

January 2019

A REVIEW OF  
THE VOLUNTARY  
SECTOR'S OPERATING  
ENVIRONMENT

# THE ROAD AHEAD

NCVO100

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# INTRODUCTION

**The Road Ahead is our annual analysis of the changing operating environment for NCVO members and anyone working in the voluntary sector. It identifies and explains forces and trends that are shaping the sector and are likely to have an impact on voluntary organisations in the future.**

As in previous years, this report was developed using a PEST analysis to highlight the key drivers shaping the sector in four areas: political, economic, social and technological. We used a wide range of information sources, from official statistics and research to the latest economic forecasts and futures analysis, as well as calling on the expertise of our colleagues at NCVO.

The report begins with a commentary from Elizabeth Chamberlain, NCVO's head of policy and public services. She reflects on the four areas as a whole, and how they might combine to shape the future of voluntary organisations and voluntary action.

All of the issues highlighted in The Road Ahead present opportunities and challenges for voluntary organisations. Trustees and managers can benefit from using the analysis to explore the implications of these issues for their organisations when planning for the short and medium term.

We have included some questions at the end of each section that may help you think about what these issues might mean for your organisation. However, they are only a starting point. There will be plenty of others more relevant to what your organisation does and the context in which it operates.

For help and guidance on strategic planning, there is a range of resources available on the NCVO Knowhow website, including guidance on how to do your own PEST analysis and tailor it to your needs:

<https://knowhow.ncvo.org.uk/organisation/strategy>

<https://knowhow.ncvo.org.uk/tools-resources/pest-analysis>

We can also offer in-house support with your strategic planning through our consultancy services. <https://www.ncvo.org.uk/practical-support/consultancy/strategy>

## **NCVO ANNUAL CONFERENCE 2019: LOOKING TO THE FUTURE**

On 1 April 2019 we will be holding our Annual Conference in London. This will be an opportunity to discuss the topics raised in The Road Ahead, to reflect upon current issues and to consider how we can collectively shape the future of the sector.

Find out more about the NCVO Annual Conference

[www.ncvo.org.uk/training-and-events/  
ncvo-annual-conference](http://www.ncvo.org.uk/training-and-events/ncvo-annual-conference)

# THE ROAD AHEAD

## WHAT NEXT FOR THE VOLUNTARY SECTOR?

**Each year the Road Ahead works with experts across NCVO to identify and analyse the emerging trends that we face, and what they mean for charities. As the pace of change accelerates, and as uncertainties deepen, this year's report highlights the growing importance of planning ahead and being prepared for any scenario, even those that may at first seem the most unlikely.**

The Road Ahead 2019 is published at a time of national political instability, with a number of decisions that will have constitutional implications due to take place. While many of us are holding our breath to see what happens next, leaders will not want to squander the space this offers. The urgency of facing up to systemic challenges has intensified over the past year amid proliferating signs of uncertainty, instability and fragility.

This year's report covers more challenges and opportunities than ever, while focusing as usual on four key areas: political, economic, social and technological.

Our analysis has of course focused on the trends that are likely to be most relevant to charities. The aim is to provide a practical analytical framework to measure and prepare for the changes ahead.

But we cannot ignore the changes in global politics over recent years, and the unexpected new dimensions they are creating for individuals and communities – and in turn for the charities that support them. One need only scan the covers of current affairs periodicals, foreign policy journals, and newspaper headlines to get a sense of the deep concern leaders, analysts, and commentators have for the future of the liberal international order, and for each nation's society – including our own.

The sooner charities reflect on these challenges and identify the opportunities ahead, the better prepared they will be to respond.

### Getting over the political impasse

For too long, British politics has been an ideas-free zone. Brexit has dominated the news cycle and taken up energy, bandwidth and space. Civil servants and decision makers have admitted that the business of government and the usual search for eye-catching policies has been paralysed by Brexit.

This situation will be ongoing as we start the year. There is still significant uncertainty as to the shape of Brexit, despite there being only a few months until our country is due to leave the EU. And once our departure is resolved, there will then be the even more important issue of building our future relationship with the EU.

Faced with the current state of politics, it would be understandable for charity leaders to throw their arms in the air and give up on policy change. But civil society has a history of responding to the greatest challenges. Looking back, there is not one occasion when charities and their volunteers haven't stepped up.

2019 will be the time for charities, campaigners and funders to refocus their energies on the bigger picture, demonstrating the role that our organisations have in society and the economy, and how much more we can do in building the future of our country.



## A gloomy economic outlook

The ongoing political disruption and difficulties in agreeing to a withdrawal deal will continue to create an uncertain economic environment, making it difficult to make accurate economic forecasts. One thing is unfortunately almost certain: the economic outlook is not optimistic, and our country compares unfavourably to our European counterparts.

The key message for charities is therefore to prepare for continued demand for their services and support, as the individuals and communities they serve will struggle to make ends meet.

This year is also likely to be when trends that we have gradually seen developing in past reports really show their effect. In particular, the demise of cash is something that should firmly be on the radar for charities, particularly those that fundraise.



## Charities taking the lead in addressing society's major challenges

The ageing population undoubtedly remains one of the biggest challenges of our time. With it there will continue to be many challenges and opportunities for charities – as employers, providers of services, and agents of social care.

The changing demographics of our population raise additional challenges for charities, not least engaging a younger generation of individuals who are more protective of their free time and more demanding about what they get back from giving it away.

Charities are also at the heart of local communities, cutting across class, race and gender divides. So much of their work is about building relationships and social connections, reaching even those who are harder to reach. As such, charities are a huge part of the solution to loneliness and social isolation, both of which are now high on the policy agenda. This is likely to mean that over the next year we will see increasing opportunities for charities, given their long-standing role in engaging people through a range of activities and services, and building trusted relationships.

## Increased scrutiny is here to stay

If there is one clear message that the past year has once again sent it is this: the public have high expectations of charities, and want to see a reflection of their values in everything they do. Meeting these expectations and demonstrably raising their standards will continue to be one of the most important steps for charities to take over the coming year. How charities go about making a difference will be just as important as what that difference is.

The narrative about 'charities living their values' is an important one, to be taken seriously and embraced by charities. Our values are what distinguish us and highlight the contribution we make, but they can also act as a reference guide when making difficult decisions or facing ethical dilemmas. The start of the year will see the publication of a set of 'charity ethical principles' developed by NCVO in partnership with a number of charities. These will provide a framework for all charities, and will support them in recognising and resolving ethical issues and conflicts.

**The public have high expectations of charities, and want to see a reflection of their values in everything they do**

## Charities as more than bystanders in the 'fourth industrial revolution'

2019 will continue to see the 'fourth industrial revolution' sweeping the world, with rapid advances in artificial intelligence, mobility and advanced manufacturing.

So far – aside from a few of the larger household-name charities that have started adopting more advanced technologies – our sector has played a limited role in this revolution, whether as a user of technologies, a shaper or an influencer.

This detachment could become increasingly problematic. As the pace of change in technology is accelerating, the technological divide risks becoming more difficult to bridge. Especially as the new technologies emerging in the world today are unprecedented in their scale, complexity and level of connectivity.

On the one hand, big opportunities are being missed out: digital fabrication, drones and robotics in development and humanitarian contexts; artificial intelligence (AI) for supporting collective intelligence to make better, quicker decisions; big data to understand the world in more depth, in real time; use of new online tools to engage people and raise funds.

On the other hand, there are also big threats: fake news, online bullying, unethical uses of AI, pervasive digital surveillance and massive job destruction not matched by job creation.

