



# Scottish Third Sector Tracker

**Wave eleven report**

**Autumn 2025**

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## Introduction

This paper presents the key findings from the eleventh wave of the Scottish third sector tracker, data for which was collected in September-October 2025. The Tracker collects panel data from Scottish third sector organisations to give current insights into the health of the sector, key trends, and developments. The Tracker asks organisations questions relating to their current organisational challenges; services; paid staff and volunteers; and financial health. Topical questions are included each wave. For wave eleven, we asked respondents questions on the 2026 Scottish Parliamentary elections, the climate crisis and cyber risk. We also asked open questions about what additional resources, skills or capacities would best help their organisation do more for their beneficiaries; the impact of funding delays; and about the impact of the increase in Employer National Insurance contributions (NICs) has had on their organisation.

## About the data

The wave eleven findings draw on responses from 663 third sector organisations. Surveys were conducted online and by telephone. 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 that present key insights into the sector over the last six 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](#).

## Summary

The eleventh wave of the Scottish third sector tracker reveals a sector that continues to show resilience and adaptability, but one that is increasingly stretched across multiple fronts. Service delivery remains broadly stable, yet over half of organisations report that limitations in resources, skills, or capacity are hindering their ability to meet demand. Organisations consistently emphasise that secure, multi-year, inflation-linked funding — particularly for core costs and staff salaries — is the single most important factor that would enable them to do more. Alongside this, respondents highlight the need for additional staff and volunteer capacity, specialist skills (especially digital, fundraising, governance and mental health), and improved infrastructure and partnership working.

Financial pressures have intensified. The increase in Employer National Insurance Contributions (NICs) has had a moderate–significant negative impact on the finances of 43% of organisations, pushing many into deficit, accelerating the depletion of reserves, and forcing cuts to staffing and services. The rise in NICs has also contributed to recruitment freezes, redundancies, and an inability to offer competitive pay — all of which feed into wider workforce challenges.

Staff recruitment and retention remain difficult for many organisations. While recruitment pressures have eased slightly since Autumn 2024, 41% still report moderate–significant challenges, driven by burnout, uncompetitive salaries, and a shortage of suitably skilled candidates. Retention challenges have increased, with organisations citing limited progression opportunities, salary constraints, and the cumulative impact of uncertainty and rising workloads.

Volunteer recruitment and retention challenges remain acute. Sixty-two percent report moderate–significant difficulty recruiting volunteers, with fewer people coming forward, reduced availability, and a lack of staff capacity to support new volunteers.

Funding delays have emerged as a major challenge. Over a quarter of organisations now cite delays or reductions in funding as a top challenge. Delays create immediate cash-flow pressures, force organisations to draw on reserves, and lead to postponed or cancelled services. Critically, they also have a profound impact on staff morale, wellbeing, and retention. Uncertainty around contract renewals, the risk of redundancy, and the inability to plan long-term contribute to anxiety, frustration, and the loss of experienced staff.

Overall, the findings show a sector committed to delivering for communities but increasingly constrained by financial instability, workforce shortages, and systemic uncertainty. Without structural changes to funding models, investment in workforce capacity, and improved partnership working, organisations risk being unable to meet rising demand or sustain essential services.

## Key findings

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

### Wave 11 highlights

- Volunteer shortages are now the top challenge (42% of organisations).
- Funding delays/reductions newly reported by 28% as a major issue.
- Rising costs and inflation remain significant but have decreased since Autumn 2024.
- Staff and volunteer recruitment challenges persist (41%), with trustees hardest to fill.
- Financial strain from Employer NIC increases impacting 43% of organisations.
- 58% of organisations hold less than six months' reserves and 57% say use of reserves is unsustainable.
- Concerns about the 2026 Scottish Parliament election focus on funding stability.

### Key Trends and Insights:

#### Top Challenges (Autumn 2025 vs Autumn 2024)

- Volunteer shortages ↑ 5% (now number 1 challenge).
- Rising costs ↓ 12%; uncertainty about the future ↓ 12%; fundraising difficulty ↓ 4%.

### Service Delivery

- 39% of organisations delivered most but not all planned activities.
- 23% of organisations delivered more than planned; 6% delivered little of what they had planned.

### Staffing and Volunteering

- 44% (↑ 8%) of organisations hired new staff; 22% (↑ 5%) postponed recruitment; 11% made redundancies.
- Volunteer recruitment challenges remain high (62%).
- Hardest roles to fill/retain trustees (46%), admin (27%), comms/marketing (23%).

### Financial Health

- Monthly turnover stable for 48%; 25% increased; 23% decreased - broadly in line with Autumn 2024.
- NIC increases have caused deficits, reliance on reserves, and staff cuts.

