



TSI Scotland Network

Pre-Budget Briefing - Scottish Budget 2024/25

1. Purpose

This briefing has been drawn together to:

- Outline the long-term challenges facing the third sector (charities, community groups, social enterprises, volunteering organisations) in Scotland;
- Describe the expanding role, and the contribution of TSIs and the third sector as a whole to the Scottish Government priorities linked to Equality, Opportunity and Communityⁱ;
- Urge the Government and public bodies to recognise and respect the value of the third sector and people's volunteering activities;
- Highlight the importance of:
 - a) Including the third sector in national, collective planning and
 - b) Effective implementation of the *Volunteering for All* framework

to ensure all key players, people and communities play their part in Scotland's response to climate change, economic recovery, poverty and increasing health inequalities;

- Lay out "Calls for Action" for Scottish Budget 24/25 and beyond.

2. Context

- [Third Sector Interfaces](#) (TSIs) are charities which provide easy access to advice, information and practical support for charities and community groups, social enterprises and volunteering organisations. Based in each local authority area, they work closely with and have in-depth knowledge of the local third sector. They also see and hear first-hand how current economic and social challenges are affecting communities, including those in rural and remote areas.ⁱⁱ

Sadly, we are directly supporting more and more people in crisis as they face circumstances most of us could never imagine.

- The third sector in Scotland comprises over 46,000+ voluntary sector organisations, 6000 social enterprises and 25,000 registered charities. In 2021, voluntary sector turnover in Scotland was over £8.5bn.ⁱⁱⁱ It has a significant role in Scotland's National Performance Framework; economically, through



the employment of over 130,000 people, through the support of volunteering, and the delivery of preventative activity.

- Volunteering delivers health and wellbeing benefits across a range of policy areas and yet those most likely to benefit from taking part face the greatest barriers to doing so.^{iv v} As the cost of living and mental health challenges affect volunteering, a decline in people coming forward to give their time would be equal to a loss of £275m to the Scottish economy.
- The third sector has faced very real challenges for almost two decades^{vi}; the 2008 financial crash exacerbated these, with standstill budgets and budget erosion; long term salary freezes; job insecurity and increasingly tight public sector contracts becoming the norm.^{vii} If we add in the impact of the COVID pandemic, recent inflationary pressures and broader funding reductions^{viii}, the third sector faces unprecedented difficulties. Staff are also stressed and exhausted.
- Third sector interfaces (TSIs^{ix}) have been similarly affected. If the central grant award for TSIs had been increased to fully reflect the impact of inflation from 2011, current funding would have been worth 40% more by September 2023. For TSIs and for the wider sector, covering core costs is a perennial challenge.
- Over time, we've seen the third sector taken on more activity which would previously have been delivered by the public sector^x. Recent Fair Work research confirms this trend. We see charities, community groups and social enterprises providing more complex support services - not always with matching resources.^{xi} A recent sector survey reported that 84% of respondents had experienced greater demand, yet 61% faced grant reductions.^{xii}

This directly affects what can be delivered in communities^{xiii} and we can expect the UK Government's Autumn Statement to increase demand further.

- Feedback from frontline organisations and their employees provides further insight:
 - In the most recent Third Sector tracker, one organisation reported that it had not had an uplift to cover core costs for 20 years.^{xiv}
 - In GCVS commissioned Fair Work research, a respondent reported that their pay had not increased for almost 10 years.
 - Recent public pay increases are creating greater differentials between similar public and third sector roles – often as much as £5,000 +.^{xv}
 - Losing voluntary sector staff to public services is now common.^{xvi}
- *There is wider recognition of the powerful economic and social contribution of community groups, charities and social enterprises across Scotland,^{xvii} yet this is not reflected in funding security, in respect or parity with public bodies.*



3. Contributing to the Scottish Government National 'Missions'

A recent proposal on more equitable funding for TSIs outlined the additional work being that's being taken on^{xviii}; those expanding roles are mirrored across the broader third sector.