The Road Ahead summarises some of the current trends, and suggests how charities can build upon them not only to better respond to digital and emerging technologies, but also to help shape this unfolding revolution.

## What does all this mean for charities?

Some may have experienced a sense of déjà vu while reading so far. There appears to have been limited concrete progress made on many of the policy questions raised at the start of last year.

And there is still so much we do not know about the impact of Brexit, or our future relationship with the EU. But one thing is for sure: this year there will be some big changes to the regulatory and economic structures affecting charities and their work.

Despite the many challenges identified throughout this year's Road Ahead, and the phase of decided uncertainty that our country enters, the key message for charities is that they will be critical in holding the order together in the short term, and finding solutions to renewing and reforming it to ensure its survival in the long term.

**As the pace of change in technology is accelerating, the technological divide risks becoming more difficult to bridge**

# POLITICAL DRIVERS

## Brexit – possible scenarios

As we start the year, there remains significant uncertainty for charities as to the shape of Brexit, despite there being only a few months until the UK is due to leave the EU. The Article 50 period will expire on 29 March 2019, and unless a withdrawal agreement has been passed by this point, or Article 50 has been extended (or revoked), the UK will leave the EU without a transition period, and without a deal on the way in which we will leave.

## Deal...

If a deal is ultimately agreed and ratified by both sides, the most significant impact for charities is that we will enter a transition period at 23.00 on 29 March, meaning that practically speaking very little will change until at least the start of 2021.

The UK will however start negotiating on the future relationship with the EU, probably in the summer after elections take place. The UK would again face a deadline, though in this case if we failed to agree a deal in time, the arrangements in the withdrawal agreement, including the backstop would apply, and there is a provision to extend the transition period if necessary.

## ...or no deal

In the event that parliament fails to approve a withdrawal agreement, or for any other reason, a withdrawal agreement is not ratified prior to the Article 50 deadline, the UK will leave without a deal, and trade will be subject to World Trade Organisation (WTO) rules. This is expected to cause significant disruption to trade, with particular concern around limited capacity at the port of Dover.

Some charities may feel the direct impact of this. The import of medicines and other medical supplies is likely to, at least initially, become more challenging<sup>1</sup>, for example. We will also no longer be party to a number of agreements and institutions with the EU, potentially impacting areas such as research and funding.

The government has issued a number of technical notices setting out the arrangements that will be made in the event of no deal<sup>2</sup>, but there are still a number of uncertainties for charities to negotiate that may only become clear shortly before we leave the EU, or possibly even after. As such, charities should be making sure they have contingency plans in place in the event of no-deal.

It is expected that no-deal would also have immediate economic impacts, including the possibility of a recession. A recession could ultimately affect the public finances, and by extension funding for charities, but also increase demand for services.

## Attention deficit

While we don't know what the final arrangements will be, Brexit has already had a massive political impact and will continue to do so for some time.

From a practical point of view, charities will find it harder to make change happen on longer term issues that aren't impacted by Brexit. Parliamentary and government time and attention has been largely focused on Brexit since the referendum, and this will remain largely the case, no matter what is agreed.



Clearly any government will want to have an agenda beyond Brexit, but the practical realities of Brexit-related legislation and any continuing negotiations mean those opportunities will still be limited. This means in the short-term the most likely ideas to be adopted by the government are those that require no or limited parliamentary time, and little in the way of implementation by civil servants.

As we get closer to Brexit day and beyond however, it will be more important for charities to set out their vision for what post-Brexit Britain should look like. At the moment politicians are finding it difficult to think beyond the practicalities of Brexit, so the challenge for the voluntary sector will be to present a compelling vision for the future of the country.

### Increased polarisation

Brexit also looks set to be a major dividing line within political parties for years to come. The next Conservative leadership election will most likely be dominated by candidates' historic and future approaches to Brexit. It could be that after we leave, divides start to heal, but Brexit will inevitably inform policy choices for years to come, so it seems inevitable that it will colour political discussions too.

Brexit has also driven increased personal animosity within parties. Both Conservative<sup>3</sup> and Labour<sup>4</sup> MPs have been publicly rowing with each other in terms that would have been unthinkable a few years ago. Charities have always had to understand that parties are not homogenous in their views, but it's unusual (in recent years at least) to see those differences expressed so openly. One reason for this is probably the Brexit referendum putting party colleagues on very different sides of the debate, but it's also probably no accident that many of the most eye-opening exchanges have taken place on social media.

Charities can of course still forge coalitions on specific issues, but increasing polarisation will probably make it harder to do so as a matter of course. One of the things they might increasingly want to research more closely are which MPs are good at building coalitions, and which ones discourage broader support among colleagues.

### Party divides and potential splits

One other indirect consequence of the UK leaving the EU is that it may allow splits within the two main parties to be resolved. Tensions within the Labour party have been simmering for some time, and some MPs have now concluded they no longer see their future in Labour, however they have largely held off from leaving, partly as some have seen the need to resolve Brexit as their primary concern<sup>5</sup>.

Some are likely to split from Labour of their own volition, but others may have their hand forced as Labour's internal democracy reforms make it at least somewhat easier to challenge sitting MPs<sup>6</sup>. Charities seeking to engage with parliament may wonder where this group will go.

Despite a number of attempts to set up a new centrist party, no obvious vehicle yet exists, though LoveFilm founder Simon Franks's United for Change is at least well-funded, with the party reportedly having access to up to £50m<sup>7</sup>. However, Labour MPs have reportedly been put off by the party's lack of policy direction, as well as its founder's approach<sup>8</sup>, so this may not be the most attractive option for potential Labour defectors. It seems equally unlikely that Labour MPs will defect directly to the Liberal Democrats, though Lib Dem leader Vince Cable has suggested his party would seek to co-operate with any likeminded newcomers.

Conservative defections to any new centrist party are likely to be smaller in number, though divisions over Brexit have increased the likelihood of at least a minor split. If the next leader is from the wing of the party pushing for a 'harder' Brexit, some MPs have indicated they may leave the party<sup>9</sup>.





It's worth remembering however that the UK's electoral system makes it difficult for new parties to emerge. This raises the possibility that disillusioned MPs will simply drift out of politics altogether, and that the composition of existing parties will change, rather than the creation of a new party.

### Cultivating relationships

For charities, this means cultivating relationships across parties and being aware of new opportunities that may arise as political groupings develop. It has been difficult to predict the emergence of new political alliances and broader movements in recent years, and this will not change. Charities will need to keep a close eye on political developments as they seek continued influence on the policy agenda.

Crucially, with politics remaining uncertain and focused largely on Brexit, however the party dynamics change it will be difficult for charities to ensure their issues stay on the agenda. As always, building strong relationships with individual politicians locally, and nationally those who share a passion for your cause, will be important. Speculation about an early general election also means that parties may start thinking about potential policy agendas and manifesto commitments, so there could be increasing opportunities to engage in long-term policy development, particularly with opposition parties.

### Moving forward

- Has your organisation made contingency plans for potential Brexit outcomes?
- Have you thought about what changes you want to see after Brexit?
- How will you go about building consensus on your issues in an era of increasing political polarisation?
- Are you engaging with a broad range of politicians locally and nationally that will reflect potential new political movements?
- What would be in your manifesto if there was an election in the next few months?

