

A REVIEW OF  
THE VOLUNTARY  
SECTOR'S OPERATING  
ENVIRONMENT

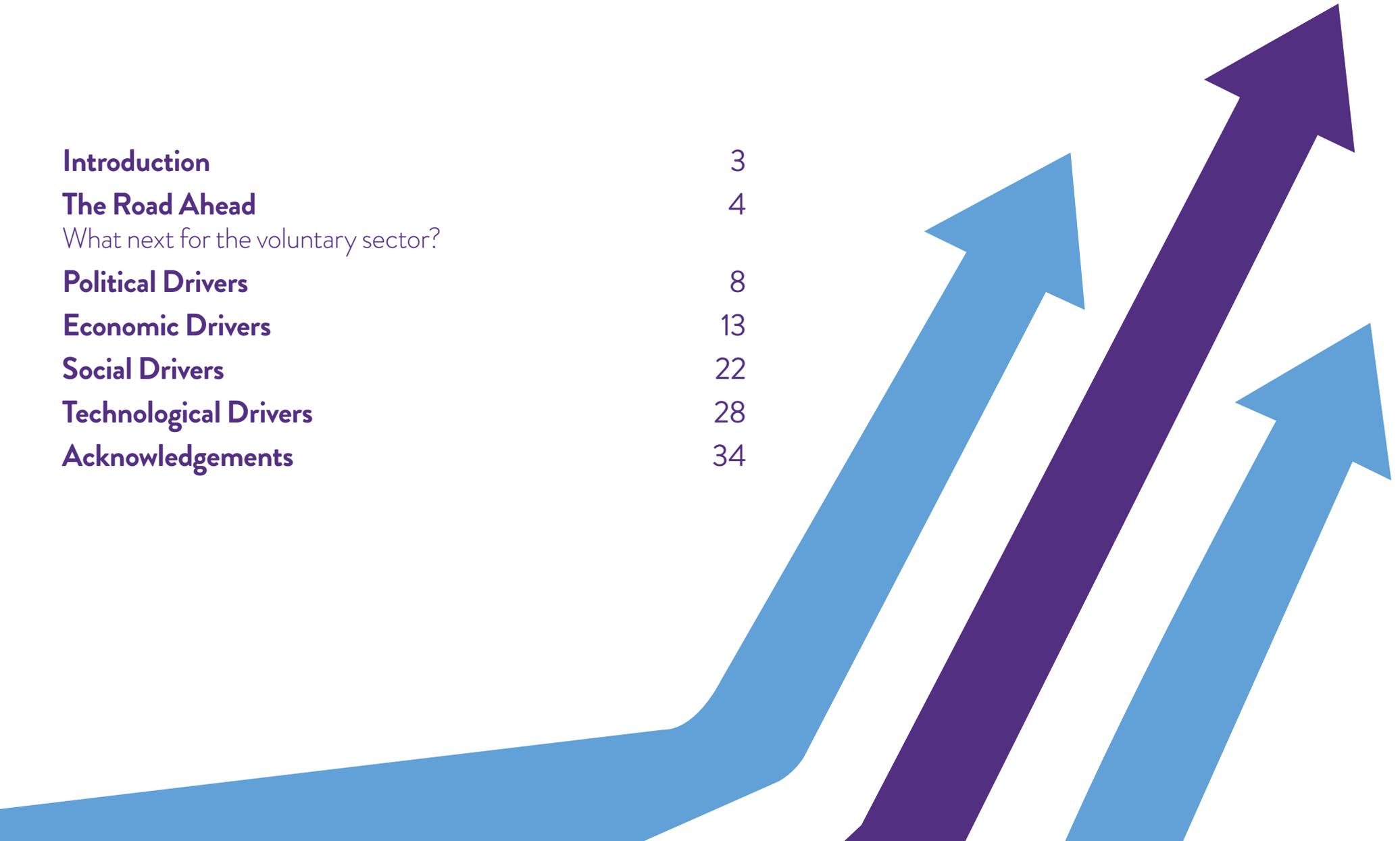
# THE ROAD AHEAD

January 2018

**NCVO**  
CHAMPIONING  
VOLUNTARY  
ACTION

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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 the future of voluntary organisations.**

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. Our analysis sets out the major issues which we think will shape the sector over the coming years.

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 threats for voluntary organisations. Trustees and managers would benefit from using the analysis to explore the implications of these issues for their organisations when planning for the medium term.

For help and guidance on strategic planning, see [www.ncvo.org.uk/practical-support/strategy](http://www.ncvo.org.uk/practical-support/strategy)

## **NCVO ANNUAL CONFERENCE 2018: DIFFERENT THINKING, BIGGER DIFFERENCE**

On 16 April 2018 we will be holding our Annual Conference in London. This will be an opportunity to discuss the topics raised in The Road Ahead, and consider the issues facing voluntary sector leaders and how they will shape the sector in the future.

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?

**The last few years have been a bit of a bumpy ride for anyone in the business of making predictions, especially in the political and economic spheres. Events such as Brexit, Trump's victory in the US, the resurgence of Labour under Corbyn, and Theresa May's ill-called general election all contributed to a sense of confusion and uncertainty. The year ahead is likely to be just as turbulent.**

One might therefore suggest that this year we should not offer ourselves as a potential hostage to fortune by publishing the 2018 edition of the Road Ahead. But in uncertain times it's more important than ever to be aware of the key trends and drivers that may shape our work in the months to come, so we are prepared for a range of possible outcomes – no matter how unlikely they may seem.

The first months of this year will inevitably be taken up with discussions around the General Data Protection Regulation (GDPR), and how to prepare for it coming into force in May.

There is also going to be much attention towards the Charity Commission, with a new leadership that is determined to address the issue of the regulator's funding model and to press ahead with a formal consultation on charging.

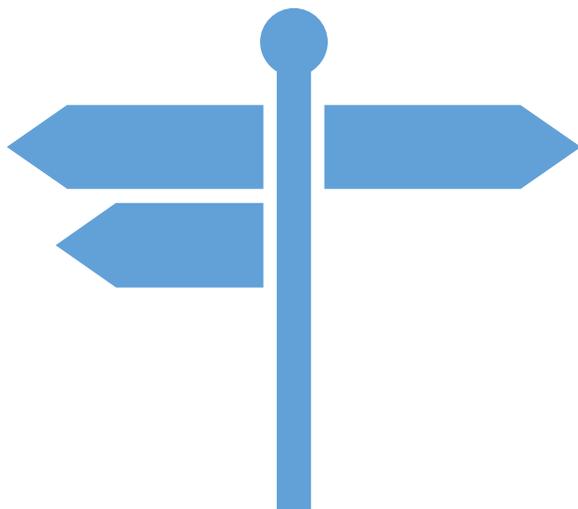
But our Road Ahead is about taking a step back and looking at the big issues that will either directly or indirectly impact the work of charities, their volunteers, supporters and beneficiaries.

### **Brexit, the economy, public services: dark clouds outside**

Brexit will inevitably continue to be the biggest uncertainty, not only with regards to regulatory change and its potential economic implications, but also with regards to our country's future relationship with the European Union.

And even for those who are not interested in these issues, the negotiations and the process of exiting will mean that there will be little time for anything of real legislative significance, as the EU (withdrawal) bill and its consequent legislation will take up most of parliament's time over the following year. Anything we do see will be uncontroversial crowd pleasers, and this will be a challenge for charities campaigning for change.

As well as Brexit, government faces some other considerable challenges in the year ahead, not least returning to strong economic growth, addressing the failures in public services, and improving the Conservative brand in order to avoid another general election.



So deficit reduction and driving growth will still be at the top of the government's economic agenda throughout 2018. Charities cannot ignore the impact that this is likely to have: continuing pressure on public finances will be felt particularly by those who rely on government contracts or grants.

At the same time, charities will step in to deliver more and more services as the state continues to withdraw its support, exacerbating the issues we have seen emerging over the past year. We have already seen a number of charities walk away from public service contracts and rethink how they meet the needs of beneficiaries. The question we may be facing in 2018 is therefore: is this the year that the existing model of public services reaches its breaking point?

### **Attitudes and perceptions will have real impact**

These very real and immediate challenges are happening within a social context where a number of dynamics are becoming more acute. From an ageing population that increasingly requires more health and social care, to rising atomisation whereby individuals feel more and more isolated and turn towards public services for support, albeit with very different expectations and almost a transactional approach.

These are significant trends that will have meaningful implications for charities providing social care and generally involved in the delivery of public services.

# The question we may be facing in 2018 is therefore: is this the year that the existing model of public services reaches its breaking point?

In the meantime, we are also seeing an emergence of new potential frictions across society: social and ethnic diversity are increasing, becoming more complex and making it difficult for levels of integration to keep pace; and the intergenerational divide may be growing wider, as opinion polls sometimes show a schism in attitude between the older generation and the young.

