

THE ROAD AHEAD

A REVIEW OF
THE VOLUNTARY
SECTOR'S OPERATING
ENVIRONMENT

Michael Birtwistle
Véronique Jochum
Charlotte Ravenscroft
Chloe Stables
January 2016

NCO
CHAMPIONING
VOLUNTARY
ACTION

CONTENTS

Introduction	3
The Road Ahead	4
What's next for the voluntary sector?	
Political Drivers	7
Economic Drivers	11
Social Drivers	18
Technological Drivers	24
Acknowledgements	28

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 that 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. To carry out the PEST analysis 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 that we identified, which we think will continue to shape the sector over the next five years.

The report begins with a commentary from Charlotte Ravenscroft, 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.

We think that trustees and managers would benefit from using the analysis to explore the implications of the issues for their organisations when planning for the medium term.

For help and guidance on strategic planning, including PEST, see www.ncvo.org.uk/practical-support/strategy

NCVO ANNUAL CONFERENCE 2016: CREATING THE FUTURE FOR VOLUNTARY ACTION

On 18 April 2016 we will be holding our Annual Conference in London. This will be an opportunity to hear about and discuss the topics raised in The Road Ahead, and consider the issues that will shape the voluntary sector in the future.

[Find out more about the NCVO Annual Conference](#)



THE ROAD AHEAD

WHAT'S NEXT FOR THE VOLUNTARY SECTOR?

2016 will be a pivotal year for British and European politics – with far-reaching implications for the voluntary sector. Here at home, the strong mandate secured by the Conservative party at the general election has strengthened their hand in driving through further public spending and welfare cuts. New opposition leaders Jeremy Corbyn and Tim Farron have set about reshaping their respective parties, while Nicola Sturgeon and the SNP dominate politics north of the border. And the next stages of devolution to the nations and local areas within England look likely to alter the political landscape for decades to come.

The ongoing war in Syria, refugee crisis, Paris terror attacks and persistent problems for the eurozone present EU citizens and their leaders with difficult choices. Broadly speaking, pulling closer together or pushing further apart. UK citizens face this question in a forthcoming referendum on our future in the EU, with wide-ranging implications for all areas of the country's economic and social development.

BUT WHAT DOES ALL OF THIS MEAN FOR THE VOLUNTARY SECTOR?

AND WHAT ARE THE OTHER DRIVERS OF CHANGE FACING IT?

Asserting ourselves

In turbulent times, voluntary organisations and volunteers have responded by opening their doors to those in need, from the growth in foodbanks to hosting refugees. But providing relief is only one aspect of our role. Voluntary organisations will continue to be important contributors to national and international debates about how best to tackle the complex causes of these issues, drawing on the experience and voices of their beneficiaries. For those in positions of power, charities can be a point of access to communities that might otherwise lack effective representation.

Campaigning on the subject of the EU referendum, which will decide whether the UK remains in or leaves the EU, charities will need to ground their arguments in evidence, and heed guidance from both the Charity Commission and Electoral Commission. NCVO is currently seeking clarity from these regulators about whether charities will be able to take a position on the EU referendum, given that this is an important constitutional question that largely transcends partisan politics.

Still a shrinking state

Reports of the end of austerity have been much exaggerated: cuts are set to continue until at least 2019/20. Coupled with devolution, the biggest changes are those happening to local government.

Even if councils stopped filling in potholes, maintaining parks, closed all children's centres, libraries, museums, leisure centres and turned off every street light they will not have saved enough money to plug the financial black hole they face by 2020.

Lord Porter, Chair, Local Government Association

The knock-on effect for charities is likely to be significant. Many preventative and specialist services will be vulnerable, as councils are forced to focus on their statutory obligations. And the services that do remain are likely to be commissioned through a smaller number of larger contracts, coupled with an expectation on providers to reduce their unit costs. In the absence of further intervention, it is likely that public service contracts will become inaccessible to all but the largest organisations in some areas.

The charities most likely to buck the trend are those that have stronger relationships with local politicians and commissioners or are working in partnerships that can deliver services at scale. For those that are confident about contributing to wider public sector savings (reducing unnecessary visits to accident and emergency departments, for example), it will be worth investing in cost-benefit analysis to demonstrate this. Nonetheless, many charities are likely to lose grant and contract income in 2016 and beyond, which will potentially increase competition for resources elsewhere.

Cuts are set to continue until at least 2019/20. Coupled with devolution, the biggest changes are those happening to local government

Local communities, local solutions

One of the ironies of the funding squeeze is that charities have a lot to offer when it comes to coping with impending demographic challenges. From ageing, youth engagement and flexible working to integrating immigrants and developing new health and care services: if you want to see it in action, there's almost always a charity already doing it, often on a shoestring.

In the current climate, many charities are thinking more about expanding their sphere of influence by advocating for their beneficiaries and sharing their insights and approaches with others.

The first half of 2016 is a particularly good time to engage with statutory partners: their new four-year spending round begins in April and many are in the middle of developing devolution plans. It's a good time to raise awareness of what local communities have to offer and how they think local plans can best address local needs.

Playing digital catch-up

NCVO staff recently visited a well-known charity which explained that its internet access was intermittent because the cable was being held together with a spoon. Like many charities, its ageing IT infrastructure was a problem but not a priority.

Yet digital is now a part of everything, and charities would do well to consider not only their creaking hardware, but some of the opportunities and efficiencies on offer: making better use of data to target services, campaigns and bids; rethinking working patterns and volunteering; using online communication, collaboration and storage tools; using open software, which can reduce costs; and enabling staff to use their own devices, social media and networks. Moreover, charities need to think about the implications for their beneficiaries (what improvements could be made to their services, information, access, engagement and networks?) and supporters, as well as being aware of new digitally focused organisations entering their area of work, who could either be disruptive or who may be potential allies. Charities should also understand that high-profile breaches of data security can be highly damaging to an organisation and its contacts – and they will not be immune to attacks on their data.

Kay Boycott, chief executive of Asthma UK, said that having a digital strategy will soon be like having an electricity strategy. But given the low starting point for many in the sector, trustee boards would be wise to consider a digital review as part of their wider strategic and planning processes. The digital literacy of senior leadership teams still needs to improve to grasp the full potential of digital for their own organisations.

Getting the house in order, together

Some of the country's best known charities hit the headlines last year for the wrong reasons: aggressive fundraising, excessive pay and controversial campaigning tactics. While sector representatives, including NCVO, gave dozens of media interviews stressing how unrepresentative cases such as Kids Company were, the stories clearly tapped into wider public anxiety about charities.

Charities need to demonstrably respond to these public concerns and ensure that their means are consistent with their ends. This is not just the case for household name charities: smaller organisations should also anticipate greater scrutiny from funders and donors. All trustees should be confident to discuss their charities' finances and – where relevant – fundraising practices, pay and pensions, investments, partnerships, campaigning and service delivery approaches.

At a national level, NCVO continues speaking up for charities and developing best-practice guidance on issues such as campaigning standards and executive pay. We have supported new powers for the Charity Commission, albeit with appropriate safeguards, and the establishment of a new Fundraising Regulator to uphold and increase public confidence in the sector.

Overall, public trust and support for charities remains high. Charities are the vehicle through which millions choose to generously give their time and money to support good causes. Charities exist to benefit the public and they do invaluable work to transform the lives of people and the world around them.

