

# PART A: Income for the environmental sector

# 1 Income, Staffing And Membership

12 David Clifford et al., op. cit., p. 13.

13 For organisations that work on other issues besides the environment, e.g. international development groups, the income figure used is the budget for their environmental work only, rather than total organisational income.

14 'Why is BP important to the UK economy?', BBC News, 10th June 2010.

15 Some individuals will be members of more than one of the organisations responding to the survey.

At the same time a few of the large organisations that did not take part in the survey have large numbers of individual members. Had they taken part then the 4.5 million number would have been higher.

16 'British politics at the crossroads: Tory membership plummets over disengagement with Westminster', The Independent, 9th August 2013; 'Membership of Tories halves under Cameron leadership', Evening Standard, 18th September 2013.

17 Baird Straughan and Tom Pollak, 2011, op.cit.

The survey aggregates annual income data from 139 environmental CSOs, whose combined income for environmental work (in their latest financial year, usually 2011/12) amounted to £984.9 million. By comparison, the Third Sector Research Centre (TSRC) report estimated income for 1,700 primarily environmental charities based in England to have been £1.3 billion in 2008, or 2.6% of total charitable income.<sup>12</sup>

The income of the CSOs ranged from more than £120 million down to £0.<sup>13</sup> As is often the case within civil society, the bulk of the income was concentrated in a relatively small number of organisations, the 14 with the highest income accounting for more than 75% of the total of all those taking part. The mean income across the 139 CSOs was £7,085,741, but the median income, at £1,520,205, gives a better sense of a typical organisation responding to the survey. Fifty-six of the CSOs had income of under

£1 million and a further 25 had incomes of between £1 million and £2 million.

The 139 organisations had a total of 11,125 FTE employees working on environmental issues. To put this in context, BP employed 10,105 staff in the UK in 2010.<sup>14</sup> As with income, employees are heavily concentrated, with the largest 17 CSOs accounting for more than 75% of total FTE positions. The median number of staff was 17.

Between them the 139 CSOs had just over 4.5 million members and supporters, which means that nearly one in ten adults in the UK is a member of an environmental group.<sup>15</sup> This represents a huge resource, and the ability of CSOs to mobilise their membership base effectively was seen as one of the attributes of the most successful organisations (see page 32 for more information). By comparison, the Conservative Party and Labour Party are each thought to have between 100,000 and 200,000 members.<sup>16</sup>

Membership is even more heavily concentrated in a small number of CSOs than income or staff, with just 12 organisations from the group of 139 accounting for more than 80% of the 4.5 million members. Only ten of the CSOs had more than 100,000 members, and the median number of members for all the respondents was just 740.

## WHAT ARE THE IMPLICATIONS?

**The 'ecosystem' of UK environmental CSOs comprises a small group of organisations with relatively high incomes and staff numbers, some of which also have a large membership base, and then a large number of smaller organisations. Issue expertise and skills are also unevenly distributed across the sector. What tools and resources would be most useful in terms of promoting more conscious and routine COLLABORATION across the sector?**

## 2 A shortage of income?

Funding is a critical concern for chief executives of CSOs, and cutbacks in funding cropped up repeatedly as an issue in the text responses to the survey, topping the list of responses to questions about the challenges faced by the sector.

The response below was typical:

*“Funding – sorry, there are already many casualties and projects struggling on the edge. We are all going to have to be very clear about our aims to ensure: a) that these continue to be delivered; and b) that we don’t get forced into unwanted change in order to follow the funding.”*

Given the concern being expressed about finances by many chief executives responding to the survey we felt it was important to look back at income levels for the sector over a number of years, in order to put 2013 into a wider context. In other words, were the many responses to the survey that focused on funding something that one would expect to find all the time, or is there evidence that the sector is facing particularly straightened circumstances?

Data gathered for the recent TSRC Centre report on the environmental sector in England shows that aggregate income for environmental organisations rose steadily from 1995 to 2008, even when inflation is taken into account, as shown in Chart 1.

