

**Local Government and Communities Committee:
Inquiry into Local Government Finance**

**Evidence submission from
Voluntary Action Scotland**

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Introduction

Voluntary Action Scotland (VAS) is the new national body representing the interests of the CVS (council for the voluntary sector/service) network and supporting the emergence of Third Sector interfaces. The CVS network consists of 56 independent, locally-governed organisations which support, develop and represent community and voluntary sector organisations across all rural and urban communities in Scotland.

The CVS Network has a combined membership of thousands of organisations ranging from community-based, volunteer driven self-help organisations to large multi-million pound organisations employing many hundreds of people. The network is in contact with the overwhelming majority of the organisations in our sector, a sector which consists of more than 45,000 organisations turning over £4.1 billion, managing £8.6 billion in assets, employing 130,000 paid staff and engaging 1.3 million adult volunteers.

The work CsVS do locally with groups and networks across all thematic interests means we are very well placed to report accurately on current issues affecting our sector.

VAS welcomes the opportunity to submit written evidence on our thoughts and experiences of the current economic situation to the Local Government and Communities Committee.

Impact of the Current Economic Situation on the Third Sector

There is no doubt that the current economic situation is already having a major, negative impact on the Third Sector in Scotland. It is clear this will continue, and be exacerbated by the well-trailed reduction in public sector funding from 2010 onwards.

The direct, adverse impact of the global economic downturn on the third sector are many and varied, these include: loss of self-generated and trading income, reduced reserves; banks are less ready to lend money, and provide overdraft facilities; many organisations have lost significant levels of investment income and bank interest which they previously relied on to fund service development, R & D and community benefit activities; others have faced reductions in public donations and a major drop in private sector sponsorship.

Overall there is less funding available by way of grants from trusts and foundations, and greater competition for these scarce resources. Across Scotland there is a steady flow of mergers while others organisations are closing down, resulting in skilled staff being made redundant volunteers being disengaged and communities no longer benefitting from effective local service delivery.

Many of the small local organisations are vulnerable, starting from an already weak base, annually funded, on standstill incomes, with no reserves. Others in our sector have been dipping into their reserves for years to continue to deliver high quality services but are finding it increasingly hard to continue to do so; some have ceased to tender for contracts altogether because of the costs and risks involved.

Loss of funding streams like Supporting People, lack of access to European funding and removal of ring-fenced funding which the sector was highly successful in accessing, have all created a more competitive funding environment. Changes to policy and priorities as a result of ongoing public sector reform have compounded uncertainty, as had the sheer speed and scale of public sector reforms.

All is certainly not doom and gloom; some new community-based and social enterprise initiatives - particularly around the environment, land and energy - are performing well; it is the more 'traditional' areas such as care services, community learning, youth-work and community arts where the attrition rate appears to be highest.

Alongside challenging economic conditions, many parts of the sector – particularly those providing front-line and lifeline services – are also facing increased demand for their services, which they are struggling to meet.

The third sector is, in general terms robust, and historically has survived many societal changes and global influences; indeed it has often led in the change process

Like our public sector partners we are being challenged to find ways to be creative and innovative to maximise our effectiveness and efficiency in times of scarce and reducing resources.

Scotland's CVS network is working alongside other agencies to play a positive role in promoting and supporting best practice in areas such as good governance and risk management, is encouraging a more business like approach, is helping organisations seek out efficiencies and economies of scale, access funding, bid for contracts, and work collectively in consortia, to seek to improve the sustainability of third sector activity,

This work could be greatly accelerated if there were far greater local access to specific funds and resources earmarked to help organisations fund restructuring, manage change processes, and invest in skills development.

The Third Sector's contribution to economic prosperity and 'healthy' communities

The Third Sector already plays a critical role in all aspects of modern life in Scotland, and contributes significantly to the achievement of Scottish Government and UK Government targets and outcomes.

Our sector has a key role to play in any economic recovery, particularly in the field of employability and active citizenship, but also more generally in supporting community cohesion, health and wellbeing. Third sector organisations are already providing vital services for people most affected by the recession and are increasingly focusing their resources to provide information, advice, guidance and training to help them back into jobs where this is possible, or into meaningful volunteering opportunities where this is more

relevant, and to alleviate the negative health impacts of recession on individuals, families and communities.

The Volunteer Centre (VC) network reports a notable rise in the use of, and supply of volunteers, as people who are unfamiliar with being out of work seek to continue to remain active, keep their skills current and contribute to society. Volunteer Development Scotland and the VC network recently secured a Volunteering Options contract with the DWP to use volunteering as a way to help people move closer to the job market.

