



# Scottish Third Sector Tracker

**Wave twelve report**

Spring 2026

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## Introduction

This paper presents the key findings from the twelfth wave of the Scottish third sector tracker, data for which was collected in April-May 2026. 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 twelve, we asked respondents questions on barriers to expansion; procurement; use of financial reserves; artificial intelligence and the changing socio-political landscape.

## About the data

The wave twelve findings draw on responses from 495 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](#). Visit our interactive dashboard [here](#).

## Summary

The twelfth wave of the Scottish third sector tracker paints a picture of a sector that remains resilient but continues to operate under significant pressure. Financial challenges remain widespread, with difficulty fundraising, rising costs, and funding uncertainty continuing to affect a large majority of organisations. While many organisations remain confident about their future and are continuing to deliver planned services, this is increasingly being achieved through adaptation, the development of new income streams, and, in some cases, the use of financial reserves.

Recruitment and retention challenges remain a feature of the operating environment, particularly in relation to volunteers. Organisations report fewer people coming forward to volunteer and increasing pressures on their capacity to recruit, support and retain volunteers. Recruitment of paid staff also remains difficult, driven by uncompetitive salaries and skills shortages.

The findings also highlight the increasingly complex social and political context within which voluntary organisations operate. One-third of respondents reported challenges linked to the changing socio-political environment, including funding pressures, growing demand for services, social division, discrimination and difficulties engaging with public bodies and decision-makers. When asked what support would help, organisations consistently called for more sustainable funding, stronger representation, better relationships with government and practical support.

New questions on procurement suggest that many organisations perceive procurement systems as difficult to navigate and often inaccessible, particularly for smaller and volunteer-led organisations. At the same time, responses on financial reserves demonstrate the importance of reserves for organisational resilience, continuity of service delivery and strategic investment.

Overall, the findings suggest that the sector continues to play a critical role in supporting communities across Scotland but is doing so in an environment characterised by increasing demand, financial uncertainty and capacity pressures.

## Key findings

- Ninety-seven percent (97%) of organisations reported facing challenges in Spring 2026, an increase of 2% since Autumn 2025. Difficulty fundraising (40%), rising costs and inflation (38%), volunteer shortages (33%), financial or cashflow constraints (32%) and delays or reductions in funding (29%) were the most reported challenges.
- Almost nine in ten organisations reported acting in response to financial pressures, most commonly applying for funding (72%), developing new income streams (42%) and using financial reserves (32%). One in four organisations had cancelled or deferred planned projects or activities.
- Despite ongoing challenges, 73% of organisations reported delivering everything they had planned or most of what they had planned over the previous six months. More than half (51%) expect to be operating at a similar level in 12 months' time and almost one-third (32%) expect to expand their activities or services.
- Among organisations not planning to expand, two-thirds (66%) identified rising costs and inflation as a barrier, while 60% cited fundraising difficulties and 48% delays or reductions in funding.
- Recruitment and retention challenges continue across the sector. Thirty-eight percent (38%) of organisations reported moderate to significant challenges recruiting paid staff, while 56% reported moderate to significant challenges recruiting volunteers. Fewer people coming forward to volunteer was the most reported volunteer challenge (70%).
- Procurement remains a relatively limited route to income generation. Only 10% of organisations described the process of applying for contract opportunities as easy or fairly easy, while almost half found it fairly or very difficult. The most common barriers were complex tender documents (58%), difficult-to-navigate processes (54%) and limited internal capacity (46%).
- Qualitative responses suggest that many organisations view procurement systems as overly complex, resource intensive and disproportionately geared towards larger organisations with specialist capacity.
- More than half of organisations hold less than six months of financial reserves. However, responses suggest that reserves continue to play an important role in helping organisations manage cashflow, maintain services and invest in future sustainability.
- One-third (33%) of organisations reported challenges linked to changes in the wider socio-political environment. The most frequently reported issues related to financial pressures, growing service demand, policy and public sector challenges, social division and organisational sustainability.
- Organisations facing socio-political challenges were not primarily seeking new programmes or initiatives. Instead, they called for more sustainable and flexible funding, stronger representation, better relationships with government and public bodies, and practical capacity-building support.

# Key current challenges for third sector organisations

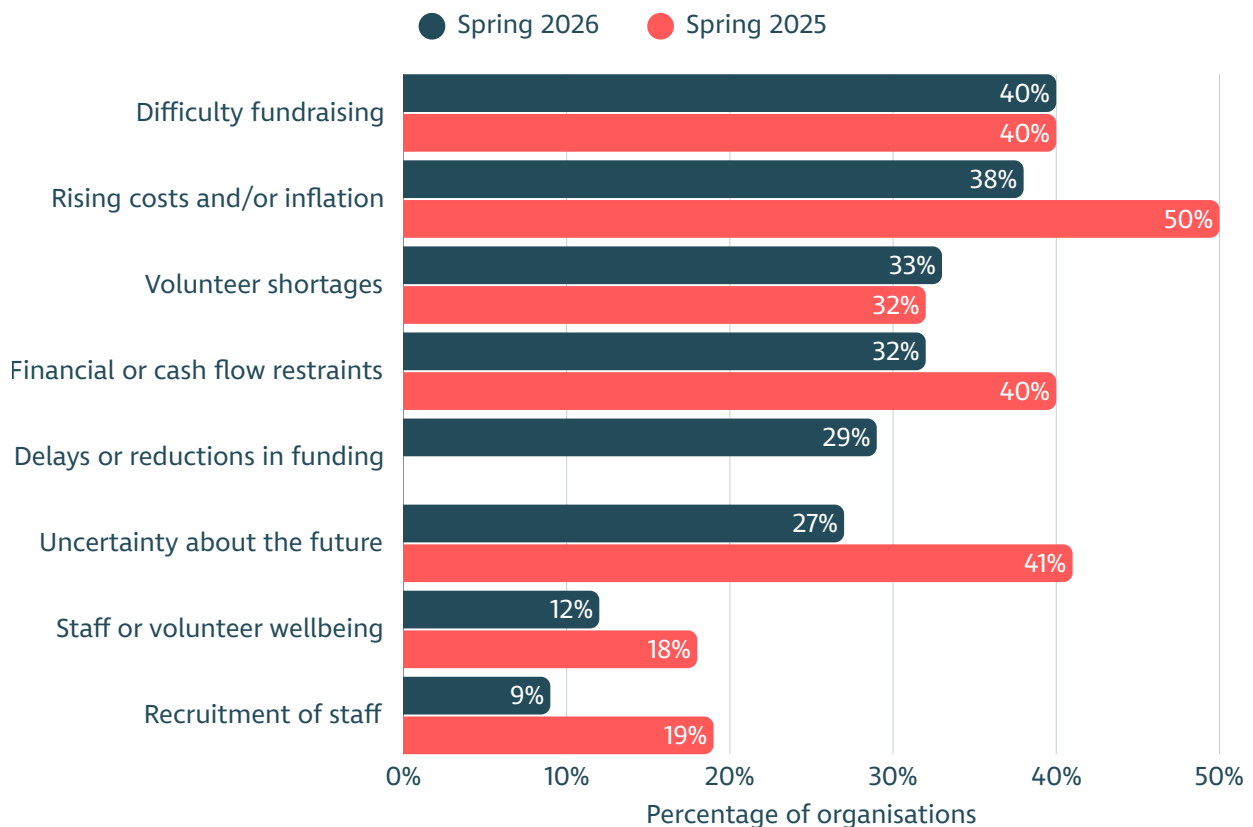
Respondents were asked about the biggest challenges their organisations had faced since Autumn 2025. Ninety-seven percent (97%) of organisations reported facing challenges – up 2% since Autumn 2025. The response most frequently ranked number one/biggest challenge was difficulty fundraising (17%, ↑ 2% on Autumn 25), followed by volunteer shortages (14%, ↓ 7%) and financial or cash flow constraints (14%, up 1%). Rising costs and inflation sit at 12%, down 3%.

