



Environment Sector Revenue Models:
**An analysis of revenue models explored by the environment
sector in the Enterprise Development Programme**

James Hoare, Groundwork
Meena Bharadwa and Greg Woolley, Access – The
Foundation for Social Investment

Content	Slide no.
Introduction and background:	3
<ul style="list-style-type: none">• Overview of the Enterprise Development Programme• Why and how we carried out the revenue models analysis• What this analysis might be useful for?	
An explanation of the three tiers of our analysis	4
Patterns seen across all sectors	5
Environment sector overview	6
Tier 1: a financial analysis of the environment sector compared to other sectors	8
Tier 2: an examination of the EDP cohort	13
Tier 3: environment sector case studies	16

The Enterprise Development Programme (EDP) was a six year programme funded by Access – The Foundation for Social Investment from 2018 – 2024.

The programme aimed to support charities and social enterprises become more resilient through the development of enterprise and trading models.

EDP took a sector based approach to delivery and included; Youth, Homelessness, Mental Health, Equality, Environment and Black and Minoritised Community sectors.

Why and how we undertook this analysis?

There is a lot of useful information and models to support charities and social enterprises to establish enterprise models¹. What we learnt through EDP however is that financial analysis of the different sectors and the revenue models explored might provide useful insight for funders, enterprise support organisations and charities and social enterprises seeking to develop enterprise models.

Access commissioned My Cake² to undertake analysis of organisations across the Environment sector and environment sector organisations that had been successful in their application to EDP.

The report draws out comparisons between the six sectors following individual analyses of them. There is work done to ascertain similarities and differences across the sectors in order to draw out universal baselines and sector specific business models and norms.

The data set used is pre-COVID annual reports from 2019 and 2020 in order to avoid potential skewed results from the impact of COVID. Within this data set the metrics selected for use in this report were those felt to:

- Be easy to understand for as wide an audience as possible
- Provide insight into financial resilience and sustainability
- Present data that could be read and interpreted using software in order to avoid human error

All of the 639 sets of individual organisational data comes from publicly available accounts.

Each sector has analysis from at least 100 organisations including organisations on EDP (we refer to them hereafter as grantees).

An important note about the use of "medians" in this report: Wherever the data provides analysis of categories of

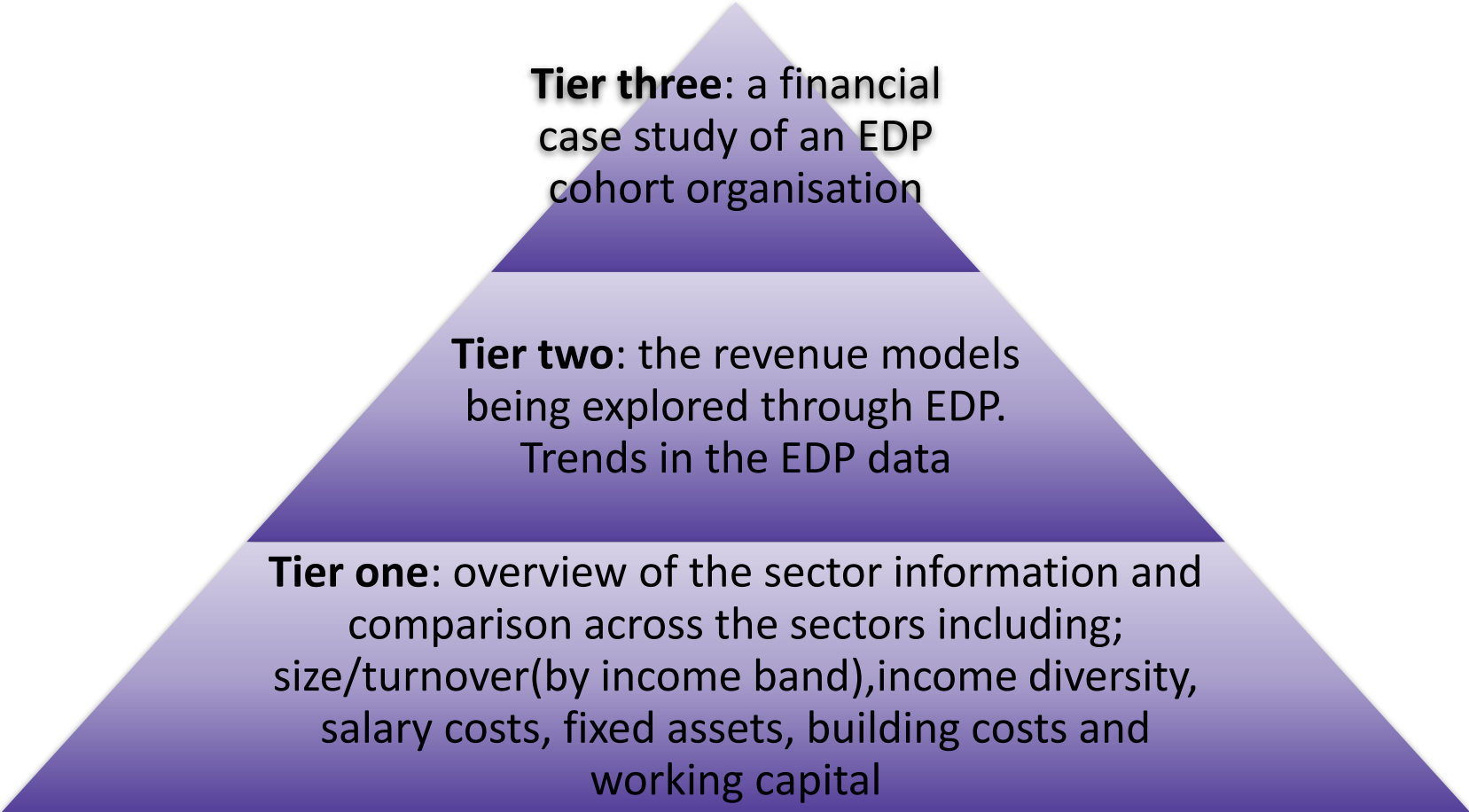
income, median is used rather than average. This is to avoid data being skewed by isolated extreme figures and instead to identify what might be considered to be more "typical". Furthermore any median analysis usually (unless otherwise stated) excludes any zero values, so only shows the median for that sub-set of organisations which do have at least some income in that category. "Median values" should always be read with this in mind, understanding that as a result values across categories will not add up to 100%.

This slide deck is one of a series of six covering all of the individual sectors.

Though we feel the data and analysis provides valuable insight into the different sectors and their revenue models we recognise that the sample sizes may not be fully representative of the whole sector and therefore recognise limitations of the it's sector-wide analysis.