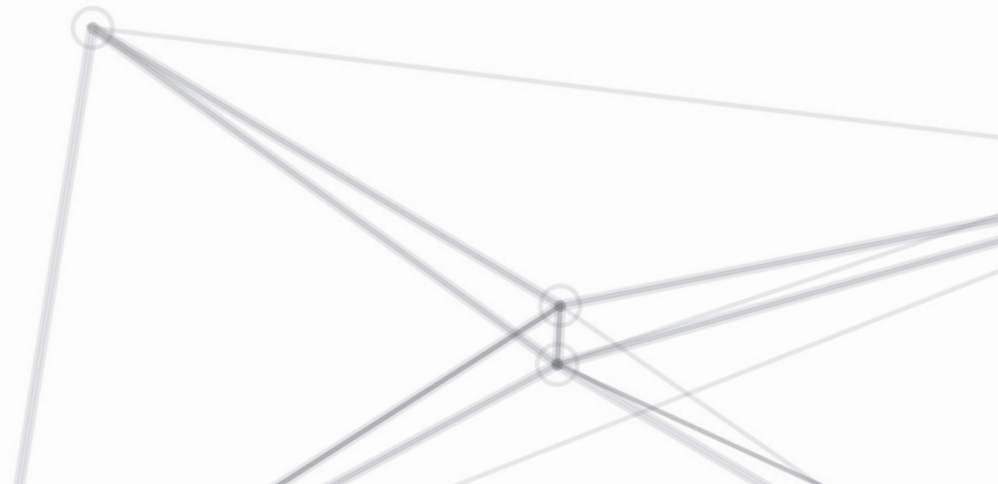
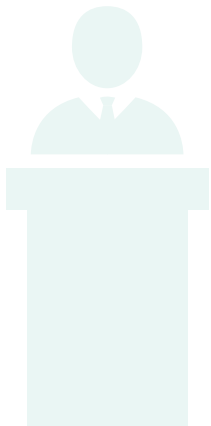
The voluntary sector as a whole is responsible for continuously proving that it's worthy of this support – and we're confident that our members will take the lead on this over the years ahead.

**JOIN THE
CONVERSATION
#NCVOROAD Ahead**

POLITICAL DRIVERS

The most unpredictable general election in a generation delivered two surprising outcomes: a majority government that practically no one predicted and further consolidation of a multi-party system. While David Cameron's absolute majority is small, with just a twelve-seat advantage, the arithmetic of the commons is not as delicate as it may seem, with the Conservatives outnumbering the next largest party, the Labour party, by 99 seats. For many charities this means seismic shifts in the way they engage with government: working with a small or non-existent majority obviously brings challenges, as progress becomes slower and more intense. As parliamentary majorities narrow, it simply gets harder to get business done.

The 2015/20 parliament looks substantially different to that which has come before, with 182 new MPs taking their seats in the chamber

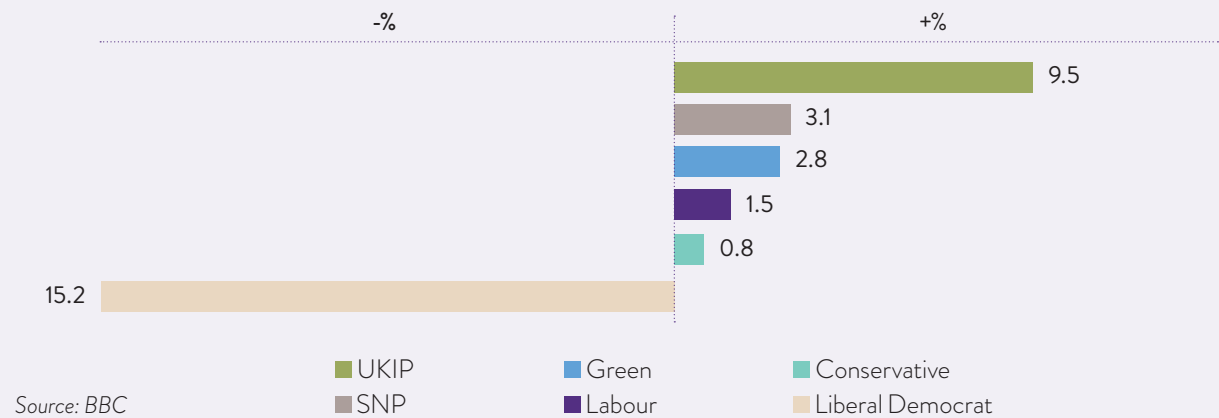


A changing parliament

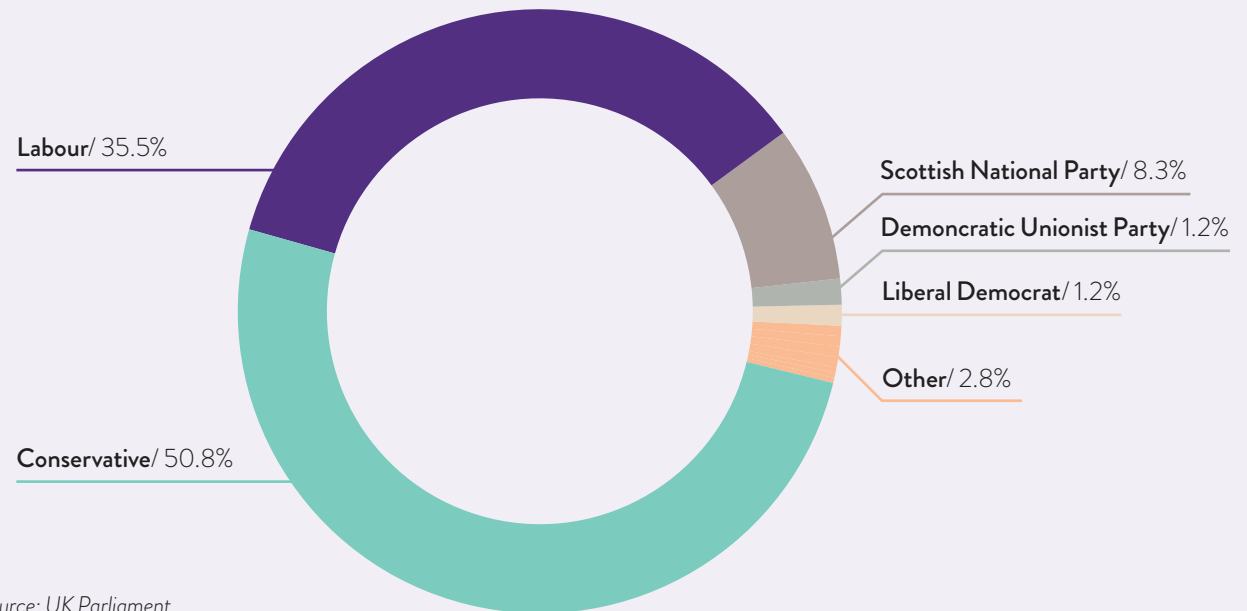
The 2015–20 parliament looks substantially different to that which has come before, with 182 new MPs taking their seats in the chamber. While a high turnover is unremarkable (the 2010 election had an even higher influx of new faces), the composition of parliament has shifted. There are more female MPs, and more MPs from an ethnic minority background.

In terms of political composition, the massive drop in Liberal Democrat MPs and the arrival of a much larger number of Scottish National Party (SNP) MPs will substantially change the dynamic in Westminster. As the third-largest parliamentary party, the SNP are now entitled to all of the parliamentary rights previously enjoyed by the Liberal Democrats. They have two questions to ask the Prime Minister each week at Prime Minister's Questions, and now hold the chairmanship of two select committees. The reality of an upsurge in support for smaller parties means that charities can no longer rely on a small handful of fruitful relationships, but must invest in a wider dialogue. Working intensively with all parties has become the norm, and those who had previously concentrated on one or two parties will be required to engage much more broadly.

UK vote share change since 2010



Make up of UK Parliament by party 2015



The real opposition?

Even with the large number of new Tory peers, the end of the coalition government means they can only demand loyalty from 30% of the House of Lords (rather than 40% with the Liberal Democrats), making the passing of legislation trickier. This has already played out, with the House of Lords dramatically defeating the government on tax credits. As a result, however, the government appointed Lord Strathclyde to review 'how to protect the ability of elected governments to secure their business in parliament'. The upper house may lose its veto over delegated or 'secondary' legislation – the very mechanism that the government had used to implement the contentious tax credit cuts.