These social trends will continue to drive changes in the British political agenda, but are also likely to affect charities directly, for example in terms of whether and how people will want to volunteer and engage with their communities. Organisations will therefore need to think about they can best support their beneficiaries, and in the meantime bridge the gaps between different parts of society.



## Charities still under the spotlight – but in a different way?

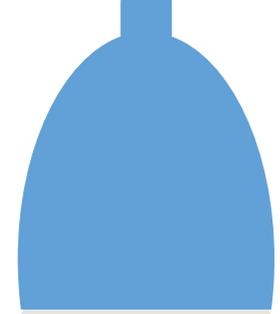
In the context of all this, with the political turmoil and the big debates about the future of the NHS and the future position of the United Kingdom in the international arena, it will be interesting to see how our sector's relationship with the media develops. Recent years have created new difficulties for parts of the sector, as the media has been much more inclined to scrutinise and question what charities do, why they do it and how.

The political and public focus now is on much bigger issues, and this has already meant that charities are less likely to be worthy of front page news. However, public scrutiny is here to stay, and the growth of new media replacing traditional forms could lead to yet another change in our sector's relationship with the press.

## A year of looking ahead – there is blue sky on the horizon

Despite, or perhaps because of, these challenges, 2018 itself is going to be a year of looking ahead, with many initiatives aimed at developing strategies for the future and thinking about solutions to the problems most deeply affecting our economy and society. These have the potential to open up new and exciting opportunities for charities and the wider voluntary sector, offering the possibility of a role in the wider political, social and economic agenda.

We have already seen the publication of the government's 'Industrial Strategy', focused on policies to improve the UK's productivity and addressing what government refers to as 'grand challenges' facing the global economy. A key criticism has been that while the ambition is noble, there is no plan or roadmap for how to achieve these lofty aims. The strategy is also completely silent on the contribution that the voluntary sector can make, so over the following months it's important that our sector highlights the contribution it can make, and the role charities and voluntary organisations can play.



The full involvement of our sector will help ensure the creation of an Industrial Strategy that will continue to attract the talent, skills and investment that will enable the economy to face up to the challenges now and in the years to come. Most importantly, the involvement of the voluntary sector will help ensure that every place and its community meet their full potential, by closing the gap between different parts of society and empowering those individuals who are harder to reach.

We also have the 'Civil Society Strategy' announced by the minister for civil society Tracey Crouch. The stated aim is to develop a cross-departmental strategy that will build better understanding of how charities operate and enable a more joined-up approach to our sector. Again this presents huge opportunities to reset our sector's relationship with government after some recent negative interactions, and to raise the profile of our sector within all departments.

There are also initiatives coming from the sector itself, most notably the 'Civil Society Futures' inquiry chaired by Julia Unwin which will develop a clear vision for the role of civil society in England for the next 10 years. Considering how both the nature of civil society and the context it exists in are rapidly changing, the inquiry will investigate how to maximise the positive effects of civic action and provide a guide to how to release its potential to drive positive change.

NCVO itself has established an independent Charity Tax Commission, which is going to look at how the current tax treatment of charities could be changed to be more efficient and reflective of how charities operate in modern society. The task of the Commission is to undertake a full review of the impact of the tax system on charities, and on that basis to develop a long-term strategic approach to fiscal policy for the voluntary sector.

### **Charities and institutions will continue to be needed**

As all of the above highlights, and this is made even clearer in the chapters that follow, 2018 is going to be yet another year that will present us with many changes and challenges.

But despite all this we are also seeing how, no matter what new technologies and other new trends are emerging, traditional institutions such as charities and voluntary organisations will continue to be a pillar for their communities and wider society. In the past few months we have started to see institutions reassert their authority over new technology companies when they feel they have overstepped, whether it's Uber facing regulatory resistance over its operating model, or Facebook and Twitter being questioned about their role in allowing the spread of disinformation.

It's clear that there are social, ethical and legal questions arising from technology, and charities will need to be ready and able to make the case for what they think is right. It's also a reminder that technology should be seen as a tool not an end.

Organisations such as charities and social enterprises are the key institutions that support local areas, and they are the ones that best understand the needs of the communities they work with. They provide the social infrastructure that will be an important part in helping face up to the country's biggest trials ahead, and while we can be strengthened by technology, it can't replace what we do.

So, despite the challenges, this year could present many opportunities for charities and voluntary organisations, and for the individuals who volunteer with them.

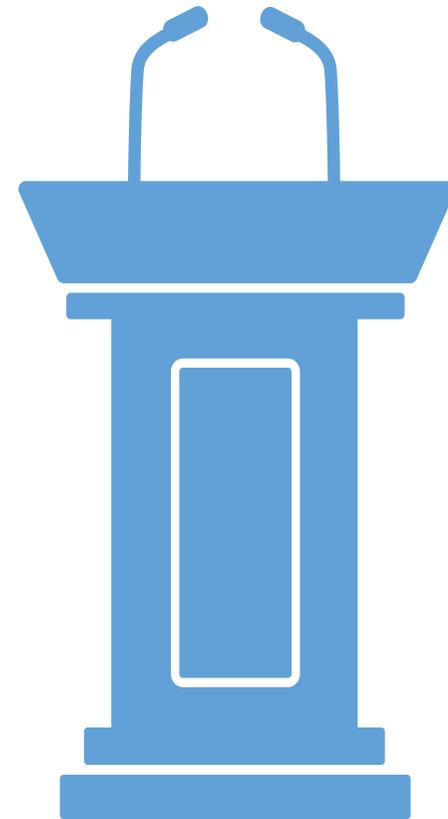
# POLITICAL DRIVERS

## Shaping Brexit

The long-term impact of the UK's exit from the European Union will continue to be shaped in the next year and beyond. Withdrawal negotiations got off to a slow start in 2017 and are set to continue for the most part of this year. EU chief negotiator Michel Barnier wants to conclude the talks by October to allow ratification of the deal by EU institutions and the UK parliament, but it is unclear if this deadline will be honoured.

The UK is set to leave the EU on 29 March 2019, two years after the UK government formally started the withdrawal process by triggering article 50. A different exit date could be agreed during the negotiations, but talks can only be extended beyond the two-year period if all 27 EU countries agree to it.

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## Future relationship with the EU

It is not yet clear what the UK's future relationship with the EU will look like. What is certain is that EU rules and institutions will cease to apply on exit day – unless there is some form of transition period, which is expected. Both negotiating parties and many interest groups have signalled support for a two-year 'phased process of implementation' during which the UK would continue to enjoy access to the single market on condition of accepting EU rules. However, there are a range of questions about how this could work in practice and whether there is even a legal basis for it.<sup>1</sup>

With regard to the final deal the UK government has ruled out continued membership of the single market and most recently pursued the idea of a 'Canada plus plus' deal based on the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada. Unlike CETA, the agreement would not be limited to free trade in goods, but also cover services and possibly agriculture. It would also allow the UK to negotiate trade agreements with third countries. The EU, on the other hand, has so far insisted that free trade in services is inextricably linked to freedom of movement and other EU rules. The future of the Irish border is similarly disputed.

Considering these challenges and the slow pace of the negotiations, it is possible a deal may not be reached at all. In this case the UK would trade on terms set by the World Trade Organisation, a political crisis would seem inevitable and a second referendum on Scottish independence might be back on the table. Although there is currently not much appetite among the population for reversing Brexit altogether,<sup>2</sup> opposition to it may increase in the face of a potentially chaotic exit.<sup>3</sup> As a result of the potential chaos and despite the prime minister's remark that 'no deal is better than a bad deal,' negotiators on both sides are keen to come to an agreement.

## What does Brexit mean for charities?

All this uncertainty makes for a difficult planning environment for the voluntary sector, especially in the long-term. As EU funding streams worth approximately between £350m and £450m have supported the work of charities in the past, funding will be a particular concern.<sup>4</sup> The government has begun to work on a 'UK shared prosperity fund,' which will be further developed over the next year. Aimed at reducing inequalities across the UK, it will be a potential replacement funding source for charities' work, so it will be important for them to get involved in its design and implementation.

Charities which employ EU nationals or work in sectors that rely particularly on their contribution (such as social care, health and education)<sup>5</sup> will also be affected by any forthcoming changes to the immigration system. While the government has given positive signals to EU citizens already living in the UK, the process of hiring EU nationals is likely to become more arduous and expensive for employers.<sup>6</sup> Charities will need to assess the potential impact on their workforce and their ability to bear additional costs to recruit EU nationals. The potential effect on the broader employment marketplace of lower immigration is worth bearing in mind.



Crucially, charities will need to be involved in shaping the future of legislation that originates in EU law and affects their work, for example regarding consumer rights or environmental protections.<sup>7</sup> The EU (withdrawal) bill sets out that EU law will mostly be converted into UK law via secondary legislation, by which ministers can add detail to acts of parliament. Commentators have argued that the mechanisms currently available for parliamentary oversight of this process do not go far enough,<sup>8</sup> so charities must keep their eyes open when changes to legislation are made. With the EU's influence removed after Brexit, charities may also be concerned about parliament's untrammelled power to scrap or amend laws that affect their work.