¹ a simple google search for 'setting up a social enterprise' results in a comprehensive list of various guides and toolkits

² My Cake is an organisation that specialises in financial benchmarking for third sector organisations



Tier three: a financial case study of an EDP cohort organisation

Tier two: the revenue models being explored through EDP.
Trends in the EDP data

Tier one: overview of the sector information and comparison across the sectors including; size/turnover(by income band), income diversity, salary costs, fixed assets, building costs and working capital

Patterns seen across all sectors

Income diversity

To understand the levels of diversity of income across all sector income bands this analysis represents the presence of a particular income type in that category. So this is less about the total amount of income generated through that category but the number of organisations that have that income type.

Organisations in the higher income bands have a higher level of diversity in their income streams. Organisations in all three of the upper income bands are above the typical value for income generated from commercial and trading income, grants, donations and sponsorship. For example, the highest number of organisations with commercial and trading income grant, donations and sponsorship are in the £1m+ income band.

Grant types

Trust & Foundation and lottery grants are less common for those organisations with income less than £50k

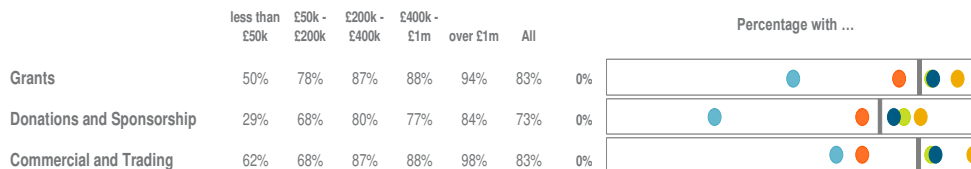
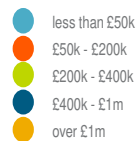
Organisations within the top two brackets of income (£400k- £1m and over £1m) had a higher median percent of total grant income than the other income groups.

Salary costs

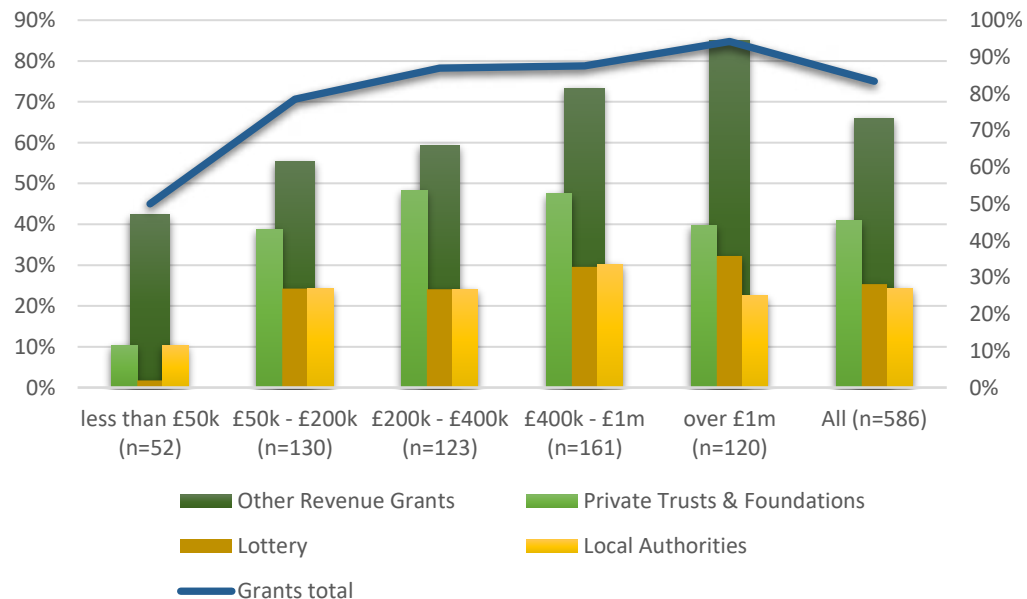
The proportion of organisations with salary cost increases with organisational size across all sectors.

Fixed Assets

The proportion of organisations with fixed assets over £20k increases with size in all sectors



Size of organisation and grant type



The environment sector lead was Groundwork UK, a federation of independent charities called Groundwork Trusts. Groundwork UK run programmes and initiatives to support local communities and businesses to build capacity and resilience to achieve a just transition to net zero.

The UK has a thriving network of environmental organisations. NCVO's annual almanac of the voluntary and community sector counts more than 6,000 charities with an environmental cause and Social Enterprise UK estimates that 20% of the country's 100,000 social enterprises are addressing the climate emergency as part of their core mission. The breadth of activity undertaken by these organisations is significant – stretching from the preservation of historic landscapes to the generation of energy, from food production to furniture restoration.

Although the sector contains some of the country's largest NGOs, many are small and heavily reliant on volunteers. The range of income sources and business models varies significantly in accordance with the work being undertaken. Some parts of the sector – for instance community energy schemes and waste and recycling initiatives – operate within a commercial marketplace, with organisations either adding value to the activities of businesses or competing for contracts let by local and national government. Other activities, for example the management of community green space or education about climate change are almost wholly dependent on grant funding or public donations.

Many organisations in the environmental sector saw their fundraising and project delivery activities impacted by the pandemic, and many were forced to reduce their staffing and operations to remain viable. Nearly half (47%) of organisations responding to a survey by Wildlife & Countryside Link said that they had less than six months working capital in their reserves. The pandemic has been particularly challenging for organisations focused on improving biodiversity or connecting people with nature (eg through outdoor education or volunteering activities) due to limitations on being able to access sites. However, the last two years have also driven innovation and the development of new services in some areas, such as remote provision of energy efficiency advice for vulnerable customers and home delivery schemes of locally-grown food. Although the worst impacts of the pandemic are considered to be behind us, challenges remain with many environmental organisations now concerned about the impact of price rises on donations, sales and membership subscriptions.