A period of constitutional change

The first majority Conservative government for nearly two decades will oversee a period of major constitutional change. This includes greater devolution to Scotland, Wales and Northern Ireland, as well as to English cities, and an in/out referendum on membership of the European Union. It will be the first time in 41 years that voters are given a say on EU membership, and polls on the possible outcome of the vote remain on a knife-edge. With the migration crisis likely to worsen and the rise of religious extremism dominating the agenda, the outcome of the referendum is likely to be as unpredictable as the 2015 general election.

The debate about our role in the world and how we govern ourselves is likely to expend a huge amount of political energy. More than ever, Cameron's ability to command the support of his party will be under the spotlight. From the initial debates around issues such as 'English votes for English laws', it's clear that even simple procedural issues have the potential to cause huge upsets.

Major reforms ahead

The previous coalition government undertook several radical public service reforms. Schools, health services and probation have all been fundamentally transformed and the new Conservative government will be focusing on embedding these changes. The remaining area where the Conservatives, unencumbered by their coalition with the Liberal Democrats, will seek more radical change is welfare. Iain Duncan Smith, the Secretary of State for Work and Pensions, will continue the rollout of Universal Credit and replace the Work Programme, while at the same time making billions of pounds worth of benefit savings to meet the government's deficit reduction target. Cameron is not a radical by temperament but it is likely that these major public services reforms (alongside the deficit) will define his premiership and frame the 2020 election.



Localism and devolution

The question of who voters hold responsible for public services is about to get even more complicated and will in future need to be answered with another question: where do they live? The devolution agenda offers the promise of far more integrated and flexible public services, with potential benefits for service users (and the charities that support them), whose needs don't always fit neatly within government funding silos. A key part of George Osborne's 'Northern Powerhouse' strategy, current proposals will see cities across the country offered the opportunity to take control of health and social care, housing, planning, transport and skills powers if they have or introduce a directly elected mayor.

Leadership matters

The faces that will dominate the 2020 election may be very different to 2015. While George Osborne remains the anointed successor to Cameron, he is not without challengers; Boris Johnson, Sajid Javid and Teresa May are all possible contenders. With some time to go until the election, and a large degree of uncertainty, campaigners are well advised to engage with the many different views that exist not only across parties, but within them as well.

How far the political debate swings back in the other direction will largely depend on two relatively unknown figures who have been thrust into the spotlight following Labour's controversial leadership contest. Jeremy Corbyn as leader of the Labour party sets a very different tack to his predecessors, prizing debate and deliberation over New Labour's command and control structures. Maintaining unity and party discipline may be the defining issue of his leadership. Tom Watson as deputy leader will be tasked not only with keeping the leadership on track, but also with reconnecting to Labour's core vote and bringing Labour's campaign infrastructure into a modern age.

Tim Farron looks set to lead the Liberal Democrats into the next election. After being brutally punished at the ballot box in 2015 and left with only eight MPs, he must rebuild the party machinery and convince a sceptical public. Collectively they will face a series of smaller parties looking to make inroads on specific agendas and disrupt the traditional bipartisan set up. Nigel Farage as leader of UKIP and Natalie Bennett as leader of the Greens, as well as the nationalist parties, will all compete for space. With elections for the Scottish Parliament, the Welsh Assembly and London Mayor, and local authority elections across England, there will not be a shortage of opportunities to test public opinion ahead of the 2020 general election.

Current proposals will see cities across the country offered the opportunity to take control of health and social care, housing, planning, transport and skills powers

ECONOMIC DRIVERS

A low inflation, low interest rate economy

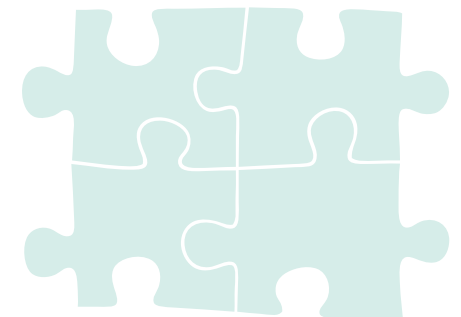
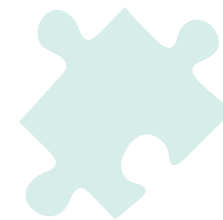
The UK economy continues to recover. Gross domestic product (GDP) had been growing since the start of 2012, peaking at 3% a year at the beginning of 2014. While growth was slower year-on-year at the start of 2015, the Office for Budget Responsibility (OBR) has forecast that real GDP will continue to grow between 2% and 3% until 2020.¹

Inflation has been at a historic low throughout 2015, at or near 0%, contrasting sharply with an average of 2% to 3% over the preceding ten years.² Inflation was expected to rise sharply at the end of 2015 and reach 1.5% by the start of 2017, slowly approaching the Bank of England's 2% target over the following years.³ However, recent analysis of voluntary sector finances suggest that charities may have been more exposed to price rises than the average consumer in recent years.⁴

Interest rates remain at a historic low, with the Bank of England base rate not having changed from 0.5% since 2009. Most commentators aren't expecting a rise in interest rates until at least early 2017.⁵ Charities are net savers rather than borrowers, meaning that a rise is likely to benefit them on the whole. However, UK households typically have a large amount of debt, particularly mortgages, so if rates rise, these households will have less expendable income. This could potentially affect how much individuals give, at a time when donations have stabilised around their pre-recession levels.

Low unemployment and the productivity puzzle

Over the past year, unemployment has fallen back below its pre-recession level to 5.2%,⁶ but almost all net jobs growth since 2007 has been in self employment and part-time jobs⁷. The experience of the voluntary sector has been similar to this national trend. Voluntary sector employees working part time has grown 26% since 2007, while those working full time grew at half that rate.⁸



A national living wage – but is it really?

GDP growth over the last five years has not translated into significant growth in productivity or average salaries, which has presented a problem for the government because tax receipts have not grown as was originally forecasted.

At the summer budget, the Chancellor announced a 'national living wage' of £7.20 from April 2016, rising to £9 by 2020, which will only apply to those aged 25 and over. The policy is expected to boost the wages of around six million people and cause 60,000 job losses⁹ due to the increased cost to employers.

The policy does not amount to a true implementation of the living wage, which is currently set at £8.25, rising to £9.40 in London. Moreover, the present measure was calculated based on the availability of universal credit, which the Chancellor has planned to cut. Therefore the true living wage is likely to rise further as these changes are implemented.

The median voluntary sector hourly wage at the start of 2013 was £10.59 – about a pound lower than the national median. The policy change is likely to affect the staff costs of small to medium-sized charities in particular, which are large enough to have employees but may only be able to pay some staff close to the current minimum wage. The change is expected to have a particularly significant impact in sub-sectors such as social care. Charities will need to anticipate how they expect their expenditure to change and build in any increased costs into their income generation plans.

Even though the policy is expected to boost wages, the cumulative effect of welfare reductions will still lead to low-income households being worse off.

Welfare spending reforms hit the poorest worst

The summer budget delivered £12bn of cuts to welfare spending, which may affect the beneficiaries of many charities.

