



Scottish Third Sector Tracker

Wave nine report

Autumn 2024

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Introduction

This paper presents the key findings from the ninth wave of the Scottish Third Sector Tracker, data for which was collected in September-October 2024. The Tracker collects panel data from Scottish third sector organisations to give current insights into the state of the sector, key trends, and developments. The Tracker asks organisations questions relating to their current organisational challenges; demand for their services; paid staff and volunteers; and financial health. Topical questions are included each wave. For wave 9, we asked respondents to tell us about any additional work their organisation had been carrying out above and beyond their regular core services and activities; challenges with staff and volunteer recruitment and retention; how organisations were spending their financial reserves; the advice and support organisations have accessed in the past 12 months, what support they need over the course of the next 12 months, and where they look to for that support; and finally, a series of questions about cyber risk and resilience.

About the data

The wave nine findings draw on responses from 372^[1] third sector organisations. Surveys were conducted online. 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 used to generate a series of summary figures and tables that present key insights into the sector over the last four months. A thematic analysis was conducted on qualitative responses to open questions. 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](#). The data is made available so that third and public sector organisations and academics can conduct their own analysis.

[1] This is marginally below the target of 380 required to achieve a 95% confidence level with a +/- 5% margin of error.

Summary

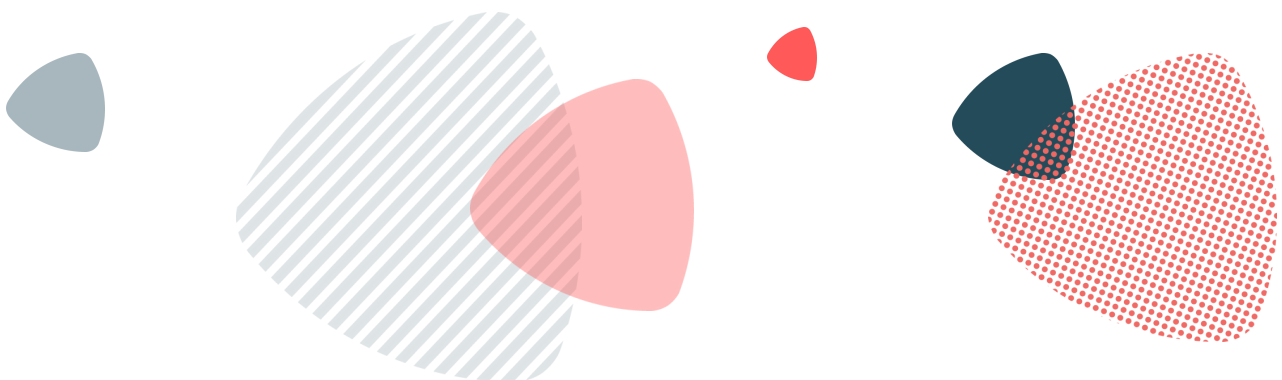
The interactive infographic summary is available on the [SCVO website](#).

The ninth wave of the Scottish third sector tracker highlights the resilience and adaptability of the sector as it navigates significant challenges, including rising costs; financial constraints; and volunteer shortages. Despite these pressures, many organisations continue to meet the growing demand for their services by adapting services; collaborating with other organisations; and applying for additional funding and fundraising. However, the sector's reliance on limited financial reserves and the unsustainable use of those reserves raises concerns about long-term sustainability.

Staff and volunteer recruitment remain key challenges, with organisations taking steps to offer flexible working arrangements and increased salaries. Despite this, the increasing number of redundancies and the struggles to recruit volunteers indicate a workforce under strain, potentially limiting the capacity to deliver essential services.

Digital technology is a cornerstone of operations for most organisations, enabling service delivery, communication, and financial management. However, there are some gaps in cyber resilience and confidence around protection measures highlighting the need for increased support and training in this area.

Looking to the future, the sector's priorities include securing sustainable funding, addressing workforce challenges, and improving digital capabilities. While confidence in survival remains high, uncertainty is also near record highs, suggesting that ongoing support will be crucial to protecting organisations and their ability to support Scotland's communities.