## Key current challenges for third sector organisations

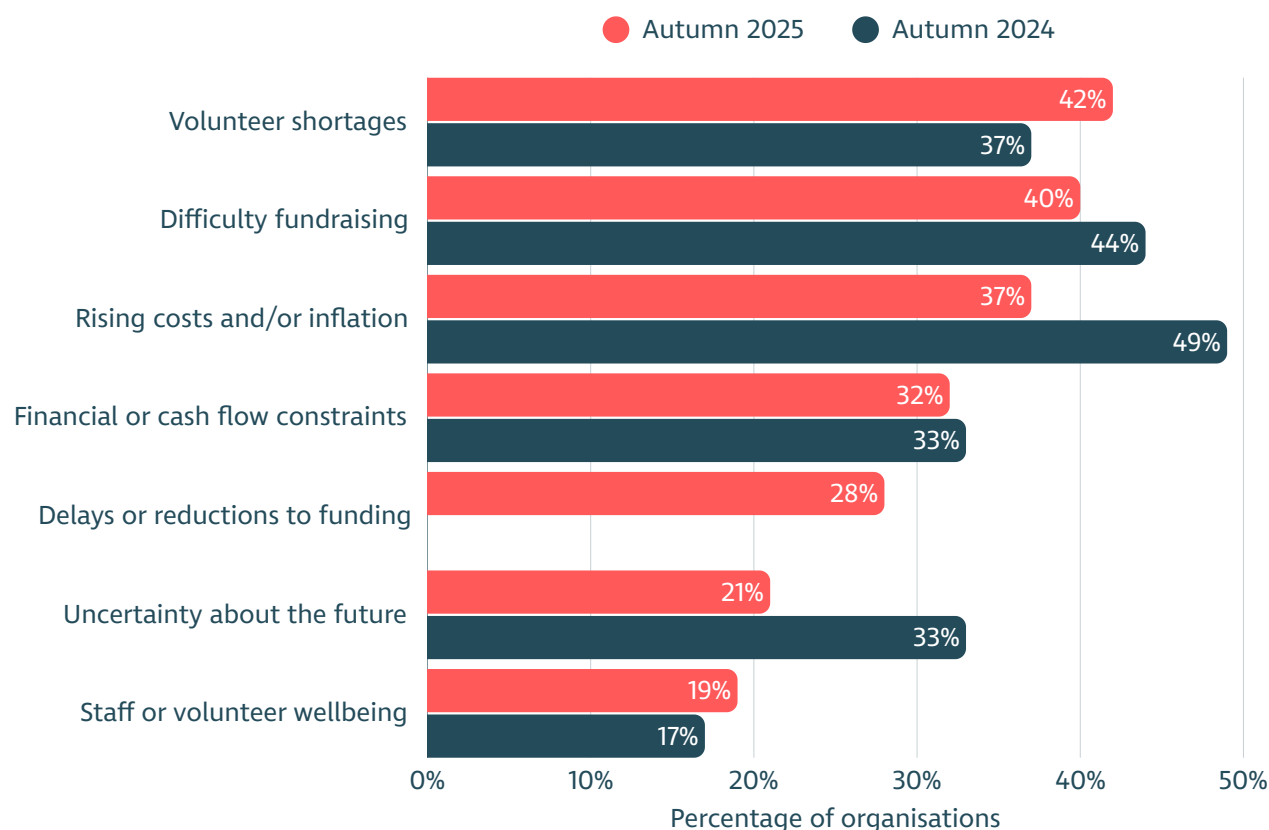
Organisations were asked about the biggest challenges they had faced since Spring 2025. Ninety-five percent (95%) of organisations reported facing challenges. The response most frequently ranked number one/biggest challenge was volunteer shortages (21%, ↑ 5% since Autumn 2024) followed by rising costs and inflation and difficulty fundraising, both 15%. Financial or cash flow constraints (13%, ↓ 3%) and delays or reductions to funding (11%) round out the top five.

When considering organisations' top three challenges[1], the most frequently reported included: volunteer shortages (42%); difficulty fundraising (40%) rising costs and inflation (37%); financial or cash flow constraints (32%) and delays or reductions to funding (28%). The latter is a new response option, introduced this wave, and therefore comparator data is not available. Notably, this is the first time since inception of the project that volunteer shortages has been both organisations number one challenge and the response mentioned most frequently as a top 3 challenge.[2] There has been a reduction in the number of organisations reporting rising costs and inflation (↓ 12%), uncertainty about the future (↓ 12%) and difficulty fundraising (↓ 4%) as one of their top 3 challenges when compared with this time last year.

[1] Respondents are asked to rank their challenges 1-3 from a list of options. They also have the option to provide their own open response.

[2] This may reflect the large number of smaller organisations that joined the panel during the latest round of recruitment – weightings notwithstanding – as they are more likely to work with volunteers.

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



In the last six months, over eight in ten organisations reported acting in response to financial challenges. The most frequently reported actions included applied for funding from a new funder (53%); applied for additional funding from a current funder (35%); developed new income streams, including fundraising (33%); made use of reserves (30%) and over one in five (22%) have had to cancel or defer planned programmes or services.

## Service delivery

Almost a quarter (23%) of organisations reported that they had capacity to deliver more than they had planned in the last six months. One in three (32%) had delivered everything they had planned, but no more, and 39% had delivered most, but not all, that they planned to over the past six months. Only 6% had delivered little of what they planned. We reframed how we ask about service delivery this wave, so comparator data is less useful here, but 30% reported partial delivery in Winter 2023 – suggesting that service delivery is now more of a challenge for a larger number of organisations.

We also asked respondents at what capacity they thought their organisation would be operating in 12 months' time. Half of respondents (52%) thought that they'd be continuing to deliver at a similar level, a quarter (26%) thought they'd have expanded services or activities and only 9% thought they'd be operating at reduced capacity.

A new question, introduced this wave, asked respondents to tell us to what extent their organisation had been hindered in delivering their programmes and services by limitations in resources, skills and/or capacities. Over half of respondents (56%) thought it a bit of a hindrance; one in four (25%) thought it a major hindrance and only 18% thought it had not had an impact.

We then asked those respondents that reported that their organisation had been hindered a little or a lot to tell us what additional resources, skills or capacities would best help their organisation do more for the people and communities they support. There were 513 responses to this question. The key themes included funding and financial stability; staffing and volunteers; skills, development and training; space and infrastructure; and partnerships and external support.

Funding was overwhelmingly the most frequently mentioned topic. Respondents highlighted the need for unrestricted, multi-year, inflation-linked funding to cover core costs, including staff salaries and other expenses. Organisations expressed the need for fairer funding models and sustainable income streams, with a move away from short-term grants and a more equitable distribution of funds. A smaller number of organisations would also like to see more funding made available for infrastructure costs, such as vehicles, equipment, buildings and building maintenance.





