



The Scottish
Government
Riaghaltas na h-Alba

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 4 and Final Report



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

**Matthew Dutton - Employment Research Institute, Edinburgh
Napier University**

**Valerie Egdell - Employment Research Institute, Edinburgh Napier
University**

**Ronald McQuaid - Employment Research Institute, Edinburgh
Napier University**

**Stephen P. Osborne - Centre for Public Services Research,
University of Edinburgh Business School**

Scottish Government Social Research
2013

This report is available on the Scottish Government Publications Website
(<http://www.scotland.gov.uk/Publications/Recent>).

The views expressed in this report are those of the researcher and do not necessarily represent those of the Scottish Government or Scottish Ministers.

© Crown copyright 2013

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk

Table of Contents

ACKNOWLEDGMENTS.....	4
GLOSSARY	5
EXECUTIVE SUMMARY.....	7
Introduction	7
Policy Background – The Third Sector in Scotland.....	7
Impacts of Policy and Funding Change on Third Sector Organisations.....	8
Organisational Responses to Change	10
Conclusions	11
1 INTRODUCTION	13
Methodology	13
Structure of the Report.....	14
2 POLICY BACKGROUND – THE THIRD SECTOR IN SCOTLAND.....	16
Scottish and UK Public Spending Reviews.....	16
Key Policy Developments from the UK Government.....	17
Key Policy Developments from the Scottish Government.....	18
3 IMPACTS OF POLICY AND FUNDING CHANGE ON THIRD SECTOR ORGANISATIONS	22
Changes in the Policy Environment	23
Changes in the Funding Environment.....	33
Performance and Outcome Measures	39
4 ORGANISATIONAL RESPONSES TO CHANGE	43
Partnerships and External Relationships	44
Governance and Leadership.....	50
Restructuring and Working Conditions.....	53
5 CONCLUSIONS.....	58
The Study Process.....	58
Research Conclusions 2009-2013.....	58
Other Issues Concerning the Future of Third Sector Organisations.....	61
APPENDIX A: METHODOLOGY	63
Initial Selection of Case Study and Group Work Organisations	63
In-depth Case Studies	64

Focus Groups	64
Anonymity	65
Analysis.....	65
Methodological Challenges	65
APPENDIX B: YEAR 4 INTERVIEW SCHEDULE.....	67
APPENDIX C: PARTICIPANTS	70
Participants in the Case Studies	70
Composition of the Focus Groups.....	71
APPENDIX D: ORGANISATIONAL PROFILES	72
Case Study Organisations	72
Focus Groups	73
APPENDIX E: CASE STUDIES	77
REFERENCES.....	82

ACKNOWLEDGMENTS

The research team would like to thank all the organisations and respondents who gave their time generously in order to participate in and make this research project possible.

We would also like to thank staff at the Scottish Government and members of the Research Advisory Group (RAG) for their support and guidance during the four years of the project:

Kay Barclay, Scottish Government
Denise Swanson, Scottish Government
David Milne, Scottish Government
Sinead Power, Scottish Government
Shona MacPherson, Scottish Government
Anita Morrison, Scottish Government
Sarah Campbell, Scottish Government
David Henderson, Scottish Government
Jacqueline Rae, Scottish Government
Keira Oliver, Scottish Government
Ruchir Shah, SCVO
David McColgan, SCVO
Jenny Bloomfield, SCVO
Jon Harris, COSLA
Pat Armstrong, ACOSVO
Bren Neale, Leeds University
Jeni Harden, Edinburgh Napier University
Kathryn Backett Millburn, University of Edinburgh
Louise Meikleham, OSCR
Nancy Fancott, Coalition of Care and Support Providers in Scotland

GLOSSARY

Term	Acronym	Definition
Community Planning Partnerships	CPP	Community Planning is a process whereby public services in the area of the local authority are planned and provided after consultation and (on-going) co-operation among all public bodies and with community bodies. In each local authority area a CPP exists to oversee and implement this. www.scotland.gov.uk/Topics/Government/PublicServiceReform/CP
Convention of Scottish Local Government Authorities	COSLA	Convention of Scottish Local Government Authorities is the representative voice of Scottish local government and also acts as the employers' association on behalf of all Scottish local authorities. www.cosla.gov.uk
Council for Voluntary Service	CVS	Co-ordinating and support body for the third sector in a local area.
European Social Fund	ESF	A form of EU funding for local, regional and national employment-related projects. http://ec.europa.eu/esf/home.jsp
Office of the Scottish Charity Regulator	OSCR	Independent regulator and registrar of Scottish charities. www.oscr.org.uk
Scottish Council for Voluntary Organisations	SCVO	Umbrella body for voluntary organisations in Scotland. www.scvo.org.uk
Self-directed Support	SDS	Self-directed support is a term that describes the ways in which individuals and families can have informed choice about the way support is provided to them. It includes a range of options for exercising those choices. Through a co-production approach to agreeing individual outcomes, options are considered for ways in which available resources can be used so

		<p>people can have greater levels of control over how their support needs are met, and by whom.</p> <p>www.scotland.gov.uk/Publications/2010/02/05133942/3</p>
Single Outcome Agreement	SOA	<p>Agreements between the Scottish Government and CPPs which set out how each will work towards improving outcomes for the local people in a way that reflects local circumstances and priorities, within the context of the Government's National Outcomes and Purpose.</p>
Social Return on Investment	SROI	<p>Means of valuing the return of an investment made by a programme/organisation that incorporates wider social as well as financial returns. It uses financial comparators or 'proxies' to report on these impacts.</p> <p>www.scotland.gov.uk/Topics/People/15300/SROI</p>
Third Sector Organisation	TSO	<p>Voluntary, community, and not-for-profit organisations.</p>

EXECUTIVE SUMMARY

Introduction

This report presents findings from a four-year research project (2009 – 2013) entitled 'The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland'. The work was commissioned by the Scottish Government and carried out by the Employment Research Institute at Edinburgh Napier University and the Centre for Public Services Research at Edinburgh University.

The report uses qualitative longitudinal research within 21 third sector organisations based in Scotland to investigate their responses to the opportunities and challenges of the changing public services landscape in Scotland between 2009 and 2013. It builds upon the earlier reports on each of the first three years of the project.

Policy Background – The Third Sector in Scotland

After being a minority government from 2007 in Scotland, the SNP (Scottish National Party) became a majority administration after the 2011 election. The Scottish Government has announced they will be holding a referendum on Scottish independence on 18th September 2014. The UK Government, elected in 2010, continues to be a Conservative and Liberal Democrat coalition.

Major UK policy issues affecting the third sector in Scotland include: public spending reviews; and a series of reforms to the welfare system. These reforms are designed to improve incentives to work, to help reduce poverty and reduce the cost of welfare at a time when spending reviews are taking place to address high levels of public deficit.

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 policy developments of particular relevance to the third sector included:

- The Scottish Government's commitment to promoting high quality public services and the importance of the third sector in on-going public service reform.
- The 2007 Concordat between the Scottish Government and local government which reduced ring-fencing and devolved control of some budgets to local authorities and Community Planning Partnerships (Scottish Government, 2007).
- A major programme of change in local third sector infrastructure with the announcement in March 2008 that as of April 2011 the Scottish Government would no longer fund networks of Councils of Voluntary Service, volunteer centres, local social economy partnerships and social enterprise networks in their current form. This led to the development of new third sector 'interfaces' in each Community Planning Partnership/local authority area in Scotland.

- The Enterprising Third Sector Action Plan (2008-2011) which aimed to support enterprising behaviour in the third sector, including the Scottish Investment Fund (£30M) and the Enterprise Fund (£12M) (Scottish Government, 2008).
- The public-social partnership programme was launched in November 2009. It involves the public sector and the third sector working in partnership to design and deliver public services (Scottish Government, 2011).
- The development of models and tools as a means of measuring how third sector organisations deliver social and environmental benefits. The Scottish Government funded Social Return on Investment project ran between 2009 and 2011. The findings and practical advice, along with a range of other measurement tools are available at www.socialimpactscotland.org.uk
- The Joint Statement on the Relationship at Local Level between Government and Third Sector (Scottish Government et al., 2009).
- The Social Care (Self-directed Support) (Scotland) Bill provides service users (adults and children) with a high level of involvement in the way in which their care is arranged (Scottish Parliament, 2012).
- The Christie Commission reported in June 2011 on how Scotland's public services can be delivered in the future to secure improved outcomes for communities across the country (Christie, 2011).
- Investment in preventative approaches across three areas: supporting adult social care; early years and tackling re-offending (Swinney, 2011). These are known as the Change Funds.
- The Scottish Independence Referendum which will be held on 18 September 2014.
- In November 2012 a new living wage of £7.45 was announced for public sector employees, and private, public and third sector employers have been urged to follow suit (Scottish Government, 2012b).

Impacts of Policy and Funding Change on Third Sector Organisations

Changes in the Policy Environment

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

The move to greater personalisation of services is seen as a positive step. However, third sector organisations perceive that most Scottish local authorities have yet to fully implement the Self-directed support (SDS) agenda and there are concerns that some local authorities are using it as a cost-cutting exercise.

Awareness of the recommendations of the Christie Commission was more widespread among third sector organisations in Year 4 of the project. While most supported the recommendations and cited that it was an approach that many third sector organisations were taking already, there was concern that there was virtually no additional funding to help third sector organisations implement the recommendations of the Commission.

The majority of third sector participants engaged with the Work Programme have found that it has presented challenges rather than opportunities e.g. they have received few referrals, or have experienced the loss of funding.

Most participants stated that they had not significantly prepared for the Scottish independence referendum.

Changes in the Funding Environment

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 third sector organisations to retain head office staff, pay for staff training etc.

In order to facilitate the greater involvement of third sector organisations in service design, the Public Social Partnerships (PSP) model has been developed in recent years. However, experience of them remained limited across the participating organisations.

A theme emerging from interviews with third sector organisations in Year 4 was the use of re-tendering by local authorities, for services already being provided by third sector organisations. Re-tendering was understood by third sector organisations to often be a cost saving exercise on the part of local authorities.

The issue of funders and commissioners not meeting their own schedules for announcing the outcomes of tenders was becoming an issue in Year 4.

The problems of cash flow for third sector organisations were also not always recognised.

Despite the challenges faced by standstill funding or funding cuts, many third sector organisations also felt that some new opportunities for funding were emerging. However, there are dangers of a preoccupation with new initiatives being promoted while more efficient and effective projects are stopped.

Performance and Outcome Measures

In Year 4 previous trends in measuring outcomes continued e.g. a focus on outcomes rather than outputs and increased compliance and scrutiny. Some organisations had experienced some changes in the systems used by funders and commissioners to measure outcomes, or had made alterations to their own internal systems.

The theme of inconsistency in funders and commissioners' requirements regarding reporting performance and outcomes (relevant in Year 1-3) continued. Some organisations had tried to directly engage with funders and commissioners to develop universal monitoring or had improved their own internal systems in order to address these challenges.

The theme of inconsistencies in funders and commissioners' information requirements continued, with additional resources having to be spent on providing similar information in different ways to different local authorities.

Organisational Responses to Change

Partnerships and External Relationships

While third sector organisations recognise the importance of partnership working, in times of economic pressure organisations may tend to defend their own interests. Specific funding streams and the Public Social Partnership model were cited by third sector organisations as providing momentum for developing partnerships.

There is considerable variation in the relationships between third sector organisations and local authorities in different areas. Participants perceived that third sector involvement in local authority decision making processes was usually tokenistic. Also, the turnover of Scottish Government officials moving posts caused difficulties of knowledge, consistency and duplication for third sector organisations.

By Year 4 nearly all of the participants had heard of the third sector interfaces, but engagement with them was low. Participants continued to be involved with intermediary organisations such as SCVO, using their information services for example. Partnerships and relationships with private sector organisations are increasingly important e.g. because of its leading role in the delivery of the Work Programme; and the importance of corporate social responsibility for private sector organisations.

Governance and Leadership

Across most of the organisations participating in this research there has been change to senior management teams, boards of trustees and governance structures in the period 2009-2013.

In Year 4, the composition of board members appears to have stabilised in many of the third sector organisations, although this was not the case in all organisations. The composition of boards is changing; 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 managers. The Self-directed support agenda means that leadership structures

are likely to change to reflect an increased need for managerial flexibility and responsiveness.

Changing Organisational Structures and Working Conditions

The internal structure of third sector organisations participating in this research has changed significantly over the period 2009 to 2013 e.g. the structure of senior management teams; the function of Boards of Trustees; the terms and conditions for staff; the mission and purpose of organisations.

Cost savings were being made through wage freezes on front-line staff. This has meant a real terms decrease in take home pay for many third sector staff. Cost savings were also being made through redundancies and reduced working hours for other staff. Under personalisation, services have to be more flexible and responsive to the needs of the customer.

Overlapping with the responses to specific policy and funding changes, discussed above, there appeared to be major developments within our participating third sector organisations in terms of partnership relationships with external bodies, organisational leadership, and changing organisational structures and working conditions.

Conclusions

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

The study not only provided a cumulatively more valuable store of information but also is likely to have had some influence on participant third sector organisations, 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.

In addition to those raised in the previous sections, a number of issues are highlighted by this study. First, there is a need for in-depth knowledge of the development of the third sector, especially, but not exclusively, in times of turbulent change.

Public sector bodies and other funders and commissioners need a greater understanding of the third sector including their unique contributions, how these can better be used for the benefit of all (not least service users), and the pressures they face (including issues such as uncertainty or cash flow). The mechanisms by which third sector organisations engage with public bodies, for example the Third Sector Interfaces, do not appear to have had the full desired impact. Consideration needs to be given to how these mechanisms represent and give voice to the third sector to ensure that the views of organisations are heard at all levels of government, and a greater understanding of how the actions of public bodies can, unintentionally, cause

difficulties for third sector organisations; and that the engagement of organisations in these mechanisms is meaningful.

The mechanisms for improving both day-to-day and strategic dialogue between public bodies and third sector organisations could be improved but there also needs to be a wider change in attitudes across public bodies to ensure that the issues faced by third sector organisations are discussed and, where appropriate, acted upon.

The need for support for core organisational capacity (in terms of expertise, training, support etc.) is increasingly difficult to obtain, with one future result perhaps being a greater homogeneity of solutions and lack of innovation in the sector.

The funding/procurement models being used will have profound impacts upon the structure of the third sector as a whole, and different types of third sector organisations. It is important that the overall impacts of funding changes be considered rather than just the impact of a single programme or set of projects. The incentives created in funding processes may have a perverse effect over time. Consideration should be given to having as much consistency across practical bidding documents and processes as possible, to reduce the overall costs to bidders (which should lead to lower public sector costs).

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 effect on, the third sector. There may also be third sector organisations elsewhere that can fill the local gaps perceived by CPPs. It would be useful to have a systematic evaluation of Single Outcome Agreements across Scotland to identify common gaps, services etc. and the role of third sector organisations in helping fill these. In March 2013, Audit Scotland published a report on how Community Planning can be improved. The report contains valuable recommendations that, if implemented, could improve the voice of the third sector in CPPs.

The impact of pressure on funding from commissioning bodies, in particular, local authorities has affected the working conditions experienced by front-line staff within third sector organisations. It is important that the experience and good practice described in this report are considered carefully in relation to the implications for the way in which third sector organisations manage change at a time of financial pressure.

Finally, recognition needs to be given to the excellent work of the third sector in delivering public services and a clearer understanding articulated of their unique contribution to service delivery across Scotland.

1 INTRODUCTION

Chapter 1 presents the background, research objectives and methodology of the four-year research project entitled 'The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland'.

- 1.1 The work was commissioned by the Scottish Government and carried out by the Employment research Institute at Edinburgh Napier University and the Centre for Public Services Research at Edinburgh University. The report uses case studies and focus groups with third sector organisations to understand their responses to the opportunities and challenges of the changing public services landscape in Scotland between 2009 and 2013. It builds upon the earlier reports on each of the first three years of the project.
- 1.2 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. The report will inform future partnership working with the third sector.
- 1.3 The research objectives were:
 - Identify the role and distinctive added value of third sector organisations delivering public services;
 - Identify features of effective partnership working between the public sector and third sector organisations;
 - Assess the impact of Scottish Government and local government policy and budget priorities on third sector organisations' changing practice and management;
 - Track the impact of the economic downturn and budget limitations on third sector organisations' roles in public service delivery;
 - Describe how third sector organisations contribute to progress on Single Outcome Agreement and the work of Community Planning Partnerships;
 - Enable third sector organisations to articulate views on the appropriateness of funders and commissioners' oversight, evaluation and management procedures.

Methodology

- 1.4 The methodology involved qualitative longitudinal research with 21¹ third sector organisations based in Scotland over a four-year period. The organisations that participated in the research were providers covering a

¹ See Appendices A-D for more details on the methods, interview schedule and participating organisations.

range of public services including: health and social care; employability; and learning. National, regional and local providers were included in the research.

- 1.5 A qualitative longitudinal approach was used to ensure that the complex and fluid experiences of participants over a four-year period were reflected in the report. A qualitative approach ensured that interviewers could explore important and sensitive issues in depth with research participants. The importance of understanding and reporting changes over time within third sector organisations and how those changes are embedded in patterns of social, economic and political change has meant that a broad range of issues were explored during interviews between researchers and participants.
- 1.6 The methodology involved two key components: (1) in-depth case studies with eight third sector organisations and; (2) three focus groups involving 13 additional third sector organisations.
 - The case studies included face-to-face interviews with staff at different levels of the organisation. These included: chief executives; other senior officers/managers; research/policy officers; business/planning managers; operational and line managers; front line staff delivering services.
 - 13 organisations were divided into three focus groups. Each focus group pulled together organisations with strong interests in particular areas. These were: (a) equalities; (b) social care and health care, and (c) employability/economic development/regeneration (note that these categorisations were not applied rigidly and there was some overlap in the activities of organisations). One representative from each organisation (usually the chief executive or a member of the senior management team) attended the focus groups. Where an organisational representative was unable to attend the focus group, telephone interviews were conducted.
- 1.7 Appendix A outlines the methodology in more detail. Osborne et al., (2011, 2012a/b) reports on the results of the previous three years. All quotations in the current report are from Year 4, unless otherwise specified.

Structure of the Report

- 1.8 Chapter 2 outlines the policy environment over the previous four years of the study and briefly highlights some of the key issues affecting the third sector in Scotland. The self-directed care agenda, welfare reform, public spending reviews and the Christie Commission are briefly discussed in relation to their impact on the third sector.
- 1.9 Chapter 3 considers the impact of policy and funding changes on third sector organisations between 2009 and 2013 and draws on the empirical data collected for this research.
- 1.10 Chapter 4 considers the impact of the changes on partnership relationships with external bodies, organisational leadership, and changing organisational structures and working conditions.

- 1.11 Chapter 5 presents conclusions.
- 1.12 Appendix A presents the methodology. Appendix B presents the Year 4 interview schedule. Appendix C provides details about the characteristics of the participants. Appendix D presents organisational profiles of the participating third sector organisations. Appendix E provides case studies of change over the four years in four of the participating third sector organisations.

