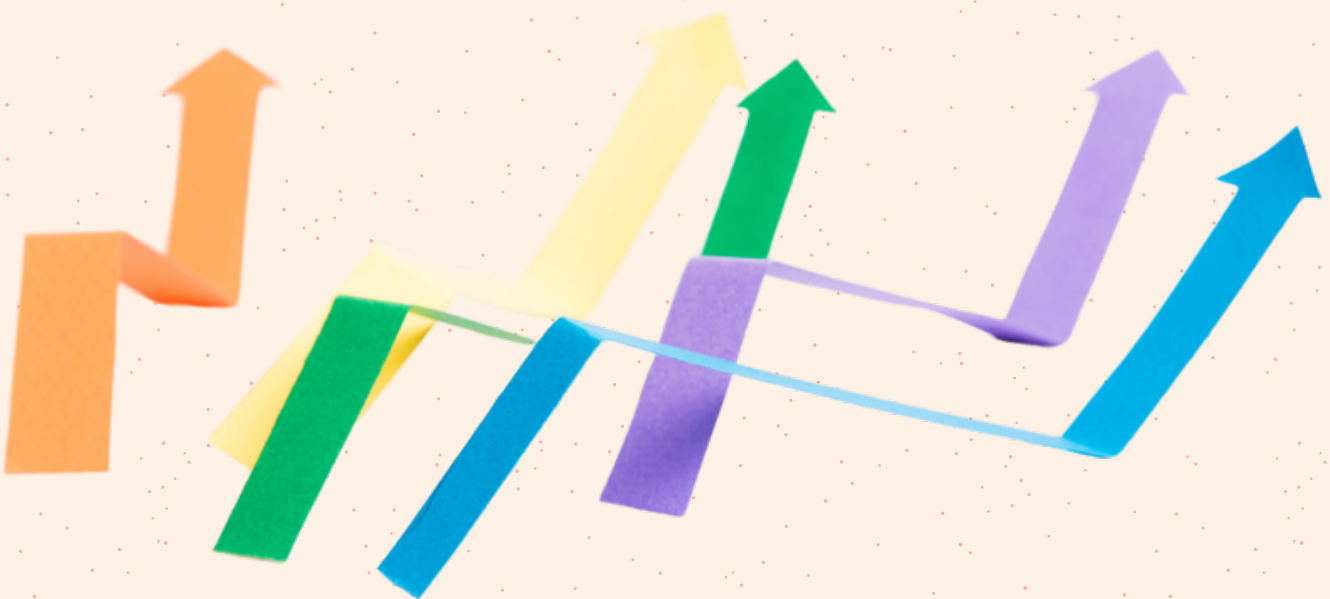




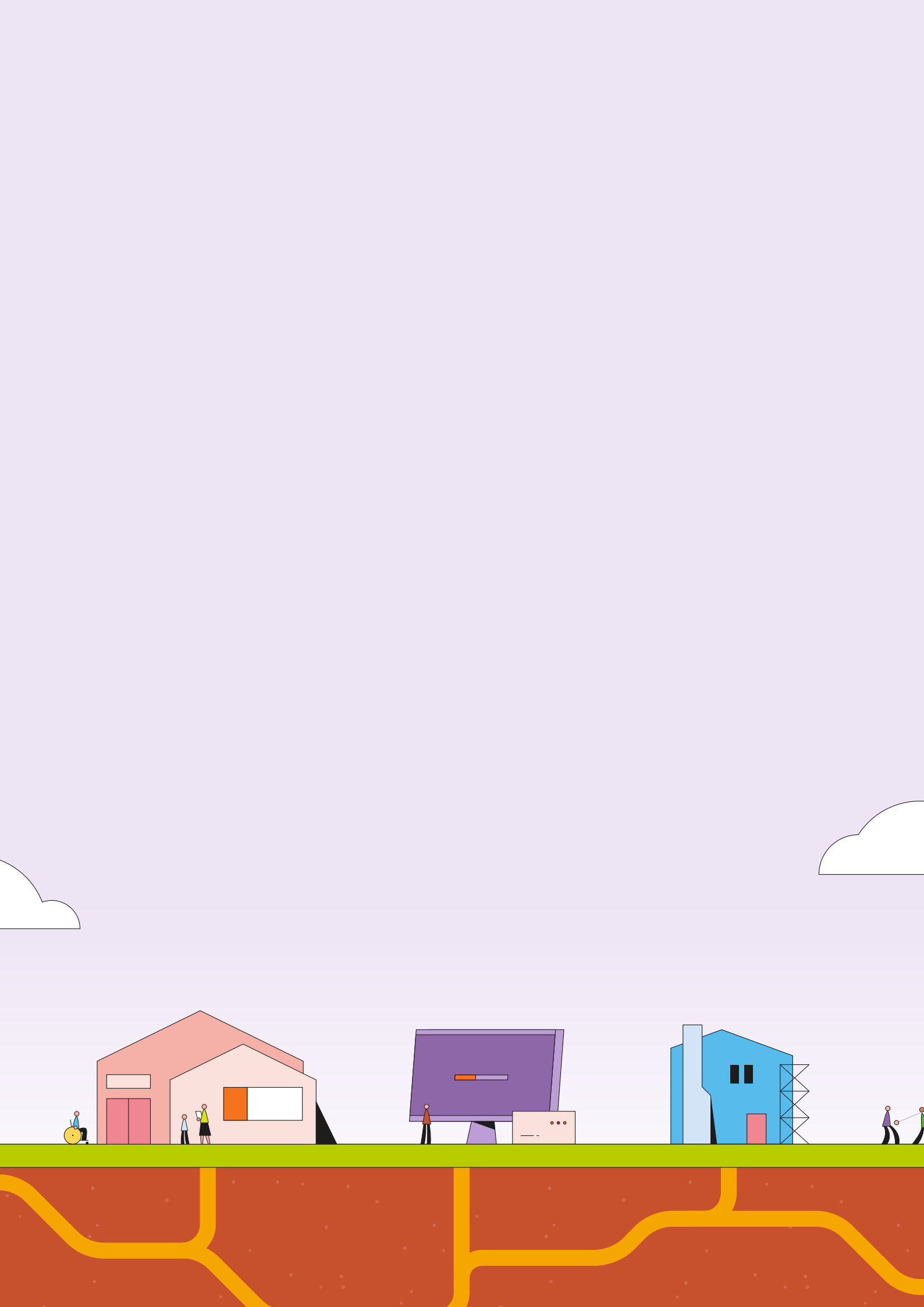
Foundation
Scotland

The long term impact of the **cost of living crisis**

A survey of organisations funded
through Foundation Scotland



MARCH 2025



Introduction

In January 2023, Foundation Scotland published a report examining the impact of rising living costs on the organisations it funds. The report presented findings from a survey of 246 grant holders.

This work was carried out in response to the steep rise in the cost of living since late 2021, with the prices for many essential goods in the UK increasing faster than household incomes. This has resulted in a decline in real-terms incomes, which has had, and continues to have, **major impacts** on individuals, households, communities, businesses, the public sector, and the third sector throughout Scotland¹.

The results of this study were used to develop two subsequent surveys for funded organisations and individuals to understand the ongoing and longer-term impacts of the continued rise in the cost of living on people supported by and through Foundation Scotland. The findings of these surveys are presented in this report.

The purpose of this research is to gain deeper insights into how the persisting cost of living crisis affects the organisations, individuals, and communities supported by Foundation Scotland, and in what ways, and gather views about how funders, including Foundation Scotland, can help mitigate negative impacts through their work.

The findings from this study will be used by Foundation Scotland to continue to review its processes as a funding administrator in the context of the increased cost of living.

¹ <https://www.gov.scot/publications/cost-living-crisis-scotland-analytical-report/>

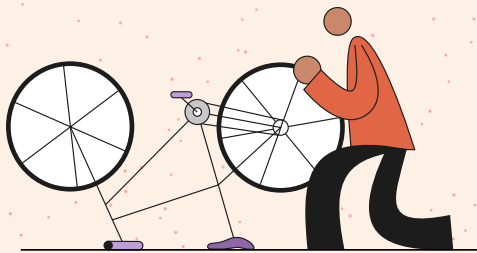
PROCESS

To better understand the ongoing impact of the cost of living crisis on the organisations and individuals that Foundation Scotland supports, we invited grantees to share their experiences in August 2024.

