



Scottish third sector tracker

**wave 1-8: key
longitudinal trends**

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Introduction

This paper provides a look at some of the key trends across the Scottish third sector from August 2021-April 2024. It updates some of the key trends presented in the [wave 1-6 summary report](#).

About the data

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, presented here, were used to generate a series of summary figures that present key insights into the sector from August 2021-April 2024.

All the data for this report have been taken from the [Scottish third sector tracker](#). The data is open source and organisations are encouraged to conduct their own analysis.

Summary

Over the past three years, the Scottish third sector tracker (tracker) has gathered data and information on the sector's challenges and their impacts on organisations and the people and communities they support. The tracker paints a picture of resilience in the face of growing pressures. While around two-thirds of organisations have consistently delivered planned work since 2022, financial challenges have grown significantly. Rising costs and inflation have reached record highs, with 77% of organisations now facing financial difficulties. Many organisations are dipping into their reserves, with 60% finding this unsustainable, and fundraising difficulties at their highest level. Staffing challenges have eased slightly, but volunteer shortages continue to rise. Confidence in long-term survival remains, though the proportion "very confident" about operating a year from now has dropped to a record low of 53%.

Key Findings

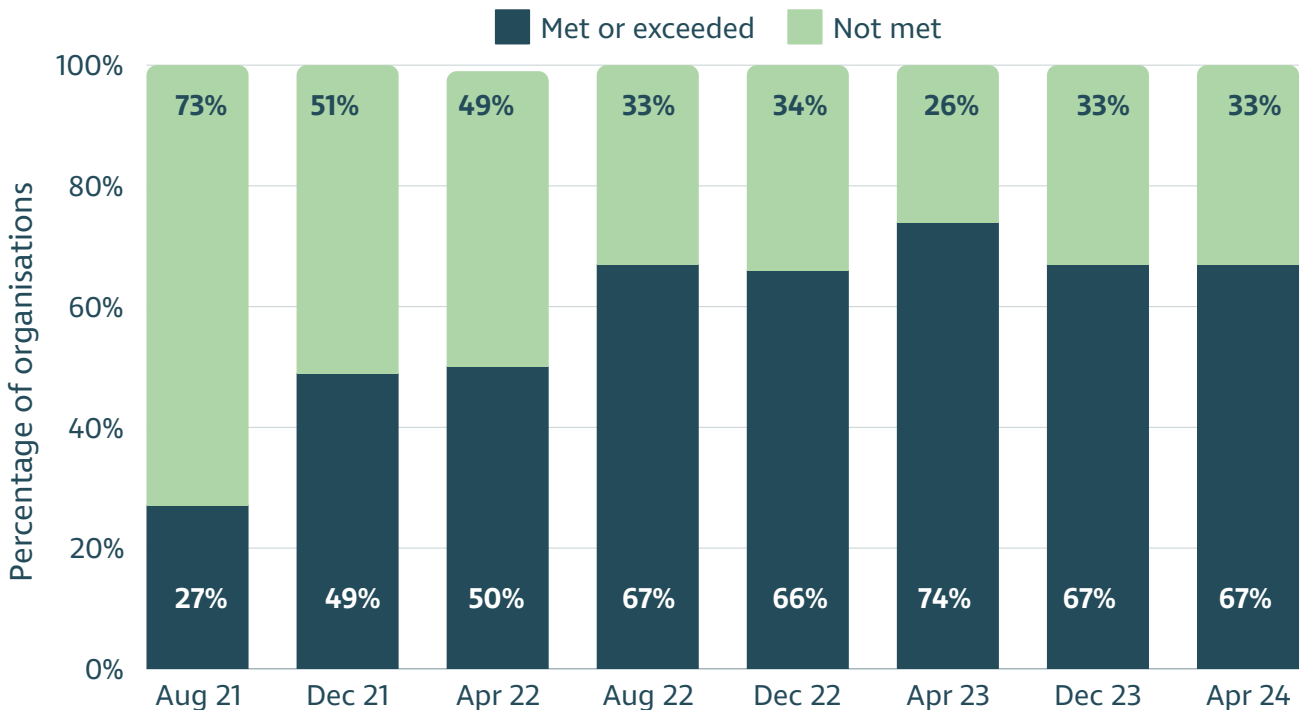
- The percentage of organisations reporting financial challenges as one of their top 3 challenges has increased with each passing wave, from 47% in August 2021 to 77% in Spring 2024. Rising costs and inflation and financial and cash flow restraints as a top 3 challenge are now (as of Spring 2024) at the highest levels on record, 47% and 36% respectively.
- The proportion of organisations able to deliver on their planned work has remained consistent since August 2022, around two-thirds of the sector.
- Similarly, organisations' ability to meet the demand for their services has remained relatively stable with approximately 7-8 out of ten organisations able to meet most or all the demand. Having said that, the proportion able to meet only some or none of this demand is at the highest level since wave 1 – almost a quarter of organisations (23%).
- Staffing and volunteering related challenges (as a top 3 challenge) peaked in Spring 2022 (71% of organisations) before falling back to 58% in the latest wave. It's worth noting that the way we collect data on staffing issues and shortages has changed from wave 7 onwards, making direct comparisons with earlier waves difficult. Volunteer shortages continue an upward trend, with over a third of organisations reporting this as a top 3 challenge and 17% as their top challenge in Spring 2024.
- The proportion of the sector applying to new funders remains high in Spring 2024 at 45%, as does the percentage of organisations using their reserves in response to financial challenges (36%). In wave eight, 60% of organisations thought the current use of their reserves unsustainable, an increase from 44% in wave 6. Interestingly, the percentage of organisations reporting that access to financial reserves for short- and medium-term survival as essential or very important is just short of the highest level on record, 55% in Spring 2024 vs 60% in Winter 2022 and 2023.
- Similarly, organisations reporting difficulty fundraising as a top 3 challenge is at record levels, 42% of all organisations.
- The proportion of organisations reporting no areas of increased turnover is also at record levels, with half of organisations reporting no areas of increased turnover in the last quarter.
- Finally, organisations remain confident in their future survival, however the proportion very confident they'll still be operating in a years' time is at the lowest level on record, 53%.

