstrating adherence to Fair Work Principles would be a mandatory requirement.

Employability Team

We have transferred this requirement through the procurement process and the issue of our ERI (Glasgow Guarantee). It is a condition of the ERI grant that all employers, including third sector, pay the Real Living Wage in adherence to Fair Work First commitments. Challenges our third sector employers face has not been in paying the RLW but being able to commit to sustain employment because of their short term funding.

7 Efficiency in Funding Processes: How could the process for third sector organisations making funding applications, reporting, and receiving payments be more efficient and consistent?

Please provide your response in the box provided.:

Financial Inclusion and Transformation Team

At a national level we strongly believe that the approach taken by UK and Scottish Government during the pandemic in relation to allocation and administration of funding including relaxation of GDPR and procurement regulations had a was completely transformative and from a local authority perspective had a very positive impact in relation to partnership working across the private, public and third sector with no negative connotations that I have been made aware of.

GCC FITT and Glasgow's Child Poverty Pathfinder are building on the transformational change developed during the pathfinder and working with 3rd sector organisations, legal and procurement colleagues with an aim to redesigning both the administration of funding and reporting requirements to a more outcome based approach.

In terms of how the third sector receive payments from our own team I have never received any feedback that our current payment process has caused any issues.

Health and Social Care Partnership

- There is a need to make the system easier. Need to look at the different applications that are being used. Can we standardise these in some way?
- Reporting – many third sector organisations have a number of funders which often results in numerous reports being produced, which impacts on the capacity to deliver activities/services. Can we make this simpler and have an overall/streamlined report?
- Need to be proportionate around level of funding and frequency/level of reporting.
- Payments can be a consistent challenge – in terms of how long it takes to be processed and for organisations to be in receipt of funding.
- Payments in arrears – this is not good for smaller organisations who may not have the ability to use their reserves)
- To try and ensure that different funding streams with different application criteria and forms do not launch at the same time – which again can impact on capacity of third sector organisations.
- We don't always have the right tools to help us be efficient e.g. no grant management system.

Grants & Monitoring Team

At the very least, work towards having as close to a single common funding and best practice framework for all public sector funding going to the 3rd sector.

All too often we hear that staff in the 3rd sector spend so much time completing applications and providing monitoring and evaluation reports that they can't effectively deliver the projects they're funded to deliver.

We all need to work smarter. The benefits would considerable, both for funders and the 3rd sector.

Employability Team

As noted above, we are currently evaluating our processes and costing methodologies to devise a more inclusive and streamlined way forward. Based on feedback we have made some amendments like changing payment schedules. We have promoted partnership approaches which has ensured the wider distribution of funds through third sector lead partners to some smaller grass roots services and these are included in the evaluation. Feedback so far is that mechanisms used (like procurement through the employability DPS is not accessible and is overly bureaucratic)

However, that is just one LA approach, there may be benefit in developing a standard national approach/agreement which can be implemented locally.

8 Efficiency in Funding Processes: What are the barriers to making funding applications, reporting, and receiving payments be more efficient and consistent?

Please provide your response in the box provided.:

The main challenge we have is often the siloed manner in which we receive funding including reporting, and application requirements, etc. from national and Scottish Government.

Through the Child Poverty Pathfinder our Scottish Government colleagues have been encouraged to facilitate discussions on our behalf with colleagues across different policy areas such as employability, education, health, etc. to seek co-ordination across policy and strategy which in turn we hope will result in flexibilities around funding.

GCC Child Poverty Pathfinder will then in turn be in a better position to plan a more efficient and consistent funding strategy.

Grants & Monitoring Team

Funders across the entire funding landscape are working in silos, we aren't 'joined-up'. We don't have a partnership approach to funding the 3rd sector.

Staff managing funding programmes are working to full capacity.

We don't have a grants management platform where organisations could upload supporting documents and monitoring information which all funders could use.

As funders we don't have space/capacity to work towards realising the benefits of working smarter and being smarter by working together.

In Glasgow, we are in the early stages of a 'Funders in Glasgow' forum to start conversations, share information and have a better understanding of our respective priorities and funding frameworks

Employability Team

Our main challenge is in the restrictions contained within the grant offers from the SG and funding still being annual.

Plus Funders are all working in silos. There is no partnership approach to funding the 3rd sector.