



The Systemic Funding Crisis Facing London's Voluntary Sector Infrastructure

July 2026

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Background

Local voluntary sector infrastructure organisations, also known as Local Civil Society Infrastructure (LCSI) or Local Infrastructure Organisations (LIOs), sit at the core of London's civil society. Just as roads or bridges connect people and places, LIOs link voluntary, community, and faith sector (VCFS) organisations with charities, community groups, statutory partners, and private sector organisations - creating the conditions for collaboration, skills development, and stronger partnerships. Like physical infrastructure, they require ongoing maintenance and investment.

Across London, closures of local infrastructure organisations are becoming a reality. While evidence suggests that longer-term funding is growing for the wider VCFS,¹ the picture for London's local voluntary sector infrastructure tells a different story.

At the same time, rising social complexity is placing greater demands on these organisations, and the investment needed to support them is not keeping pace. The result is a widening gap: demand for support is accelerating while the financial foundations of the organisations providing it are becoming increasingly fragile.

More funders now recognise that sustained, multi-year funding is essential for genuine systems change, and many are collaborating in new ways to deliver it. LIOs now need to benefit from this shift. Where infrastructure organisations have secured long-term stability, the impact is clear and transformative.

Against this backdrop, this report takes a focused look at the financial sustainability of London's voluntary sector infrastructure, exploring whether these organisations can continue to operate, and whether the system as a whole is equipped to sustain the vital role they play in enabling a healthy, collaborative, and resilient VCFS.

Methodology

This report draws on primary survey data collected from voluntary sector infrastructure organisations across London between December 2025 and March 2026.

The timing of the survey was designed to align with organisational reporting cycles and to maximise capacity for engagement. The analysis in this report focuses on funding conditions during the 2025/26 financial year and includes forward looking insights for 2026/27.

Responses were received from 35 Local Infrastructure Organisations (LIOs) covering 88% of London boroughs, providing strong representation across the capital. Responses include those from Councils for Voluntary Services (CVSs), Volunteer Centres, and integrated infrastructure organisations delivering combined support functions.

The insights throughout this report reflect recurring themes and shared experience rather than a statistically representative view of the sector. All responses have been anonymised, with quotations included in the report presented without identifying information unless explicit permission was given. Where relevant, comparisons have been made with equivalent data collected in 2024 to identify emerging trends and changes over time.



Current core funding position of London's infrastructure

Core funding covers an organisation's essential running costs rather than specific projects or programmes.² It can be used flexibly, for example to pay salaries, cover overheads, or support day-to-day operations.

Recent research highlights the particular importance of this kind of funding for Local Infrastructure Organisations (LIOs), whose core work (including convening, relationship building, advocacy, and sector representation) is often less visible and therefore harder to fund, despite being essential to their role as strategic local partners.³

Additionally, funding stability for LIOs helps generate positive “virtuous circles”, where secure resources reinforce reputation, relationships, and effectiveness over time.⁴ By contrast, without core funding, LIOs are more vulnerable to negative spirals of reduced capacity, weakened presence, and declining trust.⁴

Secure, sustained funding therefore reduces the risk of operating in survival mode, enables collaboration rather than competition for scarce resources, and allows LIOs to act as consistent, effective infrastructure bodies delivering long-term value.⁵

“Our confirmed income today is half what we had this time last year, and about one-third of what we had the year before.”

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Local Infrastructure Organisation in Inner London

Current core funding position of London's infrastructure

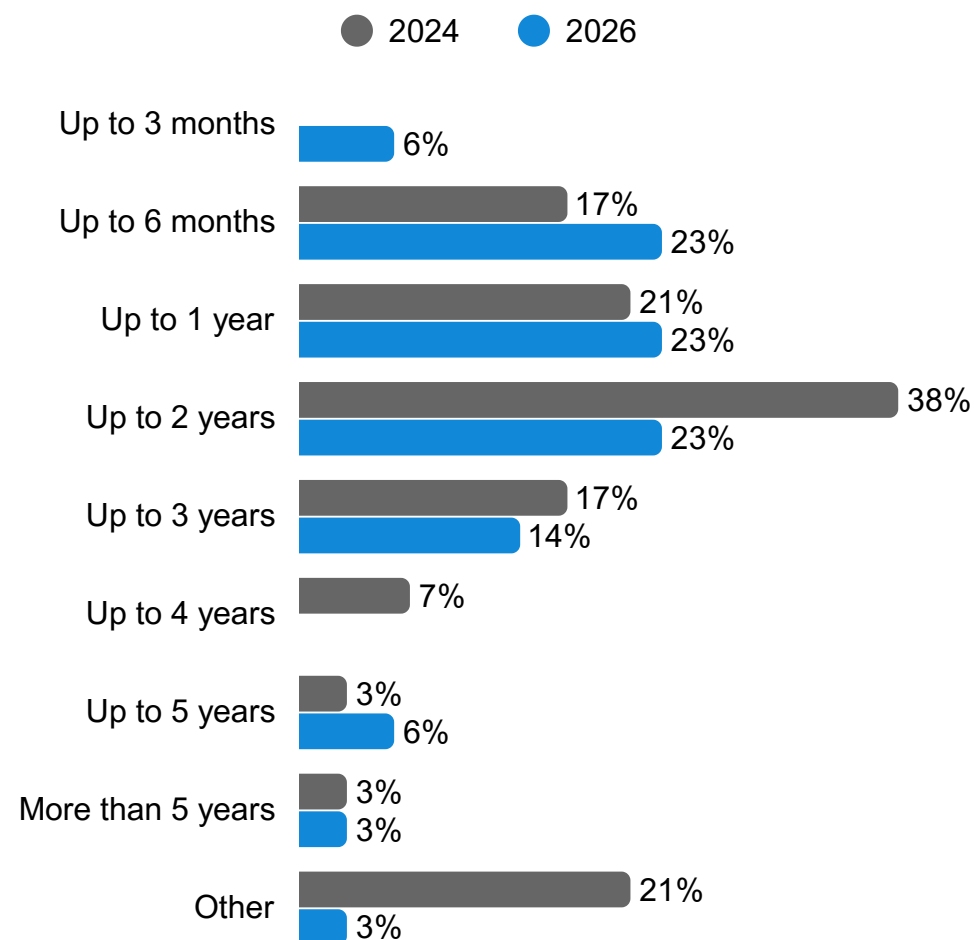
Nearly **one third (29%)** of local voluntary sector infrastructure organisations in London are currently operating with six months or less of core funding - a proportion that has nearly doubled since 2024.

