

# *Beyond Profit* future scenarios towards **2010**

A futures event designed by OPM for the  
Charity Commission and the National  
Council for Voluntary Organisations

## Programme

- 9.30 Coffee
- 10.00 Introductions: Geraldine Peacock and Stuart Etherington
- 10.30 Scenario 1: strategic responses:
- 11.15 Scenario 1: negotiations and influencing
- 11.45 Report back and discussion
- 12.15 Scenario 2: strategic responses
- 1.00 Lunch
- 1.45 Scenario 2: negotiations and influencing
- 2.15 Report back and discussion
- 2.45 Mixed debrief sessions
- 3.15 Plenary discussion – lessons and action points.
- 4.30 Close

*Beyond Profit*  
future scenarios towards  
**2010**

**7 December 9.30 – 4.30**  
**NCVO headquarters**

## **Contents**

Contents .....	2
Introduction .....	3
Why a 'futures' event? .....	3
The design of the scenarios .....	4
The 'play' .....	5
Debriefing .....	6
Scenario 1 .....	7
Scenario 2 .....	12

## **Introduction**

This scenarios event has been designed in partnership by the Office for Public Management, the Charity Commission and the National Council for Voluntary Organisations. The intention is to explore a fast moving policy and economic environment and to enable both the Charity Commission and the charitable and not-for-profit sectors to plan strategically as they move into the future.

Our thanks to you for agreeing to take part – participants have been carefully selected to represent a cross-section of organisations within government and the charitable and not-for-profit sectors, and to offer leading edge thinking and analysis about future opportunities and challenges.

The day is intended both to offer an opportunity to think about the challenges and opportunities facing the sector, and to contribute to the debate about policies and priorities for the future.

Findings from the event will be written up into a report which can be used as a resource both within the sector and for the Charity Commission, and that we hope will stimulate further and wider thinking.

## **Why a ‘futures’ event?**

Because the future is uncertain, good managers and leaders who prepare for change ask ‘what if?’ questions.

This kind of scenario thinking was made famous in the commercial world by Royal Dutch Shell, amongst others, and for Shell, long-term scenarios pose particular challenges such as ‘what if there is no oil?’

For the voluntary sector such dramatic changes seem very distant; but it is helpful to think beyond the immediate preoccupations to wider questions such as: ‘What would happen if our marketplace doubled in size?’ ‘What would happen if public policy objectives changed or if the public began to think differently about charitable activity?’ The new Charities Bill and other political and social changes are bound to change the world in which charitable and not-for-profit organisations work.

Much depends on government – but government is never the only important player – and government also finds itself responding to events, and straitjacketed by financial problems, public opinions and the powerful interests of others. One of the things we learn about the future is that it never quite goes the way governments intend.

For regulators, in particular, planning the right future role depends on understanding the future of the sector and the way that organisations – large and small – are likely to want to develop their own services, markets, products and relationships with citizens and consumers. The world of regulation itself is becoming congested and highly complex and regulators are asked to be efficient and effective, to be proportionate in their activities – and at the same time to respond to a sector that may look very different six years from now. What are the dilemmas that will be faced? What will be the priorities?

‘What if’ planning of this sort helps us to devise medium-term contingencies for action, just in case what everyone assumes is going to happen doesn’t. But more importantly, it helps us to recognise those actions that we have to pursue in any case – and that remain robust against a range of uncertain future developments. It enables us to ‘jump over’ current problems and constraints and to use the opportunities presented by future trends to plan innovative solutions.

## **The design of the scenarios**

We have designed two different, but plausible, future scenarios to work on for the day. These were developed in discussion within the partnership, and after a series of scoping interviews with a cross-section of opinion formers and players within the sector. Of course they don’t represent ‘the’ future, they simply offer ‘possible’ futures. Neither of the two futures described will happen, but taken together they represent a range of future possibilities which should provoke constructive thinking – what would happen if this set of conditions, or the other, were to occur? Will the actions we are taking now serve us well only in one scenario or in both? What kinds of strategies do we need to guide us through these uncertainties?