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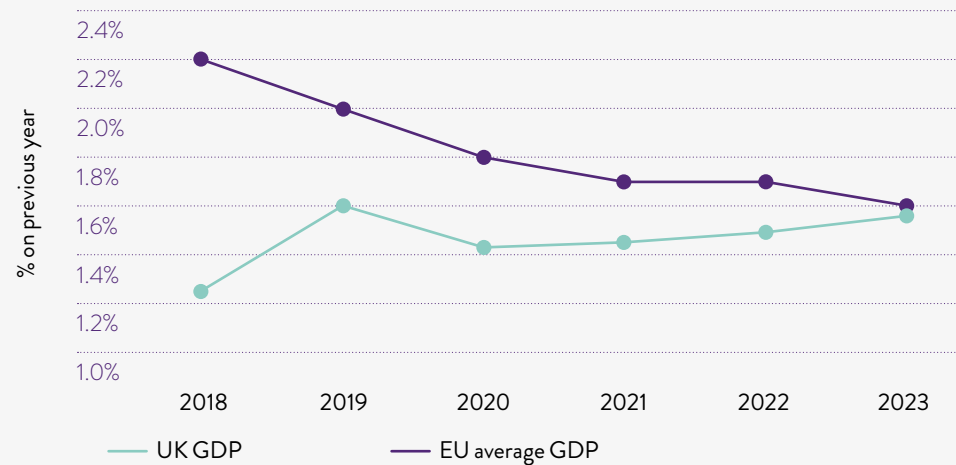
# ECONOMIC DRIVERS

## Limited growth for the foreseeable future

The 2016 vote to leave to European Union and the ongoing negotiations on a withdrawal deal continue to create an uncertain economic environment, which makes accurately forecasting the UK economy difficult. Nevertheless, it is clear that the economic outlook for the UK compares unfavourably relative to our European counterparts. The Office for Budgetary Responsibility (OBR) predicts the UK economy will grow by 1.6% in 2019<sup>10</sup> below the EU average of 2.0% forecast by the International Monetary Fund (IMF)<sup>11</sup>.

Buoyed by a robust eurozone economy, strong employment figures and higher than anticipated tax receipts, the UK's finances have marginally improved since last year's Road Ahead. However, a weak pound, high inflation, and lower business investment following the UK's decision to leave the European Union have continued to hit UK growth. The Institute of Fiscal Studies predicts that Brexit is likely to weigh on the economy for the foreseeable future<sup>12</sup>. Charities should therefore prepare for continued dependence on the support they provide as some beneficiaries struggle to make ends meet in a challenging economic environment.

UK and EU GDP growth forecast 2018-2023



Source: OBR (UK) and IMF (EU)

### An end to austerity?

Lower than expected borrowing has provided the government with more spending headroom than was expected this time last year. However, this has largely been swallowed up by the prime minister's promise to increase NHS spending by £20.5bn per year by 2023/24<sup>15</sup> and other expenditure commitments made in October's budget<sup>16</sup>. While pressure mounts on the government from across the political spectrum to turn on the spending taps after years of reduced public sector spending, budgetary cuts remain in the pipeline for most government departments<sup>17</sup>.

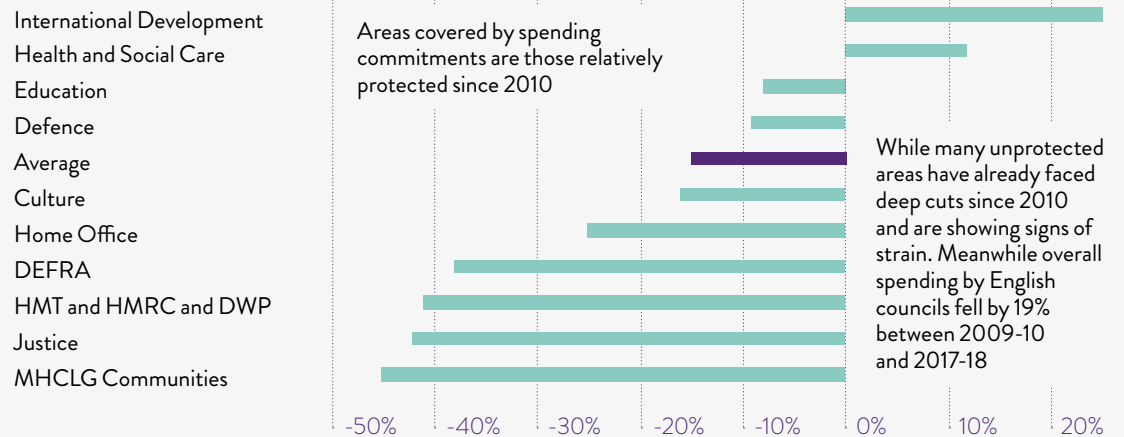
Income from local and central government forms around a third of the voluntary sector's total income<sup>18</sup>. The United Nations has highlighted how the poor, women, ethnic minorities, children, single parents, asylum seekers and people with disabilities have been disproportionately hit by the cost of austerity<sup>19</sup>. Charities supporting these communities should look to this year's spending review where departmental budgets will be revised and set for the next several years. The review, which could take place anywhere between March and November, will provide the best indication yet as to whether an end to austerity is in sight<sup>20</sup>.

**Public sector net borrowing since 1997-98**



Source: IFS<sup>13</sup>

**Real terms departmental budget changes, 2010-11 to 2019-20**



Source: IFS<sup>14</sup>

### The state of public services

Decisions about the long-term future of public services funding have been pushed into 2019 with the announcement of a government spending review, delaying difficult choices until after the UK has left the EU. Low economic growth and rising demand will mean financial pressures on key public services are unlikely to recede, particularly at the local level. The insolvency of Northamptonshire County Council and the fragile financial position of many other local authorities will continue to have repercussions, with councils facing a £8bn funding shortfall<sup>21</sup>.

Extra money for councils in the autumn budget was limited, one-off funding focused on alleviating winter pressures on social care, with any more substantive long-term settlement pushed back until the publication of the much-delayed social care green paper. Some councils and clinical commissioning groups may continue to seek consolidation or mergers to reduce their costs. In the past this has led to deterioration of networks and relationships with the voluntary sector due to staff changes and reduced capacity.

The collapse of Carillion has spurred a number of public service reforms that will begin to take effect in 2019, including better contracting and grants data transparency, a recommitment to the appropriate use of grants ('Grants 2.0'), and a renewed focus on social value approaches in central government procurement. Charities may wish to consider how best to demonstrate and communicate the social value of their work to make the most of the opportunity. Notably absent from government commitments is any extension of freedom of information laws to providers, making it unlikely to occur this year.

Alongside social care, 2019 will also see the further details of other major public services programmes emerge. The implementation of the £20.5bn NHS long term plan will move down to the local level over the first half of the year, which includes promising language around health inequalities and engagement with the voluntary sector. While much of the plan is theoretically prevention-focused, it is offset in part by a real-terms cut of £1bn from Public Health England's budget. The Ministry of Justice is also expected to consult on its probation review, which it is anticipated will focus heavily on ensuring market diversity and engagement with the voluntary sector.