Between 1995 and 2008 real income across the sector increased more than fivefold, suggesting significant growth in capacity. In the United States a similar story seems to apply, with real income more than tripling over the period 1989 to 2008.<sup>17</sup> There were plenty of responses suggesting that the sector might need to think about consolidation, for example:

*“[There is] a need for a very heavily populated and fragile sector to consolidate, merge and achieve the scale necessary to drive public opinion and force change when working with large business interests and increasingly international institutions.”*

*“The sector is overcrowded with many NGOs driven by funding/funders agendas or relatively specialist (insignificant?) issues. As a sector we lack any real strategy nor have we considered building partnership models that could achieve real gains for the environment.”*

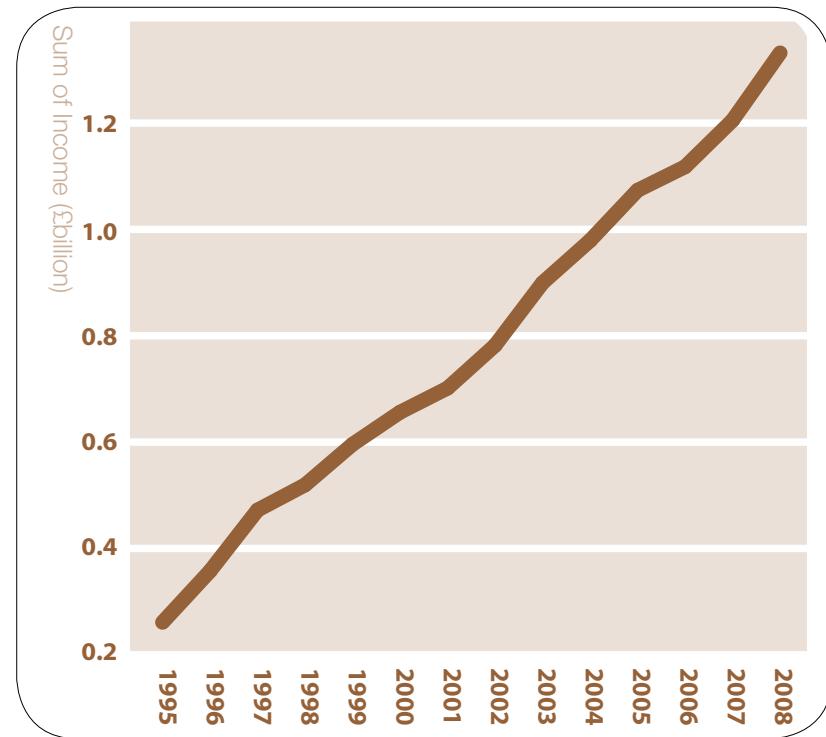


Chart 1

Growth of aggregate income of English environmental organisations, in 2008 prices



**Chart 2** Income of the 107 organisations in 2012 prices

In order to explore developments since 2008, and in particular the impact of the recession, we analysed the last five years of income data for the CSOs responding to the survey. Data was available for 107 organisations for all five years. When it is adjusted for inflation it provides some interesting insights:

**a** The variability of income from one year to the next is very clear. Just seven out of the 107 organisations managed to increase their income from year to year in all five of the years from 2007/8 to 2011/12. The other 100 organisations experienced at least one year where their real income fell relative to the previous year.

**b** More than two-fifths of the organisations had lower real incomes in 2011/12 than five years earlier, in 2007/08.

**c** Fifty-nine of the 107 organisations had lower real incomes in 2011/12 than in the previous financial year, the only year out of the five in which a majority of the 107 organisations experienced a drop in income.

**d** The combined real income (adjusted for inflation) of the 107 organisations dropped by 5.2% from 2010/11 to 2011/12, having climbed in each of the previous four years, as shown above.

These figures suggest that there was a decline in funding for the sector in 2011/12, particularly relative to the preceding years, where year-on-year growth in real income was being experienced by the 107 organisations. Significant though the 5.2% fall is, it is considerably smaller than the kind of cuts being made in government spending across the UK.

The combined expenditure of the 139 CSOs responding to the survey amounted to £938.5 million, or £46.4 million less than their combined income during the same financial period. This means that 4.7% of the income received was being retained.

## WHAT ARE THE IMPLICATIONS?

The **insecurity of FUNDING for the sector comes across clearly from this section, and the recent decline in real terms income has thrown this into stark relief, especially after a period of steady income growth. Is it the case that there are now too many similar organisations within the sector, chasing after a declining pool of income? If so, then how could the sector best consolidate its resources, and what role could funders play?**

### 3 Sources of income for non-profit environmental groups

We asked respondents to break their income down in detail, using 15 categories. Chart 3 shows the results.

