

Sustainability First
Fair for the Future Project

**The role of civil society in terms of political and regulatory uncertainty and risk regarding
fairness and the environment in the energy and water sectors**

Working note – February 2019

Background

1. Sustainability First's major **Fair for the Future Project** is helping the energy and water sectors to better address the politics of fairness and the environment. The Project has two workstreams: developing a 'Sustainable Licence to Operate' (we produced a [Strawman](#) in October 2018 to stimulate and provide a framework for discussions); and mapping political and regulatory risk and uncertainty in terms of fairness and the environment.
2. This working note is part of our **risk workstream**. This workstream is developing a more inclusive way of mapping political and regulatory uncertainty and risk in these areas so that nothing is 'left out'. In October 2018 we produced a [Discussion Paper](#) on 'conventional approaches' to uncertainty and risk in the sectors. This working note is the first in a series which is examining how uncertainty and risk are changing in our '**disrupted world**.' It examines the role that civil society can play in this regard. It will shortly be accompanied by complementary papers on how risk and uncertainty in terms of fairness and the environment are shaped by: **the role of the media; and the consumer/citizen 'lived experience**.' The three notes will then be combined into a new Discussion Paper.

Executive summary

3. **Civil society** is a key part of the landscape within which energy and water companies operate – and helps shape political uncertainty and risk regarding fairness and environment. This working note begins by setting out the varied components of civil society of relevance to the energy and water sectors, including general NGOs, unions and faith groups, local politicians and customer groups. It argues that civil society needs to be seen by senior players in energy and water companies – and the wider sectors - as much as an **enabler and partner** in addressing risk as a customer or even as a threat to be mitigated, although that threat can still remain.
4. Civil society can play the following key roles in **addressing and reducing risks** in so far as they relate to fairness and the environment in the energy and water sectors:
 - **Addressing democratic deficits** - Civil society groups often have local knowledge and connections and can be closer to the people and communities that energy and water companies serve. By convening and representing these 'grass roots' interests, they can potentially play an important role in improving energy and water company transparency and accountability and thus addressing the legitimacy challenges that they can face.

- **Building trustworthy sectors** - Civil society can provide a balance to vested, commercial - and sometimes short-term – interests. By providing forums for people to have a say on issues that relate to them (where they may in some respects be ‘the experts’ in defining what public interest outcomes they want to see and what is actually being delivered on the ground), the involvement of civil society groups can help lead to better decision making and ensure energy and water companies, and the sectors more broadly, are worthy of public trust and confidence. The involvement of civil society, and the social infrastructure it represents, is particularly important when it comes to dealing with shocks and disruptions.
- **Bridging boundaries** - In the current environment of significant political and regulatory uncertainty, where organisational boundaries are facing fundamental challenges and ‘flexibility’ and ‘agility’ are highly prized, the ability of civil society groups to straddle consumer, citizen and environmental issues and network across geographies (globally, nationally and locally) and decision-making silos (within and between government, regulators and businesses), can potentially be of real help to energy and water companies when addressing uncertainty and risk.
- **Navigating ambiguity and questions of judgement** - Civil society groups can provide fresh insights and joined-up intelligence, particularly on new and emerging issues and in areas which may be difficult to quantify (eg on issues such as place based well-being, belonging and identity) where energy and water financial analysts and economists may feel outside of their comfort zones. Civil society can also help in terms of the ethical trade-offs and judgements that may need to be made in terms of sharing risk and reward from a ‘public benefit perspective.’ Faith groups in particular have established principles and frameworks for thinking through these issues.