Delivery of planned work and services

The Tracker asks organisations several questions about the delivery of their activities and services. In each wave, organisations reported to what extent they had been able to deliver their planned programmes and services over the preceding three-four months.

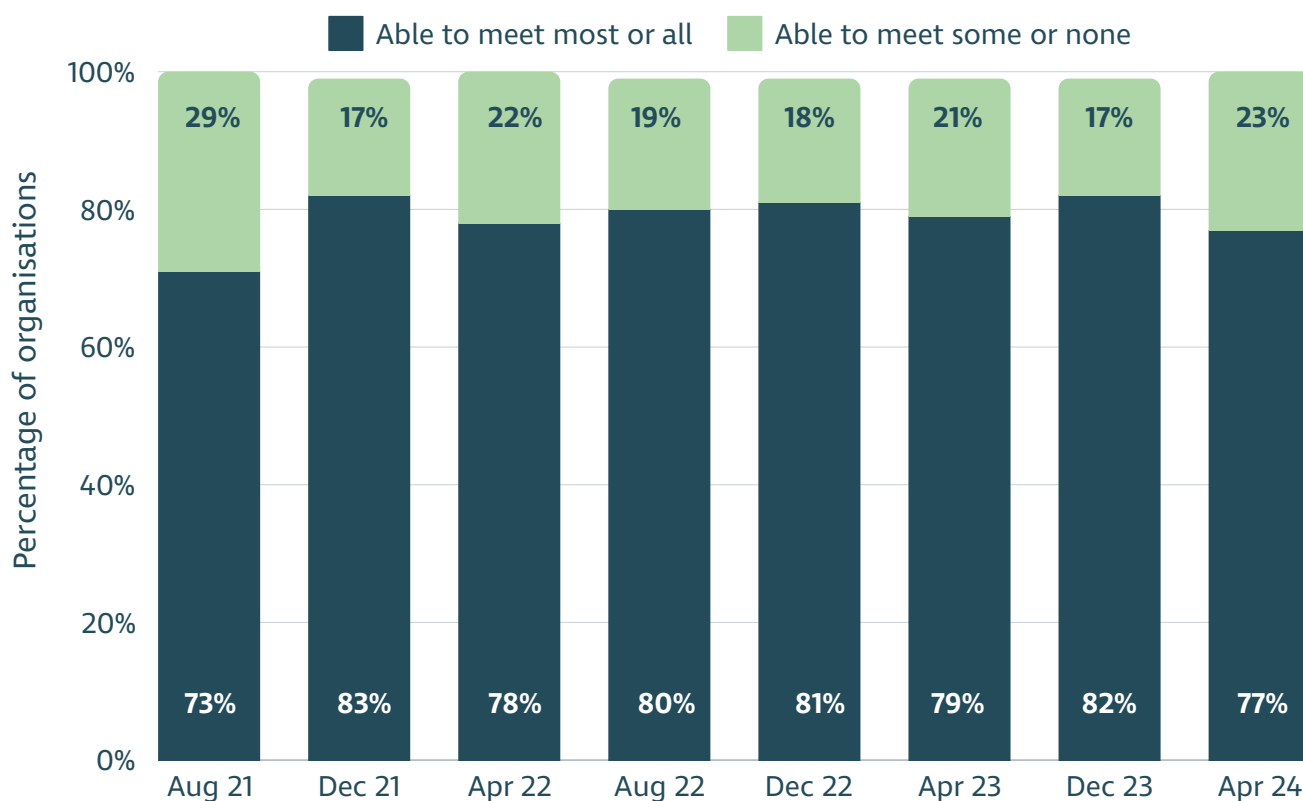
As the waves progressed, the number of organisations reporting that they had met or exceeded delivery of their planned programmes and services increased significantly, rising from a quarter of organisations in Wave 1 (Aug 2021) to a high of three quarters in Wave 6 (Apr 2023). Wave 1 reflects the impact of the pandemic. Since then, numbers have settled back to their August 2022 level – around two-thirds of organisations delivering on their planned programmes of work.

Figure 1. Organisations' ability to deliver their planned programmes, Wave 1 to Wave 8



As demand for core services and programmes continued to grow, organisations were asked whether they were able to meet this increased need. Since Wave 1, there has been an increase in the number of organisations that said they were able to meet most or all the increased demands for core services, rising from 27% in Wave 1 to 74% in wave 6. This figure has been higher in previous waves, suggesting that as communities have been struggling recently with rising costs, some organisations have struggled to keep up with demand. Overall, however, the data suggest that most organisations have been able to meet much of the rising demand for their services.

Figure 2. Ability to meet increased demand for core services, Wave 1 to Wave 8



Changing pressures on third sector organisations

Whilst the COVID-19 pandemic and the cost-of-living crisis have posed different and significant challenges for the third sector, the sector also faces long-term underlying challenges that are systemic, such as financial constraints and staffing issues.

Organisations' priorities have changed throughout the eight waves to reflect the ongoing issues faced by organisations and the communities they support.