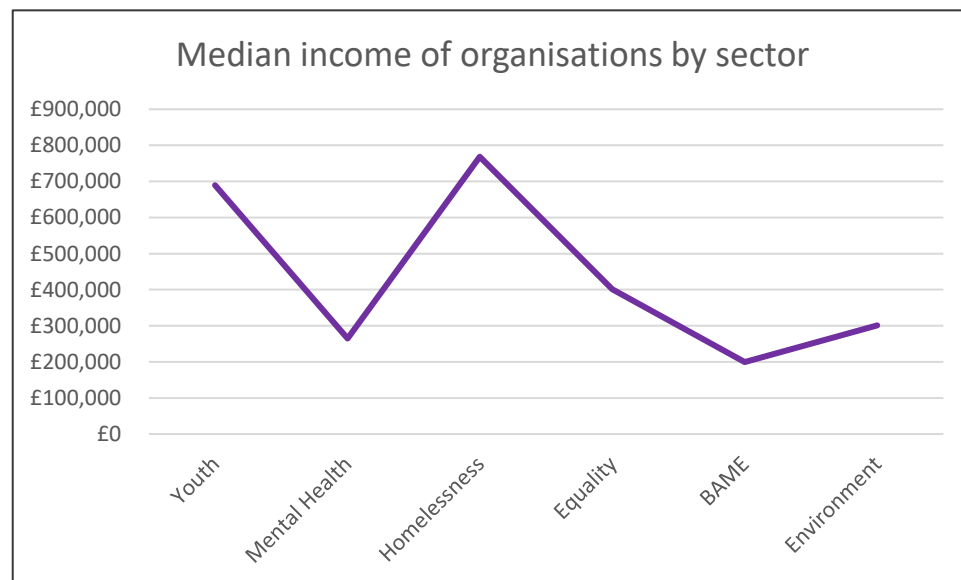
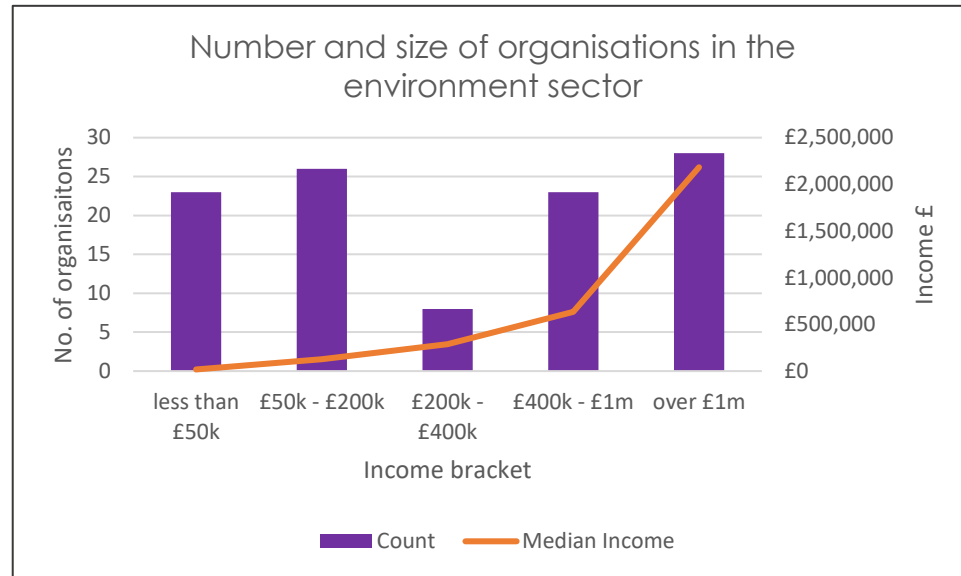
Environment sector overview

This overview provides data about both EDP participants and organisations in the environment sector more broadly.

The data is an analysis of the profit & loss and balance sheet data for 121 environment organisations. 11 (9%) were EDP grantees and 110 (91%) were other organisations from across the sector.

There is a relatively even spread of organisations across the higher and lower ends of the income bands with the smallest number of organisations (8) in the £200k - £400k income bracket.

Organisations in the environment sector have a lower median income than organisations in the homelessness, youth and equality sector. The environment sector has the highest number of organisations in the lowest income bracket (23) across all sectors.



Tier 1: The environment sector compared to other sectors

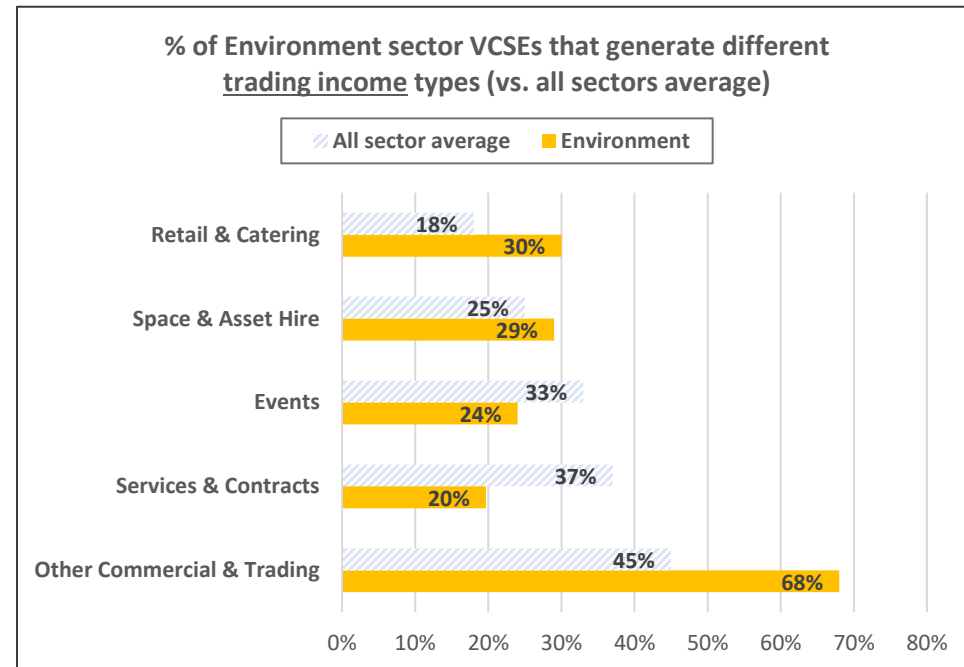
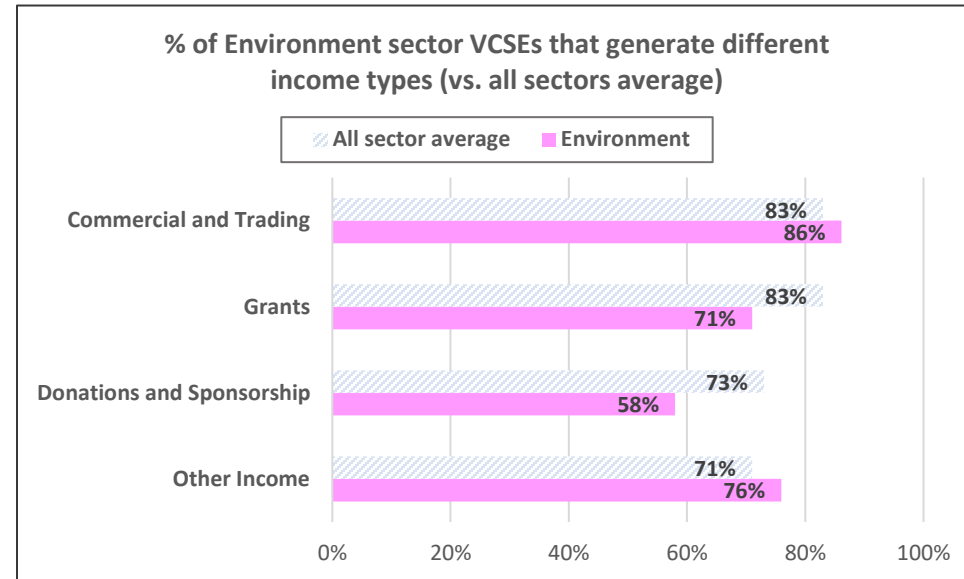
Types of income in the environment sector