2 POLICY BACKGROUND – THE THIRD SECTOR IN SCOTLAND

Chapter 2 outlines the policy environment over the previous four years of the study (October 2009 to September 2013) and briefly highlights some of the key issues affecting the third sector in Scotland. Major issues included: the Self-directed care agenda, welfare reform, public spending reviews and the Christie Commission and the introduction of the Work Programme.

Scottish and UK Public Spending Reviews

2.1 The SNP (Scottish National Party) Government has now been in office in Scotland as a majority administration since 2011 and has announced they will be holding a referendum on Scottish independence in September 2014. The UK Government continues to be a Conservative and Liberal Democrat coalition. Table 1 outlines the parties of government at UK and Scottish levels across the four years of the research.

	Scottish Government	UK Government
Year 1 report 2010	SNP minority Government	Labour Government until May 2010 election
Year 2 report 2011	SNP majority Government following May 2011 election	Conservative and Liberal Democrat Coalition
Year 3 report 2012	SNP majority Government	Conservative and Liberal Democrat Coalition
Year 4 report 2013	SNP majority Government	Conservative and Liberal Democrat Coalition

2.2 In 2010, the UK Coalition Government announced its plans to reduce the national deficit. The plans set out a strategy to reduce government spending with a focus on reducing welfare costs and wasteful spending (HM Treasury, 2010a). The aim is to bring public spending as a percentage of gross domestic product (GDP) back to levels seen in 2006-07. In addition to the planned reduction in government spending, the UK Government public spending review also highlights the role of the non-state sector in delivering public services as part of a broader programme of redistributing power away from central government, and improving the quality and outcomes from services. This developed role for the third sector in the delivery of public services may increase opportunities for the third sector to deliver public services at a time of deficit reduction, for example:

“The government will look at setting proportions of appropriate services across the public sector that should be delivered by independent providers, such as the voluntary and community sectors and social and private enterprises. This approach will be explored in adult social care,

early years, community health services, pathology services, youth services, court and tribunal services, and early interventions for the neediest families.” (HM Treasury, 2010a: 34)

- 2.3 As a result of the UK Government Public Spending Review, the Scottish Budget (departmental expenditure limits) is being reduced by a cumulative 11.2% in real terms over four years from 2011/12 to 2014/15 (Scottish Government, 2010c). The Scottish Draft Budget proposes that the real-terms change year on year of the departmental expenditure limits will be -3.0% in 2013/14 and -1.7% in 2014/15 (Scottish Government, 2012c). Reductions in public spending are likely to continue beyond 2015. The Scottish Government has suggested that the Scottish total departmental expenditure limit for 2016/17 will be 17% lower in real terms than that for 2010/11 (Scottish Government, 2012c).
- 2.4 Local government, an important source of contract funding for the third sector, is increasingly dependent on grants from the Scottish Government. The Scottish Government provides a block grant to local authorities which provides around 85% of their net revenue expenditure (Scottish Government, 2013a). Over the period 2006/07 to 2010/11, revenue grants from the Scottish Government grew from 54% to 59% of local government revenue (Bell, 2012). The Scottish Draft Budget proposes no increase in spending for the third sector between 2013/14 and 2014/15. In this period the budget will remain at £24.5m however in real terms at 2013/14 prices this will mean a reduction to £23.3m by 2014/15 (Scottish Government, 2012c). This money is intended to build capacity and credibility of the third sector’s contribution to public policy; ensure that the sector can develop programmes to meet the preventative spend agenda; and encourage a social enterprise model² to increase the economic contribution of the sector. However, although the Scottish Government and non-departmental bodies contributed the greatest percentage of grant/service level agreement funding to larger Scottish third sector organisations, local authorities and non-departmental bodies contributed the greatest percentage of contract funding to larger charities. 57% of the total income reported for larger charities was generated from public sector sources (OSCR, 2011). Therefore, a fall in public spending is highly likely to impact on the third sector.

Key Policy Developments from the UK Government

- 2.5 The election of the UK Conservative and Liberal Democrat Coalition Government in May 2010 (after 13 years of a Labour Government), together with the continuing economic crisis, were significant changes which led to a range of new policies. Since June 2010 the UK Coalition Government has announced several reductions to the welfare and other budgets beginning with the June 2010 Emergency Budget (HM Treasury, 2010b) and more recently the 2012 Autumn Statement (HM Treasury, 2012) and the UK 2013 Budget (HM Treasury, 2013). The Coalition Government has also introduced a series of reforms to the welfare system. These reforms are designed to

² Businesses that trade for social and/or environmental purposes. Profits or surpluses are reinvested into their social and environmental purposes.

improve incentives to work, to help reduce poverty and reduce the cost of welfare at a time when spending reviews are taking place to address high levels of public deficit. Major changes affecting the welfare system include: the introduction of the Universal Credit³ for those who are seeking work; the Work Programme⁴; the reassessment of incapacity benefit recipients for Employment and Support Allowance and the Work Capability Assessment to assess capability for work; reform to Housing Benefit with changes to eligibility for the size of houses and number of bedrooms; improving access to personalised services; and extending the availability of Direct Payments⁵ to individuals.

- 2.6 Some of the third sector organisations that participated in this study operate in areas covered by the UK Government (such as those working in the area of employment or other Reserved (non-devolved) issues). However, even in these areas the Scottish Government has some powers to implement complementary programmes, such as skills development programmes, which affect those third sector organisations working in employability. Scottish Government policies more directly affected those third sector organisations specialising in health and social care and/or who mainly dealt with local authorities.

Key Policy Developments from the Scottish Government

- 2.7 In Scotland the government shifted from being a minority SNP led Government (between 2007 and 2011) to a majority SNP Government following the elections in 2011. Over the period of the research, Scottish policy developments of particular relevance to the third sector included:
- 2.8 The Scottish Government's commitment to promoting high quality public services and the importance of the third sector in on-going public service reform.
- 2.9 The 2007 Concordat between the Scottish Government and local government which reduced ring-fencing and devolved control of some budgets to local authorities (LAs) and Community Planning Partnerships (CPPs). This fundamentally changed the relationship between national and local government in Scotland. This aimed to promote the alignment of funding and activities within local authorities and other areas of the public sector with the Scottish Government's [Purpose](#) and [National Outcomes](#) (Scottish Government, 2007).
- 2.10 A major programme of change in local third sector infrastructure with the announcement in March 2008 that as of April 2011 the Scottish Government would no longer fund networks of Councils of Voluntary Service (CVSs),

³ The proposed new form of welfare payments that brings together a range of working-age benefits (e.g. Income Support, Jobseeker's Allowance) into a single payment.

⁴ A mandatory Department for Work and Pensions programme that provides support, work experience and training for up to 2 years to help people (mainly the long-term unemployed) find and stay in work. It is provided by two private, prime contractors in Scotland.

⁵ Local authority payments available for anyone who has been assessed as needing help from social services. They are normally available to carers aged 16 or over.

volunteer centres, local social economy partnerships and social enterprise networks in their current form. This led to the development of new third sector 'interfaces' in each Community Planning Partnership/LA area in Scotland which typically involves the networks listed above. Interfaces are recognised by local Community Planning Partnerships as representing third sector organisations. They vary in legal form but all fulfil four functions: support to voluntary organisations operating in the area, both local and those national organisations that deliver services at a local level; support and promotion of volunteering; support and development of social enterprise; and connection between the Community Planning Partnership and the third sector.

- 2.11 The Enterprising Third Sector Action Plan (2008-2011) which aimed to support enterprising behaviour in the third sector, including the Scottish Investment Fund (£30M) and the Enterprise Fund (£12M) (Scottish Government, 2008).
- 2.12 The public-social partnership (PSP) model involving the public sector and the third sector working in partnership to design and deliver public services. The PSP programme was launched in November 2009 (Scottish Government, 2011).
- 2.13 The development of models and tools as a means of measuring how third sector organisations deliver social and environmental benefits. The Scottish Government funded Social Return on Investment project ran between 2009 and 2011. The findings and practical advice, along with a range of other measurement tools are available at www.socialimpactscotland.org.uk
- 2.14 The Joint Statement on the Relationship at Local Level between Government and Third Sector signed by the Scottish Government, COSLA, local government and the third sector; offers recommendations on working relationships in relation to funding, shared services, Best Value, application processes for grant funding, strategic commissioning and procurement, re-tendering, European procurement law, monitoring, reporting and evaluation and partnership (Scottish Government et al., 2009).
- 2.15 A consultation on Self-directed support (commonly referred to as 'personalisation') in Scotland in February 2010 was followed by the Social Care (Self-directed Support) (Scotland) Bill in February 2012 (Scottish Parliament, 2012). The Bill received Royal Assent on 10 January 2013. The Act provides service users (adults and children) with a high level of involvement in the way in which their care is arranged. The Bill states that 'A person must have as much involvement as the person wishes in relation to - (a) the assessment of the person's needs for support or services, and (b) the provision of support or services for the person'. The law stipulates the forms of Self-directed support (SDS) to be offered by local authorities to those assessed as having need for Self-directed support. Local authorities are required to offer one of four options for Self-directed support: making a direct payment to the supported person to enable them to purchase their own care; the supported person chooses the services they wish to access and the local authority makes the payment for that service; the local authority selects the appropriate service for the supported person and makes the necessary

payment; the supported person chooses one of the previous three options for support and where it is provided by someone other than the local authority then the local authority makes the necessary payment.

- 2.16 To help Scottish organisations prepare for the introduction of Self-directed support (SDS), the Scottish Government created the National Strategy for Self-Directed Support in Scotland launched in November 2010 (Scottish Government, 2010b). The programme provides funding of £1.2m to support councils to prepare for the introduction of SDS.
- 2.17 The SNP minority-led Government set up the Commission on the Future Delivery of Public Services (Chaired by Campbell Christie) in November 2010 in order to 'examine how Scotland's public services can be delivered in the future to secure improved outcomes for communities across the country', despite the challenging financial environment. The Christie Commission reported in June 2011 (Christie, 2011).
- 2.18 Specific recommendations of the Christie Commission included:
- The introduction of a new set of statutory powers and duties, common to all public service bodies, focussed on improving outcomes. New duties are to include a presumption in favour of preventative action and tackling inequalities.
 - Greater use of joined-up services, backed by funding requiring integrated provision, and the development of new inter-agency training to help build a common public service ethos.
 - The application of consistent and transparent commissioning and procurement standards across suppliers of public services.
- 2.19 The Christie Commission anticipated that the third sector will, over time, take on an expanded role in delivering services directly. The Commission recognised that the third sector has the skills and expertise to address the complex issues that are a feature of modern societies. Services should therefore be 'delivered in partnership, involving local communities, their democratic representatives, and the third sector' (Christie Commission, 2011).
- 2.20 A key element of this new delivery model is a reconsideration of procurement and commissioning practices. The Commission highlighted the concerns of third sector organisations regarding the way in which commissioning practices placed too great an emphasis on the specification of service volumes and costs and there needed to be a greater consideration of outcomes and their measurement. The Commission stated that there needs to be 'a rebalancing of procurement and commissioning from cost efficiency towards effectiveness, with contracts focussing on promoting positive outcomes'. These findings are likely to lead to changes in the way third sector organisations bid to deliver public services, with perhaps an increasing use of co-operative commissioning models that seek to engage third sector organisations in the commissioning process at an earlier stage.

- 2.21 As part of the Public Services Reform agenda, the Cabinet Secretary for Finance, Employment and Sustainable Growth Mr John Swinney announced in the September 2011 Spending Review, that £500M would be made available over three years to invest in preventative approaches across three areas: supporting adult social care; early years and tackling re-offending (Swinney, 2011). These are known as the Change Funds.
- 2.22 In 2013 the Scottish Independence Referendum Bill made provision for the holding of a referendum in Scotland on a question about the independence of Scotland (Scottish Parliament, 2013). The referendum will be held on 18 September 2014.
- 2.23 In November 2012 Mr Swinney announced a new living wage of £7.45 for employees working in parts of the public sector and also urged private, public and third sector employers to follow suit (Scottish Government, 2012b).

3 IMPACTS OF POLICY AND FUNDING CHANGE ON THIRD SECTOR ORGANISATIONS

Summary of Key Findings

Chapter 3 summarises the main policy and funding changes over the four years of the study and their impacts on the third sector.

Changes in the Policy Environment

- While the principle of localism is often supported, the impact on third sector organisations in practice had been more problematic e.g. organisations having to negotiate with numerous local authorities and ‘disconnected’ policies.
- The move to greater personalisation of services is seen as a positive step. However, third sector organisations perceive that most Scottish local authorities have yet to fully implement the Self-directed support (SDS) agenda and there are concerns that some local authorities are using it as a cost-cutting exercise.
- Awareness of the recommendations of the Christie Commission was more widespread among third sector organisations in Year 4. While most supported the recommendations and cited that it was an approach that many third sector organisations were taking already, there was concern that there was no additional funding to help third sector organisations implement the recommendations of the Commission.
- The majority of participants engaged with the Work Programme have found that it has presented challenges rather than opportunities e.g. few referrals of clients to third sector organisations, and a loss of funding.
- Most participants stated that they had not prepared for the Scottish independence referendum.

Changes in the Funding Environment

- 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 third sector organisations to retain head office staff, pay for staff training etc..
- In order to facilitate the greater involvement of third sector organisations in service design, the Public Social Partnerships (PSP) model has been developed in recent years. However, experience of them remained limited across the participating organisations.
- A theme emerging from interviews with third sector organisations in Year 4 was the use of re-tendering by local authorities, for services already being provided by third sector organisations. Re-tendering was understood by third sector organisations to often be a cost saving exercise on the part of local authorities.
- The issue of funders and commissioners not meeting their own schedules for announcing the outcomes of tenders was becoming an issue in Year 4.
- The problems of cash flow for third sector organisations were also not always recognised.

- Despite the challenges faced by standstill funding or funding cuts, many third sector organisations also felt that some new opportunities for funding were emerging.

Performance and Outcome Measures

- In Year 4 previous trends in measuring outcomes continued e.g. a focus on outcomes rather than outputs and increased compliance and scrutiny. Some organisations had experienced some changes in the systems used by funders and commissioners to measure outcomes, or had made alterations to their own internal systems.
- The theme of inconsistency in funders and commissioners regarding reporting performance and outcomes (relevant in Year 1-3) continued. Some organisations had tried to directly engage with funders and commissioners to develop universal monitoring or had improved their own internal systems in order to address these challenges.
- The theme of inconsistencies in funders and commissioners information requirements continued, with additional resources having to be spent on providing similar information in different ways.

3.1 This chapter summarises the main policy changes over the four years of the study and how the changes to the funding environment has impacted on third sector organisations. This includes an examination of key Scottish Government policies and related issues such as localism, personalisation /Self-directed support, the Christie Commission and other policy priorities. A major UK Coalition Government policy over the last two years has been to reduce the UK deficit, of which reductions in spending on public services, including the Scottish Government's core funding, are a key component. In addition, the Work Programme has been introduced. This chapter examines the: changing policy environment; extent to which third sector organisations in Scotland have experienced the effects of funding cuts over the course of the study; trends in tendering for services; and some of the new opportunities that may be opening up in the changing environments. Appendix E presents the changes over time in four of the case studies.

Changes in the Policy Environment

3.2 There have been a number of significant policy changes that have affected third sector organisations over the course of the four years of the research. This section considers: Localism, Personalisation and Self-directed Support, the Christie Commission, the Work Programme and the potential implications for the third sector of the forthcoming Scottish independence referendum.

Localism

3.3 In Year 1, one of the key policy changes was the Scottish Government's Concordat with local authorities, which was underpinned by the 'localism' principle. While this was in principle often supported by the third sector organisations participating in our study, the impact on them in practice had often been problematic as organisations now had to negotiate with numerous

individual local authorities and some felt that the focus on local needs may have resulted in a decreased ability to see the 'bigger picture' of policy and provision. In addition, some felt that localism had created an 'accountability gap' where it was not clear whether national or local government had responsibility for policy. In Year 3, one point commonly made by interviewees concerned what they perceived as 'disconnected' policy (e.g. disconnect between policy and practice amongst local authorities and between the UK and Scottish Governments, as well as different policy areas operating in silos rather than joining up).

- 3.4 These issues continued to be important in Year 4. Participants questioned the different ways in which national policies were interpreted by local authorities; and large organisations operating across local authority areas identified the difficulties in engaging with numerous local authorities because of their perceived inconsistency in approaches. Some felt that Community Planning Partnerships (CPPs) were in some cases a 'closed' group that third sector organisations had found difficult to engage with, for example:

"In some ways consistency is much more important than simplicity...³² local authorities remain too many to have a relationship with" (Senior Manager, Employability Provider)⁶

"...I guess around the partnership and partnership with CPPs is the inconsistency in terms of how those partnerships work. It is a hugely frustrating and difficult thing to manage" (Manager, Employability Provider)

- 3.5 The involvement of the third sector organisations in CPPs continued to be 'patchy' in Year 4, with a lack of resources often cited as a reason for this or the perceived lack of relevance to third sector organisations - although one participant did argue that if third sector organisations became more engaged with CPPs then they might become more relevant to the needs of the third sector, as follows:

"Again we have had very little engagement with community planning partnerships. I think it is seen very much as a huge talking shop with a huge number of players involved in it and very little purchase on what's actually kind of going on" (Senior Manager, Employability Provider)

Personalisation and Self-Directed Support

- 3.6 Personalisation is being introduced in Scotland to bring about a change to the way in which public bodies and professionals provide services (Scottish Government, 2010b; Scottish Parliament, 2012). It is intended that under this agenda of personalisation that service users become more involved in how services are designed and that they receive support that is most suited to their needs. As such service users are not passive recipients of care, rather partners in the process of decision making. Self-directed support is one way of pursuing the policy of personalisation in Scotland, and the Social Care

⁶ Except where indicated, all of the anonymised quotes are from the Year 4 fieldwork.

(Self-directed Support) (Scotland) Bill in February 2012 (Scottish Parliament, 2012) received Royal Assent in 2013. The Act provides service users (adults and children) with a high level of involvement in the way in which their care is arranged.