The importance of funding from central government departments and the European Union stands out, accounting for more than 20% of overall income, and with 86 of the 137 CSOs having received at least some funding from this source. Given the significant cuts in expenditure being implemented by the coalition government, organisations with a strong reliance on government funding are particularly vulnerable.

One respondent summarised the situation as follows:

*“Loss of public sector funding across the board. • Tight procurement rules requiring public sector to run expensive and time consuming tenders before supporting projects, even where these have been initiated by non-profits, and development time carried out at our risk. • Aggressive competition for local work from national and regional organisations that were previously fully funded by government.”*

The next three categories of income in Chart 3 all represent contributions from individuals, either in the form of donations, membership fees and dues, or sales to members of the public (the latter mainly comprising entrance fees at zoos, nature reserves and the like). Together these three categories accounted for 34.8% of the income of the CSOs.

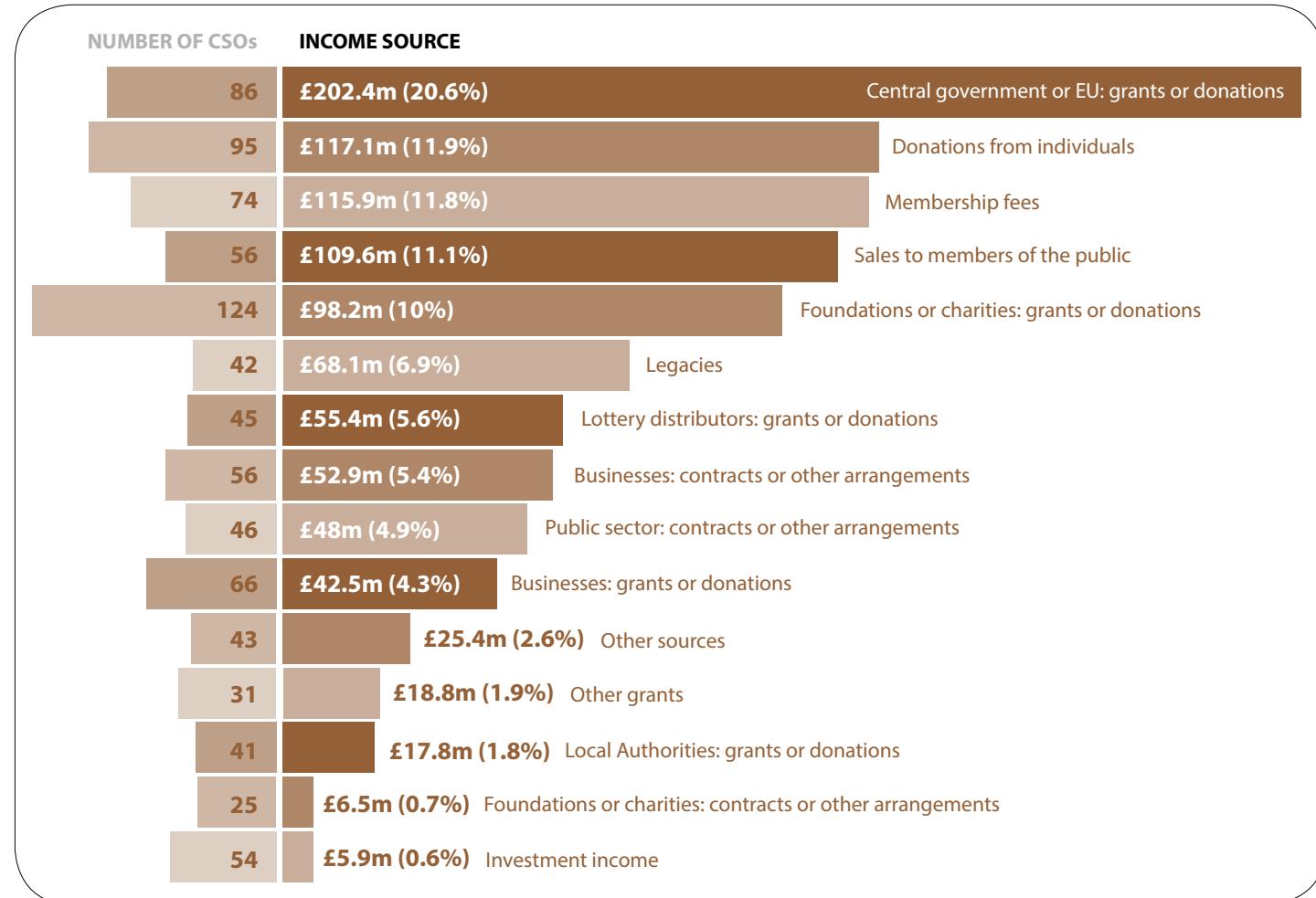


Chart 3 Income sources for 137 UK environmental organisations

<sup>18</sup> Jon Cracknell, Nick Perks, Heather Godwin & Harriet Williams, *Where the Green Grants Went 5*. London: Environmental Funders Network, 2012.

This can be explained in part by the fact that some of the foundation grants being received by UK-based organisations are coming from foundations outside the UK, which fall outside the scope of *Where the Green Grants Went*. Other explanations for the discrepancy include i) inflation (most of the environment organisation data is for 2011/12 whereas the trust data is for 2009/10); ii) possible growth in environmental philanthropy over the last two years; and iii) the fact that there may be additional UK trusts and foundations that should be included in future editions of *Where the Green Grants Went*.

Grants and donations from trusts, foundations or charities accounted for 10% of total income, and 124 out of the 137 CSOs responding to this question had received at least one grant of this kind in the past financial year. Foundations clearly support a wide range of activities within the sector. The £98.2 million in grants from foundations is higher than the estimate of £75.5 million featured in *Where the Green Grants Went 5*.<sup>18</sup>

