

Scottish Parliament Social Justice and Social Security Committee – Calls for Views: Third Sector Funding Principles

includem are a Scottish charity that work with children, young people and families to help them transform their lives. We support children, young people and families to make positive life choices and progress towards the type of future they want to live. To do this, we work with social services, schools and a variety of partners and statutory services to identify which children, young people and families could benefit from our support. We then engage the child or young person and their family or carer to develop a package of support, tailored to their specific needs.

Our support is unique to each individual. We don't use a 'one size fits all' approach when it comes to helping children, young people and families to achieve positive outcomes.

We work with children and young people aged 0 – 26 across Scotland.

1. Please select ALL sources of funding your organisation currently receives

Scottish Government (WFWF, Corra PDI, Corra CYPFIEF & ALEC, The Promise),
8 Local authorities, Glasgow Community Fund, RS McDonald Charitable Trust.

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

We want to be clear from the outset that three years is not sufficiently longer-term to support organisations like ours to be financially sustainable. To bring about systemic and cultural change in how we view and value the third sector, longer-term funding should be a minimum of 5 but more realistically 10 years for maximum impact. This is to reflect the Scottish Government's ambitions that practices are children-centred, rights-respecting, strengths-based and include children, young people and families at every stage of the process and aligns to findings from the Independent Care Review (The Promise) for generational change. Our response demonstrates that the calls from the sector are entirely justified by the services organisations like ours deliver, and the positive outcomes we support across the country.

We would suggest that the current funding landscape is direct contradiction to values and principles of GIRFEC¹ which include choice and control for children and their families and ensuring that children are at the heart of decisions being made about them. The current funding arrangements in place across Scotland do not match this approach as families often do not have a choice in provider, and in many cases are expected to 'shift' their relationships, trust, commitment, to a different provider when

¹ [GIRFEC principles and values - Getting it right for every child \(GIRFEC\) - gov.scot \(www.gov.scot\)](http://www.gov.scot/publications/girfec/principles-and-values/getting-it-right-for-every-child/girfec-2014-15/pages/12.aspx)

funding arrangements change. This has a profound impact on the family who often have extensive experiences of navigating systems and professionals and leads to a further decline in trust in services. Around half of the contracts to which we currently operate are short term, normally for a year, and a shift towards longer term contracts for all of these would be hugely beneficial and would help directly and indirectly with:

- The ability to influence and implement systemic change
- Our viability and job security for highly trained and valuable staff
- Removing any uncertainty from vulnerable service users concerned about the continuation of support.
- Medium / Long term planning
- Deployment of staff
- Provision of staff training
- Retention of staff
- Recruitment of staff
- Management of resources e.g. office leases
- Reduce time and effort involved in bidding to retain contracts each year. Bid writing is not recouped from bids and tenders and is a significant expense for the organisation.
- Building relationships with client and partnership organisations
- Enable us to be more strategic in the contracts we bid for rather than use resources applying for everything we can because we cannot afford to let any possible opportunity pass.
- The sector is struggling to recruit and retain level. It is therefore beneficial at an organisational and sector-wide level to introduce longer-term contracts.

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

Our view is that more work needs to be done to ensure public sector funding supports and facilitates longer-term funding for third sector organisations.

A recurring challenge we encounter is the disparity that exists between different procurement teams, and funding bodies across the country in specifications, assessments as well as reporting, in conflict with national ambitions². The fiscal environment means service specifications are focused too heavily on costs, and not enough on quality of delivery, long-term outcomes, and working against an ethos of prevention and early intervention³ and in direct contravention to The Promise⁴. This

² [Routemap and National Principles of Holistic Whole Family Support \(www.gov.scot\)](http://www.gov.scot)

³ [Getting it right for every child: Policy Statement - 2022 \(www.gov.scot\)](http://www.gov.scot)

⁴ [plan-21-24.pdf \(thepromise.scot\)](http://thepromise.scot)

shift still requires more by means of a culture change so we can reach a common understanding in language, intention and outcomes and ensure that children, young people and families are involved in that decision-making.

We believe there needs to be better training for Local Authority (LA) and Health and Social Care Partnership (HSCP) staff to ensure there is consistent understanding on tendering processes, requirements, how to structure an Invitation to Tender and how to assess submissions correctly to secure the best service to meet the need.

There must also be a shift in risk management across the sector. To address this, TUPE costs should be underwritten at the start and end of the contract, 'cost and volume' contracts that do not match models of practice should be removed, and annual Consumer Price Index (CPI) and Retail Price Index (RPI) increases need to be embedded in all contracts.

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

The delivery of our services is dependent on highly trained and talented staff. Lack of long-term funding not only makes attracting the right candidates more difficult, but also retaining staff who support the most vulnerable children, young people and families. The insecurity of funding has also meant that redundancy consultations have been entered with valued, skilled colleagues only for different funding to subsequently become available. The toll this takes on the mental health and wellbeing of our staff cannot be underestimated.