Key findings

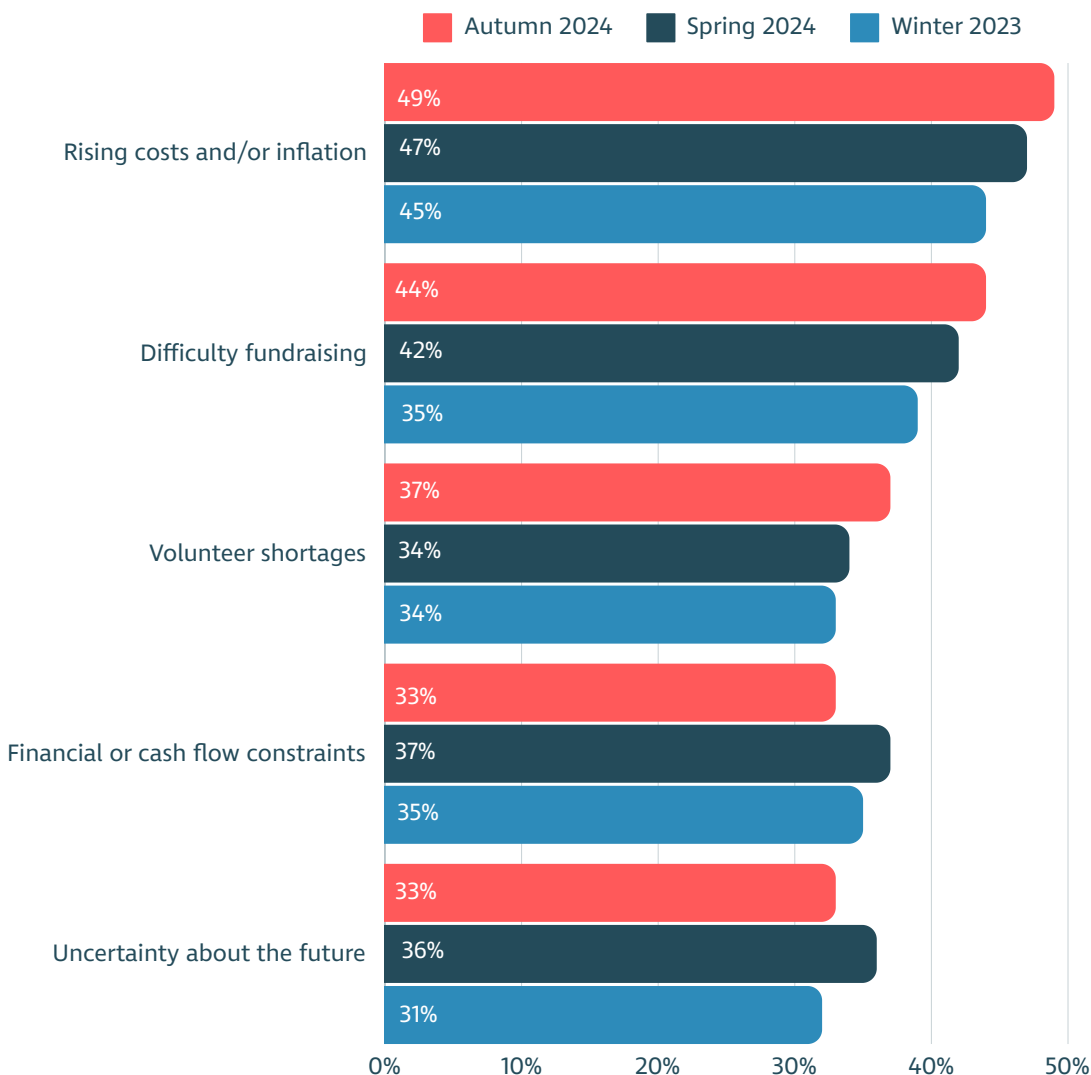
- Challenges for third sector organisations: Ninety-four percent (94%) of organisations reported challenges, with the top issues being volunteer shortages; difficulty fundraising; financial constraints; and rising costs. Financial challenges were reported by 76% of organisations, with inflation and rising costs significantly impacting service delivery.
- Service demand and adaptations: Eighty-six percent (86%) of organisations reported that they have the capacity to meet most or all demand for core services, an improvement from 77% in Spring 2024. Measures to meet demand included applying for funding (52%), reducing some services to focus on others (38%), recruiting volunteers (33%), and adapting existing services (26%)
- Activity beyond core services: Organisations engaged in additional work, such as fundraising, renting space, running campaigns, and forming new partnerships. Increased support was provided for vulnerable groups, including food and clothing distribution, emergency grants, and mental health services.
- Staff and volunteer challenges: Recruitment of volunteers (62%) and staff (46%) was more challenging than retention. Flexible working conditions and salary increases were strategies used to improve retention. Fifty-eight percent (58%) of organisations used their reserves to fund salary increases. Eleven percent (11%) of organisations reported making staff redundancies, while 32% increased wages.
- Financial health: Fifty-six percent (56%) of organisations held less than six months' reserves, and 40% reported their use of reserves as unsustainable, in line with Winter 2023, following a spike to 60% in Spring 2024. Financial challenges led 58% of organisations to apply for funding, while 38% used reserves to cover costs.
- Advice and support needs: Forty-three percent (43%) of organisations sought advice in the past 12 months, with accountancy (42%), legal (37%), and IT/digital support (36%) being the most common areas. For the next 12 months, organisations highlighted funding support (49%) and volunteer recruitment advice (35%) as top priorities.
- Digital technology and cyber resilience: Eighty-five percent (85%) of respondents indicated digital technology as essential for operations, with tools like CRM systems, financial software, and communication platforms frequently cited. Only 41% reported a high understanding of cyber resilience, and 60% felt confident about their cyber protection measures.

Key current challenges for third sector organisations

Ninety-four percent (94%) of organisations reported facing challenges in the last four months, up from 92% in Spring. Organisations were asked about the biggest challenge they had faced since Spring 2024. The response most frequently selected as organisations number one challenge was a three-way tie: volunteer shortages; difficulty fundraising and financial or cash flow restraints – all 16%. Followed closely by rising costs and inflation at 15%.

When considering organisations' top three challenges, where organisations are asked to rank their challenges from 1-3, the most frequently reported challenges making it into that top three list included: rising costs and inflation (49%); difficulty fundraising (44%) and volunteer shortages (37%). When aggregated, challenges relating to finances are the most frequent response options selected by organisations, 76% of organisations, in line with Winter 2023. This is followed by staffing and volunteers, 60%, down from 62% in Winter 2023.