For TSIs, there is more being done to coordinate frontline responses in crisis situations e.g. the COVID pandemic and climate linked emergencies, in addition to the TSI core role and functions.^{xix}

TSIs and the infrastructure they provide for local organisations have a 'mission critical role' in responding to current and future social, environmental and economic challenges, and in achieving the outcomes within the Scottish Government's "national missions" - [Equality, Opportunity and Community](#).

We provide some examples and detail below.

Equality – Tackling Poverty and Protecting People from Harm

Getting Government funds to where they will have most impact:

- TSIs have worked collaboratively with the Scottish Government on important national funding streams e.g. the Communities Mental Health and Wellbeing (CMHWP) fund, and have directly inputted to the planning of others e.g. those linked to children, young people and families;
- *This approach has enabled Scottish Government funding to get directly to the communities and local voluntary and volunteering organisations dealing first-hand with poverty, poor mental health, isolation and wider inequalities.*
- An evaluation of year one and two of the CMHWP funds highlighted that:
 - The TSI led approach directly involved people with lived experience and partners from different sectors to ensure maximum local benefit;
 - Through this approach, 1842 projects delivered a wide range of support focussed on improving mental health and wellbeing, for an estimated 300,000 people.

Wider contributions to equality:

- It is likely that the third sector will have a key role to play in *the further expansion of childcare* which can help people to participate within the labour market. It needs to be more involved in planning for this;
- TSIs and the third sector have a critical role in developing the *employability offer* in Scotland through local partnerships and networks. That contribution could be more consistently acknowledged and supported;



- *Without fair and sustainable funding, the risk of poverty and insecurity is very real for third sector employees, even as they themselves work to reduce inequality in their communities. TSIs have a key role to play in supporting local voluntary organisations to deliver Fair Work e.g.; through Skills Partnerships^{xx} and the sector continues to be an exemplar of good employment practice.^{xxi}*
- *Volunteering remains an important route to employment for some, and directly enhances health, inclusion and wellbeing. It also contributes significantly to public services e.g. end of life companions; family support. The Volunteer Charter^{xxii} seeks to ensure that volunteering is not taken for granted or used to plug gaps in key services (although there is evidence of this happening^{xxiii}).*

The role of local Volunteer Services are vital in this context as they work to remove barriers to volunteering. However, the difficult financial environment means that local public sector contracts are less likely to cover costs linked to managing volunteers and day to day running costs.

Opportunity – Building a Fair, Green and Growing Economy

Climate Change:

- We've all seen how Scotland is being affected by the current climate emergency and what this means for families and communities, most recently in Angus, Perthshire and Argyll and Bute. Responding to climate change is a priority for the third sector, and is becoming an increasing focus of TSI support for local community groups and social enterprises. This includes:
 - Inputting to local partnerships on issues such as food security and food growth e.g. in East Dunbartonshire;
 - Managing [Just Transition Participatory Budgeting](#) in the North East e.g. Aberdeen and Moray;
 - Supporting local organisations and social enterprises to make practical environmental changes and to get involved in or shape developments such as [community heat solutions](#).
- In 2022, a survey on climate change activity showed TSIs becoming more involved with local partners and providing support to local charities - but two-thirds were not funded to do so.^{xxiv}
- The development of Climate Hubs^{xxv} has been embraced by the third sector and TSIs. However, with some uncertainty on longevity of current funds, some TSIs and third sector organisations may avoid applying as they face wider financial storms.

Community Wealth Building (CWB):

- Community Wealth Building offers the chance to reshape local economies and ensure that communities themselves benefit from growth. TSIs are involved in [shaping this priority](#) at local and national level;



- Opportunities exist to [maximise community benefits](#) from significant infrastructure spend across Scotland, now and in future. TSIs will have an increasing role in supporting local charities to prepare for local contracts that emerge as a result of local CWB activity. Examples include City Regions and there may be opportunities through newly announced Levelling Up Funding for the Western Isles, Scottish Borders and other areas.