At the same time, fewer organisations now have core funding secured beyond one year. While the data does not tell us whether these organisations are coming to the end of previous longer-term funding cycles, it is clear that these options are no longer available, leaving most LIOs facing a short-term funding future.

A small number of infrastructure organisations are an exception to this, with three organisations reporting current core funding for five years or more. Later in this report we explore this long-term stability and the difference it has made to both funders and LIOs.

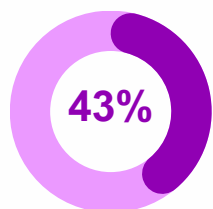
The proportion of organisations experiencing reduced or eroded core funding remains high. Almost **one quarter (23%)** reported that their core funding was lower than before, while **over half (60%)** said funding levels were unchanged but worth less in real terms due to inflation. Only one organisation reported an increase in core funding compared to previous years.

For how long is the current core funding for your infrastructure support organisation secured?



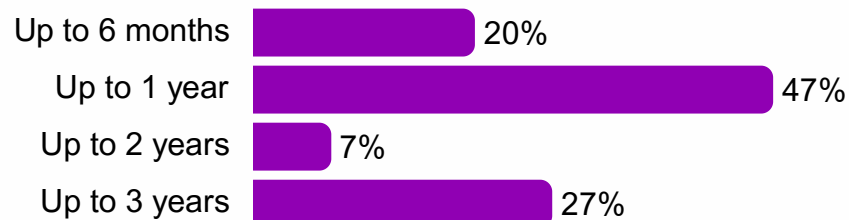
Future core funding outlook for London's infrastructure

Between December 2025 and March 2026



of London's local voluntary sector infrastructure organisations were waiting for a decision from a funder about core funding for the next financial year (2026/27).

Of those awaiting a decision, **67%** were applying for funding for up to one year only, including **20%** seeking funding for six months or less.



No organisations were applying for funding for more than three years, a likely reflection of what is available rather than what organisations actually need.

This picture of short-term precarity sits in tension with a broader shift in funder behaviour. While sector data shows that almost one quarter (23%) of London-based funders now award grants of five years or more, and 20% issue four-year grants (a notable increase from 2023)⁶, this is not reaching London's infrastructure organisations.

When the majority are applying for one year or less, it points to a deeper systemic expectation shaped by the wider funding culture that infrastructure organisations must navigate. Until longer-term funding becomes the norm across all parts of that system, organisations will continue to plan short, even when their needs are long.

Confidence levels have improved slightly since 2024, with **almost half (47%)** of organisations expressing some degree of confidence in securing funding for 2026/27. However, **one third (33%)** remained uncertain about their prospects, a reminder that for many organisations, the outlook remains far from secure.

How widespread is the risk?

Funding insecurity among local voluntary sector infrastructure organisations creates a wide range of risks for both the organisations themselves and the wider voluntary, community and faith sector (VCFS), creating the conditions under which cold spots can emerge. The term “**cold spots**” describes places where local voluntary sector infrastructure is:



Absent: Where there is no local infrastructure or equivalent support in place.



Chronically underfunded: Where funding for local infrastructure has been persistently low and insufficient to meet local needs.



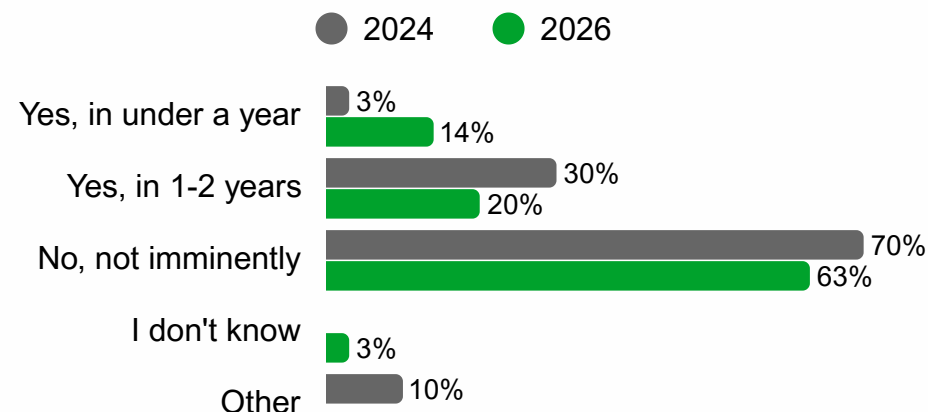
Repeatedly at risk: Where local infrastructure organisations face ongoing threats of closure, funding cuts, or the loss of core funding.