5. For utilities, perhaps even more than the rest of the private sector:

*‘Civil society provides **legitimacy, assets and intelligence** to help deploy solutions that may be complementary to or aligned with private sector interests. Civil society is used to doing “more with less” and seeking **innovative solutions to societal challenges**. Much has been made of the concept of “frugal innovation” in recent years; similarly, civil society has incubated product and service areas that have led to commercial applications.*

*Civil society organizations and activities are also often able to access **local knowledge, expertise and insight** to reach “the last mile”, providing connections with and understanding of potential consumer bases.*

*Finally, many sophisticated private sector players map and build relationships with key opinion-formers who influence the policy and public agenda. Where interests are aligned, civil society organizations and corporations can form **effective coalitions to progressively shape the debate.**¹*

6. Civil society can, however, also play the following roles in **increasing and escalating risks** in so far as they relate to fairness and the environment in energy and water:

¹ World Economic Forum, *The Future Role of Civil Society*, January 2013

- **Reputational and legal challenge** - This can result from poor corporate behaviour and/or a lack of transparency or responsiveness of companies, regulators or policy makers to civil society concerns. The risk of legal challenge may be exacerbated by decision makers not keeping up with new intelligence, developing agendas and changing expectations.
 - **Contagion** – Civil society groups may make connections between different organisations that may not always be fully justified (eg all energy or water companies being ‘tarred with the same brush’ following the poor performance/behaviour of the worst in the sector).
7. Of course, whether these risks crystallise will depend on the situation, the perspective taken and **how the ‘voice’ of civil society groups is formalised, structured and given teeth.**
 8. Just as the energy and water sectors are going through a period of significant upheaval, so too is civil society. This working note ends by looking at **how civil society is changing** in response to digitisation and the growth in social media, the shrinking of the state in the face of public sector funding pressures and growing climatic and environmental concerns.
 9. To some extent, there will always be some tensions between energy and water companies and civil society. However, there are potential **opportunities in terms of addressing risks** around fairness and the environment through improved understanding and partnership working. For these benefits to be realised, the significant **asymmetries in information, capacity, resources, access and power** that can exist between companies and civil society groups need to be openly acknowledged and addressed. Policy makers and regulators can also help here by signalling where the opportunities are, using more accessible language and processes and facilitating the enabling role that civil society groups can play. And all sides need to work together to ensure that **partnership governance** is robust, transparent and represents a fair share of risk and reward.

What do we mean by civil society, and how it interacts with the energy and water sectors?

10. There is no single definition of civil society and as a term it covers a wide variety of often fluid organisations that can vary significantly in terms of size, purpose and methods. The following high-level statement gives us a good flavour as we need:

*“[Civil society comprises] the wide array of non-governmental and not-for-profit organizations that have a presence in public life, expressing the **interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations.** Civil society organizations therefore refer to a wide array of organizations: community groups, NGOs, labour unions, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations.”²*

11. Within the UK, we can, under this, identify a number of types of civil society organisations which impact on the energy and water sectors and which have significant outreach on issues of fairness and/or the environment. The **charities** within some of the following broad classifications should be entirely driven by their purpose which must be for the public

² The World Bank, *Defining civil society*, 2013

benefit (the Charities Act 2011 ‘**public benefit requirement**’). As such, they should potentially be able to play a valuable role in helping energy and water companies to frame their public purpose and turn this into action as part of a ‘Sustainable Licence to Operate’.

12. It is important to note, however, that trust in charities and the wide variety of civil society groups explored below cannot be assumed. Just like energy and water companies (and regulators and policy makers), if civil society groups don't stay in step with changing societal expectations and the desire for power from people and communities, and without strong governance and meaningful accountabilities to their ‘users’, charities and civil society groups themselves can also face legitimacy challenges, disintermediation and potential irrelevance.³

General NGOs

13. This includes independent consumer groups such as Which?, green groups such as RSPB, National Trust, WWF, social/community groups such as Age Concern, ‘good business’ groups such as Business in The Community and some of the larger think tanks such as IPPR and Policy Exchange. Water/energy is only one of a number of sectors these NGOs interact with. Funding comes from a variety of sources – and in the case of the larger green bodies (RSPB, National Trust, WWF etc) significant income comes through sale of products/services/experiences and donations/bequests. NGOs can be a source of significant **information/research** (sometimes drawing on networks outside of the UK eg on policy on climate change or habitat issues), although they will often have strong prior positions.
14. They can thus provide valuable learning that can lead to more informed **decision making** and a wider evidence base (including qualitative ‘lived experience’ and views on societal values) and thus help address the full range of risks faced. They can also enable partnerships where there is an alignment of interests and values and a genuine commitment on the part of the company in terms of delivering ‘public’ purpose. However, they may also serve as a risk to companies that are reluctant to - or are unable to demonstrate - that they are addressing their concerns. This may be more the case with the stronger campaigning groups, but even here there are many examples of successful business/NGO collaboration.