Community – Delivering Efficient and Effective Public Services

- **NHS and Social Care:**

A number of TSIs are actively involved in *local winter planning*; this could involve coordination of volunteers, providing transport for paid care staff, through to the delivery of [‘Hospital to Home’](#) discharge support. Resources to support this activity are not always guaranteed.

Whilst we welcome the recognition of both TSIs and the third sector in the Scottish Government’s new Winter Plan, there is no detail on how much of the committed additional spend will get to voluntary organisations already working in the front line to support older and disabled people and their families e.g. through [community companions](#) services and [local hubs for older people](#). There was a missed opportunity here to say and do more in partnership with the third sector;

- **Public partnerships and the new public service developments**

Over time, public service reform has created many new local partnerships. TSIs have facilitated engagement of the third sector not just in Community Planning, but in Integrated Joint Boards, Community Justice Partnerships, Alcohol and Drugs Partnerships, Employability Partnerships, Children Services Partnerships, and other similar structures. The TSI Network also provides representatives to various national groups. The development of the National Care Service is likely to create further requirements for local third sector engagement and input^{xxvi}.

This is resource intensive activity; ongoing financial challenges affect the sector’s and TSI ability to shape national and local policies and services alongside the people who are most likely to be affected by any changes (lived experience and expertise).

4. The Budget, the Third Sector and Volunteering

- Whilst recognising the difficult financial circumstances facing the Scottish Government and the broader economic, social and environmental context we all inhabit, *the TSI Network is very concerned about the impact of national Budget decisions on local communities and the voluntary organisations at their heart;*



- At a time when the third sector is doing more to stand with people in these difficult times, we have no real say in how the budget is planned. Decisions linked e.g. to public pay increases are very likely to further erode funding for lifeline, frontline voluntary organisations;
- Local charities, social enterprises and volunteer centres may be less able to deliver services which reduce harm, isolation and poverty. Volunteer-involving organisations are also less likely to be able to protect – let alone increase – the resources they can deploy to enable volunteering in important roles e.g. in the NHS, and in financial inclusion work;
- The social and community infrastructure provided by the third sector and TSIs has been called on repeatedly – more recently, in coordinating local support for Ukrainian refugees and responding to winter resilience challenges. The need for fair and sustainable funding, planned strategically, *has therefore never been more urgent*, to ensure that our sector continues to assist and work with communities and families across Scotland;
- *TSIs and the wider third sector want to do what they can to aid recovery across the economy and in key public services. We can only do that fully where funding is secure, longer term and enables us to fully implement Fair Work principles.*

Key Asks

We welcome moves to progress Fair Funding for the third sector within the Scottish Government. However, recent Audit Scotland analysis of the public sector workforce^{xxvii} has highlighted the short and longer-term impact of public sector pay increases on the public purse. What this means locally for the third sector is concerning; we cannot continue to be the lightning rod for national and local budget cuts – often leading to greater costs down the line.^{xxviii}

The challenges in public finance, in trying to help Scotland recover after multiple crises, cannot be resolved by public bodies alone. *So as a foundation for greater, cross sector working, New Deal partnerships between Government, local authorities^{xxix} and business^{xxx} should be extended to the third sector.* We also call on the First Minister, Cabinet Secretaries and Ministers to consider the following:

1. Secure, sufficient third sector budgets:

The third sector is a vital part of our social fabric and a central partner in delivering people-centred public services and helping to improve the lives of citizens.



Yet, every £10 of funding for the third sector and TSIs would be worth £14.13 had grants and public contracts kept pace with inflation from 2011 to now. Employees in the sector deserve greater recognition and equality, with evidence of a ‘cost of survival crisis’ emerging.^{xxx1}

It’s therefore vital that:

- There is **at least** an inflationary increase in budgets linked to third sector activity, and the work of TSIs including social enterprise and volunteering support services. This is vital to build a foundation for Fair Work, and to tackle third sector recruitment challenges. The impact of inflation is exacerbated by requirements to pay the Real Living Wage and deliver new employment rights – not always fully covered in public grants and contracts.