We have tried to limit the data in the scenarios to background events that would be, for the most part, beyond your immediate control – for example the economic situation, the political climate and social trends. You will be free, within the scenario event to plan your own responses to these ‘starting situations’ and to consider how you would influence the wider environment. We have tried not to anticipate the responses and actions of people from within the sector, or the regulators. We have, however, suggested some of the

changing pressures that charitable organisations or regulators might experience, and we hope that you will plan to respond to these within the event.

The two scenarios will be played one after the other – but the order of play is random – we don't in any way want to suggest that one scenario is more likely, or more desirable than the other. Of course, you may come to prefer one of the scenarios hugely, but remember that both are 'ideal types' – and in reality the future may combine characteristics of both. By separating out some of these characteristics, however, it will be easier to identify trends and plan responses.

## **The 'play'**

We will work during the first 'scenario' part of the event in groups gathered round tables, representing rough 'coalitions of interest'. However, you may well find that you don't after all share priorities or strategy with the other people on your table, and will be free at any time to separate off into sub-groups, or to develop an individual response. The level of agreement or disagreement about strategy will itself be an interesting finding.

Each 'coalition of interest' (or set of sub-groups) will be invited to develop a strategic response to each scenario in turn – and to record on flip charts the key points of that strategy. You will find enclosed in your pack a series of questions which you might find it helpful to work through, but these are only a guide – feel free to work in other ways if you prefer.

Once you have thought through your response to the scenario – you will have an opportunity to wander around the room and influence other players or groups – to negotiate solutions, to persuade others to do things and to build alliances.

After an hour and a half, we will stop the first scenario and conduct a brief recap, sharing perceptions of the most important issues and challenges. We will also ask you to record any thoughts in a 'journal sheet' ready for the final debrief session.

Then we will move onto the second scenario. After we have completed the second scenario, we will debrief again – and then work in mixed groups to explore the implications for both the sector and regulators of the strategies adopted, and the problems confronted.

## **Debriefing**

It's often easy to get caught up in the 'play' of imagining different situations – but the most important part of the event will be the debrief, since it is here that you can help us with the analysis of possible future situations, and the likely responses of different players. In the debrief, we will want your help in thinking through the implications of the actions of other key players. Are interests likely to coincide or to conflict? What will you need from regulators – what will your expectations be? What would cause you real problems? What would make matters better and what would make them worse?

We will conclude with a final feedback of lessons and action points for both the regulators and for the sector as a whole.

Tea and coffee will be continually available, and we will stop for lunch.

## **Scenario 1 Top-down collective future 2005 to 2010**

### **The drivers**

- Economy stays strong, and doesn't knock the Government off course.
- The international political environment stays unstable; terrorism is at the top of the international agenda.
- The Government is strong in Parliament.
- Central government is dominant across the public sector through its increased use of national, targets, standards, contracts and inspection.
- Value for money is the key to Government contracts for the provision of environmental, health and social care services.
- Public service inspectorates (local environment and culture and education, health and criminal justice) follow services, rather than organisational types; they also become fewer in number, but more powerful in scope and influence.
- Volunteering for and donations to charities stagnate.

### **The story**

#### **Economic environment - *No more boom and bust.***

The economic environment is relatively benign, with economic growth continuing at 2.5 % a year. Furthermore, the gap between rich and poor stabilises, as a result of 're-distribution by stealth', through tax credits, higher national insurance contributions and low tax allowances, the minimum wage and greater participation in the labour market; but the gap does not narrow significantly.

Uncertainty on the international political scene adversely affects some key economic sectors, such as air travel and tourism, which rely on international markets. This causes some specific, but not general, social and economic disruption.

#### **International political environment - *There's only so much we can do in these circumstances.***

The gap between the 'rich north' and 'poor south' stabilises, but does not diminish, as international trade deals balance out the gainers and losers of access to markets and

investment opportunities. Furthermore, government aid to the developing world grows in an attempt to preempt the growth of groups disaffected with Western-style democracy.

