

# Policy and Sustainability Committee

10am, Tuesday, 11 March

## Supporting the third sector

Executive/routine  
Wards

### 1. Recommendations

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- 1.1 It is recommended that Committee:
  - 1.1.1 Agree the establishment of a Third Sector Resilience Fund, and the purpose, criteria and approach to a first phase of allocation for this fund set out in Appendix 1 to this paper,
  - 1.1.2 Agree the establishment of a 2025/26 Income Maximisation grant programme to provide short term delivery of key money and welfare advice across the city, with a view to long term sustainable funding options to be developed for consideration from 2026/27 onwards,
  - 1.1.3 Agree to delegate the award of Phase 1 grants under the Third Sector Resilience Fund, and Income Maximisation grants to the Chief Executive, in consultation with Group Leaders,
  - 1.1.4 Note that a report on the allocation of this grant fund, and proposals for a potential second phase of allocation will be provided for consideration by Committee in May 2025,
  - 1.1.5 Agree the proposed approach to implementation of a wider review of the Council's approach to supporting the third sector in Edinburgh, and

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1.1.6 Note that a report on initial recommendations from this review will be provided for consideration by Committee in August 2025.

## Supporting the third sector

### 2. Executive Summary

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- 2.1 This report provides a:
- 2.1.1 Recommendation on the establishment of a Third Sector Resilience Fund to support the core operating costs of organisations of third sector organisation in Edinburgh,
  - 2.1.2 Recommendation on the establishment of a short term fund to provide income maximisation services across Edinburgh, and
  - 2.1.3 A recommended approach and outline timeline for a wider review of the Council's approach to supporting the third sector in Edinburgh and how in turn this will feed into wider work on poverty prevention.

### 3. Background

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- 3.1 On 10<sup>th</sup> December 2024 the Policy and Sustainability Committee considered a report noting the potential impacts arising from proposed cuts to the Edinburgh Integration Joint Board's (EIJB) annual third sector grants programme. In this discussion, Committee:
- 3.1.1 Agreed that the Council would work with the EIJB to mitigate risks associated with potential changes to the EIJB's grants programme, including exploring the potential for provision of interim funding
  - 3.1.2 Agreed a proposed approach for a wider review of the way the Council supports the third sector in Edinburgh, with a view to establishing a new sustainable long-term approach, aligned with the Council's Business Plan priorities, for implementation from 2026/27 onwards, and
  - 3.1.3 Agreed that a report should be prepared for consideration by the Policy & Sustainability Committee in March 2025 setting out the scope of this review including an indicative timeline, resourcing considerations, and reporting proposals.
- 3.2 In support of this work, on 20<sup>th</sup> February 2025 the City of Edinburgh Council agreed the Council's Revenue Budget Framework and Medium-Term Financial Plan.

- 3.3 Within the 2025/26 revenue budget framework Council agreed the allocation of £2.5m transition support to the third sector, and a £1m allocation for income maximisation support. Council agreed for officers to prepare a report to the Policy and Sustainability Committee in March setting out the criteria for the programme.

## 4. Main report

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### Third Sector Resilience Fund