### **Working with an unstable government**

Since the June election resulting in losses for the Conservative party and the formation of a minority government, Theresa May has had to tread carefully to keep MPs on side. The 'confidence and supply' deal with the Northern Irish DUP means that, with certain exceptions, most votes are decided on a case-by-case basis. This gives the opposition an opportunity to exploit disagreements within or between the two parties to influence policy direction.

Under different circumstances the urgent need for compromise on controversial issues might create new space for charity campaigners to influence policy and legislation, but the mammoth task of Brexit puts a limit on the resources the government can mobilise for most other issues. Commentators disagree on the risk of another early election before 2022. The Fixed Term Parliaments Act makes it difficult for the opposition to force an early election, but considering the significant instability and the risk of EU negotiations failing, nothing can be ruled out. It also means that politicians will be thinking in shorter timeframes and focusing more than ever on quick wins that portray them in a favourable light with voters.

Nevertheless, both Theresa May and Jeremy Corbyn seem to be in a safer position than a year ago when their leadership was continually questioned by political opponents and members of their own parties alike. Corbyn's control now seems to be secure and May also appears to be more stable – at least for now – as many Conservatives agree that her remaining in office is in the interests of the party.<sup>9</sup>

If charities want to have any influence in this context, they must understand politicians' priorities while taking advantage of the political climate by engaging with backbenchers and working across party lines on the most pressing issues of the day.

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## Polarisation, populism and the changing political spectrum

One striking challenge for campaigners is the increasing polarisation characterising modern politics and society. With large sections of society expressing distrust in politicians, and scepticism of experts and technocrats, parties are having to find new ways of appealing to voters by adapting to their desire for more relatable politics and taking clear views on controversial issues. Party leaderships and memberships appear to now be rejecting the received wisdom of the Blair-Cameron years of elections being won in the centre-ground, in some cases leading to populist rhetoric on both the left and right of the political spectrum. This has exposed long-standing divisions within the main parties, as some have expressed discomfort at these more radical approaches.

Some have suggested we're seeing a return to 'two-party politics', with the combined vote share of the Conservative and Labour parties exceeded 80% in the last election. However, recent volatility in voting patterns, exacerbated by the referendums on EU membership and Scottish independence, suggests that this shift may not be permanent.<sup>10</sup>

The more polarised nature of politics and divisions within parties open up new challenges in developing proposals that strike a chord across party lines, as the centre of gravity of both main parties has moved further away from each other. However, Brexit has allowed for politicians to develop new alliances across party lines, so where those personal relationships have been developed there could be some new opportunities.

## Influencing politics

In order to campaign effectively, charities are well advised to tailor their approaches to the parties they are working with. Despite recent mixed signals from government<sup>11</sup> and calls to rebuild the sector's relationship with the governing party,<sup>12</sup> there will be opportunities for engagement with the Conservatives throughout this parliament. This is especially true where charities represent the interests of parts of the electorate which the party is looking to attract.<sup>13</sup> There will also be value in demonstrating the sector's vital role in bringing about Theresa May's stated goals on social justice.

The shift that has occurred on the political left will also pose challenges for charities and volunteering. A Labour government under Jeremy Corbyn would likely favour public service provision by the state over the involvement of charities – but with less government grants available, public service contracts are an increasingly important source of income for charities. The left is also likely to pay close attention to issues around volunteering and the interaction with paid staff particularly in public service-related contexts. For charities, this is not just a reminder to ensure volunteering opportunities are of high quality, but also to demonstrate the unique value and potential of voluntary organisations and volunteering while thinking particularly hard about their messaging.

Yet, there is reason to believe that a Corbyn government would be keen to support charities' campaigning role and draw on their ideas for tangible ways to put its bold policies into practice.<sup>14</sup> Considering Labour's performance in last year's general election, the local elections in May are likely to bring significant gains for the party, especially in London where it did particularly well and where all 32 boroughs will be contested.

Besides the positions of individual parties, it is also worth keeping abreast of some of the structural changes expected in the coming years. There is likely to be a gradual implementation of the proposed measures to cut membership of the House of Lords,<sup>15</sup> including a 'two-out, one-in' system of departure and a potential 15-year time limit for new peerages. These changes are comparatively small and they will mean that a wider reform of the house and the rules under which it operates is likely to be off the agenda for years to come. According to the proposals, no party would be able to have an absolute majority in the Lords so it would likely still be the best place for charities to seek to improve legislation.

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# ECONOMIC DRIVERS

## Growing pains

Following a decade of unrealised productivity forecasts, the Office for Budget Responsibility (OBR) now predicts that the UK economy will grow by an average of just 1.4% a year over the coming five years, almost halving its previous forecast and leaving the economy 2% smaller in 2022 than previously envisaged.<sup>16</sup>

With weaker than expected growth the government will need to borrow more to maintain public spending. Two years ago, the government was expecting to run a budget surplus of £10bn in 2019/20. Now, it is expecting a deficit of £25bn by 2022/23.<sup>17</sup> As a result, the government's target to significantly reduce public sector net debt has been revised once again. Debt is now predicted to remain at around 80% of GDP until 2022 – double the pre-crisis level of 40%.

Combined with the cuts to departmental spending planned for the next few years, charities should expect a continuation of the challenging economic environment that has characterised recent years. Meanwhile, uncertainty surrounding Brexit is creating a cautious investment environment for many firms which could further hamper economic growth in 2018.

## High employment (but slow wage growth)

Although labour market figures have been trending in a positive direction with unemployment currently at 4.3% – the lowest rate since 1975<sup>18</sup> – the Office for National Statistics (ONS) now thinks the upswing that began in 2012 is coming to an end. However, charities should recognise that improvements to employment figures will not necessarily translate into a growth in average household incomes. A shift towards lower-paid jobs and slow economic growth are causing average wages to grow more slowly.

Around 1.1 million people are working in the so-called gig economy in Britain, in such roles as taxi drivers and delivery couriers.<sup>19</sup> Recommended reforms to employment law aimed at enhancing the rights of these workers, so they can claim sick pay and the national minimum wage, are expected to be implemented in early 2018.<sup>20</sup> The use of zero-hours contracts in sectors such as health and social care sector is also a cause for concern.<sup>21</sup> However, the number of people on zero-hours contracts in the UK has fallen to its lowest level in more than three years, which suggests that companies and organisations may be moving away from employing staff without guaranteed working hours.<sup>22</sup>