Stable operating conditions are now the exception, as funding insecurity has become widespread and entrenched across London. Of the 35 local voluntary sector infrastructure organisations that responded to the survey, **over two-thirds (69%)** reported chronic underfunding, and the **same proportion (69%)** said they are repeatedly at risk.

While **71%** of organisations reported that absent infrastructure is not currently an issue in their local area, the prevalence of chronic underfunding and repeated risk points to a growing likelihood that this could change.

Over one third (34%) reported being at risk of closure within the next two years if no further funding is committed. This risk is further compounded by shrinking funding pots, shifting funder priorities, and rising expectations to respond to an increasingly complex social environment - factors that are accelerating the erosion of existing infrastructure and increasing the likelihood of gaps emerging across London.

Is your organisation at imminent risk of closure if no further funds are committed?



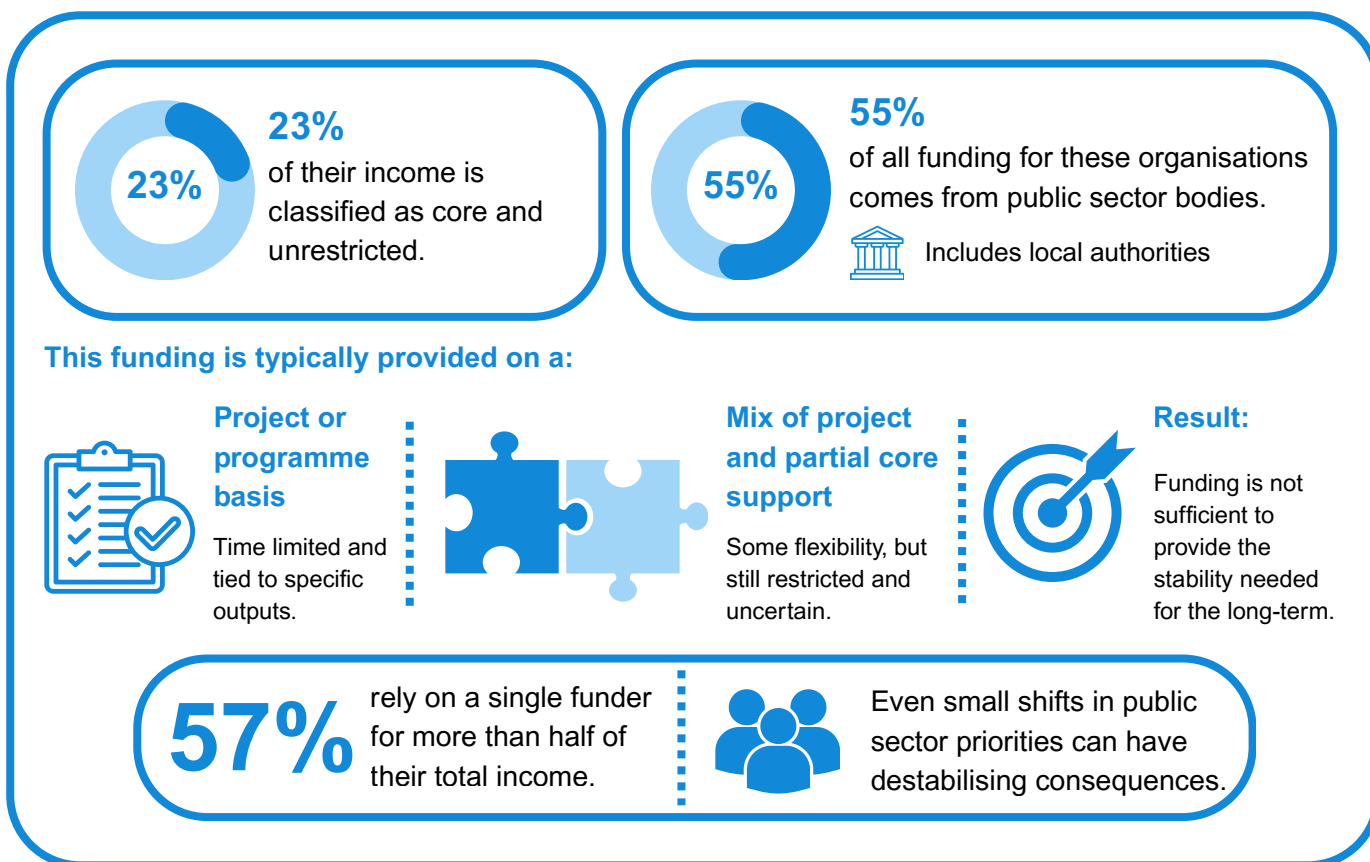
What are the drivers of funding insecurity?