- 4.1 Officer work carried out since December 2024 has included analysis to assess the potential risks to the Council arising from proposed ending of the EIJB third sector grants programme and development of options for interim funding mechanisms to mitigate this risk.
- 4.2 This analysis, which has been conducted in collaboration with EIJB colleagues and third sector partners, concluded that:
- 4.2.1 There is reasonable evidence to confirm that the potential closure of the EIJB grants programme does pose a significant risk to the financial viability of a number of third sector organisations in Edinburgh,
- 4.2.2 A substantial number of these organisations are important partners of the Council in delivery of services across Edinburgh, and that
- 4.2.3 As such, the potential closure of the EIJB third sector grants programme does pose a meaningful risk to the delivery of Council services, projects, and programmes during 2025/26, as well as and in addition to risks to individuals and communities supported by grant funded projects.
- 4.3 The analysis further notes that the Council is unable to provide grants for organisations carrying out services related to the functions delegated to the EIJB. Any grants it provides to organisations impacted by the proposed cuts to the EIJB grant fund, should either be for services outwith those delegated functions or for the running of the organisation itself.
- 4.4 In mitigation of these risks, officers propose the establishment of a **Third Sector Resilience Fund** to allocate the £2.5m investment agreed as part of the 2025/26 Council Budget.
- 4.5 In its first phase, this investment will create a short term draw down fund and provide financial support with core operating costs to third sector organisations which, as a direct result of the loss of EIJB grant funding, are planning imminent and significant cost saving measures which put at risk the delivery of other non-EIJB funded activity, including delivery of other Council grant funded and commissioned projects. Appendix 1 to this paper provides a proposed approach to the use of this fund during this initial phase, including purpose, eligibility, and timeline for implementation.
- 4.6 Evidence received from third sector partners throughout the development of these proposals has emphasised an urgent need for clarity about processes, and for the

Council to be able to make funding allocations as quickly as is possible. Towards this, the timeline set out in Appendix 1 provides a process that aims to allocate funds to successful organisations during May 2025.

- 4.7 In order to meet this deadline, and ensure that grant decisions can be made in advance of the next meeting of the Policy and Sustainability Committee on 27<sup>th</sup> May, it is proposed that authority for the award of grants is delegated to the Chief Executive in consultation with Group Leaders and in line with the agreed application process.
- 4.8 Funds remaining after the completion of this first phase will be used to develop a second round of funding for allocation during 2025/26 offering support with core operating costs for other third sector organisations across Edinburgh.

### **Funding for income maximisation services**

- 4.9 In addition to this investment, the 2025/26 Council budget agreed an allocation of £1m for continuation of EIJB funded income maximisation services.
- 4.10 Officer analysis notes that some 20% of the 2024/25 EIJB third sector grant programme funds the delivery of money, debt, and welfare advice support by third sector organisations to people across Edinburgh. These programmes provide an important complement and additional capacity to income maximisation services delivered directly by the Council, in particular in the delivery of embedded advice provision within partner community services such as schools, early years centres, GP practices, hospitals, and health visitor services.
- 4.11 In doing so, these services provide a key part of the city's end poverty programme and significant concerns have been raised through officers, partners, and other third sector organisations around the impact of cuts in this area of work through the withdrawal of the EIJB funding.
- 4.12 This investment will provide a direct Council funded programme of work that would allow third sector advice providers to support c16,000 Edinburgh residents to maximise their incomes through increasing uptake of benefits entitlements, managing debts, reducing living costs, and accessing work.
- 4.13 This investment would provide short term security for services that brings a minimum of £8m of additional income for clients in Edinburgh per annum, and allow officers to continue to work with providers in scoping and design of longer term funding solutions.
- 4.14 Officers will work to identify the most appropriate way of distributing the funding during the 25/26 financial year, noting the budget direction to continue the funding currently provided by the EIJB that runs out in June 2025. This will include potential alternatives to the current model, and officers will also work to ensure that there is no duplication of funding across the Income Maximisation funding and Resilience fund for income maximisation advice.
- 4.15 Officers will develop a further report, in consultation with partner organisations, for consideration by Committee in March 2026 that will detail potential longer term

delivery options to support income maximisation services in the city, subject to the Council's budget process.