## The collapse of Carillion has spurred a number of public service reforms that will begin to take effect in 2019



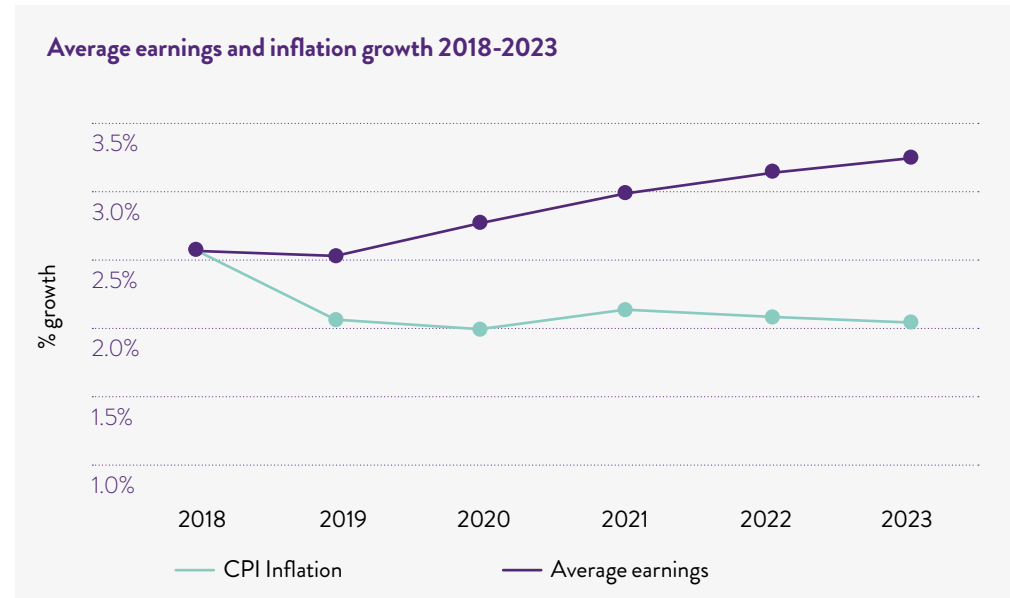
## Jobs, pay and household income

Despite record jobs growth, wage growth remains lacklustre by historical standards. After factoring in inflation, total pay grew by just 0.2 per cent in the three months to July 2018. Unemployment is at its lowest level since the winter of 1974, but the average pay packet is still £11 a week lower in real terms than before the financial crisis<sup>22</sup>.

The proportion of low paid jobs (less than two-thirds of hourly median pay, or £8.52 per hour) has fallen to its lowest level since 1997. However, around 4.7m jobs are paid less than this amount, with nearly half a million people living on less than the minimum wage<sup>23</sup>. The National Living Wage (NLW) seeks to address pay inequality, with last year's October's Budget confirming a further 4.9% increase to the NLW from April 2019. While this is good news for some workers, the increase will result in higher wage bills for some charities.

Beneficiaries that rely on benefits will continue to feel their disposable income squeezed over the coming year. The Resolution Foundation predicts that the ongoing benefits freeze – which includes tax credits, universal credit, child benefits and jobseeker's allowance – will leave low-income households more than £200 worse off in 2019, while single parents could be as much as £260 poorer<sup>24</sup>.

The OBR predicts that inflation will continue to drop to the Bank of England's 2.0% target in 2019. While this would normally be expected to reduce pressure on disposable household incomes, average earnings are also forecast to fall throughout the same period<sup>26</sup>. There is little chance that average real pay will return to its pre-crisis peak until the 2020s<sup>27</sup>.



Source: OBR<sup>25</sup>

Meanwhile there are concerns that some households are increasingly relying on credit to make ends meet. Office for National Statistics (ONS) research shows that UK households have seen their outgoings exceed income for the first time in nearly 30 years. In the build-up to the financial crisis – when 100% mortgages were available without a deposit – the country was not in the current situation whereby the average household is a net borrower<sup>28</sup>. If household debt continues to rise and interest rates increase, higher borrowing costs could further burden indebted households. Charities delivering services such as debt relief, housing support and foodbanks could consequently see demand for their services increase.



## Preparing for the future

Against a backdrop of limited growth and with an end to austerity looking unlikely over the short term, pressure on voluntary sector funding and support looks set to continue. Charities might therefore find it useful to consider any forthcoming changes and potential developments that could affect their finances over the coming years.

## Making Tax Digital

From April, charities registered for VAT will be required to submit their VAT Returns digitally using Making Tax Digital (MTD) compatible software. The move is part of a drive by government to reduce data reporting errors and will apply to charities with a VAT-able income over £85,000. HMRC has announced a 'soft landing period' for the first year of compliance, whereby charities will be subject to less stringent reporting requirements<sup>29</sup>. But there are still concerns that many organisations, particularly smaller, volunteer-led charities, are not fully prepared for the change, particularly from May 2020 when full compliance will be necessary. Awareness and early planning are therefore vital as MTD could present a challenge for charities that do not currently maintain digital records or have complex VAT structures<sup>30</sup>.

## Changes to the VAT registration threshold?

Currently organisations, including charities, with an annual turnover of less than £85,000 do not need to pay VAT. The government's view is that the threshold discourages business growth as many organisations 'bunch' just below the threshold to avoid paying VAT and a bigger administrative burden<sup>31</sup>. The UK has the highest registration threshold in Europe and well above the global average of around £15,000, so there is a groundswell of opinion that this is one of the issues government will revisit once we are no longer part of the EU. Lowering the VAT threshold would begin to encompass an increasing number of small and medium sized charities within the registration requirement, many of whom have seen significant falls in income in recent years. Furthermore, the administration of VAT is a problem for many charities, so any potential change, while far from certain at this stage, should be considered by charities who fall just below the current threshold.

## The future of business rates

The government plans to increase the share of business rates English councils retain from 50% to 75% in 2020 and is piloting 100% retention in parts of the country<sup>32</sup>. There are concerns that as councils gain greater control over business rates revenue in the coming years, and increasingly rely on this source of finance, some could be disinclined to offer the level of relief charities currently rely upon. Any potential change – if it does materialise – is a while off yet and would likely be phased in on a gradual basis. That said, some charities might want to start reflecting on their reliance of business rates relief when considering their long-term financial forecasts.

More generally, the voluntary sector needs to think about clearly demonstrating the importance of rates relief for delivering public benefit to local communities.

The Charity Tax Commission<sup>33</sup> which is currently analysing the tax treatment of charities will consider these and other taxation issues when it makes recommendations to government in spring 2019.

## Demonstrate the impact of EU funding

It is estimated that UK voluntary organisations receive at least £300m from the EU each year<sup>34</sup>, the majority of which comes from the European Social Fund (ESF). Many charities will be thinking about the fate of this important source of support for disadvantaged communities post-Brexit.

The government has guaranteed any funding secured through EU programmes until the end of 2020, even if the UK fails to secure a deal with the EU in ongoing negotiations<sup>1</sup>. Looking further ahead, they have committed to creating a UK Shared Prosperity Fund (UKSPF) to replace the money local areas currently receive from the European Union<sup>1</sup>. The precise parameters for the fund are yet to be determined. Charities will want to demonstrate the impact they deliver through European funding to help ensure the UKSPF is sufficiently focused on hard to reach communities, rather than business growth or capital expenditure projects.

## Towards a cashless future

Research suggests that a fall in disposable income can have a detrimental effect on the levels of donations charities receive.<sup>35</sup> Charities should therefore be looking to develop new fundraising techniques and opportunities where possible. As a society we are increasingly choosing digital transactions over cash payments. Barclaycard UK research shows that four in ten of us carry less cash now than we did three years ago<sup>36</sup> while UK Finance predicts that cash will shift from accounting for 34% of all payments made in 2017 to 16% in 2027. The number of contactless payments made in the UK increased by 97% during 2017 alone<sup>37</sup>.

While cash remains the most common way of giving money to charity, with over half (55%) of donors surveyed doing so in 2017<sup>38</sup>, research by Barclaycard shows that 15% of people claimed to have walked away from a chance to give because they were unable to use their debit or credit card. They estimate that charities may be missing out on more than £80m in donations each year by only accepting cash donations<sup>39</sup>.

The demise of cash has been predicted for many years. Nevertheless, the ongoing shift to digital giving is something that should be firmly on the radar of charities that rely on cash donations as a funding stream.