**“We constantly struggle to cover the core costs of the charity. Awards that cover core costs would make this easier. Funds for salaries is a big problem. Most funders do not support core costs.”**



**“Secure long-term funding is key. Providing roles for staff that we can afford to develop and nurture. Multi-annual funding awards would help inform recruitment decisions and in turn allow us to increase resource capacity.”**



**“Funding that had kept pace with inflation to allow us to adequately support and represent our members. Uplifts for increasing NI costs, salary bands and increased cost of delivering services are essential.”**



**“Fair funding from Scottish Government and its agencies. Prompt financial year contracts and agreements that are actually co-terminus with the financial year. If part of a government strategy, you are given multi-year funding to deliver it.”**

The second most common theme related to paid staff and volunteers. Respondents mention difficulties attracting and retaining paid staff due primarily to uncompetitive salaries and short-term contracts. Respondents expressed a need for more staff capacity, particularly with regards to frontline workers; volunteer coordinators; administrators; development managers and other specialist posts – more on difficult to fill and retain roles later. Similarly, recruitment and retention of volunteers was frequently mentioned as a challenge with respondents citing strong demand for volunteers, especially younger people and those with IT, fundraising and governance skills.



**“We only have one part-time staff member and a team of sessional freelancers delivering workshops. We can't currently deliver everything we have ambition for, based on what our young people want, due to not having enough capacity within staff time. As multiyear funding is coming to an end, a lot of staff time is currently taken up with writing funding applications, which limits delivery capacity and means we are operating with great uncertainty.”**



**“Our staff team is highly skilled but it is a small team so our capacity is limited. We would need additional skilled staff in policy roles, learning roles and membership engagement roles to meet demand.”**





**“Retention of staff is a difficulty as the Scottish Government are funding on a year-by-year basis. This makes long-term planning difficult, and retaining staff difficult. If there was 5-year funding it would support the Hubs in demonstrating they are making a difference and give leverage to the Scottish Government’s pledge to attain Net Zero by 2030.”**



**“We need a Volunteer Coordinator but weren't able to get funding. Without this we can't support volunteers effectively, which has a knock-on impact on community support and potential.”**



**“Volunteers with skills willing to participate who are under 60. It would be very helpful if we could attract younger people with technical skills. We need an updated website and improved communication methods in general.”**



**“We find that the same group of people carry out the majority of tasks. Whether that is because of expectation or a lack of feeling that we involve new members I am not sure. We could use advice on funding, and volunteer management.”**


The third theme to emerge from the analysis was development and training. Respondents expressed a need to build capacity through knowledge, skills and professional development. This included both external specialist expertise and structured training for staff and volunteers. The skills most in demand included fundraising and income generation; digital and IT; governance and management; specialist delivery skills and upskilling in general.



**“Support in fundraising will be crucial but so difficult to source people with the knowledge and skills. Sourcing resources to improve our marketing and social media content is needed. We would also benefit from trustee training on governance and volunteer training in specific conditions.”**



**“Training and upskilling opportunities for our committee on how to develop and grow our community group to reach more people and have an even bigger positive impact.”**




**“We are a small team delivering our social purpose and whilst committed to training for all staff, creating time for this can be challenging. As numbers of people requiring support increase, we struggle to welcome them all due to physical capacity and capacity to deliver lengthy inductions. Rising costs mean we minimise additional expenditure, often relying on donations of equipment from individuals or other organisations. Access to free detailed online training to better inform our service delivery team and volunteers would be very helpful.”**




**“Specialist skills in mental health, multilingual counselling, digital engagement, fundraising, and governance would also strengthen our capacity to support survivors and reduce waiting times for vital services.”**


The final two themes, space and infrastructure and partnerships with external partners (usually local authorities), are recurring but secondary. When they do occur, respondents spoke about the need for affordable and accessible spaces, both for delivery and office space. The need to upgrade or expand existing facilities and transportation, including drivers and electric vehicle charging stations. Respondents expressed frustration with poor communication from local authorities, lack of responsiveness and short-term contracts. There was a desire for stronger, more equitable partnerships between the voluntary sector, statutory bodies and local businesses and communities.




**“Capital costs are an issue alongside all other delivery concerns. Affordable or structurally sound premises are in low supply.”**




**“Additional space/property to expand our financial inclusion projects. Development worker to help take this forward.”**



**“Our main issue is a lack of clear communication with the local authority. If we had that, other shortfalls could be prepared for. Instead, we find ourselves on an unexpected precipice.”**



**“Local authority support. Better communication from the LA. More responsive to emails. Subsidised bus transport for schools to attend our centre.”**