When considering organisations' top three challenges[1], the most frequently reported included: difficulty fundraising (40%); rising costs and inflation (38%); volunteer shortages (33%); financial or cash flow constraints (32%) and delays or reductions to funding (29%). Net financial challenges total 80%; staffing and volunteers 49% and planning and service delivery 31%.

Looking back to Spring 2025, rising costs and inflation (50%) was the most frequently selected challenge. The introduction of a new response option (delays or reductions in funding) makes direct comparisons difficult, but difficulty fundraising (40%) and volunteer shortages (33%) remain perennial challenges.

[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.

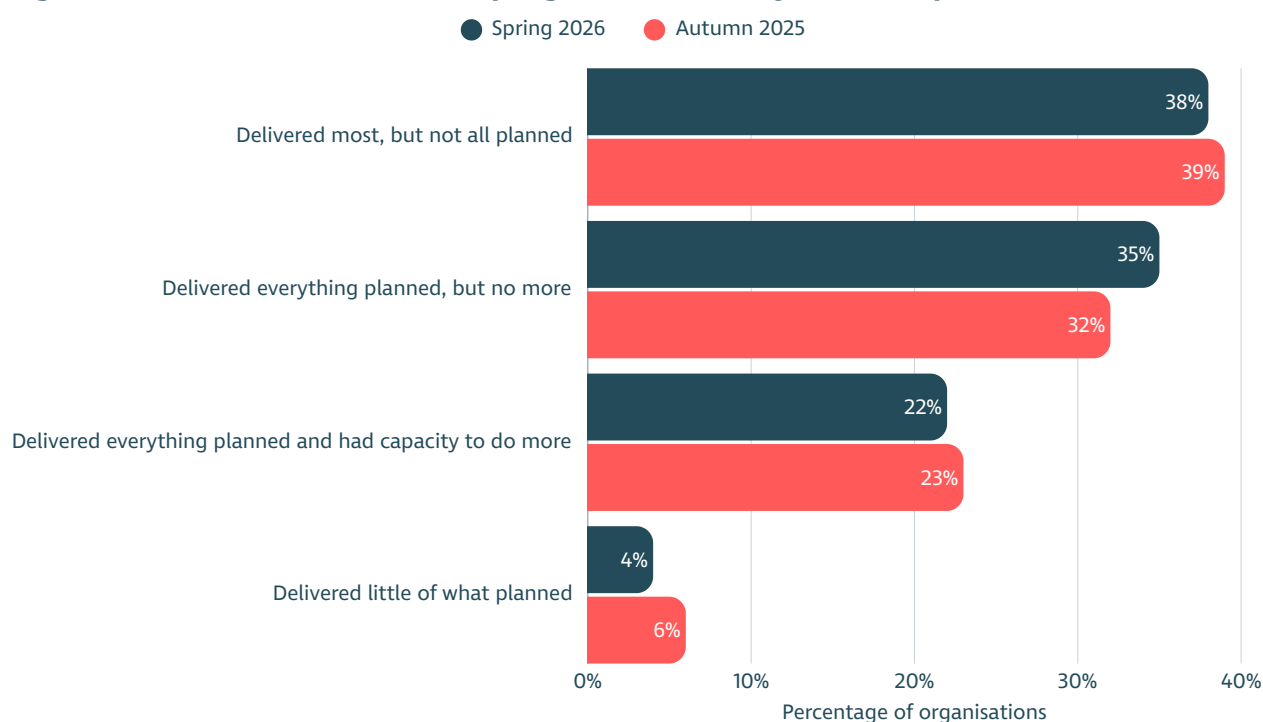
**Figure 1. Top three challenges for third sector organisations**



## Service delivery

Thirty-eight percent (38%) of respondents reported that their organisation had delivered most, but not all of what they had planned over the past six months. Thirty-five percent (35%) reported they had delivered everything they had planned, but no more and one in five (22%) delivered everything they had planned and had capacity to do more in some areas. These numbers are broadly in line with Autumn 2025.

**Figure 2. Level of service and/or programme delivery over the past 6 months**



We also asked respondents at what capacity they thought their organisation would be operating in 12 months' time. Half of respondents (51%, ↓ 1% on Autumn 25) thought that they'd be continuing to deliver at a similar level, a third (32%, ↑ 6%) thought they'd have expanded services or activities and only 7%, ↓ 2% thought they'd be operating at reduced capacity.