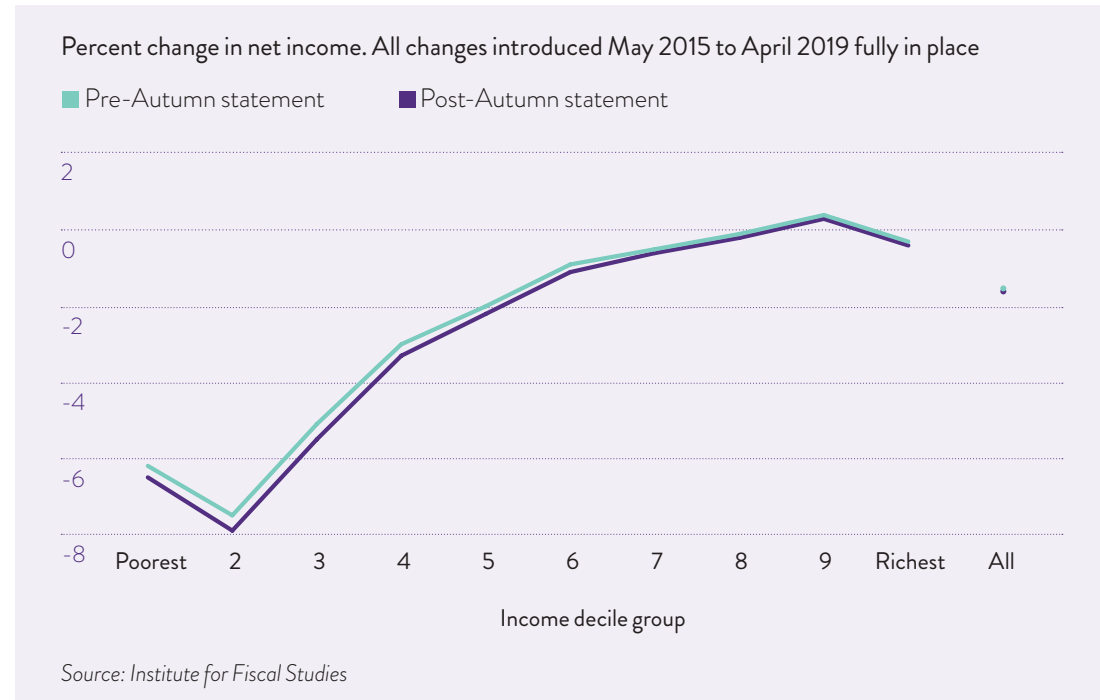
One of the most significant changes was the lowering of the welfare cap from £26,000 to £23,000 in London, and £20,000 outside. The National Housing Federation has estimated that after universal credit and child benefit deductions, there will not be enough left within the new cap for families with three or more children to afford average rents almost anywhere in the UK through housing benefit.¹⁰

Despite a well-publicised U-turn on changes to tax credits in the Autumn Statement, low income households are still expected to be considerably worse off by 2019 because households on tax credits are being transitioned to universal credit, which is still being cut. Additionally, working-age benefits will still be frozen for four years from next April. Other changes include reducing the employment and support allowance work-related activity group rate (which is paid to claimants that the Department of Work and Pensions considers will be capable of work at some time in the future) by around £30 a week,¹¹ and limiting child tax credits to two children for those born from April 2017.

One of the most significant changes was the lowering of the welfare cap from £26,000 to £23,000 in London, and £20,000 outside

The analysis of these welfare reforms by the Institute for Fiscal Studies found that they would negatively affect those on lower incomes the most severely.¹² By April 2019, the poorest 20% will see a real-terms reduction in their net income of around 7% compared to 2015.

Voluntary organisations that work with affected groups can expect increased demand for services, and potentially reduced income where services are funded via welfare payments (eg housing benefit).



By April 2019, the poorest 20% will see a real-terms reduction in their net income of around 7% compared to 2015

Spending Review 2015 brings significant departmental cuts

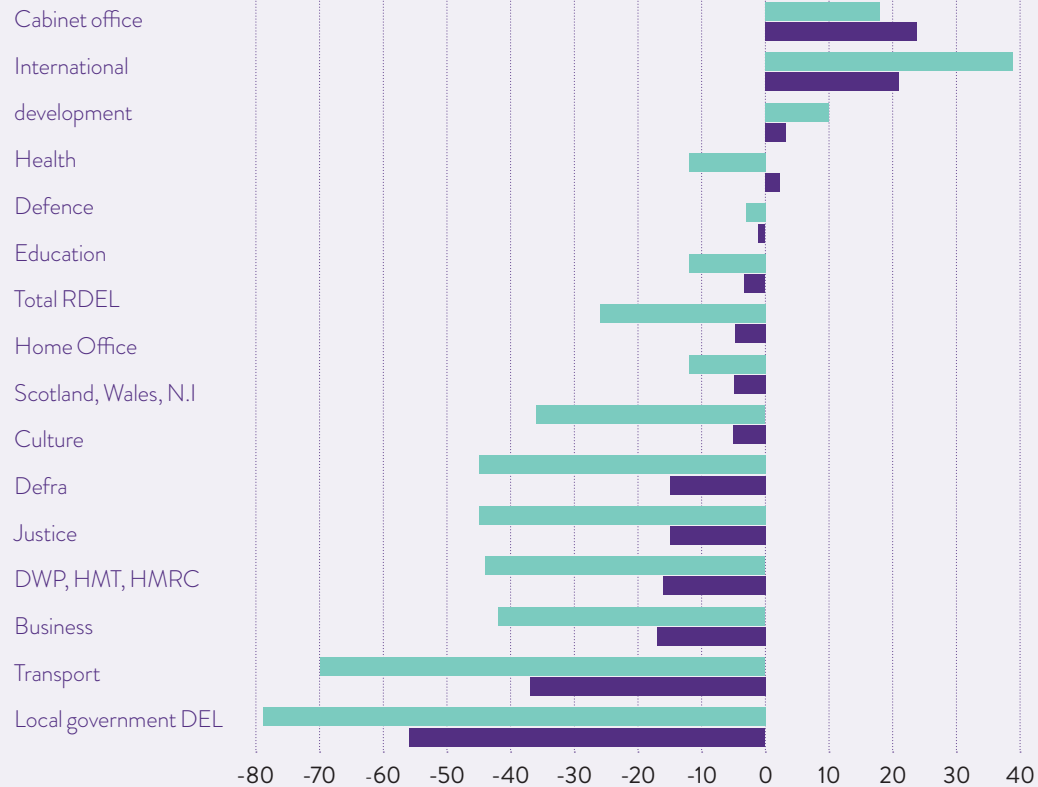
Since his Autumn Statement in 2014, the Chancellor has revised projected departmental spending twice, each time decreasing the severity of planned reductions and extending the timetable for deficit reduction.

Spending in certain areas was protected, including policing, health, defence and certain elements of the schools budget. Key departments for the voluntary sector have seen further substantial budget reductions, most notably a 56% real-terms cut to spending on local government by the Department for Communities and Local Government. Local authorities are being given new powers to raise council tax and retain business rates, which the government forecasts will offset central cuts,¹³ but this income is likely to be unevenly distributed across different local authorities. Any charities with significant government income can expect to be affected, particularly from those departments that have seen further major spending reductions.

Day-to-day spending cuts since 2010/11

2010/11 to 2019/20

2015/16 to 2019/20



Source: Institute for Fiscal Studies

Change in resource DEL (cumulative)

RDEL: Resource Departmental Expenditure Limit

DEL: Departmental Expenditure Limit

DWP: Department of Work and Pensions

HMT: HM Treasury

HMRC: HM Revenue and Customs

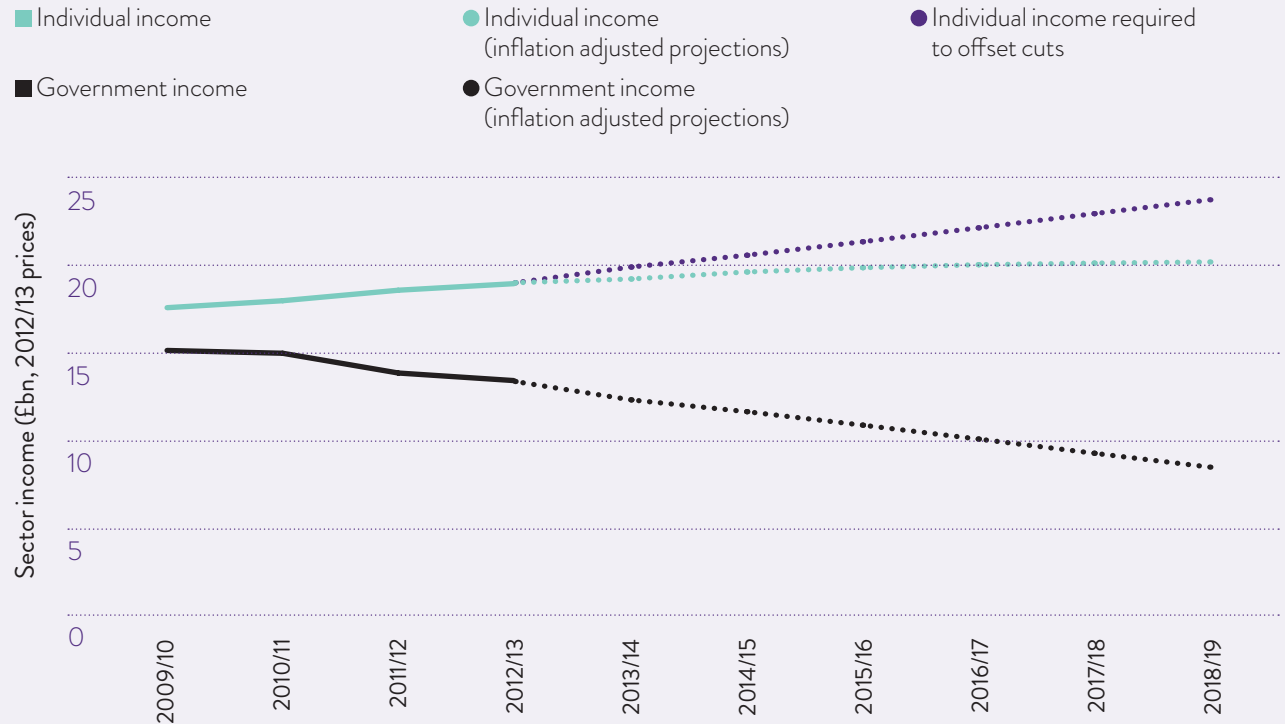
Sector spending power will shrink without intervention

