



# Scottish Third Sector Tracker

**Wave four findings**

**Summer 2022**

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# 1. Introduction

This paper presents the key findings from the fourth wave of the Scottish Third Sector Tracker, data for which was collected in July-August 2022. The Tracker collects quarterly panel data from Scottish third sector organisations to give current insights into the state of the sector, key trends, and developments. More information about the Tracker is available [here](#).

The Tracker asks organisations questions relating to their current organisational challenges; demand for their services; costs; staff and volunteers; financial health; and funding. Questions in Wave 4 also explored the impact of the cost-of-living crisis on third sector organisations and the people and communities they serve.

## 2. About the data

The Wave 4 findings draw on responses from 429 third sector organisations. Surveys were conducted online in July and August 2022. Quotas and weighting have been used to ensure the final dataset represents the Scottish third sector in terms of the organisations' location, activity, and turnover.

The dataset contains a mix of quantitative and qualitative responses. Quantitative data were used to generate a series of summary figures and tables that present key insights into the sector over the last three months. A thematic analysis was conducted on qualitative responses to questions on the impacts of rising costs on organisations' beneficiaries, the challenges associated with increasing staff pay, and organisations' perspectives on fair funding. In each case, the most frequently reported themes have been highlighted. Supporting quotes for these and other noteworthy themes have been provided.

All the data for this report have been taken from the Scottish Third Sector Tracker. All the data for Wave 4 are available for anyone who wants them, [here](#).

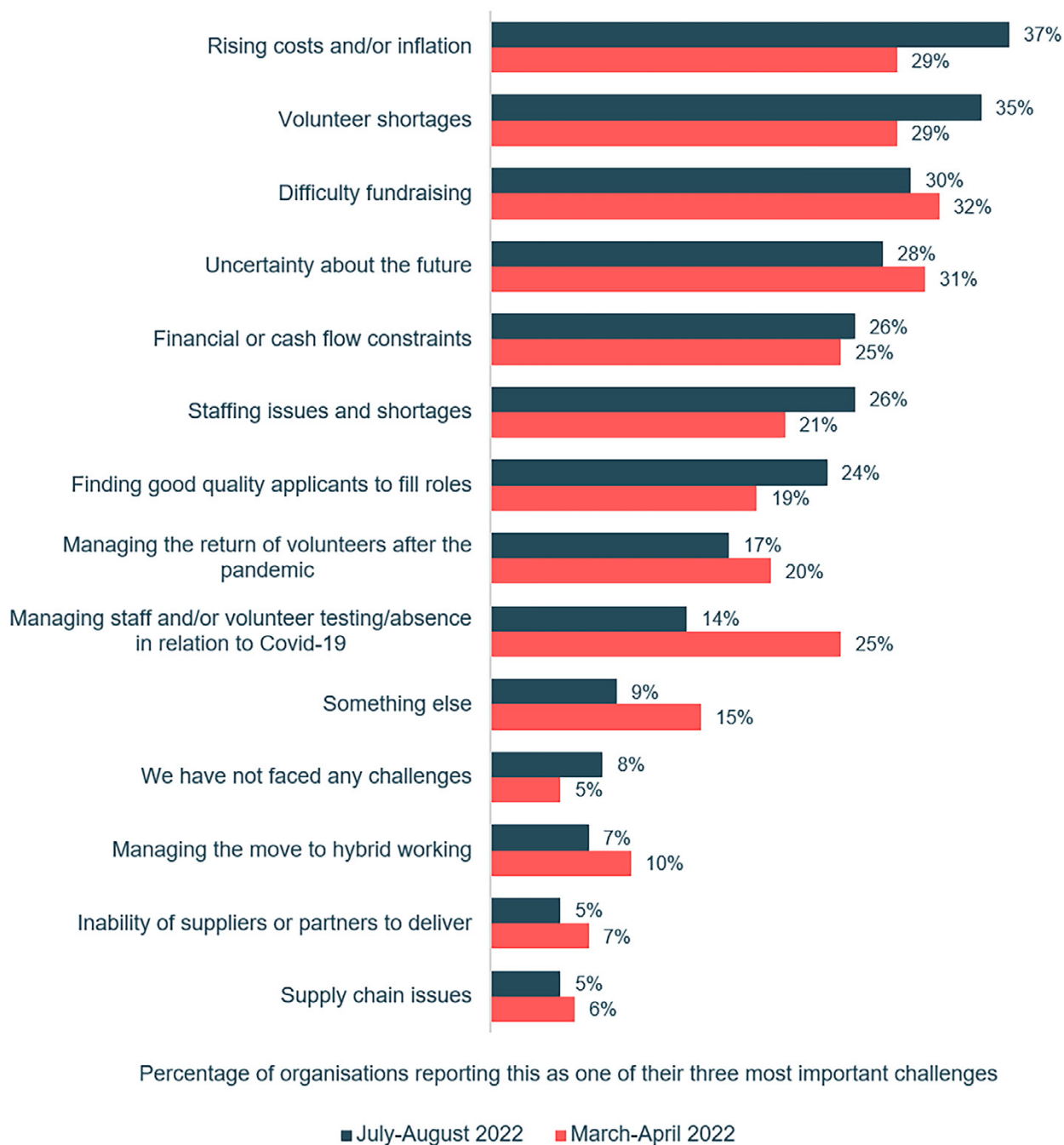
## 3. Findings

### 3.1 Key current challenges for third sector organisations

Organisations were asked about the number one challenge they had faced since April 2022. The most frequently reported challenge was **volunteer shortages** (16%), followed by **difficulty fundraising** (12%), and **staffing issues and shortages** (12%).

When considering organisations' top 3 challenges, the most frequently reported were **rising costs and/or inflation** (37%), **volunteer shortages** (35%) and **difficulty fundraising** (30%). The largest differences in reported challenges since Wave 3 were in rising costs and/or inflation, which increased from 29%, and managing staff and/or volunteer testing/absence in relation to COVID-19, which decreased from 25% to 14%, reflecting widespread reductions in testing and monitoring of COVID-19. Overall, 72% of organisations reported shortages and issues with staffing and volunteers, 62% of organisations reported financial challenges, and 32% of organisations reported difficulty planning for the future<sup>1</sup>.

**Figure 1. Top three challenges for third sector organisations**



Variable base and weighted base<sup>2</sup>.

<sup>1</sup> Shortages and issues with staffing and volunteers combines respondents that selected 'volunteer shortages', 'staffing issues and shortages', 'finding good quality applicants to fill roles', 'managing the return of volunteers after the pandemic', or 'managing staff and/or volunteer testing/absence in relation to COVID-19'. Similarly, financial challenges combines 'rising costs and/or inflation', 'difficulty fundraising', and 'financial or cash flow constraints'. Difficulty planning for the future combines 'uncertainty about the future' and 'managing the move to hybrid working'.

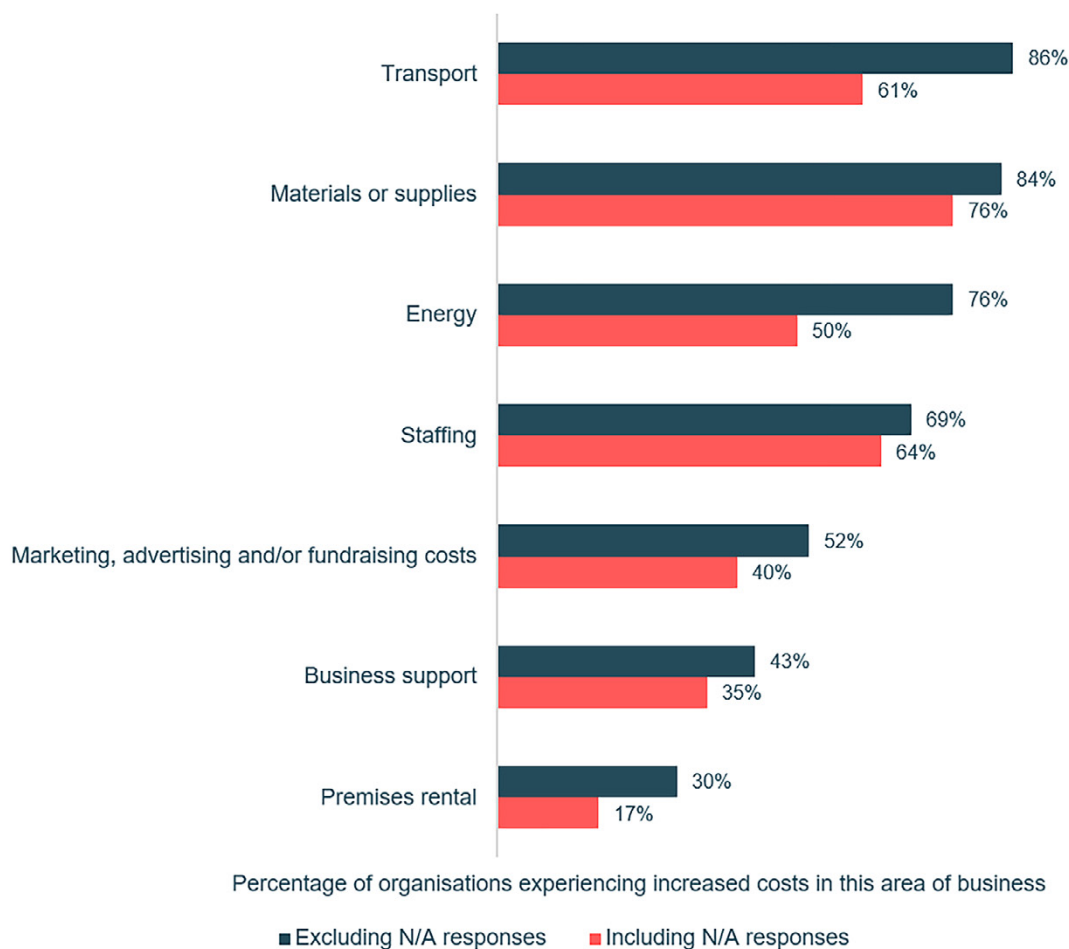
<sup>2</sup> July-August: base, 429, weighted, 423. March-April: 457, 453.

## 3.2 Rising costs and Scotland's third sector

### 3.2.1 Overview of rising costs

The survey asked how organisations' costs had changed over the previous 3 months. Overall, 93% of organisations reported increased costs in at least one area of their business, an increase from 86% of organisations in April 2022. The most widely reported cost increase was to **transport** (86% of organisations for which transport costs were relevant). The second most frequently reported cost increase was to **materials or supplies** (84% of organisations for which this was a relevant cost), followed by **energy** (76%), and **staffing** (69%). Very few organisations reported decreases to their costs. In Figure 2 we present the results for all cost areas, presenting the findings for just the organisations that said a specific cost area was relevant for them alongside the results for the whole set of respondents, which gives an indication of the sector-wide picture.