A total of **312** organisations and individuals responded to the survey, providing detailed insights into how the rising cost of living continues to affect them, as well as the role funders can play in helping to mitigate these impacts.

In addition to the surveys, the cost of living question contained in Foundation Scotland's funding application form was analysed from January 2023 to December 2024:

'What impact are the cost of living **increases** having on your organisation and how have you taken this into account when budgeting for this project?'



Survey—Summary

Funded Organisations

The survey for **funded organisations** received 243 responses, revealing insights into the continuing impacts of the cost of living crisis, with 96% reporting ongoing effects. Analysis of organisation responses to the survey uncovered several key themes:

- ▲ Organisations still face **mounting financial pressures** from increased operational costs, particularly energy (16%) and premises costs (13%). Reduced income streams and donations (14%) compound these challenges. Many reported depleted reserves and difficulties maintaining service levels while facing higher expenses across utilities, staffing, and supplies.

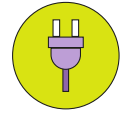
31%



of organisations face stress and uncertainty about their future

- ▲ Organisations reported **unprecedented demand for services**, especially among vulnerable populations, while simultaneously struggling with reduced capacity. Staff and volunteer shortages have become critical, with many experiencing burnout and reduced volunteer availability. 31% reported increased stress and uncertainty about their organisation's future.

20%



of beneficiaries have faced an increase in household costs

18%



have experienced deterioration in mental health

- ▲ The crisis has created **cascading effects on beneficiaries**, primarily through increased household costs (20%) and deteriorating mental health (18%). Rising social isolation (16%) and reduced service access due to cost barriers (14%) are prevalent. Organisations highlighted the growing complexity of support needs, particularly among vulnerable groups, disabled individuals, and low-income families.

- ▲ Organisations anticipated continued **challenges around financial sustainability**, with 27% highlighting funding shortages as a critical concern. Many feared potential closure due to the combination of rising costs and diminished funding opportunities. The impact on beneficiaries was expected to create lasting effects, particularly regarding mental health, social isolation, and entrenched poverty cycles.

27%



of organisations cite funding shortages as a critical concern.

As well as asking closed questions of respondents, the survey also contained additional open-ended questions for respondents to expand on their answers in more detail.



Feedback included:



Operational costs have increased dramatically and, apparently, permanently. Almost all of our costs—staff, stock, services, accommodation, maintenance—continue to rise.



Our older participants have reduced their activities due to financial constraints, and their mental wellbeing has suffered as a result.



Staff salaries are not able to match the increased cost of living, causing financial stress and impacting morale.

Feedback



Our energy cost has more than doubled in the last three years.



We are unable to run the Hub with the full staff requirements, which threatens our community mental health programme.



Funders now seem to prioritise organisations already in crisis rather than supporting sustainability.



People are less able to afford to go out and are becoming more isolated and lonelier which leads to their physical and mental health deteriorating.

Feedback



Staff and voluntary members are facing increased personal **financial pressures**, leading to higher stress levels and burnout.



Our existence is at present determined by **funding**. If this were to be reduced or lost, we would probably cease to function.



Our families are **struggling financially**, choosing between paying their bills or buying winter jackets and boots for their children.



The need is **relentless**. There are daily queues for help outside our office. Our service users beg us for help and describe their hardships.



The cost of living crisis will increase children's likelihood of not escaping poverty and the knock-on **impacts** on education, employment, and well-being into adulthood.



There is a proven link between poverty, inequality, and poor mental health, so as poverty increases, people's **welfare decreases**.



The activities and social interactions that benefit the people we support as they try to reduce their social isolation and improve their mental health are often seen as luxuries. In reality, they are the **lifeline**.

Individual Grantees

The survey for **individual grantees** received 69 responses, most of whom had received Education and Training awards, while others benefited from bursaries, scholarships, or other targeted financial assistance. For many, individual grants were pivotal in managing the ongoing cost of living crisis, which 89% of respondents reported as a continued source of strain.