Around 86% of organisations in the environment sector generate income from commercial and trading activities. This is very similar to the percentage of organisations that generate income from commercial and trading activities in the Equality sector (87%).

Income from grants is the lowest across all the sectors at 71% as is income from donations (58%). The environment sector percentages for organisations receiving income from donations is similar to the organisations in the Black and minoritized sector.

In terms of trading-based income, the most prevalent type of income is 'Other Commercial and Trading' at 68%. This is markedly higher than the cross-sector average. The least prevalent sub-category is income from Services & Contracts, with only 20% of organisations. This is significantly below the cross-sector average of 37%.

Retail and catering income is the second most prevalent within the Environment sector (30%) and this is significantly higher than the cross-sector average of 18%. The environment sector also has a comparatively higher proportion of organisations generating income through Space and Asset hire (29% versus 25%).



Tier 1: The environment sector compared to other sectors

Income analysis (continued)

For organisations in the environment sector that generate income from commercial and trading activity typically 53% of income is generated in this way. In the 'other commercial and trading activity' category income from cafes make up around 8% which is the highest level of income from cafes across all of the sectors. Delivery contracts make up 29% of other commercial and trading income which is the highest value of any single category of income.

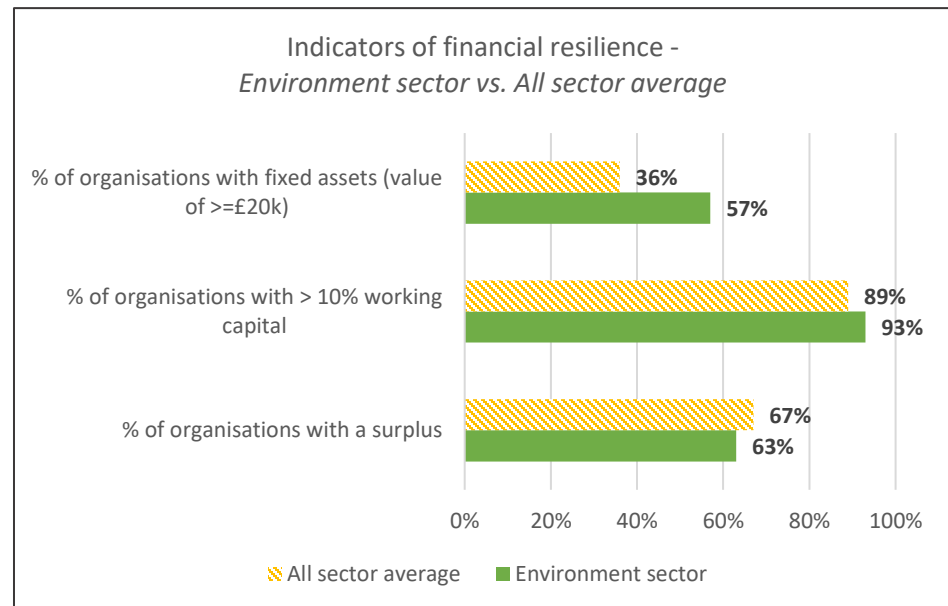
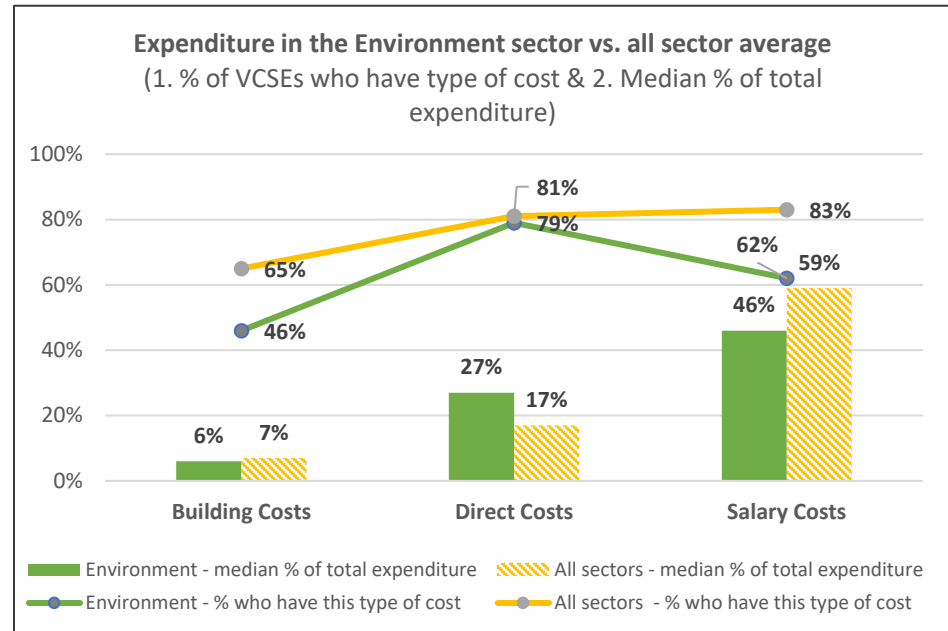
Expenditure

Only 62% of organisations in the environment sector have salary costs which is considerably lower than the percentage of organisations across the other sectors. Where organisations did have salary costs the median value at 46% was the lowest across all of the sectors and much lower than the median value of all organisations (59%).

The percentage of organisations in the environment sector with building costs are the lowest across all sectors.

In terms of indicators of financial resilience, the Environment sector performs better than the cross-sector average in two aspects. Firstly, 93% of organisations in the environment sector had more than 10% working capital, versus a cross-sector average of 89%. Secondly, 57% had fixed assets of £20,000 or more; this was the highest % across all sectors.

