



**The Health and
Social Care
Alliance
Scotland
(the ALLIANCE)**



**Strengthening Scotland's Partnership
with the Third Sector
ALLIANCE Briefing**

12 June 2026

Key Points

“I’ve worked in the Third Sector for over 30 years and, although finances have often been tight, the current financial situation is unprecedented.” – ALLIANCE Member

The Health and Social Care Alliance Scotland (the ALLIANCE) are sharing this briefing ahead of the Scottish Government debate on “Strengthening Scotland’s Partnership with the Third Sector” on 16 June 2026. Our key messages to MSPs are:

- 64% of the ALLIANCE’s members reported financial insecurity by December 2025, up from 49% in March 2024.
- 60% had experienced cuts to their core grants and 25% to contracts.
- We welcome the proposed agreement with the third sector but need further detail on timescale, signatories, accountability and scope.
- Urgent progress is needed on multi-year funding arrangements, adjusted for inflation, with full and meaningful inclusion in planning and decision-making.

Third sector funding: Stretched Beyond Limit

“With rising costs, 6% increase in real living wage and employer’s National Insurance increasing – all of which will need to be paid out of donations and reserves – the organisation and staff are at breaking point. It is no longer sustainable in its current format despite an ongoing increase in demand for support.” – ALLIANCE Member

Scotland’s third sector is facing a severe financial crisis. As Scotland’s third sector intermediary for health and social care, the ALLIANCE are deeply concerned about the challenges facing our members and the people and communities they support, including disabled people, people with long term conditions and unpaid carers. In December 2025 we published research on how this crisis impacts our members, “Stretched Beyond Limit”.¹ We found in the responses from our nearly 400 third sector members:

- 64% reported financial insecurity, up from 49% in March 2024
- Only 3% reported not facing any financial pressure
- 60% had experienced cuts to their core grants
- 25% had experienced cuts to contracts
- 57% were unsustainably reliant on reserves and were having difficulty offering pay uplifts to their employees.

The current financial situation is unsustainable and increasingly risks essential jobs, public services and the health and wellbeing of Scotland’s people and communities. It is essential that the Scottish Government makes further, rapid progress towards fully



implementing third sector fair funding principles and strengthening the approach to partnership with the sector.

Scottish Government commitment: An agreement with the Third Sector

“To announce to staff they will get no salary uplift due to funding and then seeing announcements about (not insignificant) pay rises for statutory colleagues is an extremely bitter pill to swallow.” – ALLIANCE Member

We have heard from several of our members that they feel the third sector does not have parity with the statutory sector, even when they are delivering equivalent services. This is reflected in a tendency for cuts to fall on the third sector in the first instance, for grant and contract funding not to support pay increases in line with those in the statutory sector, and a lack of meaningful involvement in financial decision making and service design processes.

The SNP’s 2026 election manifesto included a pledge to “Develop an agreement with the third sector to strengthen its voice and improve lives, which will include delivering funding on a multi-year basis to allow better planning of service provision.” This is a welcome commitment, and MSPs of all parties must ensure that the new Scottish Government delivers on this promise. The ALLIANCE would recommend prioritising the following key areas in developing the proposed agreement:

- Setting a clear and realistic timetable for developing and implementing the agreement, bringing it into effect as soon as possible. The financial crisis facing the third sector needs urgent action and change cannot be left in the slow lane.
- Providing clarity on who will be subject to the agreement and how that will be determined, as there are over 46,500 third sector organisations across Scotland. Consideration should be given to whether the agreement form part of contracts and grants to individual organisations, for example, and how to do so whilst protecting the independence of the sector.
- Ensuring clear lines of accountability within the Scottish Government and alignment with budget setting across every portfolio. The agreement must indicate who is responsible for how it will be delivered, monitored and enforced.
- Clearly defining the scope of the agreement. It must deliver fair funding and recognise the third sector’s role in the economy and delivering public services.

Public service reform and prevention: the third sector’s vital role

“Cutting proactive, community based preventative interventions to save money in the short term and expecting overrun, reactive crisis services to pick up the pieces is a recipe for disaster. But it’s a recipe statutory funders are relying upon heavily at the



moment. It's only a matter of time before the disastrous consequences start piling up.” – ALLIANCE Member

The importance of prevention is widely recognised, particularly in the context of the current pressure on public finances and the need for public service reform, yet the balance of public spending is yet to catch up. Preventing people from reaching crisis in the first place is better for their health, wellbeing and human rights, in addition to the cost savings. Much of the work of the third sector is highly preventative in nature, from direct provision of social care to independent advice and advocacy, peer support groups and accessible exercise classes.

An example of effective preventative third sector spend is the Community Links Worker (CLW) model, which reduces pressure on GPs whilst generating significant wellbeing benefits. A review of the ALLIANCE's CLW programme identified these to be £18.2 million in 2022, compared to £2.1 million in delivering the programme, a ratio of £8.79 in wellbeing benefits for every £1 invested.²

As the Scottish Government progresses its public service reform agenda, investments such as these must be protected and indeed increased to prevent greater costs arising from higher demand for crisis intervention. Funding for preventative services must be sustainable and reliable, ensuring that those services are available for as long as people need them, and are not closed or scaled back at short notice, leaving people without the support that has kept them well and participating in society.

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¹ The ALLIANCE, 'Stretched Beyond Limit: ALLIANCE report finds deepening crisis in third sector funding' (December 2025), available at: <https://www.alliance-scotland.org.uk/blog/news/stretched-beyond-limit-alliance-report-finds-deepening-crisis-in-third-sector-funding/>

² The ALLIANCE and Biggar Economics, 'ALLIANCE Community Links Worker Programme: Impact Assessment', available at: <https://www.alliance-scotland.org.uk/wp-content/uploads/2024/01/Impact-Assessment-Biggar-Economics.pdf>