## Reviewing support for the third sector in Edinburgh

- 4.16 Alongside work to establish immediate mitigating actions, officers have also begun the scoping and planning stages of a longer term review of the way the Council and partners support the third sector in Edinburgh.
- 4.17 This review will:
- 4.17.1 Provide a comprehensive assessment of partnership resources available to support the third sector in Edinburgh – through grant funding and commissioned services
  - 4.17.2 Provide an explicit response to the findings of the Edinburgh Poverty Commission and its calls for “*Statutory and third sector support organisations in the city to work better together in a way that is planned, comprehensive and responds to the strengths and voices of communities...[through]... genuine partnerships based on mutual respect, trusted relationships and resource sharing*”
  - 4.17.3 Be explicitly taken forward as one critical enabling part of the city's approach to early intervention and poverty prevention, with specific focus on meeting the city's need for strong community-led anchor institutions
  - 4.17.4 As a core objective, examine ways in which the Council and Partners can work towards meeting the ‘[Fair Funding Principles](#)’ set out by the Scottish Council of Voluntary Organisations (SCVO), and
  - 4.17.5 Develop proposals for new approaches to provide key third sector organisations and networks across Edinburgh with flexible, core funding needed to enable organisations to provide security, plan effectively, and fulfil good governance requirements
- 4.18 A draft terms of reference, approach, and timeline for the next stages of this work is provided in Appendix 2 to this paper.

## 5. Next Steps

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- 5.1 Next steps include:
- 5.1.1 Launch of the Third Sector Resilience Fund as outlined in Appendix 1 to this paper, with a view to completing a first phase allocation of funds before the end of May 2025,
  - 5.1.2 Implementation of a new short term income maximisation grant programme as outlined in this paper, with a view to commencement in July 2025,
  - 5.1.3 A report to Policy and Sustainability Committee in May 2025 outlining learning to date and next steps relating to these grant funds, including

proposed approach to a second phase of allocation for fund remaining after completion of phase 1, and

- 5.1.4 A report to Policy and Sustainability Committee in August 2025 outlining initial recommendations arising from the wider review of Council approaches to supporting the third sector.

## **6. Financial impact**

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- 6.1 The proposals set out in this paper can be delivered within resources agreed as part of the 2025/26 Council budget setting process.

## **7. Equality and Poverty Impact**

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- 7.1 The proposals set out in this paper are designed to help maintain the financial viability and long term sustainability of third sector organisations in Edinburgh that provide critical support to people in or at risk of poverty in Edinburgh.

## **8. Climate and Nature Emergency Implications**

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- 8.1 There are no direct climate and nature implications arising as a result of the proposals in this paper.

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 Proposals in this paper have been developed in consultation with a reference group third sector organisations in Edinburgh.
- 9.2 In developing these proposals officers have made due reference to the Public bodies (Joint Working) Act 2014 which requires Councils (and health authorities) to delegate powers to carry out health and adult social care functions, in Edinburgh's case, an integration joint board. This also requires the Council to transfer the Council's budget to the EIJB for those services. This is because it is the EIJB that is to make the strategic and financial decisions on what services are provided in regard to these functions.
- 9.3 As a result, the Council cannot decide to fund any services in relation to those delegated to the EIJB, as that would be a decision of the EIJB and any money that the Council had in relation to these functions/services should be provided to the EIJB. With reference to the EIJB third sector grants programme, this means that the Council is unable to simply replace the EIJB as the provider of all grants to third sector organisations impacted by any cuts to the EIJB grant fund. Any grants provided as a result of this report should therefore either be for services outwith those delegated functions or for the running of the organisation itself.

## **10. Background reading/external references**

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- 10.1 Supporting the Third Sector in Edinburgh, Policy and Sustainability Committee, December 2024

## **11. Appendices**

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Appendix 1: Third Sector Resilience Fund (Phase 1)

Appendix 2: Review of third sector support in Edinburgh



## Appendix 1: Third Sector Resilience Fund (Phase 1)

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### Purpose

The Third Sector Resilience Fund is a short term draw down resource established within City of Edinburgh Council reserves for use during 2025/26.

The fund aims to:

- Provide short term financial support for core operating costs to Edinburgh based third sector organisations which, as a direct result of the loss of EIJB grant funding, are planning significant and imminent cost saving measures which put at risk the delivery of other non-EIJB funded activity, including delivery of other Council grant funded and commissioned projects, and, in doing so,
- Ensure that the closure of the EIJB third sector grants programme does not affect, disrupt or delay the delivery of City of Edinburgh Council grant funded or commissioned projects and services.