Figure 1. Top three challenges for third sector organisations



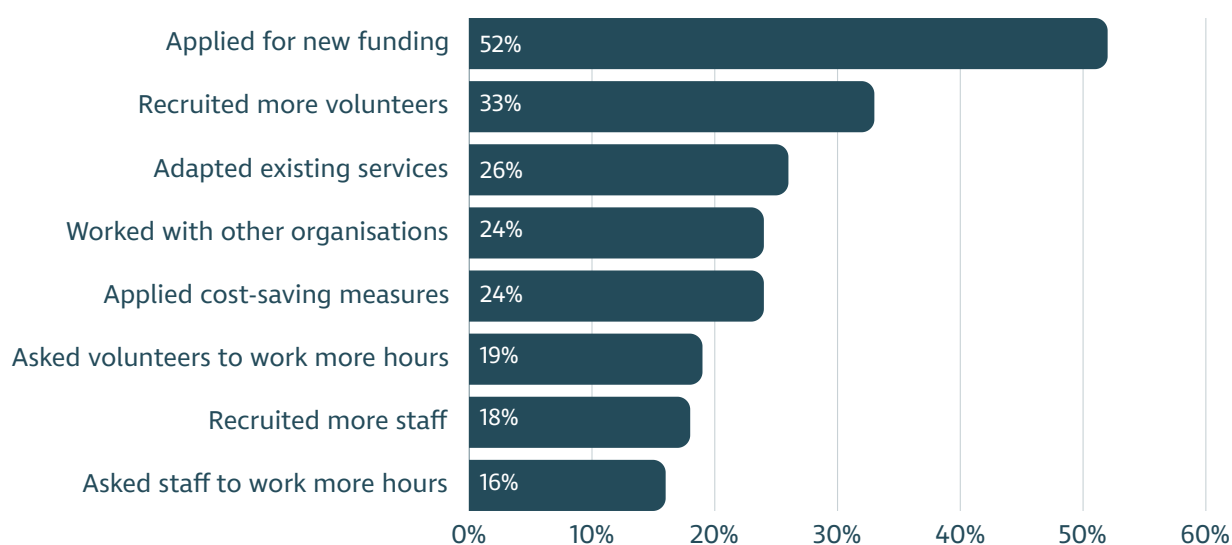
As mentioned above, 49% of respondents reported rising costs and/or inflation in their top three challenges. As a result of these challenges, 60% (in line with Spring 2024) of organisations believed that rising costs had either significantly (17%) or moderately (43%) affected their ability to deliver their core services or activities since Spring 2024. A further 29% believed their ability to deliver had been affected in this time, albeit minimally. Only 11% of organisations reported no impact at all – also in line with Spring 2024.

This wave, we asked respondents to tell us which of the following costs had a negative impact on their organisation’s ability to deliver its core programmes or services. Almost half of respondents said either staffing costs or energy costs, 47% and 43% respectively. Twenty-nine percent of respondents opted to tell us about costs not listed in the response options. The most common responses included: food costs; insurance costs; materials and supplies; volunteer expenses; and costs associated with IT and digital platforms.

Demand for services

Eighty-six percent of respondents thought their organisation had the capacity to meet most or all of the demand for their core services across the last four months, this is up from 77% in Spring 2024. This wave we asked respondents what measures their organisation had put in place to address the challenges presented by demand for its core services. The most frequent responses included: applied for new funding (52%); reduced some services (38%); recruited more volunteers (33%); adapted existing services (26%) and worked in partnership with other organisations (24%).

Figure 2. Measures taken to meet demand for core services



Sixty-six percent (86%) of organisations thought that all, or nearly all, of this demand was for their core services, but a quarter (24%) reported that some related to services that sat outside their core remit. For those organisations that were conducting additional work outside of their core services or remit, we asked them to tell us what the nature of that work was. There were 91 responses to this open question. The most common theme to emerge from the analysis was fundraising and adapting financially. Respondents spoke of the need to spend more time looking and applying for additional funding and engaging in other income generating strategies, such as renting out space, taking on consultancy work, and running fundraising campaigns.



"We have raised funds to enable us to support the hardest to reach young people, in hotels, sofa surfing, roofless or homeless at home."



"We have taken on more commercial lets which bring in more money; however, these lets reduce the availability of the Community Centre for community use."



"We are trying to secure funding for a smaller vehicle to provide alternative services, including food bank delivery."



"Consultancy work to generate income."

The second theme was partnership working and building networks. Respondents mentioned building relationships and collaborating with other organisations. For some organisations, this included partnering with local organisations to help with food distribution and well-being support, for others it was about sharing expertise or joining up on consultations and advocacy work.



"We are delivering on other projects in partnership with [a] local charity. The need in the community for additional services has grown and we are always looking for creative and innovative ways of further developing our services across our communities."



"We have increased our network partnerships with other local organisations to ensure that our service users receive the best support available."



"Building connections with other organisations to mobilise additional capacity."

The third theme was supporting vulnerable groups. There was a focus on expanding services or introducing new services to address the needs of marginalised and vulnerable groups, particularly those experiencing financial hardship. Respondents reported providing food and clothing to families, emergency grants, supporting young people with their mental health, providing guidance for people at risk of homelessness and services to support refugees.



"Food insecurity is on the rise again; we have been providing additional support to families in need."



"Providing assistance with food and applying for crisis grants for families in need. Supporting parents and helping them complete forms for support and benefits."



"We increased demand for support that mainstream services would normally provide but are no longer doing so - particularly mental health and housing."



"High demand for youth activities extending beyond the core activities we usually provide. This includes need for more transport during evening hours."

Finally, advocacy and crisis and emergency support. This theme relates to support for individuals to assist with navigating bureaucratic systems and to access statutory support. This included supporting families to apply for crisis grants or benefits; support with utilities and legal aid and advocating on behalf of marginalised and vulnerable groups on issues such as health and housing.



"Advocating for vulnerable older people trying to navigate poorly designed/hard to navigate online systems of utility companies and other organisations with ineffective support in place."