NCVO recently published *A Financial Sustainability Review of the Voluntary Sector*, which was developed jointly with Charity Finance Group, the Institute of Fundraising, the National Association for Voluntary and Community Action, the Small Charities Coalition, and Locality. The review is an analysis of trends in the voluntary sector's finances across income, expenditure and assets. It also gives forecasts for the key trends in voluntary sector spending power.

The review shows that while the economy has been growing since 2012, sector income has decoupled from wider economic growth, having followed similar trends in the years leading up to the financial crisis and first few years of recovery.

The review's projections point to a £4.6bn annual shortfall in sector income over the next five years simply to maintain current spending power. Trends in income from individuals and government sources will largely shape the sector's overall finances in the coming years, as other sources of income have not changed significantly. Notably, the rise in income from individuals since 2007/08 has been almost entirely due to fees charged by charities for their services, an approach that may not be appropriate, replicable or scalable beyond a given point for many charities due to the nature of their beneficiaries or services.

Voluntary sector income projections from individuals and government sources (£bn, 2012/13 prices)



Source: NCVO Almanac

The review finds that smaller charities in particular have not benefited from the economic recovery. Charities with income under £1m have seen disproportionate falls in government income, staffing levels and asset value in recent years. Many such organisations have tried to maintain frontline services by cutting back office and management expenditure, and are now experiencing a 'capacity crunch' that limits their ability to develop new funding streams, or to even engage with funder programmes designed to improve their sustainability.

With devolution to local authorities expected to accelerate throughout this parliament, the commissioning environment will continue to change. Voluntary organisations will increasingly have to contend with more local, less uniform commissioning processes, and those experiencing capacity problems may continue to have difficulty adapting to these changes.

Alternative funding sources continue a slow but steady rollout

For some years now social investment has been heralded at a political level as a funding solution to the steep falls in government income the voluntary sector has experienced. The size of the social investment market is estimated to be around £200m,¹⁴ although Big Society Capital has now provided over £350m of funding to social investment intermediaries.¹⁵ It still tends to be larger voluntary organisations (usually those that already own assets) which are using, or considering using, social investment, with most organisations seeking it to scale up their services or make further investment in assets. But mismatches between investors and voluntary organisations continue to be a major challenge to the growth of social investment, particularly in terms of the availability of products suitable for smaller organisations (such as loans smaller than £250,000) and investment readiness among borrowers.

This year saw the launch of the Access Foundation, which was established to improve the sustainability of voluntary sector organisations through social investment, and which has two major funding programmes. The £45m Growth Fund will combine grants and loans to help smaller organisations access social investment, particularly loans of less than £150,000, which have proved uneconomical for intermediaries to provide. Its second programme is a £60m capacity building grant fund, which will be spent over ten years. This is likely to fund various projects ranging from six months to several years in length, with the first group of programmes expected to be finalised by April 2016.¹⁶

The size of the crowdfunding market has doubled every year since 2012 and was expected to reach £1.74bn by the end of 2014¹⁷ – although only a fraction of this is used by the voluntary sector. Donation crowdfunding for charitable projects stood at £2m in 2014, an increase of 77% from the previous year, and community shares grew by 95% to £34m. While these growth rates are relatively small compared to other forms of crowdfunding, they still represent a significant growth area for voluntary sector alternative finance. Nesta research found that two-thirds of those using donation-crowdfunding platforms did not believe they would have been able to raise the money elsewhere, indicating that crowdfunding can provide finance for projects that would otherwise be difficult to fund.¹⁸ However, it remains difficult for organisations to successfully fundraise for overheads or core costs.

References:

1. Economic and Fiscal Outlook (Office of Budget Responsibility, November 2015) – cdn.budgetresponsibility.independent.gov.uk/EFO_November__2015.pdf
2. Consumer Price Inflation, Statistical Bulletin (ONS, July 2015) – ons.gov.uk/ons/dcp171778_413520.pdf
3. Economic and Fiscal Outlook (Office of Budget Responsibility, November 2015) – cdn.budgetresponsibility.independent.gov.uk/EFO_November__2015.pdf
4. A Financial Sustainability Review of the Voluntary Sector (NCVO, July 2015) – www.ncvo.org.uk/images/documents/policy_and_research/funding/financial-sustainability-review-of-the-voluntary-sector-july-2015.pdf
5. Economic and Fiscal Outlook (Office of Budget Responsibility, November 2015) – cdn.budgetresponsibility.independent.gov.uk/EFO_November__2015.pdf
6. UK Labour Market, Statistical Bulletin (ONS, December 2015) – www.ons.gov.uk/ons/dcp171778_424920.pdf
7. In it Together: Why Less Inequality Benefits All (OECD, 2015) – www.keepeek.com/Digital-Asset-Management/oece/employment/in-it-together-why-less-inequality-benefits-all_9789264235120-en#page148
8. Calculated using data at data.ncvo.org.uk/a/almanac14/what-are-the-working-patterns-in-the-voluntary-sector/ and data.ncvo.org.uk/a/almanac15/workforce/
9. Economic and Fiscal Outlook (Office of Budget Responsibility, November 2015) – cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf
10. Benefit cap modelling (National Housing Federation, July 2015) – s3-eu-west-1.amazonaws.com/pub.housing.org.uk/Benefit_Cap_Modeling_briefing_13_July_2015.pdf
11. Sickness benefit shake-up considered (BBC News, 2 July 2015) www.bbc.co.uk/news/uk-33347511
12. U Turn Permitted: Benefit and tax credit changes (IFS, November 2015) – www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood_Benefit_tax_credit_changes.pdf
13. Local government funding at the Spending Review 2015 (Department for Communities and Local Government, HM Treasury and The Rt Hon Greg Clark MP, 25 November 2015) – www.gov.uk/government/news/local-government-funding-at-the-spending-review-2015
14. After the Gold Rush (The Alternative Commission on Social Investment, March 2015) – clearlyso.com/wp-content/uploads/2015/04/Alternative-Commission-Report-Social-Investment.pdf
15. Big Society Capital Annual Report, 2014 – www.bigsocietycapital.com/sites/default/files/pdf/Big%20Society%20Capital%20Annual%20Report%202014.pdf
16. Access – access-socialinvestment.org.uk/capacity-building/capacity-building-timetable/
17. Understanding Alternative Finance (Nesta and Cambridge University, November 2014) – www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf
18. *ibid*

SOCIAL DRIVERS

The UK population is ageing...