The environment sector was comparatively worse in terms of surplus generation, with only 63% of organisations showing a surplus (versus a cross-sector average of 67%)



Tier 1: Analysis by size of organisation

Subcategory analysis – size of organisation

The organisations were split into income bands which have been applied consistently across the different sector reports produced. For Environment the income bands applied are less than £50k, £50k - £200k, £200k - £400k, £400k-£1m and over £1m.

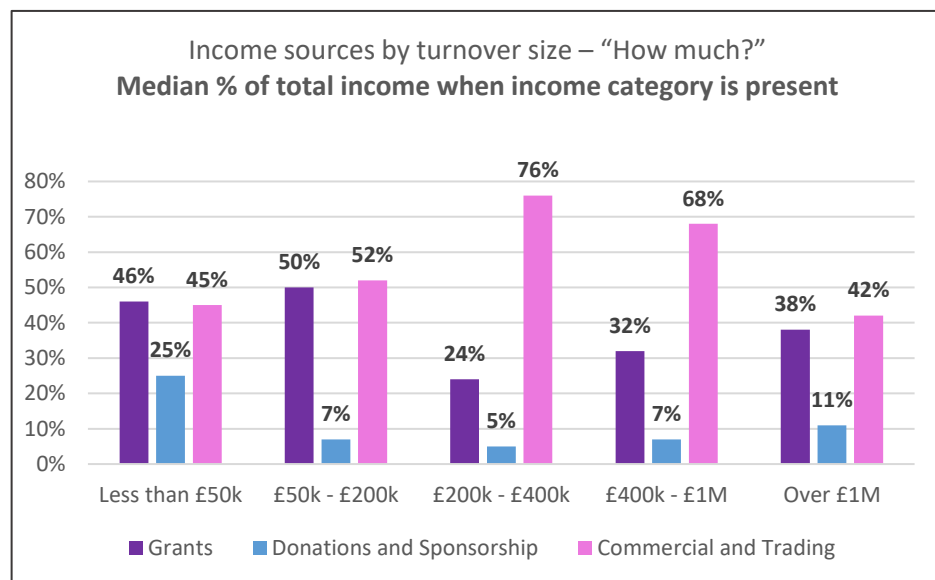
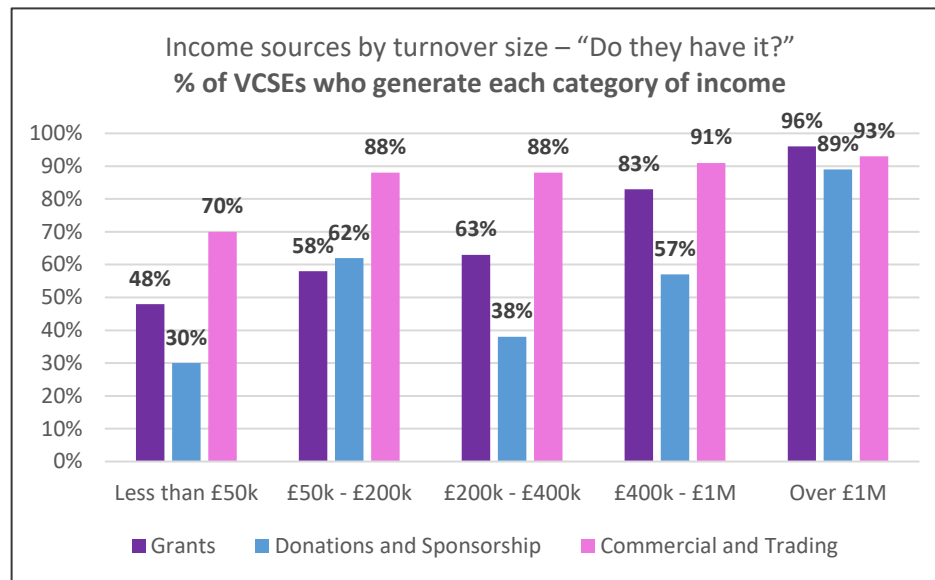
Within the environment sector the larger organisations are more likely to have multiple income streams showing more diversity as organisations grow along with the settling of the business model.

Organisations with a larger turnover had the highest proportion of organisations that generated income from commercial and trading activity (93%). The proportion of organisations that generated income in this way decreased as the organisational turnover decreased.

As highlighted in the bottom chart, in terms of organisations who generated income from trading and commercial activities the median value of that income was lowest in the largest organisations (42%). It was highest in the £200k-£400k at 76% and this was significantly higher than the typical value across all income bands (53%).

On the whole higher proportions of larger organisations tend to have grant income, but unlike the other sectors, there is not a clear trend of decreasing grant income with organisational size.

The percentage of organisations making a surplus generally increases with size.



Tier 1: Subgroups in the environment sector

The organisations were also split into subgroups defining their area of activity;

- Biodiversity
- Community/growing projects
- Land, rivers and meadows
- Waste and recycling
- Community energy