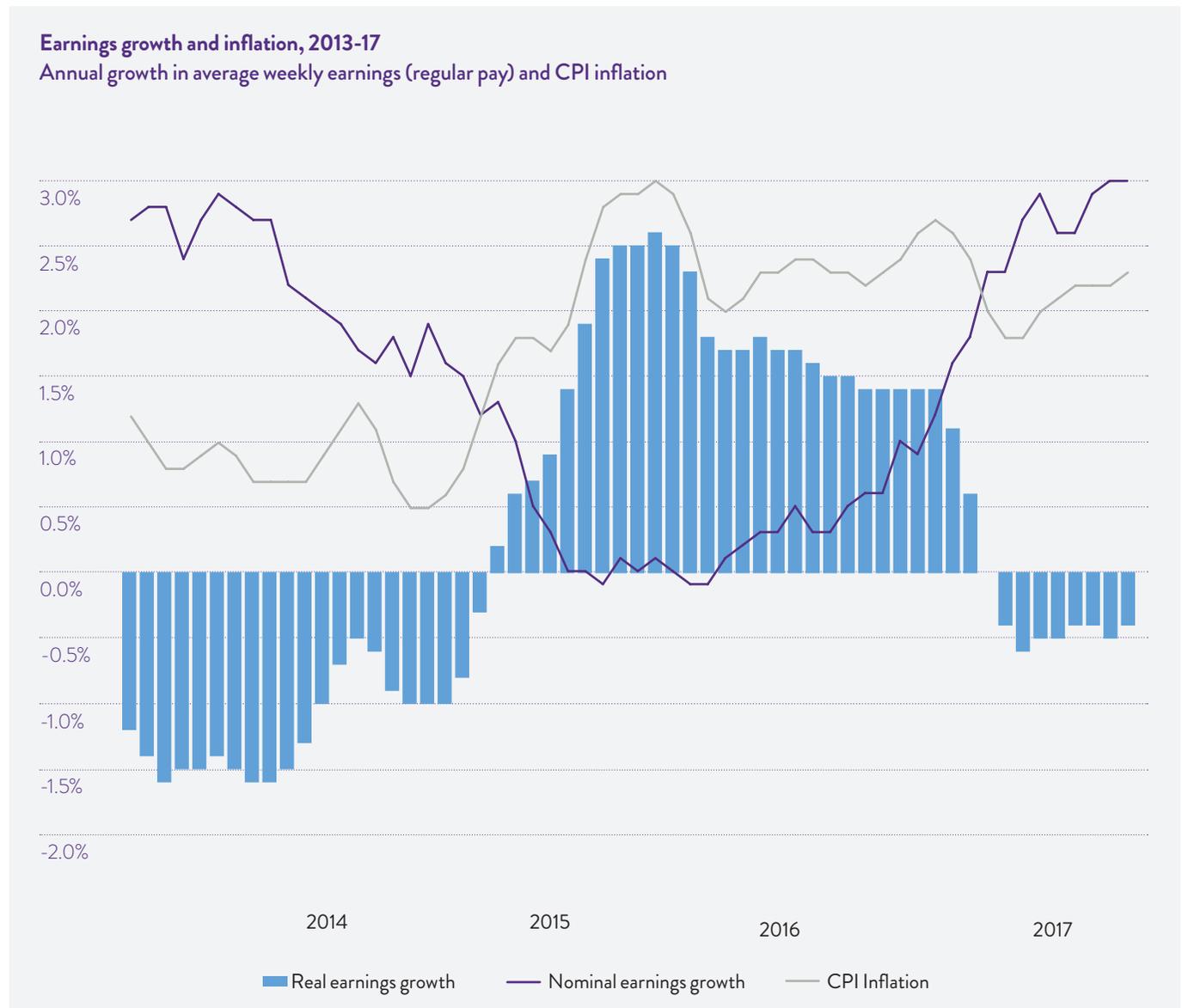
## The big squeeze

The ongoing squeeze on pay packets has largely been driven by rising inflation, although nominal pay growth remains weaker than before the financial crisis. This squeeze, which has largely impacted on median pay (those in the middle of the income distribution), began in February 2017, ending 27 months of pay growth. In 2008, the median worker had an annual salary of £24,500 in 2017 prices. Today, the same worker earns £23,000 – £1,500 below the pre-crisis level.<sup>23</sup> Looking forward, there is little prospect of Britain achieving broad-based wage growth anytime soon.



Wage growth for the lowest-paid is more positive. Resolution Foundation research suggests low-paid workers on or near the National Living Wage (NLW) reached pay growth of 3.5% for full-time workers and 5% for part-time workers between 2016 and 2017. The NLW now stands at £7.50 per hour and will continue to rise faster than median earnings until 2020.<sup>24</sup> Responding to concerns about low pay by charities, the Living Wage Foundation is conducting research which aims to secure decent rates for workers and will form the basis of an action plan due to be released in spring 2018.<sup>25</sup>

Low wage growth combined with inflation running at a five-year high<sup>26</sup> means household income for the beneficiaries of many charities will continue to be squeezed. Pressure on living standards is particularly acute among families with children, with support through benefits and tax credits falling in real terms. Since 2016, the value of benefits has been frozen despite a steady increase in the cost of living. The Institute for Fiscal Studies calculates that benefit entitlements will be lower by an average of £450 per year for 10.5m households by 2020.<sup>27</sup> This is predicted to drive almost half a million more people into poverty by 2020 if the government maintains the benefits freeze until 2019/20.<sup>28</sup>



Source: Resolution Foundation, graph reproduced with ONS data

Public sector workers are also feeling the pinch more than the others. Since 2013, pay rises have been frozen at 1%, way below the rate of inflation. The government lifted the cap in September 2017 awarding modest pay rises to police and prison officers.<sup>29</sup> However, questions remain about pay settlements for other parts of the public sector, such as the NHS, with recommendations from pay review bodies due to be considered in the spring and summer of 2018. Funding for some public services that charities deliver could be affected if, as expected, public bodies rather than central government are expected to pick up the bill for any future wage rises.

**There is some indication that a fall in disposable income – driven by high inflation and low wage growth – may reduce the levels of donations charities receive**

### **The impact of high inflation and future rises in interest rates**

There is some indication that a fall in disposable income – driven by high inflation and low wage growth – may reduce the levels of donations charities receive.<sup>30</sup> And as wages and benefits have less purchasing power, charities delivering services such as housing support, debt relief and foodbanks should prepare for continued reliance on the services they provide. Looking further ahead, the OBR expects inflation to peak in the current quarter and fall back to slightly below the government's 2% target over the next 18 months.<sup>31</sup> If this happens, the current squeeze on household incomes could change course over the coming year.

The Bank of England has responded to high inflation by announcing its first interest rate rise in ten years, taking the base rate up to 0.5%. While this is potentially good news for charities with investments in the UK, those with variable rate borrowing commitments should prepare for a modest increase in repayments, particularly with a series of 0.25% rises expected over the course of 2018-19.

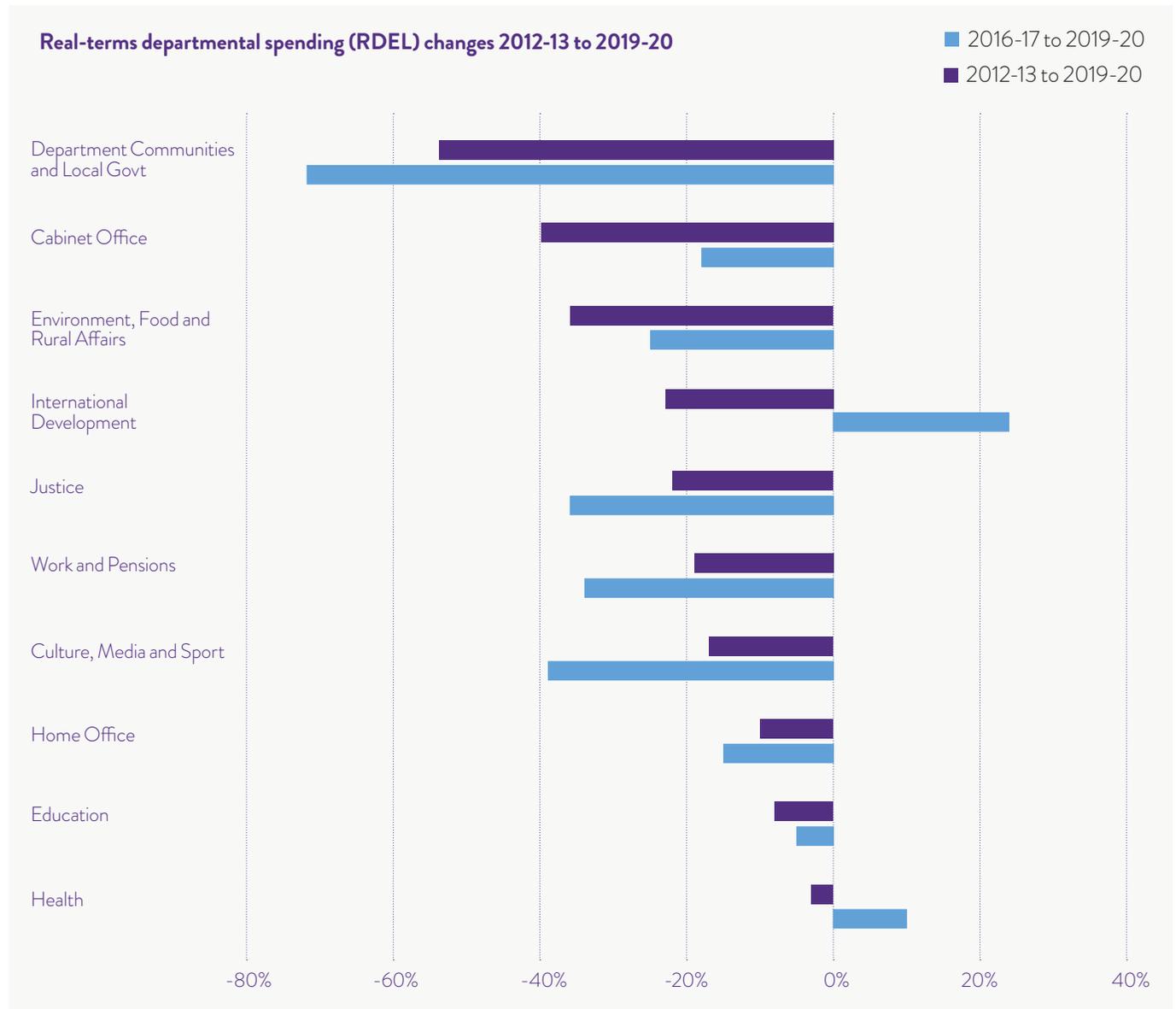
While the devaluation of sterling following the 2016 referendum to leave the European Union has been the main contributor to the steady rise in inflation, it has also provided a 'Brexit bounce' for some foundations and trusts with international investment portfolios, given the relative high value of currencies in other countries.



## Pressure on public spending

Despite a modest increase to NHS spending announced in the autumn budget, day-to-day spending on other public services is set to fall by 7% over the next five years.<sup>32</sup> This includes social care which is facing a funding gap of £2.5bn by 2019/20.<sup>33</sup> Particularly deep budget cuts are planned for departments that many charities traditionally receive funding from, including the Ministry of Justice, the Department for Communities and Local Government, and the Department for the Environment, Food and Rural Affairs. Government funding to the sector has historically tracked departmental spending, so charities should prepare for a continued drop in line with cuts over the current spending period.