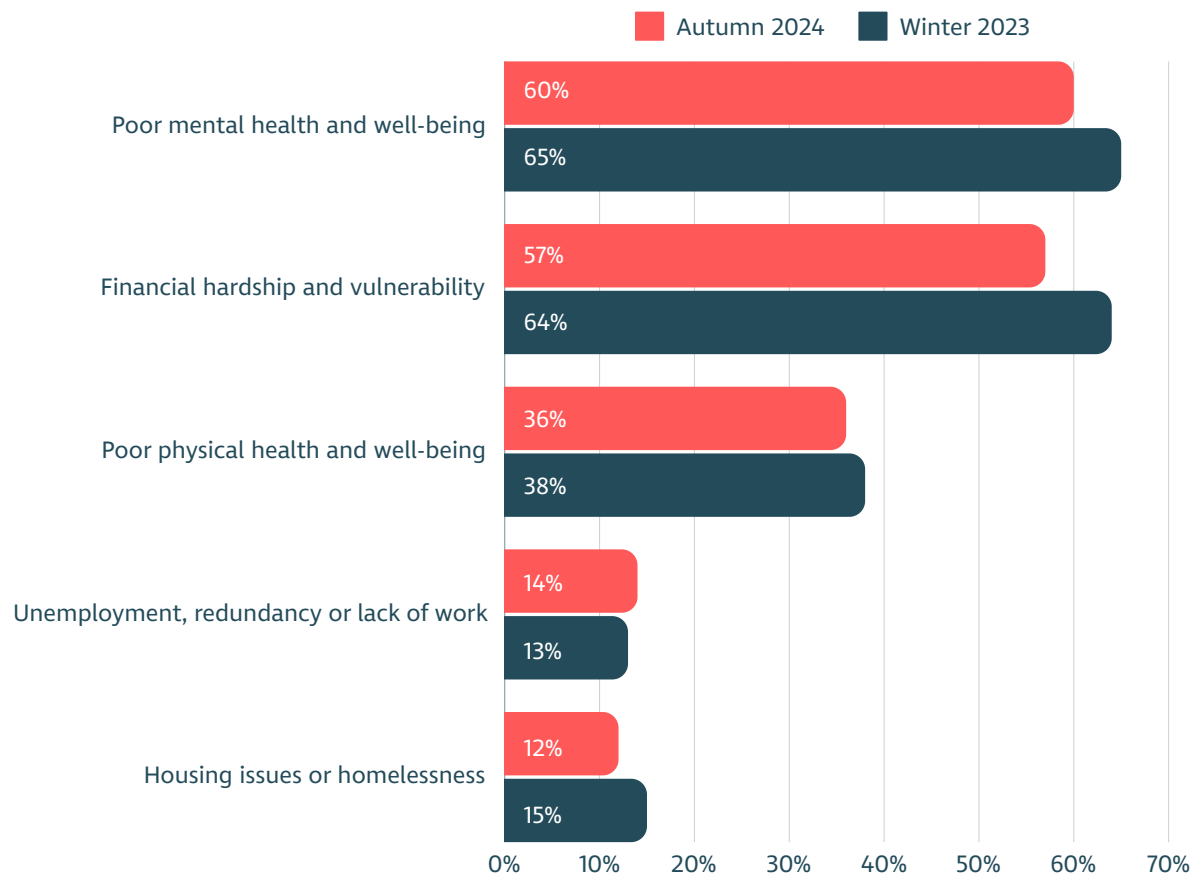
"As an independent advocacy organisation, we are experiencing a significant increase in inappropriate referrals — we feel we are being used by statutory services as they try to manage their own demand/capacity."



"Our beneficiaries find it difficult to access statutory support. Currently, we do not have the capacity to support them through an application, review, or complaint process."

For the first time since Winter 2023, we asked respondents to tell us what significant needs or issues they had observed in the individuals and communities they work with. Although there has been a small decrease in the number of respondents reporting significant needs or issues since Winter 2023, 60% still report observing poor mental health and well-being with the people they work with, over a half (57%) report seeing financial hardship or vulnerability and over a third poor physical health and well-being.

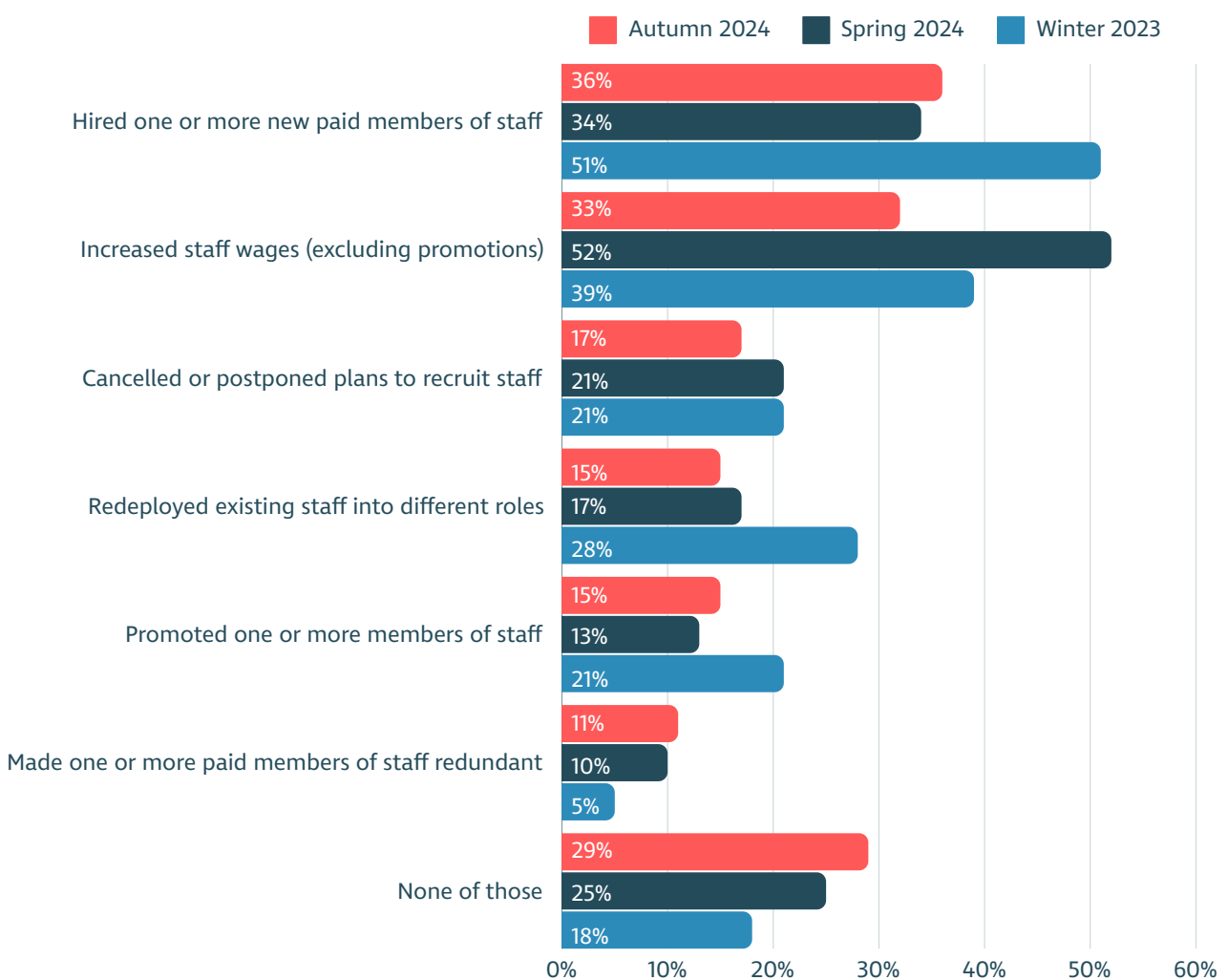
Figure 3. The most significant needs observed by respondents