Responses demonstrated a number of significant themes:



Basic needs and financial strain

Respondents highlighted the rising costs of food, utilities, and housing as significant burdens. Many had to prioritise essentials, reduce spending on non-essentials, and dip into savings to cover basic expenses



Mental and physical wellbeing

Financial stress was a recurring theme, with respondents reporting anxiety, exhaustion, and a decline in mental health. Some noted physical health impacts due to reduced access to healthcare and less active lifestyles



Social and Family Life

Increased financial pressures led to reduced social activities and strained family dynamics. Parents struggled with childcare costs and providing for their families, while others felt isolated due to limited social engagement.



Barriers to education and career development

Rising tuition fees, material costs, and transport expenses hindered respondents' educational goals. Some postponed professional development due to financial constraints. Students and professionals alike noted challenges in balancing education or career progression with mounting financial pressures.



Adaptive strategies

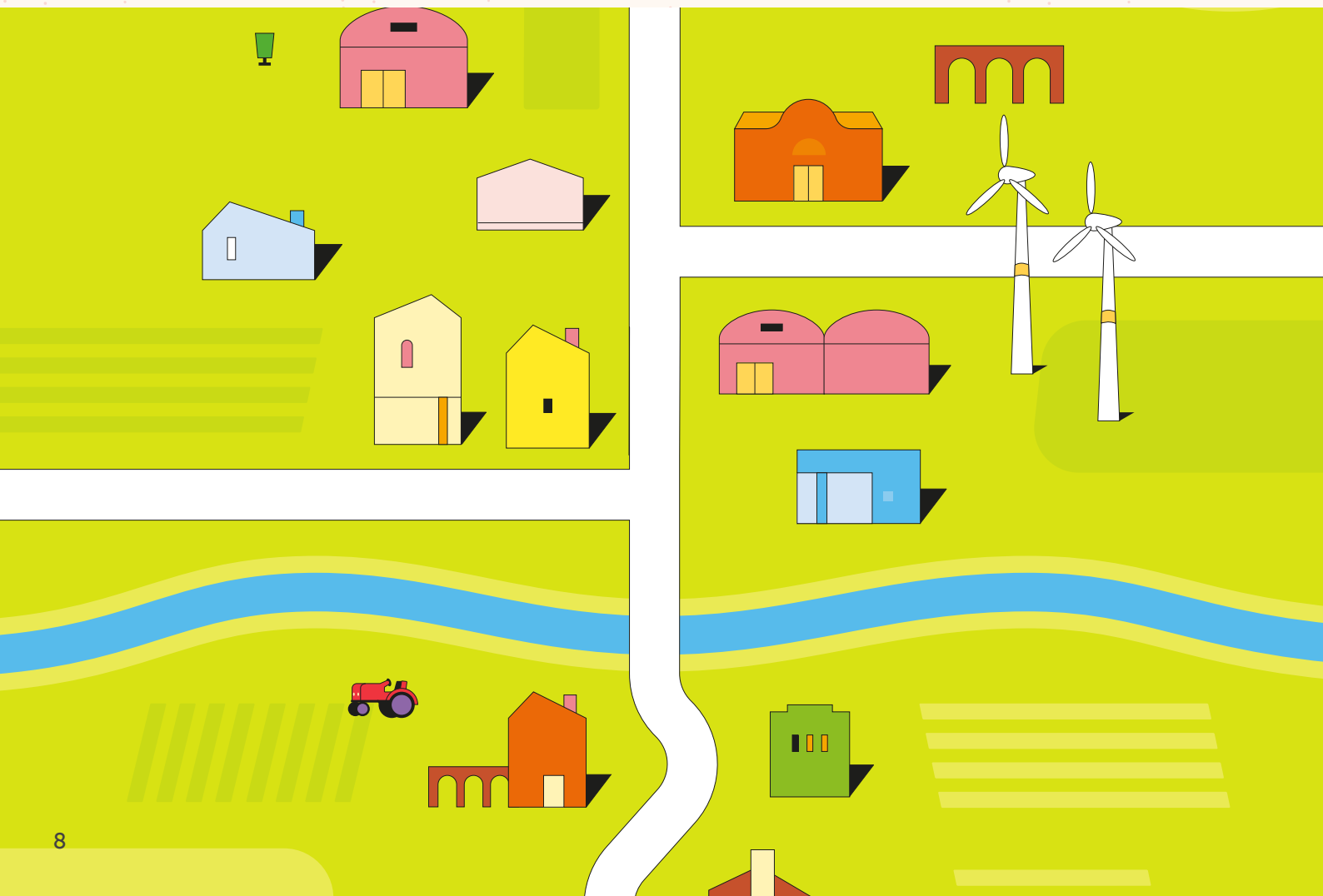
Individuals adopted various coping mechanisms, including taking on additional work, cutting back on expenses, and growing their own food. While helpful in the short term, these strategies often added strain and were not sustainable for long-term stability.