Single-issue groups

15. Often sector specific and more focused on the environment than fairness agenda. Examples include campaigns/organisations (often locally based) opposing fracking, waste into energy sites, underground disposal of nuclear waste, major reservoir development (e.g. Abingdon), water efficiency, onshore wind, electromagnetism and overhead powerlines. While some of these groups have long standing governance and may be closely involved in a particular issue over a long period of time (eg through the planning consents process for infrastructure projects) there can also be a prevalence of looser arrangements. Increasingly social media enabled, in some cases there may be no formal civil society ‘body’. In environmental campaigns, Friends of the Earth, although a ‘general NGO’, are often significant players in enabling and informing single issue groups. They, and newer groups such as ClientEarth, are expert (in a way not found in the rest of Europe) in using the legal framework to challenge or delay decisions (most notably JR). Single-issue groups often have **deep expertise in their specific areas of interest** and, where applicable, **extensive local knowledge**. The latter can

³ The Independent Inquiry into Civil Society Futures, *The story of our times: Shifting power, bridging divides and transforming society*, November 2018

be particularly important for energy/water companies when planning and delivering **contingency and resilience** activity in response to shocks/disruption.

16. There is always a potential risk that with the development of hyper local or single-issue groups that they fight their own corner without accepting that their interests may be in conflict with those of others and that someone somewhere may need to try and reach a 'fair' and balanced consensus: in some cases, partnership may be harder to reach. Energy and water networks for their part may use their Non-Discrimination Duties to 'avoid' coming down on one side or another in a difficult trade-off. In this way, in the absence of more formal democratic mechanisms to make such social and environmental choices, difficult issues may get kicked into the long-grass.

Labour and faith bodies

17. The UK has a long history of union, wider labour and faith groups coalescing around generic issues – typically associated with poverty, social justice and worker rights. The utilities sector has not been a major area of interest in the past (except where it has impacted directly on the groups, as with conventional labour disputes and the church's opposition to the 'rain tax' – and in particular its disproportionate impact on faith buildings). But these groups are currently becoming more active. For unions, this is partly around the nationalisation agenda but also the changes in corporate governance around worker representation on boards. For faith groups, it is manifesting itself in examples such as St Paul's 2017 'JustWater' initiative, Pope Francis's 2018 Encyclical on climate change and more general thinking around how to meet the UN Sustainable Development Goals. Both union and faith groups have been willing to input on utility issues such as the energy price cap. Both have on occasion developed an environmental string to their bows, to complement their core 'fairness' agenda.
18. As the energy and water sectors go through disruptive change, the **ethical / people centred approach** of labour and faith groups may become increasingly valuable in helping to address political and regulatory risks in a **balanced and 'fair' way**. The energy and water sectors' need to respond to the challenges of an aging workforce and the perceived shortage of imported labour post Brexit, at the same time as deep questions around the future role of digital/robotics/AI etc is leading to concerns around job insecurity, may also lead to increasing interest in this area.
19. Lastly, labour and faith groups may also have an interest in energy and water companies through their interests as **investors** (whether this is through their members being members of pension schemes or, with faith groups, through property and other assets). This may give their members an additional, and often longer-term and values based, perspective on how companies in the sectors are run.

Local supply and non-traditional business models

20. A variety of such supply models have grown up over the last two decades which can bridge into and link with civil society, in the process helping to address real and perceived concerns around centralised, remote and 'out of touch' decision-making structures. These range from the mutual model behind Welsh Water (where the members of Glas come from local businesses, councils, public sector roles etc), to local authority energy companies – usually linked to waste into energy (note: some of these companies are in difficulty), community heat/CHP, companies such as Bristol Energy (retail energy with a strong community and fuel

poverty focus) and the possible Scottish government energy company. Some of these will be in direct competition with traditional utilities, others can be sources of partnership.