Towards these aims, the fund is

- Not intended as a replacement for previous grant funding, or as an extension of any previous grant funding relationship,
- Not intended to provide costs associated with closure of an organisation as a result of the loss of EIJB grant funding, and
- Not intended to be used for delivery of any specific projects or services

The fund is designed to ensure the continued ability of organisations to act as key third sector partners of City of Edinburgh Council. In doing so, eligible uses of the fund will include the funding of core operating costs for third sector organisations including:

- Cost of office space and other premises
- Energy costs
- Telecommunications, internet and phone costs
- Insurance
- Salaries of key employees, including National Insurance and pension contributions, and
- Other costs critical to the maintenance of the organisation as a going concern.

### Eligibility

In order to be eligible to apply to this fund, organisations must be:

- Registered charitable organisations, operating, and headquartered in the City of Edinburgh
- Included within the list of organisations in receipt of EIJB Third Sector Grant programme funds during 2024/25 provided as Appendix 2 to this paper,
- In receipt of City of Edinburgh Council funds – in the form of grants or contracts – for the delivery of projects or services during 2025/26, but
- Not in receipt of any other City of Edinburgh Council grant funding established during 2025/26 in mitigation for the closure of the EIJB third sector grants funds

(including the Council's proposed 2025/26 Income Maximisation third sector grants programme).

Eligible organisations must be able to demonstrate that:

- The loss of funding previously provided by the EIJB grants programme leaves the organisation at risk of having to take significant cost reduction measures that put at risk the delivery of other, non-EIJB funded activity, and
- The organisation has taken and continues to take appropriate and proportionate steps available to it to maintain its ability to deliver City of Edinburgh Council funded projects at the standards expected.

Organisation will further be expected to provide details on:

- How funds will be used, and why this use will support the ability of the organisation to maintain the delivery of non-EIJB funded services, including Council grant funded and commissioned services,
- How funds will support the ability of the organisation to maintain financial sustainability from 2026/27 onwards,
- The geographical focus of services provided by the organisation within Edinburgh, and
- An indicative profile of clients supported by the organisation, including analysis across demographic and protected equalities groups.

### **Assessment Panel and decision making process**

It is proposed that the assessment panel for this programme will be led by the Council's strategy team drawing on expertise including:

- Finance and procurement specialists
- Grant management specialists, and
- Third sector representatives (not including organisations eligible for funding through this programme).

The panel will make decisions based on an assessment of:

- Eligibility for funding, including fit with financial eligibility criteria
- Geographical distribution of support provision – aiming to ensure an appropriate spread of funding across all areas of the city, and
- Client profiles – aiming to ensure that assessment decisions do not adversely and/or disproportionately impact any individual client group or demographic.

### **Application and grant allocation process**

Proposed timelines for the grant process are:

- w/c 10<sup>th</sup> March – Communications sent to all EIJB third sector grant recipients clarifying Council's proposed approach and next steps (subject to approval by committee)
- 17<sup>th</sup> March – applications open for eligible organisations
- 31<sup>st</sup> March – application process closes

- 1<sup>st</sup> April to 14<sup>th</sup> April – Assessment panel considers applications and develops recommendations for grant allocation
- w/c 21<sup>st</sup> April
  - Officers provide briefing to Policy and Sustainability Committee members on proposed allocations,
  - Chief Executive agrees final allocation decisions in consultation with group leaders
- w/c 28<sup>th</sup> April
  - Contact organisations about funding decisions.
  - Issue Grant Award letters and agreements
- w/c 5<sup>th</sup> May
  - Begin to distribute funding to organisations.
  - Agree monitoring and reporting approaches with successful organisations
- 27<sup>th</sup> May
  - Policy and Sustainability Committee consider report outlining learning from process, and next steps.

## Appendix 2: Reviewing third sector support in Edinburgh

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### Terms of reference

Recent discussions at City of Edinburgh Council and Edinburgh Partnership Board are providing a platform for the city to review the way it listens to and supports the third sector to be a sustainable, thriving partner.