Positive impact of grants

Recipients highlighted the transformative effect of grants, enabling them to pursue education, manage financial strain, and improve their quality of life. Many expressed gratitude for the funding's role in reducing financial worry and supporting personal growth.

The survey for individual grantees also contained additional open-ended questions for respondents.



Feedback included:



My electricity supplier is charging £200 a month... How can anyone pay £200 for electricity and £140 for gas on a basic pension?



Living costs continue to outstrip wage increases. I have taken on additional hours where I have been able to.



Though I have two flatmates, I am paying the same cost my parents pay for their mortgage for a house.



I feel stressed and am trying to get above water by doing a new course... but it is causing more financial stress.



Taking out time to study results in a disproportional hit in terms of earning less and having higher costs.



Everyday essentials have had to be cut back, including heating and lighting.



People are experiencing increased stress, anxiety, depression, and loneliness.



I am concerned about the affordability of staying on at uni for another 3 years.



It really just looks bad for the future, and could be particularly tough on our children and their generation. It appears to be out of control and prices are spiralling to an unachievable measure.

General feedback

We also asked for feedback on long term concerns, the role of funders, Foundation Scotland, our grant application forms and end of grant reports. General feedback across both surveys included:

▲ **Role of funders**

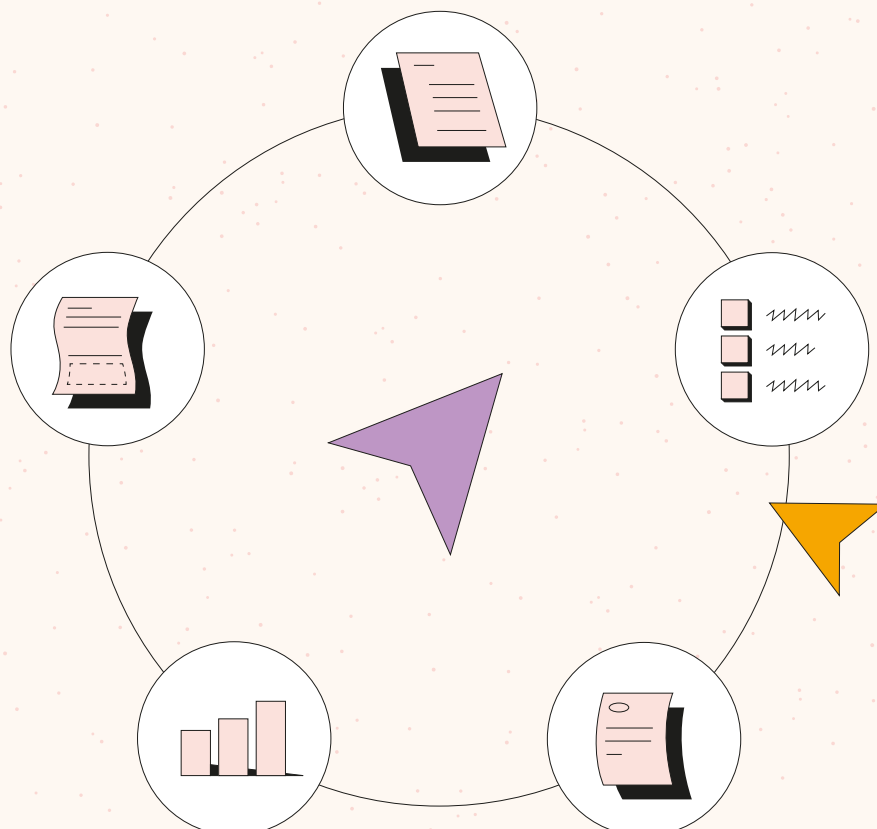
Respondents emphasised the need for increased access to grants, sustainability funding, and greater flexibility in fund usage. Suggestions included simplifying application processes, providing clearer timelines for decision-making, and ensuring inclusivity for underserved groups.