The number of UK residents aged 90 and over has almost tripled since the early 1980s. Life expectancy is predicted to continue to rise steadily for both men and women: a girl born in the UK in 2015 is now expected to live for an average of 94.3 years (compared to 88.8 for those born in 1980) and a boy for 91 years (compared to 84.7).¹⁹ Despite planned changes to the state pension age, the old-age dependency ratio²⁰ is predicted to increase in future years. For every 1,000 people of working age in 2037 there will be 365 people of state pension age (compared to 295 in 1980).

An ageing population will increase demand on health and social care services, including those provided by the voluntary sector that run, for instance, a significant number of care homes. Beyond the significant challenges of service provision, the Commission on the Voluntary Sector and Ageing²¹ concluded that voluntary organisations also needed to adapt how they worked with older employees, volunteers and donors. It encouraged organisations to play an active role in combatting ageism and developing new ways of promoting health and wellbeing throughout people's lives.

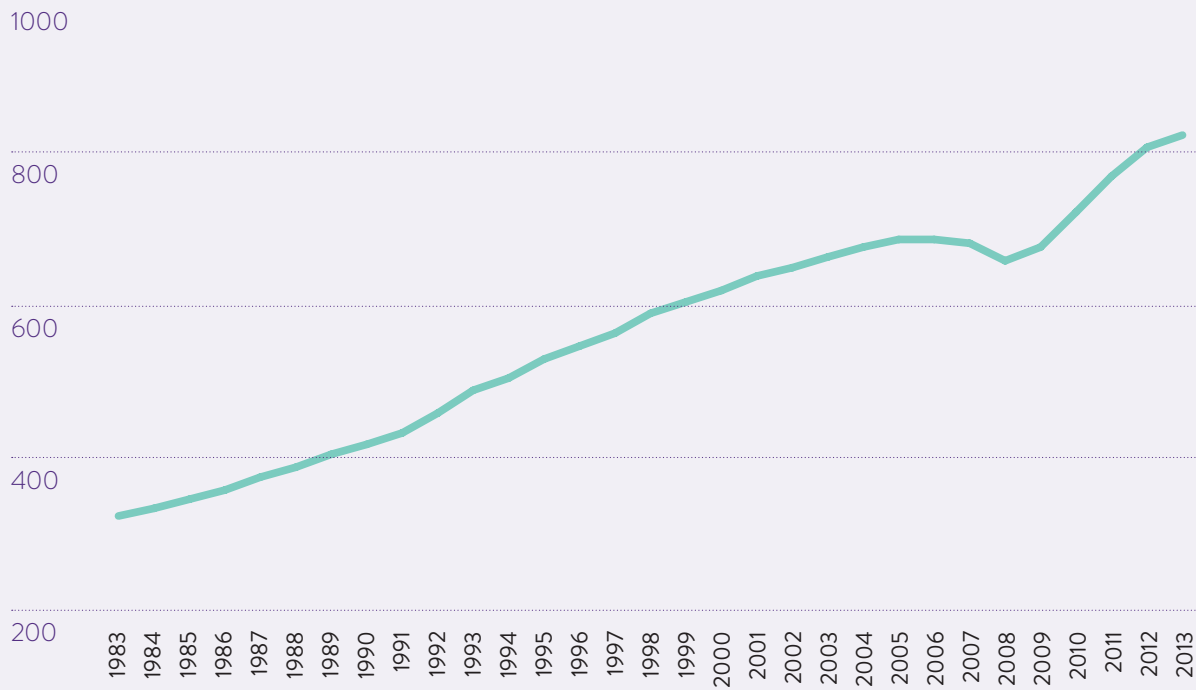
It is expected that for every 1,000 people of working age in 2037 there will be 365 people of state pension age

...and growing

According to the latest figures published by the Office for National Statistics (ONS)²² there are 64.6 million people currently living in the UK, which means that the population has grown by almost 15% since 1980. The key drivers of this growth have been an increase in the number of births and an increase in net migration²³ following the EU expansion in 2004. From 1 January 2014 to 30 June 2014, 53% of the increase was due to net migration and 46% to natural change²⁴.

More recent figures indicate that net migration to the UK is at an all-time high (336,000 in the year to June 2015).²⁵ If current immigration and birth-rate patterns stay the same, ONS predicts that the population will reach 73.3 million by 2037, and Eurostat has projected that the UK will be the most populated country in the EU by 2050.²⁶ Population growth will help pay the rising pension bill and support economic growth thanks to increases in the size of the workforce. However, there are major concerns about the pace of change and the growing pressures on housing, infrastructure and the environment, as well as on the planning and delivery of services in health, education and transport.

UK residents aged 90 and over per 100,000 UK residents, 1983 – 2013



Source: Office for National Statistics

Growing needs in an age of austerity

Austerity measures to cut public debt have led to cash-strapped government departments, local authorities, public service providers and voluntary organisations struggling to deal with the increasing pressures. Communities across the UK have been directly feeling the impact of austerity through the implementation of a series of tax and benefit changes. Rising employment and weak earnings have led to a rise in poverty for those who are in work and a deterioration of the financial position of working families.²⁷ The introduction of welfare reforms has led to a greater number of people accessing services for support, as well as an increase in the time required to support individuals with multiple and changing needs. The complex nature of many people's needs has highlighted the importance of different service providers connecting and working together to try to address issues.

Different generations, different pressures

Young people have fared the worst, particularly those in their twenties: despite gaining higher qualifications than previous generations, this age group has experienced the greatest drop in both full-time employment and real wages.²⁸ It is therefore unsurprising that, with the rise of property prices, the number of young people who own a home has dramatically fallen²⁹ and that over a quarter (28%) of 22- to 30-year-olds now live with their parents.³⁰ The increasing number of grown-up children staying at home and the rise in life expectancy are putting additional pressure on what is referred to as the 'sandwich generation': people who have multiple caring responsibilities, providing support not only to elderly parents or in-laws, but also children or grandchildren. These caring responsibilities can often affect the amount of free time a person has for other activities, including leisure pursuits and volunteering. This is especially affecting middle-aged women (45–54), who are the most likely to give up work or reduce their working hours to take on caring responsibilities.³¹

Greater challenges ahead

The last decades have seen significant improvements in living standards for pensioners, and this is likely to continue into the next decade.³² However, the prospects for future generations are less positive. Those born in or after the 1960s are looking less well-placed financially than current pensioners and may be more heavily dependent on inheritances. Working lives are expected to continue getting longer, especially for people with limited financial security. In this context, inequalities in old age are set to increase – whether in work and employment, income and wealth, or health and wellbeing (particularly social isolation and loneliness). For many people, unstable lives and uncertain futures are leading to feelings of insecurity and anxiety, with nearly a fifth of adults experiencing depression and anxiety. This is most common among 45- to 54-year-olds, followed by 16- to 24-year-olds.³³