Crucially, we want to highlight the effect lack of longer-term funding has on the children, young people and families we support. Our support is relationship based, and focuses on the strengths families have. Recently, some of the services we have provided for years have been awarded to a different provider. Families were not involved in this decision-making, and feel let-down, and shut out of conversations that concern them. One family wrote:

"I don't blame you or includem. Quite the opposite & I know we are not the only family that will feel this loss but I do feel angry that the kids suffer [because] of money when the ethos is do what's [right] for the children & yet every fibre of my being [right] now says this is not [right] or fair to their emotions , includem has been so much more to all of us than a 'service' they have been a lifeline a rock to hold on to an assurance when life didn't feel sure , a friend to hold your hand to help you back up an amazing team who we all could depend on..."

Families who we have supported for considerable time and who are deemed to have a high level of need, have at times been left without support or a service due to the result of tendering process where that service has moved to a new provider.

Families are reaching out to us, asking for help as the replacement service is not operational yet. This is contrary to The Promise, GIRFEC and National Principles for Whole Family Support services.

For families who have had negative experiences with statutory services, or a lack of trust, a complete change in provider is contrary to meeting the outcomes many of these families were referred for in the first instance.

The Promise re-iterates the intensive family support must be based on relationships between the family and the workforce. The current funding landscape makes this impossible.

Specific examples of how we have been negatively affected include:

- The lack of longer-term funding has a significant impact on our cash-flow and our financial sustainability. Funding arrangements rarely reflect inflationary pressures and have not reflected the cost-of-living crisis, requiring organisations like ours to absorb these costs, further impacting the sustainability of our finances. In addition, large amounts of resources have to be deployed in repeated tendering for small funds and short-term contracts.
- Partnership working between organisations - including with HSCPS and LAs - is also threatened by the competitive nature of bids and tenders, instead of fostering collaborative working. These pockets of good practice do exist, but they are largely being undermined by tendering and bidding processes.

We also wish to highlight that while not linked directly to the length of funding, lengthy and poor procurement practices also add to the uncertainty organisations in the third sector face. For example, funding may be awarded but not announced promptly, or funding is awarded but documentation confirming this is delayed.

This affects the entire sector at a time when we are striving to be more efficient, work together better, and continue to improve outcomes for the children, young people and families we work with.

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

Very few, if any, contracts cover core costs. Therefore research, learning and development costs must be covered by the organisation. The long-term impact of this means organisations are not delivering support that is as well informed and developed as it could and should be.

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

We pride ourselves on being an organisation that is continuously working to improve our services and the way we work. A lack of flexibility in our core funding means we have less opportunity and means to investigate and propose innovations. It also prevents comprehensive research and analysis of delivered support to identify change, continuous improvement, alternative approaches as required by the Promise⁵ and National Principles for Holistic whole family support⁶. Innovation in the organisation is hindered if core funding cannot be allocated according to the needs of the organisation.

The lack of flexibility also makes it difficult to redeploy staff when contracts reach, or are moving towards, a conclusion. As outlined in previous answers, skilled and experienced staff are critical for operational effectiveness and service delivery. Challenges in securing or maintaining adequate funding to invest in the workforce affect the entire organisation.

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

Inflation-based uplifts and full cost covering is crucial if we are to move towards financial sustainability. In order to adhere to the Fair Work First⁷ requirements, we are forced to use reserves or find the money elsewhere, in increasingly difficult financial circumstances.

Beyond this, annual increases and competitive staff benefits and Terms and Conditions are almost impossible to manage under the current model of funding. Lack of inflation-based uplifts and full cost covering also affect the availability of staff support systems as well as training and development offerings. This means we are either restricted in our goals for workforce development or are required to allocate resources from our reserves for this. Training and supporting our staff, ensuring their health and wellbeing is critical to the delivery of our services and the relationships we have with children, young people and families. Inflation-based uplifts and full cost covering would ease the burden on third sector organisations immensely.

Over the past 5 years, in acknowledgement of the Cost-of-Living Crisis, we had to introduce a staff hardship fund to alleviate in-work poverty for our staff.

⁵ [Keeping The Promise to our children, young people and families \(www.gov.scot\)](http://www.gov.scot)

⁶ [Routemap and National Principles of Holistic Whole Family Support \(www.gov.scot\)](http://www.gov.scot)

⁷ [Fair Work First Guidance: Supporting the implementation of Fair Work First in workplaces across Scotland \(www.gov.scot\)](http://www.gov.scot)

The question of sustainability is crucial: we provide transformative support for children, young people and their families across Scotland and our efforts to become sustainable are driven by a desire continue delivering this support until it is no longer required.

