

# Sustainable Funding Project CASE STUDY

## ■ Global Action Plan



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### Organisation

Global Action Plan

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### Key themes

- Loan finance as a catalyst for growth
- An example of using non-asset based (unsecured) loans
- Trading to develop a sustainable funding base

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### Summary

Faced with a shortfall in grant funding, Global Action Plan decided to increase their income from trading. They used a loan from Venturesome to bridge the income gap in the short-term and to establish a longer-term growth path which uses a mixture of both grant and loan finance.

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### Date

This case study is based on an interview with: Global Action Plan Director, *Trewin Restorick*, held on 2 April 2007.

## About Global Action Plan

Global Action Plan is an environmental charity that helps people make positive, practical changes at home, at work, at school and in the wider community. It was launched in the UK in 1993 and now offers a range of programmes, tools and advice to enable people to work together to make small changes that have a big impact on environmental problems. Their vision is to be the leading charity that encourages the public to become more environmentally sustainable.

## Issues Faced

In the 2004/2005 financial period, Global Action Plan had a turnover of just over £1million and approximately 80% of their income was from grant funding. In this year they recorded a loss of £100,000 and were hit by two simultaneous concerns:

- A significant recycling project had been funded by the European Union with match funding provided through a government landfill tax credit scheme. In the third year of the project a change in government policy meant that the tax credit would no longer be made available for recycling projects, leaving Global Action Plan with a funding gap of 42% of the value of the project. The trustees had to decide whether they should return the remaining money to the EU or somehow plough on for the third year.
- At the same time it had become clear that the charity's sustainable lifestyle magazine, *Ergo*, was not meeting income generation targets. While the magazine was started to raise awareness of environmental issues and was only meant to break even, it was now becoming a financial burden to the organisation and costing more than it was making.

Faced with these concerns, the trustees made three courageous decisions:

1. Shut the magazine
2. Carry on with the recycling project
3. Develop a funding model less reliant on grant funding

The impact of the loss of the landfill tax credit from government highlighted to Global Action Plan trustees that the organisation could benefit from increasing their trading activity and being less dependant on external funding. The charity was already conducting mission related trading - largely through providing services to business (both in the private sector and local authorities) to help employees become greener. This accounted for almost 20% of their income.

Continuing with the recycling project and stepping up their trading would require a cash injection of £75,000. They realised that going from income generation ideas to generating money takes time. Exploring the options available to them, they believed that taking out a loan repayable over three years would give them sufficient time to make the transition and the financial leeway to help them through.

### **How loan finance helped**

Fortuitously, when these decisions were being made a member of PrimeTimers was working in Global Action Plan's finance team. This individual was aware of loan provider Venturesome and spoke to Venturesome director John Kingston about the situation faced by the organisation.

Venturesome, an initiative of the Charities Aid Foundation, assesses applications taking into account both the financial risk of a loan or investment as well as the social impact of the charity. It provides a range of loan products, including development capital to enable voluntary and community organisations planning to grow in the medium term, or develop projects to increase their income and become more financially sustainable – ideally suited to what Global Action Plan was trying to achieve.

There's no formal application process for Venturesome funding. Instead, they have developed an informal process of discussion during which they seek to understand an organisation's mission and needs, and decide if the type of funding they offer is appropriate to the individual situation.

Global Action Plan wrote a detailed business plan and through this trustees felt they would be able to earn sufficient income to cover the loan. They were also confident that the organisation would be able to make the transition to an increased focus on enterprise. Through a series of discussions with Venturesome the £75,000 loan was agreed and a regular monthly payback schedule was set.

### **Growth through trading**

The loan enabled Global Action Plan to increase their trading activity. They developed new products such as the 'Carbon Gymnasium', a collection of equipment, such as weights and an exercise bike that helps people make the connection between their daily lifestyles and carbon emissions. The Carbon Gymnasium is hired out to various events, ranging from county shows to the Glastonbury Music Festival and earns the charity about £60,000 annually.

By December 2006 they had paid back over half of the loan and in the 2005/06 financial year were able to increase their turnover and break even. Their return 2006/07 shows a surplus of £30,000 and turnover of £1.6million.