- 3.7 While personalisation was discussed by some participants in Year 1, it became an increasingly prominent concern in Years 2 to 4, particularly for those third sector organisations working in health and social care, as it was a key policy for the SNP Government re-elected in May 2011.
- 3.8 In Years 1 to 3, many of those who discussed personalisation were supportive of devolving power to service users and many had been preparing for personalised and Self-directed support (SDS) for some time. Personalisation was seen to present both opportunities and challenges as the balance of power between local authorities, care providers and service users changed, and health and social care third sector organisations had to change their landscape of service provision (e.g. moving from institutional care provision to personalised care often in the community; different methods of payment for services; lack of ability for third sector organisations to make long term plans; having to seek different ways to meet infrastructure and fixed costs; the potential loss of economies of scale and high costs of the greater numbers of individual transactions). There were concerns about the ability of clients to navigate and choose the most appropriate services for their care, as well as concerns about moving to a way of working flexibly enough to meet potential demand.
- 3.9 In Year 2, third sector organisations pointed out that there were disparities across local authorities in the conceptualisation and implementation of personalised social care. By Year 3, third sector organisations also noted varied approaches within local authorities, with some planning to run with the policy later on in the year and others planning to wait several years before rolling it out, while a small number had already been preparing for the move toward personalisation of services. In Year 3 it was also felt that personalisation would likely change the relationship between third sector organisations and local authorities. With the introduction of personalisation, local authorities were likely to increasingly see their role as purchaser of services decline as service users gain control over their care budgets.
- 3.10 In Year 4, third sector organisations involved in the delivery of social care services viewed the move to greater personalisation of services as a positive step towards ensuring that their service users could exercise greater control over the way in which their services were provided. However, it was also apparent that most Scottish local authorities had yet to fully implement the SDS agenda. With the exception of some local authorities that were cited by the health and social care providing third sector organisations as being in the vanguard of SDS delivery, local authorities in general were not perceived to have introduced SDS in a wide ranging manner. Even those local authorities who were perceived to be at the forefront of SDS were not necessarily introducing it in a way that gave full control of budgets to service users, as local authorities continued to maintain the funds. For example:

“So while we are working with local authorities who are introducing SDS, we haven’t seen the obvious things. We haven’t seen a major shift in how we contract with the individual... [local authorities] are still maintaining the funds. So individual budgets are being prepared, but in most cases the funds flow directly from the local authority to [third sector organisation]” (Senior Manager, Health and Social Care Provider)

- 3.11 It was clear, however, that whilst in previous years a small number of pioneering local authorities had pushed ahead with an SDS agenda, the remaining local authorities were now making more detailed preparation for the introduction of SDS in their social care arrangements. A participant noted:

“[Names of two local authorities] in particular have been really proactive and are driving the agenda forward at quite a significant rate. Others I think are just biding their time preparing and watching what’s happening...and will act once they have to I guess” (Senior Manager, Health and Social Care Provider)

- 3.12 In Years 1 to 3, some third sector organisations were concerned that personalisation was being used explicitly by some local authorities as a cost-cutting exercise and was not about a genuine reform of services. Again in Year 4 some health and social care providers described a perception among some service users and third sector organisations that the reassessment of personal care packages taking place prior to the introduction of SDS were being used by local authorities to introduce cost saving measures. Service users and care providers were aware of the financial pressures on local authorities to find ways to reduce spending as part of the wider public spending reviews. There was a perception among some service users and third sector organisations that the reassessments taking place as part of the introduction of SDS created opportunities for the closure of traditional building-based services and the introduction of revised personal assessments, under a Resource Allocation System, that reduced the number of care hours some service users were entitled to. For example:

“...there is definitely a feeling in some areas, and perhaps for good reason, that personalisation and cuts are one in the same thing and that is beginning to damage the reputation of Self-directed support...if you are the person who is going through an SDS process and coming out the other end of it with a grand less to spend on a service than you went into it, then you can understand why people would be rather cynical” (Senior Manager, Health and Social Care Provider)

The Christie Commission

- 3.13 The [Christie Commission](#) on the Future Delivery of Public Services was established by the Scottish Government in November 2010 and published its report in June 2011 during the second year of this study. The Commission recognised that demand for public services will increase in the future as a result of demographic change but also as a result of the need to tackle poverty and disadvantage. It recommended that public service providers

must: work closely in partnership to integrate service provision; prioritise expenditure on public services which prevent negative outcomes from arising; become more efficient by reducing duplication and sharing services wherever possible. The Scottish Government (2011a) responded positively to the Commission's report and emphasised: a decisive shift towards prevention; greater integration of public services at a local level driven by better partnership, collaboration and effective local delivery; greater investment in the people who deliver services through enhanced workforce development and effective leadership; and a sharp focus on improving performance, through greater transparency, innovation and use of digital technology.

- 3.14 Awareness of the recommendations of the Christie Commission was more widespread among third sector organisations in Year 4 than in Year 3, but some of the participants had limited awareness of the Christie Commission report, or if they had, were not really sure of its content and recommendations or whether it had really filtered down to effect on the ground service delivery. Similarly one participant felt that while they themselves were aware of the principles of the Christie Commission they were unsure that these principles had filtered down to local authorities.
- 3.15 Of those participants who were aware of the Christie Commission report, most were aware of the Commissions' desire to emphasise the importance of preventative approaches (although some felt that the prevention and early intervention agenda was being confused with the early years agenda, when in fact these were two different areas). There was less awareness of the other recommendations of the Commission. Widespread awareness of the preventative spend agenda could be attributed to the application of this approach in the Scottish Spending Review 2011 and Draft Budget 2012-13 and across other streams of Scottish Government policy. A few of the participants were aware of the increased need to evidence their work, in relation to the Christie Commission recommendations, and were taking steps to do this.
- 3.16 Senior managers with responsibility for budget management emphasised that whilst the recommendations of the Christie Commission helped clarify Government thinking on approaches to the third sector, it did not come with any additional funding to help third sector organisations implement the recommendations. A participant said:
- “[The] Christie Commission was good because it brought that to light and vocalised that. Like everything else with early intervention the earlier you provide an outcome the better that outcome is going to be. We still get the rhetoric but like everything else, if you don't resource it and resource it properly and so with recommendations from Christie that's front ending the interventions. It's going to be quite costly at the front end, but it should save you in the long term. But they are not resourcing it” (Senior Manager, Learning Provider)
- 3.17 Other participants were concerned that unless new resources were made available to address early intervention and prevention, existing resources could be directed away from current service users. Conversely others felt that

because of tight budgets, addressing 'crisis' rather than 'prevention' would remain a priority for local authorities. For example:

"I still think there is a lag between the intention and the language and the reality. Because if you have a tight budget in a local authority...you have got to deal with the front of the crisis" (Senior Manager, Employability Provider)

3.18 A senior manager in a social care organisation described a widespread awareness of the need to act preventatively and provide best value in line with the Christie Commission, but also emphasised how this overlapped with existing organisational policies and thinking. The Christie Commission was perceived to be one of a number of drivers that were making the organisation more efficient, to act preventatively and work in partnership. Other major drivers of change included: compliance with mandatory training for staff providing front-line care services; human resources law; and fulfilling the requirements of funders and commissioners whilst offering a wide range of services.

3.19 More generally some participants felt that the Christie Commission was articulating ideas that had been of a concern to the third sector for many years. Therefore, it was not really saying anything 'new', although it provided a useful reference point in bids for example, as follows:

"I don't mean to be dismissive of it, it very much I think gave some weight to a lot of the ideas that the third sector has been talking about for a long time. So that's a good thing" (Manager, Employability Provider)

The Work Programme

3.20 The Work Programme introduced in June 2011 (Year 2) replaced a number of previous employability funding streams (e.g. the New Deal) and aims to get mainly long-term unemployed people back to work with the use of third-party suppliers. A small number of large 'prime contractors' were contracted to deliver services in specific regions across the UK. The programme is based on payment by results (payments based on agreed and specified outcomes recorded, e.g. a client gaining and/or sustaining a job), so the majority of payments to providers are only made after a person previously on benefits starts work and remains in employment for well over a year. The prime contractors have different strategies, but usually provide some services in-house and sub-contract specific areas of work to other organisations, often smaller, third sector specialists.

3.21 During the Year 2 fieldwork period the outcomes of the Work Programme bidding process were unknown. Many of the more employability focused third sector organisations had been involved in developing partnerships as sub-contractors with a range of potential 'prime contractors' since the Work Programme would be available to a relatively small number of very large organisations. This was felt to have been very time-consuming and it was a period of great uncertainty. When the results of the bidding process were

announced in April 2011, the two prime contractors in Scotland were both private sector organisations (Ingeus and Working Links), although the sub-contractors included third sector organisations. In Scotland, one third sector organisation had unsuccessfully bid to be a 'prime contractor'.

- 3.22 By Year 3, a number of the third sector organisations had engaged with the Work Programme as sub-contractors. Organisations reported investing a significant amount of time and money preparing for delivery of the programme. Organisations invested in the development of proposals as part of the tendering process, on the development of relationships with prime contractors and the development of new products that would fit with the anticipated requirements of the Work Programme. However, there were very few referrals received by these organisations through the Work Programme, and very few organisations had received any significant income through the Work Programme because of this. As a result of the outlay third sector organisation sub-contractors had invested in order to meet potential demand (e.g. recruited or re-deployed staff), some third sector organisations in Year 3 were not able to cover their costs. It was perceived that the prime contractors were reluctant to engage with sub-contractors as they wanted to create an end-to-end service. The participating third sector organisations were concerned that very vulnerable clients would be left without support, as the prime contractors would concentrate on those closest to the labour market.
- 3.23 In Year 4 the participants engaged with the Work Programme were able to reflect further on their experiences. In the main, their experiences reflected those from Year 3. Engagement with the Work Programme represented a considerable risk for four reasons.
- 3.24 Firstly, engaging in the programme had meant that organisations had to make considerable up front outlays because of the resources needed to meet compliance targets and prepare the bid. As the Work Programme replaced previous funding streams, organisations also lost resources and in some instances this meant that previous staff numbers could no longer be supported. For example:
- “...there was an awful lot of development work...In terms of costing that whole development process we spent in the run up to that there was significant investment on it. And we anticipated getting a lot more back from it than we ultimately did” (Manager, Health and Social Care Provider)
- 3.25 Secondly, sub-contractors had no control over the volume of referrals being made by prime contractors. It was reported that third sector organisations had received few referrals and therefore not many payments as the programme operates on payment by results, as a participant emphasised:
- “Being a sub-contractor you can't control the number of referrals... there will come a time when I think a lot of third sector organisations make a choice about coming away from programmes like that, that are too low cost, high targets, are not delivering the service we want for our

customers and staff put under pressure that we're not prepared to do" (Senior Manager, Employability Provider).

3.26 There was a belief that the volume of referrals was lower than expected because the prime contractors were seeking to reduce the number (and associated costs) of referrals to specialise sub-contractors either by trying to do this specialist work themselves, or by not addressing these additional support needs and 'parking' the Work Programme clients who were furthest from being employment ready. A further key issue for third sector organisations involved in the Work Programme as sub-contractors was that the payment model pushes financial risk down the supply chain. Third sector organisations have specialist knowledge and skills that can offer employability support to those furthest from the labour market. However, these individuals, whom the prime contractor had assessed as being unsuitable for their own mainstream provision, represent a considerable financial risk to the third sector organisation.

3.27 Thirdly, there was no guarantee that job outcomes would be achieved due to the complexity of the cases being referred from the prime contractors. One third sector organisation reported that those referred to them had not undergone the pre-work (to improve their employability) that they were meant to have before being referred and therefore the third sector organisation had to spend time and resource addressing these issues. Even if organisations were able to get service users to a stage where they were job ready, there may not be jobs for them to go in to if the economy is weak. The pressure of the payments by results approach and the timescales that some sub-contractors had to get people into work presented a great challenge.

3.28 Fourthly, as one participant argued, the effects of the Work Programme were going to become more complex as service users came off the programme after two years, and if they were not successful, become eligible to engage with other employment support, as follows:

"I think we're about to get the brunt of it again because the two years of the Work Programme now ends and they come off Work Programme - people who have not successfully gone into work through Work Programme...So they've not been successful through all the effort of the Work Programme and now they are going to be dropped back into our provision and we're expected to be able to do something with them" (Senior Manager, Employability Provider)

3.29 As a result of these experiences, organisations questioned whether they would engage with similar programmes (requiring up front funding and payment by results) in the future. For example:

"We will be very unlikely to enter into any payment by results contracts where there is an upfront financial investment that we don't feel has a degree of certainty. Obviously we will appraise each one as it comes out" (Senior Manager, Employability Provider)

- 3.30 Even those who were not contracted through the Work Programme noted that it was still having an impact on them, for example because referral routes that had existed previously had disappeared, as follows:

“...we are for instance receiving direct referrals of potential clients coming to our services who have been directed by Job Centre staff who don't have the referral routes they previously had and left them nowhere to go, and they're saying phone us. Now there is a slightly dripping tap into the sink, we have certain capacity and that will spill over” (Senior Manager, Employability Provider)

- 3.31 However, there were some exceptions to these negative experiences that are perhaps worth reflecting upon. One third sector organisation for example cited that they had had positive experiences of the Work Programme having achieved good outcomes, although they did note that the set-up of the programme itself did have some limitations. This third sector organisation felt that the Work Programme had brought some higher levels of compliance and greater discipline to organisations that are involved but that it was not good for supporting those jobseekers that needed the greatest levels of support. The third sector organisation had specifically ensured in their financial planning that they were not solely reliant on potential income from the Work Programme (a strategy also undertaken by another participating third sector organisation), and felt that where many other third sector organisations had encountered problems was when actual income had not met expectations. The third sector organisation did identify that they were probably very lucky in their experiences.
- 3.32 As well as the Work Programme, in Year 4, some organisations had contracts under the non-mandatory Work Choice⁷ programme. This was not a significant source of income in either case.

The Independence Referendum

- 3.33 On October 15, 2012, the 'Edinburgh Agreement' was signed by the First Minister and the Prime Minister. The Agreement ensured that the Scottish Parliament is able to deliver a referendum. In March 2013 (Year 4) it was announced that the Scottish independence referendum would be held on September 18, 2014. The [White Paper](#) was published on 26 November 2013.
- 3.34 The participants were asked how, if at all, they were preparing for the 2014 Scottish independence referendum. It should be noted that the majority of the interviews were conducted before the date of the referendum was announced, (and all before the White Paper was published), which could have had some bearing on the responses. Even those interviews conducted after the date of the referendum was announced, the interview was only a short time after the announcement, and therefore organisations may have not had time to review or consider their approach.

⁷ A voluntary programme for people with disabilities providing training and development, interview coaching etc. www.gov.uk/work-choice/overview

- 3.35 The majority of participants stated that they had not prepared for the Scottish independence referendum – only in one organisation were any formal preparations and a review of strategy cited; others mentioned that conversations would be held but that these had not yet happened. For one participant there were greater priorities in the shorter term, such as guaranteeing funding. They felt that the outcomes of the referendum would only be felt and affect the third sector beyond 2015 as there would need to be a period of readjustment. For example:

“To be honest at the moment I am keeping my head above water just making sure that we have our contract for next year. Over the next few months we will be really worrying about whether we have to tender for our service” (Senior Manager, Employability Provider)

“It is going to take some time for everything to change” (Senior Manager, Health and Social Care Provider)

- 3.36 This view of there being more pressing issues to be addressed in the shorter term was reiterated by participants from other organisations, as follows:

“If I am really honest it is not something I have really thought about. If I was to be honest I have other fish to fry. So it’s not something I have given a lot of thought to” (Manager, Learning Provider)

- 3.37 The interview and focus group data does not indicate that the participating third sector organisations were campaigning in relation to the referendum and many were keen to stress that they did not have a position on the referendum. One participant felt that it was important that their organisation “keep [their] head down” (Senior Manager, Health and Social Care Provider) and other participants also stressed that it was important for their organisations to remain a-political. Some participants had considered the implications of the outcomes of the Scottish independence referendum on the policy environment and the delivery of public services more generally. One issue considered was the implication for UK wide third sector organisations versus third sector organisations who only operated in Scotland. One participant felt that because their third sector organisation only operated in Scotland the implications would be quite limited. They said:

“Because we are a purely Scottish based charity, it’s different for the bigger UK wide organisations, we operate exclusively in Scotland, then we are quite confident that the implications for us will be relatively limited” (Senior Manager, Health and Social Care Provider)

- 3.38 The area of public service delivery that the third sector organisations operated in was also an important consideration for the participants i.e. did they deliver services in a devolved or non-devolved policy area. For a participant from a third sector organisation delivering services in the area of health (a devolved policy area) the effects of the outcome of the Scottish independence referendum were not seen to be great as they already worked closely with the Scottish Government. Participants working in the area of employability (a non-devolved policy area) did, however, cite the potential implications,

especially the opportunity for the third sector to play a role in future policy design. A participant noted:

“I think the whole area of employability is a critical one because it’s partly devolved and partly not devolved and I think whether we have independence or greater devolution of powers it is clearly an area that we could make significant improvements in the way we work...[it’s an] opportunity for us to raise issues and make proposals” (Senior Manager, Employability Provider)

Changes in the Funding Environment

3.39 Throughout the duration of this four year study, the issue of funding has become the paramount issue for most participating third sector organisations. This was partly related to the austerity budget environment that encompassed the UK (and other parts of the world) and the potentially limited public and private sector resources at UK, Scottish and local authority levels. This section explores trends in the types of funding available, the commissioning models used by funders and commissioners and new funding opportunities for third sector organisations.

The Types of Funding Available and Spending Reviews

3.40 In Year 1 of this study there was an expectation that the response to the public deficit would lead to significant cuts in funding for public services. Given the third sector’s close involvement in the delivery of public services across the Scottish public sector, it was anticipated that this would have a negative effect on their capacity to deliver public services. At the same time individual and private sector financial support for third sector organisations were thought likely to decline and the demand for many third sector services were expected to rise (partly to compensate for expected lower levels of public services and higher unemployment). Year 1 could be characterised by the presence of ‘anticipatory anxiety’ about possible future funding cuts and their meaning for organisations and staff. In Years 2 to 4 the impacts of the funding cuts were being felt in practice. By Year 4 two participants had started to reflect that cuts in budgets had now become the norm, as follows:

“I think when we started talking three or four years ago it was all about the cost cutting. I think organisations have got over that” (Senior Manager, Health and Social Care Provider)

“I would say I have had a good year, I have had standstill budgets or three to five per cent cuts and I had forecast 10 per cent so that’s a bonus for me. What we have to say is that we have come such a long way in Scotland... 10 years ago there would have be shouts and fighting and bawling” (Senior Manager, Learning Provider)

3.41 A persistent theme across each of the four years has been around the problem of securing core funding and maintaining internal capacity. In Year 1, organisations were aware of the possibility that, in a challenging funding environment, there would be greater pressure on the availability of core

funding to support infrastructure costs and retain internal capacity. By Year 3 organisations had started to experience cuts to core funding whilst some were also using funding through the Unified Voluntary Sector Funds (UVSF) and the Community Learning and Development Headquarters Fund (CLD HQ). The UVSF was established in 2004 and invested in about 90 third sector organisations with a focus on children, families and young people. However, a review of the UVSF was completed in 2012 and concluded that 'the funds had been operating with little change for a long period of time. This had led to lack of purpose, a difficulty in demonstrating impact and administrative systems that required improvement' (Swann, 2012). In 2012-13, the UVSF was wound up and replaced by a new £20 million Third Sector Early Intervention Fund managed by the Big Fund (the non-Lottery arm of the Big Lottery Fund). Of the £20m funding available through the early intervention fund, £14m was intended for investment in organisations, with the remainder for investment in projects.