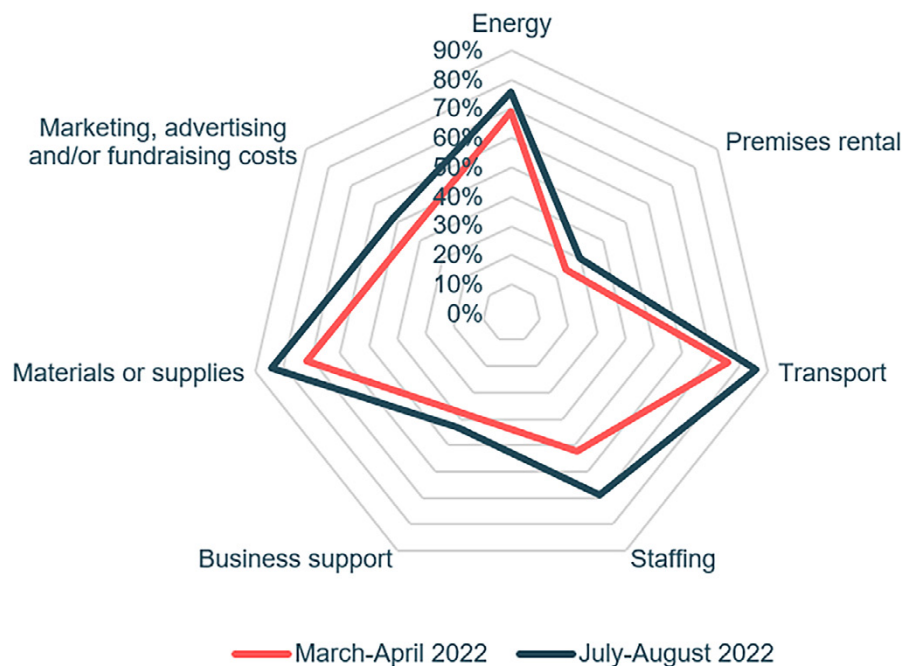
**Figure 2. Increased costs for third sector organisations**



Variable base and weighted base<sup>3</sup>. Organisations that did not have costs associated with that area of business selected 'not applicable' or N/A. The data are shown including and excluding the 'not applicable' responses.

The percentage of organisations that reported cost rises had increased across all categories when compared with April 2022. The largest increase was to **staffing** costs, with 69% of organisations reporting a cost rise in this area of business, compared with 52% in the previous wave. This was followed by **materials or supplies**, which increased from 72% to 84%.

**Figure 3. Percentage of organisations reporting a net rise in costs for each business area**



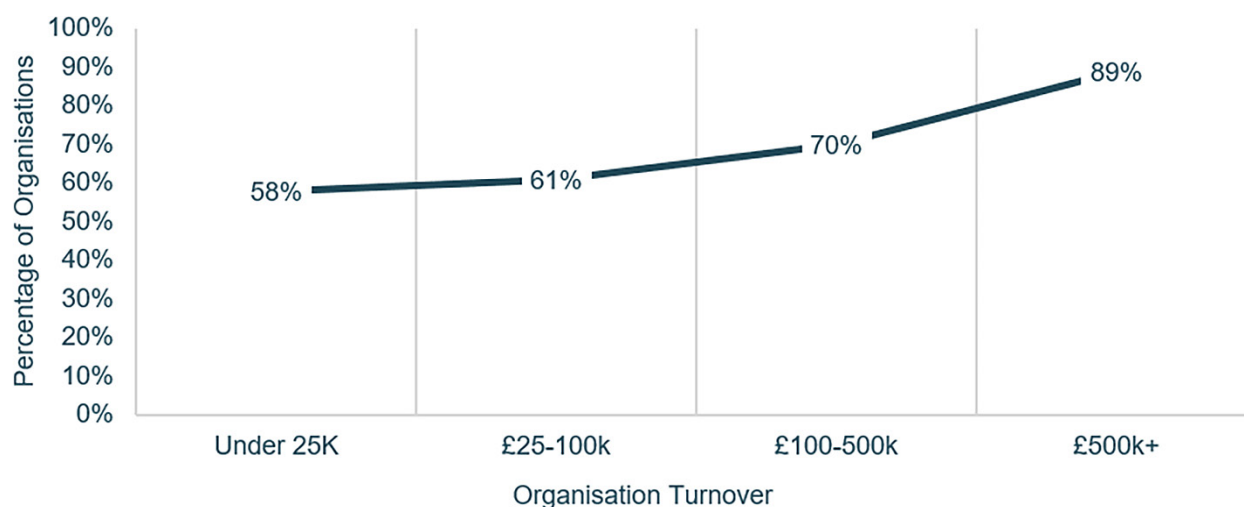
Variable base and weighted base<sup>4</sup>. The data are shown excluding the 'not applicable' responses. Organisations that did not have costs associated with that area of business selected 'not applicable' or N/A.

Raised costs were experienced by organisations across the board, irrespective of their size. However, the cost of staffing increased more for organisations with higher turnover than for organisations with lower turnover. This likely a reflection of larger organisations employing more paid staff than smaller organisations. Only 38% of organisations with a turnover under £25k employ paid staff, while the figure increases to 80% for organisations with a turnover between £25k and £100k, and 97% for organisations with a turnover over £100k.

<sup>3</sup> Including N/A responses – Energy, Premises rental, Transport, Business support costs, Materials or supplies, Marketing, advertising and/or fundraising: base, 429, weighted, 423. Staffing: 343, 288. Excluding N/A responses – Transport: 323, 303. Materials or supplies: 17, 20. Energy: 186, 166. Staffing: 41, 32. Marketing, advertising and/or fundraising: 27, 22.

<sup>4</sup> July-August – Energy, Premises rental, transport, Business support, Materials or supplies, Marketing, advertising and/or fundraising: base: 429, weighted: 423. Staffing: 343, 288. March- April: - Energy, Premises rental, transport, Business support, Materials or supplies, Marketing, advertising and/or fundraising: 457, 453. Staffing: 366, 319.

**Figure 4. Increased staffing costs for third sector organisations**



Variable base and weighted base<sup>5</sup>. The data are shown excluding the 'not applicable' responses. Organisations that did not have costs associated with that area of business selected 'not applicable' or N/A.

### 3.2.2 Impacts of rising costs on organisations

The survey explored the extent to which rising costs were negatively impacting organisations' ability to deliver their core services or activities. Of the organisations that reported a cost increase in at least one area of business, 43% reported that negative impacts were either moderate (34%) or significant (9%), while 57% reported that there were minimal (42%) or no (15%) negative impacts on their ability to deliver their work. These figures are comparable to those reported in April 2022, when 46% of organisations reported moderate or significant impacts, and 54% reported minimal or no impacts. Overall, the picture suggests that organisations are continuing to do everything possible to maintain the delivery of their core services and activities, despite the impacts of cost rises.

**Figure 5. Negative impacts of rising costs on organisations' ability to deliver their core services or activities**



Variable base and weighted base<sup>6</sup>. These figures are for those organisations that reported a cost increase in at least one area of business.

<sup>5</sup> Under £25k: base, 30, weighted, 49. £25-100k: 64, 94. £100-500k: 129, 65. £500k+: 104, 59.

<sup>6</sup> July-August 2022: base, 402, weighted 393. March-April 2022: 404, 388.

Organisations were asked how demand for their core services and activities has changed since April 2022. For most organisations, demand has continued to increase. Almost two thirds (64%) of respondents reported an increase in demand, with this figure having remained constant since April 2022. Only 13% of organisations reported a decrease in demand for their services or activities.

**Table 1. Change in demand for organisations' core services and activities**

Change in demand	March-April 2022	July-August 2022
Significantly increased	23%	25%
Moderately increased	41%	40%
Stayed the same	27%	23%
Moderately decreased	8%	11%
Significantly decreased	1%	2%
NET: Increased	64%	64%
NET: Decreased	9%	13%

Variable base and weighted base<sup>7</sup>. Excludes 'don't know' and 'N/A' responses.

Of the organisations that reported increased demand for their core services and activities, 80% felt they were able to meet most or all this increased demand, while 20% felt they were able to meet only some or none of the increased demand.

### 3.2.3 Impact of rising costs on needs within communities

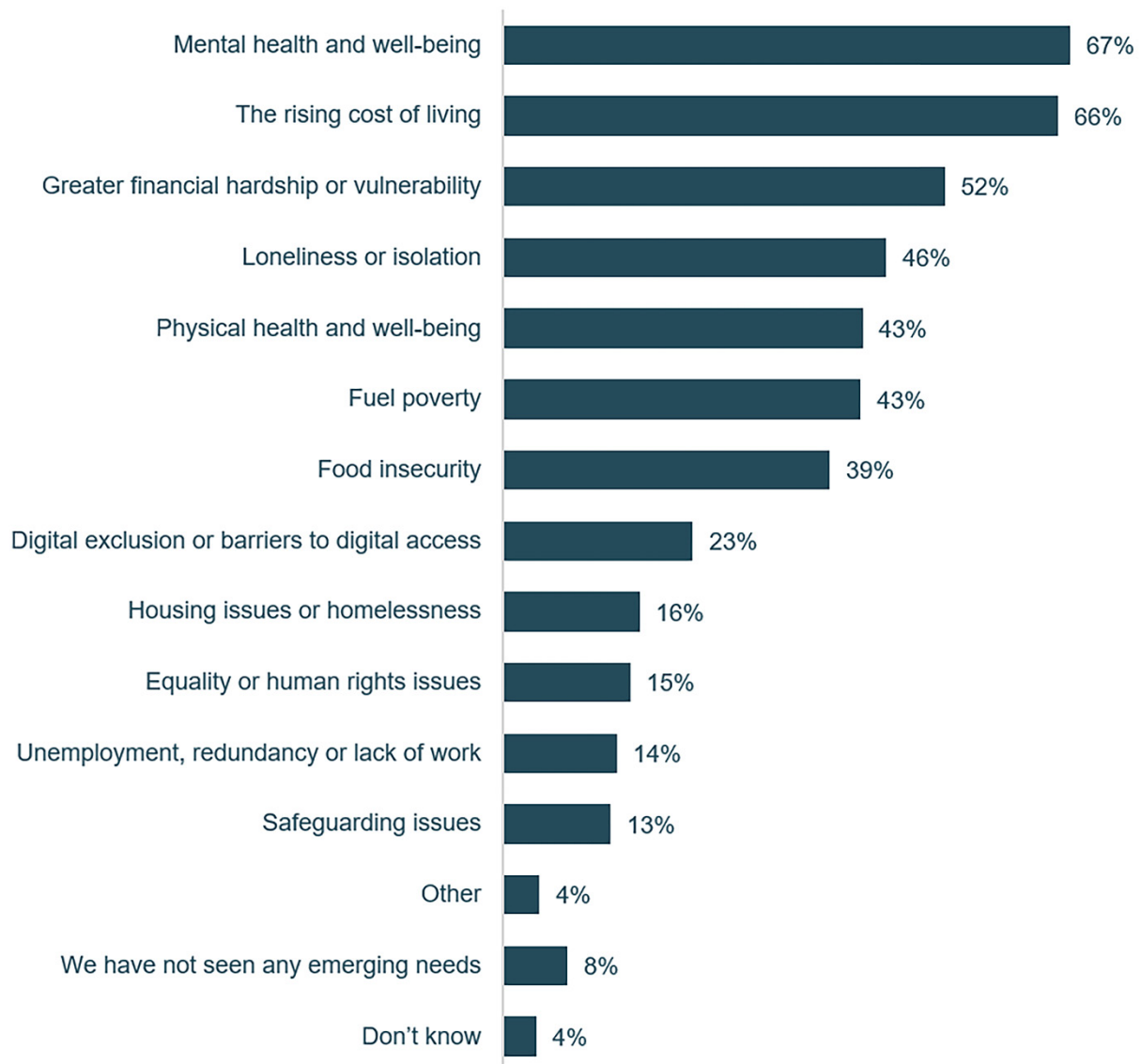
Organisations that work directly with the public were asked which needs or concerns have worsened among the communities and groups they serve. Overall, 88% of these organisations highlighted emerging needs that had worsened since April 2022. 67% of organisations said that **mental health and wellbeing** was getting worse, 66% of organisations highlighted the **rising cost of living**, and 52% reported **greater financial hardship or vulnerability** in the communities or groups that they work with. Overall, 79% of organisations highlighted financial needs as being a worsening concern<sup>8</sup>.