The impact of the cost of living on volunteering must also be considered.

- Across all Government departments and public bodies, inflationary increases should be plugged into grants, funds and public contracts open to the third sector, at the earliest stages of planning. To deliver anything less than this displaces significant risks onto charities, social enterprises and volunteering organisations, without the security that local authorities or other public bodies have;
- Public sector procurement practices must ensure contracts are resourced sufficiently to pay a comparable salary to public sector staff. We should aim to see this built into Community Wealth Building activity and any contracting linked to public service reform e.g. National Care Service. Costs linked to effective support for volunteering must also be recognized.

2. A strategic, fair funding approach:

The third sector and TSIs are committed to working with Government and other public bodies to progress Fair Funding principles and good practice, highlighted jointly by the TSI Network^{xxxii} and SCVO^{xxxiii}. Moving forward:

- We need further strengthening of Fair Work First expectations and to seize opportunities to promote good procurement practice e.g. through Community Wealth Building, if we are to ensure a strong, agile third sector in Scotland;
- We must progress a more strategic approach to third sector funding - fewer short-term funds; reduced delays in funding timelines and true, multiannual funding which is not reviewed or perhaps withdrawn after year 1;
- A number of significant funds directed to the third sector are due to end soon – including ‘No One Left Behind’, Community Led Local Development (LEADER), Anti-Poverty/COVID recovery and the Communities Mental Health and Wellbeing Fund. We urge the Scottish Government to work with us on how we



[progress these or replacement funds](#), given the scale of activity these funds help to deliver in the midst of the cost-of-living crisis and to support the health and wellbeing of older and disabled people and other groups.

3. Strategic involvement of TSIs and the third sector; local impact of Public Service reform:

As we continue with Public Service reform, it's important that:

- [TSIs and the third sector are equally involved at strategic level and in decision making spaces](#) – the Verity House Agreement and New Deal for Businesses may act to squeeze out the third sector contribution. That contribution must be better resourced – at national and local level;
- [Our role in health, care, economic recovery, climate change, tackling health inequalities and other policy areas must be better recognized and supported](#) accordingly, and we need to see effective implementation of the Government's *Volunteering for All* framework in this context;
- To ensure we support the health of our communities and build a strong economy, Government should continue to facilitate cross sector working and discussions to [protect and enhance support for volunteering](#);
- The [local impact of national Public Service reform](#) on local communities, the third sector and volunteering activity should be better understood and built into planning, funding and delivery;
- The TSI network would like to work with the First Minister and others to set up [an annual Third Sector/Cabinet meeting](#) which allows the sector, Cabinet Secretaries and officials to jointly plan and respond to the challenges facing us all.

4. Expand successful, preventative approaches to other policy/delivery areas:

- Government should explore how [community focused funding and delivery](#) – such as the Communities Mental Health and Wellbeing fund – [can be expanded to other areas of policy and delivery](#). Health and social care recovery and winter responses offer opportunities to extend this successful approach, ensuring that funding is **directly benefitting** people and communities who have been hit hard;
- We [must restate a nationwide, cross sector commitment to prevention and early intervention](#). The winter health and care crises clearly demonstrate the need for urgency in strengthening community services and infrastructure. That [should be embedded in how the budget is planned](#), across all directorates and at all levels of planning and delivery;



- [Recognise and support the increasing role of TSIs and the TSI network in a wide range of policy and delivery areas](#) – climate activity, local emergency planning, health and care recovery, creating a wellbeing economy. Scottish Government should also encourage other public bodies to do the same and ensure local funding accompanies new ‘asks’.

5. Conclusion

We face unprecedented challenges as a nation and it may seem easier for all of us to turn away or say that we can do little to respond.