21. While there is increasing interest in **co-operative models** and in models such as **Community Interest Companies (CICs) and Benefit Corporations**, and the wider civil society movement has also seen a growth in social entrepreneurs, until PR19 these have been less evident in the **water** sector – so local supply etc in water has perhaps underplayed the fairness agenda relative to the environmental one (although there is an increasing interest in water companies around CICs and one water company is exploring the Benefit Corporation option). In **energy**, however, decentralisation, renewables and distributed generation are opening up new possibilities and co-operatives such as those established by Repowering London and initiatives such as the Fintry Development Trust in Scotland (a charity and company limited by guarantee), are now developing new **bottom up and more locally accountable approaches** to service delivery. These are actively starting to address some aspects of political and regulatory uncertainty and risk regarding fairness and the environment in the heart of their organisations in an on-going manner, rather than just in response to specific issues such as planning consents or resilience problems. Through their diversity, they also provide increased opportunities for more local voices to be heard, thus helping to address wider concerns around democratic deficits.

Local partners/ intermediaries with community links

22. There are a range of **community-based delivery bodies** and/or **community engagement charities** which have significant links with energy and water providers. Examples include Groundwork (e.g. working with Southern water on metering) and Rivers Trusts delivering catchment-based solutions. There is likely to be significant potential for developing local/community partnerships which **leverage relevant networks and expertise** when there are mutual interests and the company wants a ‘Sustainable Licence to Operate.’

Local, regional and devolved government/political interaction

23. Local politicians have always played a key part of civil society (e.g. interested MPs, councillors, Parish Councils etc). This can be particularly important in helping to address risks around specific local schemes and works. With their clear **democratic accountabilities**, these individuals are clearly vital in terms of **building legitimacy**. As spokespeople for their communities, they can also play a major role in terms of dealing with the risks around any **shocks or disruptions in services**. Regional and devolved government is also becoming increasingly important in this area. This is perhaps a stretch in the definition of civil society, but a number of elected mayors are showing interest in utilities (eg the London Mayor’s interest in water) and the Industrial Strategy should add focus in this area. It is noteworthy that the **Scottish and Welsh Government’s tend to have a far more coherent and cohesive approach to social and environmental ‘justice’ issues** – and associated risks – than can sometimes be the case in Westminster (eg the Scottish Government’s Just Transition Commission). This can help address the issue of having ‘too many masters’ that can sometimes result when trying to address democratic deficits.
24. To maximise the benefits here, however, is likely to require a **step change amongst energy and water companies from seeing local authorities and mayors as ‘customers’ to viewing them as ‘partners’** (in the way which already happens on floods through the regional flood and coastal committees.)

Customer groupings

25. Both energy and water have a range of more or less formal fora specific consumer groups. Examples include energy and water customer scrutiny/enhanced engagement panels set up specifically for price reviews (which normally include representatives from other civil society groups), the Consumer Council for Water and Ombudsman Services in energy. Citizens Advice also have a formal role in energy and through their network of CABx have local insights into consumer lived experience in different communities.
26. Groups such as National Energy Action, the Centre for Sustainable Energy, Scope and the Research Institute for Disabled Consumers, although independent of many of these more formal arrangements, can provide a specific focus on the interests of **customers in vulnerable circumstances**. The work of these groups varies but can include carrying out **independent research, providing assurance on wider market-research and engagement processes, providing bespoke support services and dealing with complaints**. In this way they can provide key insights into consumer views, needs and experience which if taken on board, can help reduce risks – particularly around ‘fairness.’ There is also significant potential for **third party endorsement** of good practice in this wider area and improved support for people in vulnerable circumstances. If the intelligence from these groups is not sufficiently acted upon by companies, and the raised expectations of group members are not met, issues can escalate and potentially become political/regulatory ‘risk’.
27. The extent to which ‘enhanced’ consumer engagement/challenge is able to address concerns around more fundamental ‘**democratic deficits**’ is clearly influenced by significant questions such as who sets the remit / agenda / terms of reference of the groups, who they are accountable to, their powers (including to get information) etc. Unless they have a sufficiently formal structure that is firmly plugged into existing decision-making processes, it can be challenging to ensure that their work and in-put is given due weight and is meaningfully embedded into on-going processes. Unless formal structures also set out how far they can deal with future consumer/citizen/environmental interests, it can be difficult for them to navigate some of the trade-offs within and between generations that often lie at the core of questions around fairness.