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

The current funding approach is to bias expenditure to service delivery, minimising core costs which are essential to support those services. This approach benefits larger, longer established providers with many other income streams such as legacies, retail units, investment income, and established fundraising functions. Over time this is likely to lead to fewer providers, limiting competition and creativity, and depriving families of choice.

Most of our contracts do not have inflationary adjustments or additional funding to ensure our sustainability. The competitive environment for public sector funding means that many organisations must submit bids where income does not cover the cost of delivering the service but are vital to their survival. A consequence of this is that organisations dip into and deplete their reserves which further negatively impacts on their long-term viability and reduces innovation. As well as organisational staff the people most affected are children, young people, and families. We want to stress this point as our sustainability is key to delivering the standard of service expected, required and right for families across Scotland.

As above, adhering to Fair Funding Principles is also significantly challenged by the lack of adjustments, resulting in higher turnover of staff and poor retention of highly trained, skilled staff.

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

The lack of inflation uplifts and full cost covering requires us to use our reserves to meet Fair Work First principles, affecting our reserves and subsidising the contracting organisation or body.

The contracts to which we operate are set at a fixed price per year for their duration, and do not account for unexpected increases in that time. Unexpected increases include staff costs, fuel costs, office costs, and training costs.

The lack of inflation uplifts and full cost covering means we have delivered a deficit 3 years running in our annual accounts. As well as having to cover this deficit from our reserves, it may preclude us from bidding for certain contracts as some of them contain clauses precluding organisation with 3 years or more annual deficits. In essence, organisations who are committed to delivering the best possible service, retain and support staff, can find themselves penalised for this in contract bidding.

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

Our organisation is committed to delivering the highest quality service we can, employing skilled and committed staff, and investing in their professional development. To attract, and keep the right people, our organisation pays above Real Living Wage.

We know that our ability to recruit and retain staff, and subsequently our service delivery, would suffer significantly if we were to pay only the Real Living Wage. As previously indicated, in-work poverty is a reality for many people, including our staff. We do our best to minimise the pressures for staff to allow them to do their work well, but this affects our reserves and financial sustainability.

In our experience, the Real Living Wage is not sufficient to attract the grade of worker we require to deliver our services. If the Scottish Government is committed to meeting its own objectives and national standards of practice for children, young people and families, a review of how much money organisations are spending attracting and retaining the best possible staff must be undertaken.

We are an accredited Living Wage employer and our bids for work reflect this. The broader associated issue for us is the increased costs of meeting other contractual requirements such as Fair Work First, that would ordinarily fall on local authorities, but which are devolved to suppliers to meet. The requirements around training for example are not covered in fixed cost contracts.

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

See our answer to question No 10 above.

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

There are several improvements that could be made. We believe these would create a more collaborative approach where the relationship between provider and contractor less transactional and is jointly focused on providing the highest quality service for children, young people and their families.

Application:

- Cost and Volume contracts do not align with the principles of GIRFEC, the UNCRC, the Promise, and other Scottish Government policies.
- Remove use of 'Frameworks' and Quick Quote requirements except for exceptional circumstances. Quick quotes are labour and time intensive.
- Earlier and better involvement of providers prior to publishing Public Notices of Interest to ensure providers can make informed decision about engaging in the tender process.
- In our experience, not being able to engage with decision-makers directly impedes our ability to explain what our service delivery requires and how we are constrained by the challenges inherent in the current funding and reporting landscape.
- Review contracts issues and remove superfluous requirements that pass risk to the provider.
- Standardise the use of the tender portals and ensure Local Authority and HSCP staff have adequate training to use this confidently and consistently

Reporting:

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- Ensure contract monitoring meetings always take place and are attended by the correct personnel, and information from such meetings is circulated to the LA/HSCP Directorate.
- Review and streamline reporting requirements to reduce duplication.
- Simplify applications and reporting requirements to reduce the level of resource required. We understand and support the requirement to be accountable for public funds and believe this can be achieved in a way that is beneficial for all stakeholders. Increased collaboration on requirement and better communication will support this.
- Allow for increased flexibility to reflect the dynamic service, tailored to the changing needs of children, young people, and families.

Payment Processes:

- Pay in advance, monthly.
- Speed up payments to avoid cash flow issues

The use of 'Community Benefits', as currently defined, is an oxymoron for social care services. By the very nature of our support, we provide community benefits. The application of a process that was developed to optimise massive capital projects and is currently used is should not apply to social care contracts that are relatively low funded services. This process adds further massive administration costs, diverts

attention from the core support objectives and reduces providers abilities to deliver the maximum possible outcomes for service users.

Please rank the following in order of importance for third-sector organisations (where 1 is least important and 5 is most important):	
Flexible, unrestricted core funding	4
Funding that includes inflation uplifts and covers all costs	3
Receiving funding for three years or more	5
A streamlined and consistent process for making funding applications, reporting, and receiving payments	2
Funding that enables organisations to pay their staff at least the Real Living Wage	1