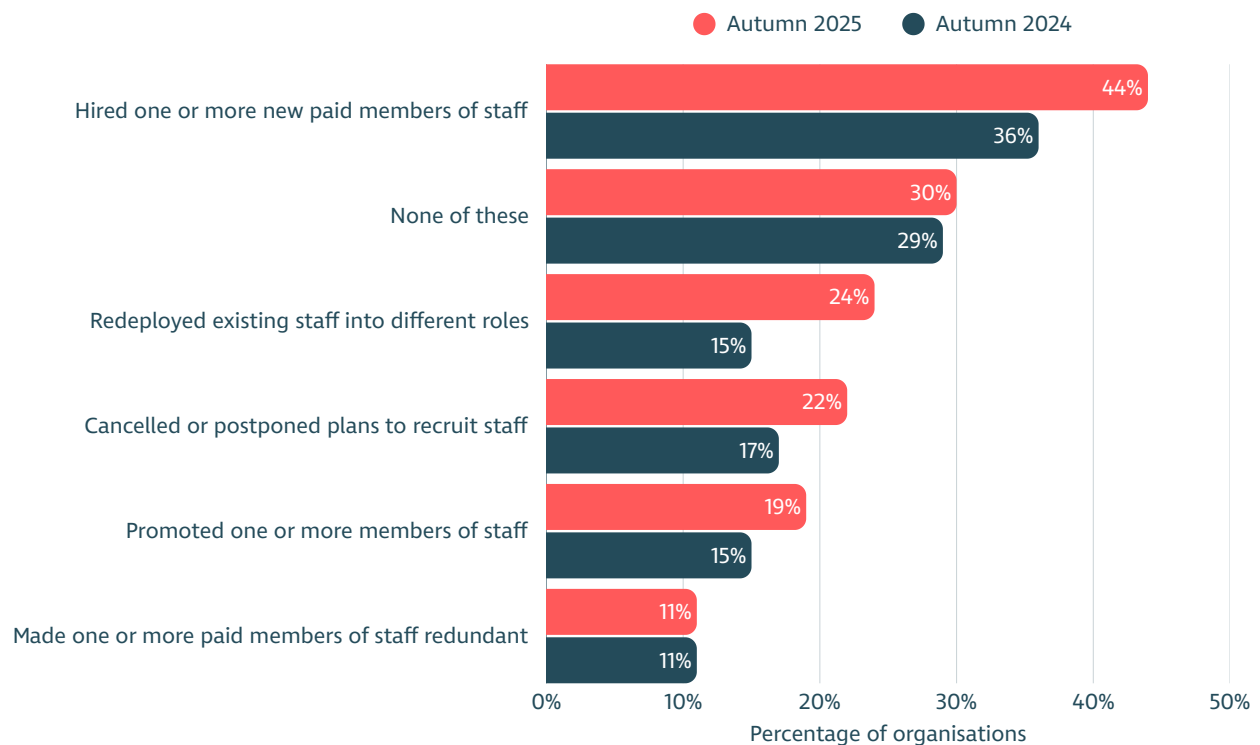
**“Multi Year Contracts for local government commissioned work and a joined up approach to delivery where third sector is seen as equal and progressive partners in public sector reform.”**

Respondents overwhelmingly identify secure, long-term funding as the critical enabler, but they also highlight staff and volunteer capacity, specialist skills, and infrastructure as essential to doing more for beneficiaries. The quotes above illustrate not just the need (funding, staff, volunteers, skills) but also the systemic issues (short-termism, inflation pressures, governance challenges, and lack of communication with public sector partners).

## Staffing and volunteering

Organisations are asked about the key actions taken in relation to paid staff over the last six months. Of the organisations that employed paid staff, 44% had hired one or more new members of staff (↑ 8% when compared with Autumn 2024); a quarter (24%) had redeployed staff into different roles (↑ 9%); one in five (22%) had cancelled or postponed plans to recruit staff (↑ 5%) and 11% had made one or more members of staff redundant.

**Figure 2. Key actions taken by third sector organisations in relation to paid staff**

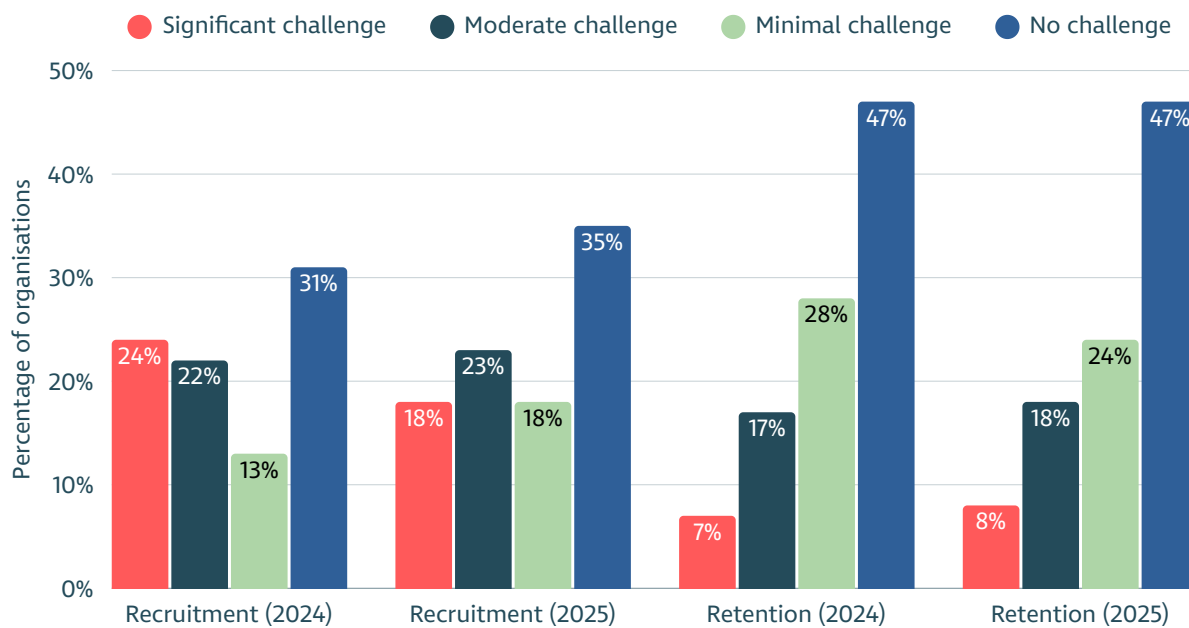


We then asked respondents to tell us about the change in average basic pay or salaries across their organisation over the past 12 months. Between a quarter and a third (29%) of respondents reported little to no change in salaries in the past 12 months. An equal number (29%) reported an average of 3%-3.9% increase; 14% a 2%-2.9% increase and 11% a 5% or more increase.

### Staff recruitment and retention

We asked organisations with paid staff if they had found recruitment or retention a challenge in the past six months. Overall, organisations have found it more difficult to recruit than retain staff with 41% finding it a moderate-significant challenge to recruit and 27% a moderate-significant challenge to retain. There has been a 5% decrease in the number of organisations reporting a moderate-significant challenge in recruiting staff when compared with a year ago, but a 2% increase in those reporting a moderate-significant challenge in retaining staff over the same period.