Some charities are responding with digital offerings which allow people to donate when they use their debit card in shops, online and in apps, and solutions that allow charities to engage in fundraising via contactless donation boxes. However, these might not be viable options for all charities, particularly smaller ones, many of whom will need support in preparing for a cashless future.

In line with current contactless payment limits, the individual donation limit under the Gift Aid Small Donations Scheme (GASDS) will increase from £20 to £30 in 2019. This applies to small collections where it is impractical to obtain a full Gift Aid declaration form and will hopefully go some way to addressing the large amounts of Gift Aid that go unclaimed each year<sup>40</sup>.



## Moving forward

- Have you thought about how limited growth and planned cuts to government spending could affect your organisation's work and the lives of your beneficiaries over the coming years?
- To what extent could changes to the National Living Wage increase your organisation's wage bill from April 2019?
- Is your organisation adequately prepared for the transition to the digital reporting of VAT returns from April 2019?
- To what extent does your organisation rely on European funding and are you able to demonstrate the impact this funding delivers when the government consults on the UK Shared Prosperity Fund in the coming months?
- Is your organisation adequately prepared for a cashless future and the opportunities that digital giving provides?

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# SOCIAL DRIVERS

## An ageing society

This is a topic that has been systemically covered in recent editions of The Road Ahead as it is undoubtedly one of the biggest global challenges of our time. In 50 years' time, there will be additional 8.6 million people aged 65 and over in the UK, representing over a quarter of its total population. This demographic shift will be more pronounced in the north of England and in rural areas.

There are multiple opportunities and challenges associated with an ageing society for voluntary organisations, as employers, providers of services and agents of social change. As the workforce ages, for instance, employers will need to ensure that older people are not discriminated against and offer more flexible working and volunteering opportunities to attract older people who may want to work part-time or combine volunteering with a longer working life. Older people are not a homogenous group. Within this broad category are people who have different life experiences, expectations and needs. The provision of services to older people will also have to consider the diversity and complexity of needs and offer solutions that seek to address inequalities of access.

### Main implications of an ageing population

#### Economy and finance

- Larger numbers of older people contributing to the economy (employment rates for the over 65s are increasing)
- Pension costs, the biggest welfare outgoing, set to grow
- Higher health and social care costs

#### Health

- As life expectancy increases, so does the amount of time spent in poor health
- The likelihood of having chronic health conditions increases with age
- Lowest socio-economic groups the most likely to experience multiple health problems and to find accessing services hard

#### Social care

- Higher social care requirements
- Increase in private provision of formal social care
- Decline in the accessibility of formal social care increases the need for informal social care

#### Housing

- Changes to the types of houses and services needed (adapted to health needs and smaller household size)
- Widening generational gap in housing wealth
- Increase in private renting

Source: ONS<sup>41</sup>, National Housing Federation<sup>42</sup>

### Towards lifelong contribution for all<sup>43</sup>

To support and sustain the contribution of older volunteers. We need to:

- nurture and support the places, spaces and organisations in which people contribute
- ensure more opportunities are age-friendly and inclusive
- make it easier for people to start, stop and change their contributions – by smoothing transitions between forms of contribution, organisations and roles
- ensure that people with additional support needs are enabled to contribute to their communities. Recognise and value the contribution of older citizens, celebrating the benefits it brings to individuals and to wider communities.

Source: Centre for Ageing Better



### Rising social care needs

Increased social care needs was listed above as one of the main implications of an ageing population. Here we explore in more details what this might mean for voluntary organisations.

While the need for social care services for older people has increased, spending on adult social care by local authorities has declined in recent years, as has the number of older people receiving publicly-funded social care. This is leading to a rise in more informal social care provided by family members, most often by daughters who may also have caring responsibilities for children or grandchildren. If pressures on formal social care continue then it is possible that more people, and particularly more women, will leave the job market or reduce their hours. Two-thirds of the voluntary sector workforce is currently female<sup>44</sup>, so this could impact on charities. It could also lead to people having less time for volunteering, especially among those aged between 45 and 64 who are the most likely to provide informal care.

### The importance of social connections

Social isolation and loneliness are receiving increased attention due to growing evidence of their negative impacts on people's health and wellbeing. The prime minister recently launched government's first ever loneliness strategy and appointed a minister for loneliness<sup>45</sup> for the first time, in response to the recommendations of the Jo Cox Commission on loneliness.

Social isolation and loneliness are often associated with older people. According to Age UK's loneliness campaign, more than 2 million people in England over the age of 75 live alone, and more than a million older people say they go for over a month without speaking to a friend, neighbour or family member. However, a recent analysis of the Community Life Survey by the Office of National Statistics (ONS)<sup>46</sup> shows that those aged 16 to 24 years report feeling lonely more often than those in older age groups. Those most at risk of loneliness as identified by ONS were widowed older homeowners living alone with long-term health conditions; unmarried, middle-agers with long-term health conditions and younger renters with little trust and sense of belonging to their area.

To avoid growing social isolation and feelings of loneliness, people need to be able to maintain existing connections and develop new ones. Voluntary organisations and community groups can help in a multitude of ways – for instance by providing physical spaces for people to get together, or by delivering targeted interventions, particularly for those who are most at risk. With loneliness and social isolation so high on policy-makers' agenda, there will be opportunities for the sector to be more vocal about their role in building social connections and how this contributes to improved health and wellbeing, as well as an increase in social trust. The government's plan to further develop social prescribing could, for instance, involve sector organisations working more closely with local GPs.

## Changing communities

July last year saw Local Trust publish a report on the future for communities<sup>47</sup>. Part of the Empowered Communities in the 2020s project, it highlights a number of key issues:

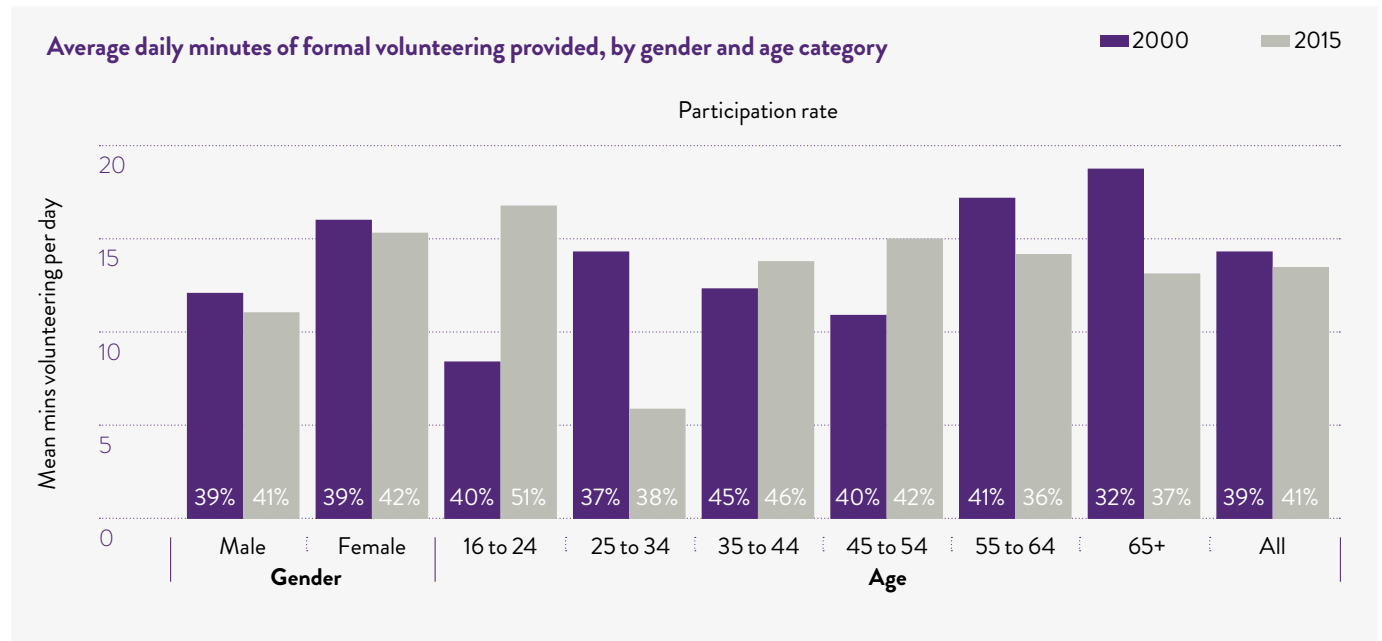
- Poverty – poverty (including in-work poverty) and a changing job market (with more insecure jobs) are affecting people's capacity to get involved.
- Transience – changes in the housing market and population movement are reshaping more and more communities.
- Fragmentation – population change is associated with new life and dynamism, but also insecurity, divisions and mistrust.
- Isolation – the shrinking number of public spaces is leading people to retreat into their own homes and into virtual spaces.
- Democracy – alienation from traditional politics and the democratic system is fuelling a politics of blame.