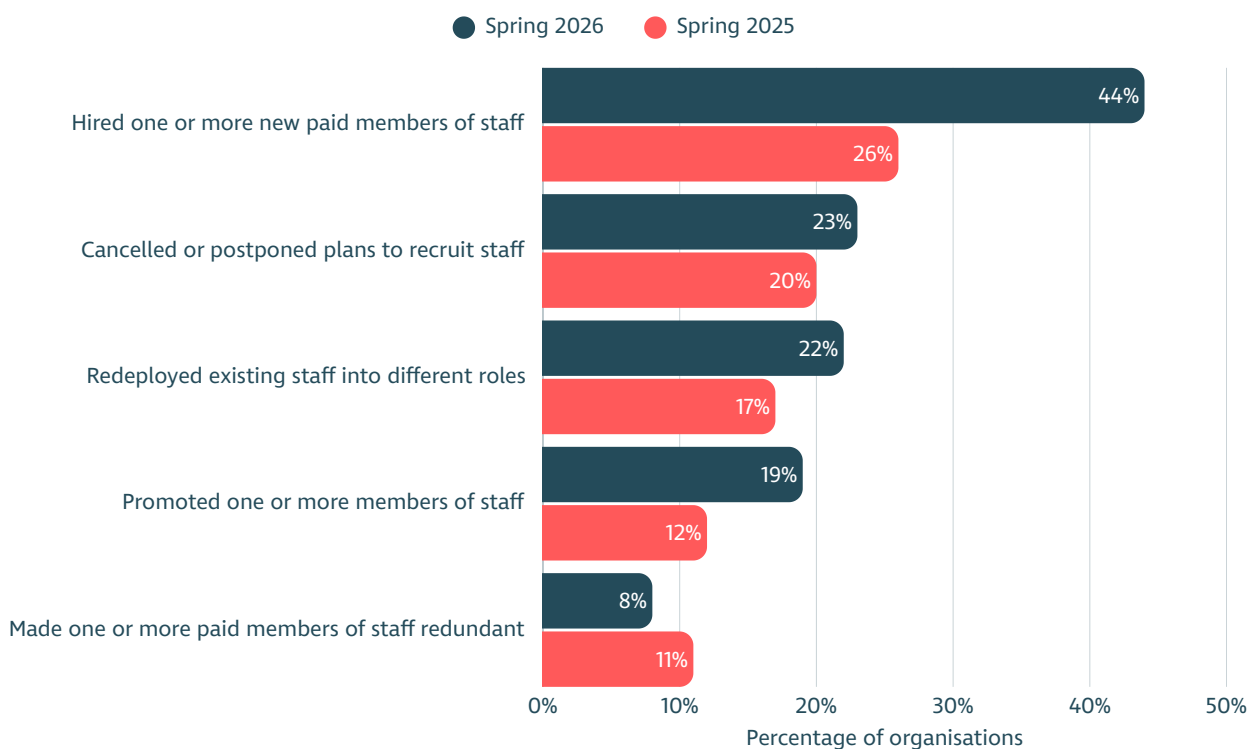
For those organisations that aren't planning on expanding their programmes or services, we asked what they saw as the main barriers to expansion. For two-thirds (66%) of organisations the response was rising costs and inflation; 60% reported difficulties fundraising; 48% reported delays or reductions to funding; 40% uncertainty about the future and 39% volunteer retention or recruitment.

For those that reported rising costs, we asked respondents to tell us which costs were most prohibitive. The most frequent response was staffing costs (63%), followed by energy (56%); materials and supplies (54%); business support costs (42%); transport (41%); premises rental (35%) and marketing and advertising (33%).

## 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% (↑18% on Spring 2025) said they'd hired one or more new members of staff; 23% (↑3%) had cancelled or postponed plans to recruit staff; 19% had promoted one or more members of staff and 8% had made one or more members of staff redundant (↓3%).

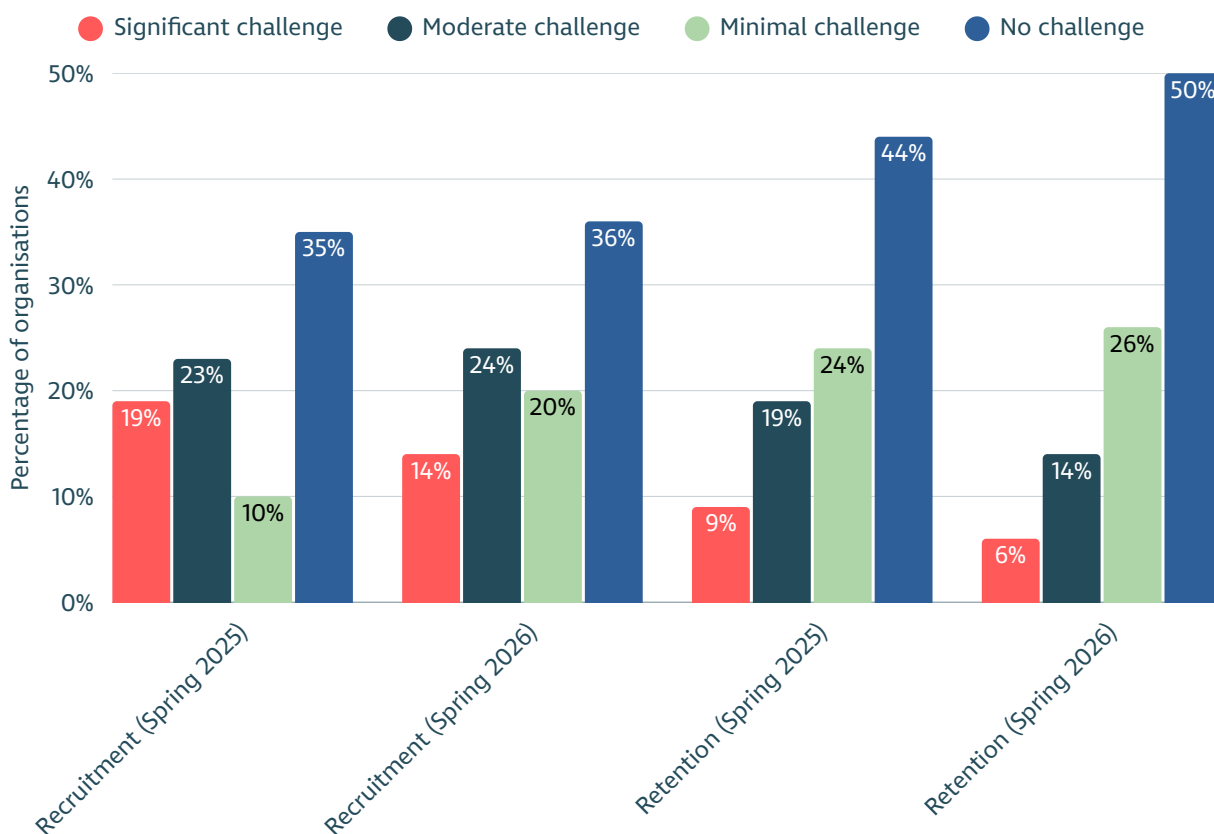
**Figure 3. Key actions taken by third sector organisations in relation to paid staff**



### Staff recruitment and retention

We then 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. Four in ten organisations (38%), reported a moderate-significant challenge in recruiting staff in the past six months – down slightly from 41% in Spring 2025. In Spring 2026, just over a fifth (21%, ↓6% on Spring 25) of organisations reported a moderate-significant challenge in retaining staff.

