

## Public Services and Government

### **The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study (2009–2013) Year Four and Final Report**

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The Scottish Government acknowledges that the third sector has a key role to play in delivering public services that are high quality, continually improving, efficient and responsive to local people's needs. This paper summarises a 4-year study examining the opportunities and challenges facing third sector organisations in Scotland in the delivery of public services from 2009–2013.

### Main Findings

- Public sector bodies and other funders and commissioners need a greater understanding of the third sector, particularly their unique contributions to service delivery for the benefit of our society.
- The mechanisms by which third sector organisations engage with public bodies do not appear to have had the full desired impact during the period of the study. Consideration needs to be given to how these mechanisms represent and give voice to the third sector. Attitudes across public bodies need to be re-assessed to ensure that the contribution by third sector organisations to public services are discussed and, where appropriate, acted upon.
- The core organisational capacity of third sector organisations is under pressure as a result of funding reductions and changes to commissioning models. There has been a reduction in the capacity of some third sector organisations to retain and train experienced staff, leading to a loss of organisational skills and capacity.
- The complexity and diversity of funding and procurement systems is placing considerable pressure on limited third sector internal organisational resources to engage in bidding to deliver public services. Greater transparency and simplicity on the part of funders and commissioners would enable third sector organisations to reduce expenditure on the commissioning and tendering process.
- There is a need for effective forums so that Community Planning Partnerships (CPPs) can learn from each other in terms of their relationships with, and effects on, the third sector.
- Pressures on funding from commissioning bodies, in particular local authorities, have affected the working conditions for third sector front-line staff.
- Third sector organisations demonstrated resilience and adaptability at a time of significant change to the political, social and economic environment.

## Introduction

The Scottish Government has acknowledged that the third sector has a key role to play in delivering public services that are high quality, continually improving, efficient and responsive to local people's needs.

This study explored the experiences of third sector organisations (TSOs) in Scotland over time in response to the challenges and opportunities of the political and economic environment in which they operated over 2009–2013.

During this period, TSOs have enacted radical change to their internal management and Board structures to better align their function with the changing external environment.

## Methodology

The methodology involved qualitative research with 21 TSOs based in Scotland over 4 years.

The methodology involved two key components: (1) in-depth case studies with eight TSOs repeated each year and (2) three focus groups (covering employability, equalities and social care) involving thirteen additional TSOs which each met 8 times.

## Policy Background

From 2009-11, there was an SNP (Scottish National Party) minority Government in Scotland followed by an SNP majority Administration after the 2011 election. The UK Government was Labour until 2010 and then a Conservative and Liberal Democrat Coalition. The Scottish Government has announced they will be holding a referendum on Scottish independence on 18th September 2014.

Major UK policy issues affecting the third sector in Scotland include: public spending reviews; and a series of welfare reforms.

Further, the continued economic downturn and the current and future budget constraints will continue to impact on the third sector.

Over the period of the research, Scottish policies of particular relevance to the third sector included:

- the Scottish Government's commitment to promoting high quality public services;
- the 2007 Concordat between the Scottish Government and local government;
- a major programme of change in local third sector infrastructure;

- the Enterprising Third Sector Action Plan (2008-2011);
- the Public-Social Partnership Programme; the development of models and tools as a means of measuring how TSOs deliver social and environmental benefits;
- the Joint Statement on the Relationship at Local Level between Government and the Third Sector;
- the Christie Commission;
- the introduction of greater personalisation of services and Self-directed support;
- investment in preventative approaches.

## Impacts of Policy and Funding Change on TSOs

**Localism:** While the principle of localism is often supported by TSOs, the impact on them in practice had been more problematic e.g. TSOs having to negotiate with numerous local authorities and 'disconnected' policies.

**Personalisation:** The move to greater personalisation of services is seen as a positive step. However, TSOs perceive that most Scottish local authorities have yet to fully implement the Self-directed support agenda, and concerns were raised that some local authorities are using it as a cost-cutting exercise.

**Christie Commission:** Awareness of the recommendations of the Christie Commission among TSOs increased over time. While most supported the recommendations and cited that it was an approach that many TSOs were taking already, there was concern that there was virtually no additional funding to help TSOs implement the recommendations of the Commission.

