



Third Sector Funding Principles

A Response from CTA

August 2024

www.ctauk.org

Summary

The Community Transport Association (CTA) welcomes the Social Justice and Social Security Committee's pre-Budget 2025/26 scrutiny of third sector funding principles. The focus of the Scottish Parliamentary inquiry is on longer-term funding arrangements, full cost recovery, inflation-based uplifts, the real Living Wage and application processes.

Community Transport delivers massive social, economic and environmental impact for public money, which the sector variously receives from national government, local government, the NHS and other public bodies or agencies. **Nevertheless, our sector remains widely undervalued and has suffered from historic underinvestment** for the last decade or more.

CTA members report that **short-term funding arrangements and chronic underfunding negatively affects the:**

- **Morale, wellbeing and productivity of their staff and volunteers** facing job insecurity;
- **Health and confidence of their passengers and service users** who depend on Community Transport;
- **Ability of their organisation to plan and develop** with a long-term strategy;
- **Ability of their organisation to recruit and retain talent** in the workforce; and,
- **Successful and smooth delivery of essential transport services** which bring people and communities together, improve public health, tackle transport poverty and reduce carbon emissions.

We believe that this needs to change. We call for investment in community solutions to our national challenges. We support the Scottish Council for Voluntary Organisations (SCVO) campaign for fair, multi-year funding from national government, local government, the NHS and other public bodies or agencies for all of the third sector.

CTA's submission to the Committee on behalf of our members argues that the Scottish Budget 2025/26 should:

- **Deliver a fair funding settlement for local government**, which ends austerity and empowers councils to invest in essential public services, like local buses, and deliver fairer, longer-term funding arrangements for local third sector organisations, like Community Transport operators;

- **Move towards fairer, longer-term funding arrangements** for the third sector across the board, including the Community Transport sector, which feature **inflation-based uplifts** and **contribute to core costs**;
- **Fully fund Fair Work First and the real Living Wage** through all public sector grants and contracts, such as the Network Support Grant;
- **Improve the accessibility, openness and transparency of funding processes** to create a more level playing field for all organisations, regardless of size; and,
- **End late notifications and late payments** for public sector grant recipients.

SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE:

PRE-BUDGET 2025/26 SCRUTINY – THIRD SECTOR FUNDING PRINCIPLES

1. Longer-Term Funding Impact:

What are the benefits of providing longer-term funding arrangements of three years or more for third sector organisations?

The Community Transport Association (CTA) has over 180 members across Scotland. Community Transport operators are local charities, community groups or social enterprises delivering accessible, affordable and sustainable transport projects or services, from local buses to community-owned shared bikes and cars, in their urban, rural or island area on a non-profit basis.¹

The Community Transport sector is today dominated by short-term funding arrangements. The cultural, financial and operational impacts of this are significant and varied. We support the Scottish Council for Voluntary Organisations' (SCVO) long-standing call for fair funding for all of the third sector.²

Many, but not all, Community Transport operators depend on short-term, small-scale grants from the public sector, most frequently their local authority, for their survival. Funding cycles of one-year or less are the norm. Delays in confirmation of funding or processing of payments are common. The Scottish Government, local government, NHS and others need to commit to fairer, longer-term funding arrangements.

In 2021, 38% of CTA members received grant funding from national government, local government, the NHS or another part of the public sector. 35% receive the Network Support Grant, which subsidises commercial and community bus routes to maintain a more extensive network, from Transport Scotland.³ 9% delivered a public contract, such as for supported bus services, home-to-school transport or non-emergency patient transport. Organisations typically also secure income from fares (23%), donations (36%), group vehicle hire (18%), training (7%) and fundraising (19%).⁴

¹ <https://ctauk.org/mapping-scotland-project/>

² <https://scvo.scot/policy/fair-funding-procurement/fair-funding/what-is-fair-funding>

³ <https://ctauk.org/wp-content/uploads/2023/12/Review-of-Network-Support-Grant-CTA-2023.pdf>

⁴ <https://ctauk.org/wp-content/uploads/2022/09/More-Than-a-Minibus-CTA-2022.pdf>

CTA members report that short-term funding arrangements negatively affect the:

- **Morale, wellbeing and productivity of their staff and volunteers**, who are anxious about the uncertain future of the organisation and the security of their paid or unpaid roles, which may be dependent on the continuation of funding;
- **Health and confidence of their passengers and service users**, including older people, disabled people and people with long-term health conditions who depend on Community Transport to stay active, healthy and independent, who do not know whether they can continue to rely on an essential service;
- **Ability of their organisation to plan and develop**, with a damaging focus on short-termism or 'chasing' funding, as well as a lack of time and space for leaders and trustees to consider long-term interests or take strategic decisions; and,
- **Ability of their organisation to recruit and retain talent** due to a lack of job security, competitive salaries or permanent roles, damaging the attractiveness of a career in Community Transport.