**Figure 4. Challenges with staff recruitment and retention,**



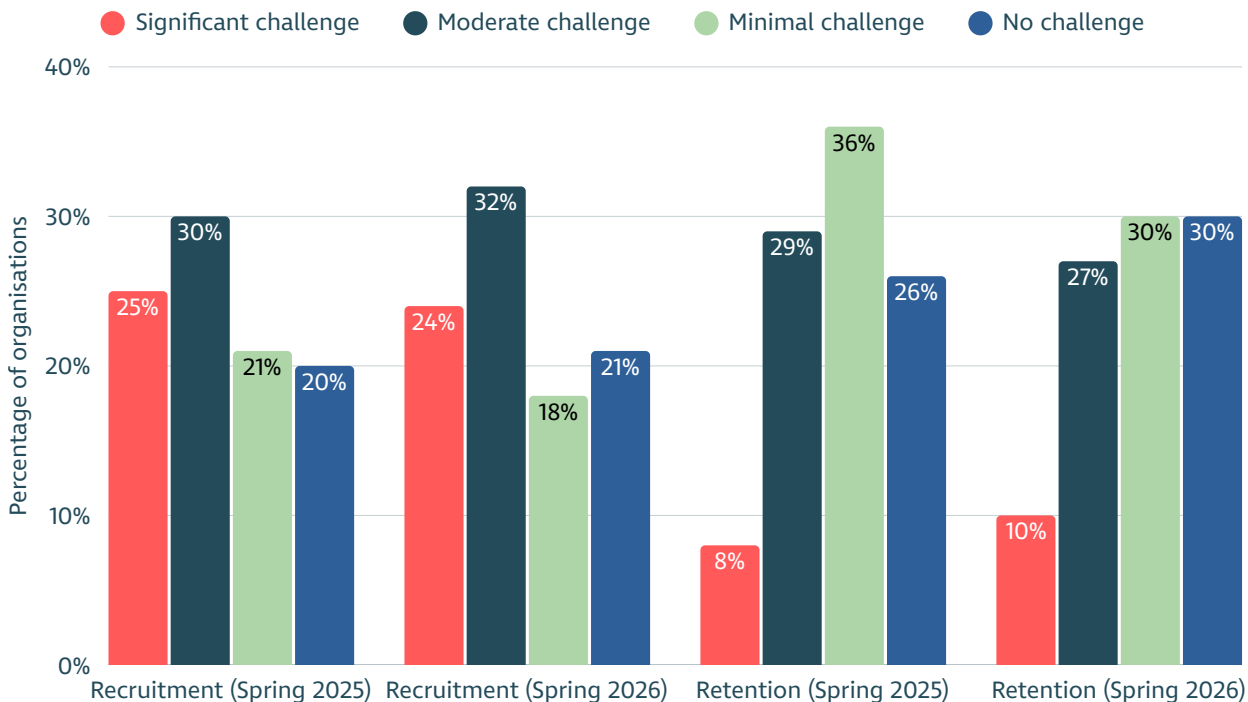
This wave we asked organisations that reported challenges with recruitment and/or retention of paid staff to tell us what those challenges were. For half of organisations (49%), they report fewer applicants for roles; 44% say that those applicants that do apply lack the required skills and/or experience; 43% believe the issue is the uncompetitive pay or benefits the organisation can offer; 36% believe it’s the lack of progression opportunities available in the organisation and one in three (33%) believe that staff fatigue or burnout is the cause.

Organisations are acting to try and address challenges with recruitment and retention of paid staff, including: four in ten (40%) offering more flexible working arrangements; 37% have increased salaries for current members of staff and 20% have increased the salaries offered to new staff. Almost one in four (23%) have increased the number of adverts for vacancies and 14% have improved other staff benefits. Just over one in five (22%) have taken no action.

**Volunteer recruitment and retention**

As with paid staff (Figure. 4), we asked organisations with volunteers to tell us if they had found recruitment or retention a challenge. Like paid staff, recruitment of volunteers has been more challenging than retention. Fifty-six percent (56%, ↑ 1% on Spring 2025) of organisations reported a moderate-significant challenge when attempting to recruit volunteers. As for retention, 37% of organisations found retention of volunteers to be a moderate-significant challenge in Spring 2026 – in line with Spring 2025.

**Figure 5. 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 are. For seven in ten organisations (70%, ↓ 3% on Spring 2025), the main challenge was fewer people coming forward to volunteer, followed by a belief that people have less time to volunteer (61%, ↑ 9%) and a lack of staff or volunteer time to support new volunteers (38%). One in three respondents also noted volunteer fatigue or burnout (31%, ↓ 10%) and lack of a dedicated volunteer coordinator (30%).

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. Half of organisations (50%) had engaged with their volunteers to better understand their views. Thirty-seven percent (37%, ↑ 12% increase on Spring 2025) of organisations had ran a recruitment campaign; 36% (↑ 9%) of organisations told us that they had looked to increase volunteer numbers by approaching people who don't normally tend to volunteer for the organisation; and one in three (33%, ↑ 11%) had sought advice from their local TSI, infrastructure organisation or other third sector organisation.

For the quarter (23%) of organisations that had taken no specific actions, we asked them to tell us what had prevented them from doing so. The most common responses included lack of volunteer management support (38%, ↑ 3% on Spring 2025); financial resource constraints (34%); uncertainty over future service provision (28%, ↑ 4%) and being unsure where to start (17%, ↑ 2%). Twenty-two percent (22%) of respondents told us about something else preventing them from acting.

## Financial health of third sector organisations

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

### Turnover

Half of respondents (52%) reported that their monthly turnover had stayed about the same over the past six months – in line with Spring 2025. Approximately a fifth (21%) reported an increase in average monthly turnover and 23% reported a decrease. For the 23% of organisations reporting a decrease in monthly turnover, just over half (51%) believe this to be a long-term issue, lasting for more than 12 months – up from a third in Spring 2025. Twenty-nine percent (29%) believe it to be a medium-term issue, lasting from three months to a year and only 12% think it a short-term issue, lasting for less than three months.

### Financial challenges

In the past six months, over eight in ten organisations reported acting in response to financial challenges. The most frequently reported actions included, applying for funding (72%, ↑ 14% on Spring 2025); developed new income streams (42%); used their financial reserves (32%, ↓ 11%). Concerningly, almost a quarter of organisations (24%, ↑ 5%) reported cancelling or deferring planned work and 15% (↑ 4%) had stopped operating one or more strands of work.

## Procurement

New for this wave, we asked organisations about their experience of applying for and securing contracts in the past two years. We asked organisations to tell us through which routes their organisation had sought or secured contract opportunities; the organisations they have had contracts with and what their working relationships with those organisations was/is like; their overall experience of applying for contract opportunities and the factors contributing to any difficulties in applying for contracts. For those organisations that hadn't applied for contract opportunities, we asked them what factors had prevented them from doing so. Finally, we asked an open question to respondents that had experience of procurement if they had anything else to add about their experiences.