Between 2010 and 2020, local government will have seen a reduction of £16bn in core government funding. Looking ahead, planned reforms aimed at giving councils greater flexibility to determine council tax levels and keep more of their business rates income will go some way to addressing the financial pressures local authorities face, but will do little to plug a predicted overall funding gap of £5.8bn by 2020. This has led the Local Government Association (LGA) to warn that certain services such as children's services, adult social care and homelessness are at a tipping point.<sup>34</sup> In particular, charities delivering services that local authorities are not obliged to fund, such as youth services and environmental conservation, should prepare for further reductions in spending on the support they provide over the coming year.



Source: HM Treasury, Public Expenditure Statistical Analyses, July 2017 and Autumn Budget 2017 – Departmental Resource Budgets, November 2017 (NB: Transport and Business, Energy and Industrial Strategy)

Smaller charities with annual incomes of between £25,000 and £1m will be particularly vulnerable to reductions in government funding over the year ahead, particularly at the local level. While overall the voluntary sector has experienced some growth in statutory income, this has mostly accrued to organisations with an income over £100m. For small and medium-sized charities, government income remains approximately a third below its pre-recession peak.<sup>35</sup>

The Association of Charitable Foundations has pointed out that while foundations are increasingly providing support for services once funded by the state and at risk of failure, they cannot make up for all the gaps in statutory funding. At £6.5bn, the value of grants made by independent foundations to the voluntary sector now exceeds grants made by government.<sup>36</sup> With the state providing significantly less support in the future, philanthropic funding will be increasingly sought after.<sup>37</sup>

### Uncertainty surrounding European funding post-Brexit

While the long-term implications of Brexit on the UK economy are uncertain and will depend largely on the outcome of negotiations between the government and the European Union, some short-term consequences are clearer. For some charities, a key area of concern will be the loss of EU funding, which is estimated to be worth between £350m and £450m.<sup>38</sup> The majority of this funding comes from the European Social Funds (ESF) which helps fund education, training and employment support for vulnerable people. The government has committed to creating a UK Shared Prosperity Fund to replace the money local areas currently receive from the European Union.<sup>39</sup> The new fund will seek to reduce inequalities between communities across the UK, but the extent to which it be used for generating positive employment and skills outcomes for deprived communities, rather than promoting business growth or investing in capital expenditure projects, is yet to be determined. Charities that deliver ESF programmes should start highlighting the value of their work to local politicians and elected officials ready for when the government consults on how to design the UK Shared Prosperity Fund later this year.

**With the state providing significantly less support in the future, philanthropic funding will be increasingly sought after**



## The state of public services

For both commissioners and providers at a local level, the political and financial uncertainty surrounding public services continues to present challenges.

Some extra funding for the NHS over the next two years was announced in the autumn statement, but not sufficient to meet the levels requested by NHS leaders to fund planned long-term sustainability reforms, with NHS England chief executive Simon Stevens stating constitutional standards would not be met because of underfunding. The willingness of public service leaders to openly address funding issues seems to be growing.

Social care notably received no funding in the Budget. A consultation is planned for the summer of 2018, but it will not cover the needs of working age disabled people.

Concerns are mounting about the sustainability of large private companies delivering public services since the recent collapse of Carillion and the near collapse of the care company Four Seasons. These events have provoked debate about the outsourcing of public services and whether this provides value for money and improves services.

## Commissioning and procurement

Over the past year there has been a shift in the language used to describe the commissioning, design and delivery of public services, which is likely to develop further over the coming year. The language of markets and competition has been replaced by that of systems and collaboration. The limits of the purchaser-provider split enshrined in the Health and

Social Care Act 2012, whereby commissioners buy services and providers bid competitively to deliver, have been recognised in both the Conservative Manifesto and by NHS England.

Social value approaches continue to be under-used, with only 33% of councils and 13% of Clinical Commissioning Groups make good use of the Act. While this is unlikely to change significantly over the next year, it is hoped that the upcoming Civil Society Strategy will provide an opportunity to address the huge potential of social value.

## Devolution and localism

The long-awaited Industrial Strategy, which will begin to be implemented in 2018, has been met by a mixed reception. While there is some focus on key social missions, one of them being an ageing population, some are frustrated at the lack of attention paid to the role of social value, the need for procurement processes to change, and the need to address our 'everyday' sectors like retail, care and hospitality.

The strategy has been announced within the context of increasing devolution. Further deals for the north east and the West Midlands with a focus on transport and connectivity were announced in the autumn budget. Devolved areas in England, such as Greater Manchester, have called for power over the adult skills budget as well as fiscal levers such as business rates, which would impact the way charities need to engage at the local level.

As devolution progresses there are local and regional decision-making bodies which will be more important for the voluntary sector to engage with. Powers have

been devolved to combined authorities, but these authorities will have different governance structures. Some areas will have city mayors. Local Enterprise Partnerships, while not new, may take on an increased or reviewed role to develop local economic strategies set out in the Industrial Strategy. In health contexts, some decision-making power has been given to Sustainability and Transformation Plan areas by NHS England, which are precursors to Accountable Care Organisations or Systems, with both devolved powers and budgets. While the legal basis of these is being challenged in the high court, charities working in health can expect to have to engage with a shifting commissioning landscape and build new relationships.

The voluntary sector will also have an important role to play in holding these growing and emerging bodies to account. Our research has shown that overall the sector has not been strategically involved in the process of devolution, partly due to lack of awareness and capacity. Voluntary organisations may want to consider how they collaborate to influence and provide leadership. While devolution provides potential opportunities for organisations, hyper-local organisations may struggle where power is devolved up from local to a regional level.



## Legend

- positive outlook for charities
- concerning outlook for charities, or mixed depending on size or sector
- very concerning outlook for most charities

## Economic drivers dashboard

Issue	Change since last year	Outlook for charities	Summary
Growth forecast	Downgraded significantly	<span style="color: grey;">●</span>	Productivity forecasts have been significantly downgraded over the next few years. This means slower wage growth, and consequently, less government revenue from taxation.
Inflation	Up from below the Bank of England's 2% target to 3.1%	<span style="color: grey;">●</span>	High inflation will continue to apply pressure on the purchasing power of wages and benefits. Inflation predicted to have peaked, but charities should expect a squeeze on living standards to continue and a possible drop in donations. High inflation means donations are worth less in real terms.
Interest rates	Up by 0.25% to 0.50%	<span style="color: grey;">●</span>	A series of 0.25% interest rate rises are expected over the next 18 months. Good news for charities with investments, but less so for those with variable rate borrowing commitments.
Welfare and low income households	Benefits freeze remains against backdrop of rising inflation	<span style="color: purple;">●</span>	Some increases to the National Living Wage expected, but purchasing power of benefits and wages will continue to be squeezed, potentially leading to increased demand for services some charities deliver.
Public and departmental spending	Planned cuts going ahead. Moderate boost to NHS spending in autumn budget	<span style="color: purple;">●</span>	Most departmental cuts set out in the 2015 Spending Review set to continue. NHS received a small boost to funding in autumn budget but still faces a significant funding gap. The key government departments that commission the voluntary sector will experience particularly deep budget cuts over current spending period.
Local authorities	Strain on local authority budgets set to continue	<span style="color: purple;">●</span>	Local authorities will continue to see reductions in core government funding, placing pressure on many services. Further ahead, councils will have more flexibility to determine council tax levels and keep more business rates income, but this will not fill current funding gap. Charities should expect some services to be cut or recommissioned on a smaller scale.
European funding	Continued uncertainty around EU funding post-Brexit	<span style="color: grey;">●</span>	Government has committed to creating a UK Shared Prosperity Fund to replace EU funding post-Brexit, but size of fund, and how it will be distributed and targeted currently unknown.
Employment and wage growth	Employment has risen, but probably peaked	<span style="color: grey;">●</span>	Unemployment at lowest level for over 40 years, but wage growth remains sluggish. Reforms to employment law aimed at enhancing the rights of workers in the gig economy expected to be implemented in early 2018.
Income from government and individuals	Similar trends and outlook	<span style="color: grey;">●</span>	Recent rises in government income to the sector mostly concentrated within charities with income over £100m. Smaller charities will continue to face significant funding pressures, but some are adapting via earned income from individuals.
Income from foundations	Continued growth in grant-making	<span style="color: blue;">●</span>	Grant making by trusts and foundations continues to grow in real terms – now equal to over 40% of total government spending to the voluntary sector, including contracts.
Alternative funding sources	Similar trends and outlook	<span style="color: grey;">●</span>	The social investment market continues to grow, but low-priced finance for small, struggling, charities and social enterprises has not yet materialised. Crowdfunding market has grown, but still relatively small.