The benefits of longer-term, multi-year funding arrangements would be to empower the third sector to improve the morale, wellbeing and productivity of staff and volunteers; protect the health and confidence of service users; develop longer-term, strategic plans which deliver better value for public money; and better recruit and retain talent. It would ensure organisations have the time and space they need to focus on delivering better products and services which improve people's lives, rather than diverting valuable time and resources into protecting or 'chasing' short-term and unstable sources of funding.

Testimonial
"We heard that it was going to stop – I'm really quite worried. I broke my hip and wrist in a fall, so I rely on the door-to-door nature of the bus. I can't get to the bus stop myself and don't get out much other than this. You get used to seeing the same friendly faces each week and we get a blether too. It's a brilliant service. I don't know what I'll do without it."
<i>Community Transport passenger, who was a frequent user of a dial-a-ride service which did not have its annual council funding renewed</i>

2. Longer-Term Funding Impact:

What are the challenges in providing this and how could these be overcome?

Local government, the NHS and other public sector bodies and agencies typically cite a lack of longer-term funding certainty, stability or predictability from national and central government as a barrier to implementing multi-year funding arrangements for the third sector. Annual funding cycles are currently entrenched ways of budgeting and working. These are frequently exacerbated by abrupt policy changes or funding announcements with short lead-in times.

It is important that the UK Government raises levels of public spending to end austerity and that the Scottish Government delivers a fair funding settlement for local authorities, including sufficient resources for meaningful discretionary spending based on local challenges and priorities.

3. Flexibility and Core Funding Needs:

What are the benefits of providing flexible, unrestricted core funding to third sector organisations?

Flexible, unstructured core funding reflects greater levels of trust and respect for the expertise, value and judgement of third sector organisations. It delivers better value for public money by ensuring organisations can afford to have the right skills, modern processes and digital systems in place to improve efficiency and maximise productivity.

4. Flexibility and Core Funding Needs:

What are the challenges in providing this and how could these be overcome?

There can sometimes be a reluctance to contribute to the core costs of the third sector. These are often falsely perceived as only indirectly relevant to the specific project, programme or service which might be being funded, despite being essential to enable it to be delivered at all. It might be expected that administrative, project management or vehicle replacement costs are somehow already covered from another funder or source. Some funders can prefer to fund new or 'innovative' activity with high-profile impact and visibility. A mindset shift is required. There should be a fair and realistic recognition of the full costs of delivering transport services and a commitment to full costs recovery.

5. Sustainable Funding and Inflation Adjustments:

How might including inflation-based uplifts and covering full operating costs influence the overall effectiveness and sustainability of the third sector?

A lack of inflation-based uplifts results in effective real term cuts to funding for the Community Transport sector across Scotland, a steady erosion of the capacity, resources and impact of operators and a landscape of chronic underfunding.

The overwhelming majority of Community Transport operators do not receive inflation-based uplifts to their public sector grants. Some CTA members report council funding for the same or greater services which have not increased for many years – in one case a grant which ‘hasn’t changed in two decades’. Many more report feeling under pressure to continue to deliver ‘more with less’ year after year despite increasing equipment, fuel, maintenance training and vehicle costs. For example, Community Transport vehicle costs alone have increased by 17% in the last 12 to 18 months.⁵

With an ageing population, a shrinking bus network and fast-rising costs, flatlining funding for Community Transport is unfair and unsustainable. In the midst of a cost-of-living and running costs crisis, this poses an existential threat for some Community Transport services, which may not be able to continue in the medium- or long-term. This would have a severe impact on passengers and increase demand for public transport and pressures on other public services.

Testimonial

“As an organisation we are already fighting against council cuts, massive inflation and huge increases in fuel prices and the living wage. I no longer have confidence that we can overcome these challenges.”

Community Transport operator

Testimonial

“We’ve had ongoing core funding from our council and the Health and Social Care Partnership for over a decade. The issue we have is that it never

⁵ <https://ctauk.org/wp-content/uploads/2023/08/Act-Local-CTA-2023.pdf>

increases. Inflation has now had such an effect over the years that we have had a de facto drop – quite a significant drop.”