**Figure 3. Challenges with staff recruitment and retention, Autumn 2024 v Autumn**

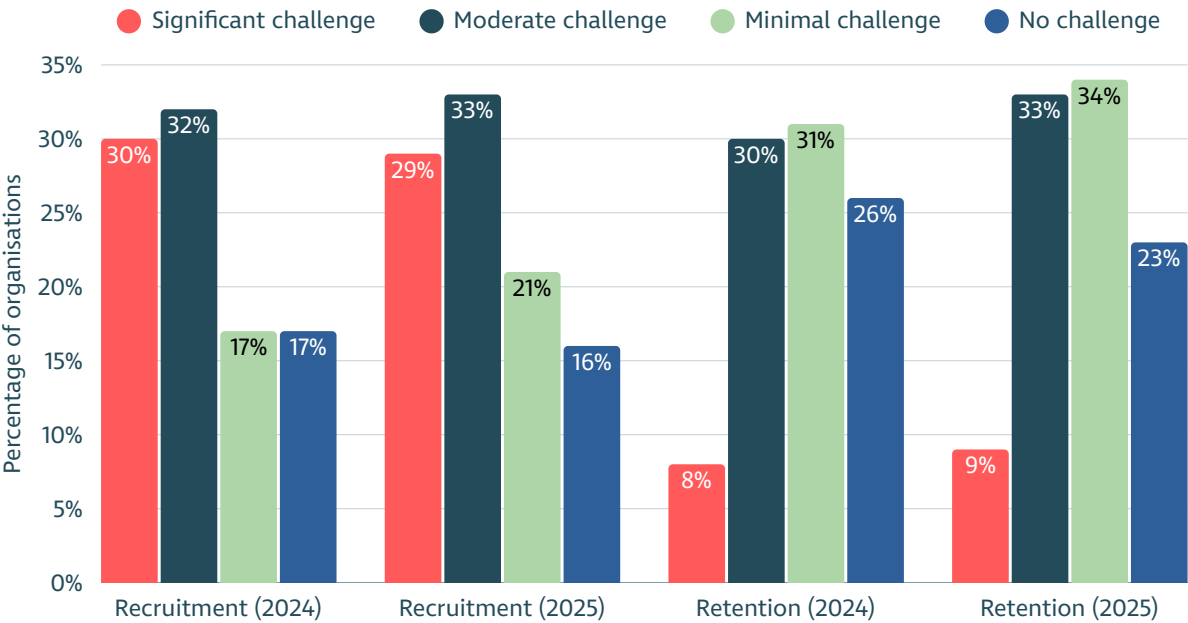


We asked organisations that reported a challenge with recruitment and/or retention of staff to tell us more about what those challenges included. The most frequent responses were staff fatigue or burnout (45%); inability to offer competitive pay or benefits (44%); candidates lacking the required skills or experience (42%); limited progression opportunities within the organisation (37%); fewer applicants coming forward (36%) and a lack of staff time to support new starts (32%).

We also 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 arrangements (47%, ↑ 13% since Autumn 2024); increased existing staff salaries (37%, ↑ 4%); increased advertising for vacancies (21%, ↓ 5%); increased the number of permanent roles or extended the length of fixed term contracts (19%) and increased the salaries offered to new staff (15%, ↓ 11%).

As with paid staff, recruitment has been more of a challenge than retention with 62% of organisations reporting a moderate-significant challenge in recruiting volunteers (in line with Autumn 2024) and a 41% moderate-significant challenge in retaining volunteers (a 4% increase since Autumn 2024).

**Figure 4. Challenges in recruitment and retention of volunteers**



We asked those organisations that reported challenges with recruitment and/or retention of volunteers to tell us what those challenges were. The most common challenge reported was fewer people coming forward to volunteer (64%), followed by a sense that people have less time to volunteer (58%); a lack of staff or volunteer time to support new volunteers (39%); volunteer fatigue or burnout (36%); the lack of a dedicated volunteer coordinator (30%) and a deterioration in volunteers health and wellbeing (25%).

We asked those organisations that reported a challenge with recruitment and/or retention of volunteers to tell us what actions they'd taken to improve recruitment and/or retention. For almost half of organisations (45%) they had engaged with volunteers to better understand their views. A third (33%, ↑ 12% since Autumn 2024) had looked to increase the number of volunteers through diversification; one in three (30%, ↑ 4%) had ran a recruitment campaign; a quarter (26%, ↑ 7%) had sought advice or guidance from another third sector organisation; changed volunteer roles to make them more flexible (24%) and one in five (20%) had sought advice or guidance from a third sector support organisation.

We also asked those one in five organisations (19%, ↓ 15% since Spring 2025) that had taken no action to tell us the barriers to acting. The most common response was a lack of internal volunteer management support and financial constraints – both 37%. This was followed by one quarter (24%) reporting that they were unsure about the future of their service provision and one in five (20%, ↑ 5%) being unsure where to start.

Finally, we asked organisations to tell us which roles they were experiencing difficulties in recruiting or retaining staff or volunteers. Almost half of organisations (46%) reported struggling to fill or retain board members or trustees. Around a quarter of respondents reported challenges with administrative (27%) and communications and marketing roles (23%). One in five (21%) with finance and accountancy roles and IT (17%). For the 18% that chose ‘something else’, the most frequently mentioned roles included fundraising roles; drivers; support and youth workers; learning and development roles and sports coaches.

**Figure 5. Hard to fill/retain positions**



## Financial health of third sector organisations

In exploring the overall financial health of organisations, we ask organisations about their turnover, financial reserves, funding and budgets.

### Turnover

Approximately half (48%) of respondents reported that their monthly turnover had stayed about the same over the past six months, down 4% since Autumn 2024. A quarter (25%) reported an increase and a similar number (23%) a decrease. These numbers are broadly in line with Autumn 2024.

For the 23% of organisations reporting a decrease in monthly turnover, just over half (53%) believe this to be a long-term issue, lasting more than a year. A quarter believe it to be a medium-term issue lasting between three months and a year. The number of organisations believing this to be a long-term issue has increased by 9% since Autumn 2024.