- 3.42 A number of the third sector organisations had applied for the Third Sector Early Intervention Fund and provided feedback of their experiences. First, it was felt that the turnaround for putting in the bids was extremely tight. The funding was announced just before Christmas and because of the Christmas and New Year break realistically organisations only had a few weeks to prepare their applications. Second, the outcomes of the process were not announced when they were scheduled to have been which was frustrating for the participants, although those who were in receipt of UVSF did get a month's additional funding from the Scottish Government. Some questioned as to whether this was because more applications than expected had been received. For example:

"The timescales were ridiculous. It went out before Christmas with a response, knowing that people were likely to be on holiday for two to three weeks" (Senior Manager, Health and Social Care Provider)

- 3.43 In addition, there were issues about the timing of the feedback, in relation to another funding stream. For example:

"So for me whilst there was quite a quick turnaround for the application, what was more frustrating was that we were all meant to have heard by the end of March and we didn't" (Senior Manager, Health and Social Care Provider)

- 3.44 More generally, the importance of having access to funding for core costs was emphasised by a senior manager from a learning provider. The participant described how a reduction in the availability of funding for core costs would impact on the capacity of the organisation to retain head office staff, as follows:

"We would lose the physical premises entirely. We would keep on certain key staff including finance and admin. But IT would be outsourced. But we would need an office somewhere for filing cabinets because people don't have room in their homes, basically people

would be working from home. There would be reduced hours for admin and finance...” (Senior Manager, Learning Provider)

- 3.45 As the availability of funding to meet core costs reduced, there were fewer opportunities for staff training which would further impact upon the capacity of the organisation to sustain and promote good practice in the delivery of high quality services. A participant noted:

“So in a way the training and development part used to be taken for granted as it was essential is becoming much more of a luxury in the organisation” (Senior Officer, Learning Provider)

- 3.46 In Year 4, most of the organisations that participated described compromises on internal capacity being made to meet reductions on the availability of funding for core costs. There was a widespread view that funders and commissioners were reluctant to meet the costs of maintaining a headquarters and other associated activities related to the management of an organisation. Subsequently, organisations were increasingly seeking cost saving measures from their core costs that could ensure the continuation of front-line service delivery. However, large professional organisations with statutory responsibilities, registered with regulatory bodies such as the Care Inspectorate and the Scottish Social Services Council, continued to have costs associated with compliance and quality control that are an integral part of delivering a high quality public service.

- 3.47 Other trends regarding the types of funding available were a reduction in income and the short timescales of the funding that was available. This made it difficult for organisations to make plans, as emphasised by participants:

“Everybody only ever wants to fund on a short term basis, one year or three years. You know you cannot get a long term outcomes from short term projects. And we need to stop being terribly short term in our thinking; we need to have a much longer view” (Senior Manager, Employability Provider)

“It’s been incredibly challenging because the amounts that we have been able to secure are smaller amounts and have only been for shorter timescales, so they have all been for a year so we’re now back on the hamster wheel for looking for that again” (Manager, Learning Provider)

- 3.48 In addition several organisations had noted that services they were providing were being re-tendered but at a lower cost.

Commissioning Models

- 3.49 The dominant model for commissioning third sector providers to deliver public services has been the use of competitive tendering by local authorities and other contract awarding bodies. In many cases this model of tendering for new services had created a competitive marketplace in which third sector

organisations competed with one another, and in some cases the private sector, to win contracts for the delivery of public services.

- 3.50 In Year 3 some interviewees were concerned that tendering did not encourage creativity in the design and development of services. Tendering was seen to hamper creativity, as third sector organisations could not feed into service design. In Year 1 there was a common perception that contracting decisions were based disproportionately on cost rather than quality and this was a trend that some felt was becoming increasingly so over years 2 and 3. In Year 4, one participant stated that they felt that “there seems to be a trend in the tendering of services specifically for that purpose of reigning costs down” (Senior Manager, Health and Social Care Provider). This was reiterated by others who experienced services that they had previously provided being re-tendered at a reduced cost. After tendering, there was limited feedback from some (but not all) funders and commissioners. For example:

“[we] didn’t get any feedback on who else was funded, why it had been done that way, what the overall picture was, who the other providers were. It feels like a one way process” (Senior Manager, Employability Provider)

- 3.51 In order to facilitate the greater involvement of third sector organisations in service design, the Public Social Partnerships (PSP) model has been developed in recent years (Scottish Government, 2011b). In Year 3 some third sector organisations noted some potential trends which may result in increased involvement in service design, although increased tendering for contracts limited opportunities. One of the focus groups’ participants in Year 3 had been involved with a pilot PSP. However, with this exception, organisations’ experience of PSPs remained limited. In Year 4 experience of them remained limited across all the participating organisations, although more organisations had been involved.

- 3.52 In Year 3, it was noted that the sense of being in competition with other third sector organisations had increased in the period because funding cuts and increased tendering created a more competitive environment. There was some evidence to suggest that this competitive marketplace had undermined opportunities for partnership between third sector organisations and with local authorities. This trend continued in Year 4. For example:

“I think there is a slight element of greater competition and that’s coming from the third sector having less money and when it is competitive tendering some organisations are broadening the scope of things they will bid for” (Senior Manager, Employability Provider)

- 3.53 By Year 3, some third sector organisations had concerns that some large contracts were made up by pulling together several existing funding streams into one and reducing the overall budget, although the same level of service had to be maintained. In contrast some third sector organisations perceived a decrease in tendering, with one large national third sector organisation care provider noting the decline in the number of large tenders for care work being

issued by local authorities. These trends continued in Year 4 for some organisations.

- 3.54 A theme emerging from interviews with third sector organisations in Year 4 was the use of re-tendering by local authorities for services already being provided by third sector organisations. Re-tendering was understood by third sector organisations to be both a cost saving exercise but also a way of preparing the ground for the introduction of Self-directed support (SDS). A participant described the volume of re-tendering as “unprecedented, there’s never been such a weight of tenders coming through all at the end of the last year” (Senior Manager, Health and Social Care Provider). This surge in re-tendering meant that the funding strategies that organisations were taking changed, as they now needed to focus on re-tenders rather than looking for new funding opportunities. A participant noted:

“We have had to focus on the re-tender of existing business and retaining that I suppose, as opposed to chasing the newer opportunities that are advertised through public contracts” (Manager, Health and Social Care Provider)

- 3.55 These re-tenders were perceived to be part of an exercise by several local authorities to reduce care costs by reducing the hourly cost of care. The participants also felt that a further driver for the re-tendering that took place towards the end of 2012 was a decision by some local authorities to prepare the ground for the introduction of personalised care budgets. Re-tendering was perceived by some third sector organisations as a mechanism by which an hourly rate for the cost of purchasing care could be established. This hourly rate would then be used to identify a cost for SDS budget holders to purchase their own care. For example:

“Local authorities have put their house in order by doing these retendering exercises, reducing the hourly rate and [local authority] was a fantastic example of that. [local authority] didn’t just say could you tender, they told us what the price was ...we would not be able to go to [local authority] and have a chat because they would say ‘oh as long as you’re on the framework, as long as your quality is good we will make sure that people know you exist. So you don’t need to build a relationship with us, start going out and thinking about your marketing strategy” (Senior Manager, Health and Social Care Provider)

- 3.56 As mentioned above in relation to the experiences of the new Third Sector Early Intervention Fund, the issue of funders and commissioners not meeting their own schedules for announcing the outcomes of tenders and applications was becoming an issue in Year 4 also.

- 3.57 A general trend perceived by some participants was a move towards favouring larger organisations (sometimes due to economies of scales), although this created difficulties for small organisations and might limit local provision. For example:

“So the whole model isn’t designed for small third sector organisations and maybe that’s deliberate and maybe that’s how policy is going and if that is the case all good and well but there will be a fallout from it at local level” (Senior Manager, Employability Provider)

- 3.58 In addition, several respondents perceived that funders and commissioners did not fully recognise the problems of cash flow for, especially smaller, third sector organisations, as follows:

“The reality is there is a very public sector attitude; which is the budget will come when it comes, because they don’t realise the reality of cash flow” (Senior Manager, Employability Provider)

- 3.59 However, some felt that while the sector was undergoing rationalisation, larger organisations might not be advantaged. For example:

“I think we are seeing that rationalisation of the third sector, and whether that is because of people’s capacity or pragmatism or whatever, I think it is a very competitive environment and it will be, I suppose, in some ways the survival of the fittest or the one that can actually cash flow or whatever. But that’s no assumption that the bigger ones will survive any better than the small ones” (Senior Manager, Learning Provider)

New Funding Opportunities and Diversifying the Funding Base

- 3.60 Despite the challenges faced by standstill funding or funding cuts, many third sector organisations also felt that new opportunities for funding were emerging. A number of third sector organisations had secured significant new funding in Years 2 to 4, including picking up contracts where previous providers were no longer able to deliver the service. It is unclear as to whether there is a move from services previously provided by the public sector to third sector organisations (or private organisations), which could mean an increase in opportunities for third sector organisations.
- 3.62 In Year 1 many organisations were considering how they might move forward to best meet the challenges presented by the current policy and funding environments. By Year 2 more organisations were talking about diversifying their funding base to become less reliant on public funding. In Year 3, organisations continued to look at ways to diversify their funding base and a number were also looking at developing new activities, including increasing fundraising and additional commercial activity.
- 3.63 Many organisations operated some form of commercial activity. However, as highlighted in the Year 1 to 3 reports, this was not just about the establishment of ‘social enterprises’ as organisational forms, but rather the adoption of a range of managerial activities (such as marketing, business planning, strategic positioning, etc.). Specifically, in Year 1 there had been some discussion about the pros and cons of social enterprise activity whilst in the subsequent three years most of the participants admitted to exploring a

range of approaches to a more business-like approach to their mission-critical activity. However, such an approach was not universal.

- 3.64 In Years 2 and 3, a small number of organisations explicitly mentioned pursuing strategies to increase fundraising within their organisation. These included increasing the amount from private donations and legacies, and encouraging members of the organisations (including volunteers and clients) to engage in more fundraising activities on behalf of the organisation. In Year 4 a small number of organisations explicitly mentioned the importance of fundraising to them, for example, to pay for campaign teams and to cover the shortfalls in services that funders and commissioners did not meet.
- 3.65 In Year 2, many third sector organisations had not considered applying for private loan finance. There were a number of issues limiting the ability of third sector organisations to access private loan finance e.g. limited assets, security and private income. Only one large third sector organisation had successfully accessed private finance. In Years 3 and 4, few organisations had accessed commercial loan finance. However, a number of organisations were seeking capital investment to develop various activities within their organisations, or were considering accessing commercial loan finance in the future.
- 3.66 Participants commented on what seemed like the preference of funders and commissioners to provide funding for new projects rather than continuing funding for older projects. Some participants identified that a major problem with new funding becoming available is that older projects may be stopped as a result, with a loss of efficiency, effectiveness and innovation. This is also linked to the difficulty of getting core funding, as discussed above, as funders and commissioners prefer new projects to long established ones or funding the core functions competences of organisations. For example:

“One of my big bug bears is you will see a new funding stream come on...but when you look at the small print it must be for new projects. Why? Please justify that for me. Because what you find is that a project is new, through a period of time it will struggle to get referrals, it will make disastrous mistakes, it will learn from that quite quickly. By the second or third year the project is into its stride now...and suddenly you find its six months or a year left and staff are demoralised and are looking elsewhere, end of story...It's at that point where it has just found its feet that you want to sustain it because lots of new innovative practices come from that, that's getting lost” (Senior Manager, Learning Provider)

Performance and Outcome Measures

- 3.67 This section examines issues for third sector organisations around performance and outcome measurement. This includes the trends experienced by third sector organisations in measuring outcomes, and the strategies used by third sector organisations to meet the needs of funders and commissioners in terms of performance and outcome measures.

Trends in Measuring Outcomes

3.68 In Year 1, many third sector organisations felt funders and commissioners had focused on measuring ‘hard’ outcomes (such as entry into a job) at the expense of ‘soft’ outcomes (e.g. improved confidence). By Year 2, a number of third sector organisations felt that funders and commissioners had become more focused on measuring outcomes⁸ within the previous year. By this they meant that the client’s journey through the programme rather than outputs⁹ (such as a client undertaking a development training programme) was becoming important. This generally continued into Year 3, although some also felt a more ‘bureaucratic’ approach was being taken by some agencies, in particular by the Care Inspectorate and the European Social Fund. However, ‘measuring outcomes was also linked to a wider professionalization of staff and operations. For example:

“By professionalising and doing all these things we can evidence to others that we are delivering real quality to a standard and we do what it says on the biscuit tin” (Senior Manager, Employability Provider)

3.69 It was felt by some that local authorities were not under the same pressure to evidence results and this might lead to some services being retained in local authorities that might be better provided by the third sector. A participant noted:

“Typically we will have to evidence...but internal departments in local authorities simply don’t evidence” (Senior Manager, Employability Provider)

3.70 In Year 4, participants were asked as to whether they had noticed any changes in the trends in measuring outcomes in the previous 12 months. For some there had been no change, just a continuation, and in some instances an intensification, of previous trends: for example, a focus on outcomes rather than outputs and increased compliance and scrutiny. However, one participant felt that there was a focus on targets, and that in addition more attention needed to be put on the processes that led to the achievement of outcomes, as follows:

“I think people are becoming very target orientated. I don’t think that’s a bad thing in its entirety, I think it becomes a bad thing when people think that’s the sum of what you do. They don’t take into account the processes that you go through to achieve that” (Senior Manager, Employability Provider)

3.71 Those participants who mentioned Social Return on Investment (SROI), found it not to be very relevant as few had engaged with it, and those who had

⁸ Outcomes are the results or effects of a service (usually positive but some may be negative). Some outcomes may be ‘hard’ (quantitative such as the number of people entering employment) or ‘soft’ (qualitative).

⁹ Outputs are the results of activities and which relate in some way to the outcomes desired (e.g. providing 20 training sessions).

explored using it had decided not to pursue it after some investigation. For example:

“Social return on investment we haven’t, that was kind of looked at but we didn’t pursue it” (Manager, Health and Social Care Provider)

“It’s complex. I have been on a 2 day course for it but it leaves you even more wondering how on earth you would put that into your organisation” (Senior Manager, Employability Provider)

- 3.72 For those who identified changes in measuring outcomes, a distinction between external and internal changes needs to be made. For one organisation a local authority had rolled out a new system for measuring outcomes. This third sector organisation had to get to grips with this detailed new system, although having previously been used to the reporting requirements of European funding this was not as ‘frightening’ as it was perceived to be for other organisations. The local authority had also adapted the system to take account of ‘soft’ outcomes when third sector organisations had argued that these were not being captured. The feeling that funders and commissioners were asking third sector organisations to measure the ‘wrong’ things was reiterated by another participant.
- 3.73 Internal changes being made by some of the third sector organisations (note that it was not always clear whether these changes had only occurred in Year 4, or whether they were starting to be put in place earlier) included:
- investing, adapting and modernising back office systems and evaluation tools;
 - logic modelling to identify how outcomes achieved match with outcome agreements, Scottish National Outcomes and funders and commissioners’ outcomes;
 - development of new databases to capture outcomes and indicators;
 - simplifying monitoring systems so the data gathered could be used more effectively;
 - commissioning evaluations;
 - recruiting staff to deal with contracts and monitoring officer.

The Needs of Funders and Commissioners

- 3.74 The Year 1 report noted funders and commissioners required third sector organisations to report performance and outcomes in different formats and use different measures, leading to multiple measurement devices being employed. However, by Years 2 and 3 some third sector organisations had introduced some standardisation to internal measurement tools for example. However, third sector organisations also reported in Year 3 the challenges presented by inflexible measurement tools. A key change with regard to measures of organisational performance in Year 3 for several health and

social care third sector organisations had been a shift to measuring customer attitudes with a reduced focus on internal performance indicators. In Years 1 to 3 some third sector organisations also reported providing additional evidence to funders and commissioners on the impact of the service on the client over and above what was formally required. Third sector organisations who provided this evidence believed that funders and commissioners welcomed this additional information because it showed the added value they were getting from the third sector organisation.

- 3.75 In Year 4 the theme of inconsistency in funders and commissioners' requirements regarding reporting performance and outcomes continued. Some were seen to take a light touch approach whereas others required vast amounts of data from third sector organisations. Some third sector organisations felt that funders and commissioners were not always clear themselves what information they required, which made reporting difficult, or were so focused on minute details that the bigger picture got lost. For example:

“Some are very light touch and it might just be an annual report, but others would request vast data and narrative quarterly. Local authorities have all got slightly different monitoring systems... So there is no coherence...” (Senior Manager, Health and Social Care Provider)

- 3.76 This was especially a problem for third sector organisations that were funded by numerous funding streams and therefore having to work with different reporting mechanisms and systems. One participant also highlighted that it was also relevant to application processes as tender documents were asking for the same information but in slightly different ways, as follows:

“...all the funders are asking different questions in the monitoring forms and application forms. And it's really all around the same common themes... Now what you have is hundreds of different ways of saying that, needless questions that repeat themselves” (Senior Manager, Learning Provider)

- 3.77 Some organisations had tried to directly engage with funders and commissioners to develop universal monitoring forms for example to ease the problems, or by developing systems internally that made it easier to use the same datasets to report to a number of different funding requirements and criteria.

4 ORGANISATIONAL RESPONSES TO CHANGE

Summary of Key Findings

Chapter 4 considers more general organisational responses to the policy and funding changes discussed in previous chapters.

Partnerships and External Relationships

- While third sector organisations recognise the importance of partnership working, in times of economic pressure organisations many tend to defend their own interests.
- Specific funding streams and the Public Social Partnership model were cited by third sector organisations as providing the momentum for developing partnerships.
- There is considerable variation in the relationships between third sector organisations and local authorities in different areas.
- The turnover of Scottish Government officials moving posts caused difficulties of knowledge, consistency and duplication for third sector organisations.
- Participants perceived that third sector involvement in local authority decision making processes was usually tokenistic.
- By Year 4 nearly all of the participants had heard of the third sector interfaces, but engagement with them was low. Participants continued to be involved with intermediary organisations such as SCVO, using their information services for example.
- Partnerships and relationships with private sector organisations are increasingly important e.g. because of their leading role in the delivery of the Work Programme; and the importance of corporate social responsibility for private sector organisations.

Governance and Leadership

- Across most of the organisations participating in this research there has been change to senior management teams, boards of trustees and governance structures during the period 2010-2013.
- In Year 4, the composition of board members appears to have stabilised in many, but not all, of the third sector organisations, compared to earlier years.
- The composition of boards is changing, 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 managers.
- The Self-directed support agenda means that leadership structures are likely to change.

Changing Organisational Structures and Working Conditions

- The internal structure of third sector organisations participating in this research has changed significantly over the period 2009 to 2013 e.g. the

structure of senior management teams; the function of Boards of Trustees; the terms and conditions for staff; the mission and purpose of organisations.

- Cost savings were being made through front-line staff wage freezes. This has meant a real terms decrease in pay for many third sector staff. Cost savings were also being made through redundancies and reduced working hours for other staff.
- Under personalisation, services (and staff) will have to be more flexible and responsive to the needs of the customer.