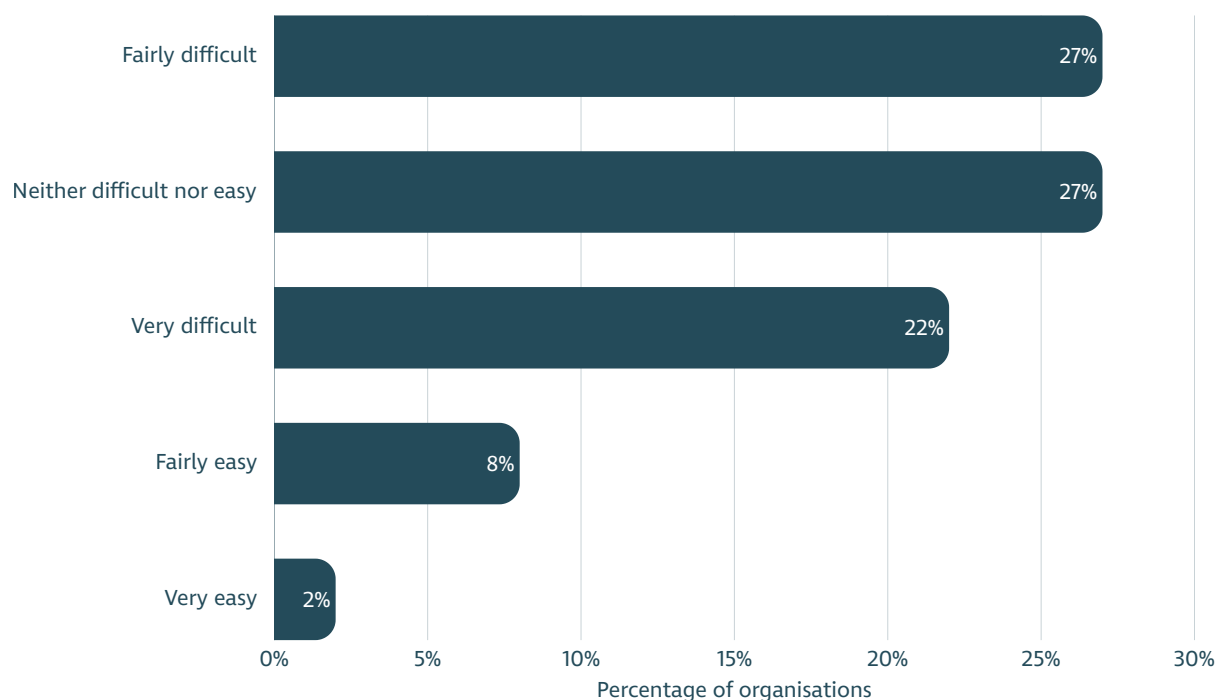
Firstly, the routes by which organisations had sought, or secured contract opportunities are illustrated in table 1. As is clear from the results, most organisations haven't engaged with the procurement process via any of the routes below in the past two years – except for organisations having existing contracts renewed (23%) and less formal approaches (18%).

**Table 1. Routes organisations use to pursue contract opportunities**

<b>Procurement route</b>	<b>Sought, but not secured</b>	<b>Secured contract</b>
Open competitive tendering	4%	8%
Direct invitation from a public body	5%	10%
Framework agreements or approved supplier lists	5%	7%
Subcontracting through a larger organisation	1%	4%
Partnership or consortium bids	9%	7%
Renewal or continuation of an existing contract	3%	23%
Grant funding that transitioned into a contract	5%	6%
Informal approaches or existing relationships	11%	18%

For those organisations that had used one of the above procurement routes, we asked them to tell us how easy or otherwise their experience of applying for contract opportunities had been. Just over a quarter of respondents (27%) found the process fairly difficult. The same number found it neither easy nor difficult and just over a fifth (22%) found it very difficult. Only 10% thought it easy or fairly easy.

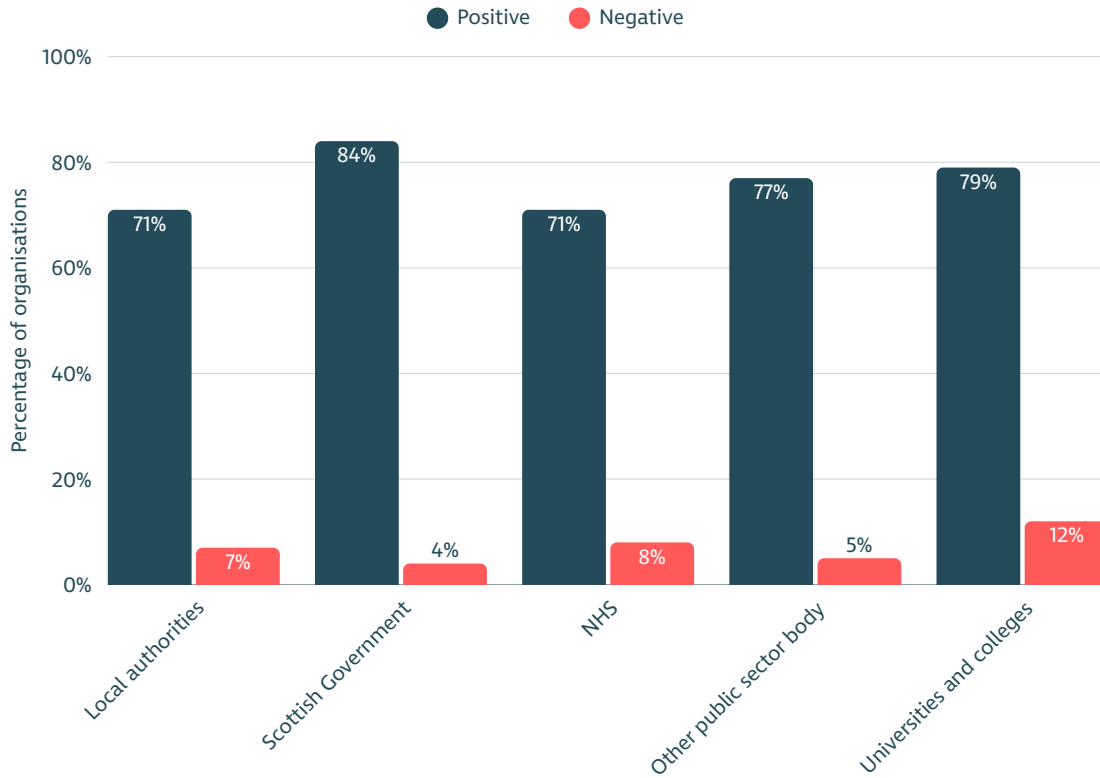
**Figure 6. Ease of applying for contract opportunities**



We then asked those organisations that had been successful to tell us which bodies they had held a contract with in the past two years. Over half of organisations (55%) said it was with a local authority; 24% the Scottish Government; 23% the NHS or other health and social care provider; 20% another public sector body and the same number none of the above options, which also included universities or colleges (8%) and housing associations (5%).