Support from the public sector is shifting

Local government has historically played a central role in supporting local voluntary sector infrastructure. However, unprecedented pressures on local government finances, driven by more than a decade of underfunding, escalating demand for statutory services, and rising operational costs, have placed local authorities under strain. As councils are forced to prioritise statutory responsibilities, funding for the voluntary, community, and faith sector (VCFS) has increasingly been reduced or withdrawn.

For London's local voluntary sector infrastructure, the impact of this strain is felt acutely. Respondents reported that reductions and cuts to long-term core funding from local authorities have resulted in a growing reliance on short-term, project-based funding arrangements.

Analysis of funding sources for **London's independent Volunteer Centres** in 2024/25 illustrates the scale of this challenge:



What are the drivers of funding insecurity?

One respondent described how reduced support from their local authority has left them experiencing unstable operating conditions:

“Our local authority provides funding but has massively underspent against the amounts it pledged for the voluntary and community sector. This is against an environment where organisations are struggling for survival and closing down. They ceased to fund infrastructure services in 2023 - only funding specific projects, rather than core costs.”

Local Infrastructure Organisation in Inner London

Across London’s voluntary sector infrastructure more broadly, significant inconsistencies between boroughs in terms of funding policies and commitment to infrastructure support were reported. This increases the likelihood of uneven provision and localised service gaps.

One organisation in outer London reported that their local authority:

“...refuses to fund infrastructure style support, they haven’t funded infrastructure support since 2014. Unless you are providing a statutory service you will not receive any support from the council.”

Exacerbating an already challenging operating environment are delays and uncertainty around local authority funding decisions. Several organisations described situations where confirmation of funding arrived extremely late, sometimes after the start of the new financial year and after previous funding agreements had ended.

What are the drivers of funding insecurity?

One organisation in inner London echoed these findings, explaining that while their local authority was now committed to longer-term funding, in the past they:

“...would not let us know until very late if funding had been secured, sometimes AFTER the start of the financial year and AFTER the previous funding had ended”.

Another organisation in outer London reported:

“If we were fully staffed, our main contracts would be running at a £20K deficit. We asked for an uplift in the new contract but have been kept hanging till the last minute to find out the value.”

Others described being kept on rolling short-term contracts, aware that funding could be withdrawn at any moment, making longer-term planning virtually impossible and increasing financial, operational, and workforce risks.

Some respondents also felt that their local authority lacked a clear understanding of the role and core functions of local voluntary sector infrastructure organisations, which further weakens the case for sustained core investment and reinforces an unproductive funding environment.

Changes to national and regional NHS priorities are also having a significant impact on local voluntary sector infrastructure organisations, particularly those supporting health-related activity across the VCFS.

Many infrastructure organisations play a vital role in enabling VCFS organisations to engage with health systems (such as through the work of VCSE Alliances), access funding, and deliver preventative and population health focused support. However, some respondents reported that securing NHS funding for this work has become increasingly uncertain and competitive. Evidence of these funding challenges can be seen in the closure of one of London’s five VCSE Alliances in September 2025 after NHS funding was withdrawn.

What are the drivers of funding insecurity?

“There is always a huge stress in continuing to secure our NHS funding each year, and this starts around September the previous year. This was the same this year, and we expect this to be even worse in the year ahead.”

Local Infrastructure Organisation in Inner London

“With the changes in health and ICB restructures too, lots of contracts are paused. All our income streams are falling off a cliff.”

Local Infrastructure Organisation in Inner London

Respondents also highlighted that the impacts of NHS funding pressures extend beyond infrastructure organisations themselves and into the wider VCFS, narrowing opportunities for smaller grant programmes and community-level funding streams.

“With the NHS now stopping their small grant programmes due to their own crisis, there is less and less funding available for small groups.”

Local Infrastructure Organisation in Outer London

Taken together, changing funding practices alongside pressures on public sector finances appear to be contributing to a shrinking pool of public sector support for London’s local voluntary sector infrastructure.

Case studies: What does good look like?

Against this challenging backdrop, there are encouraging examples of public sector bodies taking a different approach. Where multi-year funding commitments have been made, the difference is striking. Local Infrastructure Organisations (LIOs) have the stability to plan, invest in their workforce, and focus on delivering impact, whilst public sector agencies gain a strategic partner.

These examples of good practice offer an insight into what a more sustainable and productive relationship between public sector funders and local voluntary sector infrastructure could look like across London.

Haringey Community Collaborative

Case study provided by Haringey Community Collaborative

Much of the success of The Collaborative comes down to the trust we've built with communities over time. We've been able to properly understand the ambitions and challenges of local VCS organisations and networks, and support them to build capacity.

Long-term funding has helped us to plan ahead more effectively. For example, it's allowed us to invest in digital platforms to help the sector to build partnerships and share knowledge, and it's given us the stability to work with our statutory colleagues and charity delivery partners to ensure VCS representation and involvement in Haringey's upcoming year as London Borough of Culture in 2027. Most importantly, our long-term funding has enabled us to improve and repeat our VCS Challenge Fund grant-making model - now in its fourth round - which receives more applications each round, and we're seeing stronger and more diverse proposals that address local need.