<sup>7</sup> July-August 2022: base, 429, weighted 423. March-April 2022: 457, 453.

<sup>8</sup> This figure combines organisations that reported challenges relating to 'greater financial hardship or vulnerability', 'unemployment, redundancy or lack of work', 'food insecurity', 'fuel poverty', 'housing issues or homelessness', or 'the rising cost of living'.



**Figure 6. Third sector views on increasing needs within communities and target groups, since April 2022**

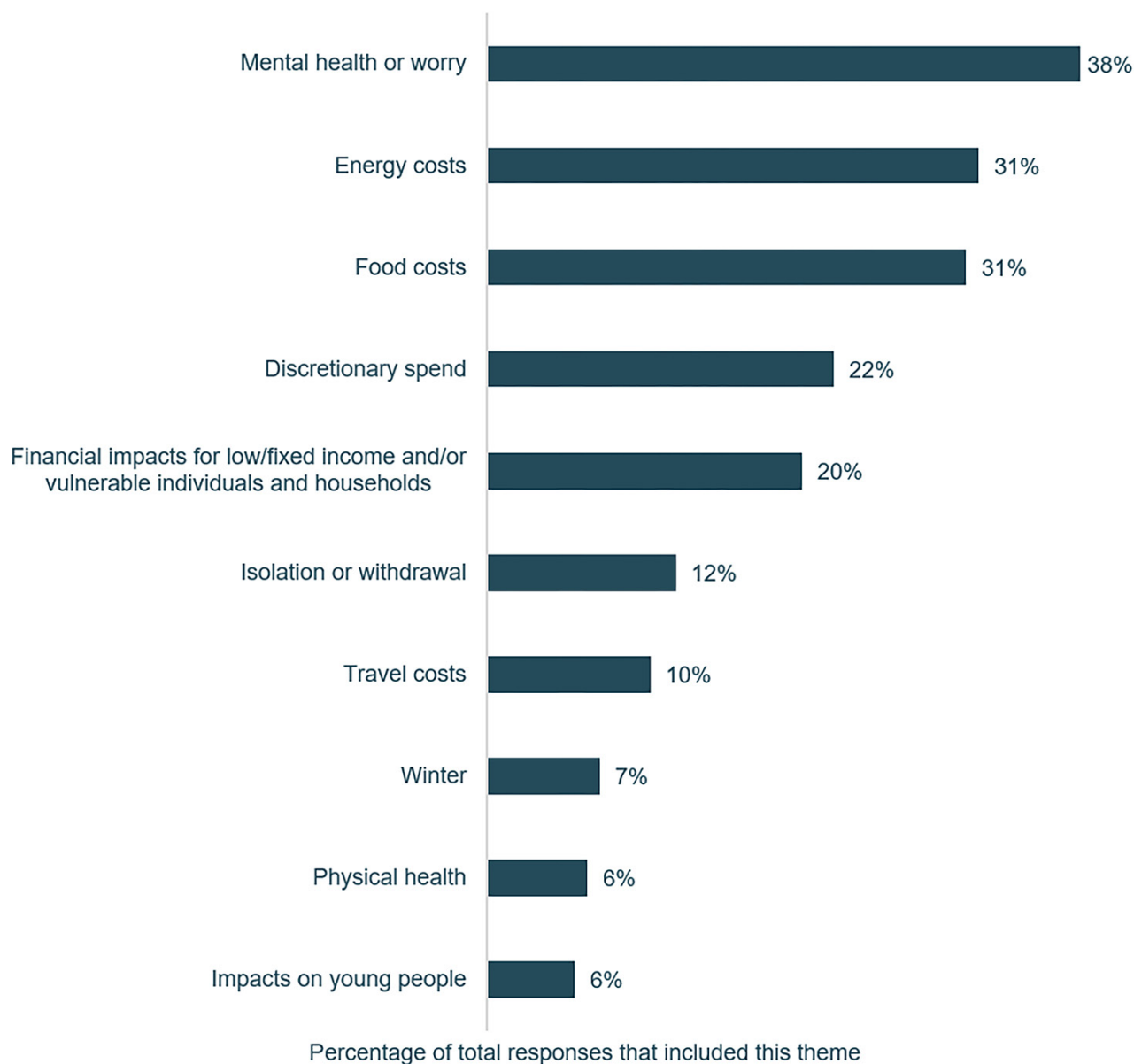


Percentage of organisations identifying increasing need since April 2022

Base: 363. Weighted base: 341. Respondents could select as many responses as apply.

Many organisations reported that the individuals and/or communities they served were experiencing worsening financial challenges. These organisations were asked to provide further details in open text responses. A thematic analysis of this qualitative data identified **mental health or worry, energy costs, and food costs** as the most frequently occurring themes. These findings align with the most frequently reported emerging needs indicated above.

**Figure 7. Analysis of open text comments on top concerns of individuals and groups served by third sector organisations**



Total responses: 248

Organisations described how financial challenges were contributing to stress, worry, and mental health concerns among their beneficiaries.



**“Some people are not as able to pay for services – we ask for a small charge for our classes. Usually this had not been a problem for most people, but recently some people have indicated that they are finding it difficult to afford these costs now as the cost of everything else has increased. This means they are not getting their regular opportunity to look after their own mental health and wellbeing.”**

**Small organisation, Health**

Increased energy costs meant that some individuals and households were having to cut back or do without essentials. Respondents reported that their beneficiaries had particular concern about energy costs with winter approaching.

“These challenges have a huge impact on the mental health of the individuals that we serve. There is a lot more anxiety about debt and money, most especially fuel costs among our service users.”

**Medium-sized organisation, Health**

“Due to rising costs for just about everything, a majority of our clients are extremely worried about how they will cope over the winter. We feel that this could lead to extreme hardship.”

**Micro-organisation, Community, economic and/or social development**

Organisations also highlighted the impacts of rising food costs and food poverty. They reported increased use of food banks and selective purchasing of lower-cost food items, or those which could be eaten without incurring the additional costs of cooking. Several respondents reported that individuals in some cases were having to choose between eating and heating.

“The rise in the cost of living is debilitating to most if not all of our families and it is only going to get worse. Some of our young people do not get proper meals outside of school and parents have told us that they are choosing to eat OR heat their house. With a rise in energy prices and the winter coming, we will unfortunately see major problems.”

**Micro-organisation, Community, economic and/or social development**

Respondents also reported lower discretionary spend among their beneficiaries. Organisations offering services that users pay for – such as leisure activities and cafés – were increasingly finding that individuals and families were unable to afford the activities or services offered by the organisation. This in turn was linked to mental health impacts and increasing isolation.

“Customers are being more careful about what they purchase in our café. [Formerly], a family would have had lunch, now we often see them buying only drinks and cakes, and /or sharing meals more.”

**Large organisation, Culture and Sport**

“Isolation, loneliness and consequent mental health issues have all worsened because people cannot afford to participate in the services that we and others provide. The biggest challenge in this regard is the increased cost of transport of all kinds and in the widest context which is having the effect of keeping vulnerable people imprisoned in their own homes.” **Small organisation, Health**

“People are limiting their personal budgets and making cutbacks on... leisure pursuits including participation in stress relieving activities. [This] has decreased general mood/mental health and optimism has plummeted.”

**Medium-sized organisation, Culture and Sport**

Many organisations described the impacts of the cost-of-living crisis on already vulnerable individuals and households. Organisations were mindful that many of the communities and individuals they work with – including low- or fixed-income households and individuals living with mental or physical disabilities and illness – were already facing significant challenges, and these were, or had the potential to be, exacerbated by the cost of living crisis.

“Like most, we have had our disabled members struggle to attend events because of the rise of living and fuel costs. With us being a disability charity, we have put community events on but the continuing rises of the cost of almost everything means we have fewer disabled people attending our events.”

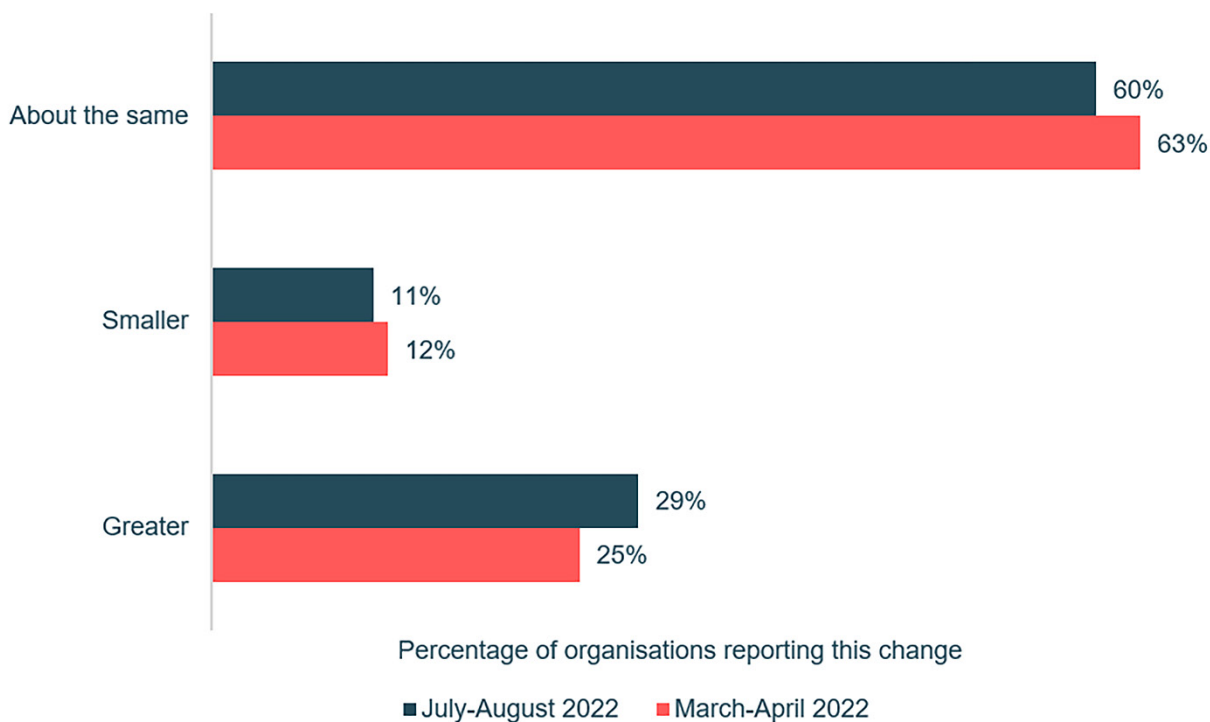
**Micro organisation, General charitable purpose, including charitable trusts and foundations, and grant-making foundations**

The open text responses illustrate that, despite the majority of organisations reporting increased demand for their services since April 2022, some organisations offering paid services are experiencing reductions in demand as individuals cut back on their discretionary expenditure in the face of rising costs of living.