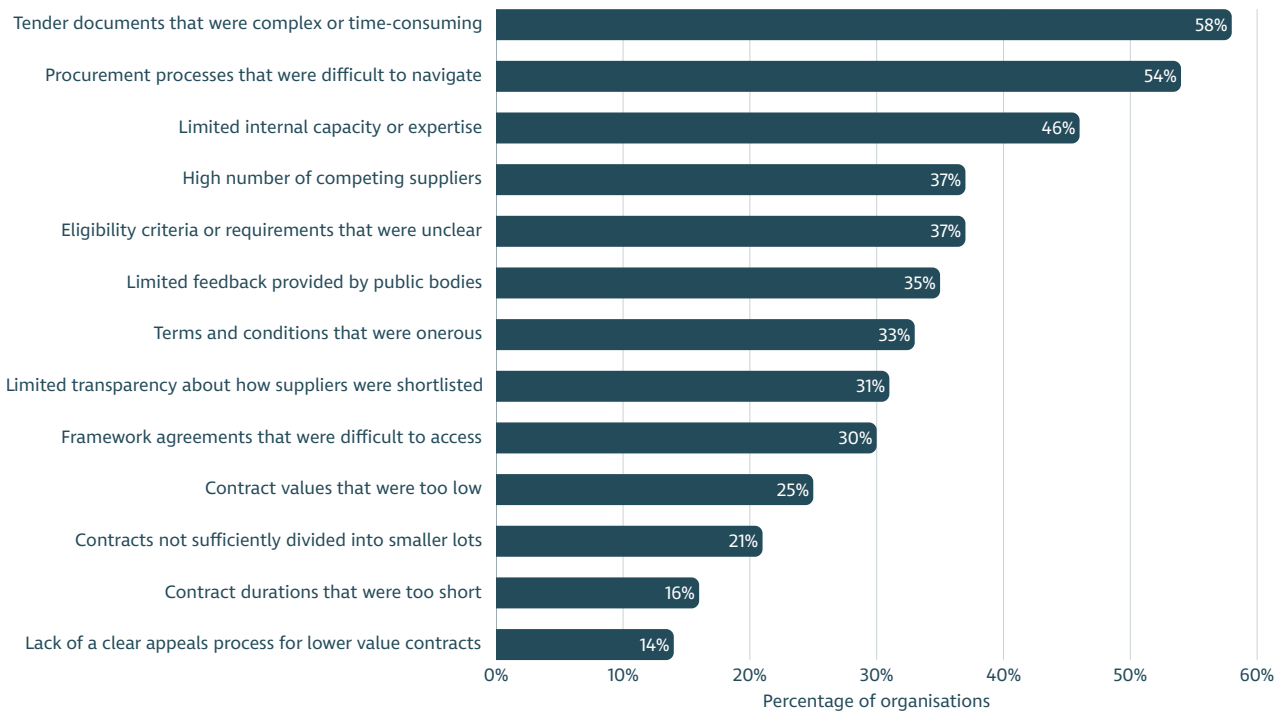
We then asked those organisations to tell us how their working relationship(s) with said bodies are in general terms. For most respondents, their working relationships are or have been positive – ranging from 71% for local authorities and the NHS to 84% with the Scottish Government. For more on relationships, please refer to questions 18f and 18g in the data tables.

**Figure 7. Relationship with contracting body**



We then asked those organisations that had found the process fairly or very difficult to tell us which factors had contributed to those difficulties. For almost six in ten organisations, they thought that tender documents were complex or time consuming (58%); 54% thought the entire procurement process was difficult to navigate and just under half (46%) didn't feel they had the required internal capacity or expertise to engage with the process fully. Please see Figure 8 below for the full range of responses.

**Figure 8. Factors contributing to difficulties in applying for contract opportunities**



Similarly, we asked those organisations that hadn't sought or secured contract opportunities in the past two years to tell us what factors had prevented them from doing so. For almost half of organisations (45%), they told us that this approach to funding doesn't fit with their general style of fundraising. A quarter of respondents (26%) felt there were no suitable opportunities in this space for their organisation; 23% felt hampered by a limited familiarity with the overall processes; and 19% felt unsure where to begin. Eighteen percent (18%) cited a lack of internal resources and 16% concerns about the administrative burden and perceived low chances of success.

Finally, we asked all respondents that had used a procurement route if there was anything else they'd like to add about their organisation's experience of accessing procurement routes. There were 70 responses to this open question.

Responses suggest that many organisations view procurement as a difficult and often inaccessible route to funding. Respondents frequently described procurement systems as complex, resource-intensive and disproportionately geared towards larger organisations with specialist administrative capacity. Concerns were also raised about inconsistent practices across public bodies, poor communication, inadequate cost recovery and contract values that have failed to keep pace with rising costs. For some organisations, particularly smaller, volunteer-led and rural organisations, procurement was viewed as a route that is effectively closed off or not designed with their circumstances in mind.

There were five key themes:

- Procurement processes are too complex and resource intensive.
- Small organisations are disadvantaged.
- Inconsistent and poorly communicated systems.
- Financial and contracting models create barriers.
- Procurement is often seen as inaccessible or not suitable.

Firstly, organisations repeatedly described procurement as bureaucratic, difficult to understand, time-consuming, and requiring expertise that many small organisations do not possess.



**"Without an allocation of time and dedicated members of staff of expertise it is a mine field for smaller charities."**



**"How difficult the process is when small organisations don't have access to large finance and admin teams or are expected to understand these processes when it is out of our remit."**



**"As a community club, we often face barriers such as complex procedures, limited capacity, and lack of clarity around requirements."**

As the above quotes illustrate, many respondents felt procurement systems favour larger, more established organisations with dedicated bid-writing, finance and compliance capacity.



**"The procurement is geared towards larger organisations with more administrative resources."**



**"As a small, volunteer-led organisation, we face challenges in accessing procurement routes due to limited resources, lack of dedicated funding, and complex application processes."**



**"TSIs keep telling us about Procurement and how easy and straightforward it is. At meet the buyer events, the buyers tell us we are too small to work with."**

Thirdly, a common theme was frustration with inconsistent practices across public bodies, changing personnel, poor communication, and difficulty identifying opportunities. Some key issues included: inconsistent approaches between local authorities; a lack of transparency and a reliance on personal relationships with individuals between the organisations.



**"It comes down to individual officers within the public sector and our experience changes every time a new person comes into post."**



**"As a charity which operates across multiple local authority areas, the inconsistencies of approach, funding, decision making, expectation, monitoring, etc is stark."**



**"We find procurement routes difficult to navigate, and while contacts often indicate they will follow up, responses can be inconsistent and communication unclear."**

The fourth most common theme was financial and contracting models create barriers. Many organisations highlighted structural problems in how contracts are funded and managed, particularly around payment terms, cost recovery and contract values. Respondents mentioned contracts not keeping pace with inflation; payment in arrears; core costs often excluded; and organisations having to subsidise contracts.



**"Contract value never increases even though COL is at an all-time high."**



**"Authorities need to recognise the additional costs facing us all, especially staffing costs."**



**"The exclusion of administrative and management costs from funding bids is a significant barrier for charities."**



**"We believe that other bidders are subsidising their bids, and so we have decided that we will too, in future bids."**



**"They pay quarterly but an organisation like us, we don't have that amount of reserves available to pay the actual bills in arrears."**

Finally, a notable number of organisations reported not engaging with procurement at all, either because they saw it as inaccessible, unsuitable for their model, or unlikely to generate results. For many respondents there is a perception of procurement being a "closed shop" with limited relevance to small organisations; a low return on investment and geographic barriers.