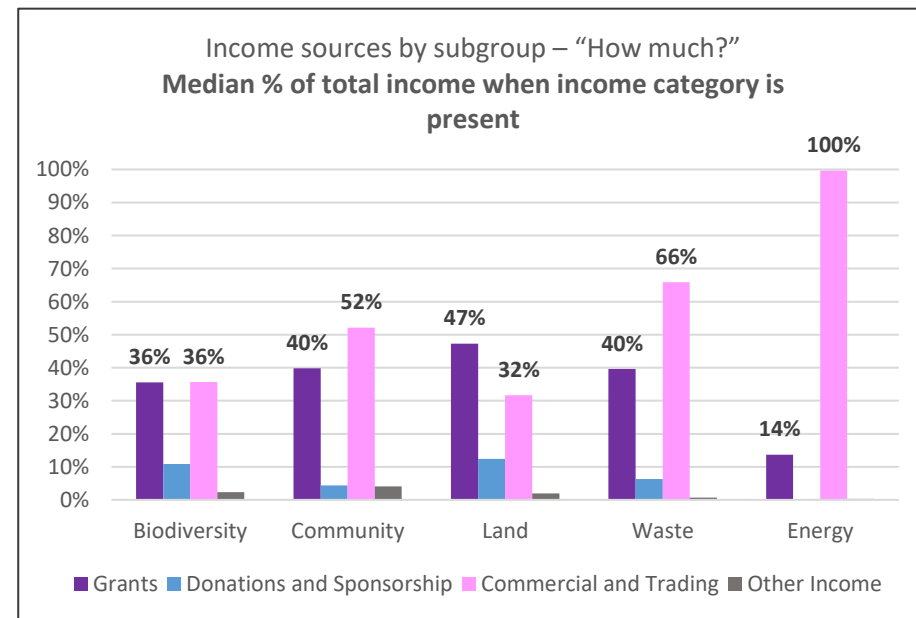
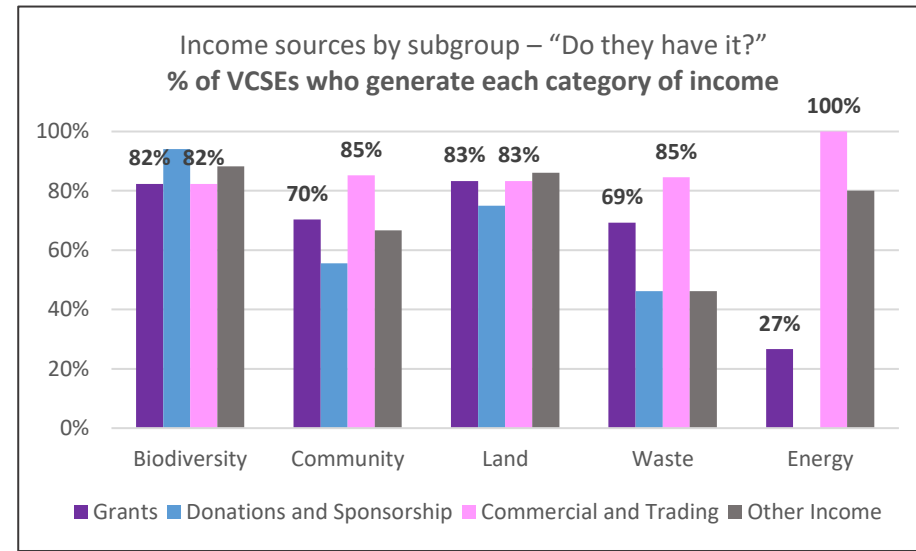
Organisations in the biodiversity subgroup were significantly larger (median income was c £1.2m) and those in waste and recycling were typically much smaller (median income was c£37k).

Income analysis across subgroups

Grant income featured in all subcategories, with around 71% of the total organisations analysed receiving grant income, though community energy organisations were the least likely to receive grant income and at 27% were significantly lower than the other organisations.

All subgroups had commercial and trading income (over 80% across all categories) and 100% of Community Energy organisations generated income from commercial and trading activity.

The typical % of trading income (in terms of total income) varies significantly across subgroups, from 100% in Energy focused organisations to 32% in Land focused organisations. However, for three of the five subgroups (Community, Waste and Energy), the median value of trading income is higher than grant income. Grant is typically the largest income contributor in Land focused organisations, where in Biodiversity organisations the contribution of grant and trading income is similar.



Tier 1: Subgroups in the environment sector

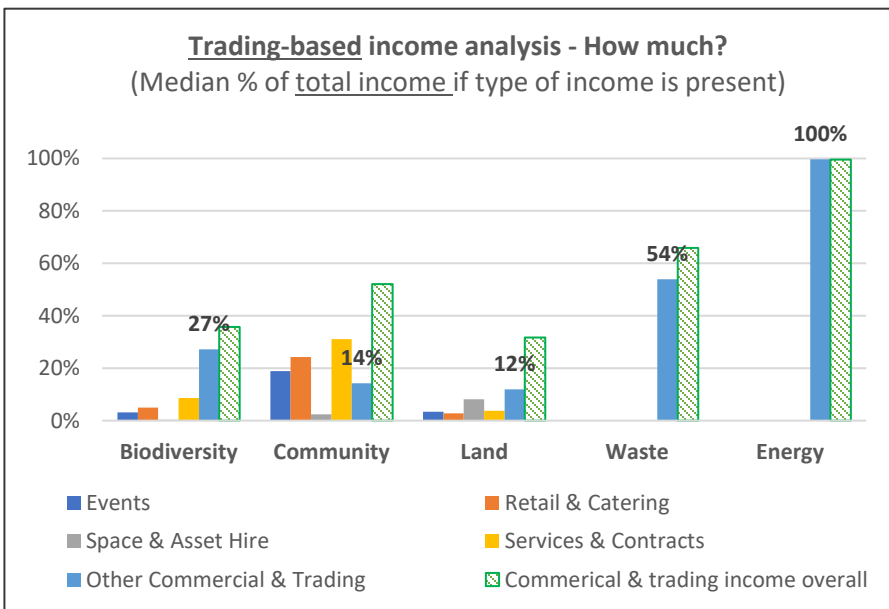
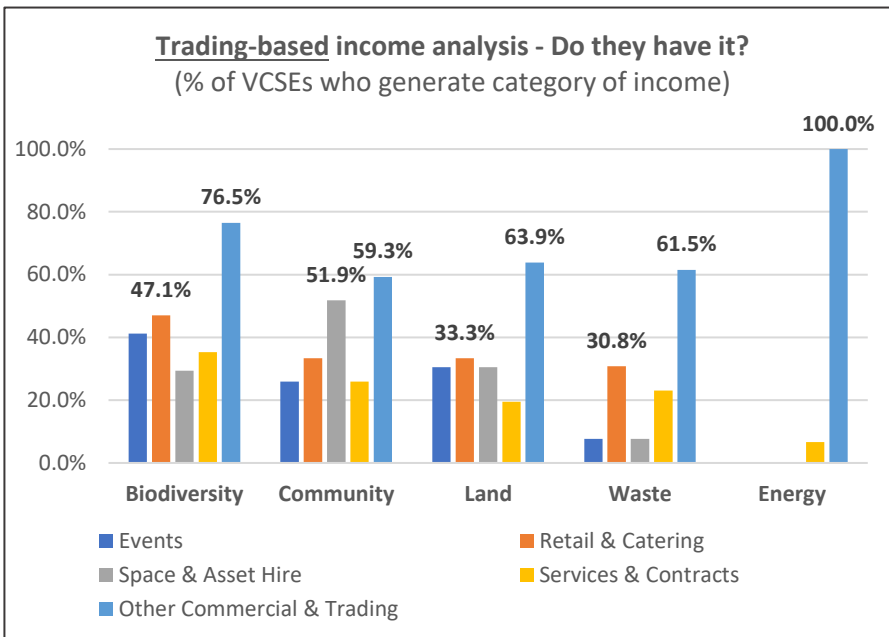
The most notable finding is the top chart is that all subgroups most commonly generated trading income via a 'Other commercial & trading' activity, which suggests trading activities in the Environment sector are fully aligned with the rest of the VCSE sector and requires some further analysis to capture any relevant themes.