Staff and volunteering

Organisations are asked about the key actions taken in relation to paid staff over the last four months. Of the organisations that employed paid staff, over a third (36%) hired one or more new staff members and a third (32%) had increased staff wages. These figures are lower than in both Winter 2023 and Spring 2024. As time has passed, an increasing number of organisations report taking no actions in relation to paid staff and 11% now report making redundancies in the previous quarter, up from 5% in Winter 2023.

Figure 4. Key actions taken by third sector organisations in relation to paid staff

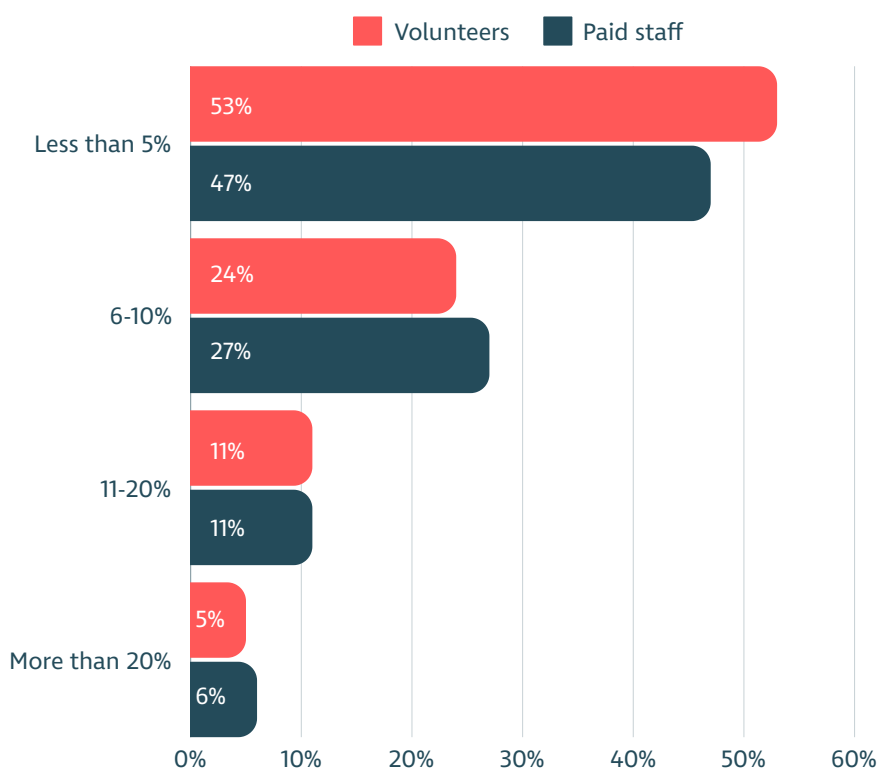


In this wave we asked respondents a series of questions about their staff and volunteer recruitment and retention. First, we asked about turnover[1] rates. For around half the sector, the turnover rate for both staff (53%) and volunteers (47%) are less than 5% per annum. To put this in perspective, the annual turnover rate reported by UK employers[2] is 34%, i.e. three in ten employees leave each year. Only 6% of organisations with paid staff and 5% of organisations with volunteers report an annual turnover rate of more than 20%.

[1] By 'staff turnover rate' we mean the percentage of employees that voluntarily left the organisation in the last year (i.e., excluding redundancies, short-term contracts ending, etc).