In Wave 1, organisations were asked what top challenges they had faced when trying to deliver their planned programmes and services since the beginning of the pandemic in March 2020. In subsequent waves, organisations were asked the same question in relation to the previous three-four months - please see Figure 4.

Looking at the four main challenges facing organisations, there is an obvious shift in priorities from service delivery in Wave 1 to finances in wave 8.

As the waves have progressed, financial issues have become a growing concern for third sector organisations. Just under half of the organisations (47%) in Wave 1 said financial difficulties were one of the top 3 challenges they had faced since March 2020. Although many were struggling in this area, it is likely that fewer organisations reported financial problems as a key challenge during this time as lockdown related issues would have been a higher priority.

In Wave 1, a quarter of organisations said that financial, or cash flow constraints were a top 3 challenge and 10% said it was their top challenge. As the Tracker Waves have progressed, organisations became increasingly concerned about rising costs and inflation (14% in Wave 2 up to 47% in Wave 8 reported this as a top 3 challenge). Increasing operating costs have impacted many third sector organisations across Scotland and the communities they help. The data suggests that rising costs were likely to affect whether staff received pay rises, the continuation of some community activities and fundraising with the public. As a result of these concerns, in Wave 8, 77% of organisations reported that financial issues were a top 3 challenge.

Figure 3. Top 3 challenges faced by organisations, Wave 1 to Wave 8

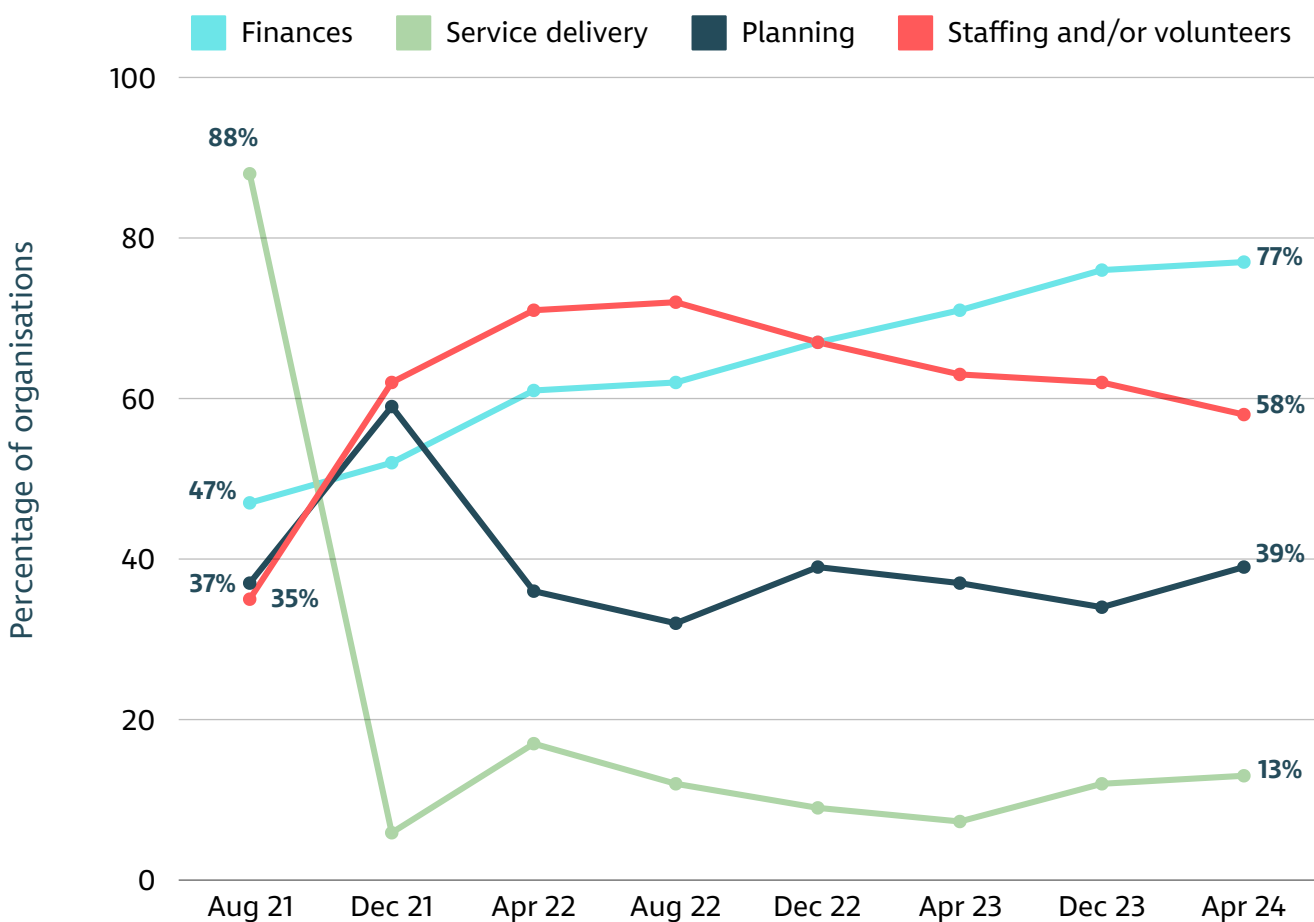
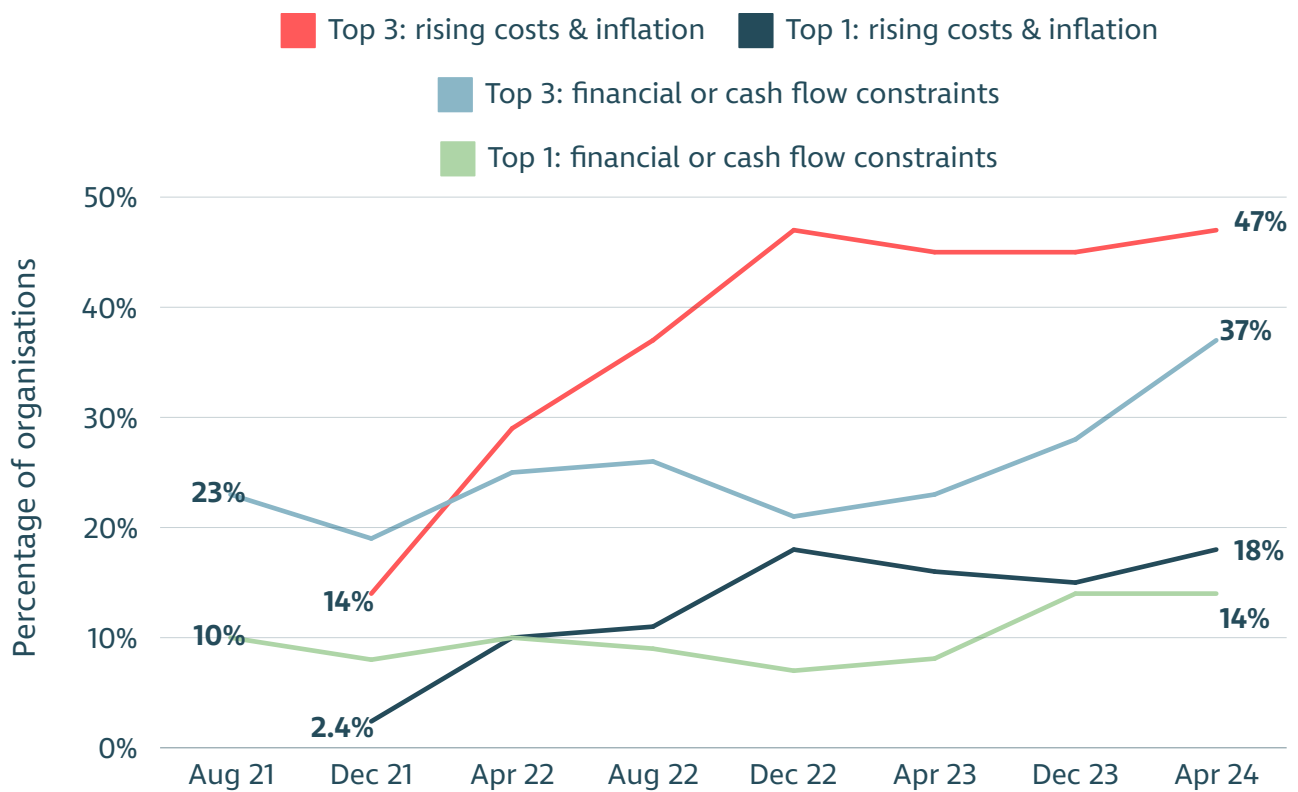