**"We are very small and procurement isn't something that we really view as an option for us."**



**"It's not something we tend to do due to lack of experience in volunteers and the amount of time and work it takes for no return."**



**"We are not really geared up to work in a procurement manner and our work is not really that suitable for it."**



**"Our location works against us because we are not mainland or easily accessible."**

## **Financial reserves**

The percentage of organisations holding less than 6 months' financial reserves has increased by 4% from Spring 2025 to 57%. However, the number of organisations that believe that their reserves are very important or essential to their short to medium term survival is 49% - a 7% decrease on this time last year. Similarly, the number of organisations reporting that the use of their reserves is unsustainable has fallen to 41% - a drop of 13%.

We asked respondents to tell us how their organisation decides when to use its financial reserves. This question looked to better understand governance behaviours and financial management practices across the sector. The key questions are around why reserves are used, who makes the decision to use reserves and what principles guide those decisions. There were 399 responses to this question.

The responses suggest that most organisations view reserves primarily as a mechanism for financial resilience and continuity, rather than as funds to be spent routinely. Decisions are typically governed by boards, informed by financial forecasts and risk assessments, and focused on protecting services, staff and beneficiaries. While many organisations use reserves defensively to manage funding uncertainty and cashflow pressures, others also see them as a tool for strategic investment and long-term sustainability. At the same time, a notable minority reported having little or no reserves available, limiting their capacity to respond to future financial pressures.

The key themes included:

- Reserves as a safety net for financial sustainability.
- Board-led governance and collective decision-making.
- Decisions are based on financial forecasting and risk assessment.
- Protecting services, staff and beneficiaries.
- Strategic investment and organisational development.

The dominant theme was that reserves are primarily viewed as a contingency fund to ensure organisational survival during periods of financial uncertainty. Many organisations described using reserves to manage funding gaps, delayed grants, cashflow problems, or threats to service continuity.



**"We use our reserves only if expected grant money is due to come in but has been delayed."**



**"We would use reserves in two scenarios: paying liabilities for winding up the organisation, or to cover core costs during funding insecurity."**



**"Our organisation considers drawing on financial reserves in circumstances where there is a gap in cash flow, delayed funding, or an unexpected shortfall that could affect our ability to deliver services or meet staff and operational costs."**



**"We will use our financial reserves to allow us to keep our doors open... £100k in the bank is no good to anyone if the services aren't running."**

Theme two was board-led governance and collective decision-making. Respondents spoke of decisions about reserves as being the responsibility of trustees, boards, committees, or finance sub-groups. Very few organisations relied on a single individual.



**"The board of trustees would make the ultimate decision which would be in board meeting minutes."**



**"After review of reserve levels and forecasts, all financial decisions must be examined by a financial sub group before being presented to the Board of Trustees for approval."**



**"The Board of Trustees holds ultimate responsibility for ensuring reserves are used appropriately and in line with charitable objectives."**

Many organisations described a highly structured approach to reserve use, involving cashflow forecasts, reserve policies, risk registers, budgets, and scenario planning.



**"Risk register, financial forecasts, priorities, reserve levels, future funding. We have a policy on using reserves."**



**"Reserve levels, organisation priorities, cash flow projections, and risks would be considered. Risk/benefit analysis, etc."**



**"Financial forecasts are considered to ascertain if the loss can be recouped through ongoing fundraising activities. Risk considerations are at the forefront when deciding to use reserves."**

A strong theme was that reserves exist to protect people. Many organisations described using reserves to safeguard services, maintain staffing, honour commitments, and minimise disruption for beneficiaries.



**"The decision to access reserves is taken by the manager, approved by trustees, but with a deliberate focus on beneficiaries."**



**"The organisation prioritises maintaining consistent support for members and carers, and reserves are used where necessary to avoid interruptions to this."**



**"Over the past year we have used our reserves to pay salaries to staff whose project funding had stopped."**

Finally, although reserves were usually viewed as a safety net, many organisations also described using them proactively to invest in growth, infrastructure, new projects, or future sustainability. Respondents mentioned things like capital or building projects; match funding; and new ventures.



**"To fund new projects with the intention of these bringing in more income."**



**"To unlock larger funding from lottery fund - under match funding - we put in £100k and got over £1m back to the redevelopment project."**



**"After a few years of budget surpluses, the board have agreed to run deficit budgets for the next couple of years to absorb wage inflation, to invest in people and development and to fund our continued growth."**



**"When we were facing financial difficulties post pandemic we used our reserves to invest in the organisation."**

## **Artificial Intelligence (AI)**

This wave we asked organisations about their use and understanding of AI. Forty-five percent (45%) of organisations across the sector say they're using some form of AI. However, only 17% of organisations reported having an AI policy in place. For those 45% of organisations, we asked them to tell us what they use AI for. For almost 60% of organisations, the most common use of AI was to write or edit content for newsletters, emails and social media. This was followed by half (51%) of organisations using AI to summarise long documents such as reports and policies; 44% used AI design tools to create graphics or posters and the same number used AI for administrative tasks such as drafting minutes from meetings. Forty-three percent (43%) reported using AI to help draft funding applications or grant proposals and a third had used it to create accessible versions of content and to generate ideas for workshops, activities and fundraising campaigns.

Following this, we asked organisations to tell us about their understanding of the risks associated with using AI. Over half (56%) of organisations had a medium understanding, a fifth (22%) had a high understanding and 17% had a low understanding of the risks associated with using AI.

## Socio-political environment

Following on from our recent [pulse work](#), we asked organisations if they had experienced any challenges linked to changes in the socio-political environment, such as policy shifts; public attitudes; polarisation or community tensions in the past year. One third (33%) of organisations reported experiencing challenges. We then asked two open questions, the first was to understand what those challenges were and the second to find out what support would be helpful in addressing those challenges. There were 166 responses to the first question and 130 to the second question.

The responses to the first question suggest that voluntary organisations are operating in an increasingly challenging environment characterised by financial strain, growing service demand, policy uncertainty, social division and workforce pressures. Funding concerns were the most frequently cited challenge, with many organisations reporting that rising costs and shrinking resources were undermining their ability to meet increasing levels of need. Alongside this, respondents described growing frustration with policy implementation and public sector relationships, while many also reported worsening social tensions, discrimination and declining trust within communities. These pressures are compounded by difficulties recruiting and retaining volunteers and sustaining organisational capacity.

The five key themes to emerge from analysis of the first question included:

- Financial pressures and funding challenges.
- Growing demand and pressure on services.
- Challenges in the policy and public sector landscape.
- Social division, discrimination and community tensions.
- Workforce, volunteer and organisational sustainability.

Financial pressures and funding challenges was the strongest theme across responses, with organisations highlighting funding cuts, inflation, rising employment costs, shrinking grant opportunities, and increasing competition for limited resources.



**"Our primary income is a grant from Scot Gov. This has been a cash-flat grant from its inception in 2021. Due to cost of living and other inflationary increases, that fund is now only worth around 78% of what it was in real-term value."**



**"An uncertain pricing environment, utility costs, lack of grant income due to vastly increased competition, and a local authority who prioritise their own resource needs over the third sector."**



**"There is less funding for all social care projects but more pressure to deliver."**



**"Funding has been more geared towards hubs and larger organisations as opposed to grassroots organisations."**

Respondents also described rising demand, increasing complexity of need, and pressure to fill gaps left by public services.