Public Voice CEO, Dan Rogers, and Mind In Haringey CEO, Lynette Charles, co-lead organisations for the Haringey Community Collaborative, add:

"Co-production takes time, and is founded on relationships – with grassroots organisations, with residents, with commissioners and partners. Our longer term funding has allowed us to develop our model and our sector priorities, intentionally and deliberately, with others. The result is funding, capacity building and influencing that is shaped by our communities, and focused on the areas of greatest need and impact."

Case studies: What does good look like?

Volunteer Centre Camden

Case study provided by Dominic Pinkney, CEO, at Volunteer Centre Camden

Camden Council's approach to commissioning and working with infrastructure organisations (& wider VCS) is extremely helpful and demonstrates they clearly have an understanding of the challenges we face. Longer term funding, such as their 7 year grants, enable us to focus fully on our work supporting the sector and working with residents.

Shorter term core funding and the regular cliff-edge scenario this brings is extremely damaging to charities, and inevitably leads them to be less productive as they could be due to challenges of recruiting and retaining good staff and leadership having to spend lots of time on worst case scenarios rather than the future, collaborations and business development.

Camden Council also adopt the Institute of Voluntary Action Research (IVAR) principles of recognising the time and expertise voluntary sector organisations bring. For example, they compensated infrastructure organisations time in helping to design with the Council a new fund for the sector. This recognised that our core funding does not cover this type of work whereas many local authorities may assume that as they are funded by the Council they carry out this work for free.

Camden Council also work with infrastructure organisations in a truly partnership way rather than a funder who is checking to see if outcomes and activities are being delivered. We have regular meetings to discuss challenges of the sector and how we can work together to address these. This is a very productive way of working and how I believe all Councils should work.

Case studies: What does good look like?

Voluntary Action Camden

Case study provided by Voluntary Action Camden

Voluntary Action Camden (VAC) has been a part of Camden Council's 7-year Infrastructure Fund from 2024, although Camden Council has been a supporter of VAC for multiple decades. This Fund provides the backbone of our core costs and gives us continuing long-term support to lift the whole Voluntary, Community and Faith Sector (VCFS) in Camden; helping groups start well, grow their skills, build resilience and work together. Without this critical support, VAC would find it difficult to maintain its full range of support as the Local Infrastructure Organisation.

The longer-term funding gives us the flexibility to manage our Cash Flow more efficiently, have the security of regular Income and allow us to expand our services and develop our staff.

All of this increases our impact. We're very thankful to Camden Council for the long-standing and current support they provide to VAC and its voluntary sector partners.

"Camden Council invests in local infrastructure organisations because we recognise that specialist infrastructure support is fundamental to a healthy, thriving and independent voluntary and community sector. Our long-term commitment reflects our belief that sustainable support - guided by the IVAR principles of ethical grant-making - is essential to enabling the VCS to flourish."

**Community Partnerships Team, London
Borough of Camden**

What are the drivers of funding insecurity?

A changing landscape for trusts and foundations

Few trusts and foundations provide funding specifically for infrastructure. Research by 360Giving highlights that infrastructure organisations have very few funders they are even eligible to approach, limiting their ability to diversify income and leaving them highly vulnerable to changes in funder priorities.⁷

City Bridge Foundation's Anchor Programme offers one example of what sustained investment can look like, having already awarded almost £14 million to infrastructure organisations working to make London a fairer place and drive systems change.⁸

City Bridge Foundation Chairman, Giles Shilson, described the fund's impact so far:

*"It reduces the need for constant fundraising, means charities can address the causes rather than just the symptoms of inequality, and allows more capacity for long-term projects which can deliver truly meaningful results."*⁹



However, a number of key charitable funders who have historically been strong supporters of local infrastructure have recently shifted towards more theme or issue-specific strategies. Taken individually, the importance of these focus areas is not in question, but collectively these changes risk significantly narrowing the funding ecosystem for infrastructure across London.

This is particularly concerning because infrastructure organisations are not separate from these thematic priorities, and through their functions they actively enable their delivery. Their value lies in a universal offer that strengthens the whole sector, rather than any single issue within it.

What are the drivers of funding insecurity?

Visibility in a competitive funding environment

Compounding the pressures caused by reduced and unstable funding is a growing level of competition for the funding that remains. As resources become more limited, more organisations are competing for fewer opportunities, with shorter funding cycles, lower success rates, and increasing uncertainty about long-term sustainability. Over time, this creates a real risk that infrastructure organisations are pushed out of the funding landscape altogether, increasing the likelihood of cold spots where local support is weakened or no longer exists.

One organisation in inner London described how this shift is already becoming a reality:

“Competition for funding has increased significantly, with lower success rates for grants and contracts due to high demand and wider local authority budget cuts, creating uncertainty for organisational sustainability.”

As success rates fall, organisations are having to spend more time seeking and applying for funding, often with little or no return. This diverts already stretched capacity away from supporting the wider sector and maintaining services. At the same time, infrastructure organisations are no longer just competing within their own space. Many are now competing directly with frontline organisations for the same limited funding.

“We have to compete with non infrastructure charities for any funding.”

Local Infrastructure Organisation in Inner London

What are the drivers of funding insecurity?