▲ **Feedback on processes**

Many praised Foundation Scotland's straightforward application and reporting systems and helpful staff. Areas for improvement included simplifying forms, reducing waiting times, and offering clearer guidance on eligibility and funding limits.

▲ **Long-term concerns**

Respondents expressed anxiety about financial security, savings depletion, and the impact on future goals such as homeownership or retirement. Career and educational aspirations were at risk due to reduced resources, while social isolation and declining mental health posed additional long-term challenges.



Feedback included:



We appreciate all the support we receive, but it becomes an onerous task to report on all of the projects and collate data to meet all funders' criteria.



There needs to be involvement with influencers and policymakers to support long-term progress in funding the equalities culture in Scotland.



It's frustrating that some funders prioritise new projects over established ones, undermining efforts to maintain long-term projects.



Realistically, it feels very scary. We create a business plan for three years, and as soon as it's done, it's out of date.



The help provided by Foundation Scotland has been a tremendous boost for us. It makes a huge difference.



I was happy with the form and the application process; it was quick and frankly after trying to get funding for other things over the years was one of the easiest I have ever had to do.



Learning and Insights

Recent research by SCVO, the Mental Health Foundation, the ALLIANCE, and the Scottish Government highlights the deep and wide-ranging impact of Scotland's ongoing cost of living crisis, affecting socioeconomic stability, health, and mental wellbeing.

Third sector organisations have been particularly affected, facing challenges in funding, service delivery, staffing, and long-term sustainability. These findings align closely with the survey results presented in this report, highlighting the financial, health, and emotional toll the rising cost of living has imposed on both organisations and individuals.

Our organisational survey highlights several key impacts, including escalating operational costs that deplete resources and jeopardise long-term stability and strategic decision-making.

A significant and critical issue for third-sector organisations is the absence of **long-term, unrestricted funding**, which undermines service delivery and hampers capacity-building initiatives. **Insecure, short-term funding** undermines the **sustainability** of organisations and services.

Furthermore, the **human cost** of the crisis has emerged as a critical concern, with staff experiencing heightened workloads and limited resources. These challenges are exacerbated by **rising service demand** and increasingly **complex community needs**, placing immense strain on organisations striving to meet growing expectations with constrained resources.

The survey for organisations also highlighted the ongoing strain on third-sector services amid the rising cost of living, compounded by **reduced funding** and resources, a **stretched workforce**, and unprecedented **levels of demand**. This led to a linked decline in mental health, and increased stress, anxiety and burnout.

Our individual survey revealed many similar findings, highlighting additional issues caused by the increased cost of living, including the ramifications for **education and career development**, the impact on **future goals and aspirations**, and disruptions to **social and family life**. It also highlighted that the escalating cost of living is significantly impacting individuals' **health and financial stability**.

Both groups are very clearly, and very significantly still feeling the negative impacts of the cost of living crisis, compounded by a cumulative effect over the last few years.