### Employer national insurance contributions

This wave, we asked organisations with paid staff to tell us what impact the increase in Employer National insurance contributions (NICs) has had on their organisation. Four in ten organisations (43%), said the increased contributions have had a moderate-significant negative impact on their organisation's finances and a quarter (23%) thought the same for their service or programme delivery. Larger organisations (those with an annual turnover >£100k) were more likely to report a negative impact to both their finances and delivery of services than smaller organisations.

We then asked those respondents who reported a negative impact from the increase in Employer National Insurance contributions (NICs) to tell us more about the impact on their organisation's finances, staff and delivery of services. One hundred and eighty-two (182) people responded to this question. The key themes to emerge included financial strain and budget deficits; staffing cuts and recruitment and retention challenges; diverting funds from service delivery; issues with staff morale and a negative impact on strategic planning.

The dominant theme, mentioned by around a third of respondents related to financial pressures. Respondents consistently reported that the increase in NICs had created unplanned costs, pushed budgets into deficit, and forced reliance on reserves. Some respondents reported large deficits, depletion of reserves and funds diverted from service delivery, projects or expansion plans to cover costs.





**“We had just reached a stage where we were sustainable. NI increased by £120k a year which has resulted in a huge hole in finances. Where are we expected to get this money from? Our commissioners don’t fund it and we can’t raise prices.”**



**“Cost approx £60k to us, not budgeted for, and one of many financial challenges upon us in this financial year. Reduced our reserves.”**



**“The increase to the ENIC coupled with the rise to the Living Wage has cost the organisation in excess of £100k, and increased our cost base by 3%. This comes at a time when inflation remains high and most funding streams have not risen.”**



**“Due to the increase in the NI and running costs, the board has agreed to use funds from our reserves to cover the huge deficit that we have projected for 2025/26. We are looking into staff and organisational restructuring. We currently are downsizing our office space, which is already overcrowded, and seeking ways to reduce staffing expenditure. We foresee a detrimental impact on staff and service delivery.”**



**“Historically we always made a small profit to retain in reserves. This year we forecast to make a six-figure loss over £100,000 and that is down to increase in National Insurance costs.”**



**“The increase in National Insurance contributions has placed additional financial strain on our organisation. As our funders are unable to cover these rising costs, we’ve had to rely more heavily on our already limited reserves to maintain core operations. This has affected our financial sustainability and reduced our flexibility to respond to emerging needs.”**

Secondly, respondents report that the rise in NICs has directly affected staffing levels, recruitment plans, and retention, often leading to recruitment freezes, redundancies or reduced hours. Organisations are cutting posts, reducing staff time, postponing plans to hire new staff and feeling unable to offer pay rises – which in turn impacts staff morale and retention rates.



**“Led to the direct redundancy of 1 member of staff and capacity of the organisation to respond to policy. Unable to offer payrise to staff at present.”**



**Funding NI increases has meant we have been unable to increase salaries to the levels we would want, further exacerbating our recruitment and retention issues.”**



**“We have been unable to award inflationary rises and have left vacant posts vacant for longer, placing additional strain on more senior staff who have covered the shortfall. We are looking to sell our land...”**



**“We cannot look at hiring new staff or taking on new projects, unless we have guaranteed funding for new employees. We have no extra to pay anyone, and the national insurance increase meant we will have less at the end of the financial year than expected.”**



**“It directly contributed to us making a redundancy, and had a (hopefully) short-term impact on our ability to deliver on our policy commitments.”**



**“The increase in NI contributions has placed additional financial strain on our organisation... In areas where funding has decreased, we’ve had to align staffing hours accordingly, which has unfortunately led to reductions in some services. This impacts both our ability to reach vulnerable individuals and the wellbeing of our staff, who are managing increased demand with fewer resources.”**

Thirdly, as alluded to above, organisations have diverted funds away from (often cancelling or postponing) programmes and services to cover higher payroll costs, reducing capacity and reach. This has a direct impact on beneficiaries.



**“We have had to cancel planned projects that would have improved our services and increased our resilience and used this money to cover the NI contributions. Overall, this has weakened our organisation and how we deliver support. We have had no help from any funder to cover these costs, which, for us, was in excess of £130k.”**



**“The rise in National Insurance contributions has increased our payroll costs without any matching rise in grant income. This has reduced the amount of unrestricted funds available for service delivery, making it harder to cover counselling hours, staff training and essential overheads.”**



**“We have had to seriously look at our budgets and spend a lot of time seeing where we can save on costs to be able to afford the NI hike. This means fewer or less quality resources for programme delivery and in some cases ceasing to provide items...”**



**“We have reduced staff hours which has impacted service delivery. We have been unable to offer any cost-of-living increment to existing employees, we are considering not being a living wage employer.”**



**“The increase in NI contributions has placed additional financial strain on our organisation. As our funders are unable to cover these rising costs, we’ve had to rely more heavily on our already limited reserves to maintain core operations. This has affected our financial sustainability and reduced our flexibility to respond to emerging needs. In areas where funding has decreased, we’ve had to align staffing hours accordingly, which has unfortunately led to reductions in some services. This impacts both our ability to reach vulnerable individuals and the wellbeing of our staff, who are managing increased demand with fewer resources.”**

Finally, a smaller number of respondents mentioned a detrimental impact on staff morale and wellbeing and a negative impact on organisational development plans, including restructuring, downsizing and halting growth or expansion plans.



**“No salary increase for staff = low morale, see statutory colleagues protected and receiving sizeable increase on already good salaries.”**



**“Due to the increase in the NI and running costs, the board has agreed to use funds from our reserves to cover the huge deficit that we have projected for 2025/26. We are looking into staff and organisational restructuring. We currently are downsizing our office space, which is already overcrowded, and seeking ways to reduce staffing expenditure.”**



**“The announcement was unexpected, and came at a time when our finances were already under pressure. The additional cost has forced us to reprioritise our existing plans and adapt our strategy, as well as expanding our fundraising efforts.”**

The NICs increase has had multi-faceted consequences; primarily strained finances and staffing, but also reduced service delivery, disrupted strategic planning, and undermined staff morale.