- 4.1 Overlapping with the responses to specific policy and funding changes, discussed above, there appeared to be major developments within our participating third sector organisations in terms of partnership relationships with external bodies, organisational leadership, and changing organisational structures and working conditions.

Partnerships and External Relationships

- 4.2 Partnership working is a key tenet of Scottish Government policy concerning the delivery of public services. The aim is to deliver efficiencies and innovative synergies in the way in which the services are designed and delivered. This section explores the third sector organisation's experiences of partnerships and relationships more generally with external organisations (national and local government, other third sector organisations, intermediary organisations and the private sector) over the four years of the project.

Trends in Partnership Working

- 4.3 In Year 1 a number of participants felt that partnerships would become increasingly important in the future in order to continue to deliver services in a tight financial climate. By Years 2 and 3, this view had gained even greater currency. Accessing funding as well as more 'joined up' working were key drivers towards partnerships. For example:

“If anything I think there is a slight move towards more competition because there is less money around and I think there is more organisations looking to get into space that others are in so that they're being quite competitive” (Senior Manager, Employability Provider)

- 4.4 However, while the participant narratives indicated the importance of partnership working, between Years 1 to 3, participants also expressed the view that the sense of being in 'competition' with other similarly focused third sector organisations had been increasing. This may be dependent on the area of service delivery, with one organisation delivering health and social care arguing that the area they worked in was so small that third sector organisations worked together rather than in competition, as follows:

“There is always that competitive element but I think it is contained...We have to work together really. So it's in all organisations' interests to be nice to each other” (Senior Manager, Health and Social Care Provider)

4.5 In areas where there is a more 'saturated' market e.g. employability, the sense of competition is arguably more acutely felt (in addition, with regards to the employability field, it could also be the case that a heightened sense of competition could be due to the market orientated mechanisms used by the UK government in the Work Programme for example). This view was repeated by some participants in Year 4 (although specific examples were also given of the importance of developing networks of third sector organisations and the strength these networks could have in dialogues with local authorities for example). Organisations tended to defend their own interests under pressure and could be less inclined to share. Funding constraints made it difficult for organisations to work in partnership, although many wanted to, for example:

“...generally in the age of austerity and public spending cuts and massive cataclysmic changes in welfare, there is generally I suppose a feeling of certain suspicion. I think people are wanting to keep their cards maybe a little bit closer to their chest” (Manager, Employability Provider)

4.6 In Year 3, some interviewees perceived that funders and commissioners were often keen on partnership working, but felt there was less understanding generally about the complexities and legal issues involved. The importance of outlining the scope and mechanisms of partnership at the beginning of the process (i.e. when a joint bid was submitted) was cited by a participant in Year 4 as being important to ensure that the strengths of partnership were best exploited. Others also stressed the importance of communication more generally if partnerships were to be successful.

4.7 In Year 4, some participants reported the development of new partnerships (and also the further development of pre-existing partnerships) with both public and private sector organisations. In some instances, specific funding streams and the Public Social Partnership model were cited as providing the momentum for developing partnerships (although others mentioned that the specificities of funding could hamper the development of partnerships). One participant whose organisation had accessed one of the Change Funds¹⁰ (which a few other organisations had also accessed) felt that this funding was helping organisations work together, as follows:

“The Change Fund has been the singularly most impactful development to push organisations towards greater collaboration...It is pushing organisations together in an area where they are speaking to each other much more evidently than I ever saw in the first three Years” (Senior Manager, Employability Provider).

4.8 Another organisation identified that another funding stream that they were involved with had helped to develop linkages with other organisations as all projects had to be delivered in local partnerships. A government review had meant that one organisation was developing different linkages with the Scottish Government as they were now invited to sit on committees.

¹⁰ The Change Fund accessed is not specified to ensure anonymity.

Previously their linkages with the Scottish Government had been through their campaigning work.

- 4.9 Partnerships are not solely between organisations but can be identified within organisation. Participants from one organisation reported that partnerships between different projects within the organisation had developed, and instead of bidding against each other for funds, they were now putting in joint bids for example.

Partnerships and Relationships with Local Government

- 4.10 There were considerable variations in the relationships between third sector organisations and local authorities in different areas between Years 1 and 3. A number reported good communication over the years. However, there had been and remained a number of challenges e.g. trying to maintain relationships with representatives in local authorities during a period of local government structural change. In Year 4, some participants did not feel that there had been any significant change in their relationships with local authorities. Some participants continued to report positively about some of their relationships with local government e.g.: relationships becoming much more partnership based; opportunities to influence thinking and contribute to group discussions around solutions against particular problems; co-production etc.. However, organisations working across many local authority areas identified variation across them, and participants continued to identify challenges in working with local authorities. The narratives in Year 4 show how relationships with local authorities, and experiences of localism, were shaped by funding concerns and the policy priorities of local authorities.

- 4.11 One participant described how they were invited to attend meetings with different parts of a local authority. However, they felt that the third sector representation was tokenistic and that their opinions were not taken on board, and on occasion there was a lack of respect for the third sector. They said:

“...they want you to attend all these meetings...and they’re just a token seat sometimes for the third sector, I feel as well. And it’s a waste of my time but I have got to go because if I don’t go they’re on the phone to [Chief Executive] that there’s no representation of [third sector organisation]...it just feels like you have got to answer to a lot of people that aren’t actually giving you money. So that can get a bit overbearing sometimes...” (Manager, Learning Provider)

- 4.12 Feelings of a lack of trust and respect for the third sector were reiterated by other participants, as follows:

“There are some areas where it is complete tokenism, if we’re involved at all; we’re invited to the party but we’re invited for the last half hour and sent away without getting a drink and a bit of food” (Senior Manager, Employability Provider)

- 4.13 Some participants felt that policies and understandings among senior policy makers were not always carried through at operational levels, for example:

“I think it’s that local authorities have not yet, the senior people you hear them talk about partnership and they get it right, it’s a bit like Swinney, he gets it. But when it’s at officer level and they actually have to do something they take the shortest, fastest, the way that they’re most familiar with and that’s not partnership. It’s we’ll have a meeting with ourselves and then we will tell you” (Senior Manager, Employability Provider)

“So the actual statements of Ministers and the intentions of Ministers are circumvented by the weaknesses in the actual process and the bureaucracy of the process” (Senior Manager, Employability Provider)

- 4.14 Others identified that they were not invited to contribute to the design of strategies, their views only being sought later on in the process after key decisions had been taken; rather they were being treated as an external provider and not a core partner. In Year 4, personalisation was seen as changing the relationship between local authorities and third sector organisations; this was more anticipated although some cited that local authorities were starting a process of re-tendering services in the build-up to the roll out of personalisation.

Partnerships and Relationships with the Scottish Government

- 4.15 In terms of relationships with national Government, in Years 1 to 3 some reported that they had close contact with specific individuals or departments within the Scottish Government and felt that they were able to have direct input at that level. Some reported increased involvement with the Scottish Government in Year 4. However, others did report that they had increasingly difficult relationships with the Scottish Government (and other funders and commissioners) because civil servants did not remain in post for long so there was little time for them to build up knowledge. Or civil servants were extremely busy because of workforce reductions, therefore it was hard to build links. This could increase work for third sector organisations as they often needed to repeat justifications for projects (sometimes getting different answers on eligibility). For example:

“One of the consequences of people moving around to the level that they are, is that you don’t have the same level of trust” (Senior Manager, Employability Provider)

“I think they have changed all of the staff that understand the eligibility criteria. So we now are being asked and having to spend time and re-justifying everything we have done in the past” (Senior Manager, Employability Provider)

- 4.16 There were similar experiences regarding relationships with officers in local authorities. A participant noted:

“The impact of workforce reduction and people moving roles is resulting in inconsistency in decision making, if any decision making...it is hard to get civil servants to sit across the table with you. And it’s not

that they're actively taking it as a strategy, it's that they are just so busy and they're all trying to do different things" (Senior Manager, Employability Provider)

- 4.17 In Years 2 and 3, a number of organisations had put more emphasis on campaigning to influence policy on issues that affected their client group and/or raising their organisational profile among Scottish Government policy makers as well as funders and commissioners. In Year 4 this trend continued. For example:

"So it is not enough to say you provide just to say we provide good quality services, as a charity campaigning is a big part of what we do and there's also a cost to being a campaigner, the people you have to keep up to date with all the policy changes, so we employ people in that area and the challenge for us is not to just get the message out, it's to filter it" (Senior Manager, Health and Social Care Provider)

Partnerships and Relationships with Intermediary Bodies

- 4.18 Intermediary bodies (sometimes called umbrella bodies or local development agencies) are those third sector organisations that exist to support the work of other third sector organisations. They can be generic ones that cover all functions (such as Third Sector Interfaces), ones that serve a particular group of third sector organisations or ones that support a particular function. They can also exist at the local community, regional or national level (such as SCVO). In Year 4, some reported being heavily involved with intermediary organisations whilst others reported a withdrawal from intermediary organisations.
- 4.19 From April 2011, new local intermediaries for the third sector were established in Scotland – the 'Third Sector Interfaces'. Each local area had a newly established interface with clear links to Community Planning Partnerships (CPPs) and Single Outcome Agreements. The purpose of the interfaces is to provide a single point of access to support and advice for the third sector within the local area and, to also provide strong coherent and cohesive representation for the third sector in the Community Planning Partnership. In Year 1, CPPs were perceived by third sector organisations as the key way in which the third sector were involved in community planning, and issues related to which are outlined in the Year 1 report. In Years 2 and 3, third sector organisations were asked specifically about their knowledge of third sector interfaces. Given that the interfaces only came on stream properly in April 2011 it is therefore perhaps not surprising that many participants had not heard about these forums in Year 2. By Year 3, a number of participants had been involved with their local third sector interfaces. However, their experiences of the interfaces at local level were mixed. Some reported good positive relationships, while others felt they had made or would make little difference.
- 4.20 By Year 4, nearly all of the participants had heard of the third sector interfaces, but engagement with them was generally low, although a small number were heavily involved. Some felt that they were irrelevant or did not

present opportunities (but a minority did express more positive feeling that they provided useful information). For example:

“I am laughing because I remember this coming up last year and I remember us just sitting and going ‘no’. I am aware of it but I have not had any involvement. I can remember we spoke about and looking at it and dismissing it” (Senior Manager, Health and Social Care Provider)

- 4.21 The Scottish Council for Voluntary Organisations (SCVO) is a membership organisation promoting the interests of the third sector in Scotland. It offers a range of services to members including: lobbying and campaigning on behalf of the sector; networking and development opportunities; information and advice; and payroll services (among others). In Year 2, most of the third sector organisations in this study were involved with SCVO, to varying levels. Many felt that the SCVO provided a useful forum for representing the interests of the third sector and for supporting its work but others were concerned about the ability of SCVO to represent the sector as a whole. In Year 4, participants again reported that they were involved with SCVO (using their information services etc.) but to varying levels.

Partnerships and Relationships with the Private Sector

- 4.22 Partnerships and relationships with private sector organisations became increasingly important components of the participant’s narratives over the four years. One part of this was the introduction of the Work Programme, with two private sector prime contractors in Scotland. As reported previously one organisation had a good experience of the Work Programme and had developed a valuable relationship with the prime contractor they were working with: they were keen to challenge the assumption that the private sector was inherently ‘bad’, as follows:

“What people are doing all the time is trying to generalise [about the Work Programme] and it’s almost like the prime contractor is evil and all third sector organisations are good and virtuous. Well they’re not in either direction. We have a good relationship with the prime contractor and they are very demanding, but what’s wrong with that” (Senior Manager, Employability Provider)

- 4.23 Other organisations did report having more difficult relationships with private sector organisations in relation to the Work Programme, but also through other partnerships.
- 4.24 The reasons that private sector organisations were looking to work with third sector organisations often centred on issues of corporate social responsibility. The participating organisations were also encountering private sector organisations as competitors for tenders (apart from the Work Programme).
- 4.25 An important issue concerned the distinctiveness of the third sector compared to the private sector. With third sector organisations becoming more competitively driven, there is a danger that what distinguishes them from their private sector competitors may be lost. A participant said:

“So it is almost looking at that whole field and seeing where the risks are and what is the added value of it being a third sector organisation over and above a private organisation. So I think there is a risk of losing something that a lot of the officers don't see that added value of why third sector organisations” (Senior Manager, Learning Provider)

Governance and Leadership

4.26 The third sector has undergone a period of significant change across the four years of this research, both to its external environment and internal structures. One indicator of these changes is the way in which organisations have altered their leadership and governance structures. Across most of the organisations participating in this study there has been change to senior management teams, boards of trustees and governance structures over the period 2009-2013. Some change in personnel would be expected over a four year period as part of normal staff turnover. However, change was also driven by deliberate strategic efforts to ensure that organisations could respond to emerging opportunities and threats in the external policy and funding environment.

Boards

4.27 In Year 2, several changes to the role of directors and trustees were noted. The Board of Directors/Trustees was increasingly required to apply their professional skills and experiences to strengthen the activities of the organisation. In Year 2, several large organisations had conducted skills audits of their Boards to ensure that the skills of Board members were aligned with the strategic direction of the organisation. In cases where Boards were found to lack specific skills or experience then new Board members were recruited with relevant skills – the importance of having Board members with relevant skills was mentioned again by participants in Year 4. Increasingly, in Year 3, organisations wanted Board members to have broader experience and networks beyond those related to the client group and their work. They were keen to include members with private sector and policy and government backgrounds. For instance, some of the new members on Boards included people with backgrounds in IT, finance, law, human resources and government. The experience that was brought to the organisation by these individuals was seen to strengthen the oversight and guidance function of boards. These changes took place against a background of considerable uncertainty for third sector organisations. The impact of public spending reviews were anticipated but remained unclear, while the personalisation agenda was anticipated to have an impact but it remained unclear how exactly that would affect service delivery. Organisations therefore also looked inwards and sought to make changes that would prepare them for the impact of these changes.

4.28 In Year 4, while the composition of Board members appears to have stabilised in many of the third sector organisations, a few organisations had vacancies, some organisations had developed or were developing ways in which service users could be involved with the Board, and some organisations had recruited new Board members to fill vacancies. Over the four years the role of the

Board in general appears to have become more professional and more closely integrated into the overall strategic direction of the organisation. A senior officer from a learning provider described how their Board was more willing to get involved in day to day activities, as follows:

“The people who are on our Board at the minute are more ready to roll their sleeves up I think and quite hands on. They’ve been doing some of the fundraising, one of them co-wrote a qualification with me so actually a very active board” (Senior Officer, Learning Provider)

- 4.29 Another organisation described a similar experience of a Board that was more closely involved in the functioning of the organisation and in ensuring that senior management were working towards fulfilling organisational strategy. They said:

“The Board have been working more closely with us. They want to see more regular, frequent and in detail financial information because of the financial position that we’re in and that’s absolutely appropriate... so we are meeting them more, we have met them more frequently as a Board... Individual Board members have offered more time and support” (Senior Manager, Employability Provider)

- 4.30 Senior managers described significant changes to the function of boards as third sector organisations themselves took on additional responsibilities. One senior manager described how the governance structure of their organisation had become more sophisticated and there was greater scrutiny and higher levels of support from the board. Another senior manager described how the Board had developed new internal structures to improve oversight and accountability. The Board was to meet more frequently and senior managers were subject to more scrutiny.
- 4.31 In summary, there is considerable evidence that the role of Boards in third sector organisations has changed significantly in the period 2009-2013. The membership of Boards has been purposely changed to better reflect the strategic direction of the organisation, enabling senior managers to draw advice from Board members as they lead the organisation. Boards have also strengthened their oversight function with more regular Board meetings where senior managers are held accountable to ensure that the organisation is being moved in a direction that is aligned with the overall strategic plan. Crucially, Board members have been shown to have a more direct involvement in the strategic management of the organisation.

Opportunities and Challenges to Leadership

- 4.32 In Year 2, respondents identified a number of challenges for leadership. These included the pace of change which made it difficult to be pro-active when a lot of time was taken reacting to changing agendas and circumstances. This presented challenges in terms of giving strong, consistent leadership and direction to staff in the organisation. Yet at the same time, it also became more important to maintain staff morale as well as supporting staff to embrace the changes that were happening. In Year 3,

senior managers continued to face a range of challenges. As well as adapting to new policies such as personalisation, one of the key challenges for many senior managers continued to be keeping staff motivated and positive at a time of considerable uncertainty and anxiety. In Year 4, both senior managers and managers reiterated the difficulties of maintaining staff morale in a time of economic uncertainty. For example:

“I suppose from a personal level I have got to try and keep my morale up and be positive but not be unrealistic so to speak, you can’t be totally positive when there are issues. So it is difficult getting the balance right at times” (Senior Manager, Employability Provider)

- 4.33 In Years 2 and 3, the environment also presented challenges to leadership skills for some, particularly in smaller third sector organisations. It was not possible in smaller organisations to have specialist support roles, yet these were becoming increasingly important. It often fell upon the Chief Executive to embrace this wide range of roles, particularly because of increasingly limited staff resources.
- 4.34 In Year 4, there continued to be pressure on senior managers to meet the challenge of pressure on organisational budgets. A Chief Executive had accepted a reduction in working hours to reduce the cost of their employment to the organisation. However, this did have strategic implications for the organisation - their role was now more about day-to-day tasks rather than forward thinking about the directions to be taken by the organisation. They said:
- “I reduced my hours initially from 35 to 28 and it’s down to 21 now. That’s driven purely by the funding and trying to make sure that the infrastructure support in its most basic form, which is admin, IT, finance and front line staff support, stays in place. And that becomes almost self-defeating because you are so busy on just 21 hours per week, just taking care of day-to-day stuff, you can’t be looking forward to where is your next opportunity for growth and development?”
- 4.35 In other instances staff had to cut their hours which could have implications for line management and leadership on the ground within organisations. There was a widespread recognition that at a time when funding for front-line services was under pressure, and there was difficulty in accessing core funding for headquarters and infrastructure costs, then senior managers had to create leadership structures that were responsive and flexible, and create clear lines of accountability throughout the organisation.
- 4.36 In Year 4 it became apparent that leadership structures had also changed to reflect the anticipated impact of the SDS agenda. One organisation had created a new post to establish a clear link between the service users (customers) and the senior management team. The new post reflected the changing relationship between service users, care providers and local authorities under the new SDS agenda. Service users were increasingly seen as customers choosing from alternative care packages in a consumer marketplace. By controlling their own budget and exercising choice over the

provider and the composition of that care package, third sector organisations were responding to this more commercial approach by ensuring that service users had a voice within the senior management team of a large national social care provider. For example:

“...that’s treating our customers very commercially, its making sure they’re not just getting a service from us...they’ve got our customer services department as you would get elsewhere. If you want to complain, if you want to get more from us, if you want to say things to us, there’s mechanism in place to support our customers not just through service delivery” (Senior Manager, Health and Social Care Provider)

Restructuring and Working Conditions

4.37 Over the research period the third sector organisations have responded to the challenges presented by the changing policy and funding environment. This section explores how organisations responded to the challenges through: cost savings, restructuring, organisational review, diversifying funding and adapting services.