The scope of that review should:

- Consider the full funding environment for third sector organisations – including **grant funding and commissioning**
- Be explicitly taken forward as one critical enabling part of the city's approach to **early intervention and poverty prevention in the first instance**, but as part of a longer term programme that will cover all areas of third sector funding (including education, culture, transport and other service priorities).
- Deliver initial options for consideration by Council as part of **the 2026/27 budget setting process**.

For maximum impact the review should:

- Identify and focus on **locally held levers** and opportunities for change
- Be built from a practical and deliverable **multi-year** phased programme of review and change, covering **all areas** of third sector support
- Identify and focus on opportunities to carry out this review in partnership with all local funding organisations (**Council, NHS Lothian, IJB, EP, Scottish Government**)
- Identify and focus on opportunities to carry out this review in partnership with **independent funding organisations** with significant investments in Edinburgh
- **Co-design and deliver** this review in partnership with **third sector organisations and users of the services they provide**
- As a core objective, the review should examine ways in which the Council and Partners can work towards meeting the '**Fair Funding Principles**' set out by the SCVO
- **Go beyond funding alone** and consider the broader range of support, advice, and guidance third sector organisations in Edinburgh need in order to thrive as a genuine partner.

### Review Approach

The review will adopt a mixed methods approach incorporating:

- **Data analytics** to establish baseline evidence of the patterns of third sector funding across Edinburgh, including outcomes delivered
- **Literature Review** – drawing on existing analysis of third sector funding approaches across Scotland and elsewhere.
- **Primary Research** – including focus groups, online survey work, and an interview programme designed to establish a deep evidence base on the experience of third sector organisations working in Edinburgh, and the experiences of commissioning and grant managers working with the third sector.

- **Stakeholder workshops and calls for evidence** – providing spaces and opportunities for broad exploration of issues and options critical to the development of the review findings.

### **Delivering the review**

The review will be led by an Edinburgh Partnership officer working group, aligned to the newly established Edinburgh Partnership Management Group. Members of the working group will include representation from:

- City of Edinburgh Council
- Edinburgh Health and Social Care Partnership
- NHS Lothian
- Edinburgh's Higher and Further Education Institutions
- Edinburgh's third sector

Throughout its work, the review will report on progress and provide updates to:

- Edinburgh Partnership Board, and
- City of Edinburgh Council Policy and Sustainability Committee.

The review will focus on two key lines of inquiry

- Establishing baseline evidence on
  - Current third sector funding for poverty prevention and mitigation services
  - Areas and evidence on good practice
  - Learning from current test of change programmes (such as Regenerative Futures Fund)
  - Existing barriers to effective working, and
  - Barriers and limitations to short term change (including statutory or regulatory challenges)
- Designing new models for third sector support in Edinburgh, including:
  - Options for increased resource sharing in communities
  - Tests of alternative commissioning and grant approaches
  - Consistency and efficiency in monitoring and reporting
  - Improved communication and engagement
  - Tests of change for encouraging innovation and system reform

### **Review Timeline**

- **Scoping stage: January to March 2025**
  - Establishing review working group
  - Establish terms of reference and approach
  - Begin literature review and data collection actions
  - **Outputs:**
    - **Report to Policy and Sustainability Committee, 11<sup>th</sup> March**
    - **Report to Edinburgh Partnership Board, 27<sup>th</sup> March**
- **Inquiry stage: April to August 2025**
  - Complete desk research and data analytics
  - Primary research programme
  - Stakeholder workshops and calls for evidence

- Design and develop options and initial recommendations
- Develop recommendations for phase two inquiry process
- **Outputs**
  - **Report to Policy and Sustainability Committee, August 2025**
  - **Report to Edinburgh Partnership Board, August 2025**
- **Phase 1 implementation/Phase 2 inquiry: September to December 2025**
  - Incorporate recommendations within City of Edinburgh Council budget setting processes for 2026/27.
  - Scope and begin phase 2 of inquiry process.