No major shifts in public attitudes to welfare

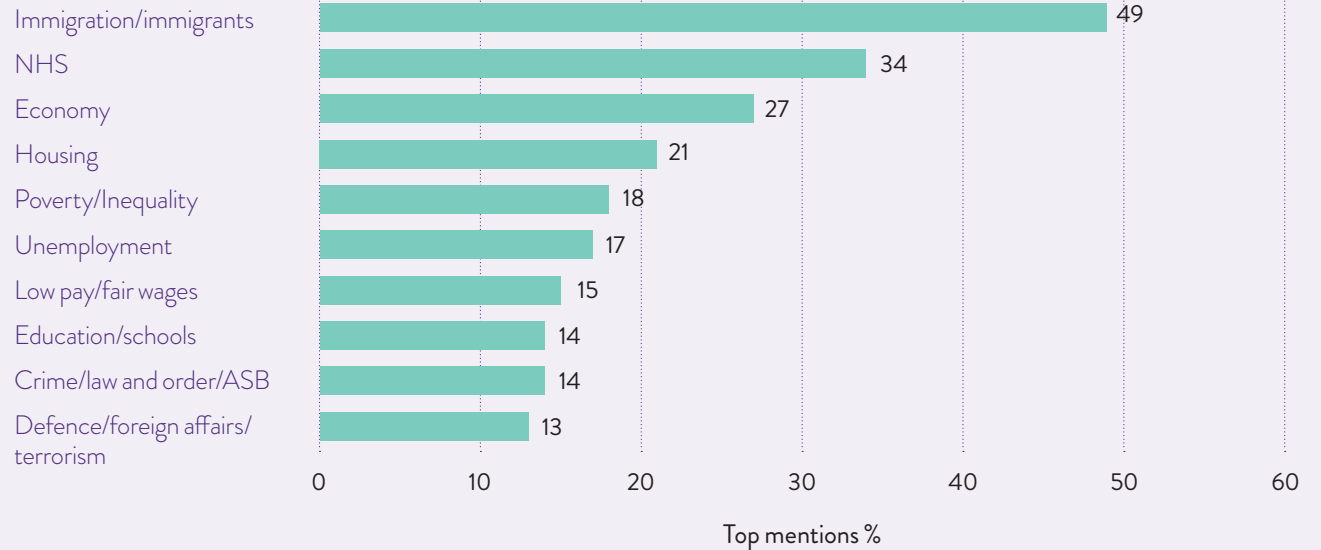
After falling from 63% to 32% between 2002 and 2010, the proportion of people who are in favour of higher taxes in order to increase spending on health, education and social benefits went up to 37% in 2014. However, the proportion of people who think government should spend more on welfare benefits has not changed since 2010 (30% in 2014 compared with 29% in 2010).³⁴ While there has been a decrease in the proportion of those who believe that many people getting social security don't deserve any help (30% in 2014 compared with 35% in 2010), nearly three-quarters approve the government's benefits cap and agree that no household should receive more in benefits than the national average income. Pensions remain the public's top priority for additional government spending.



A tougher stance on migration

Public attitudes to welfare are tougher towards residents who are not British. In 2014 around 40% of people believed that migrants from outside the EU should never be able to claim the same out-of-work benefits as British citizens, and 29% thought the same of EU citizens.³⁵ In recent years immigration has consistently ranked in the top-five most important issues by the general public, and people's concerns over immigration were reflected in some of the debates that took place during the last general election. Since then, the events in 2015 that led to the arrival of more than 850,000 migrants and refugees in Europe³⁶ have pushed immigration to the top of the list.³⁷ Media coverage that often makes no distinction between refugees, asylum seekers and migrants has done little to reduce people's concerns.

Issues facing Britain: November 2015



Source: Economist/Ipsos MORI Issues Index: November 2015

Trust in charities under threat

In last year's edition of The Road Ahead we explained that while trust in charities³⁸ was still high, it had been damaged by negative media coverage and concerns over charities mismanaging funds. As a result of the high-profile closure of Kids Company and the tragic death of Olive Cooke, there has been a significant increase in negative media coverage, and a call for charities to 'clean up their act'. Although the reporting has drawn attention to the misconduct of a few, and focused primarily on big charities, criticism of poor fundraising practices has resonated with the general public. While recent surveys indicate that trust in charities varies according to events and context, and is therefore quite volatile, it's worrying that it is currently at its lowest level in almost a decade.³⁹

Context is shaping participation

However, by and large support for charities is still strong, as shown by the relatively stable levels of participation in individual giving and volunteering over time. People's motivations for donating or getting involved reflect the diversity of their personal concerns and interests, and are dependent on what's happening in their lives and shaped by context and events. Over the last few years, for instance, we've seen the rise of donations to food banks and of volunteering in local museums and libraries. A report by the New Economics Foundation⁴⁰ mapped out the different strategies that some communities have put in place to try to address or mitigate the impact of austerity and deal with a difficult environment. These range from adapting (through, for example, providing people with support and advice, or mobilising community capacity) to challenging (by speaking out and organising campaigns) and imagining or seeking alternatives (which include collaborative exchange or consumption, and preventative service design). It's highly likely that occurrences of all three strategies will develop as government continues to cut public spending.

People's motivations for donating or getting involved reflect the diversity of their personal concerns and interests, and are dependent on what's happening in their lives and shaped by context and events



References:

19. The changing UK population, ONS (January 2015)- <http://visual.ons.gov.uk/uk-perspectives-the-changing-population/>
20. This measures the number of elderly people as a share of those of working
21. Decision Time: Will the voluntary sector embrace the age of opportunity? Final report of the Commission on the Voluntary Sector & Ageing (March 2015) – https://cvsanpc.files.wordpress.com/2015/03/decision-time_final-report-of-cvsa_mar15.pdf
22. The difference between immigration and emigration.
23. The difference between births and deaths.
24. Overview of the UK Population, ONS (November 2015) – www.ons.gov.uk/ons/dcp171776_422383.pdf
25. Migration Statistics Quarterly Report, ONS (November 2015) – www.ons.gov.uk/ons/dcp171778_425188.pdf
26. Population Projections, Eurostat – ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00002
27. Living Standards, Poverty and Inequality in the UK: 2015, Institute for Fiscal Studies (July, 2015) – www.ifs.org.uk/uploads/publications/comms/R107.pdf
28. Falling Behind, Getting Ahead: The Changing Structure of Inequality in the UK, 2007-2013, Centre for Analysis of Social Exclusion (March 2015) – sticerd.lse.ac.uk/dps/case/spcc/SRR05.pdf
29. UK Housing Review: 2015 – www.ukhousingreview.org.uk/
30. Living Standards, Poverty and Inequality in the UK: 2014, Institute for Fiscal Studies (July, 2014) – www.ifs.org.uk/uploads/publications/comms/r96.pdf
31. Caring responsibilities in middle age: Evidence from the 1958 National Child Development Study at age 55, Institute of Education (2014) – www.closer.ac.uk/wp-content/uploads/NCDS-caring-briefing-paper-October-2014.pdf
32. Where next for pensioner living standards, Joseph Rowntree Foundation (September 2015) – www.jrf.org.uk/report/where-next-pensioner-living-standards
33. Measuring National Well-being: Life in the UK 2015, ONS (March 2015) – www.ons.gov.uk/ons/dcp171766_398059.pdf
34. British Social Attitudes 32, Natcen (March 2015) – www.bsa.natcen.ac.uk/
35. British Social Attitudes 32, Natcen (March 2015) – www.bsa.natcen.ac.uk/
36. International Organization for Migration – migration.iom.int/europe/
37. Economist/Ipsos MORI Issues Index: November 2015, Ipsos MORI (November 2015) – before the November terrorist attacks in Paris
38. Public Trust and Confidence in Charities 2014, Charity Commission (June 2014) – www.ipsos-mori.com/Assets/Docs/Publications/sri-charities-public-trust-and-confidence-in-charities-2014.pdf
39. nfpSynergy's Charity Awareness Monitor, NfpSynergy (August 2015) – nfpsynergy.net/press-release/trust-charities-now-lowest-eight-years-scotland-and-northern-ireland-have-higher-trust
40. Responses to austerity, New Economics Foundation (February 2015) – b3cdn.net/nefoundation/1ac29da8caad2f83c0_1lm6b3u3v.pdf

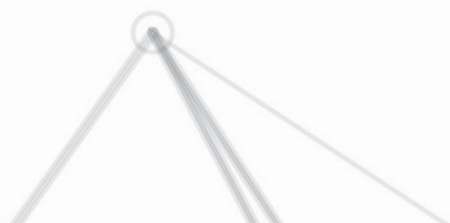
TECHNOLOGICAL DRIVERS

Changing workplaces

Technology, one of the key drivers of change in the workplace, is making it possible for people to work remotely and communicate with others across locations. Distributed teams with members living and working in different places are becoming more common, as is flexible working, because employees can now conduct many tasks from home or while on the move. For some people the very notion of 'going to work' has changed from travelling to a given location to being able to choose where and when to work. For some organisations this will be an opportunity to save money by reducing office space, but it isn't without its challenges. It means giving people the choice to work on the device that is best suited to their needs, which might include their personal smartphone, tablet or computer – a big culture shift for many IT professionals.