Restructuring and Organisational Review

4.38 The internal structure of third sector organisations participating in this research has changed significantly in the period 2009 to 2013. Changes have taken place to: the structure of senior management teams; the function of Boards of Trustees; the terms and conditions for staff; the mission and purpose of organisations; and increasingly to the way in which organisations are adapting to new funding and income generating models. A major driver of these changes has been the anticipated and actual cuts in funding described by third sector organisations. As noted in Year 3 and also in Year 4, the experience of funding cuts was mixed with organisations describing a range of changes to funding arrangements from zero-uplift from the previous year to cuts of between 5% and 30%, and reductions in core funding. In many cases staff terms and conditions had been eroded, pay freezes introduced and increased workloads and reduction in hours were also becoming apparent. In Year 4 organisations also described the effect on service users when staffing levels had decreased and some services had to be cut back or potentially withdrawn completely. For example:

“I mean it is quite disconcerting and upsetting when you see services that you have built up over the years have to close. But I have to say that the staff directly affected have shown a high degree of commitment in what they have been focusing on, even if the administration and the base has to go so we can keep the service going” (Senior Manager, Health and Social Care Provider)

4.39 Changes to funding and internal reorganisation were also taking place alongside a tension between funding and maintaining organisational identity. The expansion of the third sector in the decade preceding the economic recession in 2008 created the perception that some third sector organisations

were “chasing funding from government and local authorities” (Senior Manager, Health and Social Care provider, Year 2) with little regard for their core values. The widespread availability of funding in this period has driven the expansion of the social care sector. A participant noted:

“Lots of social care organisations in the past 15 years, ourselves included, have grown quite significantly in size. It would have taken criminal negligence not to have grown over the last 15 years, there was that much money about the system. Because there was a lot of money and we are trying to maintain infrastructures that are based on a different period of time and business models that were based on 5 years ago are no longer fit for purpose” (Senior Manager, Health and Social Care Provider)

- 4.40 In Year 2, the changing policy and funding environment, coupled with the economy, had led many organisations to take stock of their purpose and strategic direction. Some argued that they needed to go back to their original reason for being a third sector organisation and refocus on their core client population and activities, rather than chasing contracts and gradually moving into other areas which diluted their focus. Sometimes internal reflection raised questions about the future of an organisation. Over the following two years the effects of these reflections were being felt by the organisations, for example having to turn down potential contracts:

“I would struggle if somebody phoned me up and said there is 12 million if you do A, B, C which is absolutely nothing or only tangentially [to do with work of the third sector organisation], I think you have to be strong in yourself and manage yourself to be strong and you have to take your Board with you. To say someday like a director or chair I have just let go a funding offer of £12 million you are going to get shouted at. But if we have taken that, you don't get £12 million for nothing...” (Senior Manager, Learning Provider)

- 4.41 For some organisations this process of review was also changing the make-up of their workforce and the approach taken by employees to their work. For example:

“We have had to articulate our organisational values because we hadn't done it effectively. And it makes you think everything through again about who you are employing and why you have chosen them. And I think we have had to think some people are working in a way that meets their need to be valued rather than their ability to deliver a service” (Senior Manager, Employability Provider)

- 4.42 In Year 4, participants also spoke of staff having to become more focused in their work, only delivering what was required from them in contracts; as well as more general cultural changes within the organisations which could present challenges for leadership within the organisations. There was a little discussion as to how these cultural changes might affect the nature of the organisation itself. For example:

“We have had to be a bit more garrulous if you like,...things we previously would have just delivered on we have had to say if you want us to deliver on that you will need to pay for that and if you can't pay for it we can't do it because we don't have the money and the money has got to come from somewhere” (Manager, Learning Provider)

“We've actually had to pull people back to there's your job description, there's what's expected, these are the things that we don't want you to do anymore and that cultural shift with the staff is we all need to be focused on achieving what we get paid to do and not necessarily all of these add-ons because that is somebody else's job” (Senior Manager, Employability Provider)

“I would say that our biggest leadership challenge at the moment is getting that cultural shift and until we can actually bring in new staff, because there are people going, and actually get that culture. The cultural shift of what we are trying to achieve but also how we're going to work together” (Senior Manager, Learning Provider)

- 4.43 In Year 1, some organisations had anticipated the need to become leaner and move towards a more business-driven model. By Year 2, many more third sector organisations had been looking at how they could make cost savings and remain competitive, thereby maintaining resilience. In Year 3, organisations continued to try to find ways of making cost savings, including on-going restructuring, reducing staff costs, reconfiguring and property rationalisations.
- 4.44 During the four years of the project, some of the third sector organisations had merged or were in the process of merging with other organisations. In some cases, the main reason for the organisations to merge was to ensure the sustainability of existing projects and in other cases it was to ensure the survival of smaller organisations. Merger was mentioned again in Year 4 by some participants, but was something that had been explored by some organisations in an informal manner, rather than taking concrete steps towards it.
- 4.45 Across the participants there was widespread opinion that the public spending review by the UK Coalition Government would lead to a contraction in the sector and the merger or closure of many third sector organisations. In Years 1 to 4, several organisations involved in the study had reduced their staff numbers. However, downsizing could create challenges for the future direction of the organisations. An organisation that had downsized significantly was concerned about the implications for its ability to tender for larger contracts in the future due to reduced capacity. One small organisation had recently reduced its staff numbers and they were concerned that this number might not be enough to remain viable in the future.

Staff Terms and Conditions, Redundancies, Pay Cuts and Wage Freezes

- 4.46 In Year 1, many third sector organisations had experienced some impact from on-going standstill funding, including staff salaries being frozen. In Year 2, some third sector organisations indicated that they were able to negotiate the degree of cost savings to be achieved, either by reducing the quantity of front-line hours while keeping the quality (which seemed not to be favoured by local authorities) or by keeping the quantity of front-line hours and reducing the quality (i.e. reducing the level of training of staff).
- 4.47 In Years 2 and 3, some organisations were covering shortfalls in funding through other means, such as funding from charitable trusts, using money from reserves, making cost savings elsewhere, and fundraising. This was mentioned again in Year 4. However, using reserves was only a short-term solution.
- 4.48 In Year 2, a number of organisations had carried out redundancy consultations and a number had made some staff redundant. By Year 3, these same organisations had experienced minimal further staff changes, although one organisation had reduced their staff numbers by over a half. Cuts in staff were again reported in Year 4. Alongside redundancies, in Year 2, some third sector organisations had made changes (usually reductions) to the terms of conditions for staff. By Year 3, some continued to make some more minor reconfigurations to jobs, such as slight changes or additions to roles and some focused more on private sector experience and skills (especially for those tendering a lot). This continued in Year 4.
- 4.49 Most organisations had not given inflation-related pay increases for several years. In Year 4, some organisations had been able to give a pay rise (e.g. one organisation gave a pay rise of 3%), sometimes the first in a number of years. One organisation was following the government pay policy of a 0.1% increase. For other organisations while there had been no pay cuts there had been no pay rises either. For example:

“We had two years...of a zero increase. We then gave a £500 non-inflationary increase and then all staff will get a 1.5% inflationary increase from April” (Senior Manager, Health and Social Care Provider)

“We have not invoked pay cuts but we have stayed to the government pay policy so 0.1%” (Employability Provider)

- 4.50 Despite evidence of wage freezes for staff taking place across the third sector since 2010, one third sector organisation had made a commitment in 2012 to ensure that no staff received a wage below the living wage of £7.20. The senior manager in the organisation saw this as a way of ensuring that front-line staff felt valued and that their vital role in delivering services was recognised by the organisation, as follows:

“That’s been well received by staff and welcomed and is an indication and gesture so hopefully staff see that despite the challenges that

we're facing and the difficult decisions that we're having to make and we understand that their role is absolutely critical and is vitally important" (Senior Manager, Health and Social Care Provider)

- 4.51 In Years 2 and 3, there was a great deal of uncertainty and anxiety among staff in the third sector organisations, which had an impact on staff morale. In Year 3 it was noted that, at a time of significant organisational change, communication was important in maintaining good staff morale and relations. This was reiterated in Year 4.

"I think I suppose just being honest with people, understanding how they're feeling. Because if someone is expecting to get paid off obviously their motivation is not going to be you know high, and having a bit of empathy for that... But at the same sometimes as despondent as I feel that's not really for me to show that...[it's hard] especially if you don't know if your own job is secure" (Manager, Learning Provider)

- 4.52 In Year 3, many organisations wanted to maintain levels of training for staff, but this could be challenging since project funding did not usually cover this cost and core budgets were being reduced. By Year 3, a number of organisations were also looking at new ways of working that could help reduce costs e.g. moving away from one-to-one support towards group work, which represented a progression route for clients and freed up some staff time to meet increasing demand.

- 4.53 In Year 4, the major driver of change for services and staff for social care providers was the personalisation agenda. Personalisation was starting to impact upon staff in health and social care third sector organisations through changes to staff terms and conditions. It is anticipated that staff may have to be more flexible and work with several different service users. As personalisation enforces a move away from institutionalised service delivery, front-line staff in the health and social care sector will have to tolerate greater turnover in the clients to whom they are allocated. Personalisation is increasingly breaking the link between the local authority as the purchaser of care and the third sector as the provider. Service users operating in a deregulated care market now become the purchaser of care services. Third sector organisations are therefore anticipating that service users (customers) will in some cases want to change their primary carer. For example:

"What we're seeing in an organisation is us having to train our staff to change the mind-set, they're no longer part of an institutionalised service, it's an individual, it's about sitting down with the individual and saying here is your individual budget how do you wish to spend it. It's about us being more flexible. The biggest impact for us to come is that we will have to change our staff terms and conditions so that if a customer...wishes, doesn't like the staff they can ask for a new staff team" (Senior Manager, Health and Social Care Provider)

5 CONCLUSIONS

Chapter 5 considers the four year study itself, the main conclusions, and other issues concerning the future of service providing third sector organisations.

The Study Process

- 5.1 This four year study has provided a large amount of useful new information, analysis and insight for contemporary and future policy and analytical purposes. It should help inform Scottish and UK Government and local authority policy and practice in the future, as well as that of third sector organisations.
- 5.2 The study not only provided a cumulatively more valuable store of information but is also likely to have had some influence on the participant third sector organisations 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.
- 5.3 The archive of the anonymised transcripts stored of all the interviews and focus groups will provide a valuable store for future analysts and researchers. Hence there will be a strong legacy of the project in terms of future research and policy development related to a period of major change for third sector organisations.

Research Conclusions 2009-2013

Changes in the Policy Environment

- 5.4 While the principle of localism is often supported, the impact on third sector organisations in practice had been more problematic e.g. organisations having to negotiate with numerous local authorities and 'disconnected' policies.
- 5.5 The move to greater personalisation of services is seen as a positive step. However, third sector organisations perceive that most Scottish local authorities have yet to fully implement the Self-directed support (SDS) agenda and there are concerns that some local authorities are using it as a cost-cutting exercise.
- 5.6 Awareness of the recommendations of the Christie Commission was more widespread among third sector organisations by Year 4. While most supported the recommendations and cited that it was an approach that many third sector organisations were taking already, there was concern that there was no additional funding to help third sector organisations implement the recommendations of the Commission.

- 5.7 The majority of participants engaged with the Work Programme have found that it has presented challenges rather than opportunities e.g. few referrals of clients to them and subsequent loss of funding.
- 5.8 Most participants stated that they had not prepared for the Scottish independence referendum.

Changes in the Funding Environment

- 5.9 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 third sector organisations to retain head office staff, pay for staff training etc..
- 5.10 In order to facilitate the greater involvement of third sector organisations in service design, the Public Social Partnerships (PSP) model has been developed in recent years. However, experience of them remained limited across the participating organisations.
- 5.11 A theme emerging from interviews with third sector organisations in Year 4 was the use of re-tendering by local authorities, for services already being provided by third sector organisations. Re-tendering was understood by third sector organisations to often be a cost saving exercise on the part of local authorities.
- 5.12 The issue of funders and commissioner not meeting their own schedules for announcing the outcomes of applications was becoming an issue in Year 4.
- 5.13 The problems of cash flow for third sector organisations were also not always recognised.
- 5.14 Despite the challenges faced by standstill funding or funding cuts, many third sector organisations also felt that some new opportunities for funding were emerging. However, there was concern that new initiatives were being promoted at the expense of existing more efficient and effective projects.

Performance and Outcome Measures

- 5.15 In Year 4, previous trends in measuring outcomes continued e.g. a focus on outcomes rather than outputs and increased compliance and scrutiny. Some organisations had experienced some changes in the systems used by funders and commissioners to measure outcomes, or had made alterations to their own internal systems.
- 5.16 The theme of inconsistency in funders' and commissioners' requirements regarding reporting performance and outcomes (relevant also in Year 1-3) continued. Some organisations had tried to directly engage with funders and commissioners to develop universal monitoring or had improved their own internal systems in order to address these challenges.

- 5.17 The theme of inconsistencies in funders and commissioner tendering information requirements continued, with additional resources having to be spend on providing similar information in different ways.

Partnerships and External Relationships

- 5.18 While third sector organisations recognise the importance of partnership working, in times of economic pressure organisations may tend to defend their own interests. Specific funding streams and the Public Social Partnership model were cited by third sector organisations as providing the momentum for developing partnerships.
- 5.19 There is considerable variation in the relationships between third sector organisations and local authorities in different areas. Participants perceived that third sector involvement in local authority decision-making processes was usually tokenistic. By Year 4 nearly all of the participants had heard of the third sector interfaces, but engagement with them was low. There was concern about the ability of intermediary bodies to represent the third sector as a whole.
- 5.20 The turnover of Scottish Government officials moving posts caused difficulties of knowledge, consistency and duplication for third sector organisations.
- 5.21 Partnerships and relationships with private sector organisations are increasingly important e.g. because of its leading role in the delivery of the Work Programme; and the importance of corporate social responsibility for private sector organisations.

Governance and Leadership

- 5.22 Across most of the organisations participating in this research there has been change to senior management teams, Boards of Trustees and governance structures in the period 2010-2013. In Year 4, the composition of Board members appears to have stabilised in many of the third sector organisations, although this was not the case in all organisations. The composition of Boards is changing, in general their role appears to have become more professional and more closely integrated into the overall strategic direction of the organisation.
- 5.23 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 managers.
- 5.24 The Self-directed support agenda means that leadership structures are likely to change, to establish a clear link between the service users and the senior management team.

Changing Organisational Structures and Working Conditions

- 5.25 The internal structure of third sector organisations participating in this research has changed significantly over the period 2009 to 2013 e.g. the structure of senior management teams; the function of Boards of Trustees; the terms and conditions for staff; the mission and purpose of organisations.
- 5.26 Cost savings were being made through front-line staff wage freezes. This has meant a real terms decrease in take home pay for many third sector staff. Cost savings were also being made through redundancies and reduced working hours for other staff.
- 5.27 Under personalisation, services will have to be more flexible and responsive to the needs of the customer.

Other Issues Concerning the Future of Third Sector Organisations

- 5.28 In addition to those raised in the previous sections, a number of other issues are highlighted by this study. First, there is a need for in-depth knowledge of the development of the third sector, especially, but not exclusively, in times of turbulent change.
- 5.29 Senior managers from third sector organisations commented that involvement in Community Planning Partnerships and Third Sector Interfaces did not appear to give significant voice to participating third sector organisations. There was a perception that CPPs and interfaces could give more serious consideration to the views and functions of the third sector as part of planning and delivering better public services. A change to the culture of CPPs and interfaces was required to ensure that the contribution of third sector organisations to the delivery of public services was integrated throughout the planning process. Attitudes across public bodies needs to be re-assessed to ensure that the contribution by third sector organisations to public services are discussed and, where appropriate, acted upon.
- 5.30 The need for support for core organisational capacity (in terms of expertise, training, support etc.) is increasingly difficult to obtain, with one future result perhaps being a greater homogeneity of solutions and lack of innovation in the sector.
- 5.31 The funding models being used will have profound impacts upon the structure of the third sector as a whole, and different types of third sector organisation (e.g. smaller third sector organisations). It is important that the overall impacts of funding changes be considered rather than just the impact of a single programme or set of projects. The incentives created in the funding processes may have a perverse effect over time. Consideration should be given to having as much consistency across practical bidding documents and processes as possible, to reduce the overall costs to bidders (which should lead to lower public sector costs).

- 5.32 There is a need for effective forums so that Community Planning Partnerships can learn from each other in terms of their relationships with, and effects on, the third sector. There may also be third sector organisations elsewhere that can fill the local gaps perceived by CPPs. It would be useful to have a systematic evaluation of Single Outcome Agreements across Scotland to identify common gaps, services etc. and the role of third sector organisations in helping fill these. In this context, the recent (2013) report by Audit Scotland on improving the role of community planning in Scotland is welcomed¹¹.
- 5.33 The changes currently underway are changing working conditions, values, professionalisation and required skills across third sector service providers. It is important that experiences and good practices are shared in how to deal with these.
- 5.34 Finally, recognition needs to be given to the excellent work of the third sector in delivering public services and a clearer understanding articulated of their unique contribution to service delivery across Scotland.

¹¹ Improving community planning in Scotland. Audit Scotland. Prepared for the Account Commission and the Auditor General for Scotland. March 2013. Available at: www.audit-scotland.gov.uk/docs/central/2013/nr_130320_improving_cpp.pdf

APPENDIX A: METHODOLOGY

The methodology involved qualitative research within 21 third sector organisations based in Scotland. The methodology involved two key components: (1) in-depth case studies with eight third sector organisations and; (2) three focus groups involving 13 additional third sector organisations.

A qualitative longitudinal approach was used to ensure that the complex and fluid experiences of participants over a four-year period were reflected in the report. A qualitative approach ensured that interviewers could explore important and sensitive issues in depth with research participants. The importance of understanding and reporting changes over time within third sector organisations and how those changes are embedded in patterns of social, economic and political change has meant that a broad range of issues were explored during interviews between researchers and participants.

Case studies for Year 1 (baseline) were carried out between December 2009 and May 2010 and for the focus groups between April and June 2010. The results were reported in the Year 1 report.

Case studies for Year 2 were carried out approximately one year after the first visit with organisations (between January and June 2011). Focus groups were carried out at six monthly intervals following the baseline meeting, between October and November 2010 and April and May 2011. In addition, a workshop was carried out in June 2011 at Edinburgh University Business School, which is also used as evidence for Year 2.

Case studies for Year 3 were carried out between January and May 2012. Focus groups were carried out between October and November 2011 and between January and March 2012.

Case studies for Year 4 were carried out between January 2013 and May 2013. Focus groups were carried out between December 2012 and February 2013 and between March and July 2013.

