Principle Three: Adequate and Secure Funding

Public sector and independent funders - whether they are delivering grant or 'fee for service' funding - should provide adequate and secure funding which is:

- sufficient to cover the full costs of the agreed work, including legitimate overhead costs and provision for annual increases in line with inflation; or an agreed contribution to the cost of the work if they are not the sole funder;
- built on the principle of full cost recovery. Full cost recovery means recovery all the costs involved in running a project – e.g. direct costs such as staffing and indirect costs such as a proportion of the organisation's overheads. Funders should fund all direct and proportioned indirect costs that an organisation faces. Where there is a cap on the level of FCR we would encourage 20%;
- which is to be understood as representing 20 per cent of a contract's value so that we can reflect priorities such as the Real Living Wage, Fair Work and any winding up costs;
- of sufficient duration, for example:
  - + at least three years for "core" grant funding and delivery of ongoing services OR
  - + for the duration of fixed-term projects and activities.

Principle Four: Proportionate Evaluation and Reporting to Funders

Public sector and independent funders should help the third sector organisations they fund to assess and report on the reach and impact of the work they are funded to do, in a proportionate and supportive way:

- The funding award should cover evaluation and reporting costs in addition to delivery costs;
- Evaluation and reporting requirements should be proportionate to the level of funding provided, with smaller awards requiring less in-depth reporting;
- Clear guidance should be provided on evaluation and reporting requirements - either at the application stage or once the funding has been agreed.

Find out more:
TSIs are third sector interfaces. These are local charities which provide a single point of access for the third sector, in every local authority area in Scotland. Find out more at **www.tsi.scot**.

You can find details of your local TSI here – **www.tsi.scot/tsi-directory/**

“The sector provides a wide range of support and services for all ages and equality groups”

Third Sector Fair Funding Charter

TSI SCOTLAND NETWORK

This funding charter has been developed by the TSI Scotland Network and SCVO, to set out fair funding principles for our sector with the aim of supporting improvements in the funding our sector receives from the public and independent sectors.

This will be published by TSIs and complements work on Fair Funding by SCVO, supported by the TSI Network.

The third sector consists of charities, community groups, development trusts, social enterprises and the volunteering sector. The sector provides a wide range of support and services for all ages and equality groups; and for people and communities with diverse needs and issues. It helps to prevent problems arising; it provides early and crisis support, as well as longer term assistance.

The third sector delivers high value, impactful, cost-effective services in every community across Scotland, complementing those provided by public or statutory bodies such as the NHS and local authorities.

This document seeks to offer practical information and principles on fairly funding the third sector. We invite all public and independent organisations which provide funding to the sector, at a local level, to endorse this charter; to demonstrate their commitment to implementing these fair funding principles within an agreed, reasonable timeframe.

When TSIs distribute funding to the third sector we will hold ourselves to these standards.

Principle One: A Strategic Investment Approach

Public sector organisations operating at a local level should take a "strategic investment" approach to the local area in recognition of the third sector's significant and cost-effective contribution to supporting community wealth building, the prevention agenda and delivery of shared goals for people, communities and the natural environment. This will reflect what's set out in key local documents and strategies.

A "third sector strategic investment" approach by the public sector involves the following:

- Pro-active, recurring and co-produced consultation and consideration as to whether certain public services could be effectively delivered by the third sector directly or in partnership with the public sector. Resource allocation decisions can be identified through effective public engagement and community planning processes, which must include third sector organisations;
- An appropriate commissioning process in accordance with Principle Two (below) – which, depending on the circumstances, may involve different approaches such as:
  - open, transparent commissioning (either through tenders or grant awards);
  - joint, partnership, or collaborative commissioning involving several parties;
  - direct commissioning from an identified provider to meet specific, unique requirements.
- Service users/beneficiaries are involved in co-designing and evaluating the commissioned service or activity;
- Appropriate evaluation and reporting arrangements are agreed to provide accountability to the funder and the public, in accordance with Principle Three (below);
- Ongoing learning is supported to inform improvements to the commissioned service, and more widely;
- The funding provided is sufficient and secure in accordance with Principle Three (below).

Principle Two: Accessible, Proportionate and Transparent Funding and Commissioning Processes

Public sector and independent funders should provide accessible, proportionate, and transparent funding and commissioning processes by ensuring:

- their funding and commissioning opportunities are publicised appropriately;
- clear guidance is available on what is required for funding applications, service proposals or bids;
- information on how and when decisions will be made is provided;
- funding applications or proposals only require a level of detail proportionate to the funding – for example, smaller funding awards requiring less detailed applications;
- sufficient time between the opening and closing dates to allow organisations time to prepare and submit their applications, proposals or bid;
- clear processes for managing the end of contracts; giving three months' notice if funding is not to be continued. This allows for fair and effective workforce planning.

> "The third sector delivers high value, impactful, cost-effective services in every community across Scotland"