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# SOCIAL DRIVERS

## UK population still growing

The UK population is expected to increase by 11% over the next 25 years, reaching 72.9 million in 2041.<sup>40</sup> Although this suggests a slower population growth rate than the previous projections (due to lower assumptions about future levels of fertility and international migration, and a slower assumed rate of increase in life expectancy), it is still a significant increase.

The number of older people is set to rise, particularly those aged 85 and over who are projected to double in number over the next 25 years (from 1.6 million people in mid-2016 to 3.2 million in mid-2041). Social care in its current form is already struggling to meet the range of needs of older people. By their late eighties, it is estimated that 80% of people will be living with at least two long-term health conditions and more than one in three will have difficulties undertaking key daily living tasks.<sup>41</sup>

Recent research shows the unmet need for care among older people living in their own homes is already widespread, and very likely to increase because of enduring cuts to public spending. Research participants considered unmet needs for social contact and mobility to be as important, if not more important, than meeting basic needs of daily living.<sup>42</sup> Voluntary organisations and community groups have an important role to play in providing services that can help reduce the social isolation of older people. The main challenge, however, is one of scale.<sup>43</sup> The social care system is heavily reliant on unpaid carers who are usually family members and may also be older people. In the future, it is very likely that they will be expected to do even more<sup>44</sup> and the voluntary sector may need to think about how best to support them as well as supporting older people directly.

## Social care in its current form is already struggling to meet the range of needs of older people

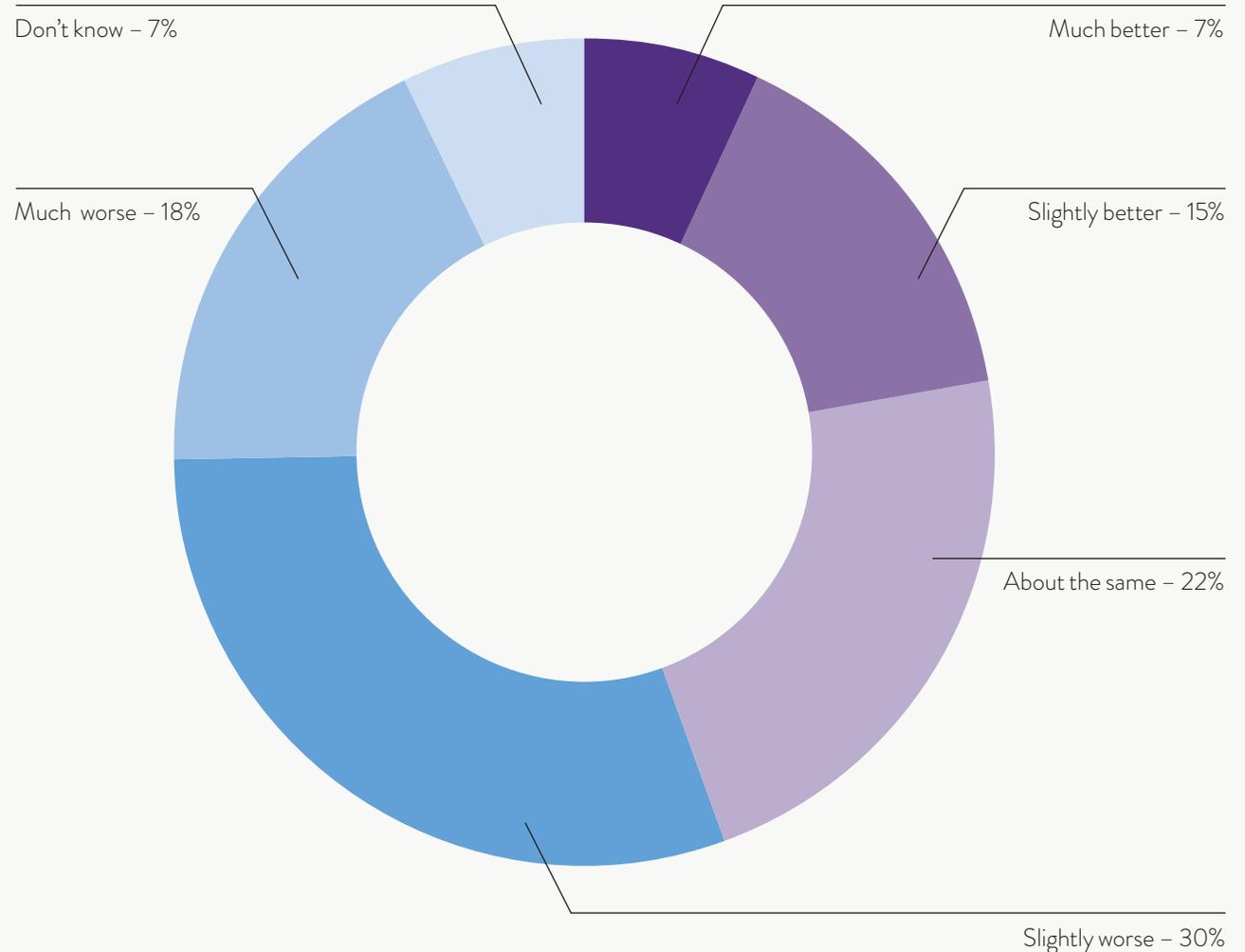


## Social contract between generations under strain

Decades of pay progress for younger people has now stalled; millennials born in the late 1980s are earning no more in their late twenties than those born in the early 1970s did at that age. They are on average spending almost a quarter of their income on housing, and are building up much less wealth than their predecessors at the same age.<sup>45</sup> This is leading to growing concerns about intergenerational fairness and fears that relationships between generations could deteriorate. The threat of intergenerational tensions may be overstated: research from the University of Birmingham<sup>46</sup> suggests families are determined to support their own members financially. Some are much better placed than others to provide help, however, recreating financial inequalities through generations.

When asked whether young adults will have a better life than their parents, only a minority of respondents believed this would be the case.<sup>47</sup>

Whether young people will have a better or worse life than their parents: 2017, GB



Source: Resolution Foundation/Intergenerational Commission

Much has been said about how baby boomers, millennials and the subsequent generation might differ in their attitude and behaviour. While it is worth considering how these differences might inform the way organisations work and communicate with their supporters and beneficiaries, it is also worth thinking about the following effects to ensure disparities and potential tensions are not overplayed:<sup>48</sup>

- The cohort effect: a cohort<sup>49</sup> has different views and these stay different over time
- The life cycle effect: people's attitudes change as they age – attitudes are shifted by life stages or events
- The period effect: attitudes of all cohorts may change in a similar way over the same period of time.

Intergenerational projects delivered by voluntary organisations show that solidarity between generations is still strong. There are likely to be more opportunities to help facilitate dialogue between different age groups.

### Increased pressure on the most deprived and vulnerable

According to the Institute of Fiscal Studies inequality<sup>50</sup> is projected to rise between 2015 and 2022, because of cuts to working-age benefits and real earnings growth of higher income households. While absolute poverty<sup>51</sup> in the UK as a whole is projected to remain broadly stable over the same period, absolute child poverty is projected to rise by 4 percentage points, due to planned changes to working-age benefits.<sup>52</sup> Different regions face different prospects. Overall absolute poverty is expected to fall in the south, the east, Yorkshire and Scotland, but rise in the north east, north west, Wales, Northern Ireland and the Midlands where a higher proportion of low-income families are reliant on benefits.

The benefit freeze since 2016 and changes to welfare payments through the introduction of Universal Credit are placing additional pressures on the most deprived and vulnerable, as well as the organisations supporting them. In this context, homelessness in all its forms is becoming an ever-growing problem. More than 9,000 people were sleeping rough in 2016 (an increase of 134% since 2010) and around 78,000 households were housed in temporary accommodation in June 2017 (up 63% since 2010).<sup>53</sup> The continued shortage of affordable housing and the level of market rents may further exacerbate the issue in coming years, and working families who are renting may increasingly become at risk of eviction.

**Inequality is projected to rise between 2015 and 2022, because of cuts to working-age benefits and real earnings growth of higher income households**



## Attitudes towards immigration shaped by both cultural and economic drivers

Analysis of the British Social Attitudes Survey<sup>54</sup> suggests that attitudes towards immigration became largely more positive over the period 2002-2014, even though immigration has become a more contentious and divisive topic. This is supported by more recent data from Ipsos MORI showing a gradual shift to more positive views towards immigration during 2015 and 2016, and a greater change after the EU referendum.<sup>55</sup> However, the Ipsos MORI data also indicates that the proportion of people who want to see a reduction in immigration levels has not changed over the same period, with 60% saying they would like to see immigration levels reduced. The study finds that both cultural and economic drivers influence people's attitudes towards immigration. Cultural concerns, such as not valuing diversity, opposition to political correctness and nostalgia, are more associated with anti-immigrant views than economic concerns. People's views in the UK on the economic impact of immigration are more divided than in most European countries.<sup>56</sup>

Since the EU referendum, immigration is still among the top five issues people are worried about, but the level of concern has dropped significantly.<sup>57</sup> With overall net migration having fallen by over 100,000 between 2015/16 and 2016/17, the uncertainty surrounding Brexit is now at the top of people's mind, and this is likely to be the case for the foreseeable future.