### 3.3 Staffing and volunteering

Organisations were asked the extent to which they had increased or decreased staff numbers since April 2022. Of the organisations that employed paid staff, 60% reported that their staff numbers remained approximately constant, while 29% reported an increase in paid staff and 11% reported a decrease. These figures are comparable with those reported in April 2022.

**Figure 8. Changes in number of staff employed by third sector organisations**

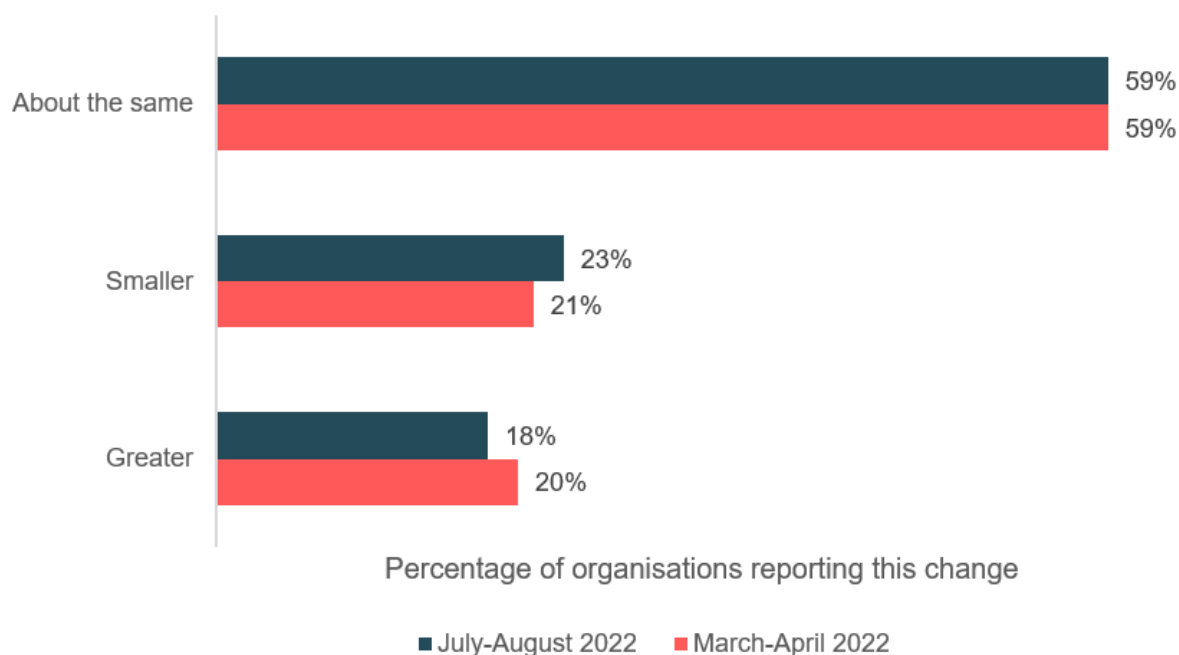


Variable base and weighted base<sup>9</sup>. Excludes 'don't know' and 'prefer not to say' responses. These figures are for only those organisations that employ paid staff.

<sup>9</sup> July-August 2022: base, 340, weighted 282. March-April: 358, 308.

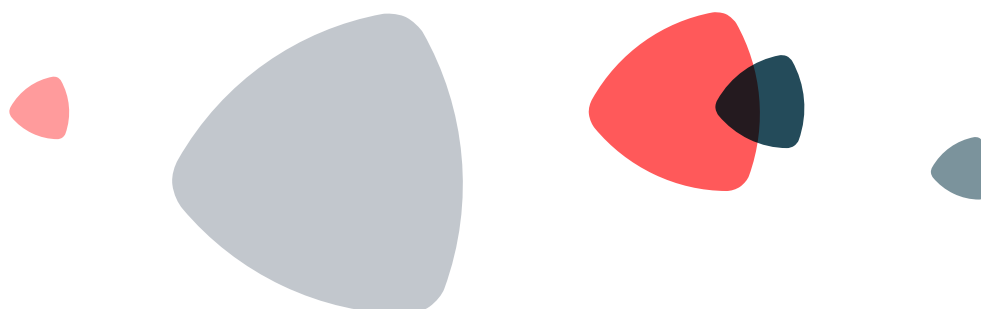
Further, 17% of organisations reported an increase in their number of active volunteers (down from 20% in April 2022), while 22% reported a decrease (up from 20% in April 2022). Figure 9 illustrates the situation for those organisations that have active volunteers. Overall, more organisations have seen a reduction in volunteer numbers than an increase in volunteer numbers. This places increased strain on organisations' ability to deliver their core services, given that increasing numbers of organisations are facing declining volunteer numbers at the same time as they are seeing increased demand for their services and activities.

**Figure 9. Percentage of organisations reporting a change in volunteer numbers**



Variable base and weighted base<sup>10</sup>. These figures are for only those organisations that have active volunteers. Excludes 'don't know' and 'prefer not to say' responses.

Organisations were asked about the key actions they had taken in relation to paid staff over the last 3 months. Of the organisations that employed paid staff, 43% reported having hired one or more new paid members of staff, while 8% reported that they had cancelled or postponed plans to recruit staff, and only 2% reported that they had made one or more members of staff redundant. 38% reported having increased staff wages.



<sup>10</sup> July-August 2022: base, 399, weighted 400. March-April 2022: 424, 432.

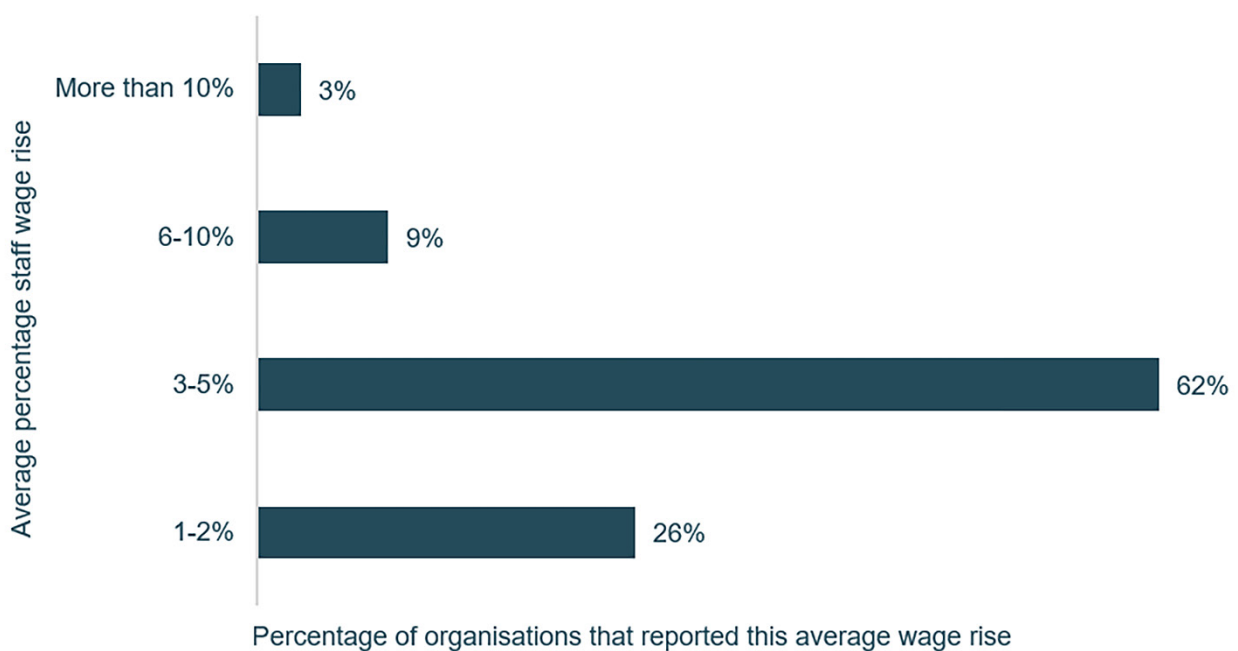
**Figure 10. Key actions taken by third sector organisations in relation to paid staff**



Base: 343. Weighted base: 288. Respondents could select as many as apply.

Of the organisations that had awarded pay increases to staff in the last 3 months, 62% reported that on average this had increased by 3-5%, 9% reported pay increases of 1-2%, and 3% reported pay increases of over 10%.

**Figure 11. Average percentage staff wage increase reported by third sector organisations**



Base: 161. Weighted base: 105. Excludes 'don't know' and 'prefer not to say' responses. These figures are for those organisations that reported increasing staff wages.

We asked the organisations that had increased staff wages since April 2022 about the challenges associated with increasing wages. Of the 125 respondents, over a quarter (28%) of these organisations described how funding arrangements presented a barrier to increasing staff wages. Several organisations said that it is difficult to increase staff salaries where funding does not run for more than a year, or where it does not increase in value year-on-year. Respondents thought this was particularly true of core funding, including staffing costs. One medium-sized organisation noted that their funding rate had been static for the past eleven years.

**“We know that to retain and attract staff we have to increase the financial offer, however due to lack of uplifts from contracts this is a difficult balancing act.”**  
**Large organisation, Families, children and/or social care**

**“With multi-year grants and funding remaining stagnant the organisation has the challenge of finding these rising costs from other areas.”**  
**Medium-sized organisation, Umbrella body**

Several organisations also described challenges that resulted from having increased staff wages. Over a third (36%) of the responding organisations told us that awarding wage increases had placed their organisation in a precarious financial position. For some, it has created or increased existing deficits, jeopardising the sustainability of the organisation. For others, the only way they could afford to award staff an increase was to dip into their reserves, with around 15% of responding organisations reporting having done so.