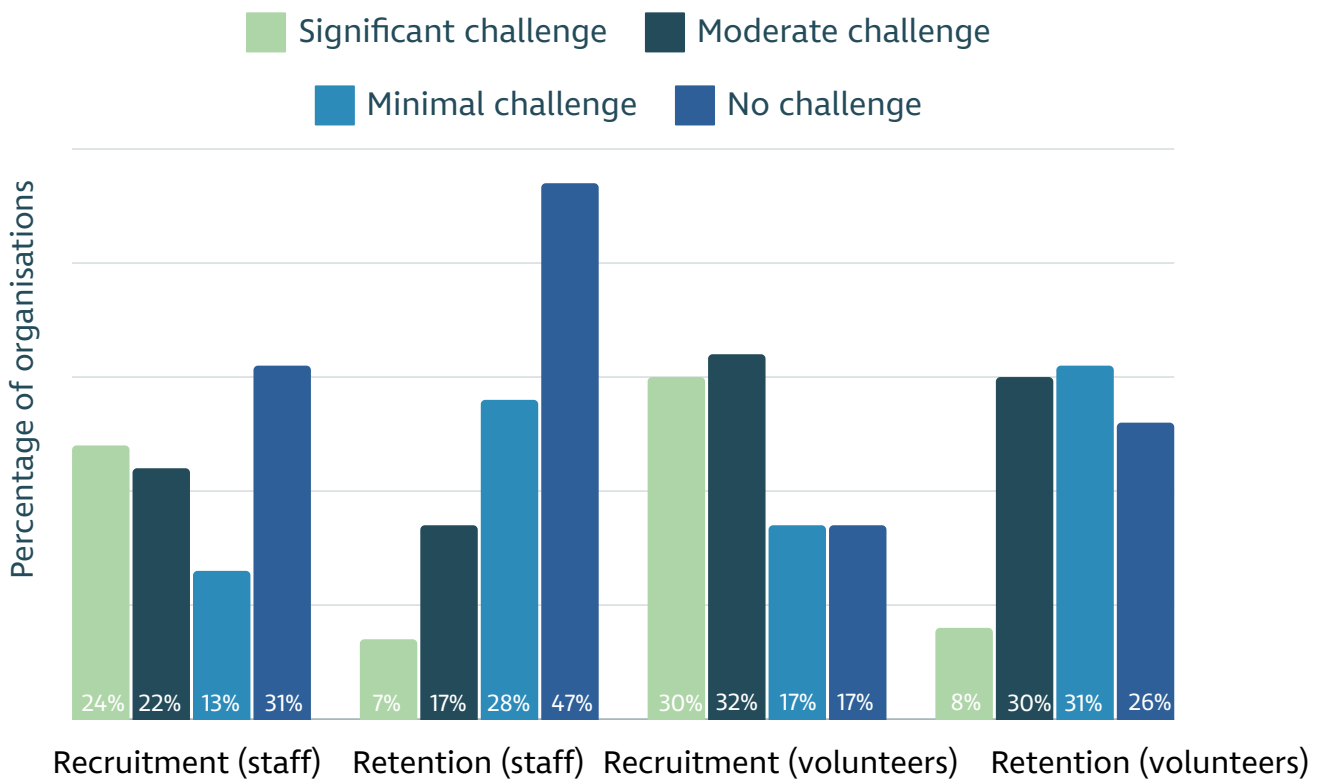
[2] CIPD data.

Figure 5. Annual staff and volunteer turnover rate



We asked organisations with paid staff if they had found recruitment or retention a challenge. Overall, organisations have found it more difficult to recruit staff than retain staff. Just under half of organisations (46%), reported a moderate-significant challenge in recruiting staff in the past quarter. A third reported no challenge. In comparison, almost half of respondents (47%) reported no challenge in retaining staff and a quarter found it a moderate-significant challenge. Similarly, we asked organisations with volunteers the same question. As with paid staff, recruitment of volunteers has been more challenging than retention. Sixty-two percent (62%) of organisations report a moderate-significant challenge when attempting to recruit volunteers. In contrast, the same number report no challenge, or only a minimal challenge, in retaining volunteers, with just under a third (31%) reporting retention as a moderate challenge.

Figure 6. Challenges with staff and volunteer recruitment and retention



We asked those organisations that reported a challenge with recruitment and/or retention of staff to tell us what actions they had taken to improve recruitment and/or retention. The most frequent responses included, offered more flexible working conditions (34%); increased the salaries offered to current staff (33%); increased the salaries offered to new staff (26%) and advertised more vacancies (26%). A quarter of organisations reported taking no actions.

We asked the same question to those organisations reporting challenges with recruitment and/or retention of volunteers. A third of organisations told us that they had looked to increase volunteer numbers by approaching people who don't tend to normally volunteer for the organisation. A quarter of organisations had run a recruitment campaign, and a similar number had restructured roles to make them more flexible. One in five had sought advice from their local TSI or infrastructure organisation.

Figure 7. Actions taken to improve recruitment/retention of volunteers



We also asked organisations with paid staff to tell us how much their staff costs had increased in the past year and how they'd financed those cost increases. Overall, three quarters of organisations reported an increase in annual staff costs and around 7% a decrease. The most common response (32% of organisations) was an annual increase of approximately 6-10%. For over half of those organisations (58%), they made use of their reserves to cover these costs increases; 37% had secured new funding and a quarter had diverted money from other parts of the organisation.

Financial health of third sector organisations

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

Exactly half of respondents reported that their monthly turnover had stayed about the same over the past four months, down from 55% last quarter. Approximately a quarter (26%) reported an increase in average monthly turnover and 21% reported a decrease. These numbers are broadly in line with Spring 2024, with a small increase in the number of organisations reporting an increase in their monthly turnover.

The percentage of organisations holding less than 6 months' financial reserves remains stable at 56%. Similarly, the number of organisations that believe that their reserves are very important or essential to their short to medium term survival is 51%. After a sharp increase last quarter, the percentage of organisations that report the current use of their reserves to be unsustainable has returned to levels recorded in Winter 2023 (40%), following a spike to 60% in Spring 2024. For the first time, we asked respondents to tell us their organisations target for the number of months' operating costs its financial reserves should, ideally, cover. For just over a quarter of organisations (27%), they do not have a target. A quarter (24%) said six to eleven months; 13% said three months and 11% twelve to seventeen months.