Another notable aspect is the number of groups responding to the survey that were highly

dependent on such income. Some 75 of the 137 organisations responding to this part of the survey received 50% or more of their funding from just one of the 15 categories above. Of these, 33 were receiving 50% or more, and 16 were receiving 75% or more of their income in the form of foundation grants. Dependence on philanthropic grants was much higher than on any other form of income. Many of the CSOs responding to the survey had a limited number of income sources, with nearly half of the CSOs having five or fewer different forms of income.

## WHAT ARE THE IMPLICATIONS?

The dependence of many CSOs in the sector on a narrow FUNDING base comes across clearly. The importance of philanthropic FUNDING is also clear, particularly for start-up organisations and those engaged in advocacy and policy work. Are there opportunities for philanthropic and non-philanthropic funders of the sector to COLLABORATE to try to provide more security of funding, whilst still playing to their respective strengths?

# 4 How have income sources changed?

We asked chief executives how the income sources for their organisation had changed over the last three years. Of the 128 CSOs that responded to this question 25 had seen no significant change. Across the sector as a whole, however, there appear to have been some important changes, as shown in Chart 4.

The chart shows whether each of the categories of income set out in Section 3 above has become more or less important overall for the organisations responding to this question. The scores were calculated by analysing the responses from each of the 128 CSOs to see whether they were getting more or less funding from a particular source, and then aggregating the numbers to create Chart 4. The numbers in the black circles in the chart show the net change in the importance of each income source, with positive numbers showing that source of income has become more important to the sector, and negative numbers showing it has become relatively less important.

It is clear that the sector has become more dependent on income from businesses in the last three years, either in the form of contracts (for consultancy and the like) or via grants and donations. One respondent summarised the situation like this:

*“As traditional funding sources dry up – not so much foundation or donor money – environmental groups are turning to companies for their funding. That’s GREAT if they then force a change in*