## Funding

We asked respondents if they had received their funding for the 2025-26 financial year. Half (49%, ↑ 4% since Spring 2025) said that they had received some, but not all, of their funding, 13% had all their funding and 11% said that they hadn't received their funding. A quarter (26%) of respondents said that they hadn't applied, or had been unsuccessful in securing funding, for this financial year.

We then asked respondents to tell us what impact delays in funding have had on their organisation. There were 216 responses to this question. The key themes to emerge included cash flow and financial issues; delays and reductions in service delivery; staff recruitment and retention challenges; limitations to planning and strategic development and a negative impact on staff wellbeing.

Delays in funding directly impact organisations' ability to manage cash flow, often forcing them to dip into reserves, take out loans, or postpone spending. Respondents note that using reserves to cover core costs, including salary costs, threatens the financial stability of the organisation.



**“Our core funding invoice for Q2 July–Sept was sent June, and finally paid after much chasing mid-September. At the same time funding for a new project invoiced May has still not been paid. The delay means we have had to use all our reserves to keep the organisation going. I know we will get the funds back but (a) it causes unnecessary worry/stress (b) reduces ability to respond to other unplanned costs (c) wastes everyone's time chasing invoices.”**



**“We had to draw down a significant level of reserves and close a business savings account to meet salaries and expenditure.”**



**“The immediate impact of delayed receipt of funding can be cashflow problems and the need to use reserves to keep the charity going.”**



**“Ad hoc nature of income requires us to hold more working capital. This locks up reserves that could be better spent.”**

It's not just voluntary organisations and staff that are impacted by delays to funding, many reported postponing projects, reducing services, or closing activities altogether due to delayed funding and the resulting impact on beneficiaries.



**“Delays in funding have created a backlog of clients waiting for counselling and wellbeing support. Without timely grants we cannot increase staff hours or bring in additional therapists, which means longer waiting times and greater pressure on existing team members. This can leave women in crisis without immediate help and risks slowing their recovery from trauma.”**



**“We are unable to plan sustainable services for the future due to the uncertain nature of our funding. This means beneficiaries cannot rely on continuity of support, and we risk losing trust when programmes are paused or cancelled.”**



**“Frustration around local authority delays in relation to funding for vital services. Unable to start vital services, ongoing waiting lists for support for families.”**



**“Ongoing delays each year with Scottish Government funding has had a huge impact on our ability to deliver services, to recruit staff, to offer longer term or permanent contracts, to offer pay increases, and on the wellbeing of staff facing constant uncertainty over job security and stress of not being able to plan long-term delivery.”**

As captured above, staff recruitment and retention are also impacted by delays to funding. Respondents noted that delays created uncertainty around contracts, hinder recruitment, and lead to staff anxiety or departures. The resulting redundancies can mean decades worth of knowledge and experience are lost.



**“Members of staff have felt nervous about their future employment. Projects have been put on hold for fear of staff losses. Anger at having to complete the Scottish Government's Fair Work form when applying for funding when they don't adhere to it themselves.”**



**“Uncertainty for staff and risk losing skilled staff due to not being able to renew contracts on time. Having to dip into our limited financial assets to cover payroll has created anxiety around job security and concern about having to use very limited company reserves to cover salaries.”**



**“...the loss of staff through redundancy also means the loss (in some instances) of nearly 20 years experience and knowledge. Capacity – much reduced due to financial cuts resulting in redundancies (lost 1/3 staff).”**

Finally, delays to funding make it difficult for organisations to plan ahead, implement strategies, or invest for the future. Instead of focusing on growth or innovation, organisations are forced into short-term survival mode.



**“We were asked to submit two funding applications for project work to the Scottish Government. The delays in receiving decisions on these applications has affected our ability to plan and to complete our next Strategic Plan.”**



**“Having to build a larger cash reserve to manage cashflow situations where local authorities don't pay on time. As a result we have had to delay vital investment and projects.”**



**“Long-term financial planning impacted, including ability to grow reserves. Impact on planning, and the implementation of those plans. Also increases staff anxiety, impacting morale and productivity.”**



**“It has just increased pressure on a workload that is already quite heavy, where funding applications can't be well planned throughout the year because there is uncertainty of when decisions will be made, or, in some cases, when funds will even open as that seems to have been pushed back by a few grant-givers too.”**

Together, these themes show that delays don't just slow down projects — they impact finances, staff wellbeing, service delivery, and long-term sustainability. While cash flow is the most immediate and frequently cited issue, the cumulative effect is a sector operating under constant uncertainty and strain. They paint a picture of organisations constantly firefighting rather than focusing on their mission.

### **Reserves**

The percentage of organisations holding less than 6 months' financial reserves has increased to 58% - a 5% increase on Spring 2025. The number of organisations that believe that their reserves are very important or essential to their short to medium term survival is 54% - a 3% increase since Autumn 2024, and the number of organisations reporting that their use of reserves is unsustainable has risen to 57% - a sharp increase from 40% in Autumn 2024, but slightly below the Spring 2024 peak of 60%.

### **Deficit budgets**

We again asked organisations to tell us if their organisation was running a budget deficit. Only a quarter of organisations (26%) reported running a budget deficit, a decrease from 37% when surveyed in the Spring. Larger organisations (earning over £100k a year) were twice as likely to say they were running a budget deficit than their smaller counterparts.

## The 2026 Scottish Parliament election

With the next Scottish parliament election scheduled to be held no later than Thursday 7<sup>th</sup> of May 2026, we asked respondents two questions about the forthcoming election. The first was how concerned they were about the potential impact of the elections on their organisations planning, funding, and operations. Slightly more organisations were fairly-very concerned (46%) than those that were not very-not at all concerned (41%) with an almost even split between those that are very concerned (18%) and those that are not at all concerned (19%). The second question we asked respondents was to tell us about those concerns. The most common concern was about future funding and financial stability (88%), followed by the impact on long-term planning and strategy (63%); relationships with government and other public bodies (52%) and policy and regulatory changes (also 52%).