**“Increased wages come at a cost when we are already sitting at a deficit.”**  
**Large organisation, Families, children and/or social care**

**“We don’t currently receive any funding for this percentage increase, so it has to come out of reserves.”**  
**Large organisation, Families, children and/or social care**

One in five organisations (21%), described needing to find additional revenue to cover increases to staff wages, typically from increased fundraising or income generation targets. Several organisations reported having to pass some costs onto beneficiaries.

**“Increasing staff wages will impact on the small budget of the organisation and we will have to seek other sources of funding to supplement our income next financial year to meet increased costs for the future.”**  
**Small organisation, Law, advocacy and/or civic**

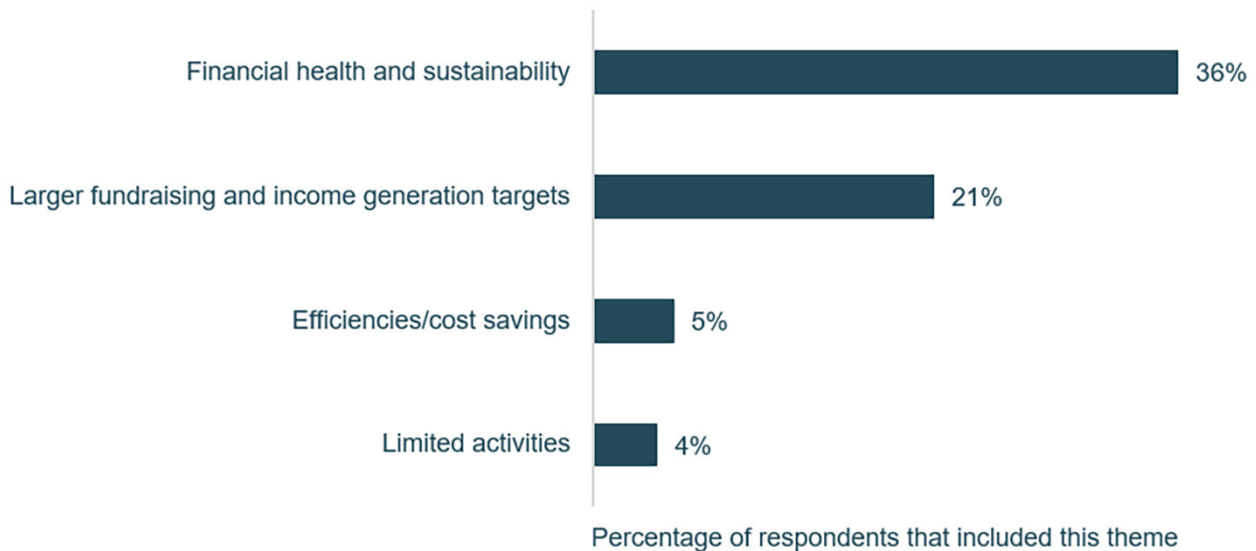
**“As things stand, with operational costs continuing to rise, we will likely need to increase our prices again in order to break even at the very least. However, our concern in doing so is making our service too costly for those who are struggling most financially.”**  
**Small organisation, Transport**

Around five percent (5%) of organisations said that they would need to make cost savings and efficiencies to pay for this increase, with a similar number (4%) reporting that they would need to reduce or limit their services and programmes of work.

“It has put an increased financial strain on the business, and we have had to adopt a number of cost cutting exercises to save money elsewhere.”  
**Medium-sized organisation, Health**

“Has made the future sustainability of the organisation more precarious and may also mean that we have to reduce the services we are able to provide to meet costs.”  
**Large organisation, Health**

**Figure 12.** Analysis of open text comments on challenges created by increasing staff pay



Total responses: 125

Finally, several organisations outlined why they had increased staff wages despite the additional challenges this presented. Many respondents felt that it was necessary to provide staff with a wage increase, despite the difficulties involved. Several respondents stated that their organisations were struggling to retain or attract staff without increasing salaries. They also outlined the risk posed by the loss of skilled staff, or the inability to recruit employees with the right mix of skills and experience.

“We are trying to retain staff, competing with other sectors which are giving huge rises we cannot match.”  
**Large organisation, Health**

“We believed that the organisation would be at risk if it did not look seriously at increasing wages to mitigate the cost of living - through loss of key staff.” **Large organisation, Environment and animals**



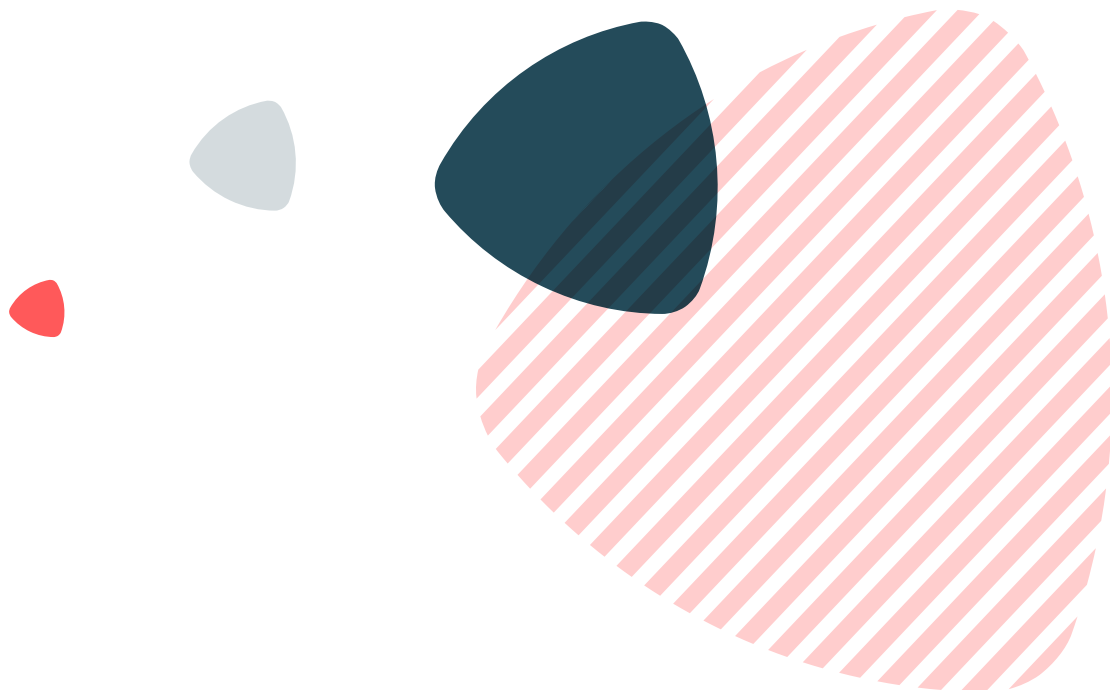
### 3.4 Financial health of third sector organisations

In exploring the overall financial health of organisations, we asked about their turnover, sources of income, financial reserves, cash flow, and confidence in their ability to continue operating.

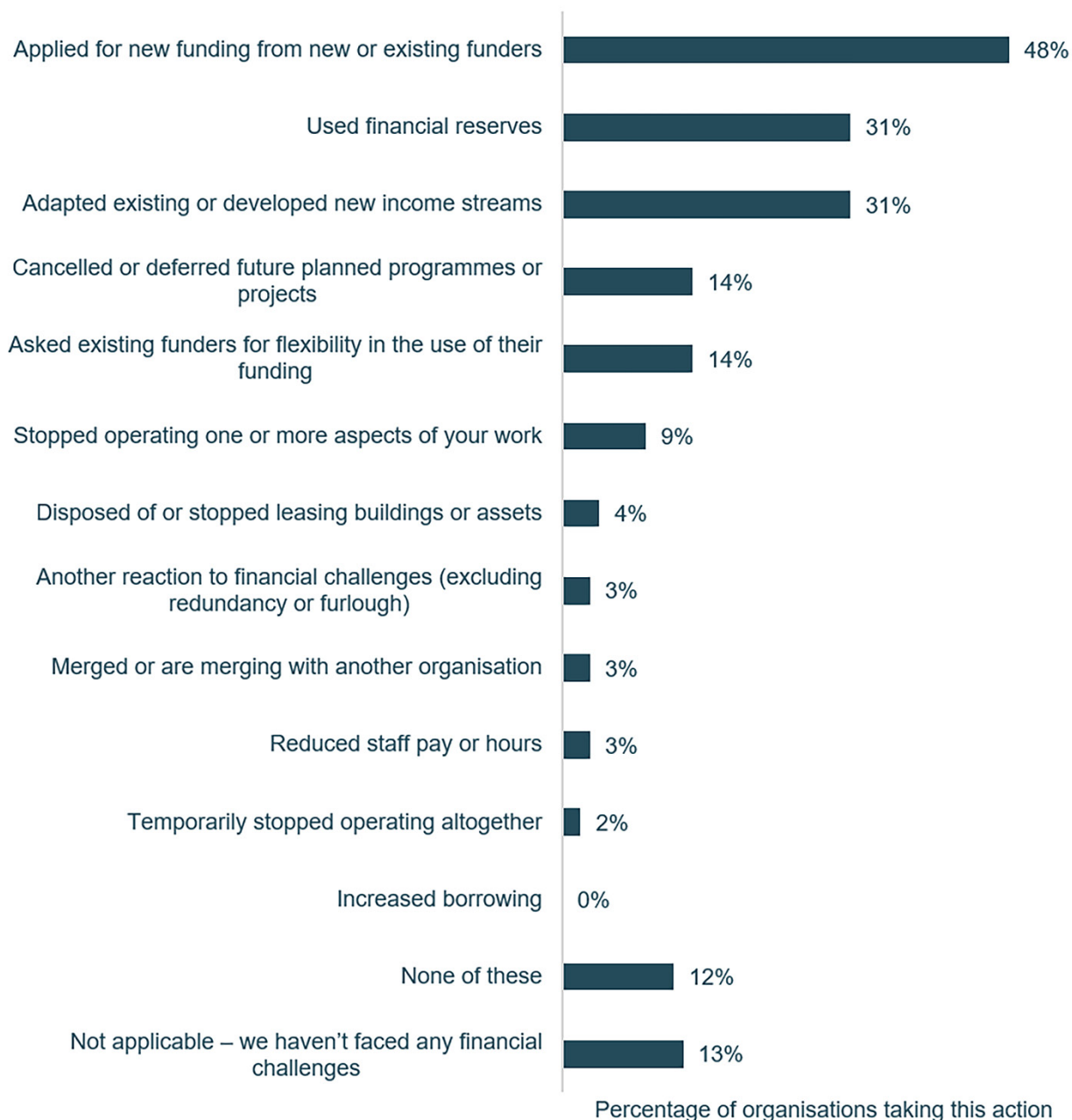
More organisations reported an increase in their average monthly turnover over the last 3 months (30%) than in the 3 months to April 2022 (25%). Additionally, fewer organisations reported decreased turnover during this period (19%) compared with the previous 3 months (23%).