While technology may provide greater freedom in where, when and how people work, management will need to change their mindset from 'managing by seeing' to 'managing by results' and invest in the right tools to allow people to work effectively and collaboratively. Advances in mobile tools, cloud technology and near field communication (NFC) should encourage and support the transformation of work and lead to an age of 'supermobility'.⁴¹ It will be challenging for organisations (particularly those dealing with sensitive and confidential data) to have increased security requirements in place while still meeting their employees' need to work remotely and flexibly.

Advances in mobile tools, cloud technology and near field communication should encourage and support the transformation of work and lead to an age of 'supermobility'



Expanding digital services

This summer saw the publication of *The New Reality*,⁴² a thought-provoking research report that explores the future of digital technology in the voluntary sector and how it can help deliver increased social impact. Based on over fifty interviews with sector leaders and digital experts, the report highlights how the sector's vision of digital technology up to now has mainly focused on digital marketing and fundraising, and that there is a need to promote the potential of technology in transforming the delivery of services. Examples in the report show how digital technology can be used to create services that are focused on the needs of users and beneficiaries through co-production models, or processes that encourage user involvement and feedback. Many of the examples involve health and social care organisations, but there are others from the advice sector. Some illustrate a clear shift towards a self-service model that tries to help people find solutions to their problems themselves, and it's likely that more smartphone apps with this aim will be developed in the future. Beyond web-based services, technologies such as wearables and 3D printing are set to further transform services in the longer term. The transformation of services is likely to see the entry of new digitally focused organisations, which could be a source of disruption for existing organisations or lead to future partnerships.

Transforming IT within organisations

In a world where the pace of change seems faster and faster, organisations are having to constantly review and update their digital strategy. Agile project management, based on the idea of continuous improvement, may provide a way of responding to this continuously changing environment. Typically used in software development, it allows IT projects to develop incrementally, using prototypes to test ideas out and user feedback to improve. As Julie Dodd writes in *The New Reality*, it is a 'tried and tested way for delivering transformation', although as yet it is not widely used by the voluntary sector. While agile project management can help organisations start small and experiment without incurring huge costs, it requires people with the right skills, as well as buy-in from senior management teams. In larger charities there is also a trend towards bringing IT and digital teams together, to stop digital from being seen as a subset of communications.



The new data economy

Previous editions of *The Road Ahead* have pointed to the increasing availability of data and how it is likely to shape more decision-making in organisations. They outlined how the move towards open data could enhance transparency and contribute to improvements in the way resources are directed to services that address the greatest needs. Progress in the field of open data seems relatively slow in the voluntary sector, partly due to significant skills gaps within organisations, but also because of wider cultural barriers in organisations, and particularly attitudes towards risk. This includes concerns about data security and privacy, as well as concerns about growing competition among organisations. While there is still a long way to go before data sharing becomes commonplace, charities are now more inclined to view the data they have on their services, beneficiaries, supporters and donors as an asset that gives them valuable insights for decision-making. It's now not unusual for large charities to recruit insight analysts to put in place and maintain databases and systems to monitor and analyse marketing, fundraising and membership data, and, perhaps less frequently, data on outcomes and impact. Technology and market research company Forrester predicts that the data economy will expand to data science services, making insight more accessible through the publication of application programming interfaces (APIs).⁴³ 'Tech for good' businesses are increasingly on the lookout for data scientists with web development skills.

Towards cyberbalkanisation

In theory, the internet represents a place where people would be constantly exposed to new ideas, and where people of different backgrounds would come into contact. The internet has certainly been a formidable tool for reaching out to people across locations and mobilising crowds in record time. However, there is a concern that the internet operates in a way that reinforces existing communities of interest, with users avoiding exposure to others' views.⁴⁴ This is one of several aspects of cyberbalkanisation, also referred to as splinternet. It is reflected, for instance, in the way people (especially Millennials) are now engaging more with well-defined groups and close contacts through instant messaging apps such as WhatsApp or Snapchat, and less with large audiences through traditional communication channels, such as newsletters, but also the more established social media players, such as Facebook and Twitter. This is likely to play in favour of social movements and more informal types of social action that are very dependent on social connections. It highlights how important it is for charities and other organisations to know their supporters well and their motivations for getting involved, so that individuals can pass on to their own contacts information and calls for action that are relevant to them.

Power to the user

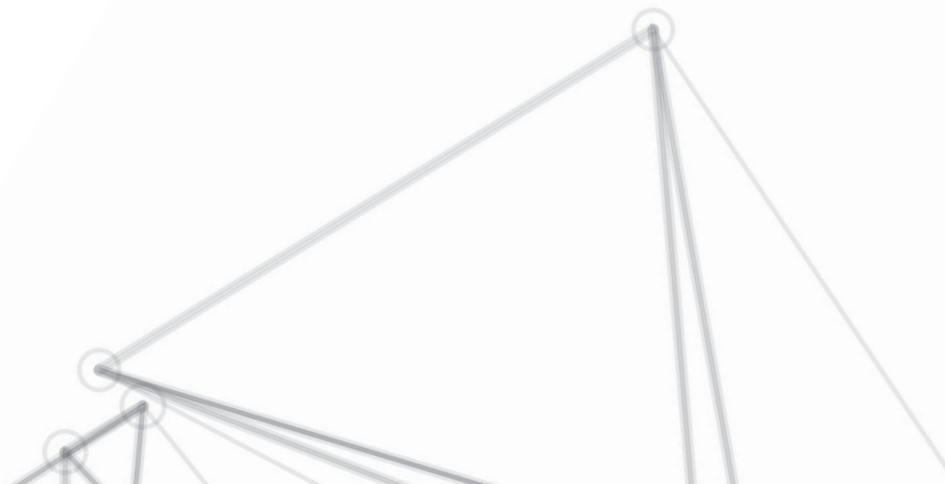
People value having an intuitive and easy online experience. Their expectations are increasingly high: with mobile technology and the internet, users have become accustomed to instant access, quick responses, and up-to-date – and often free – information. However, people's attention span and their tolerance for a less than optimal experience have fallen and users have become very skilled at switching from one task to another.⁴⁵ Web designers are putting more and more focus on user experience in order to offer users an engaging experience that maintains their interest longer and guides them from the point of entry to the point of action (or purchase in many cases). User-generated content is continuing to prove popular, particularly multimedia content that is visual and sharable, as the success of YouTube and Instagram demonstrates.

Marketing specialists in the corporate sector are doing their utmost to harness user-generated content, which consumers say they trust more, to increase brand loyalty and drive sales. For voluntary organisations, user-generated content represents a powerful tool for communicating stories about their beneficiaries and the impact of their work in a way that can help people make a personal connection to a cause or campaign. But it also indicates people's growing desire to act on their own terms and more independently, without necessarily seeking the contribution or input of formal intermediaries such as established charities. People's ability to do so is further helped by having access to a range of free open-source resources.

Expectations are increasingly high: with mobile technology and the internet, users have become accustomed to instant access, quick responses, and up-to-date – and often free – information

References:

41. Revolutionising the Future Workplace, Jack Uldrich (2014)
– jackuldrich.com/wp-content/uploads/2014/11/Jack-Uldrich-White-Future-of-Work.pdf
42. The New Reality (2015) – thenewreality.info/
43. Predictions for the Data Economy in 2015, Gene Leganza (November, 2014) – blogs.forrester.com/gene_leganza/14-11-04-predictions_for_the_data_economy_in_2015
44. The Filter Bubble: What the Internet is Hiding from You, Eli Pariser, Penguin Press (2012)
45. Our attention span is now less than that of a goldfish, Microsoft study finds, The Independent (13 May 2015)
www.independent.co.uk/news/science/our-attention-span-is-now-less-than-that-of-a-goldfish-microsoft-study-finds-10247553.html



**We would like to thank our colleagues
for their contribution to this report.**

Jennifer Crees
Nick Davies
Joy Dobbs
Megan Griffith
Jurgen Grotz
Matt Hill
Deb James
David Kane
Greg Lamyman
Nick Ockenden
Maria Pikoula
Aidan Warner