Yet, competing with frontline organisations points to a deeper challenge in how infrastructure is more widely understood and valued. While frontline organisations can often demonstrate tangible outcomes, infrastructure work is different. It focuses on enabling others, strengthening systems, and building long-term resilience. Its impact is often spread across many organisations and over time, making it harder to capture within traditional frameworks. This challenge is sometimes heightened by how infrastructure organisations talk about their own work.

As one organisation in outer London reflected:

“Our communications have always focused on benefit to beneficiaries and we have historically deprioritised demonstrating our own value, resulting in limited awareness beyond our own organisation of our work.”

However, even where organisations can clearly demonstrate their impact, this does not always translate into sustained funding.

Several respondents described a persistent disconnect between the value they deliver and the funding they are able to secure. The meaningful measurement of long-term outcomes requires stability and continuity that is difficult to build when organisations are operating on short-term contracts and managing constant funding uncertainty.

“It feels like we face a constant uphill struggle to secure short and medium funding, let alone long term support...It feels like volunteering infrastructure is only ever valued once it's lost.”

Local Infrastructure Organisation in Inner London

The result is a fundamental mismatch between funding models that prioritise short-term measurable outputs and direct service delivery above work that is inherently long-term and system-wide. Infrastructure organisations find themselves consistently undervalued in practice, and in an increasingly competitive funding environment, risk being pushed to the margins weakening the systems that the wider sector depends on.

What are the consequences of funding insecurity?

Doing more with less

When core funding is cut or withdrawn, infrastructure organisations are forced to reduce or restrict their services, leaving the voluntary, community, and faith sector (VCFS) with less consistent and less reliable support, and reducing capacity for the strategic and leadership functions of infrastructure. For the voluntary sector infrastructure organisations that continue to operate, pressure increases significantly as they work to meet demand from a growing number of VCFS organisations, often stretching beyond their intended remit or capacity. As a result, both infrastructure organisations and the VCFS they support become more exposed and vulnerable, particularly when essential support is reduced or no longer available.

These pressures are intensified by rising expectations on infrastructure organisations to respond to complex and growing needs. Respondents highlighted an increasing demand for their support in areas such as health inequalities and preventative approaches, refugee and migrant integration, social cohesion, and community resilience and emergency preparedness. While awareness of these issues has grown, and expectations on infrastructure to lead, coordinate, or enable responses have increased, this has not been matched by sustained, long-term investment.

“Often we are expected to participate and give our time and energy, but without core funding.”

Local Infrastructure Organisation in Inner London



What are the consequences of funding insecurity?

A recent example of London's local infrastructure organisations being expected to do more with less includes the Home Office proposed immigration reforms, which included volunteering as a potential contribution to earned settlement, giving migrants who volunteer faster access to settled status.

The London Volunteer Centre Network responded to the consultation, highlighting a number of concerns – including that implementing this change would require additional resources. Significant work and investment would be needed to manage and develop quality volunteering opportunities, to check and onboard volunteers, to support and supervise them, and to monitor and evaluate impact. The volunteering sector has real concerns about this additional workload and costs without additional resources for the organisations and infrastructure required to support volunteering. They highlight that this is coming at a time when the sector is already struggling for capacity, and resources are scarce.

It is clear that infrastructure organisations are repeatedly expected to do more with less, often on funding that is unsupportive of full cost recovery. In a context of rising social need across London, the lack of corresponding long-term investment risks reinforcing cold spots of provision and weakening the sector's collective ability to respond effectively to current and future challenges.



What are the consequences of funding insecurity?

A workforce at breaking point

The consequences of chronic underfunding and repeated risk are already being felt across London. One of the most immediate and visible impacts is on staff working within local voluntary sector infrastructure organisations, who are operating in an increasingly precarious and pressurised environment.

Low staff morale was repeatedly identified by respondents as a significant and persistent challenge. Ongoing funding uncertainty, repeated short-term extensions, and the constant need to secure new income undermine staff confidence and make it difficult to sustain motivation or feel optimistic about the future.

"It is so hard to keep a team motivated in this environment and for good people to stay."

Local Infrastructure Organisation in Inner London

Several organisations also described the toll this environment is taking on staff wellbeing. Funding instability is leading to longer working hours and staff taking on multiple roles to keep essential services running. Over time, this has created serious concerns about burnout and the potential for lasting impacts on staff mental health.

"Our key challenges are all around the ending of funding agreements with few options to extend or secure alternative funders, despite the work being impactful. [This] creates mental health issues as our team works longer hours and takes stress home with them because they are running programmes alone, covering multiple roles, or don't have as much management time to support them. Burnout is a significant risk, and people who burn out are not just a loss to our team, but can expect to experience long-term (sometimes life-long) health consequences."

Local Infrastructure Organisation in Inner London

What are the consequences of funding insecurity?

Unfortunately, in some organisations, funding pressures have translated into direct threats to jobs. Respondents reported having to plan for redundancies and restructuring in order to address funding shortfalls, further destabilising organisations already under strain.

"...at the beginning of the year, with such a huge deficit, we had to make our Communications Officer redundant".

Local Infrastructure Organisation in Inner London

"Challenge of finding funders that will fund a CVS, several failed funding applications and planning for staff restructure should funding position not change."