Their trading activities now generate £800,000 a year, a significant increase from the £200,000 earned three years ago. The split between grant income and trading income is now 50:50.

The increase in trading activity has meant that staff numbers have also increased, almost doubling from 25 to 45. Wages are the organisation's largest expense and obviously the staff number increase has led to major wage growth. While wages are a consistently monthly cost, income from trading is not so steady; income is patchy with fluctuations between months, so GAP was encountering cashflow difficulties.

In view of the growth in income, and Venturesome's recognition of the importance of the work of Global Action Plan, Venturesome decided they would offer them a second loan for working capital.

### **Organisational change**

Reductions in EU funding, along with more competitive lottery funding and expected reductions in central government funding after March 2008, led the organisation to believe that the only way to ensure continued survival was to grow through earning income.

For Global Action Plan, taking out a loan went hand-in-hand with their expansion through trading and as such was part of a broader change the organisation made.

While responsibility for repaying the loan lies with trustees and senior management and makes little difference to staff on a day-to-day level, the entire organisation experienced a shift in culture with the move from grant dependency to looking for other sources of income. There was a change in how people worked and what was expected of them, with earning targets being set and new recruits often coming from a more entrepreneurial background, for example.

The current 50:50 split between grant income and earned income is seen as a good level, however this is not a formalised goal. Global Action Plan acknowledges that business activity is required. However, they emphasise that they always keep in mind that primarily they are a charity, not an environmental consultancy and this should determine the way they operate.

Venturesome has recently provided a further £50,000 facility as development capital, but both Global Action Plan and Venturesome believe that grant funding is necessary to replace this loan, and to build the strength of Global Action Plan's balance sheet. The market they operate in is becoming highly competitive and Global Action Plan needs to have capital to explore new ways of generating income.

### **Added value the loan provided**

Global Action Plan Director Trewin Restorick praises Venturesome's 'hands on' approach and describes them as being incredibly supportive of the charity. He believes that the benefits provided by the Venturesome loan go beyond the financial assistance that has enabled them to grow.

Going through the loan process provided a number of unexpected added benefits:

- Applying for the loan meant that both their proposal and they as an organisation were closely scrutinised. But this scrutiny was from someone who was 'on their side' and wanting to help. Overall, it confirmed they were a healthy organisation.
- Receiving an unsecured loan after this scrutiny demonstrated that an external body had faith in what they were doing and believed they could succeed. It showed that their plan was robust. Venturesome knew the risks – they had been around the block and were not naïve in the decision they made to approve the loan.
- Grants tend to look at outputs and outcomes for the beneficiaries but not necessarily at how the organisation is developing. Venturesome were just as interested in the benefits to Global Action Plan to enable them to better achieve their mission.

- Venturesome gave Global Action Plan contacts they would not otherwise have had. For example, they wanted assistance to increase their confidence in pricing their work. Venturesome put them in contact with the Esmée Fairbairn foundation who have provided grant funding to have their business model examined and for a consultant to examine their day rate charges.
- To assist their business development, Venturesome used its contacts to secure the services of a business consultant three days per week for the next 3 months.
- Unlike a grant, a loan encourages you to become more efficient. The only way you will have the money to pay back the loan is by doing what you do better.

Based on this experience, Trewin Restorick is confident that given the right circumstances and for the right reasons Global Action Plan would take out a loan again.

### Links

**Global Action Plan** [www.globalactionplan.org.uk](http://www.globalactionplan.org.uk)

**Venturesome** [www.venturesome.org](http://www.venturesome.org)

**Primetimers** [www.primetimers.org.uk](http://www.primetimers.org.uk)

**Learn more about loan finance for voluntary and community organisations at the Sustainable Funding Project website at [www.ncvo-vol.org.uk/sfp/loanfinance](http://www.ncvo-vol.org.uk/sfp/loanfinance)**



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**The Sustainable Funding Project** is an NCVO initiative working in partnership with the Big Lottery Fund and Charity Bank.

The Sustainable Funding Project encourages and enables voluntary and community organisations to explore and exploit a full range of funding and financing options to develop a sustainable funding mix.

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