This wave we asked respondents, who were making use of their financial reserves, to tell us about the reasons for this use. The most frequent responses included, to cover a decrease in funding or donations (41%); to cover increased overheads and/or day-to-day running costs (excluding staffing costs) (also 41%); to cover staff wage increases or hiring more staff (38%) and to expand the work we are doing (24%).

In the last four months, over eight in ten organisations reported acting in response to financial challenges. The most frequently reported actions included, applying for funding (58%); using their financial reserves (38%); and fundraising (27%). Concerningly, 17% of organisations reported cancelling or deferring planned work and 11% stopped operating one or more strands of work. These figures are broadly in line with Spring 2024, although we have seen an increase in the number of organisations reporting more fundraising activities.

Organisations were then asked several questions on the topic of funding, specifically on institutional funding sources. Respondents were asked if they had experienced any delays in funding over the past four months, or if any of these funders had decided to reduce or withdraw funding for the year.

For organisations in receipt of institutional funding, a quarter (25%) said that they had experienced delays in funding from Scottish Government (and increase of 6%); 22% their local council and 16% reported delays in funding from another funding organisation. Fewer organisations reported a decrease or withdrawal of funding – 16% said local council; 8% Scottish Government and 11% another funder.

Following this we asked organisations to tell us if they thought that the conditions attached to their funding had become more demanding. Half of respondents (49%) thought the conditions had become a little more or much more demanding in the past quarter. This represents an increase of 10% since we last asked organisations this question in Winter 2023.

Advice and support

This wave we asked organisations to tell us where they go for different types of advice and/or support and what advice and support they might need in the next 12 months. Forty-three percent (43%) of organisations said that they had sought advice and/or support in the last 12 months. The most common response was accountancy advice and support (42%); followed by legal advice (37%); IT and digital (36%); governance (35%); support to find funding (29%) and advice on finance (also 29%).

Figure 8. Types of advice and support sought in the last 12 months

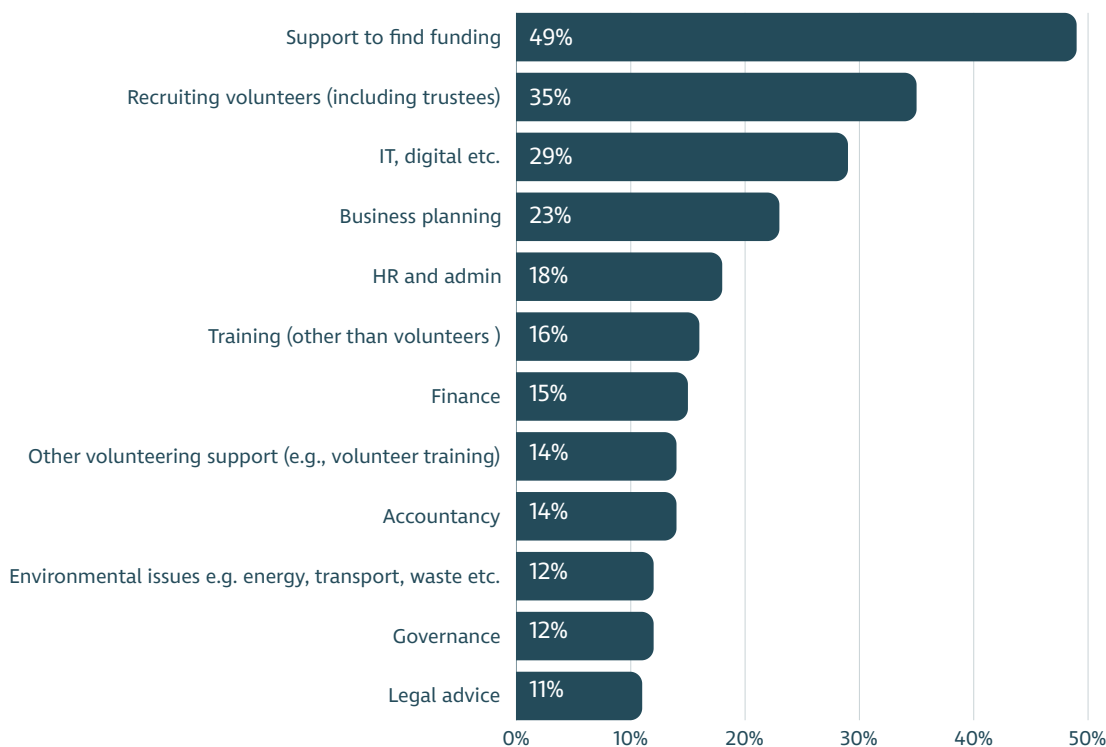


We then asked organisations to tell us where they had sought this advice and/or support. [1] For legal advice, a fifth of the sector (20%) said they had turned to a national membership organisation, such as SCVO and one in ten an intermediary. Just over a third (36%) had approached a national membership organisation for advice and support with governance. Slightly more went to a third sector interface (TSI), 39%. Twenty-eight percent (28%) had turned to a national membership body for support to find funding, a similar number had used a specialist third sector support organisation and one in five a TSI. For training needs, over half of respondents (54%) had turned to a national membership organisation and for recruiting volunteers almost half (46%) had approached a TSI for advice.

[1] Please refer to the data tables for full details

Finally, we asked respondents to tell us what support their organisation would benefit from over the course of the next 12 months. As per figure 9, the most common response option was support to find funding (49%), followed by advice and support to help with recruiting volunteers (including trustees) (35%) and IT, digital support (29%).

Figure 9. Support and advice organisations want in the next 12 months



Organisations were asked how confident they were that they will still be operating in 12 months' time. Confidence remains high, with 89% of organisations confident that they will still be operating next Autumn. However, one in ten organisations are not confident, the second highest level on record, following last wave's 12%.