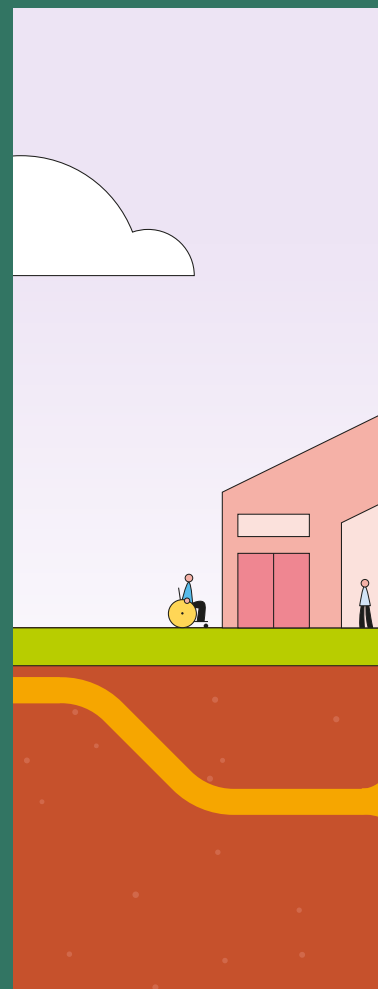


Conclusions & Recommendations

The survey findings underscore the critical importance of continued access to funding in the broader context of the the rising cost of living. Financial pressures on third-sector organisations in Scotland are at an all-time high, coinciding with unprecedented demand for services and support.

Several key conclusions can be drawn from the findings of this study:

- ▲ **Urgent need for long-term, flexible funding:** Both organisational and individual survey findings point to the necessity of long-term, unrestricted funding to help organisations navigate the escalating demands and rising costs. Short-term, project-specific funding models are increasingly inadequate for addressing the cyclical nature of the crisis, leading to sector fragility and limiting long-term strategic planning.
- ▲ **Impact on vulnerable populations:** The rising cost of living is disproportionately affecting vulnerable groups, including individuals with low incomes, families with young children, and those with existing health conditions. These groups are experiencing heightened financial strain, social isolation, and barriers to essential services like education, healthcare, and career development.