These challenges are leading some communities to feel increasingly marginalised and disempowered. Nevertheless, the report notes that communities and those who work with them have often responded with commitment and energy to the challenges they face. For example, community groups are developing community businesses and testing out new approaches to sustaining activity. It also highlights the need for continued investment in supporting community-level infrastructure – places to meet, organisations to bring people together and people to facilitate engagement.

## Changing the world together

The ONS analysis of the Community Life Survey and UK Time Use Survey comparing 2000 to 2015<sup>48</sup> shows that while the proportion of people who say they have volunteered over the last 12 months has increased, the average time spent volunteering per day has fallen.

People have become more protective of their time, and they want to engage in ways that are worth their while. They are thirsty for opportunities that are flexible and fit around their lives and lifestyles; meaningful and connected to their interests and concerns; impactful but also enjoyable.



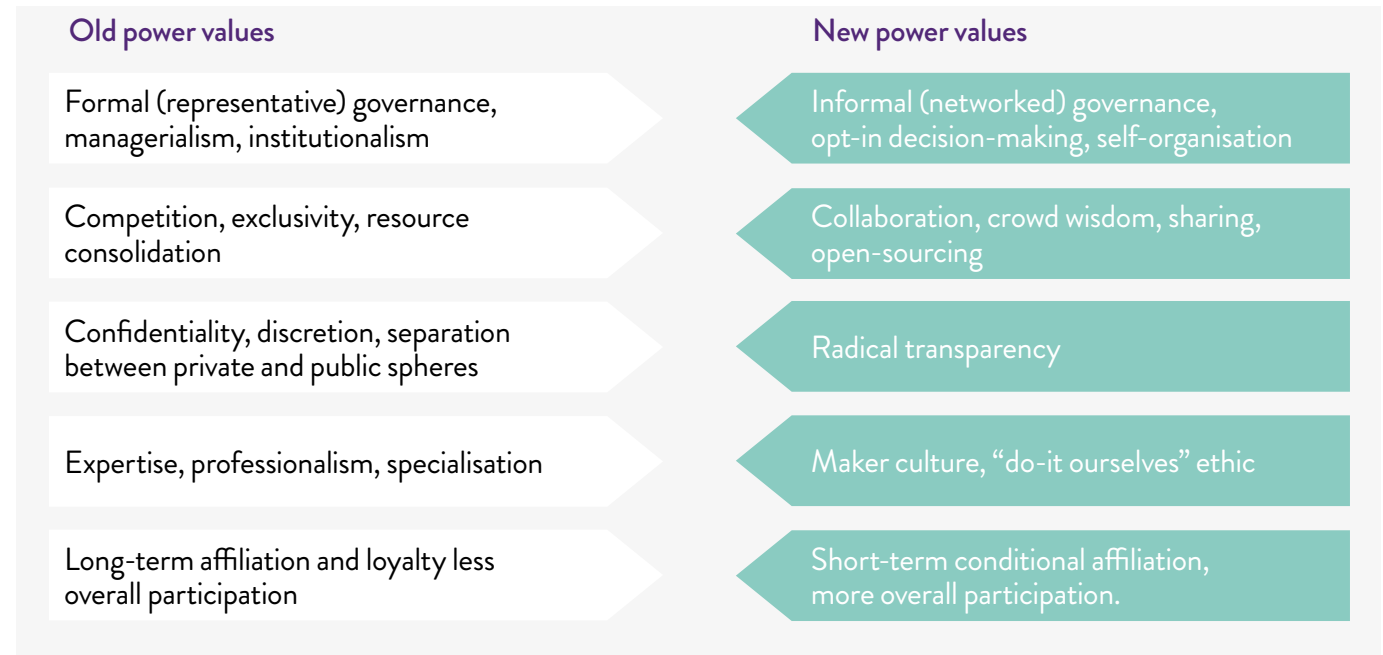
Source: ONS

In response to research it recently commissioned on the future of volunteering, the National Trust concluded that volunteer-involving organisations need to:

- focus on people's attitudes rather than demographics, as identities and experiences become more fluid and the boundaries between life stages more blurred
- be more agile, flexible and willing to test ideas, approaches and concepts based on people's need or expectations
- explore technological opportunities that allow initiatives to scale up
- promote 'new power' based on open, participatory and peer-driven structures.

This concept of 'new power' comes from a book recently authored by Henry Timms and Jeremy Heimans<sup>49</sup>. Drawing on examples from business, politics and activism they consider how power is currently shifting and explore the tensions between 'new power' and 'old power'.

Some of the same themes are also highlighted in the final report of the inquiry into the future of civil society<sup>50</sup> chaired by Julia Unwin, urging civil society organisations to put in place 'shared and distributed models of decision-making and control' that successfully engage across society's diverse communities.



Source: Henry Timms and Jeremy Heimans

**Volunteer-involving organisations need to promote 'new power' based, participatory and peer-driven structures**

### Greater scrutiny, greater transparency

People continue to support the causes they care about by donating their time and money to charities. Despite some very high-profile scandals and all the negative press coverage that accompanied them, the trust they place in charities is still high, particularly in comparison to other institutions and organisations. The latest research published by the Charity Commission<sup>51</sup> shows that the level of public trust in charities has not changed since their previous survey in 2016. Nevertheless, it has fallen quite significantly since 2014, so there is no place for complacency.

As the general public have increasing expectations of transparency and accountability, charities face more pressure to demonstrate they are trustworthy. A big part of this is about ensuring there is congruence between values and actions, being transparent about how money is spent and finding the best way of showing impact. Charity leaders, including trustees, have a huge role to play in making this happen. However, trustees – who are increasingly under the spotlight – may become more difficult to recruit, with some people possibly discouraged by an environment that they might perceive as too hostile or challenging.

### Moving forward

- How can your organisation offer more flexible working for people who have increasing caring responsibilities?
- Is your organisation providing volunteering opportunities that are accessible to those who are more likely to feel lonely and socially isolated?
- Does your workforce and governance structure reflect the diversity of the communities you support?
- What would sharing more decision-making and control look like in your organisation?
- Is your organisation communicating effectively about the difference it's making?