Community Transport operator

Testimonial

“Our main grant from our council hasn’t changed in two decades. We’re always expected to do more with less. How can we afford to keep up with paying the real Living Wage?”

Community Transport operator

6. Sustainable Funding and Inflation Adjustments:

What are the challenges in providing this and how could these be overcome?

Local government, the NHS and other public sector bodies and agencies typically cite a lack of inflation-based uplifts to their own funding from national or central government as a barrier to implementing longer-term funding arrangements for the third sector.

7. Real Living Wage Commitments:

What impact do you think the ability for third sector organisation to pay their staff the Real Living Wage has on their services?

CTA strongly supports Fair Work and delivers it for our own employees. We recognise its positive benefits for both staff and organisations, from a more positive working culture to improved staff retention rates. It is a key route to making careers and jobs within our sector more attractive and accessible to a larger and broader range of people. We believe that everyone in Community Transport should experience Fair Work, including earning at least the real Living Wage, and support our members to ensure this is the case.

8. Real Living Wage Commitments:

What are the challenges in providing this and how could these be overcome?

Affordability is a real concern for many local charities, community groups and social enterprises, especially smaller employers reliant on short-term, small-scale grants which have not increased to reflect rising staff costs or increases to the rate of the real Living Wage.

Fair Work First conditionality being attached to all public sector grants in Scotland is challenging for some Community Transport operators to meet in the short-term. 14% of CTA members who paid at least the real Living Wage to all of their employees in 2023/24 report that they are unlikely to be able to afford to continue do so for all employees in 2024/25 due a lack of funding and the increase to £12 per hour.⁶

Fair Work and fair funding are inextricably linked. The ability of the third sector to deliver the former is to a large extent reliant on the public sector's willingness to deliver the latter.

Fair Work First must be fully funded by all parts of the public sector. All public sector grants and contracts, including Network Support Grant, need to cover the true and full costs of delivering projects and services, which includes all of the criteria of Fair Work First, especially payment of at least the real Living Wage. However, public sector grants have not increased to reflect increased staff costs or new conditionality.

Testimonial
"Charitable groups, in general, want to pay higher wages, even just in terms of staff retention and morale. But they are constrained by lack of funding."
<i>Community Transport operator</i>

⁶ <https://ctauk.org/wp-content/uploads/2023/12/Review-of-Network-Support-Grant-CTA-2023.pdf>

9. Efficiency in Funding Processes:

How could the process for third sector organisations making funding applications, reporting, and receiving payments be more efficient and consistent?

Firstly, delays in receiving payments are common across the third sector and can cause serious financial disruption for organisations. Notification and payment should take place in a timely manner. Too often this is not the case, putting services, jobs and livelihoods at risk. Deadlines for producing and submitting applications are often issued at short notice or with unreasonable timescales to force delivery or implementation before the end of the financial year.

Secondly, funding processes can make disproportionate demands of applicants. This typically favours larger organisations with greater capacity and a designated team or staff member dedicated to identifying opportunities, gathering evidence and completing applications. Applying should be a realistic endeavour for all eligible organisations on a more level playing field.

Thirdly, the competitive funding model can also be damaging, because rather than being able to develop deeper, fairer and longer-term partnerships focused on outcomes and impact with the public sector, third sector organisations are focused on administration and bureaucracy, compelled to devote significant time and resources to fighting each other for limited, short-term funding. Moving towards a public-social partnership model would have significant benefits.⁷

10. Efficiency in Funding Processes:

What are the challenges in providing this and how could these be overcome?

Processes could be made more efficient, consistent and proportionate, as well as inclusive and transparent, by ensuring accessible, clear and open communication. Many funding processes do not provide opportunities for direct discussions with administrators, such as phone lines, online drop-in sessions or in-person meetings, which could provide better guidance and feedback, support stronger applications and resolve complex queries.

⁷ <https://ctauk.org/show-and-tell-with-glenfarg-community-transport-group/>

These are changes which CTA has called for in relation to the Network Support Grant, for example, which is an important source of funding for the Community Transport sector.⁸

Further information

David Kelly, Director for Scotland: david.kelly@ctauk.org

The Community Transport Association is a UK charity and membership organisation. We represent over 180 communities delivering their own transport solutions in urban, rural and island places across Scotland.

We lead a Community Transport movement. We promote excellence through training, resources, publications, advice, events, consultancy and project support. We believe everyone should have access to local transport which meets their needs.

www.ctauk.org

⁸ <https://ctauk.org/wp-content/uploads/2023/12/Review-of-Network-Support-Grant-CTA-2023.pdf>