The international political scene is tense; the increased risk of harm to aid workers in many of the world's poorest regions constrains aid agencies' operations, and threatens their credibility as a force for improvement. Where aid agencies link up with UN and military coalitions, in order to carry out their work, they are seen as legitimate targets by insurgents. Commentators start to suggest the practical option is to leave development to governments and international bodies.

Anxiety over international terrorism and fears of charities being used for money laundering leads to increased regulation and surveillance of the individuals and organisations that operate on the international stage. The headline reads: *There is nothing non-governmental about NGOs anymore.*

### **Domestic political environment - *We can go on; we shall go on.***

Domestic politics is less certain than in the period 1997-2004, with a smaller but workable Labour majority of 50.

Irrespective of the death of regional assemblies in England, the process of shifting formal power and decision-making away from Whitehall continues, which means the sector and its members' lobbying, networking and tendering capacity is required in Scotland, Wales, Northern Ireland and the English regions. This increases the costs of doing business with government, but opens up space for advocacy and for new contracts to provide public services. However, the asymmetry of the arrangements makes lobbying and advocacy more complicated and unpredictable for campaigners. A process that is further muddied, as the power to set national targets, standards and inspection regimes is maintained by central government in the key areas of health and social care and education.

The trend in public service delivery is for more to be done by not-for-profit *and* private sector organisations with fewer services delivered directly by central and local government. The increase in the size of the public sector contract cake attracts new entrants into the public service arena, leading to increased competition within and between private and voluntary sectors. There are additional 200 applications a year to register as a charity, in addition to the current 600 registrations a year.

The trend for more competitively tendered services won through competition bumps up against the trend for 'partnerships', with many local voluntary sector representatives complaining of a 'tyranny of partnerships' where they face cuts to their funding and lines of influence, if they kick up a fuss over local service quality. Local authorities increasingly cite larger charities as model partners, a common refrain becomes: 'we are interested in grown up, as well as joined up service delivery'.

The drive to get value for money means public sector procurement seeks to drive down the costs of providing services, 2.5% annual savings are sought in all contracts that last more than two years. The impact of the Gershon Review means that the public sector issues fewer but larger contracts. The risk profile of the voluntary sector rises as a result of the increased size of the contracts and the reliance some organisations face on one or a few sources of funding.

The increased scale of operations raises questions over the capacity of voluntary organisations to manage and deliver contracts at national and regional levels. This has three basic consequences. First, the Government asks donors and regulators to monitor organisations' capacity to deliver. They do this by asking them to assess the 'risks to delivery' associated with the contract. Second, the Government requests for efficiency statements on all charities that receive more than £250,000 of public money a year. Third, there is a rise in the number of mergers, takeovers, new start-ups and closures in the sector, which sets challenges for the regulators.

The public fears that the trend to outsource public services means they are going to get 'welfare on the cheap'. In order to reassure the public, Government increases inspection and regulation of the public services that are delivered by the voluntary sector, even as it rationalizes regulation across the public sector. Overall, however, stories about poor services delivered by voluntary organisations and charities get more coverage than the good news stories.

Trade unions fear the deterioration of pay and conditions for public service workers. Some commentators interpret this as an attack on the voluntary sector as an employer - pension rights become the big issue. The TUC asks: will the Government fund the voluntary sector's pension schemes or will it leave workers to meet its efficiency targets? The Government sets up an independent review.

## **Charity sector trends - *Size matters.***

The sector's income is stable, but with a growing reliance on the state.

Voluntary involvement, in terms of dedicating time to causes or helping others via formal organisations levels off by 2008.

Social enterprise and 'profits with a purpose' become marketing tools for non-charities to grow their share of the market in delivering public services. Key private sector managers leave their firms to set up social enterprises and not-for-profit organisations to deliver public services.

In 2007, the trade press starts to carry stories on a growing tension between Housing Associations and charities, as more and more housing associations branch out into the provision of social care, employment, training and environmental management and as they use their influence to win big contracts across the country.