Initial Selection of Case Study and Group Work Organisations

Following discussions with the Scottish Government and the Research Advisory Group, a framework was developed for the selection of research participants. This was designed to ensure the establishment of a purposive sample of organisations working in different:

- policy areas (with a mix of social care, healthcare, and employability/economic development/regeneration providers)
- geographies (based in different locations across Scotland)
- scales (with a mix of larger and smaller organisations included)
- and to include some social enterprises

The selection of focus groups was based on similar lines with individual focus groups bringing together organisations with strong agendas in the following areas: (a) equalities; (b) social care and health care, and (c) employability/economic development/regeneration.

Potential participants were identified through a database of 685 possible organisations provided through the Scottish Council for Voluntary Organisations (SCVO). The final selection of possible organisations was made in order to achieve the balance required by the framework (above). All organisations were then contacted and invited to take part in the research for a period of three years as either: (1) a case study carried out once a year; or (2) to participate in a focus group carried out twice a year. Most first choice organisations were happy to participate, with the few who declined being replaced by other suitable organisations. In this way, the baseline sample of organisations was obtained.

In-depth Case Studies

The case studies included face-to-face interviews with staff at different levels of the organisation. These included: Chief Executives; other senior officers/managers; research/policy officers; business/planning managers; operational and line managers; front line staff delivering services. The selection of staff for interview was decided in consultation with the main contact from the organisation (usually the Chief Executive or another member of the senior management team) and actual staff interviewed varied depending on the size of the organisation and availability of appropriate functions. A list of interviews carried out within each organisation for each year can be found in Appendix C. A copy of the main interview schedule used in Year 4 is attached in Appendix B.

In Years 2, 3 and 4 the main contact in each organisation was approached and asked for an interview and permission to follow up staff contacted in the previous year/or staff were approached directly. If original staff were not available for interview, where possible, other staff covering a similar role were identified and interviewed. A very small number of staff either did not reply to invitations to be interviewed, or there were difficulties in arranging available interview dates within the research timeframe.

Focus Groups

13 organisations were divided into three focus groups. Each focus group pulled together organisations with strong interests in particular areas. These were: (a) equalities; (b) social care and health care, and (c) employability/economic development/regeneration (Note that these categorisations were not applied rigidly and there was some overlap in the activities of organisations).

One representative from each organisation (usually the Chief Executive or a member of the senior management team) attended the focus groups. Where an organisational representative was unable to attend the focus group, telephone interviews were conducted. A common discussion framework was used - see Appendix B.

Anonymity

In order to protect the anonymity of individual respondents who took part in the research, quotes have been labelled with generic job titles (e.g. Senior Manager, Manager, and Officer). A brief description of the type of organisation is also provided after each quote. Additional background information on the participating organisations is provided in Appendix D. This is intended to give context to the overall report and individual quotes without revealing the identity of participating organisations. All organisations were happy to be identified as taking part in the research (although not necessarily to have particular opinions credited to them). All participating organisations approved the approach to anonymisation that has been used.

Analysis

Data from each year was analysed using the Framework analysis method. This is a 'matrix-based method for ordering and summarising data' (Lewis, 2007: 550). Key themes from findings are identified and divided into sub-topics. Matrices are then drawn up in Microsoft Excel, each representing a different sub-topic.

The first stage of the qualitative longitudinal research was to apply the Framework and identify significant topics and sub-topics. This provided a flexible common core framework that enabled 'comparability over time and between projects' for which 'the use of common data collection tools and reproducible modes of analysis are suggested' (Holland, 2007). Thematic analysis has been carried out on individual focus group and case study data collected in each year. This analysis provided the basis for the longitudinal analysis as well as providing more detailed cross-sectional data, including quotes, which are used in the report.

For the longitudinal analysis, later data were then added to the earlier data within the Framework enabling accounts provided by different respondents at different points in times to be compared.

Individual focus groups and case studies were subjected to a longitudinal analysis comparing data collected in the waves. This was done for each group/case study in Microsoft Excel. This data was then integrated (in Microsoft Excel) across all groups and case studies. In this way, a summary analysis of key changes between the waves was enabled and forms the basis of this report.

Methodological Challenges

The longitudinal qualitative nature of the research presents an unparalleled opportunity to track the dynamic of change over time. However, this also presents challenges including issues of attribution, policy changes and attrition.

Attribution is being able to attribute changes to a specific cause. However, third sector organisations in Scotland operate within a complex and changing policy context, with policy emerging from different levels. The UK and Scotland level are particularly important for policy, but also policy emerging from (and interpreted through) local authorities, regulatory bodies and Europe form part of a complex background. There is also often a time lag between policy announcements and the

actual impact on third sector organisations since these can be mediated via other bodies (e.g. local authorities in particular). Where possible the report identifies the key links, but it would be too simplistic to assume that causal links always exist or that they are straightforward in nature.

Over the course of a number of years, it is likely that the circumstances of organisations or individuals may change in a way that means they can no longer continue in the research (attrition). Fortunately, attrition of organisations has been minimal.

There was some attrition of interviewees and organisations. This was because of staff leaving the organisation; being unable to set up interviews within the timeframe or because access was restricted by the key contact; or organisational mergers. Where possible, alternative participants were interviewed.

APPENDIX B: YEAR 4 INTERVIEW SCHEDULE

1. Responses to the Changing Policy and Funding Environment

- 1.1 Has your title/role position changed since our last meeting? If so, how and why?
- 1.2 What changes have there been in the last year in the policy AND/OR funding environment that have/are going to change how your organisation delivers public services?
- 1.3 What are the drivers of these changes? (probe impact of preventative spend, Christie Commission, localism, Concordat, Single Outcome Agreements, etc. other key turning points)
- 1.4 What has been the actual impact of changes in the environment on the third sector organisation (e.g. on service delivery, clients and staff) as opposed to the anticipated impact?
 - 1.4a Specifically, probe how has the Christie agenda helped change what you do, or are you seeking (or not) to move towards the Christie agenda (if so why, if not why), what are the strengths and weaknesses of the Christie agenda?
- 1.5 What has been the impact of the Work programme?
- 1.6 Is the personalisation agenda relevant to you and if so, how has this impacted?
 - Probe further on number of local authorities using this approach
 - Specifically, what changes has the third sector organisation made in response to personalisation?
- 1.7 Has the policy shift toward prevention and/or early intervention had any impact on you, and if so how?
- 1.8 Have you accessed a Change Fund? (If so, why and what was your experience of it)

[For selected case study organisations only: how has policy/funding/economic environment impacted on volunteering within the organisation?]

- 1.9 What opportunities and challenges have these presented?
- 1.10 How has your organisation adapted/responded? (e.g. identify the stage organisations are at with organisational reviews, making costs savings, diversifying the funding base/social enterprise). In particular, what changes have there been to jobs, pay etc.?

- 1.11 Have you considered accessing other types of funding such as private finance/loan finance/higher risk capital since the last meeting? If so, what are the pros and cons?
- 1.12 What do you think are the key lessons you have learned in the last year?
- 1.13 Do you have any examples you consider to constitute 'good practice' in adapting to the changing environment? What are the constraints on 'good practice'?

2. Leadership

- 2.1 Have there been any changes in leadership in the organisation in the past year? If so, why have there been changes, what have they been and what has been the impact?
- 2.2 Have there been any changes in the role or level of involvement of the Board since the last meeting? (Explore views of role of Board, effectiveness of it, is it strategic, visionary?)
- 2.3 What have the challenges been for leadership within the organisation? (e.g. skills deficits, training needs). How well are leaders adapting to the challenges? Is leadership important for managing resilience within the organisation?

3. Measurement and Evaluation

- 3.1 Have there been any changes in the last year to the way performance has been measured and evaluated by funders? If so, what have these changes been?
- 3.2 Why have these changes occurred and what has been the impact on the third sector organisation?
- 3.3 Have you changed your approach to impact measurement in the last year? If so, how and why?
- 3.4 Have you adopted SROI or other means of impact measurement in order to ensure that the benefit delivered by the third sector organisation is evidenced and rewarded?
- 3.5 Do your measurement and evaluation procedures fit with the Scottish Government National Performance Framework? How and why?

4. Partnerships/Relationships/Interfaces

- 4.1 Have you experienced any changes in your organisation's relationship with local authorities and CPPs in the last year? (note: identify actual from anticipated changes)

- 4.2 How and why have these changes taken place?
- 4.3 How does this affect how your organisation operates?
- 4.4 Are you aware of third sector “interfaces” that have been created in each LA area? If so, have you been involved? How? Are they working? What opportunities are presented by the new third sector interface structures?
- 4.5 Are you involved with any other intermediary organisations or processes? Who? How? Why?
- 4.6 Are there any other organisations/forums with which you are involved in order to input into decision-making at various levels?
- 4.7 Have you experienced any changes to partnership working in the last year? E.g. new partnerships formed, existing partnership dissolved, more Consortium partnerships, probe awareness / experience of “public social partnerships”/ involvement in design of services? (note: identify actual from anticipated changes)
- 4.8 Have you been involved in service design? E.g. through Public Social Partnerships, through dialogue with funders, changes in tendering. To what extent have you been involved in service design? Have opportunities for involvement changed since the last meeting? If yes, how and why have these taken place?
- 4.9 Have changes in the policy and funding environment in the last year changed your approach to partnerships? How and why?

5. Thinking Ahead: Future Opportunities and Challenges

- 5.1 The Scottish Government’s response to the Christie Commission has been based on four key areas: the adoption of preventative approaches; locally integrated service provision; enhanced workforce development to improve public service delivery; openness, transparency and innovation in public services. How have these responses affected your organisations approach to the delivery of public services?
- 5.2 To what extent are local outcomes for communities set out under Single Outcome Agreements for each local authority being met?
- 5.3 Are you seeing evidence of new commissioning models being introduced? Can you describe these models and how widely are they being introduced? Specifically ask about co-commissioning / integrated commissioning.
- 5.4 How, if at all, are you preparing for the 2014 Scottish independence referendum?

APPENDIX C: PARTICIPANTS

Participants in the Case Studies

Case Study	Year 1	Year 2	Year 3	Year 4
Health and Social Care Provider	Senior Manager x 3 Manager x 3	Senior Manager x 2 Manager x 4	Senior Manager x 2 Manager x 4	Manager x 2
Health and Social Care Provider	Senior Manager x 2	Senior Manager x 2	Senior Manager x 2	Senior Manager x 1
Employability Provider	Senior Manager x 4 Manager x 5	Senior Manager x 2	Senior Manager x 2	Senior Manager x 1
Employability Provider	Senior Manager x 3 Manager x 1	Senior Manager x 2	Senior Manager x 2	Senior Manager x 2
Health and Social Care Provider	Senior Manager x 4	Senior Manager x 2	Senior Manager x 4	Senior Manager x 2
Learning Provider	Senior Manager x 1 Officer x 1 Regional Manager x 1 Project Officer x 8	Senior Manager x 1 Senior Officer x 1 Regional Manager x 1 Project Officer x 3	Senior Manager x 1 Senior Officer x 1 Regional Manager x 1 Project Officer x 3	Senior Manager x 1 Senior Officer x 1
Learning Provider	Senior Manager x 1 Manager x 5	Senior Manager x 2 Manager x 2	Senior Manager x 1 Manager x 5	Senior Manager x 1 Manager x 3
Health and Social Care Provider	Senior Manager x 2 Manager x 7	Senior Manager x 3 Project Officer x 2		

Note: Generic role references are used in order to protect the identify of individuals

Composition of the Focus Groups

Employability Focus Group	Employability Provider
	Employability Provider
	Learning Provider
	Employability Provider
Equalities Focus Group	Employability Provider
	Health and Social Care Provider
	Health and Social Care Provider
	Health and Social Care Provider
	Employability Provider (Note: Only participated Years 1 and 4)
Health and Social Care Focus Group	Health and Social Care Provider
	Health and Social Care Provider
	Health and Social Care Provider
	Health and Social Care Provider

APPENDIX D: ORGANISATIONAL PROFILES¹²

Case Study Organisations

HEALTH AND SOCIAL CARE				
Geographical Coverage			National provider	
	2009	2010	2011	2012
Annual Income	£22M	£23M	£22M	£21M
Proportion of Income from Government Funding – latest return			7%	

HEALTH AND SOCIAL CARE				
Geographical Coverage			National provider	
	2009	2010	2011	2012
Annual Income	£29M	£30M	£31M	£29M
Proportion of Income from Government Funding – latest return			96%	

EMPLOYABILITY				
Geographical Coverage			National provider	
	2009	2010	2011	2012
Annual Income	£21M	£32M	£27M	-
Proportion of Income from Government Funding – latest return			98%	

EMPLOYABILITY				
Geographical Coverage			Local provider	
	2009	2010	2011	2012
Annual Income	£1M	£2M	£1M	£2M
Proportion of Income from Government Funding – latest return			23%	

HEALTH AND SOCIAL CARE				
Geographical Coverage			National provider	
	2009	2010	2011	2012
Annual Income	£30M	£29M	£28M	£26M
Proportion of Income from Government Funding – latest return			89%	

¹² Source of the income figures: Office of the Scottish Charity Regulator, www.oscr.org.uk/

LEARNING				
Geographical Coverage			Regional provider	
	2009	2010	2011	2012
Annual Income	£580K	£490K	£530K	£630K
Proportion of Income from Government Funding – latest return			67%	

LEARNING				
Geographical Coverage			Local provider	
	2009	2010	2011	2012
Annual Income	£1M	£1M	£1M	£1M
Proportion of Income from Government Funding – latest return			0%	

HEALTH AND SOCIAL CARE				
Geographical Coverage			Local provider	
	2009	2010	2011	2012
Annual Income	£812M	£729M	£664M	-
Proportion of Income from Government Funding – latest return			71%	

Focus Groups

Health and Social Care Focus Group

HEALTH AND SOCIAL CARE				
Geographical Coverage			Regional provider	
	2009	2010	2011	2012
Annual Income	£1M	£1M	£1M	£1M
Proportion of Income from Government Funding – latest return			91%	

HEALTH AND SOCIAL CARE				
Geographical Coverage			Regional provider	
	2009	2010	2011	2012
Annual Income	£4M	£4M	£5M	£5M
Proportion of Income from Government Funding – latest return			0%	

HEALTH AND SOCIAL CARE				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	£43M	£43M	£43M	£43M
Proportion of Income from Government Funding – latest return			91%	

HEALTH AND SOCIAL CARE				
Geographical Coverage		Regional provider		
	2009	2010	2011	2012
Annual Income	£16M	£15M	£14M	£14M
Proportion of Income from Government Funding – latest return			79%	

Employability/Regeneration Focus Group

EMPLOYABILITY				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	£10M	£9M	£8M	£7M
Proportion of Income from Government Funding – latest return			9%	

LEARNING				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	£30M	£32M	£30M	£29M
Proportion of Income from Government Funding – latest return			-	

EMPLOYABILITY				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	-	£36M	£40M	£55M
Proportion of Income from Government Funding – latest return			-	

EMPLOYABILITY				
Geographical Coverage		Local provider		
	2009	2010	2011	2012
Annual Income	-	£860K	£860K	£1M
Proportion of Income from Government Funding – latest return		-		

Equalities Focus Group

EMPLOYABILITY				
Geographical Coverage		Local provider		
	2009	2010	2011	2012
Annual Income	£570K	£570K	£590K	£520K
Proportion of Income from Government Funding – latest return		7%		

HEALTH AND SOCIAL CARE				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	£320K	£420K	£480K	£390K
Proportion of Income from Government Funding – latest return		38%		

HEALTH AND SOCIAL CARE				
Geographical Coverage		National provider		
	2009	2010	2011	2012
Annual Income	£2M	£2M	£2M	£2M
Proportion of Income from Government Funding – latest return		55%		

HEALTH AND SOCIAL CARE				
Geographical Coverage		Regional provider		
	2009	2010	2011	2012
Annual Income	£450K	£430K	£450K	£490K
Proportion of Income from Government Funding – latest return		97%		

EMPLOYABILITY				
Geographical Coverage		Local provider		
	2009	2010	2011	2012
Annual Income	£410K	£410K	£460K	£210K
Proportion of Income from Government Funding – latest return		-		

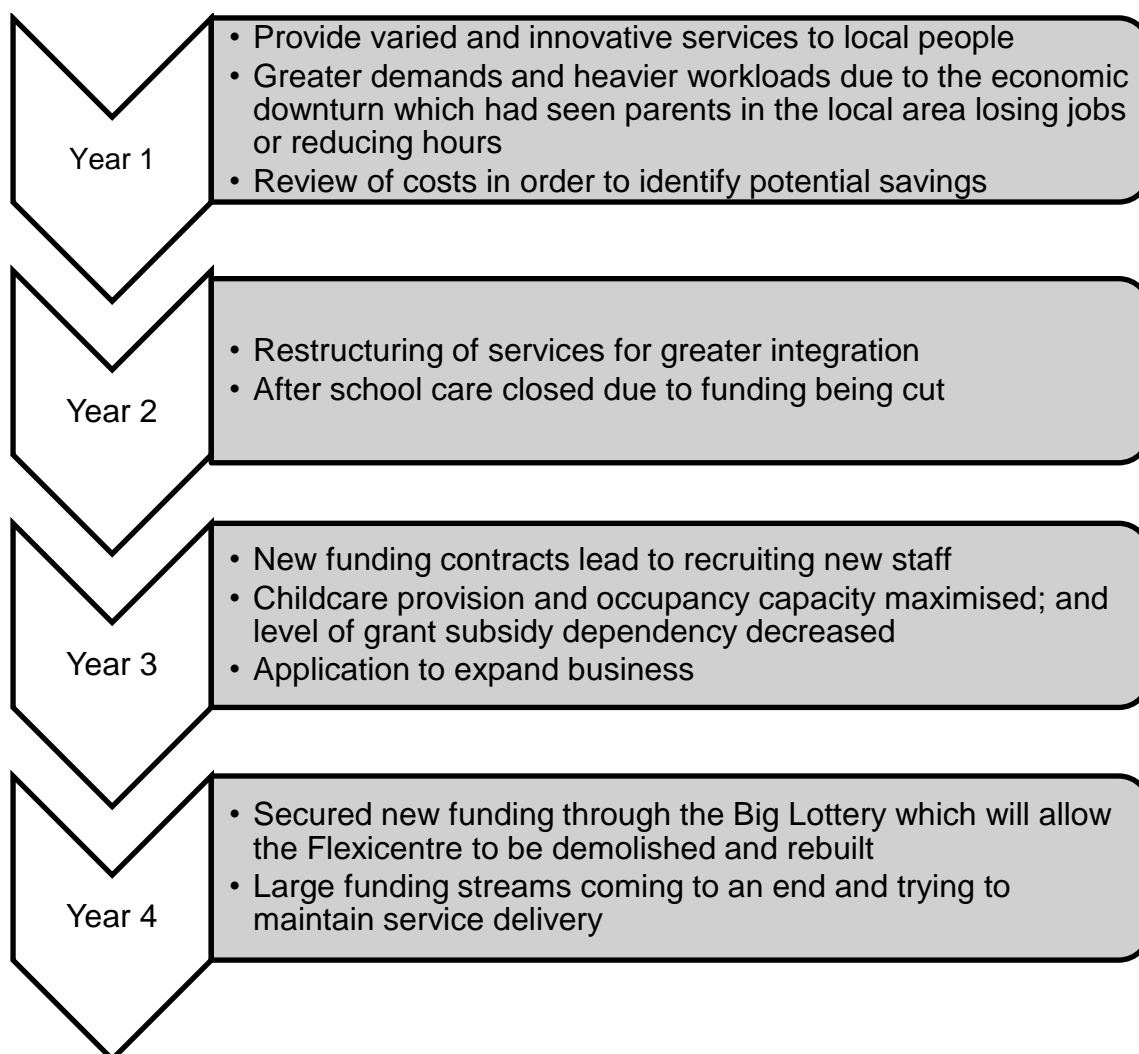
APPENDIX E: CASE STUDIES

This section provides case study analysis for four of the case study organisations that participated in the research and gave permission for their information to be provided. These case studies demonstrate the range of strategies and responses that organisations have taken over the period of the research. They are presented to show change over time by demonstrating the prevailing issues and selected responses year by year.

