

The Systemic Funding Crisis Facing London's Voluntary Sector Infrastructure

At a time of rising demand and increasingly complex and chronic social challenges, investment in infrastructure is critical to sustaining a resilient, connected, and effective voluntary, community, and faith sector (VCFS) across London.

New data on the funding landscape for London's Local Infrastructure Organisations (LIOs) finds that financial insecurity is no longer an isolated issue, but a structural one that threatens the stability of London's voluntary sector infrastructure. Where funders recognise the value of sustained and long-term investment, and where infrastructure organisations have been able to secure it, the benefits are clear and the difference is tangible.

Based on primary survey data from 35 LIOs across London, this report takes a focused look at the financial sustainability of these organisations, exploring whether they can continue to operate, and whether the system as a whole is equipped to sustain the vital role they play. A well-supported VCFS depends on well-supported infrastructure, and the evidence increasingly shows what that support needs to look like.

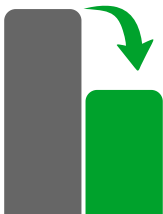
Key findings

29%

of LIOs in London are currently operating with six months or less of core funding.

This proportion has nearly doubled since 2024.

Fewer LIOs now have core funding secured beyond one year.



23%

reported that their core funding was lower than before.

60%

said funding levels were unchanged but worth less in real terms due to inflation.



43%

of organisations were waiting for a decision from a funder between December 2025 and March 2026 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.

Funding insecurity among local voluntary sector infrastructure organisations creates a wide range of risks for both the organisations themselves and the wider VCFS, creating the conditions under which cold spots can emerge.

69%

reported chronic underfunding.

69%

said they are repeatedly at risk.

34%

reported being at risk of closure within the next two years if no further funding is committed.

33%

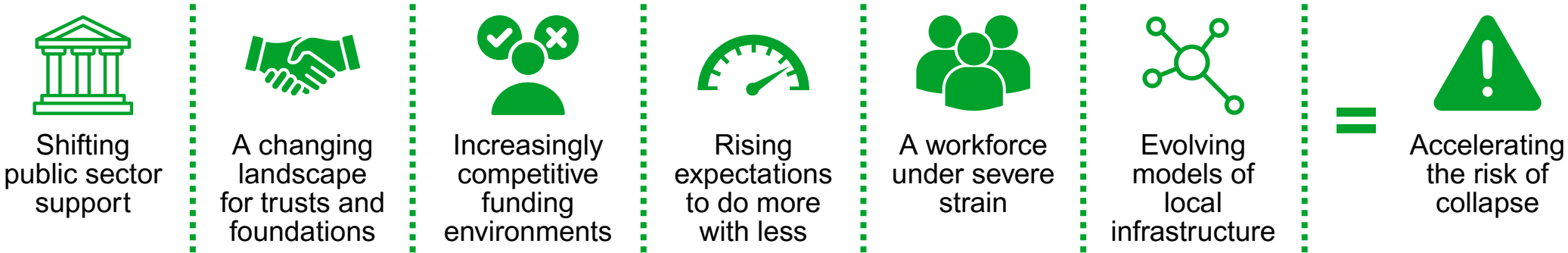
of LIOs still remained uncertain about their financial prospects for 2026/27. However confidence has improved slightly since 2024.

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Key findings

These pressures do not exist in isolation. Together, they compound an already fragile situation and collectively accelerate the risk of collapse for London’s local voluntary sector infrastructure.



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.

The result is a system becoming increasingly fragile. As infrastructure organisations are stretched thinner, their ability to support the wider VCFS is weakened. Over time, this can lead to widening gaps in local provision, creating cold spots in neighbourhood-level support.

What needs to change

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. 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
- 2 Provide earlier and clearer funding decisions
- 3 Act early to prevent cold spots
- 4 Funding for local infrastructure needs to keep pace with inflation
- 5 Recognise local infrastructure organisations as essential strategic partners and align expectations with investment
- 6 Develop a coordinated London wide approach to infrastructure funding

The evidence is clear: funding insecurity is no longer an isolated challenge but a structural 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.