**Work Programme:** The majority of TSOs engaged with the Work Programme have found that it has presented challenges rather than opportunities, especially as they had invested in preparing for it but had received relatively few referrals.

**Independence Referendum:** Most participants stated that they had not yet significantly prepared for the Scottish independence referendum.

**Securing Core Funding:** A persistent theme across each of the four years has been the problem of securing core funding and maintaining internal capacity. The reduction in the availability of funding for core costs has had an impact on the capacity of TSOs to retain head office staff, pay for staff training, and research for advocacy etc.

**Public-Social Partnerships:** Experience of them remained limited across the participating organisations.

**Re-tendering:** A theme in Year 4 was the use of re-tendering by local authorities, for services already being provided by TSOs. Re-tendering was understood by TSOs to often be a cost saving exercise on the part of local authorities.

**New Funding Opportunities:** Despite the challenges faced by standstill funding or funding cuts, many TSOs also felt that some new opportunities for funding were emerging. However, concern was raised that new initiatives are being promoted at the expense of existing more efficient and effective projects.

**Performance and Outcome Measures:** There was continued focus on outcomes rather than outputs and increased focus on compliance and scrutiny. Some organisations had experienced changes in the systems used by funders and commissioners to measure outcomes, or had made alterations to their own internal systems. As with previous years, there was continued inconsistency in the information requirements of funders and commissioners regarding reporting on performance and outcomes.

## Organisational Responses to Change

**Partnerships and External Relationships:** While TSOs recognise the importance of partnership working, in times of economic pressure organisations may tend to defend their own interests.

There is considerable variation in the relationships between TSOs and local authorities in different areas. Participants perceived that third sector involvement in local authority decision-making processes was usually tokenistic. Engagement with third sector interfaces was low.

Turnover of Scottish Government officials caused difficulties in retention of knowledge and consistency, leading to duplication of work for TSOs.

Participants continued to be involved with intermediary organisations such as SCVO, using their information services for example. Partnerships and relationships with private sector organisations may become increasingly important especially in relation to contracting under the Work Programme.

**Governance and Leadership:** Across most of the TSOs there has been change to senior management teams, Boards of Trustees and governance structures between 2009 and 2013.

Recently the composition of Boards appears to have stabilised, although over the study period the composition changed; in general their role appears to have become more professional and more closely integrated into the overall strategic direction of the organisation.

Maintaining staff morale in a time of economic uncertainty and dealing with the pressure on organisational budgets are some of the key challenges faced by TSO managers.

**Changing Organisational Structures and Working Conditions:** The internal structure of TSOs has changed significantly. Cost savings were being made through front-line staff wage freezes, and redundancies and reduced working hours for other staff. Under the personalisation agenda, services and staff have to be more flexible and responsive to the needs of the customer.

## Conclusions

This four-year study has provided a large amount of 'real time' useful new information, analysis and insight for contemporary and future policy and analytical purposes. It should help inform Government and local authority policy and practice in the future, as well as that of TSOs.

The study has not only provided a cumulatively more valuable store of information but is also likely to have had some influence on participant TSOs and Government views. The process of carrying out the research and meetings resulted in the organisations reflecting on their strategies and actions and learning from the other participants. For the Scottish Government, the process allowed fast or sometimes near contemporaneous feedback on the effects of current conditions, policies and initiatives.

Looking to the future, changes in the policy and funding environment are likely to fundamentally alter the way in which services are delivered by TSOs. This will have a significant impact on the experience of those for whom the services that the third sector provides are so important. This research has highlighted the wide range of strategies applied by third sector organisations in reaction to, and in anticipation of, changes in their environment. Recognition needs to be given to the excellent work of the third sector in the delivery of vital public services and a clearer understanding articulated of their unique contribution to service delivery across Scotland.

This document, along with full research report of the project, and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>. If you have any further queries about social research, please contact us at [socialresearch@scotland.gsi.gov.uk](mailto:socialresearch@scotland.gsi.gov.uk) or on 0131-244 2111.

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