Of the respondents that reported decreased turnover in the last 3 months, 8% perceived this to be a short-term issue (less than 3 months), 47% perceived this to be a medium-term issue (3 months to a year), and 25% perceived this to be a long-term issue (over a year).

87% of organisations reported taking actions to mitigate financial challenges that they had experienced since April 2022. The most frequently reported actions taken by these organisations were **applying for new funding from new or existing funders** (48%), **using financial reserves** (31%), and **adapting existing or developing new income streams** (31%).



**Figure 13. Actions taken by third sector organisations in response to financial challenges**



Base: 429. Weighted base: 423. Respondents could select as many as apply.

31% of organisations made use of their financial reserves in the last 3 months. 55% of organisations held less than 6 months' reserves, a decrease from 60% in the previous 3 months.

Organisations were asked how confident they were that they will still be operating in 12 months' time. 92% of organisations responded that they were confident, with 59% very confident and 33% quite confident. Organisations therefore remain confident in their ability to continue operating, with the figure of 92% holding constant since August 2021 (Wave 2 of the Tracker).

**Figure 14. Confidence that organisation will be operating in 12 months' time**

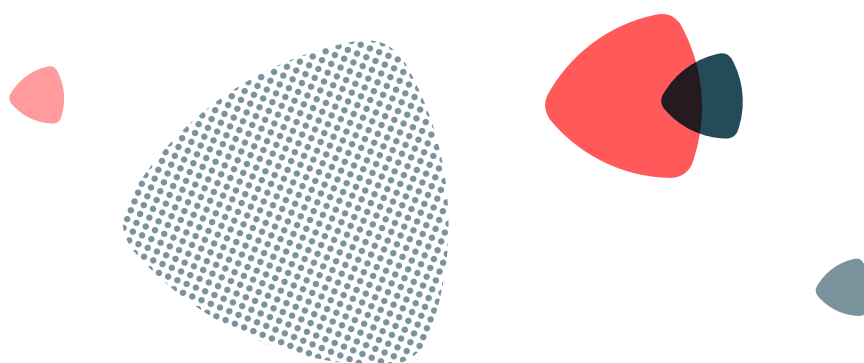


Base: 429. Weighted base: 423.

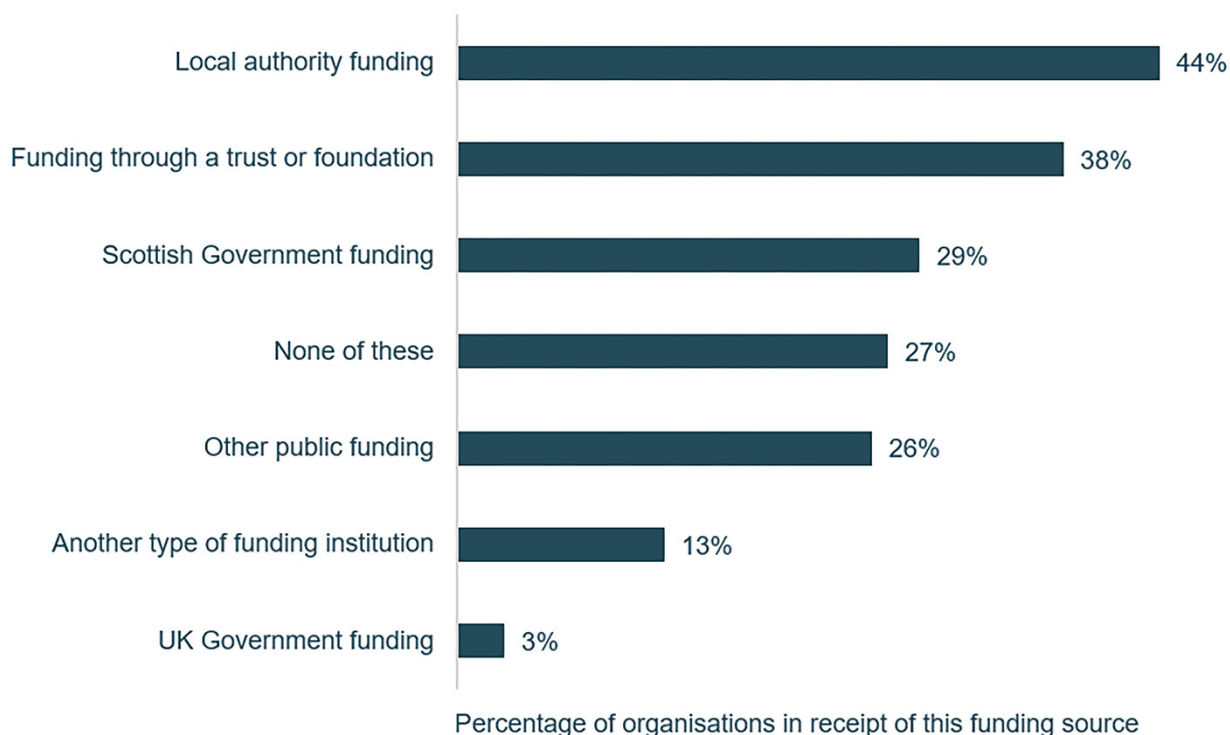
### 3.5 Funding

Organisations were asked a range of questions on the topic of funding, specifically on institutional funding sources and fair and sustainable funding. For the purposes of this report, institutional funding refers to funding from organisations in the form of grants or contracts, primarily from large organisations such as national or local government and dedicated grant-giving organisations. It does not refer to income received through public fundraising with individuals or groups. Respondents were asked which types of institutional funder their organisation currently receives funding from.

The most frequently selected response was **local authority funding** (44%), followed by **funding through a trust or foundation** (38%), and **Scottish Government funding** (29%).



**Figure 15. Funding from different institution sources**



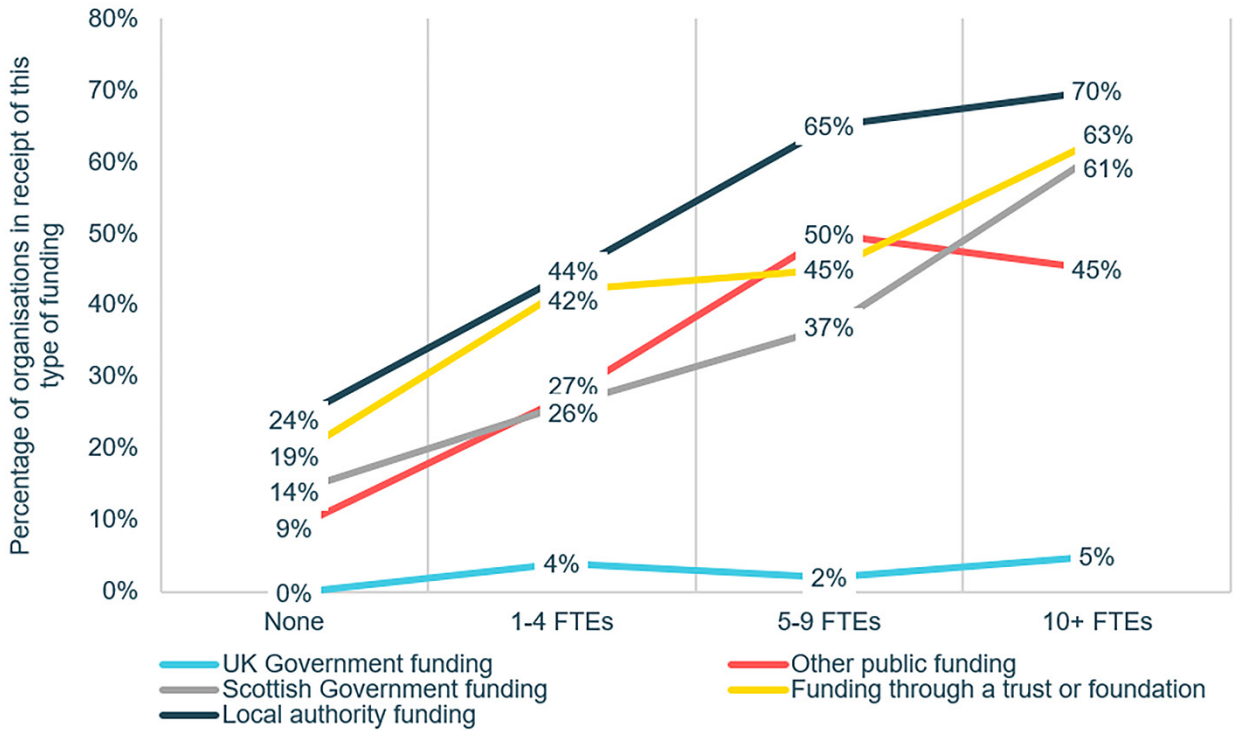
Base: 427. Weighted base: 421. Excludes 'prefer not to say' responses. Respondents could select as many as apply.

Over a quarter of organisations (27%) reported not being funded by any of the sources included in the graph above. In addition, 13% of organisations said they received funding from another type of funding institution. The most frequently cited alternative sources of funding were, the National Lottery (30%), the private sector (21%), donations, and membership fees. This indicates some misunderstanding of the question, given the focus was on funding from institutions only, and not from individuals.

The likelihood that an organisation is in receipt of funding from institutional funding sources and bodies increases with the number of paid FTE staff. This trend is present across all sources of funding, except for other public funding. The same trend is evident when we look at funding sources in relation to organisation turnover, with the likelihood of being in receipt of funding from an institution increasing with turnover across all sources of institutional funding, aside from UK Government funding.