Figure 4. Top financial related challenges, Wave 1 to Wave 8



Organisations have had to adapt in response to these financial challenges. The pandemic (wave 1) was a highwater mark for many of these responses, with almost 60% of organisations applying for funding from new funders and half using their financial reserves. Three years on (wave 8), the proportion of organisations taking measures to address financial difficulties remains persistently high, with 45% continuing to apply to new funders and over a third (36%) using their financial reserves - see Figure 5.

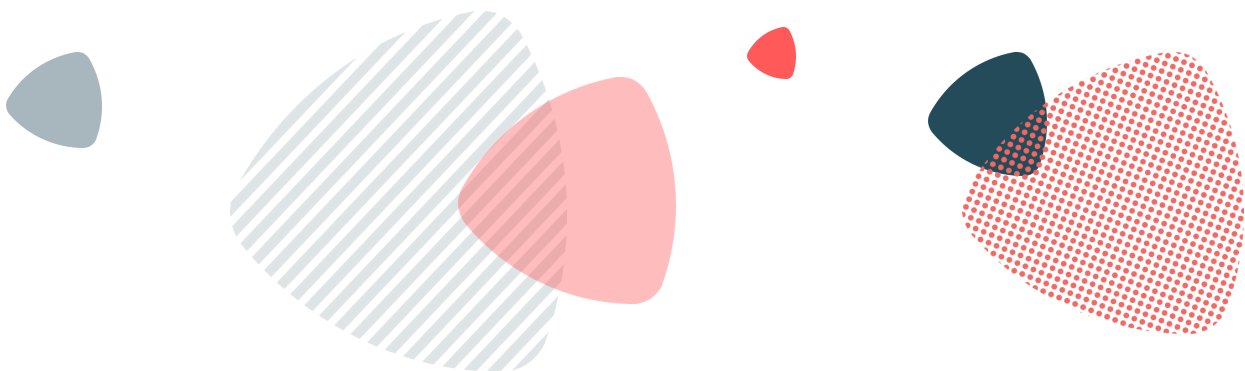
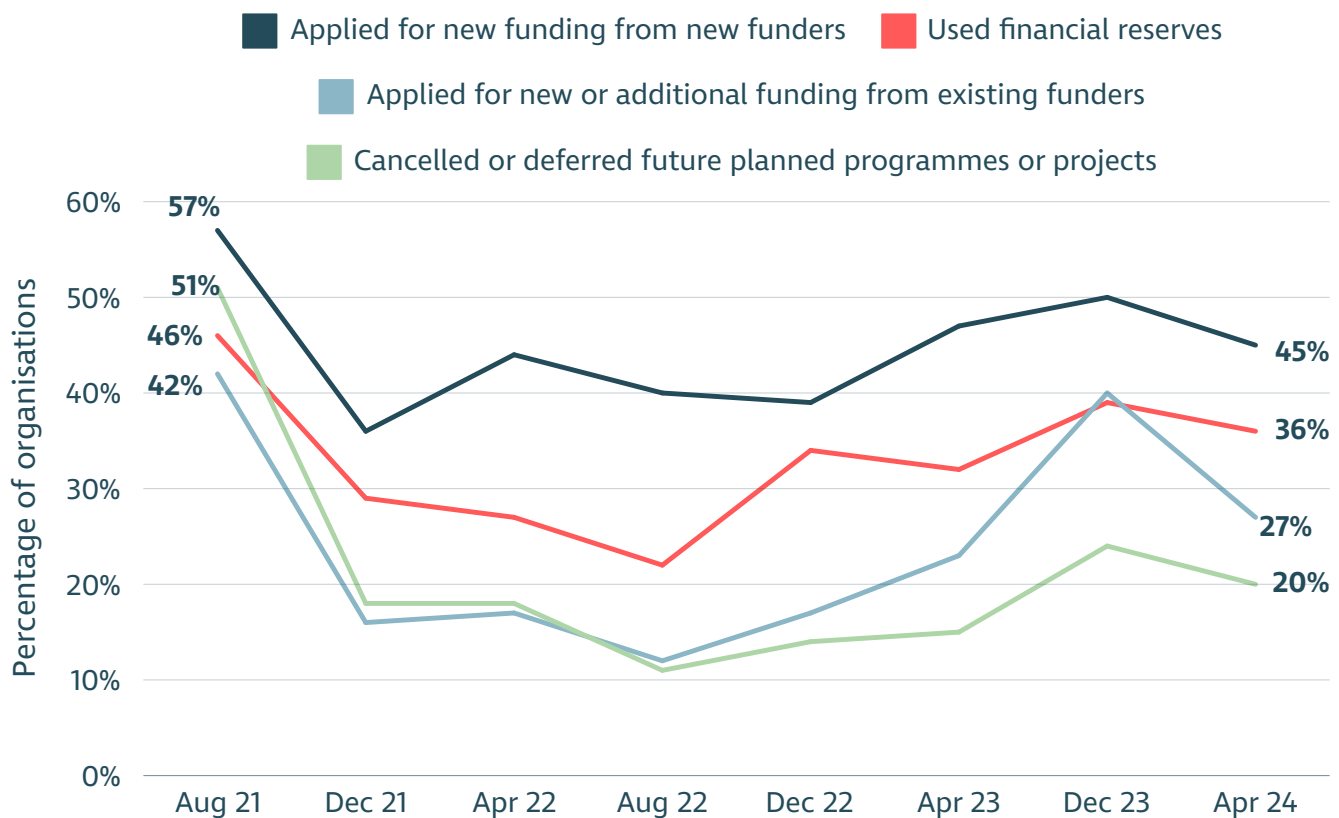