For three subgroups, retail and catering income was the second most common form of trading income. However, for Community focused organisations, perhaps unsurprisingly Space & Asset hire features most commonly, behind 'Other' trading activities.

Across 4 of the 5 subgroups shop and retail income featured in at least 25% of the organisations, the exception being community energy organisations.

The bottom chart here, highlights that although 'Other commercial & trading' income is present in all subgroups, the typical proportion of that income (as a % of total income) varies significantly. For example, in Energy organisations there is a median value of 100%, whereas in Land focused VCSEs the median value is 12% of total income. Biodiversity VCSEs does appear to generate significant income from this category too, with a median value of 54% of total income.

In fact, the chart shows that for Land focused VCSEs, all types of trading income offer relatively small proportions of total income, i.e. 1% – 12% of total income.





Tier Two Analysis: The EDP Cohort

EDP programme participants

A very small number of the EDP programme participants' data was analysed (11 organisations compared to 111 non EDP organisations). Though this data shows very little statistical difference between the two groups the small amount of data is unlikely to be representative.

Using our EDP data the median value of the 42 participant organisations was £190,000 which is significantly lower than the median income of the organisations analysed for the wider environment sector (£301,112). This indicates that the EDP cohort were likely to be smaller than the wider cohort analysed.

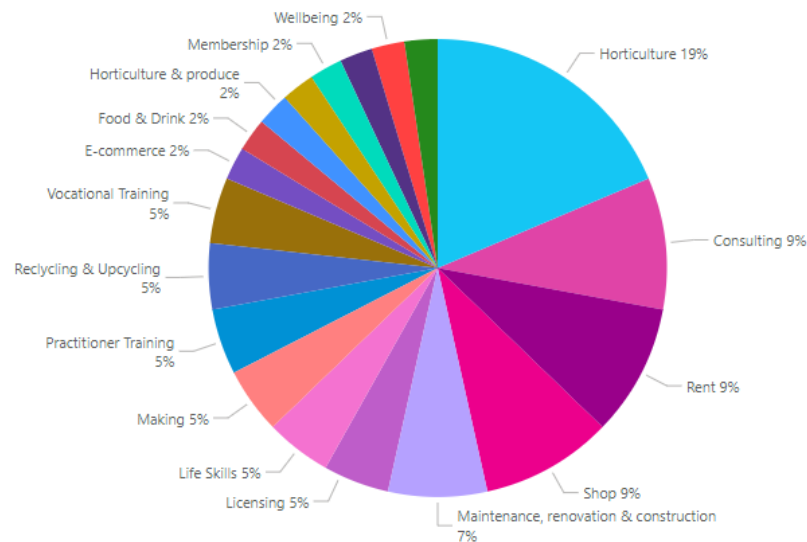
On average they had 17 full time employees.

The main typology explored by participants in the environment sector was horticulture followed by consulting, rent and shop revenue models. Horticulture as the main typology is likely to be linked to sector type though interestingly, two other sectors (equality and mental health) also explored this typology.

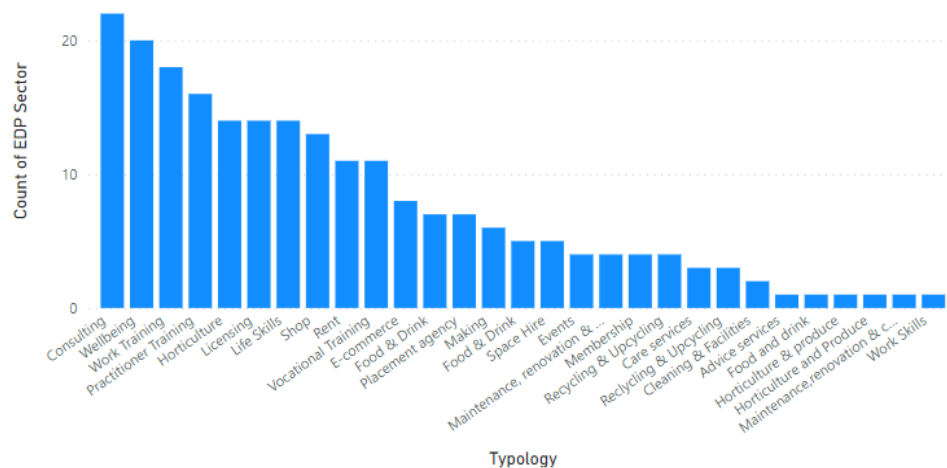
The second most popular typology explored by EDP participants was wellbeing which, interestingly, was one of the least explored typologies by participants in the environment sector.

A significant majority (79%) of participants used EDP grant on working capital for ongoing operating expenses. This was much higher than the other sectors and the majority of EDP participant organisations used the grant for human capital to either engage consultants or to employ staff.