**Figure 6. Concerns about the 2026 Scottish Parliament election**



## Cyber resilience and risk

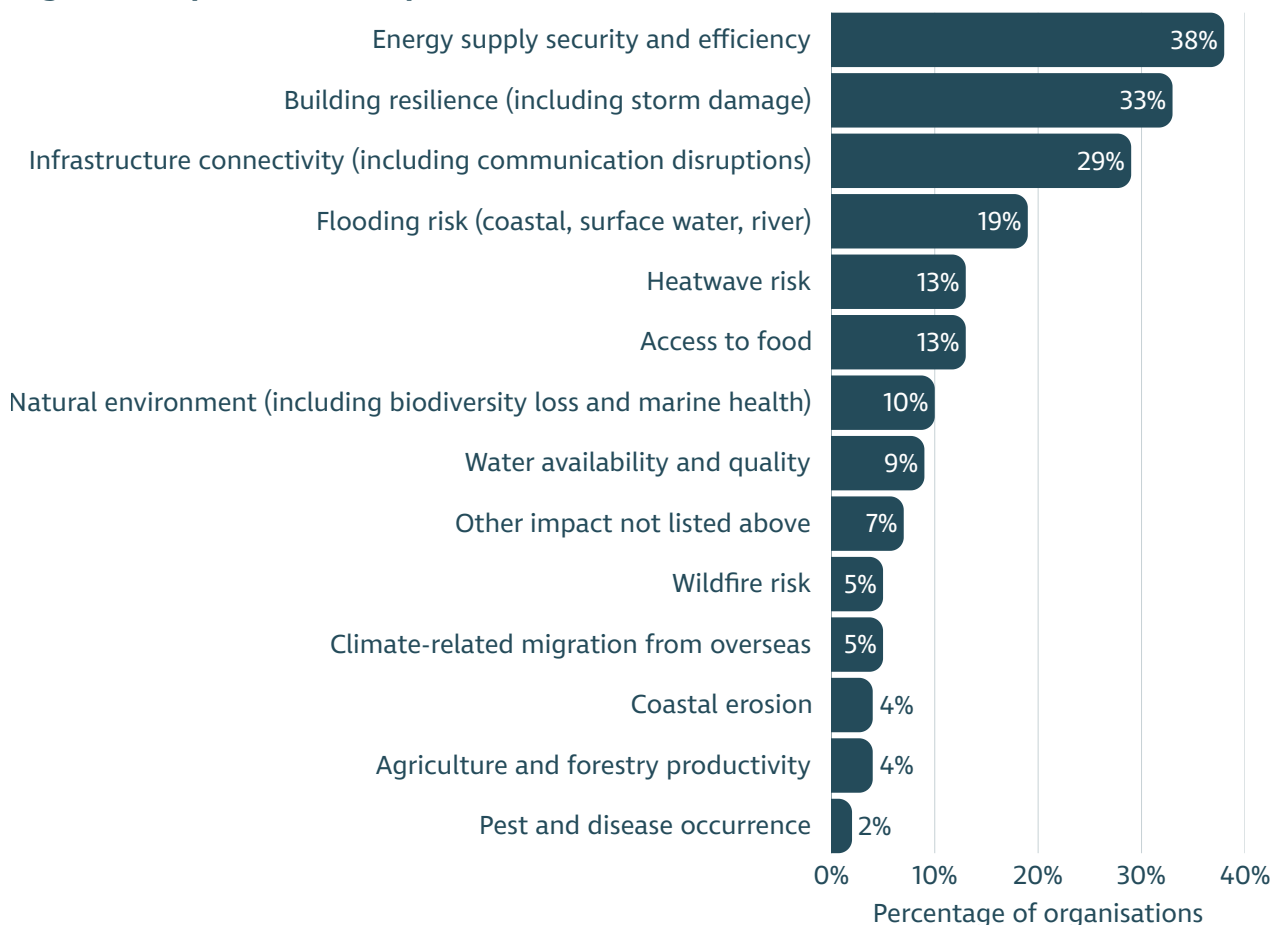
For the second time we asked respondents how well they understood cyber resilience and risk. Thirty-five percent (35%) believe they have a moderate (4 out of 7) understanding of the risks associated with cyber resilience and risk, an increase of 5% since Autumn 2024. Twelve percent (12%, ↑ 2%) believe they have a very high understanding (7 out of 7) and only 3% believe they have no understanding at all (1 out of 7). Following that, we asked respondents how confident they were that their organisation is well protected in relation to cyber risk. One in five organisations (21%) were moderately confident (4 out of 7) that their organisation was well protected, 10% were very confident (7 out of 7) and 5% were not confident at all (1 out of 7). These figures are not directly comparable with Autumn 2024 as we moved from a five to a seven-point Likert scale. Having said that, it does appear that the number of organisations reporting low confidence has decreased from 31% to 13% and the number reporting high confidence grown from 12% to 26%.



## Climate crisis

In this wave, we also asked organisations two questions relating to the climate crisis. Thirty-four percent (34%, ↓ 6% since Spring 2024) of organisations expect climate change to have a moderate-severe impact on their organisation, while 60%, ↑ 6% believe it will have only a small or no impact. The second question asked respondents to rank from 1-3 which factor of climate change they thought would have the biggest impact on their organisation. The most common response was energy supply, security and efficiency (38%), followed by a third of organisations (33%) selecting building resilience; infrastructure connectivity (29%) and flooding risk (19%) followed. Building resilience was selected as the number one impact by the most respondents at 17%, followed by energy supply, security and efficiency at 16%.

**Figure 7. Top 3 climate impacts**



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