Figure 5. Top four responses to financial challenges, wave 1 to wave 8

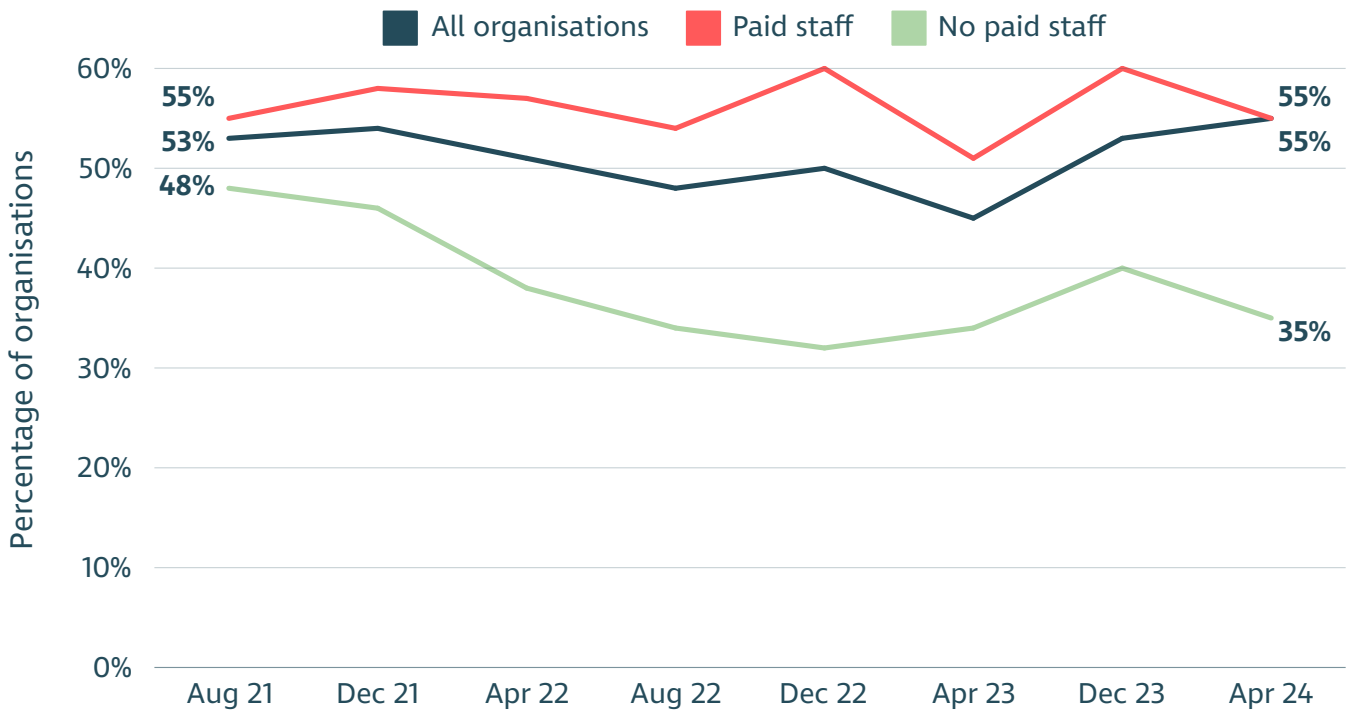


Since Wave 1, many organisations have faced significant financial challenges as a result of the pandemic followed by the cost-of-living crisis. Nearly half of the organisations (46%) in Wave 1 said they had used their financial reserves in the previous 16 months (from March 2020 to July 2021). In the following waves, there is a drop in organisations reporting that they had used their reserves in the last three-four months as they recover from lockdown restrictions imposed during the pandemic. However, since August 2022, as the cost-of-living crisis has intensified, the data show growth in the percentage of organisations that have been using their reserves. By Waves 5 and 6 roughly a third of organisations said they had used their financial reserves in the three months preceding the data collection. By December 2023, 39% of organisations had used their financial reserves in the four months preceding, a post-pandemic high.

In wave eight, 60% of organisations thought the current use of their reserves unsustainable, an increase of 16% since wave 6.

In each wave, approximately half of the organisations said that access to financial reserves was essential or very important for short- and medium-term survival. Organisations that employed staff were more likely to say that access to financial reserves was more important than organisations without employees.

Figure 6. Breakdown of organisations that say access to financial reserves for short- and medium-term survival was essential or very important by whether they have paid staff, Wave 1 to Wave 8

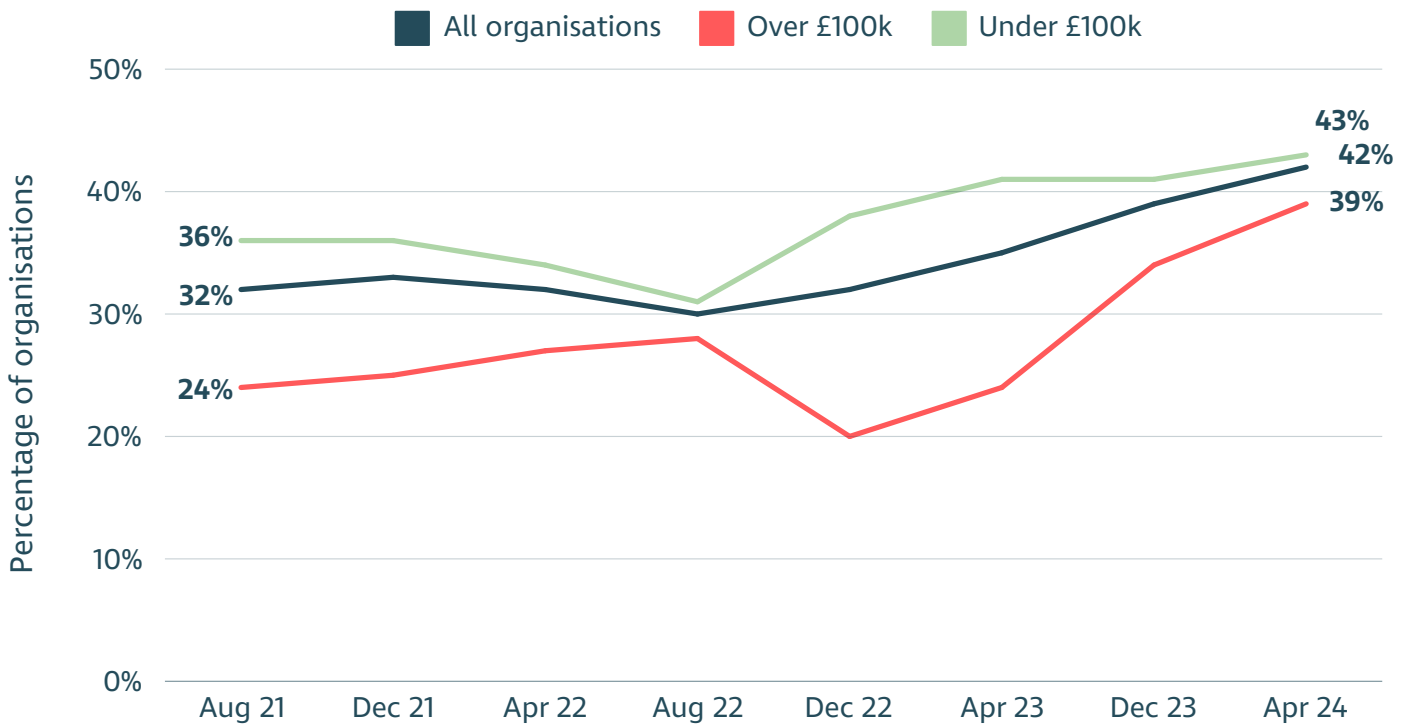


Throughout the course of the Tracker, fundraising from the public has consistently been a challenge for organisations. In Wave 1, when lockdown restrictions were still being enforced and organisations couldn't undertake all their usual fundraising activities, 32% of organisations reported that difficulty fundraising was in their top 3 challenges. This remained relatively stable in subsequent waves. By Wave 8, as rising costs were impacting on the public's ability to give to charities, 39% of organisations indicated this was a top 3 challenge.