Also recently, SCVO led a very successful consortium bid to the DWP's Future Jobs Fund to help young people who are further from the job market get meaningful, supported work placements in the Third Sector in a sustainable way that delivers community benefit. CsVS are also working closely with Local Authorities to deliver more Future Jobs and Modern Apprenticeships opportunities.

Scotland's people face particular challenges in rural areas where population is more dispersed and travel costs are a significant barrier to accessing services. In our urban communities our concentrated areas of deprivation present other challenges in terms of the number of people who require access to services and the public sector's ability to meet that demand.

Oftentimes, when the public sector doesn't have the resources, capacity or expertise they signpost or refer to third sector organisations. The assumption is that the third sector will always act as a safety net and soak up increased demand; this is currently being tested to the limit. Organisations are stating clearly that they cannot continue to service an increasing customer base on reducing funding packages and need to be properly resourced.

As a financial crisis continues or deepens, third sector organisations are being forced to meet demand in a reactive manner and pre-emptive or early intervention work and developmental activity is becoming increasingly difficult, and in many cases is ceasing altogether, stifling creativity and innovation.

Funding from Local Government and Community Planning partners

For many organisations in our sector, the local authority is a key partner in the delivery of public services to some of our most disadvantaged citizens and communities.

It is also a key funder, and this can create uncertainty, especially when public sector agencies have moved very quickly from grant-funding to commissioning, putting new commissioning and procurement systems in place, often in short timescales, and frequently without consultation or 'proofing' for their impact on the third sector, and without supporting the sector through any transitional phase.

The application of national procurement guidance and legislation is variable across the country and across agencies, which makes it difficult for organisations to compete fairly in some areas. Inexperienced commissioners, under severe financial pressures, are still often equating best value with low cost and have been risk averse, favouring larger contractors at the expense of smaller, more local service delivery and healthy competition.

The impact of the economic situation for local authority budgets from 2009/10 onwards is predicted to be severe and has the potential to have a devastating effect on the availability and range of local third sector services fighting poverty and inequality, and supporting health and wellbeing. From previous recessions we know that making short term savings on non-statutory services is attractive but compounds problems downstream.

The removal of much of the ring-fenced funding sources was intended to increase flexibility to meet local need, and has certainly done so. It has however also had a knock-on,

negative effect on key specialist areas, where expertise built up over years has been lost, when funds have been diverted away from specialist services to fund different priorities.

The removal of ring-fencing of Fairer Scotland Fund (FSF) in March 2010 poses still more concerns, as does the position, now being openly articulated by public agencies, that public sector cuts of up to £1 billion will mean that only statutory services are funded, leaving communities without important social, environmental, cultural and sporting opportunities.

Maximising the partnership contribution of the Third Sector

There are positive messages about the sector's place in society and community. Within the Scottish Parliament and Scottish Government there is strong recognition of the transformational role that the third sector is able to play and its immense contribution in building strong communities and supporting active citizenship. The Vision for the Voluntary Sector, Compact agreements, Social Enterprise Strategy, to name just a few, all point to an enhanced role for the sector in the national context.

The third sector has benefited from a growing role in influencing policy and working in partnership to improve outcomes for local communities. In a very positive development, across some, but not all, parts of Scotland the Sector is now represented at the top tables in Community Planning Partnerships (CPPs) and is shaping Single Outcome Agreements (SOAs) to reflect the needs and priorities of our communities and citizens, particularly those considered hardest to reach.

The Scottish Government's Third Sector Division is actively pursuing a localism agenda to ensure the third sector can meaningfully interface, or engage, with the CPP. Greater collaboration in our sector, and with public sector partners to deliver efficient and effective public services is something which VAS strongly supports.

The SOA process with its focus on high level, shared objectives, is an opportunity to focus the collective resources and influence of partners to tackle the local needs in a partnership approach. The third sector is very keen to play a strong part in SOA development and delivery, and to ensure its work is woven into the SOA and is focused on agreed outcomes, at the same time avoiding a position where only that which the SOA contains is funded and supported by community planning partners.

The third sector across Scotland is about community cohesion and capacity building, active citizenship and better outcomes for our communities and citizens. A strong sector, supported by a strong infrastructure, is critical for the success of Scotland.

We need to ensure that in a difficult financial climate we continue to find the resources needed to support the third sector in Scotland.