### How the population segments by views on immigration

Most negative about immigration

28%

#### Anti-immigration group

Concerned about immigrants taking away welfare services and jobs. Nostalgic for the past. Least likely to mix with people from different backgrounds; don't value diversity. Low levels of trust in others and experts. Strong authoritarian views. Older, lower levels of education. social renters. Highest support for UKIP. Voted heavily to Leave.

23%

#### Comfortably off and culturally concerned

Optimistic about their future, income inequality acceptable. Highest levels of trust in others, open to diversity, second least nostalgic group. Don't feel personally threatened by immigration. Oldest group, retired, most likely to own house outright. Highest support for Tories. Split on EU ref vote.

25%

#### Under pressure

Second highest group to think other people get priority over them for public services and immigrants get priority over jobs. Second least emphatic group about diversity. Youngest age group, highest no. of part time workers. Biggest concern issue facing Britain is the economy. Politically disparate and highest group of undecided voters. Marginally more Remain than Leave.

24%

#### Open to immigration

Majority think immigration levels should stay same. Trust others and experts. Value diversity and human rights, want a fairer more equal society but. Believe they will be worse off than parents' generation. Well educated, highest group of private renters. Highest group of Labour supporters. Mostly voted Remain.

Most positive about immigration

## Changing public perceptions of the role and responsibilities of government

The British Social Attitudes Survey, which has been monitoring attitudes towards government and public spending for over 20 years, shows that people

- have become less keen on the government getting involved in meeting the needs of the unemployed
- believe spending more on pensions is less of a priority
- are generally less supportive of public spending cuts.<sup>58</sup>

Almost half of the general public (48%) now say the government should raise taxes and spend more, a higher proportion than at any point during the last 10 years. The State of the State 2017-18 report by Deloitte highlights a similar trend: the level of support for cutting public services to reduce the national debt has halved since 2010 (from 54 % to 22%), and the proportion of people likely to be willing to accept less from public services has similarly reduced.<sup>59</sup>

Understanding attitudes towards public services is particularly important in the context of increasing concern about overstretched health and social care provision and discussion of how volunteering may be part of the solution. The King's Fund estimated that there were already three million health and care volunteers in the UK. However, the largely static volunteering levels since the early 2000s and changing public perceptions of the role and responsibilities of government mean that service providers will need to innovate to change the sort of volunteering opportunities they offer if they want to attract more people.

## Trust in charities and public scrutiny

In early 2017 the Edelman Trust Barometer reported the largest-ever drop in trust across the institutions of government, business, media and NGOs in 28 countries, and found that overall trust in the UK was at a historic low. Overall NGOs tended to be more trusted than the other three institutions, but had nevertheless experienced a fall in trust. There is no comparable trend data on whether public trust in charities (which had fallen in large part because of concerns about fundraising) has since then improved. However, the Ipsos MORI Veracity Index looking at trust in major professions shows an improvement in trusts levels for charity chief executives.<sup>60</sup>

Public scrutiny is here to stay, and expectations of transparency and accountability are set to grow. New research<sup>61</sup> from the Charity Commission and the Fundraising Regulator suggests that people aged 18 to 24 are 'savvier' about the charities they donate to than other age groups. Over half of young people said that they usually do checks on a charity before donating to them (compared with less than a third of over 75s). The research also shows that a majority of people are more likely to give to a charity that has affected them personally, highlighting the need to nurture long-term relations with their beneficiaries, donors, volunteers and supporters of all kind.

## A more independent way of getting involved?

People lead busy lives, seem to be or to perceive themselves as increasingly time-poor and struggle with competing demands. Charities are more than ever having to compete with everything else in someone's life and will need to ensure people who want to start volunteering can do so as easily as possible. In this context, it is likely that volunteering as a leisure pursuit will further develop, with people wanting to combine 'doing good' with a hobby or interest. It is also likely to lead to more family volunteering opportunities that prevent people from having to choose between spending time with their family and volunteering. Conservation, cultural and sports charities and initiatives are set to benefit from both developments.

With people struggling to commit time on a regular basis, charities and corporates such as the Scouts Association<sup>62</sup> or Accenture<sup>63</sup> are starting to offer and promote a range of volunteering opportunities that are more flexible and that people can easily dip in and out of. In many cases, these opportunities have an online element to them, allowing people to engage when and where they want, through the use of a mobile device, for example. In this instance, digital technology provides volunteers, and active citizens more generally, with more freedom and control, and encourages self-organising.

People will no doubt always want to get involved in a meaningful way, but with the influence of technology, wider consumer trends and changing attitudes of the general public towards established institutions they may, in the future, be more inclined to stay loyal to a cause rather than a brand or an organisation, and pay more attention to what their involvement is able to achieve.<sup>64</sup>

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# TECHNOLOGICAL DRIVERS

## The big potential of open data

Big data, large data sets from a variety of sources that grow continuously, is a big market today and set to grow even further. According to the International Data Corporation (IDC), worldwide revenues for big data and business analytics will increase from \$130.1bn in 2016 to more than \$203bn in 2020.<sup>65</sup> Tools to collect, manage and analyse data are becoming cheaper and data skills more embedded in people's working lives. Just recently, the UK government published its Government Transformation strategy<sup>66</sup> aiming to use data to transform public services. Many open data sets are already available at national level and several local authorities have become forward looking in their use of data.<sup>67,68</sup> For instance, data-led performance management of services in Essex, provision of open data to support the local tourism economy in North Somerset or the piloting of the London Office of Data Analytics.

As a result, there are increasing opportunities for the voluntary sector. Microsoft<sup>69</sup> predicts that data will allow more voluntary organisations to gain similar insights as international corporations, helping them to better understand their users, donors and beneficiaries. Some voluntary organisations have also started to make use of open data sets, for instance Shelter's Housing Databank and the Justice Data Lab. Despite those encouraging signs, the sector as a whole still struggles<sup>70</sup> to make the best use of data.

Common challenges include inconsistent or fragmented data, a lack of resources and skills, and the complexity of issues charities are working on. While it's quite easy to collect and process data such as clicks on a website, charities work on problems as varied as disability, mental health, wellbeing and social integration, which are harder to measure and analyse. Data may open a range of opportunities for charities to achieve their missions and accelerate their impact. But charity leaders will need to embed data in their strategic planning and address issues around resources, data availability, data quality and the need for good data management systems.

**Charity leaders will need to embed data in their strategic planning and address issues around resources, data availability, data quality and the need for good data management systems**



## Tech trends to watch

### Artificial intelligence

The idea that machines are capable of intelligent behaviour. It's mainly driven by developments in machine learning, an approach to achieve AI, and deep learning, a technique for implementing machine learning.

### Big data

A common definition uses the 'three Vs' rule: volume, velocity and variety. Big data is data that expands on these fronts at an ever-increasing rate.

### Smart cities

The idea that integrated information will help manage and improve the urban environment. This refers both to analytical processes (eg using data to better design processes in a real-time responsive way), and to aspects related to e-governance and participative innovation.

### Internet of Things (IoT)

The idea that physical devices should be connected either with each other or to the internet itself. 'Things' are devices and instruments: cars, bicycles, domestic appliances, items of clothing, and pretty much any item that has room to accommodate electronic communications.

### Blockchain

A Distributed Ledger Technology (DLT) that was invented to support Bitcoin, and today is the basis for many other cryptocurrencies. It is an algorithm for managing electronic cash without a central administrator, among people who know nothing about one another. Its key feature, smart contracts, can also be used for purposes other than finances, eg to secure data, serve as infrastructure for elections or allow peer-to-peer exchanges.

## Blockchain as the next disruptor?

According to Token Report<sup>71</sup> there are hundreds of cryptocurrencies today using the blockchain technology and soon there will be thousands. But the blockchain technology, which essentially provides a distributed means to guarantee and verify transactions, can also be used for other purposes, eg to guarantee the origin of food by simplifying supply chains.<sup>72</sup> Blockchain is believed to have the capacity to benefit philanthropy and charities in many different ways, for instance by reducing transaction costs, increasing trust through transparency and automating processes.<sup>73</sup> But to date, the uptake in the voluntary sector is relatively low: RNLI was the first UK charity to accept donations through bitcoin and St Mungo's has just started to use a fundraising platform with blockchain technology. Legitimate concerns over the use of cryptocurrencies address the lack of regulation and investor protection and the possibility of fraud. Alongside their phenomenal rise in market value,<sup>74</sup> official warnings<sup>75</sup> have grown louder over these digital assets, deeming them very high-risk, speculative investments.