Local Infrastructure Organisation in Inner London

Risks to paid roles are occurring against a backdrop of intense, sector-wide pressures. Rising inflation, increased employer National Insurance contributions, and higher operating costs, including increases in the National Living Wage, have reduced organisations' ability to offer competitive pay or provide longer-term job security.

"Competition with statutory sector pay scales, alongside limited funding uplifts, made it increasingly challenging to recruit and retain experienced staff. This created workforce instability risks at a time when demand for specialist support - particularly in health equity, refugee integration, and infrastructure development - was increasing."

Local Infrastructure Organisation in Outer London

What are the consequences of funding insecurity?

Changing models of local infrastructure

With increasing risks of cold spots emerging across London, there are growing signs that models of local voluntary sector infrastructure themselves are beginning to shift. Research by 360Giving suggests that since 2006, the number of voluntary sector infrastructure bodies has declined nationally, with the most significant reductions being among local infrastructure organisations.⁷ While there have been some new organisations registered over this period, this has not offset the overall decline. This trend is particularly concerning given that it coincides with continued growth in the number of VCFS organisations, resulting in a widening gap between need and available infrastructure support.⁷

This changing landscape is also characterised by structural changes in how infrastructure is organised and delivered, often driven by financial pressure rather than strategic redesign. Additionally, limited funding can force LIOs to compete with frontline organisations for service contracts or to charge beneficiaries, both of which can undermine trust and put smaller VCFS groups at a disadvantage.³

Evidence from London reflects these wider trends. In our first report of this series, [The State of London's Voluntary Sector Infrastructure](#), we highlighted how one well-established organisation, Wandsworth Care Alliance, is currently undergoing redesign following a disrupted commissioning process. A contract for infrastructure services was put out to tender and subsequently withdrawn after bids had been submitted. The incumbent organisation was then told its funding would end, followed by a series of short-term extensions, renewed at three-month intervals over the course of a year. It is unclear what the future model of infrastructure support in the borough will look like, how it will be resourced, or what this prolonged uncertainty will mean for the local VCFS it is intended to serve.

What are the consequences of funding insecurity?

More recently, capacity-building support delivered by CVS Brent came to an end in May 2026, with the organisation expected to cease operations later this year. The local authority has indicated a commitment to supporting the sector and developing a new model for Brent, and this is a welcome signal, however at the time of writing the details and timeline of this are not yet known.

The experience of other areas has shown that when established infrastructure changes or ceases, the services it provides do not automatically transfer elsewhere, and that rebuilding relationships after a gap is challenging. In addition, whilst there are no arrangements in place, the sector will be left without support and strategic leadership.

"I am definitely concerned about the vacuum created by CVS Brent not supporting the sector locally through traditional capacity building, training and networking opportunities and events. Other organisations do exist locally that do some of this but not at the same scale or with the broad scope to work across all VCSE partners."

Liam Clipsham, Development Executive, CVS Brent



Why this matters

Taken together, these findings point to a system under significant and growing strain - a “perfect storm” that has intensified in recent years. The combined impact of COVID-19, the cost of living crisis, and a decade of funding pressure has increased demand for support while weakening the infrastructure that enables it.

Local voluntary sector infrastructure organisations now face a three-fold challenge: shrinking funding pots, shifting funder priorities, and rising expectations to respond to a more complex and demanding social environment. At the same time, wider pressures including rising inequality, social division, and community tensions are making their role more critical and more difficult.

The result is a system becoming increasingly fragile. As infrastructure organisations are stretched thinner, their ability to support the wider voluntary, community and faith sector is weakened.

This has direct consequences. Without strong local infrastructure, charities and community groups lose access to the support they need to operate effectively. Over time, this can lead to widening gaps in local provision, creating cold spots in neighbourhood-level support. In this context, investment in infrastructure is essential to sustaining a functioning and resilient sector, and ensuring communities across London remain cohesive.



Recommendations

There is a growing body of evidence demonstrating that infrastructure organisations are most effective when they are adequately resourced, with stable and sustained funding enabling them to deliver strategic, long-term support to the wider sector.¹⁰ Despite this, current funding approaches often undermine their stability and limit their ability to operate effectively.

The following recommendations are aimed at funders of London's local infrastructure organisations and policymakers. They are intended to strengthen the resilience of Local Infrastructure Organisations in an increasingly challenging operating environment.

1. Shift from short-term, project-based funding to multi-year core investment

At the time of data collection, nearly one third of local voluntary sector infrastructure organisations in London were operating with six months or less of core funding - a proportion that has nearly doubled since 2024, and fewer organisations reported having core funding secured beyond one year. Over one third (34%) also face closure within the next two years if no further funding is committed.

This instability reflects a wider shift away from core investment towards project-based funding models, driven by growing pressures on public sector budgets and shifting strategies among a number of charitable Trusts and Foundations. While there are signs that funding trends are beginning to shift,⁶ this has yet to translate into stability for London's local infrastructure organisations, and for many, time is running out.

Funders should provide multi-year core funding and reduce reliance on short-term, project-based models. Infrastructure support functions are continuous and system-wide, therefore a shift to stable core investment is essential to enable long-term planning and sustained impact.

Recommendations

2. Provide earlier and clearer funding decisions

At the time of data collection, 43% of organisations were still awaiting funding decisions for 2026/27, with many experiencing delays beyond the start of the financial year and after previous funding agreements had ended.