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# TECHNOLOGICAL DRIVERS

## GDPR as an opportunity

One of the biggest tech and data related events in 2018 was undoubtedly the implementation of the General Data Protection Regulation (GDPR) on 25 May. Some feared that GDPR could lead to a drop in addressable supporters and funding while others were concerned about charities' readiness to comply. In the run-up to 'GDPR day', a survey found that only 5% of charities were truly ready<sup>52</sup>.

Now more than half a year into GDPR, some data suggests its impact might not be quite as dramatic. However, the medium and long term impact is still a concern. Unsurprisingly, a majority of charities have seen their databases and email lists shrink<sup>53</sup>. For charities which moved to opt-in only communications, there is no reliable data yet on how this has affected their income. The RNLI, one example of a charity which projected a decrease in donations, are now set to beat their targets and minimise their loss<sup>54</sup>. A rise in the number of data breaches reported by voluntary organisations is another effect of GDPR<sup>55</sup>.

However, GDPR has potentially also been, and continues to be, an opportunity. To comply with the new regulation, many organisations have had to get their data in order, including finding out what data they collect, where they store it and how they use it. This could lead to a better return on marketing spend through the ability to apply more advanced analytics and more effective use of data. Furthermore, marketing that takes into account users' preferences, might also be more responsive to needs of users and make people's perceptions of charity trustworthiness.

To thrive in a post GDPR era, charities should focus on the opportunities and invest time and/or money in getting their data right and developing data skills. Charities might also consider testing and optimising consent messages which has proven to be successful for some organisations. 2019 will continue to be a year of GDPR.

**To comply with the new regulation, many organisations have had to get their data in order**

## 'Tech for good' is booming

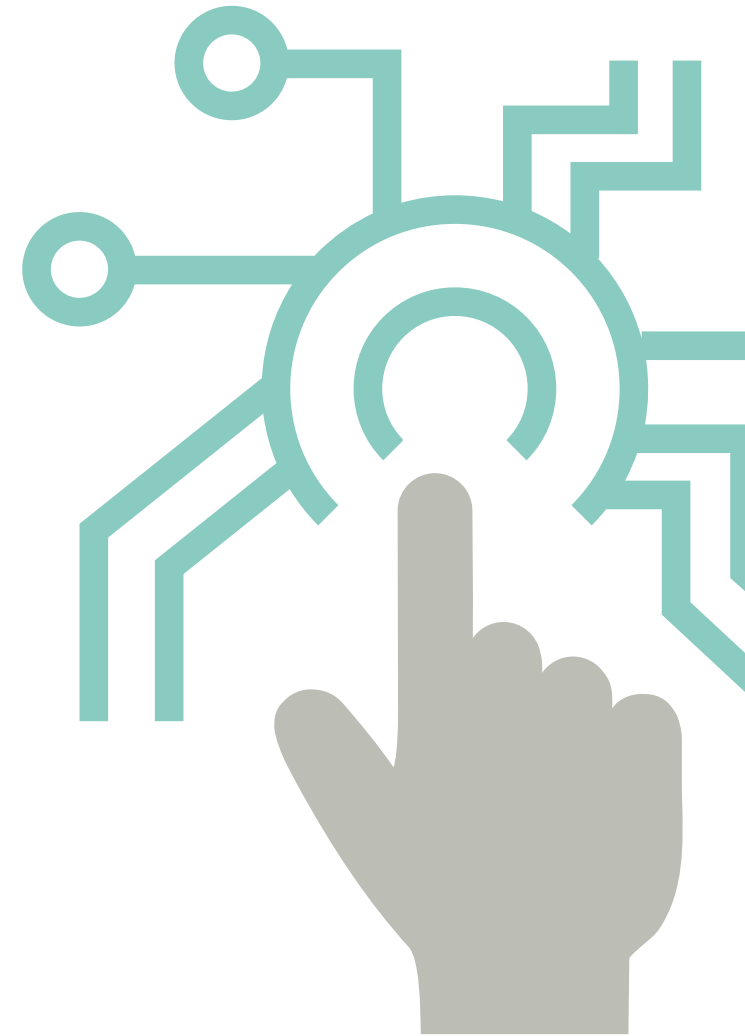
From using live translation tools when working with refugees to applying AI in the development of diagnostic tools, voluntary organisations have tapped into digital technologies with the intention to benefit society. Tech for good is booming, which has also been acknowledged in the government's new civil society strategy published in summer 2018<sup>56</sup>. In it, government praise the 'thriving eco-system' and promise to support a range of initiatives, including the charity digital code<sup>57</sup> and the digital trustees campaign<sup>58</sup>, as well as invest in digital programmes. However, the 2018 Business Digital Index<sup>59</sup> shows that there is a significant gap between charities' understanding of new technologies – including blockchain, robotics, AI, virtual reality and cloud services – and their intention to adopt them. 63% of charities said they had no plans to use any of them in the next two years. Unsurprisingly, mainly household-name charities seem to be adopting more advanced technologies.

In light of further technological developments, the 'tech for good' sector will continue growing, and small charities can benefit from those developments too. These days receiving cashless payments can be easily done with a phone, AI is becoming more affordable and simpler to pick up, and cloud services can provide alternatives to traditional software purchasing. Some tools and processes could even be easier for small organisations to adopt, as they may not have the same structural baggage as bigger or long-established organisations.

## Content development is changing

New technology is not just changing the way charities deliver their work or fundraise, but also how they should think about content design. More and more organisations are changing the way they develop content and starting to adopt digital design principles<sup>60</sup> such as being user centred and agile. This will become even more important with an increasing range of content types and technologies.

The rise of smart phones required organisations to think about a 'mobile first' strategy, focused on designing web content for mobile devices first and desktop second. However, content development is beginning to shift from a 'mobile first' to 'AI first' strategies, requiring content that is optimised for new devices and technologies based on artificial intelligence. The multi-touch ability of smart phones, and voice and vision technology are affecting how people interact with digital content and what they expect from it. According to a YouGov survey the ownership of smart speakers in the UK doubled from 5% in Q3 2017 to 10% in Q1 2018<sup>61</sup>. Potential opportunities for charities may arise in regard to fundraising or service delivery, and some are already experimenting with developing content for smart speakers.<sup>62</sup>





Artificial intelligence (AI) also impacts on the 'findability' of content. Google is increasingly basing its search engine results on AI which selects high quality content and creates rankings.<sup>63</sup> When people look for content in a search engine, they might not even click through to the original source because the answers are now often found within the search engine itself.<sup>64</sup> As a result, using keywords and links, known to improve Google rankings and generate website traffic, seems no longer enough.

Moving forward, charities will still need to focus on making their website mobile friendly and accessible to users with varied needs. They also need to be aware of how content development is changing and what it means for them. Organisations might consider investing in new technologies, eg progressive web app technology which delivers an app-like user experience within the browser, or creating content that is optimised for artificial intelligence.

### **Content for smart speakers developed by charities**

- Alcohol Tracker by Cancer Research UK – helps to track alcohol consumption and get information on the health benefits of cutting down.
- First Aid by British Red Cross – aims to give the skills and knowledge to feel confident helping someone in a first aid situation.
- The Wireless by Age UK – music, stories, information and advice that celebrates later life in the UK.
- BECCA Daily 5 by Breast Cancer Care – gives five short snippets from blog posts, articles and tips to help move forward after breast cancer.
- Accessibility App by Whizz Kidz – helps people to plan their routes through London when travelling with a wheelchair, or if they have other accessibility requirements.