ROSEMOUNT LIFELONG LEARNING AND FLEXICENTRE

Rosemount Lifelong Learning and Flexicentre are based in two centres in North Glasgow and provide childcare and adult learning opportunities to local communities. It aims to 'reduce poverty by providing high quality childcare and increasing lifelong learning opportunities in an approachable and supportive community setting'.

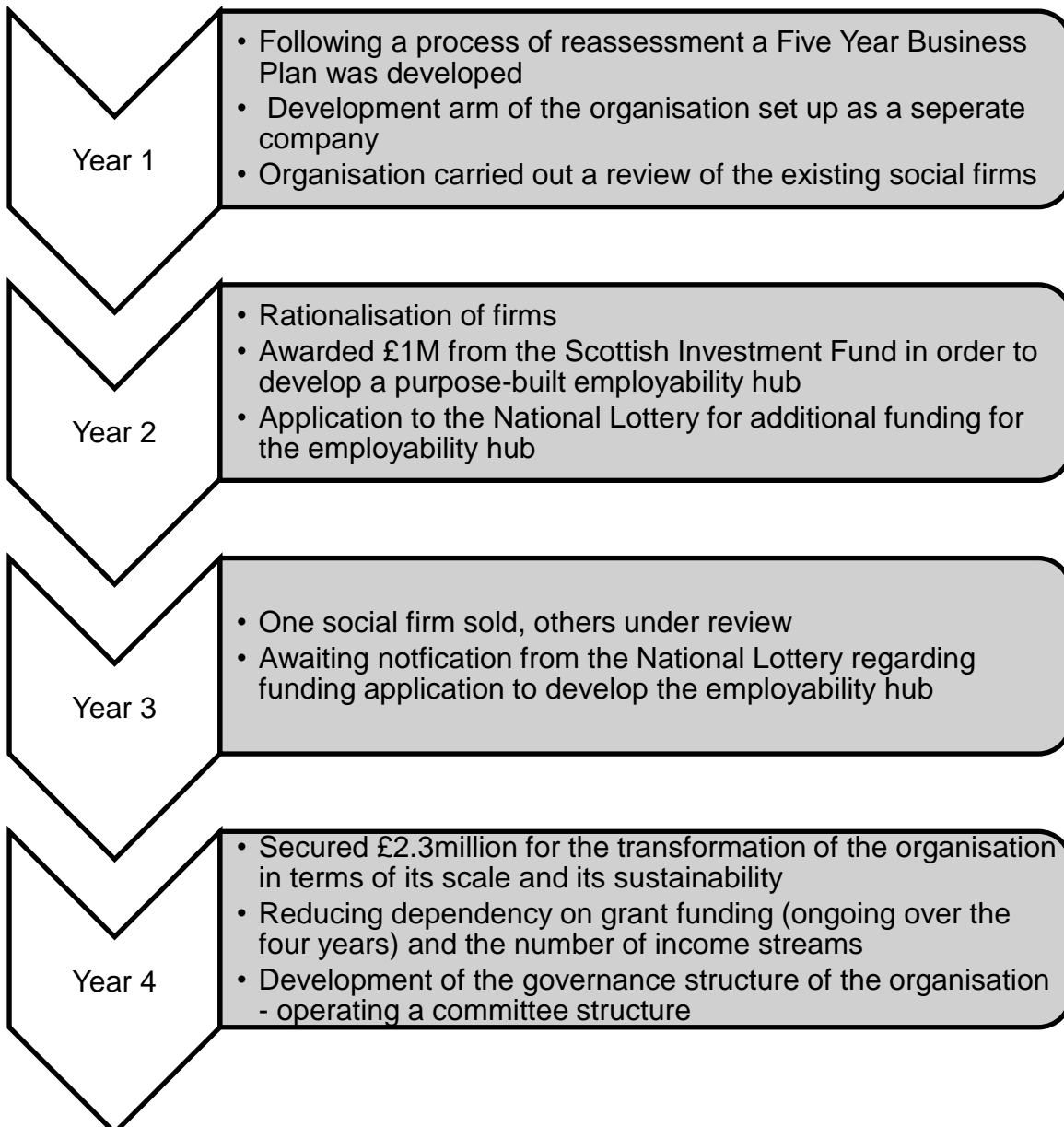
Website: www.rosemount.ac.uk



FORTH SECTOR

Forth Sector is an Edinburgh based organisation which provides 'employability support to aid the recovery of people with mental health problems'. Forth Sector seeks to achieve this aim by offering placements within businesses owned by the organisation and providing pre-employment and in-work support to enable individuals to sustain employment.

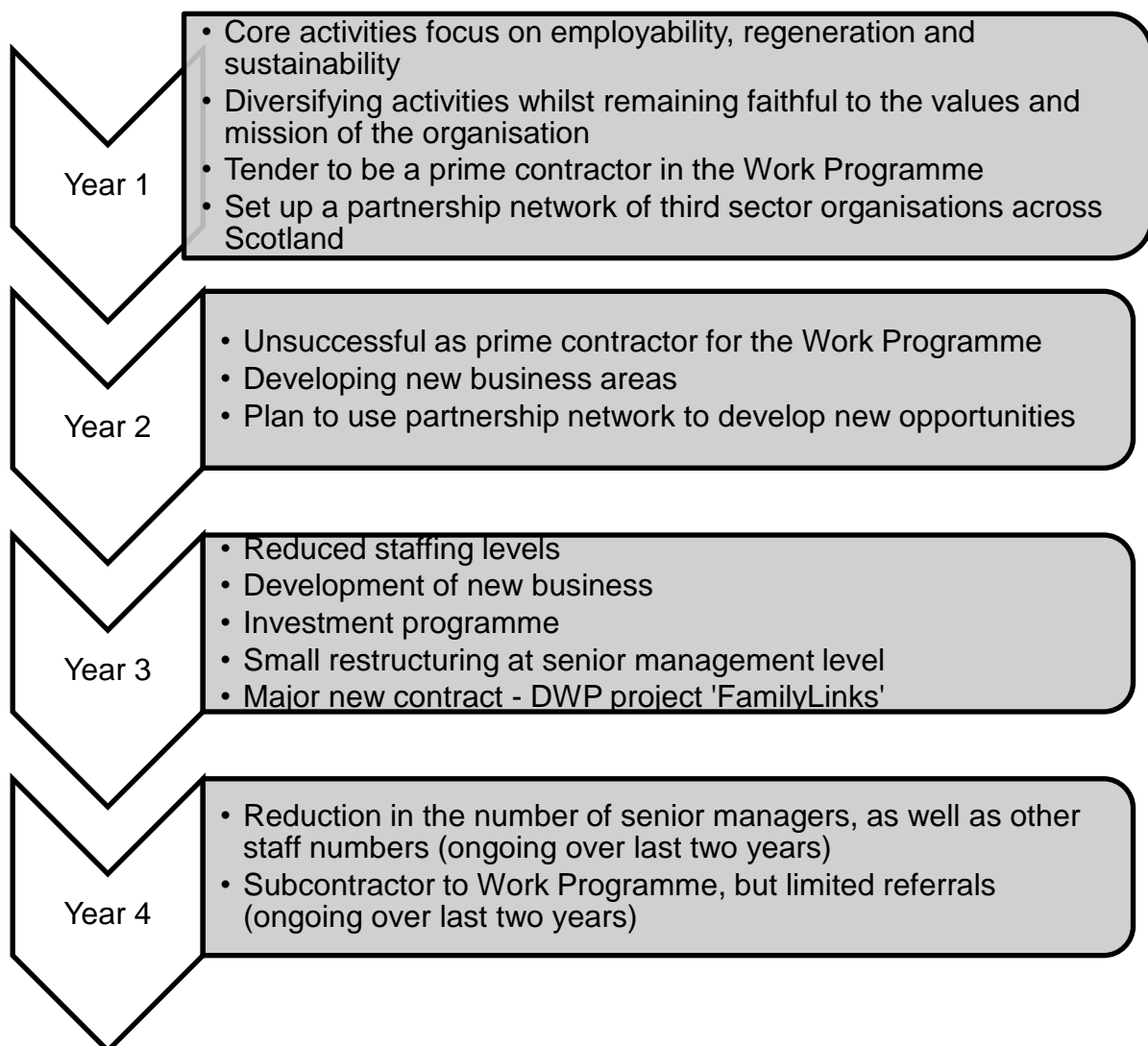
Website: www.forthsector.org.uk



THE WISE GROUP

The Wise Group was established in 1983 as a project to address unemployment and fuel poverty in poor areas of Glasgow. The Wise Group works across Scotland and the North East of England. The organisations' core activities focus on employability, regeneration and sustainability. Programmes delivered by the organisation help provide people with new skills in the labour market, help for ex-offenders and sustainability advice for corporate and private customers. In 2010, the organisation helped 5,500 into employment and helped reduce the carbon emissions of 150,000 houses.

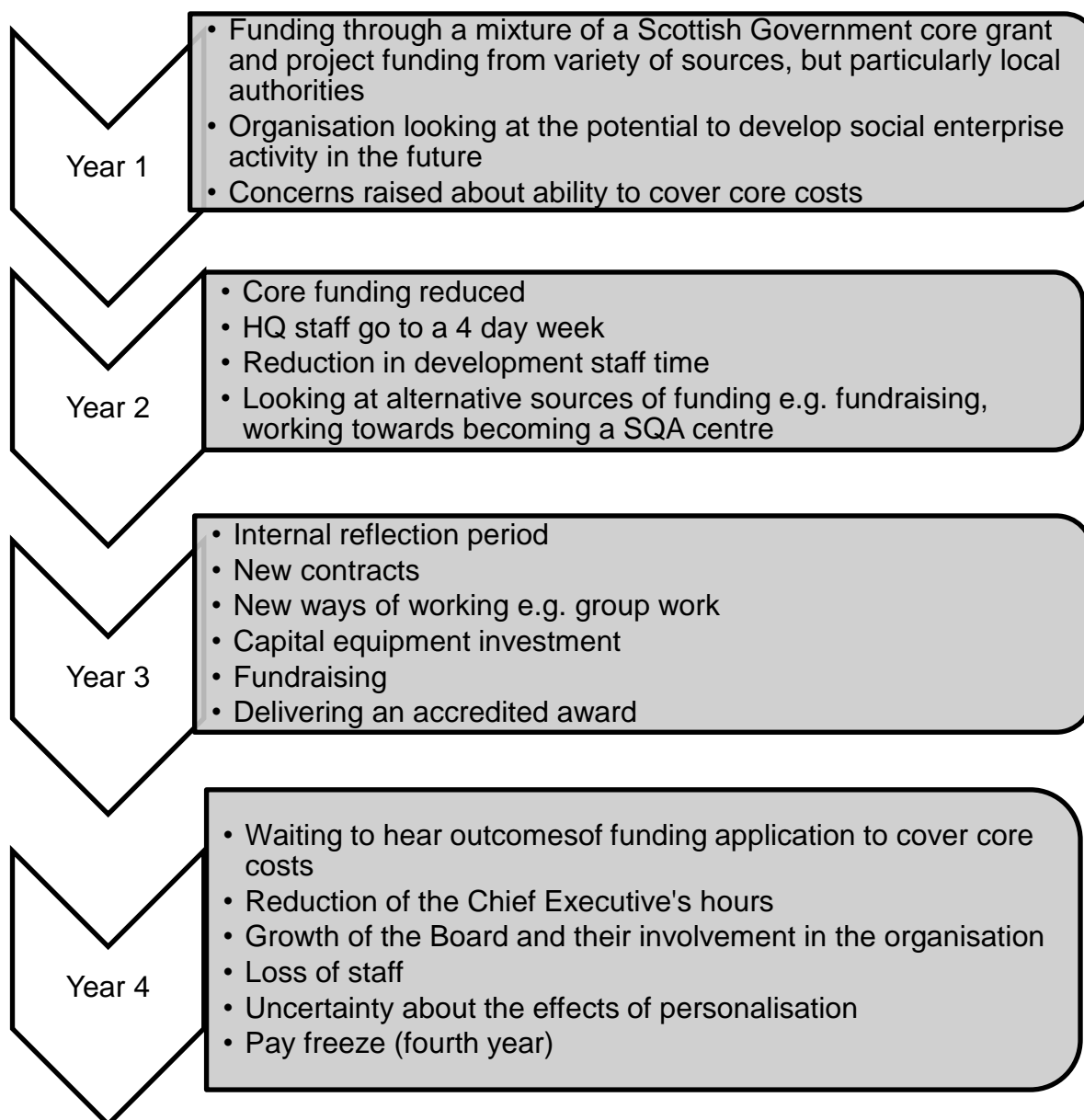
Website: www.thewisegroup.co.uk



LEAD SCOTLAND

'Linking Education and Disability' (Lead) is a specialist Scottish-based third sector organisation that seeks to widen access to learning for disabled people and carers of disabled people. The organisation is limited by guarantee and is registered as a charity in Scotland.

Website: www.lead.org.uk



REFERENCES

Bell, D. (2012). Report on the Draft Scottish Budget 2013-14. Retrieved from, www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Budget_Adviser_Report_on_the_Draft_Scottish_Budget_2013-14_Final.pdf

Christie, C (2011). Commission on the Future Delivery of Public Services. Retrieved from, www.scotland.gov.uk/Resource/Doc/352649/0118638.pdf

HM Treasury (2010b). Budget 2010. Retrieved from, http://webarchive.nationalarchives.gov.uk/20130129110402/http://cdn.hm-treasury.gov.uk/junebudget_complete.pdf

HM Treasury (2012). Autumn Statement 2012. Retrieved from, www.gov.uk/government/uploads/system/uploads/attachment_data/file/185453/autumn_statement_2012_complete.pdf.pdf

HM Treasury (2013). Budget 2013. Retrieved from, www.gov.uk/government/uploads/system/uploads/attachment_data/file/188357/budget2013_complete.pdf.pdf

Holland, J. (2007) Issues in Qualitative Longitudinal Research; Workshop held at London South Bank University 2007, p.10.

Lewis, J. (2007) Analysing Qualitative Longitudinal Research in Evaluation' in Social Policy & Society, Vol. 6, No. 4, pp. 545-556.

Osborne, S., Honoré, E., Bond, S. and Dutton, M. (2011). The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study Year One Report: Baseline Findings. Edinburgh: Scottish Government.
<http://www.scotland.gov.uk/Publications/2011/02/23102624/0>

Osborne, S., Bond, S., Dutton, M. and Honoré, E. (2012a). The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study: Year Two Report. Edinburgh: Scottish Government.
<http://www.scotland.gov.uk/Resource/0038/00388123.pdf>

Osborne, S., Bond, S., Dutton, M., Honoré, E. and Egdell, V. (2012b). The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study Year Three Report (2009-2012). Edinburgh: Scottish Government.
<http://www.scotland.gov.uk/Publications/2012/10/2881>

OSCR (2011). Scottish Charities 2011. Retrieved from, www.oscr.org.uk/media/294663/2012-02-02_scottish_charities_2011_published.pdf
Scottish Government (2013a). Revenue Funding Streams to Local Authorities. Retrieved from, www.scotland.gov.uk/Topics/Government/local-government/17999/CoreRevenueFunding/Revenue-Funding-Streams

Scottish Government (2012a) Self-directed Support (Direct Payments) Scotland, 2012. A National Statistics Publication for Scotland. Retrieved from, www.scotland.gov.uk/Resource/0040/00402717.pdf

Scottish Government (2012b). Government commits to £7.45 Scottish Living Wage. Retrieved from, www.scotland.gov.uk/News/Releases/2012/11/Livingwage051112

Scottish Government (2012c). Scottish Draft Budget 2013-2014. Retrieved from, www.scotland.gov.uk/Resource/0040/00402310.pdf

Scottish Government (2011a). Renewing Scotland's Public Services - Priorities for reform in response to the Christie Commission. Retrieved from, www.scotland.gov.uk/Resource/Doc/358359/0121131.pdf

Scottish Government (2011b). Public Social Partnerships Guidance 2011. Retrieved from, www.scotland.gov.uk/Resource/Doc/48453/0119024.pdf

Scottish Government (2010a). Embracing Social Return on Investment (SROI). Briefing Paper 13. Retrieved from, www.scotland.gov.uk/Resource/Doc/94257/0097309.pdf

Scottish Government (2010b). Self-directed Support. A National Strategy for Scotland. Retrieved from, www.scotland.gov.uk/Resource/Doc/329971/0106962.pdf

Scottish Government (2010c) Scotland's Spending Plans and Draft Budget 2011-2012. Retrieved from, www.scotland.gov.uk/Resource/Doc/331661/0107923.pdf

Scottish Government, Solace Scotland, COSLA and SCVO (2009). Joint Statement on the relationship at local level between Government and the third sector. Retrieved from, www.scotland.gov.uk/Resource/Doc/1036/0087048.pdf

Scottish Government (2008). Enterprising Third Sector Action Plan 2008-2011. Retrieved from, www.scotland.gov.uk/Resource/Doc/228582/0061861.pdf


Scottish Government (2007). Concordat between the Scottish Government and local government. Retrieved from, www.scotland.gov.uk/Resource/Doc/923/0054147.pdf

Scottish Parliament (2012) Social Care (Self-directed Support) (Scotland) Bill. Retrieved from, www.scottish.parliament.uk/parliamentarybusiness/Bills/48001.aspx

Scottish Parliament (2013). Scottish Independence Referendum Bill. Retrieved from, www.scottish.parliament.uk/parliamentarybusiness/Bills/61076.aspx

Swann, J. (2012) The Review of the UVSF and CLD HQ funds. Retrieved from, www.scotland.gov.uk/Resource/0039/00396251.pdf

Swinney, J (2011). Spending Review 2011. Finance Secretary John Swinney, Statement to Scottish Parliament. Wednesday, September 21, 2011. Retrieved from, www.scotland.gov.uk/News/Speeches/spendingreview2012-13



Social Research series
ISSN 2045-6964
ISBN 978-1-78412-179-2

web only publication
www.scotland.gov.uk/socialresearch

APS Group Scotland
DPPAS21718 (12/13)