In 2008, new relationships/coalitions between social enterprises, charities, businesses and the public sector start to be discussed in think tank publications as a 'fourth way', for which there is no other alternative. This leads to confusion over which legal and regulatory frameworks should apply to organisations and the services they provide.

There are strong rumours in professional networks that regulators, such as the DTI and Charity Commissions of England and Scotland are competing to 'win' registrations from each other by offering favourable regimes. These are accompanied by stories in the press reporting voluntary organisations that 'shop around' to locate their HQs in favourable jurisdictions and which change legal status, based on the incentives associated with the different tax and regulation regimes, rather than their social purpose.

The media says there have been cuts in regulation, but academics argue the inspectorates are bigger and more powerful than ever before.

Competition to win, manage and 'deliver' large government contracts, leads many established charities to pay trustees with relevant expertise and to pay high salaries to senior executive officers.

Polling data also shows that the public feels that it doesn't understand what the sector is for, different umbrella groups are accused of confusing rather than clarifying the issue.

Central government's search for efficiencies and simplification places subtle but growing pressures on the sector to speak with one voice and provide one representative or spokesperson in policy discussions or regional contract negotiations. A Government report, in 2008, suggests that efficiencies could be gained by the sector, if key charities merged and made the most of e-government. It says that it wants the sector to 'do business with government online, on budget and on time.'

The Charity Commission and representative bodies are asked to respond to the report. The Government suggests a 9 months timetable for the responses.

In 2008, the media report a supposedly off the record discussion between trustees of major charities where the consensus view was that the real drivers in the sector were all from Government. National targets on services are fed into negotiations with regional and local authorities; this leads to standard wording on contract penalties for over-spending and under-performance in all contracts in England; but Scotland and Wales are more open to lobbying and local campaigning than England. They are reported as bemoaning the fact that civic engagement has to be measured and monitored for its impact on social inclusion and democratic participation, rather than 'let the people just get on with it', which is the headline.

## **Scenario 2 Bottom-up/disorganised future 2005 to 2010**

### **The drivers**

- The economy goes sick, squeezing the public sector and constraining government action.
- Environmental concerns dominate international politics, as the absence of terrorist attacks in most countries allows room for the environmental debate.
- The domestic political agenda is characterised by a socially liberal and environmentally friendly coalition.
- The de-centring of politics becomes a reality, but through informal city-regions not formal devolved administrations.
- Pluralism underpins the provision of public services.
- The user is king through choice and via direct payments to individuals that enable them to buy the packages of services that they want.

### **The story**

#### **Economic environment - *Bouncing along the bottom.***

After years of out performing the economies in the EU and Japan, the UK economy slows as they rise. UK economic growth slows to zero by 2007 and public sector spending falls, as the 'tax take' reaches a plateau.

The government seeks ever more efficiency savings in the public sector and some cuts. This shift also fuels the debate over the proper role of the state, relative to 'the market' and self-help.

The gap between rich and poor grows, as those in the most flexible and least protected labour markets lose their jobs causing a growth in those living on low incomes, while those in more secure and better paid jobs stay put. This leads to fears over a two-speed country.

The squeeze on public sector spending means that there is less room for the government to help those on low incomes; it also means that there is less space for Government to fund public service reforms. In order both to direct resources to those in

need and to push through more choice in public services, the government increases its use of direct payments to individuals, who can then exercise a choice on how to put together packages of public services to meet their needs. It starts in housing, childcare and social care, but moves rapidly through the system.

**International political environment - *Environmental terrorism is the only international threat we need to worry about.***

Over the five years, the gap between the 'rich north' and 'poor south' diminishes with economic growth in Asia and Latin America. Africa remains the major loser in political, economic, social and environmental terms.

By 2007, worries about environmental issues supercede fears of international terrorism, as the number of terrorist incidents drops worldwide.

Environmental concerns are heightened by a series of extreme events in 2006 - droughts in Sub-Saharan Africa that reinforce that region's difficulties; while hurricanes in North America raise levels of awareness and concern among developed countries. The Guardian reads: 'Kyoto is not enough'; the Mirror says: 'Is it too late?'; and the Financial Times says: 'Insurance premiums are so high, a global carbon tax is the only option'.