Digital technology, cyber resilience and risk

For the first time, we asked organisations a series of questions about their use of digital technology and understanding of cyber resilience and risk. Firstly, we asked respondents to tell us how important digital technology is for the way their organisation operates and delivers services. For 85% of respondents, digital technology is either very important (47%) or quite important (38%). Only 4% think it not important at all.

For those organisations that use digital technologies, we asked them to tell us what technology is most important for their organisation and how it is being used. This open question had 293 responses. The responses included, communication and collaboration tools; CRM systems and databases; financial and administrative tools and specialised software.

For communication and collaboration tools, this included email; social media (Facebook etc.); conferencing/meeting platforms such as Zoom and Teams; SharePoint and Google workspace for sharing and collaborating on documents.



"We use Facebook to communicate and Zoom for online meetings. Need to access Microsoft Office for documents and spreadsheets and Email."



"Main communication across the organisation's bases and external communications through use of online meetings, emails etc. Saves costs of meetings as time away is reduced as well as cost of travel."

In terms of CRM systems and databases, respondents mentioned making use of Salesforce and other bespoke systems to help manage relationships and for recordkeeping. These tools were also used to keep track of referrals, appointments and impact reports.



"Our CRM system is core to record keeping and holding sensitive data for us as well as action logs and caseload work."



"We have a CRM which helps us manage referrals, appointments, invoicing, monitoring, evaluation, and statistics."

Financial and administrative tools included Xero and QuickBooks, these were mentioned with reference to bookkeeping, financial reporting and day-to-day administration. Online banking and payment systems (such as SumUp) were also mentioned to help with managing transactions and reducing the organisations dependency on cash.



"We use Xero for bookkeeping and financial administration."



"Card readers for sales and donations are key to the future income streams."

Finally, specialised software, including AI, was also mentioned. This also included things like Canva and Adobe Creative in the use of creating content for the web, promotional materials, digital newsletters and campaigns. For some organisations, digital tools were integral to delivering services like online training, booking systems, and hybrid working models.



"Website and social media platforms are essential to advertise our services and connect with our community."



"We deliver training online through Microsoft Teams and Zoom, which has become a significant part of our service delivery."



"Creative media software, particularly Adobe CC, is vital for delivering our digital media projects."

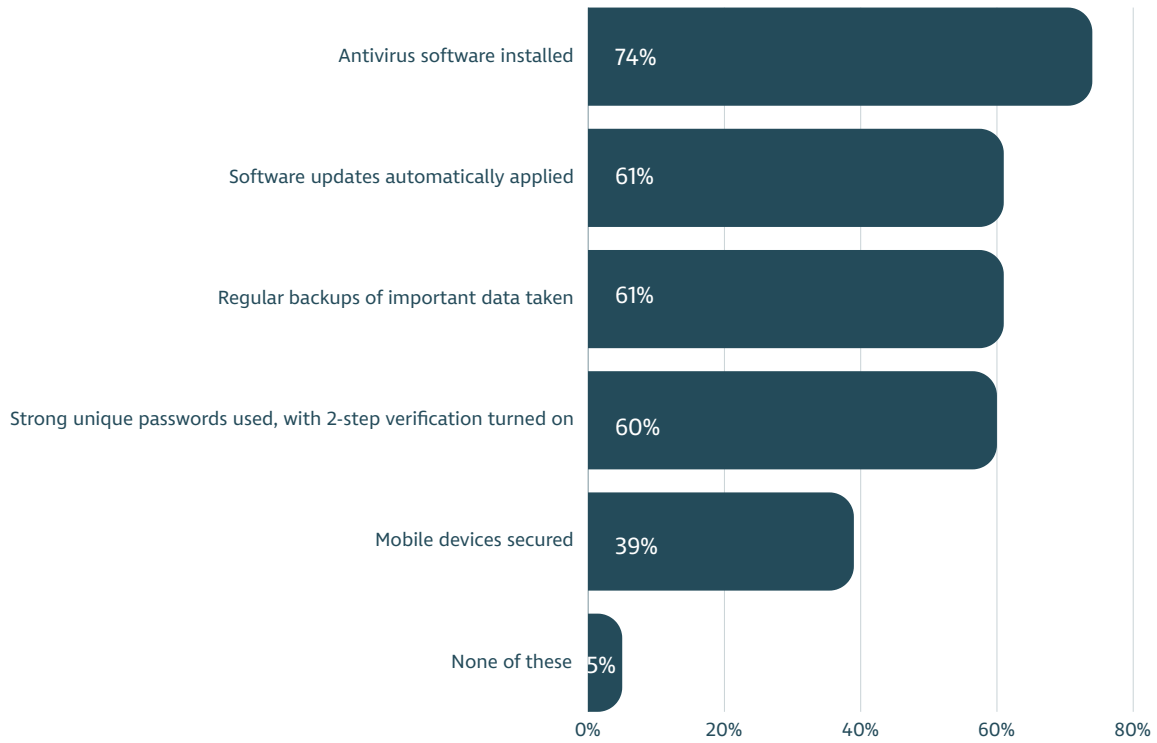


"We have started to utilize AI technology and can see the benefits if used in the correct manner."

We then asked respondents how well they understood cyber resilience and risk. Four in ten organisations (41%) believe they have a high level of understanding; a quarter have a low level of understanding, and the rest are somewhere in the middle. Following that, we asked respondents how confident they were that their organisation is well protected in relation to cyber risk. Sixty percent (60%) of respondents were confident and a third (31%) didn't feel confident. Finally, we asked respondents to tell us what cyber security measures their organisation had in place. Reassuringly, only 5% of organisations said they had none of the listed measures. The most common measure to have in place was antivirus software (74%), followed by software updates and regular backups (both 61%).



Figure 10. Cyber security measures



NB: Fieldwork for wave 10 will take place in Spring 2025 with reporting in the summer.

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