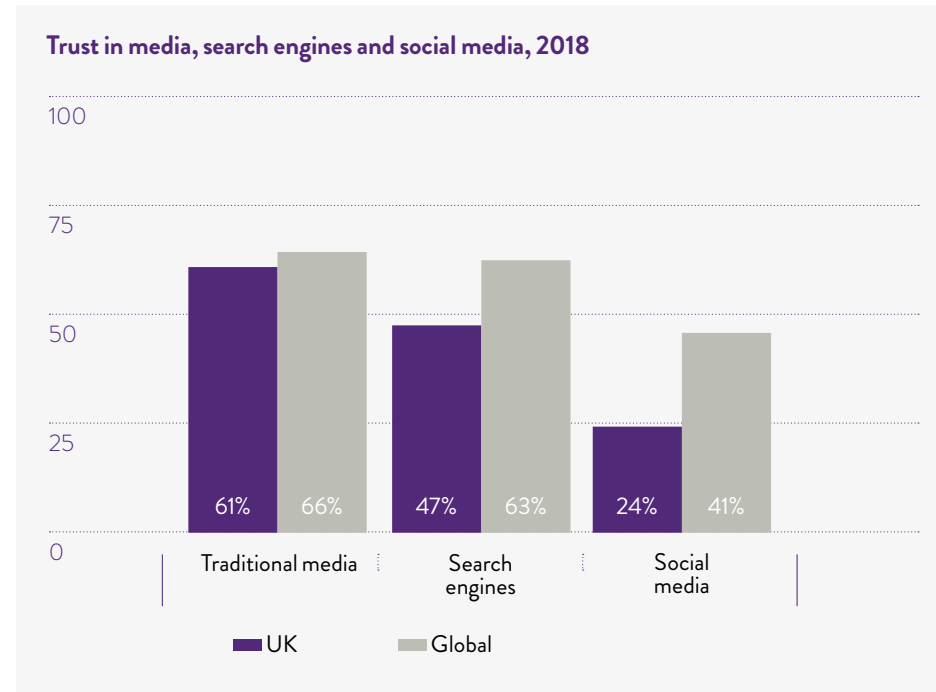
**Content development is beginning to shift, requiring content that is optimised for new devices and technologies based on artificial intelligence**

## Is social media still hot?

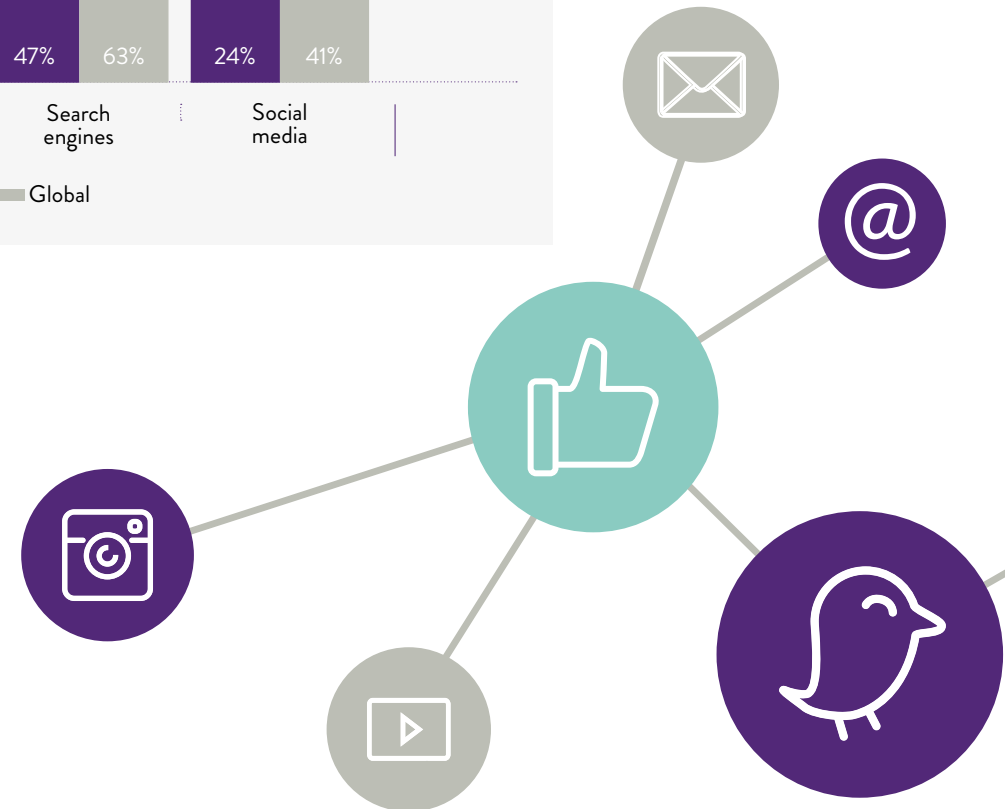
In light of repeated online privacy violations following the Cambridge Analytica data leak and uncertainty about the truth in articles online, it's not surprising that trust in social media is fading. According to the Edelman Trust Barometer people's trust in social media is much lower than their trust in traditional media and search engines.<sup>65</sup> In the UK, the number of people who trust social media fell from 26% to 24% in 2018. Worldwide, 40% deleted at least one social media account in the past year, because they didn't trust it to treat their personal information properly.

While social media platforms like Twitter and Facebook are trying to regain people's trust, eg with campaigns on fighting fake news or deleting fake accounts, others are calling for more regulation of social media. In 2018, a study commissioned by Ofcom, the UK's communications regulator, found that 52% of respondents believe there should be more regulation of social media sites.<sup>66</sup> Apart from privacy concerns, deleting accounts could also be linked to its effect on mental health with more research showing that social media can negatively affect users' mental health and wellbeing<sup>67,68</sup>.

Moving forward, voluntary organisations will need to think about how they interact with their donors, volunteers and beneficiaries, and where they might need to review their communication channels. When using social media, they will need to ensure that they create content people can trust and consider who they might not reach on those platforms.



Source: 2018 Edelman Trust Barometer



## The good versus bad debate

From self-driving cars, breakthroughs in robotics, to advances in biological technologies and smart homes, technology is constantly evolving. The Fourth Industrial Revolution, as some define it, describes the exponential changes to the way we live, work and relate to one another due to new developments in technology. On the optimistic side, this provides great opportunities to improve the lives of many people. The 'tech for good' sector is growing<sup>69</sup>, making use of all the new tools available to address some of the biggest social challenges. However, the future can also seem frightening at times. Less optimistic voices concern the loss of privacy, misuse of personal data, job losses, and rises in social inequality.<sup>70</sup> The public's trust in social media is declining and the media coverage of technology seems to become more negative and less favourable.<sup>71</sup>

Yet, the question of whether technology is good or bad is a tricky one. Technology itself is a tool, it's the way it is used that is good or bad, so the implications for charities are twofold. It's important for the voluntary sector to continue using technology with society in mind and address the still apparent digital skills gap. On the other hand, organisations should to stand up against misuse of technology, consider and raise awareness of ethical implications, and support those that are disadvantaged from technological developments.

## Moving forward

- How well is your organisation meeting GDPR requirements and what can you do to further optimise data storage and usage?
- Has GDPR affected your organisation's fundraising goals and how can you address some of the negative impacts?
- How is your organisation using technology? Are there any gaps that need addressing or opportunities you are missing?
- Does your organisation produce web content that is accessible and works well on mobiles? Would it make sense for you to start thinking about developing new content types, eg voice optimised content?
- How does your organisation use social media? What can you do to ensure your profiles are trusted? Do you need to consider other ways of communicating?
- How is technology more widely affecting your service users and what can you do to mitigate some potential negative effects?



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