Late decisions are a major source of uncertainty, placing significant strain on staff and services. They also heighten financial risk, forcing organisations to operate without clarity on income or to make precautionary decisions such as pausing recruitment or planning redundancies.

Funders should confirm decisions before the end of the current contract term, giving organisations sufficient time to plan effectively and maintain service continuity. Greater transparency and communication throughout the decision-making process would further support this and avoid unnecessary disruption. The [Institute for Voluntary Action Research \(IVAR\) Open and Trusting Grant-Making Principles](#) offer a positive and mutually respectful framework for supporting funding decisions.

3. Act early to prevent cold spots

While most areas across London still retain some level of infrastructure support, 69% of organisations report being repeatedly at risk. Without early intervention, destabilising forces, including funding insecurity, leadership pressures, and competition from others, can trigger a negative spiral that is difficult and costly to reverse.⁴ Funders and commissioners need the courage to act before collapse, not after it.

Funders should identify areas at greatest risk and intervene early to prevent closures and service gaps. Preventative action is more effective, and less costly, than rebuilding infrastructure once it has collapsed. Learning from areas that have experienced both the loss and re-establishment of infrastructure should be systematically captured to inform future funding and commissioning approaches.

Recommendations

4. Funding for local infrastructure needs to keep pace with inflation

Core funding for London's local infrastructure organisations appears to be failing in keeping pace with rising costs. Sixty percent of organisations report that their funding has been eroded by inflation, with a further 23% experiencing reductions, leading to a steady decline in capacity to deliver support.

Increasing costs, including staffing, employer contributions, and general inflation, are further limiting organisations' ability to sustain services, invest in their workforce, and respond to demand. Over time, this is leading to a gradual erosion of infrastructure capacity, with consequences for the wider VCFS that relies on this support.

Funders should ensure that funding reflects current economic conditions and supports full cost recovery, preventing further erosion over time.



Recommendations

5. Recognise local infrastructure organisations as essential strategic partners and align expectations with investment

Funders should recognise Local Infrastructure Organisations (LIOs) as essential strategic system partners and treat them as such. This means understanding and valuing the full range of what LIOs do, not only the functions that are easiest to see.

For example, the long-term strategic approach taken in Camden stems from the local authority's commitment to being a purpose-led, mission-oriented organisation, and a recognition that its ambitions for the borough require deep partnerships across sectors, drawing on the insight, creativity, and ambition of local communities.

While the national focus on "missions" may have faded, the pressing and complex challenges facing London still demand strategic, sustainable support from across sectors and communities. Whatever terms are used to describe this, LIOs are ideally placed to make it happen - bringing trusted relationships and deep local knowledge.

New or expanded expectations must be matched with appropriate funding that supports full cost recovery. The Cornerstone Fund illustrates what this can look like in practice. By investing in civil society support organisations, it funds systems change projects that seek to shift the underlying conditions and dynamics that drive poor outcomes for communities. This is what demand-led investment in infrastructure can achieve. Without it, infrastructure will not be able to play their role in tackling the complex systemic challenges London faces.

Recommendations

6. Develop a coordinated London-wide approach to infrastructure funding

Funders should work together to develop a strategic, coordinated approach to infrastructure funding across London, ensuring all areas of the city have access to provision, reducing fragmentation across the system. This should reflect the long-term, system-wide nature of infrastructure support, rather than short-term or piecemeal investment. A co-design approach, developed with Local Infrastructure Organisations (LIOs) and their funding and strategic partners, would help create solutions that work for everyone involved.

We have already seen what can be achieved through the innovative collaboration of funders and civil society. An example of this in practice is the Collaboration Circle, a subsidiary company of London Funders, which brings together funders and civil society partners to re-think traditional grant-making and design a more equitable way to pool money and expertise.¹¹ Currently, the Collaboration Circle host and manage Propel Long-Term Grants, a seven-year funding programme designed to support organisations leading long-term systems change in London.¹¹

Bringing together funders whose work tackles complex challenges and depends on a strong local VCFS would create more sustainable, long-term support for LIOs, while also building the strategic partnerships that make that work possible.

LIOs should also be specifically recognised as a key strategic partner in documents and practice coming from the Civil Society Covenant. The opportunity to reshape local arrangements should embrace the need to build a strong foundation for local VCFS ecosystems, and build the capacity for strategic leadership and advocacy within the sector.

While strategic differences between funders are inevitable, and for local authorities, differences in political priorities will always exist, these should not prevent the adoption of shared commissioning standards and good practice. A more accountable and transparent funding environment, where funders learn from each other and from what works, is required to ensure voluntary sector infrastructure is consistently and adequately resourced across the capital.

Conclusion

The evidence is clear: funding insecurity is no longer an isolated challenge but a systemic issue affecting the sustainability of London's voluntary sector infrastructure. Without action, it will continue to destabilise them, weaken the wider VCFS, and increase the risk of gaps in support for London's communities.

At a time when demand is rising and social challenges are becoming more complex, stable and sustained investment in infrastructure is essential to maintaining a resilient, connected, and effective voluntary sector across London.

Read the series: [A System at Risk: London's Voluntary Sector Infrastructure](#)

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