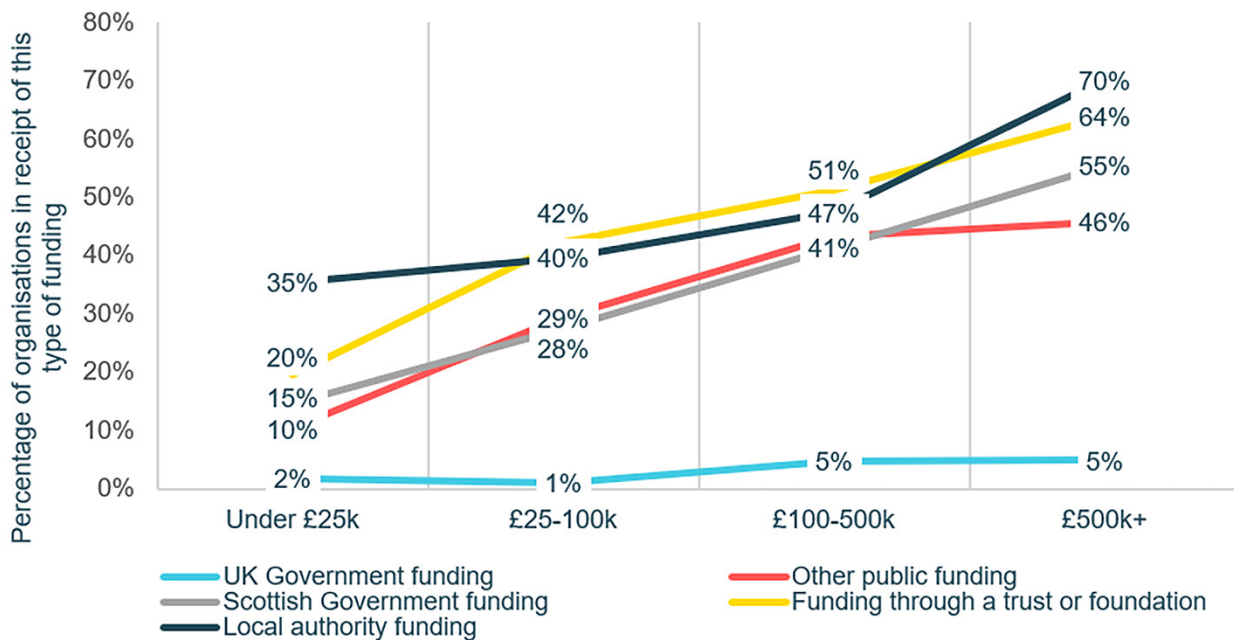


**Figure 16. Organisations in receipt of institutional funding by number of FTE paid staff**



Variable base and weighted base<sup>11</sup>. Excludes 'prefer not to say' responses.

**Figure 17. Organisations in receipt of institutional funding by turnover**



Variable base and weighted base<sup>12</sup>. Excludes 'prefer not to say' responses.

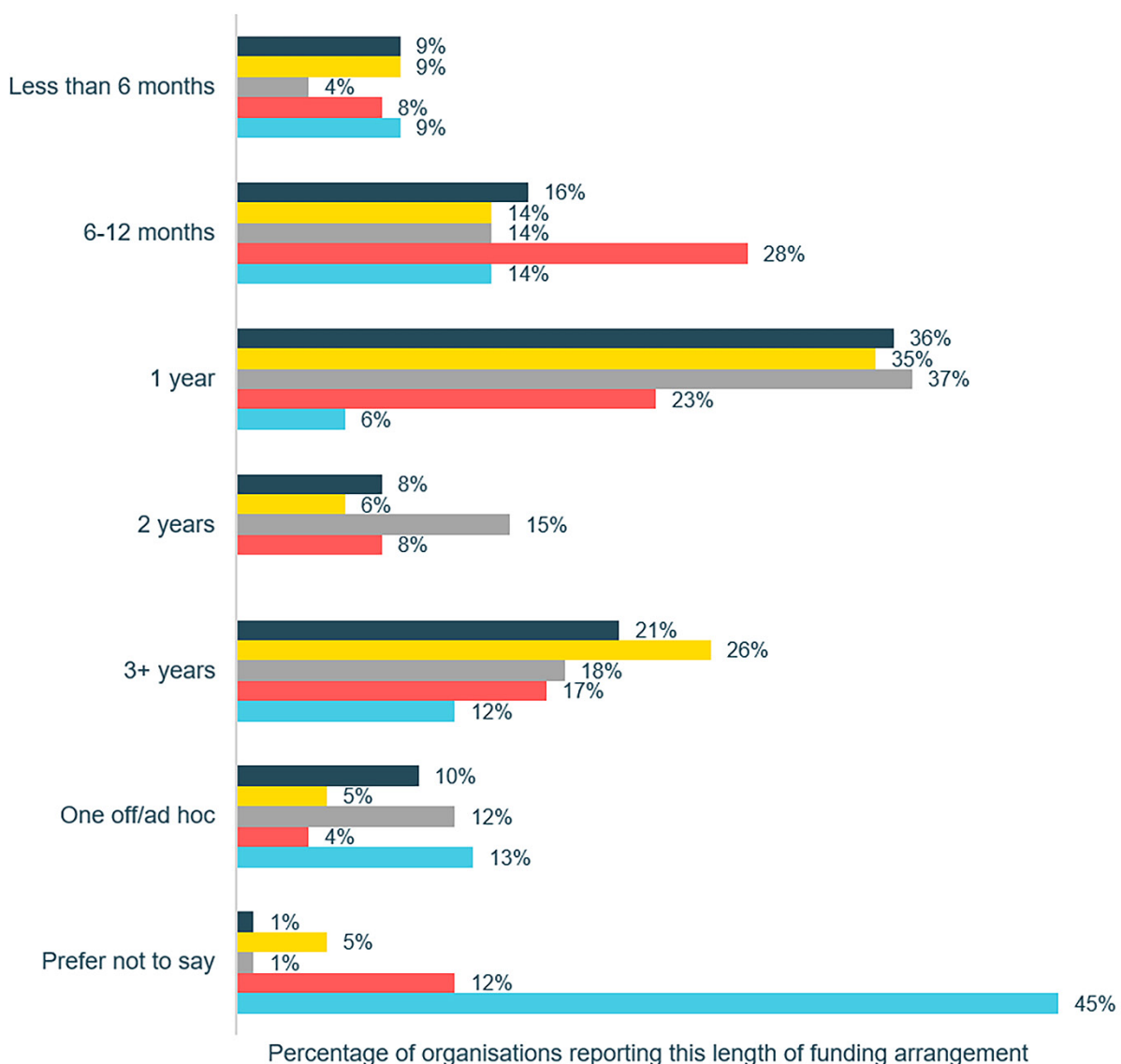
<sup>11</sup> None: base, 95, weighted, 146. 1-4 FTEs: 151, 157. 5-9 FTEs: 81, 57. 10+ FTEs: 100, 61.

<sup>12</sup> Under £25k: base, 108, weighted, 173. £25-100k: 81, 121. £100-500k: 132, 66. £500k+: 106, 62.

Respondents were asked what proportion of their organisation's total income is derived from each of the institutional funding sources they receive. For those organisations in receipt of local authority funding, this made up 34% of their total income. The equivalent figure was 25% for Scottish Government funded organisations, 28% for other public funding sources, and 42% for organisations funded through a trust or foundation.

Organisations in receipt of any institutional funding were asked about the average length of the funding arrangement for each category. Only a small number of funding arrangements run for less than six months. However, over a quarter (28%) of Scottish Government arrangements reported by the respondents last between six and twelve months, and only 17% run for three years or more. Short-term funding agreements were also common among other institutional funding bodies. According to the respondents, 61% of other public funding, 58% of local authority funding and over half (55%) of trust and foundation funding is for one year or less. The equivalent Scottish Government figure is 59%.

**Figure 18. Average length of funding arrangement by category**



Variable base and weighed base<sup>13</sup>.

<sup>13</sup> Scottish Government: base, 166, weighted, 120. Local authority: 214, 184. UK Government: 15,11. Other public: 152, 110. Trust/foundation: 201, 158.

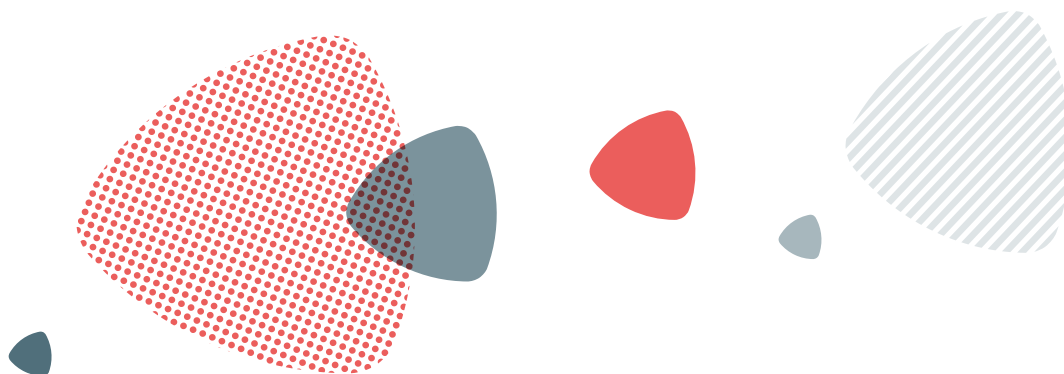
Organisations were asked for their perspectives on how funding for the sector could be fairer and more sustainable. Respondents were presented with a list of options and asked to rank them in order of importance to their organisation. One in three (33%) organisations in receipt of funding told us that **funding for my organisation's core activities** was the most important aspect of fair funding for their organisation. 28% of organisations selected **multi-year funding periods** and 14% selected **simple application processes**.

**Figure 19. Number one fair funding priority**

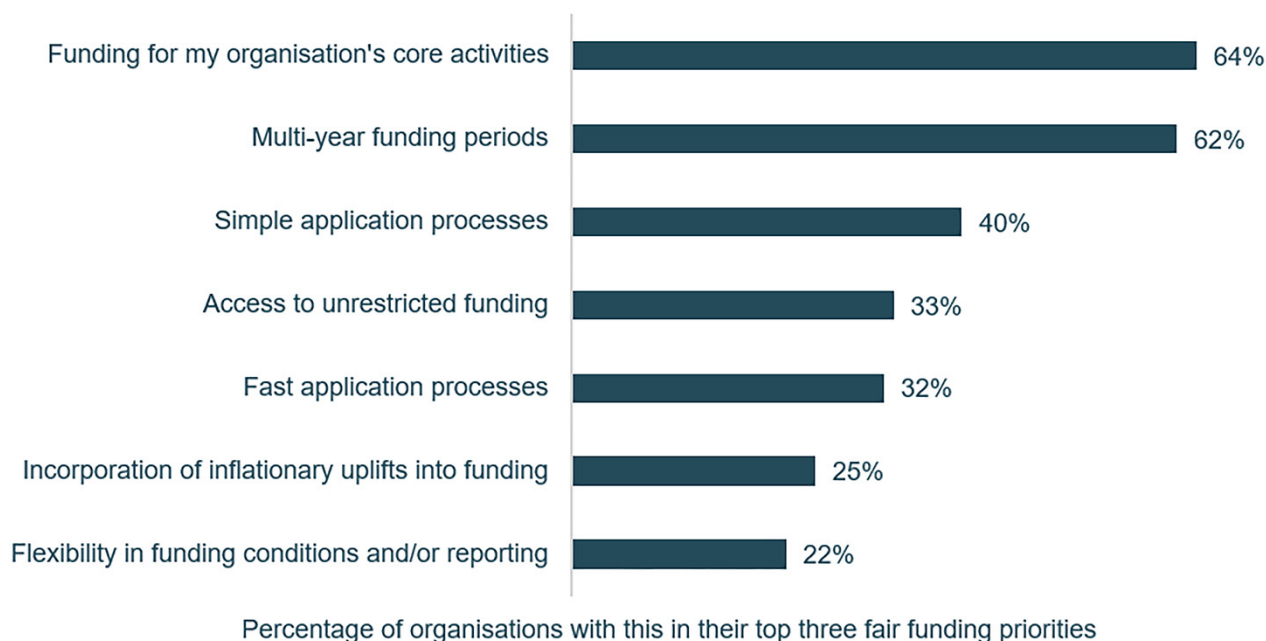


Base: 277. Weighted base: 241. Excludes 'prefer not to say' responses.