Yet the third sector, social enterprises and volunteers have consistently stepped in to bring people and communities together. That contribution is not always fully valued or respected. Nowhere is this more evident than in the current debate on pay in social care, where many services are delivered by the third sector^{xv}. Warm words don’t pay bills or help to embed fair work practices and yet another opportunity to redress this was missed in the recent Winter Plan for health and care.

The skills, experience and commitment of the third sector, and of TSIs in their supporting role, must be recognised, valued and rewarded. The community structures that deliver food, tackle isolation, help people to live independently and provide practical support *must* be of equal value to physical infrastructure.

The collective power of public procurement must be used more effectively. We are already forgetting the lessons of the pandemic - the importance of local responses and solutions, and strong communities. Whilst public services struggled, the third sector and TSIs stepped up and that contribution has been quickly forgotten.

We ask Government to use the upcoming budget to ensure the third sector can continue to play a part in creating the kind of country we all want to see – fair, compassionate, welcoming, equal and focused on the wellbeing of every citizen.

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- i [equality-opportunity-community-programme-government.pdf \(www.gov.scot\)](#)
- ii [Island Wellbeing Project](#)
- iii [Scotland's Voluntary Service – A Guide for Councillors – TSI Scotland Network](#) 2023
- iv Linning, M. & Maltman, D., 2019. The Contribution of Volunteering to Scotland's Health and Wellbeing. [Online]
- v Stuart, J et al . (2020) The Impacts of Volunteering on the Subjective Wellbeing of Volunteers: A Rapid Evidence Assessment
- vi [Value, Respect and Parity. Fair Work in Scotland's Third Sector \(gcv.s.org.uk\)](#)
- vii Fair Work in the Third Sector in Scotland, GCVS/University of Strathclyde, 2023
- viii [Pre-Budget 2023-24 \(azureedge.net\)](#)
- ix Third Sector Interfaces – TSIs – are based in every area in Scotland and provide practical support and advice, on issues such as funding, governance and planning to charities, community groups, social enterprises, for people who volunteer and volunteering organisations.
- x [Christie Commission Report](#) – Commission on the Future Delivery of Public Services, 2011.
- xi [Voluntary Action Angus](#) has been heavily involved in both emergency responses and recovery after recent, flooding
- xii Stretched to the Limit, 2023
- xiii [Cost of Living Report - Volunteer Scotland](#)
- xiv As above
- xv [Fair-Work-in-the-Third-Sector-Summary.pdf \(gcv.s.org.uk\)](#)
- xvi [Third Sector Tracker W6 \(storage.googleapis.com\)](#)
- xvii [The third sector is a major social and economic actor – SCVO](#)
- xviii Oil in the Machine – An investment in third sector interfaces to better outcomes for citizens, June 2022
- xix [TSI-Outcome-Framework-2018.pdf](#)
- xx [Stirlingshire Voluntary Enterprise \(SVE\) :: Poll \(sventerprise.org.uk\)](#)
- xxi As above, xiii.
- xxii [Volunteer Charter - Volunteer Scotland](#)
- xxiii As above at xx
- xxiv TSI Role in Supporting Climate Action, TSI Network 2022
- xxv [Climate action hubs: apply to set one up - gov.scot \(www.gov.scot\)](#)
- xxvi [GCVS-response-National-Care-Service-consultation-Nov-21.pdf](#)
- xxvii [Public sector reforms must consider workforce impact | Audit Scotland \(audit-scotland.gov.uk\)](#)
- xxviii [The Scottish Third Sector Tracker - wave 6 summary report \(Spring 2023\) – SCVO](#)
- xxix [New Deal with Local Government – Verity House Agreement - gov.scot \(www.gov.scot\)](#)
- xxx [Delivering a New Deal for Business - gov.scot \(www.gov.scot\)](#)
- xxxi As above
- xxxii [Local Fair Funding Charter – TSI Scotland Network](#)
- xxxiii [Fair Funding for the Voluntary Sector – SCVO](#)
- xxxiv [Statement: “With promised £12 per hour base pay no more than the Real Living Wage, social care staff need action now to show they are valued” | CCPS, Oct 23](#)