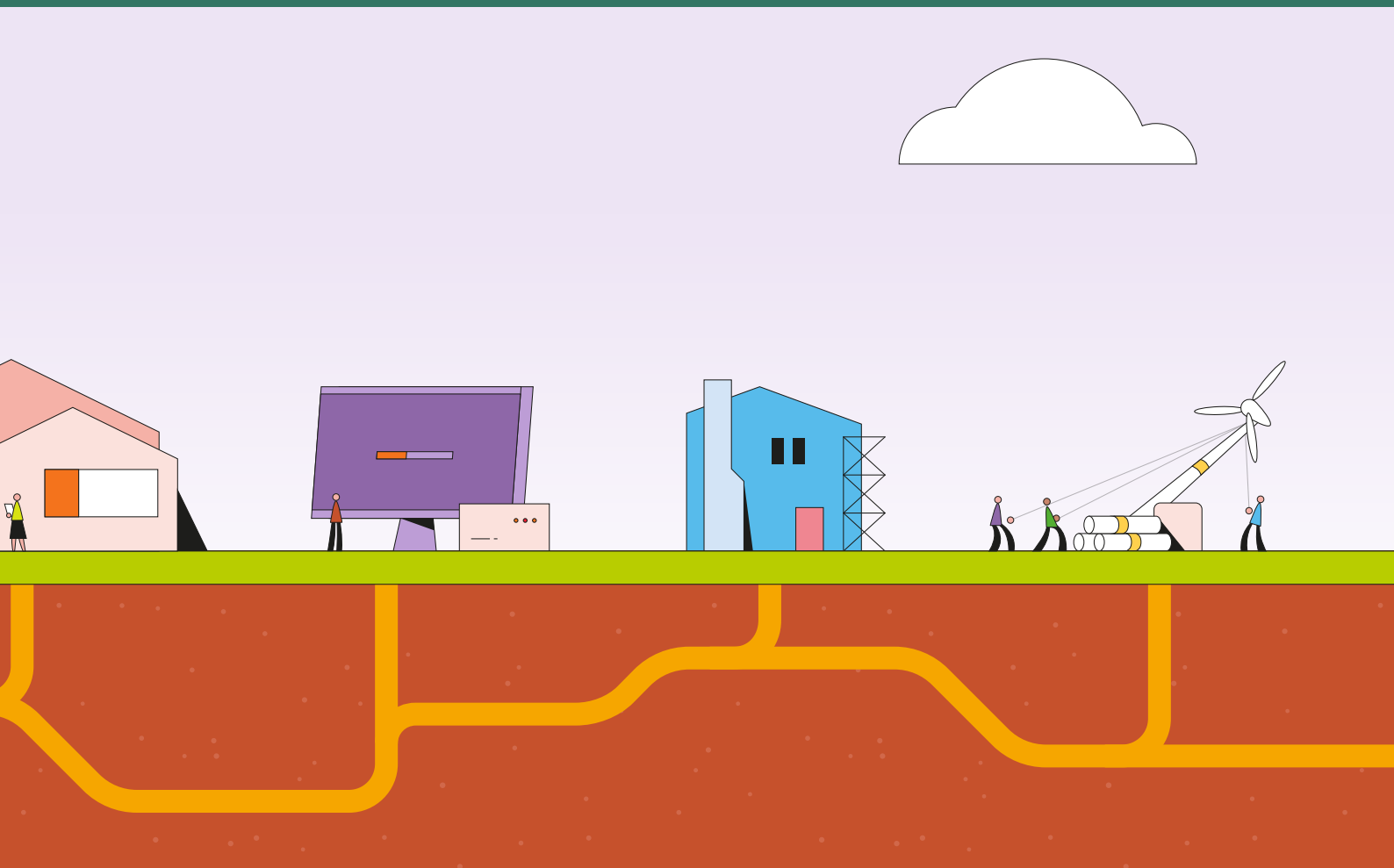


▲ **Burnout and workforce sustainability concerns:**

Organisations are facing significant staffing challenges, including burnout and turnover, exacerbated by increased workloads and limited resources. The sustainability of the workforce is critical, and without adequate support, the quality and continuity of services will suffer.

▲ **Widening inequalities:** The cost of living crisis is widening existing inequalities, limiting opportunities for upward mobility, and increasing disparities in access to education, healthcare, and career development. This trend could have long-term implications for social mobility and equality in Scotland.

▲ **Sector vulnerability due to funding constraints:** The reliance on short-term crisis response funding rather than sustained core support leaves organisations vulnerable. The current funding system, characterised by complex application processes and a lack of flexibility, is not conducive to addressing long-term needs or building sector resilience.



In light of these conclusions, a number of recommendations can be made, informed by the evidence presented in this report:

- ▲ **Increase long-term, unrestricted funding:** Funders should prioritise the provision of long-term, unrestricted funding to third-sector organisations. This approach would enable organisations to plan effectively, respond flexibly to emerging needs, and build resilience in the face of uncertainty. Unrestricted funding would also allow organisations to invest in workforce development and address both immediate and long-term challenges.

- ▲ **Streamline funding processes:** Simplifying application processes and reporting requirements would reduce administrative burdens and allow organisations to focus on service delivery and individuals to pursue education and training ambitions. Funders should consider offering multi-year funding agreements and inflation-linked grants to help organisations and individuals to cope with rising costs over time.

- ▲ **Support for workforce wellbeing and retention:** Funding should be allocated to support workforce wellbeing, including initiatives to prevent burnout and improve staff retention. This could include offering grants for staff training, mental health support, and resources to reduce workload pressures. Organisations should also be encouraged to implement strategies that promote work-life balance.

- ▲ **Targeted support for vulnerable populations:** Funders should consider directing more resources toward vulnerable populations, ensuring they have access to essential services like education, healthcare, and career development. This could involve expanding individual grant provision and financial assistance programmes and supporting organisations that work with disadvantaged communities.

- ▲ **Fostering collaboration:** Funders and decision-makers should facilitate greater collaboration between third-sector organisations, government bodies, and private-sector partners. This would enable organisations to pool resources, share best practices, and build a more coordinated response to the cost of living crisis.
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- ▲ **Align funding with emerging needs:** To address the shifting needs of individuals and communities, funding models should be adaptable to changes in demand. This could include funding for services that support education and career development, mental health services, and social inclusion programmes, particularly in areas facing increased deprivation.
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- ▲ **Support for educational and career development:** Funders should consider creating and expanding targeted funding streams to support individual career development and training opportunities for individuals, especially those who are financially struggling. This could include scholarships, grants for professional development, and initiatives that reduce the cost of accessing education and training.
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- ▲ **Long-term strategic investment:** Funders should encourage organisations to focus on building long-term capacity rather than short-term crisis response. Investment in infrastructure, digital transformation, and service innovation could help organisations better respond to future challenges and ensure that essential services remain sustainable.
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