When we look at organisations' top three 'fair funding' priorities, **Funding for my organisation's core activities** and **multi-year funding periods** emerged as the most important shared priorities across the sector, selected by almost two thirds of organisations (64% and 62%, respectively). **Simple application processes** was selected by 40% of organisations. Organisations were least likely to choose **flexibility in funding conditions and/or reporting** in their top three priorities (22%), however this did emerge as an important theme in the analysis of open text responses, presented below.



**Figure 20. Top three fair funding priorities**



Base: 277. Weighted base: 241. Excludes 'prefer not to say' responses.

We asked organisations to tell us more about their views on fair funding, and 172 respondents provided open text responses. The most common theme to emerge from a thematic analysis of these was the need for **multi-year funding**, (30%), followed by **streamlining applications** and **reporting requirements** (27%) and **core funding** (26%). A smaller number of respondents (13%) mentioned the need to include inflationary uplifts in multi-year funding arrangements, funding established (rather than new) projects (8%), and the provision of unrestricted and/or flexible funding (8%).

Respondents described how planning for the future was made more challenging by short-term funding.

“It is very difficult for the voluntary sector to plan as most funding is short term, even the development of the Strategic Plan can be problematic as we never know where we will be year to year.”

Medium-sized organisation, Families, children and/or social care

“Planning in the current climate is extremely difficult - funding agreements which cover 3 - 5 years would enable us to plan staffing and resources to meet needs.”

Large organisation, Families, children and/or social care

Organisations also noted the benefits of multi-year funding compared with short-term funding, including for job security, and the recruitment and retention of staff.

“The longer-term funding allows us to give much better value for money, we can plan long term, employ staff on more secure contracts therefore allowing us to utilise staff more efficiently.”

Medium-sized organisation, Environment and animals



**“Multi-year funding is so important as it enables security for our work, staff and volunteers.”**

**Medium-sized organisation, Community, economic and/or social development**

**“The importance of multi-year funding and an acknowledgement that inflationary adjustments need to be made to ensure that voluntary sector organisations are able to maintain good staff on good quality employment contracts – the turnover of staff is both exhausting and disruptive.**

**Medium-sized organisation, Umbrella body**

Many organisations that cited multi-year funding also identified the need for funding that supports the core running costs of the organisation. There was a perception among several organisations that funders are more interested in funding new projects than providing core or continuation funding for existing services.

**“It is difficult to raise continuation funding for an established project and particularly funding for core staff who are required to support a large group of volunteers.”**

**Small organisation, Community, economic and/or social development**

**“Project costs for short term development works are more straightforward to apply for but do not reflect the work required by the organisation to deliver core services.”**

**Medium-sized organisation, Education and/or research**

Streamlining or reducing the complexity of funding applications and removing onerous reporting requirements was mentioned by over a quarter (27%) of respondents. This theme was particularly prevalent among smaller organisations who do not have the capacity to complete long and complex applications or produce tailored reports for each individual funding source.

**“Our perception is that funding favours large organisations who have the personnel to complete ever more demanding and competitive funding application processes and indeed reporting.”**

**Small organisation, Health**

One practical suggestion made by several organisations was for funders to standardise applications and reporting templates.

**“Encourage funders to use standard reporting templates or accept reports written for other funders.”**

**Medium-sized organisation, Community, economic and/or social development**

8% of organisations described inflationary uplifts as essential in multi-year funding arrangements.

**“The lack of inflationary increase to our funding is the most unfair aspect of our current arrangements, we effectively suffer a cut in funding year on year.”**

**Medium-sized organisation, Health**

Further, 8% of respondents suggested unrestricted and/or flexible funding for enhanced equitability and sustainability in the funding landscape.

“Long term, flexible and unrestricted funding is what charities need to be innovative and thrive.”

Micro organisation, Law, advocacy and/or civic

“As a social enterprise we require unrestricted working capital funding to support the development of new trading income streams over a minimum of 3 years but there is none of that out there.”

Medium-sized organisation, Education and/or research

Other noteworthy themes included procurement and competition, and the late payment of funding arrangements.

“Funding should be allocated according to a strategic plan and should consider who is best placed to deliver components of the strategy rather than repeatedly recycled through existing flawed planning and procurement systems.”

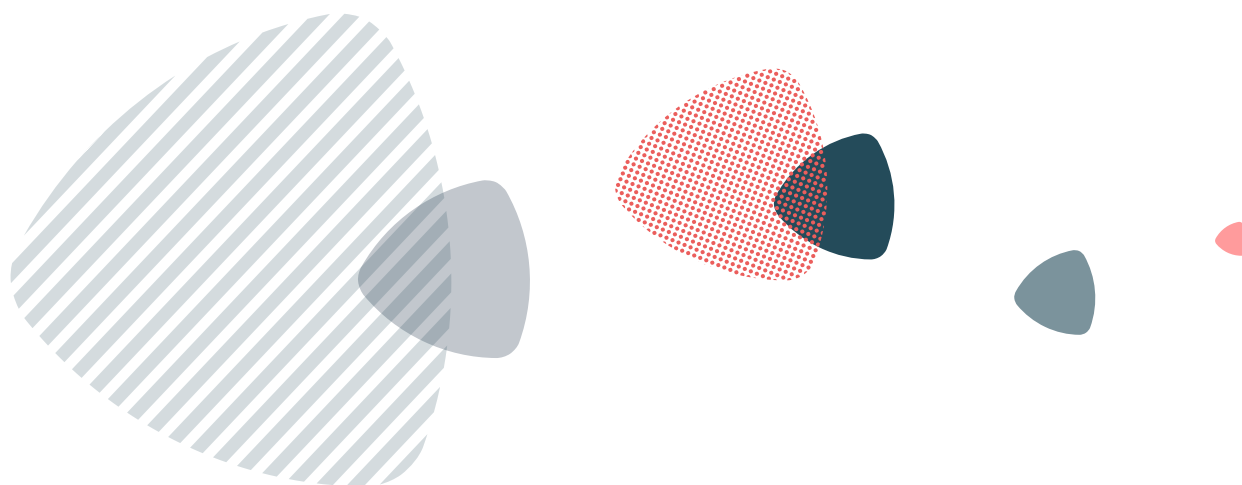
Large organisation, Law, advocacy and/or civic

“Longer contracting periods, with no requirement for competitive tendering unless there are concerns about the current provider that can’t be addressed successfully through contract management, would offer significant security in terms of both staffing and people being supported.”

Medium-sized organisation, Families, children and/or social care

“Most of our funding comes from the local council and runs from April to March. You apply for the next year’s funding in December/January so that it goes to the council meeting for approval but often the first instalment doesn’t hit your bank until August.”

Micro organisation, Community, economic and/or social development

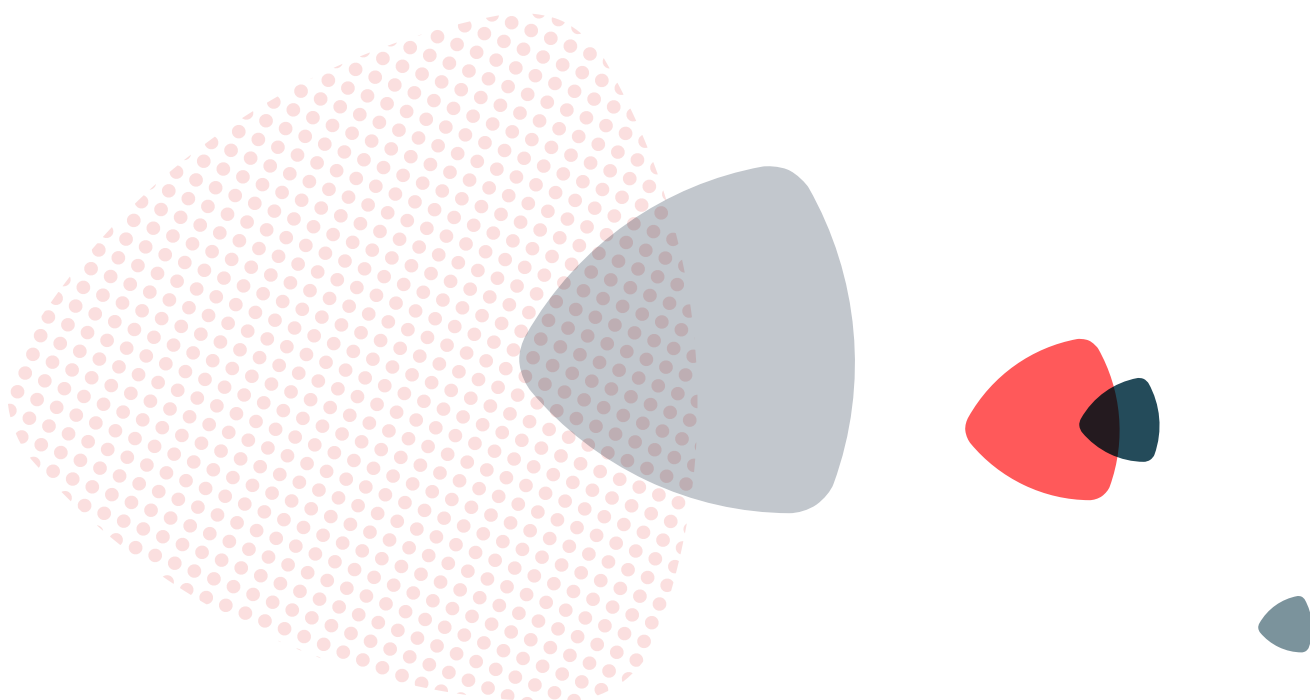


## 4. Conclusions

The Wave 4 Tracker findings clearly highlight the adverse impacts of the cost-of-living crisis on the third sector since April 2022. Many organisations have been experiencing financial challenges, at least in part caused by rising costs. Challenges relating to staffing and volunteers have also been particularly prevalent in the last 3 months.

Additionally, third sector organisations have highlighted the most pressing concerns of their beneficiaries. Top concerns relate to mental health and wellbeing, the rising costs of living, and increasing hardship and vulnerability. There is significant concern among Scotland's third sector about the approaching winter, and how people will manage in a context of rising debt, rising prices, and spiralling fuel costs.

Finally, the report presents new data on the sources and nature of organisations' institutional funding arrangements. Short-term funding presents a particular challenge for third sector organisations. Funding of this nature is dominant across the sector, and survey respondents described the resulting challenges this poses for planning for the future and providing stable employment. A practical intervention suggested by several third sector organisations was the standardisation and simplification of applications and reporting templates.



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