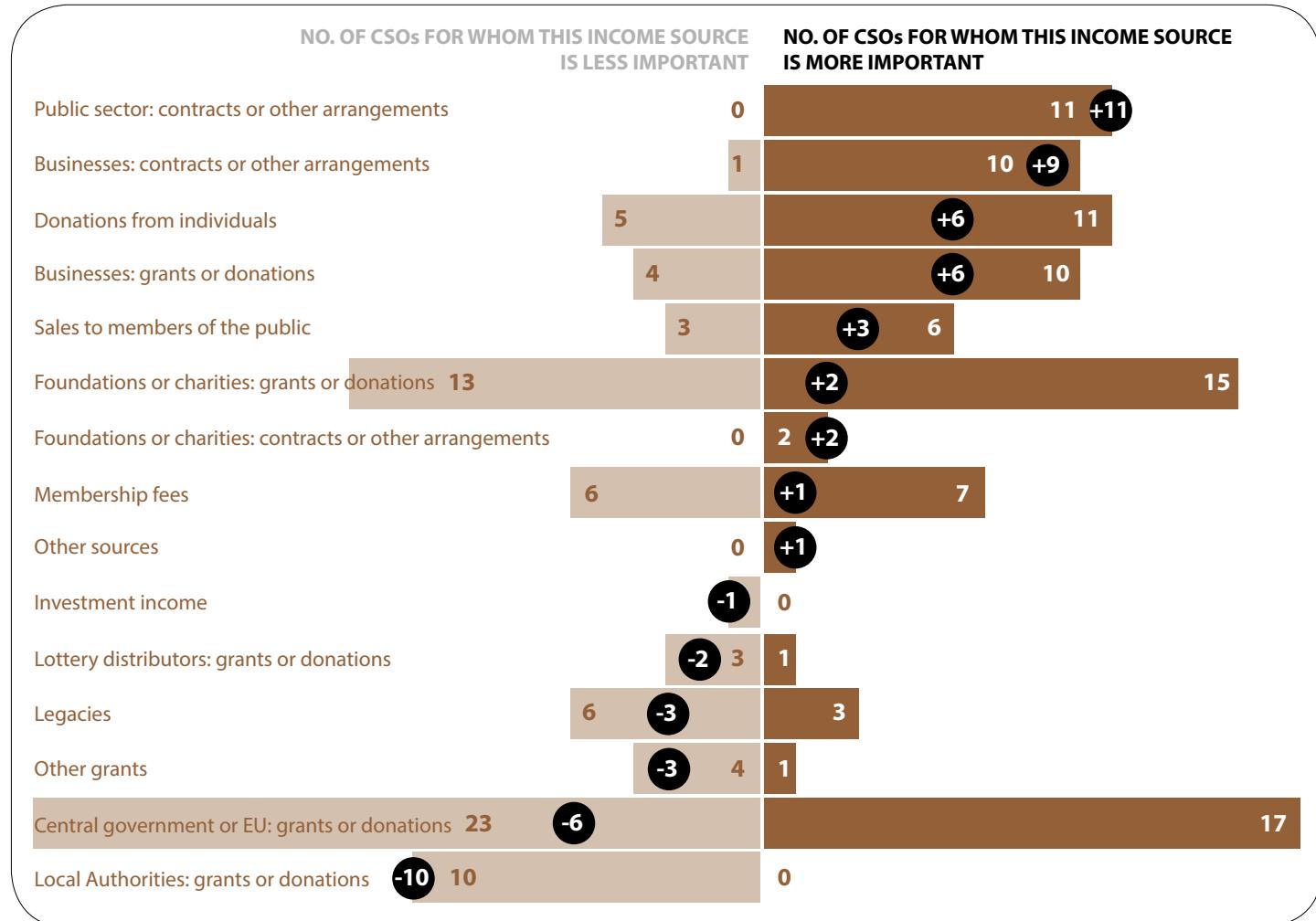


Chart 4 Changes to income sources for 128 UK environmental organisations

*behaviour on the companies but disastrous if the companies give money and change nothing. It's a challenge of values - compromising your values to stay alive. In that situation, such groups would be better to disappear because them compromising to get funding, compromises the integrity of the whole sector."*

As suggested in the quote, funding from central government departments and the European Union has been falling in importance, and from local authorities even more so.

With central government and EU funding, 17 organisations reported that this had become more important for them, as against 23 who had been losing funding from this source (giving a net score of -6). For local authority funding the picture is more clear-cut, with not one group seeing this as having increased in importance (net score of -10). Interestingly, a number of organisations referred to international sources of funding becoming more important for their work, usually governments or

international bodies, with the sense that they are having to look overseas to replace income they used to be able to secure in the UK.