In every wave, more organisations with turnover of under £100k reported difficulty fundraising compared with those with a higher turnover.



Figure 7. Organisations reporting difficulties fundraising as a top challenge they are facing by turnover, Wave 1 to Wave 8

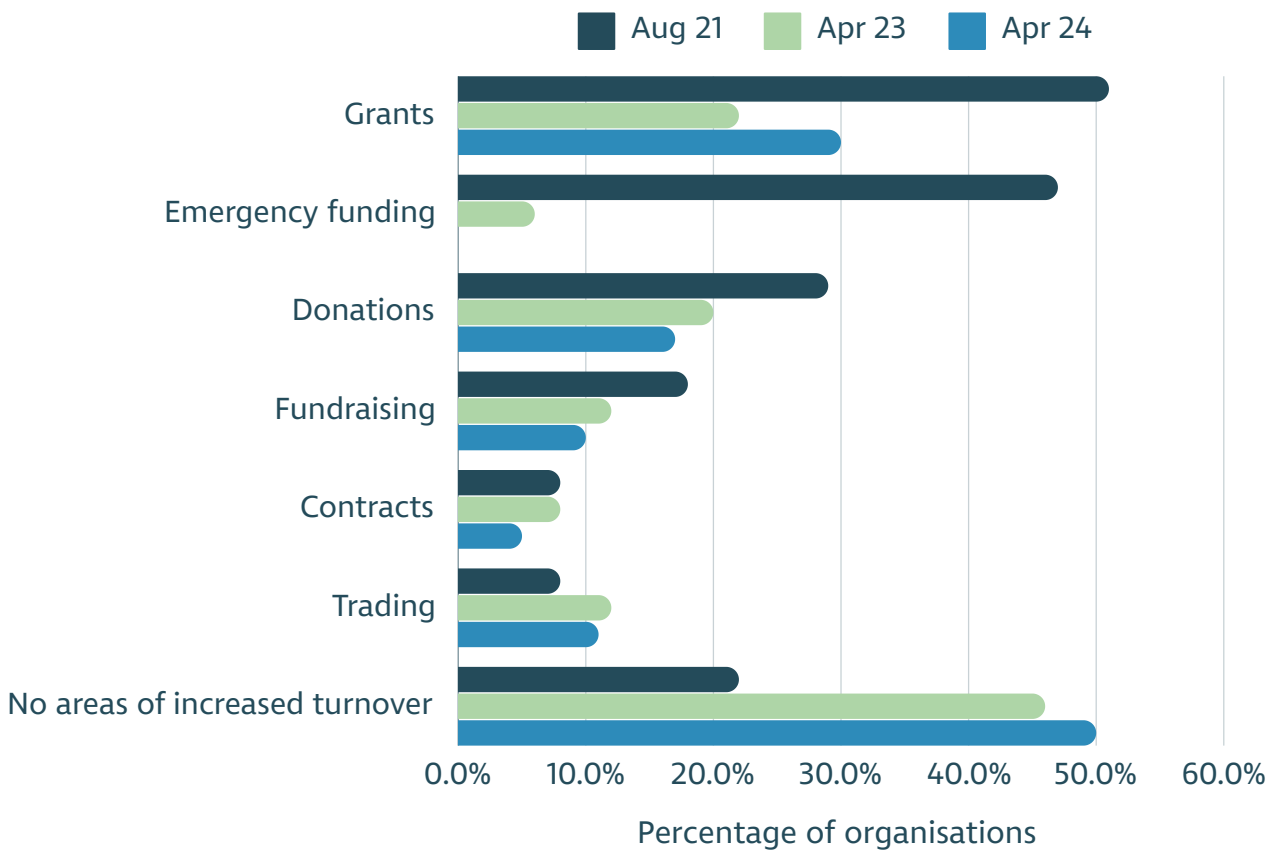


Income streams contributing to changes in turnover

Across the waves, organisations have reported periods of increased and decreased turnover from their different income streams. In Wave 1, around a half of all organisations reported that they had seen increased turnover from grants and emergency funding since the pandemic began in March 2020 (51% and 47% respectively). Fewer organisations reported an increase in grants in the four months prior to Wave 8 (30%), although this is an increase of 8% since April 2023.

In Wave 1, the third highest source of increased turnover was donations (as selected by 29% of organisations). This has also seen a decrease through the waves but was the income source with the second highest increased turnover in the three months prior to Wave 8 (17% of organisations). However, the number of organisations reporting that they had not seen increased turnover from any income source in the last 4 months had increased from a fifth of organisations in Wave 1 (Aug 2021) to a half at Wave 8 (Apr 2024).

Figure 8. Income sources that have seen increased turnover, Wave 1, 6 and 8



Workforce challenges

As the Tracker has progressed, staffing pressures relating to paid staff and volunteers have become an increasing concern for many organisations. In Wave 1, a third of organisations considered this to be one of the top 3 challenges they had faced since the pandemic started in March 2020. However, by Wave 8, this had increased significantly to 58%^[1] of organisations and 30% reported this as the top challenge they were facing. Similarly, volunteer shortages have continued to see an increase in the percentage of organisations reporting this both as a top 3 and top challenge.

[1] Data collection on staffing issues was adjusted from wave 7 onwards. Therefore, caution should be used when comparing data with previous waves.