**"Increase in demand for service particularly in relation to neurodiversity, inequality and social policy gaps e.g. in housing, healthcare."**



**"Local policy shift re: changes to social care eligibility criteria has led to unsustainable demand."**



**"We have received no state or public funding and we are now filling the gaps of decreasing or closed public services. Also, our service demand has gone up due to the social and economic downturn."**



**"The political and economic circumstances of the country directly affects us through either increased demand on the foodbank and decreased donations to us."**

The above touches on the third most frequently mentioned theme; challenges related to policy and/or the changing public sector landscape. Organisations expressed frustration with policy implementation, bureaucracy, public sector relationships, and political uncertainty.



**"The implementation gap between policy and practice is becoming increasingly challenging when we see National legislation poorly implemented locally or, in some cases, legislation and policy ignored completely without consequence."**



**"Politicians support charities that enhance their profile; they are blind to many smaller third sector requirements and won't even engage."**



**"Over the past 12 months, our organisation has faced growing challenges stemming from an increasingly complex and shifting social and political environment. Rising bureaucracy across funding and procurement processes has placed a significant administrative burden on our small team, diverting time and energy away from direct service delivery."**

Fourthly, respondents speak of growing social division, discrimination and community tensions, with organisations reporting increasing polarisation, racism, anti-migrant sentiment, and a decline in trust and social cohesion.



**"Society is getting more divided that creates extra challenges for community groups."**



**"Many of the people we work with are experiencing a higher level of racism and discrimination especially in the LGBT & New Scot communities."**



**"The significant harshening of both public policy and public attitudes on immigration is a challenge for our organisation."**



**"There is a general feeling of uncertainty in the community, growing distrust and frustration with public bodies, also the whole issue of misinformation and very reductionist, binary points of view"**

Finally, respondents highlighted challenges recruiting and retaining volunteers and staff, as well as sustaining organisations in a difficult operating environment.



**"Adults appear to be less enthusiastic about volunteering. A combination of lack of time, perceived risk and other priorities."**



**"Cost of living and care crisis has hit us hard with volunteers not able to give the time to us as they are needed for caring for others at home."**



**"Support organisations becoming fragile and spending more time re-inventing themselves instead of supporting and/or withdrawing face to face support/development services."**

For the second question, we asked what support would help organisations address some of these challenges. Organisations facing rising demand, financial pressures and social challenges are not primarily asking for new programmes or initiatives. Instead, they are calling for sustainable funding, stronger representation, more meaningful engagement with decision-makers, and practical support that enables them to continue delivering services within their communities. In addition to the themes below, one cross-cutting theme worth mentioning is the need to recognise the unique and challenging role that small and rural organisations often play in delivering local, community-specific solutions.

The four key themes to emerge from the analysis of this question were:

- Sustainable and flexible funding.
- Stronger voice, representation and influence.
- Better relationships with government, funders and public bodies.
- Practical capacity-building support.

Sustainable and flexible funding is overwhelmingly the dominant theme. Organisations consistently call for more funding, but particularly longer-term (multi-year), unrestricted, core funding rather than short-term project funding. Respondents also want funding certainty and a fairer distribution of funds.



**"Consistent (multi-year) funding streams that are reliable and not just every 12 months."**



**"Access to core funding, encouraging funders who give grants to make them unrestricted grants rather than always having to invest in new projects."**



**"What would be most helpful is not additional support programmes for organisations like ours, but a shift in how funding systems operate... multi-year, flexible funding that recognises relational delivery, funds core capacity, and values continuity over short-term outputs."**

The second theme predominantly relates to small and grassroots organisations not feeling heard by government, public bodies or funders. Respondents mention wanting better access to decisions makers; collaborative action; and for rural voices to be included in the discourse.



**"Collaboration between organisations with similar priorities and values to enable one powerful voice to speak out."**



**"The opportunity as a very small organisation to be heard, we are in the North of Scotland and decision making is done in the central belt."**



**"We would welcome clearer, more accessible routes to decision-makers who have a real understanding of frontline, community-based services."**

Relatedly, respondents want better relationships with government, public bodies and funders. In addition to wanting a stronger voice, organisations need more meaningful partnership, engagement and recognition from statutory bodies. Respondents want to see genuine co-production; improved communication; better consultation; accountability of public bodies; and recognition of the sector's contributions.



**"I think probably a bit of interaction with the local authority and involvement in the consultation process."**



**"The public sector needs to understand that it can't survive without the third sector and look at how they can invest to enable productive, collaborative partnership work."**



**"A local authority and health board long term partnership that delivered and had impact and had localness at its heart."**



**"Greater accountability from statutory bodies and commissioners, alongside genuine opportunities to showcase the real impact and value of our work."**

Finally, many organisations want practical support to help them navigate funding, governance, communications, procurement and organisational development. This included: help with funding applications; procurement support; fundraising support; and training and learning opportunities.



**"Procurement support for low capacity organisations."**



**"Help with funding applications, from people who are prepared to come and visit the charity to understand its needs."**



**"Administrative support, sourcing funding assistance in completing funding applications and just general support and guidance for the third sector, because we are very inexperienced as a charity."**

## Conclusions

The findings from wave twelve suggest that Scotland's voluntary sector continues to demonstrate resilience and adaptability in the face of persistent financial and operational challenges. Organisations are continuing to deliver services, support communities and respond to emerging needs despite a backdrop of funding uncertainty, rising costs, recruitment difficulties and increasing demand.

However, the findings also point to growing pressures that may challenge the sector's long-term sustainability. Financial concerns remain the dominant issue across the sector, with organisations reporting difficulties fundraising, increasing costs and ongoing uncertainty around future funding. Many organisations are responding by developing new income streams, drawing on reserves and adapting services, but there is evidence that some are also postponing projects, reducing activity and operating with increasingly limited resilience.

Organisations describe operating within a more complex socio-political environment characterised by greater demand for support, increasing social division and ongoing frustrations with policy implementation and engagement with public bodies. Many respondents feel they are being asked to do more with fewer resources while simultaneously filling gaps left by shrinking public services.

The findings on procurement and reserves further reinforce the importance of organisational capacity and financial resilience. While reserves continue to provide an important buffer against uncertainty, many organisations have limited reserves available. Similarly, procurement opportunities remain difficult to access for many smaller organisations, raising questions about the extent to which existing systems enable the full range of Scotland's voluntary sector to participate.

Taken together, the findings suggest a sector that remains committed, innovative and responsive, but which continues to face significant structural challenges. As organisations look ahead to the next 12 months, sustainable funding, stronger partnerships, improved access to opportunities and support for organisational capacity are likely to remain critical factors in maintaining the sector's ability to deliver for Scotland's communities.

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