In addition to turning to businesses for financial support, environmental CSOs are increasingly having to compete for contracts to deliver programmes:

*"I don't think people are unaware of any of the problems that I see ahead: lack of public funding for anything non-statutory or discretionary; more non-citizen-led charities competing for funds – e.g. from local authorities; independence of sector compromised by 'service-delivery' aspects that are not well negotiated; the need to be always innovative for funders; decrease in capacity within the sector in Scotland as funding is squeezed at UK level for some organisations; fragmentation of sector as local groups spring up to look after assets."*

Other specific concerns relating to funding were the potential impacts of reforms to the Common Agricultural Policy for environmental organisations involved in land management,

and a widely shared concern that demographic shifts in UK society would make it harder for environmental groups to raise funds in the future, as younger generations may be less willing to give to environmental causes.

## WHAT ARE THE IMPLICATIONS?

**Increasing competition for FUNDING** is a recurring theme in responses to the survey, with chief executives seeing it as one of the principle barriers to increasing COLLABORATION across the sector. The shift towards contracts appears to be increasing insecurity and 'churn', the reverse of what is needed if CSOs are to have the confidence to INNOVATE. At the same time increased reliance on FUNDING from the business community could potentially threaten the independence and integrity of the sector. How should the sector respond to this combination of pressures?

# Funding from corporations whose activities cause significant environmental impacts

The question of whether or not environmental CSOs should accept funding from corporations that cause significant environmental impacts is one that divides opinion within the sector. With this in mind, respondents were asked to what extent they agreed with the following statement: ‘It is acceptable for environmental groups to take money from corporations whose activities cause significant environmental impacts (e.g. mining companies, fossil fuel companies, airlines etc).’ Chart 5 shows the distribution of responses from 136 CSOs.

A total of 26 organisations selected 0, indicating that they strongly disagreed with environmental groups accepting funding from companies with significant environmental impacts. With 19.1% of the votes cast, this response was the one with the most support. Beyond this group of 26 organisations opinion was more evenly spread, as shown in the chart. The majority of respondents disagreed with the proposition, the scores 0 to 4 accounting for 50.7% of votes, and scores 6 to 10 for 34.6%, but the text responses reveal a nuanced perspective. The need for environmental organisations to retain their independence and credibility comes across very strongly, along with concern that funding of this kind will simply generate greenwash. On the other hand respondents accepted that there might

be circumstances in which it would be appropriate to accept funding of this type, particularly if the company in question was improving its practices as a result of the relationship. One respondent commented: “We can’t only work with the ‘good guys’.”

The two quotes below reflect the diversity of perspectives:

*“As a matter of principle [our organisation] does not accept funding from companies that affect, or would appear to affect, our independence. We have direct experience of environmental organisations taking money from corporations and censoring themselves because of this funding. This is unacceptable.”*

And on the other hand:

*“Very little corporate or even charitable funding can be shown to be entirely ‘ethically’ derived. The choice to accept corporate money should be made on an individual case-by-case basis, balancing the impacts it might have on the reputation of the charity and its ability to deliver its work with the potential positive benefits that could be achieved from the specific projects funded. Whilst sometimes unpalatable to many working for environmental groups, there is no simple or sweeping answer to this question.”*