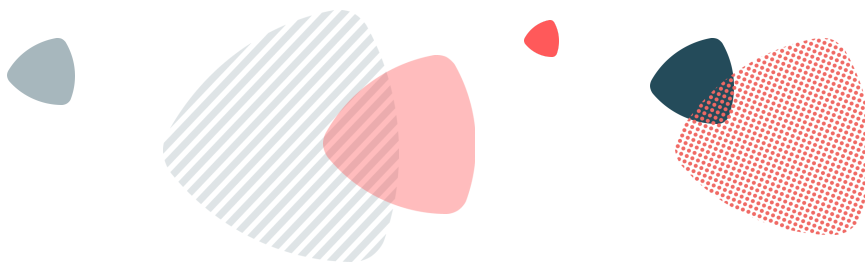
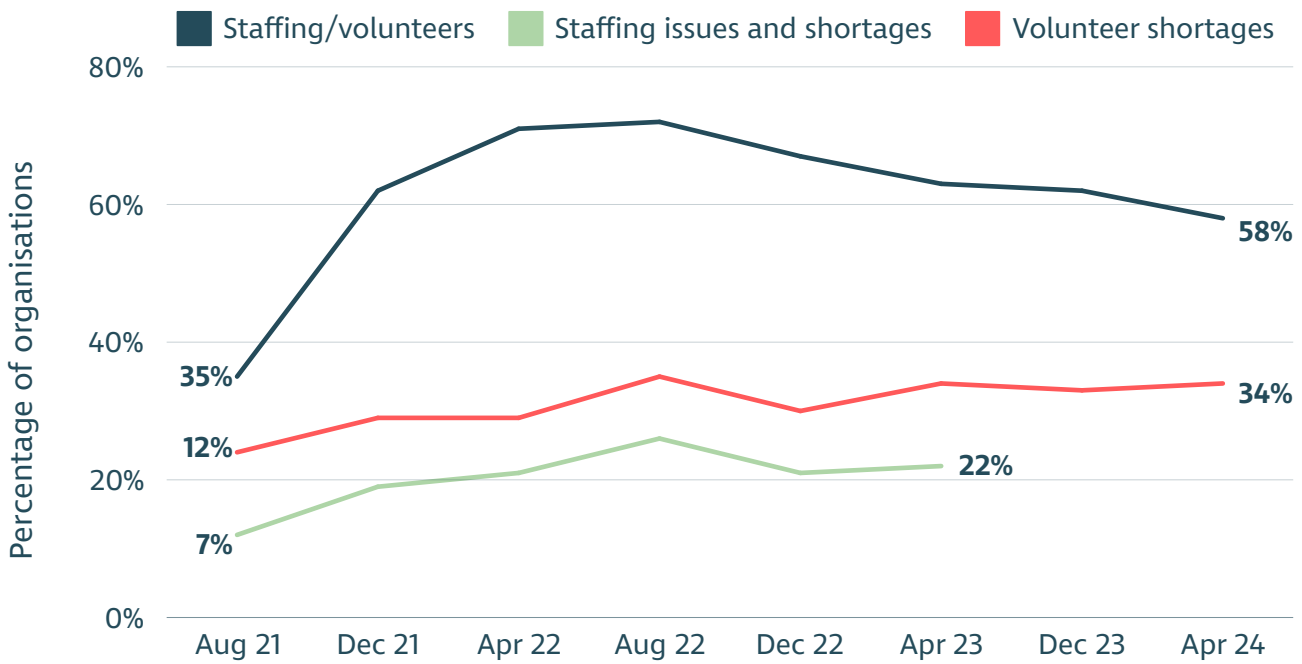


Figure 9. Organisations reporting staffing pressures as a top 3 challenge, Wave 1 to Wave 8



Confidence in ability to operate

The Tracker explored how confident organisations were in their ability to continue operating. In each wave, organisations were asked how confident they were that they would still be operating in 12 months’ time. Confidence was high in each wave, but highest in Wave 1 where 97% of organisation were confident in their future operation, before dropping to 87% in Wave 8. Overall, throughout all waves and despite the ongoing financial and other challenges that organisations experience, the sector continues to be confident in its future survival. Having said that, those very confident in their survival is at its lowest recorded level.

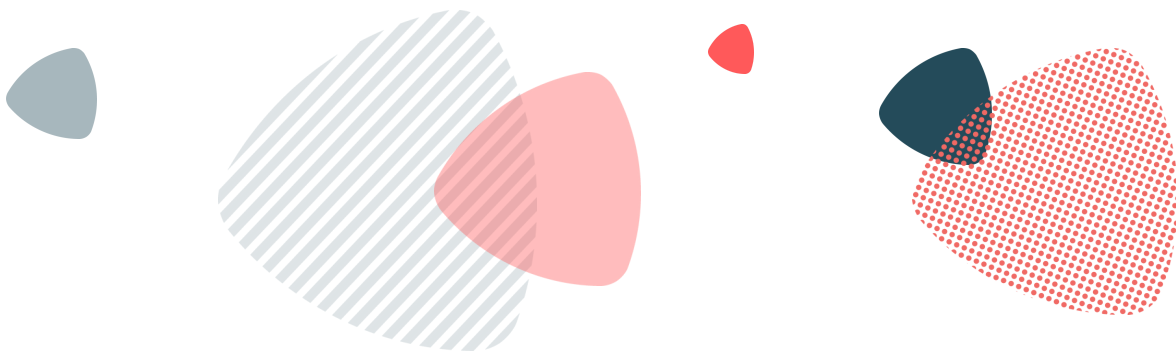


Figure 10. Confidence that organisations will be operating in 12 months' time, Wave 1 to Wave 8