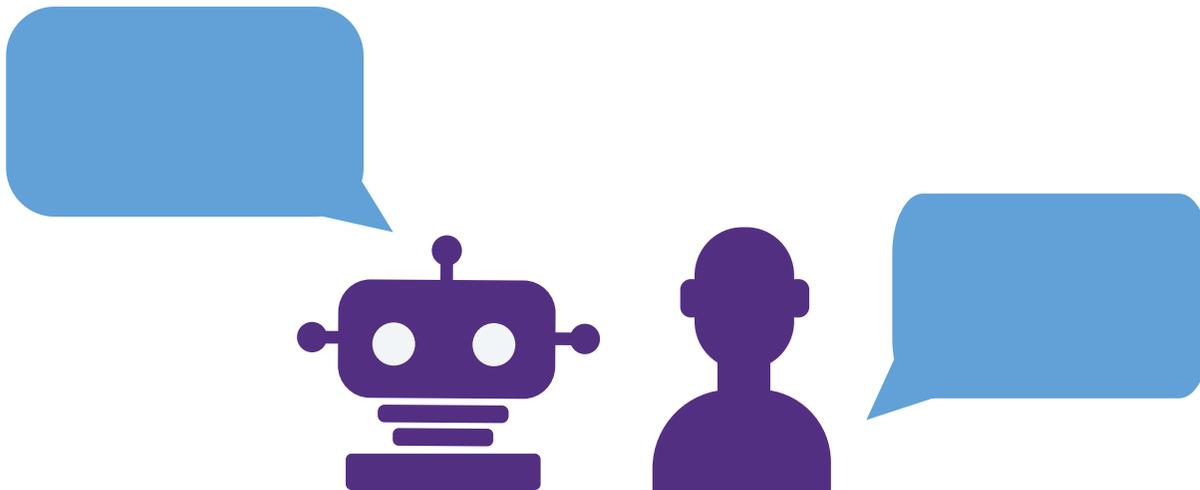
# Charities will need to start thinking about how they can participate and make most of the possibilities AI offers to improve outcomes for their beneficiaries and maximise impact

There are also other challenges for the sector. A growing number of direct donations platforms, for instance GiveDirectly, are already encouraging people to give directly to the causes they care about without charities acting as an intermediary.<sup>76</sup> Blockchain could make it even easier to develop direct giving platforms on a larger scale. Even though we're still far from any cryptocurrency being officially recognised by a state government, they are most likely here to stay and have the potential to disrupt many facets of people's lives, from paying someone in bitcoin to voting online based on blockchain technology. So now would be a good time to start thinking about what it could mean for charities, for example the potential for 'radical transparency' of donations by systematically opening up processes and data, the possibility of making it easier to get aid money to where it is needed, the impact of new assets becoming available for giving, and the potential for 'smart contracts'<sup>77</sup> that govern philanthropy.<sup>78</sup>

## The rise of artificial intelligence

There have been big jumps in the development of artificial intelligence (AI) and many applications already form part of people's daily lives. For instance, voice-to-text features on smartphones, fraud detection in banking or driverless buses within public transport. But what does AI mean for charities? Potentially, it could help voluntary organisations with a range of back office roles, improve decision-making and facilitate collaboration and marketing. And to date, despite a huge skill gap<sup>79</sup>, some voluntary organisations have started to embrace AI technology in delivering their mission. Arthritis Research UK, alongside other charities, is using chatbots to engage with their beneficiaries and the Children's Society has begun experimenting with live translation tools in its work with young refugees and migrants.

The UK government has just announced £75m<sup>80</sup> in investment for research on AI and robotics and the market for AI technology is estimated to bring additional value of £630bn<sup>81</sup> to the UK economy by 2035. Charities will need to start thinking about how they can participate and make most of the possibilities AI offers to improve outcomes for their beneficiaries and maximise impact. However, charities will also need to inform the debate around the ethics of AI to mitigate risk (see section on ethical framework).



## Are small organisations falling behind?

Technology holds great potential for the voluntary sector, but charities still lag behind corporates in terms of utilising digital tools. Even though there has been progress, the most prominent reason is lack of skills and leadership. According to a recent study<sup>82</sup> just 21% of charity trustees feel that their board has sufficient digital skills and the Charity Digital Skills Report<sup>83</sup> finds that half of the charities surveyed don't have a digital strategy. Furthermore, the UK Business Digital Index 2017<sup>84</sup> shows an increasing gap in digital skills between small and large charities with the difference in their index score rising from three points in 2014 to eight points in 2017. Other major barriers to fully embracing digital technology are a lack of funding and resources and risk aversion.

There is a danger that small charities could be left behind but a number of initiatives are trying to overcome some of the barriers. Several volunteering programmes match voluntary organisations with technology experts, and a growing tech for good community provides training, resources and funding. There are also promising examples of voluntary organisations collaborating with the corporate sector to gain access to skills and funds. However, organisations shouldn't just create digital services or become purely digital for the sake of it. They should be thinking about how they can use technology to better support their beneficiaries. They will also need to consider who might be excluded from using and accessing digital services – for instance there are about 7.8 million people in the UK who do not use the internet with the majority being older, from disadvantaged backgrounds and less educated.<sup>85</sup>

## Working differently

Today there is talk of a fourth industrial revolution consisting of developments in information technologies combined with AI, robotisation, automation of tasks, and the internet of things. Alongside potential job replacements, changing job requirements and the creation of new jobs, the European Trade Union Institute<sup>86</sup> predicts that the digitalisation of the workplace will also lead to radical changes in working conditions across all sectors.

Technology in the workplace has made it easier for people to connect and facilitated a growth in flexible working opportunities. It has also enabled a rise in self-employment, with latest figures from ONS<sup>87</sup> suggesting that 15% of all employees are self-employed. But there is a downside to constant connectivity, working from home or unusual hours. For instance, it has led to blurred boundaries between personal and working life and made the regulation of working hours more difficult. Recent studies<sup>88,89</sup> also found that checking of emails after work leads to lower productivity and job satisfaction, and a higher stress level for employees. Recognising the need to provide support, some companies in Germany and France have introduced guidelines against using work devices after hours and some even shut down servers overnight. The UK is however some way behind.

In the future we will see voluntary organisations more often confronted with demands from employees for both protection and flexibility. While staff will generally benefit from flexible working opportunities, employers will also need to think about possible negative impacts on employee well-being and develop working cultures that allow staff to switch off.



### In urgent need of an ethical framework

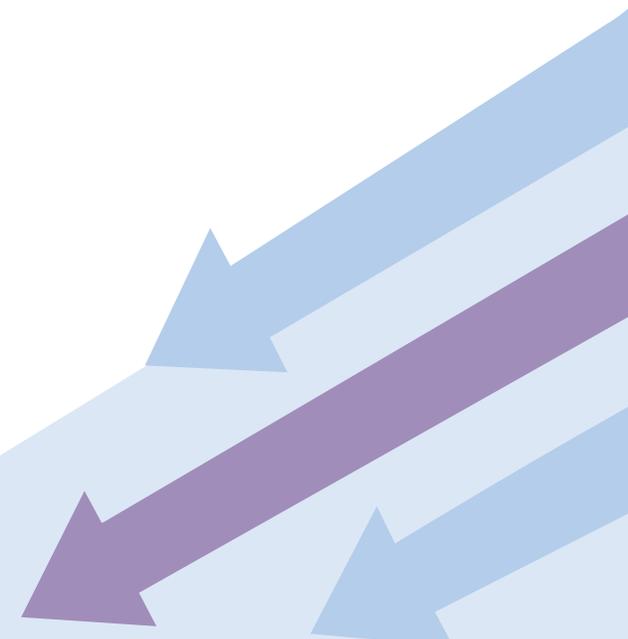
The rapid developments in AI and data driven technology also affect society. As AI systems move into environments that were once only occupied by humans, new questions have emerged around accountability, for example who to hold responsible if a driverless car crashes. Furthermore, there are many applications that have raised concerns about ethics, for instance the use of Facebook posts to personalise election campaigning,<sup>90</sup> social bots (software applications that automatically generate messages) masquerading as citizens influencing elections,<sup>91</sup> neural networks identifying people's sexuality<sup>92</sup> or algorithms that have the effect of compounding racial biases.<sup>93</sup>



Unlike in other fields such as medical research, there is a lack of ethical guidance for companies, governments, organisations and individuals involved in AI and data-driven technologies. While the adoption of the General Data Protection Regulation (GDPR) is a step in the right direction in terms of digital rights, it's not enough to deal with other ethical challenges in the field of technology. Hence, voices for independent institutions have grown louder to ensure safe, ethical innovation. As a result, the last budget saw the UK government announce the creation of the Centre for Data Ethics<sup>94</sup> and others have also started to address these issues. Examples include the Convention on Data Ethics by the Nuffield Foundation, DataKind UK's ethical principles for data science and the partnership between Data for Democracy, Bloomberg and BrightHive.

While voluntary organisations should be excited about the opportunities that AI and data-driven technologies hold, they should also challenge developments that go against their values. It's likely that ethics will always lag behind the curve of innovation, but charities should play a central role in overseeing the development of new technology to ensure that the changes benefit everyone and unintended consequences are minimised.

**Charities should play a central role in overseeing the development of new technology to ensure that the changes benefit everyone**



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