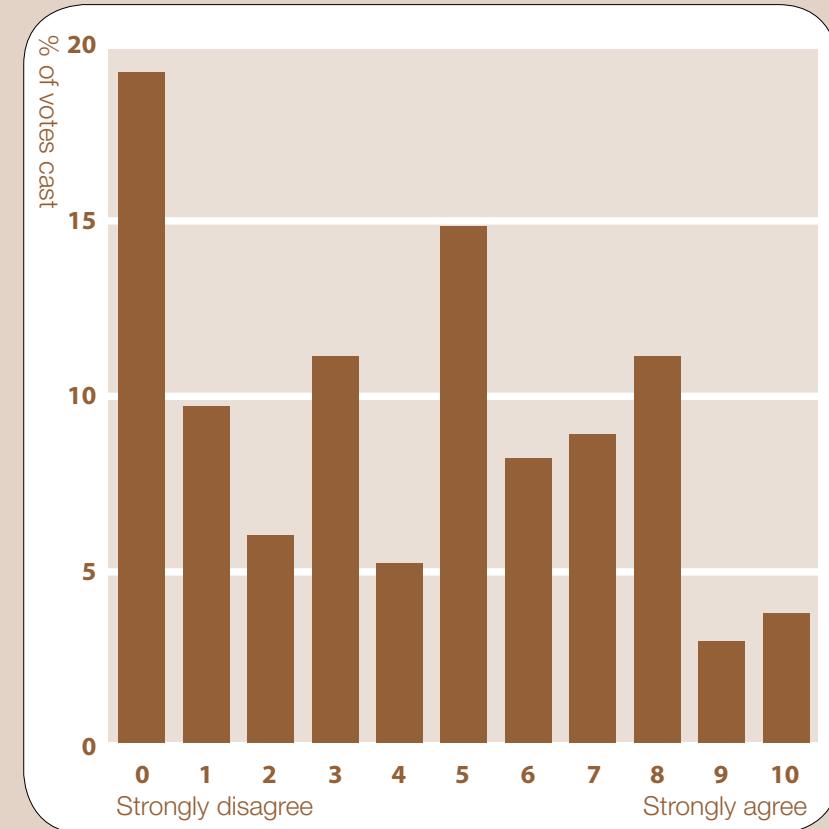


Chart 5

**Funding from corporations whose activities cause significant environmental impacts**

## 5 The advantages of philanthropic capital

In the context of declining income for the sector, the way in which philanthropic capital is deployed arguably becomes more important than ever. We asked chief executives what they thought the advantages of philanthropic funding were, relative to other forms of income.

A total of 132 CSOs responded to this question and there was strong alignment in the responses, with the key advantages of philanthropic capital being seen as:

- It is often UNRESTRICTED, giving flexibility to organisations to meet core costs, build capacity, and invest in developing new ideas;
- RELATIONSHIPS WITH FOUNDATIONS are strongly valued by grantees – in addition to money, foundations often provide valuable advice, support and contacts. Respondents felt that there was often a strong alignment in terms of values between foundations and their organisation, and that this meant the relationship was more trusting, whereas with other forms of grants it was a more prescriptive and transactional relationship;
- INDEPENDENCE – funding from foundations rarely comes with strings attached, and doesn't constrain the organisation in terms of its ability

to criticise either governments or corporations. Foundation funding is of particular importance for organisations engaged in POLICY ADVOCACY. There was a strong sense in the responses that corporate funding, by contrast, hampered independence, a concern expressed on the previous page;

- LESS BUREAUCRACY – many respondents see foundation funding as less bureaucratic, both in terms of securing grants, and especially in terms of reporting. This means that more time is available for core work;
- INNOVATION – grants from foundations are crucial for supporting pilot projects and experimentation, particularly for organisations with a limited track record. As one respondent commented:  
*"It can enable ideas and approaches that no one else will support because at its best it is prepared to facilitate experimentation and considered risk taking."*
- RESPONSIVENESS – respondents felt foundations were quicker to react to changing events, and would support work on emerging issues;
- CONTINUITY – the willingness of some foundations to provide multi-year support was highly valued;

- AMBITION FOR CHANGE – finally, respondents felt that foundation funding enabled more ambitious projects:

*"Philanthropic funding provides more freedom to ... take the radical approaches that are required to effect real change. It is more likely to fund projects that 'push boundaries' which is often hard to get funding for in other places."*

The key advantages of philanthropic funding are captured in the word cloud opposite.

### WHAT ARE THE IMPLICATIONS?

Philanthropic FUNDING has particular advantages relative to other types of income for non-profit environmental organisations. Are philanthropists really making the most of these advantages when determining their grant-making strategies? It is clear that philanthropic funding is currently spread thin and wide across the sector. Could foundations provide better support to the sector by targeting grants towards the 'places that other grants can't reach'? What approaches to COLLABORATION by foundations have the most potential?

**take risks**  
**easier reporting** **seed funding**  
**quick to secure** **multi year**  
**open minded** **emerging issues**  
**responsive** **capacity building** **hard to fund**  
**flexible** **values based** **aligned values**  
**funder relationship** **more creativity**  
**policy change** **larger grants** **match funding**  
**radical** **independence**  
**core costs** **less bureaucratic**  
**innovation**  
**promotes strategic focus**  
**freedom**

Chart 6 Key advantages of philanthropic funding