Campaigns to protect workers in the developed economies against low wage imports grow. These campaigns link up with environmental groups concerned over international transport's impact on the environment and with EU farmers, concerned about protecting rural life.

**Domestic political environment - *Who's in charge?***

A slim Labour majority makes it difficult to get definitive political positions on many issues.

Concerns over the environment are mirrored in domestic politics, with government and campaigners forming joint platforms at home and abroad. National parties also seize on the issue as a way to connect with young voters and the small number of increasingly dedicated and vocal active citizens.

The issue of animal rights, as opposed to animal welfare, rises up the political agenda. Direct action, as a means of promoting animal rights, receives vitriolic attacks in the

tabloids, while opinion polls show significant public sympathy for the overall cause. The issue becomes a sticking point in several international trade and treaty negotiations; the Government manages the problems via stalling tactics. Anti-EU interests use the issue to argue the need for greater national sovereignty. Meanwhile, scientists and investors leave the country to carry out their work elsewhere. These issues are accompanied by unorganised social disquiet over the provision of affordable housing and high quality public transport.

It is clear that regional government in England has failed to take off, 'devolution' through the growth of governance arrangements based around city-regions occurs through a process of benign neglect by the centre, not through legislation. The city regions, based around Bristol, Birmingham, Sheffield, Leeds, Newcastle, Manchester and Liverpool vary in power and influence, but all are characterised by informal networks and ad hoc bodies that take decisions on the basis of non-statutory 'partnerships' that involve business, public, voluntary and community sectors. The cores of the city regions establish governance networks that enable local organisations to influence policy and decisions within the city: 'Smart growth coalitions' form in some core cities and sub-regions. These seek to pool local resources to achieve balanced social and environmental outcomes from economic growth. It is, however, less clear who influences policies that operate at a regional level, like transport planning and housing. Furthermore, partnerships in smaller towns seem to lose out on resources and influence, as this less coordinated approach favours the large and the vocal.

### **Charity sector trends - *Charities need a hand up not a hand out.***

The five-year period witnesses a decline in the sector's income - from both donations and public sector contracts.

This is further complicated by the shift to direct payments to individuals, so that they can exercise their own choice over the types of services they use and the providers they buy from.

The cut back in direct provision by the state, reinforced by economic pressures, opens up the space for the sector to promote mutuality as a means of support; it also prompts more campaigning and lobbying against cuts.

Local communities start to fight distant 'big charities', as well as distant 'big business', thereby opening up space for localised activity: the challenge is not galvanising people into action but sustaining action in places.

Social entrepreneurship grows, as a new generation of entrepreneurs takes forward environmental and community-based industries. These entrepreneurs promote radical new thinking about how to provide services with more emphasis on lifestyle, leisure, health and self-reliance. They promote 'profits with a purpose' and 'provide the services you want, not the services we want to give you.'

Community development trusts also grow in importance, taking ownership of assets, such as land and premises and turning them to new community uses, such as local shops, that generate their own income which is invested back in the area. There are a series of local campaigns highlighting under-used assets that are held by both the public sector and some charities. The Government asks the Audit Commission, National Audit Office and the Charities Commission to see what needs to be done in order to ensure assets held for the public good are used to best effect. The Government also states that in principle it supports both individuals and collective groups that provide self-financing interventions to promote community well being. It says that in order to be sustainable in the long run, 'charities should get a hand up not a hand out'. As a result of these trends, 'socially responsible production and consumption' become buzzwords in public policy networks.

By 2010 environmental charities are 'big business' - both as campaigners and as trading organisations - fair trade and environmentally 'sound' consumption are becoming big.

There is confusion in the sector, in government and among the public about what the different legal organisational forms are for. The regulators - DTI, Charities Commissions in Scotland and England & Wales have to provide advice, but will it also be marketing for their regime?

In addition to this, the regulators have to respond to the challenge of providing service-based information to service users in a digestible and timely fashion, so that they can make informed decisions about the packages of services that they wish to put together.