Typologies explored by EDP participants in the environment sector



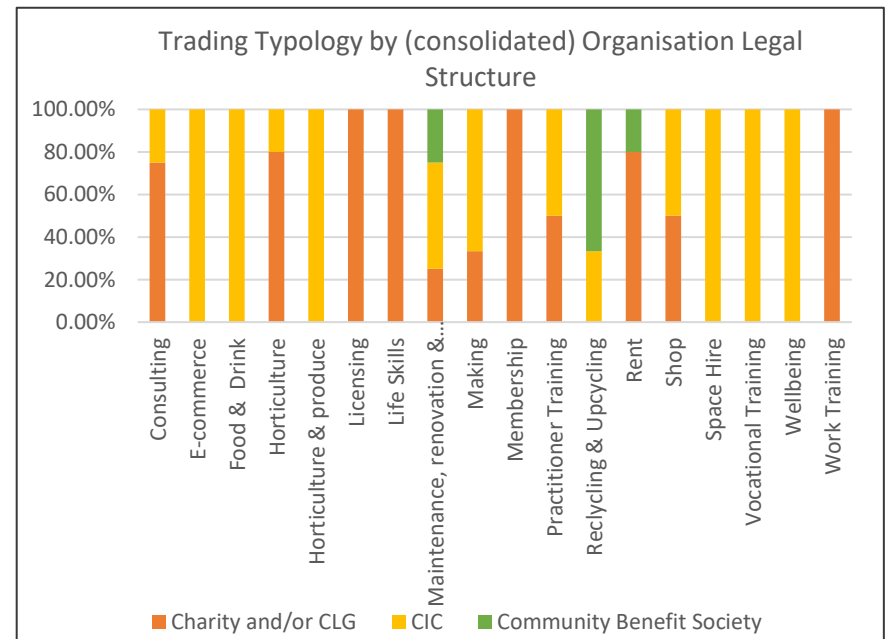
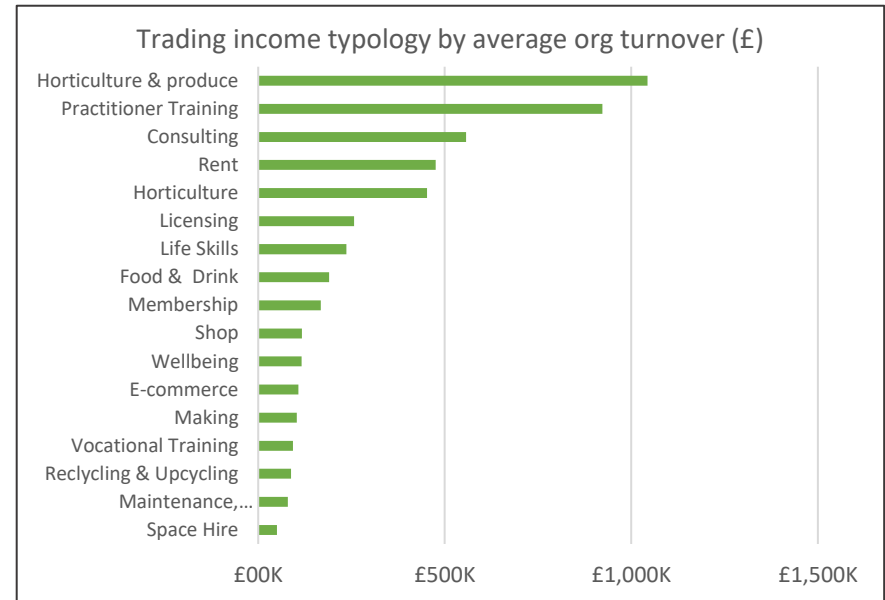
Typologies explored by all grantees



How did the participants engage with EDP?

There were no discernible links between the size (turnover) of environment sector grantees to the revenue models they chose to explore. The organisation with the smallest turnover explored a life skills revenue model and the largest organisation explored a consulting revenue model.

We looked to see if there were any links between organisational legal structure and the typology though there is no clear pattern across the Environment sector cohort.





Tier Three Analysis: EDP Participant Case Study

Case study: Grow to School

- Grow to School CIC (GTS) was founded in 2011, incorporated as a Community Interest Company Limited by Guarantee in 2013. Based in Huddersfield, they currently operate across West Yorkshire providing products and services to the education sector that create sustainable pathways to increasing access to the outdoors, enhancing educational experiences and outcomes for children. They provide and deliver products and services that fill a gap in unmet needs in schools.
- Their primary income is from business-to-business trading. The company currently has four primary income streams:
 1. the Growbag food growing programme.
 2. outdoor learning delivery programmes
 3. teacher training programmes
 4. online lesson plans shop - Teach it Outside.
- Their secondary income is generated through grant funding, usually for the delivery of specific projects in specific areas. Other funding opportunities are sought for business development.
- The organisation's turnover has grown year on year, from £2,048 in its first year of trading to £101,345 as per their last set of submitted accounts (2022-23).
- The current annual turnover (2023-24) is £126,852, with £87,831 from sales and £39,141 from grants.
- The company current employs 2 FT and 3 PT members of staff and currently 5 freelancers but this figure fluctuates depending on the time of year and their workload.

Grow to School has always sought to develop its traded income to ensure a sustainable future, the freedom to stay true to its mission and to reduce reliance on funding. Impact is inherent in what they do and how they do it. The drive to grow, scale and increase revenue through sales provides opportunities to reach more children, train more teachers and support environmental engagement within and beyond the school gates nationally.

GR^{OW} TO SCHOOL



Grow to School Revenue Model and how they used EDP

- Grow to School plan to grow the company regionally by 2025/26, aiming for national coverage by 2028/29. They used EDP funds and support to further develop *The Growbag*, their food growing programme, by enhancing its value for schools.
- The organisation has been trading on *The Growbag* since 2014 and has successfully supported 331 schools to grow food and engage with the natural environment. *The Growbag* was presented in 3 beautifully designed & illustrated booklets providing a step-by-step guide to growing fruit, veg, flowers & herbs. It came complete with all plants & seeds, a half-termly Growing bulletin and in school support from their experienced team.
- Their journey with EDP included a rewrite, rebrand & expansion of *The Growbag* package to include:
 - a simplified version for nurseries and early years, complete with year-round outdoor activity plans,
 - a science curriculum scheme for primary schools,
 - over 50 nature engagement activities to support learning around biodiversity & climate change,
 - a package of year-round after school club activities, child and family friendly recipes using produce grown

- With funding and support from the EDP they have produced prescriptive, easy-to-follow 'toolkit' for year-round food growing. As a product it is scalable, affordable, and applicable across primary education - Key stages 1 & 2 and Early Years Foundation Stage.
- In order to meet the needs their customer base they developed a [tiered pricing structure - click here to find out more](#), enabling schools to pick from a menu of options to suit their budget, capacity, skills and knowledge base.
- They also used EDP funding to produce a marketing film for *The Growbag*

<https://www.growtoschool.co.uk/the-growbag-toolkit/>

- They ran a pilot programme to test operations systems for selling and delivering the product
- Bought a CRM to communicate directly with schools and early years settings, develop marketing campaigns and track engagement and sales Using the CRM they have developed 8 positive leads which have so far yielded 7 sales of the different products.
- Sales training and HR support to develop recruitment, training and contract processes
- Business consultancy to develop a working growth plan which including in-depth understanding of their finances and cost framework.

Case study: Grow to School

A financial analysis of Grow to School

During the year they were involved in EDP the Growbag revenue stream was the biggest revenue stream for Grow to School, representing 45% of its traded income.

Growbag Sales Forecast 2024-2026

What's next for Grow to School?

They are keen to secure further funding/finance to grow their capacity to support their scaling plans.

They recognise the 'chicken and egg' challenge of growth in new areas – do they recruit staff before securing new customers or secure new customers before recruiting staff which might lead to a delay in delivery. To mitigate this they are training a bank of freelancers to work with schools as they come on board.

They want to:

- Further diversify their revenue model by selling individual components of the Growbag resource bank to other providers of outdoor learning.
- Further develop sales and pricing models to continue to grow the network and to raise their profile in the market and communicate their impact
- Understand procurement processes and work towards winning public and private sector contracts.