The Government sets up a task force to look at the options of streamlining regulation so that it costs less to run and is based on meeting the needs of service users at the point they make decisions. The task force starts in 2008 and has to report in 2009. One of its

*Beyond Profit*  
future scenarios towards  
**2010**

main themes is communications and making the most of e-government tools and shared data to provide 'better, cheaper regulation and information'.

## **Suggested questions for each scenario**

- What opportunities would this scenario present to your organisation/part of the sector?
- What problems/challenges would you face?
- What would your organisation be trying to achieve?
- What would be your strategy for achieving it?
- Who would be the most important stakeholders for you to influence?
- What would you try to influence them to do and how would you go about it?
- What sort of help might you need from the Charity Commission/other regulators?
- What problems or difficulties might you have in relation to regulation?
- How would you attempt to influence the Charity Commission or other regulators about this?
- What sort of support from NCVO might you need?

## Attendance list

Sophie Ahmad	Office for Public Management
Simon Hebditch	Charities Aid Foundation
Debra Allcock Tyler	Directory of Social Change
Kevin Ashby	Big Lottery Fund
Jonathan Bland	Social Enterprise Coalition
Margaret Bolton	Independent Consultant
Lindsay Boswell	Institute of Fundraising
Juliet Bouverie	Macmillan Cancer Relief
Andrew Brown	BTCV
Hilary Brown	Department of Trade and Industry
Rosie Chapman	Charity Commission for England and Wales
Tina Chimombo	Association of Medical Research Charities
Deborah Clarke	Action with Communities in Rural England
Caroline Cooke	Charity Commission for England and Wales
Kevin Curley	NACVS
Nicholas Deakin CBE	Independent Observer
Steve Dewar	King's Fund
Scott Dickinson	Office for Public Management
Mary Doyle	Development Trusts Association
Lindsay Driscoll	Charity Commission for England and Wales
Bob Dyke	Charity Bank
David Emerson	Association of Charitable Foundations
Stuart Etherington	National Council for Voluntary Organisations
Tim Finch	Refugee Council
Mary Foley	ACEVO
Paul Fredericks	Charity Commission for England and Wales
Sam Freedman	Independent Schools Council
Sue Goss	Office for Public Management

Megan Griffith	National Council for Voluntary Organisations
Fazilet Hadi	Royal National Institute for the Blind
Barbara Harrison	The Girls Day School Trust
Caroline Heaney	Department of Health
Andrew Hind	Charity Commission for England and Wales
Helen Hughes	Improvement & Development Agency for Local Government
Margaret Hyde	Esmee Fairbairn Foundation
Veronica Karrington	Community Matters
Ruth Kosmin	Barnados
Linda Laurance	Charity Trustee Networks
John Low	RNID
Farooq Malik	Office for Public Management
Andrew Milner	Centris
Grace Money	Charity Commission for England and Wales
Jonathan Moore	Suffolk Association of Voluntary Organisations
Simon Morys	Prime Minister's Office
Mike Parkinson	Oxfam
Geraldine Peacock CBE	Charity Commission for England and Wales
Anne- Marie Piper	Farrer & Co
Bob Reitemeier	The Children's Society
Campbell Robb	National Council for Voluntary Organisations
Shirley Scott	Charity Finance Director's Group
Alan Sharpe	Royal Society for the Protection of Birds
John Stewart	Wellcome Trust
Tony Suckling	Royal Society for the Prevention of Cruelty to Animals
Phil Swann	Tavistock Institute
David Taylor	Charity Commission for England and Wales

*Beyond Profit*  
future scenarios towards  
**2010**

David Tyler	Community Matters
Sanjiv Vedi	Welsh Assembly Government
Matthew Warburton	Local Government Association
Richard Weatherill	Home Office
Peter Wheeler	FutureBuilders England
Karl Wilding	National Council for Voluntary Organisations
Zoe Willems	Charity Commission for England and Wales
Ben Wittenberg	Directory of Social Change
Bruce Wood	London Rebuilding Society