Deliberative fora

28. These are starting to play a role in civil society, mainly as a method of engagement with transfer of some decision-making power. The most commonly cited examples are **citizens juries** but techniques such as **participatory budgeting** and to some extent also the **negotiated settlement model** used by WICS for Scottish Water are also relevant. Despite regulators’ interest in ‘revealed preference’ to augment stated preference techniques, in which deliberative fora can be a powerful source of data, they have not been extensively used in utilities (although in PR19 this may have started to change and some companies such as Wessex have used this approach and others have tried techniques that could be summarised as ‘deliberative light’). However, these approaches may come to the fore in the case of big single site infrastructure decisions, as a means of bringing communities on board (some of the tools were developed for this kind of **local ‘wicked problem’** – in particular hospital closures).

Academics

29. The ‘Impact agenda’ in academia and increased interest in qualitative as well as quantitative research, may drive more alliances between universities, energy and water companies and other civil society groups, particularly where the latter have valuable **networks** in the social and environmental spheres. Civil society groups can also potentially help **trial and test new innovative approaches** to fairness and environmental issues. In the current situation, academics are starting to provide intellectual support for alternative approaches to corporate organisation, nationalisation etc.

The role that civil society can play in addressing and reducing political and regulatory risk

30. In addition to the points already made in this note, the potential role of civil society as an enabler to better address political/regulatory uncertainty and risk in the following areas should not be underplayed:
- Where regulators and utilities are perceived as having inadequately engaged with wider societal concerns and / or as having acted ‘unfairly’, and elected representatives having also been seen as having passed over responsibility for utilities to the regulators, civil society can have a role filling the real or perceived ‘**democratic deficit**’ in the energy and water sectors. Interestingly, one interpretation of recent interventions in water and in energy retail, is that ministers have responded to this role by civil society by interventions (retail price cap, water governance) which can be perceived as accepting the legitimacy of civil society in this area.
 - The fluid and more responsive approach of civil society can be a powerful way of **straddling some of the decision-making silos** that can often exist in policy and regulation and large corporates. This can help develop a cross-cutting big-picture view and more **coherent approaches and services that are focused on people, places and environmental issues** rather than being restricted by inflexible statutory and institutional boundaries. In the process, civil society groups **can leverage good practice between nations / regions and sectors** and help organisations **innovate**. Sustainability First’s Project Inspire could be an example.
 - Civil society can be **the bridge between large companies and local communities**, noting that **large companies often do face a trust deficit** (evidence from recent water price reviews show that customers are willing to pay a premium to have supply from a smaller entity even when there is no discernible difference in service/performance) and may be remote from / unaware of local issues. This is, it is argued, only really effective however when there is clear senior level endorsement of the coalition building with civil society from the top of organisations. An example here would be Southern water’s use of Groundwork to help deliver community messaging and thereby increase buy in to the roll out of compulsory water metering – importantly, this was championed by the CEO. Civil society groups often have good ‘antennae’ of what is happening at the local level and can spot early trends and issues (food banks could be an example).
 - Civil society can capture the public mood, ‘**frame**’ **debates** and help the **anchoring of discussions** by setting out the wider social and environmental context in which stakeholders need to operate. Examples include the work of the Royal Society of Arts –

including hosting the new commission on the future of agriculture – and the Joseph Rowntree Foundation.

- Civil society, with its links and networks, is well placed to carry out **primary research and can also undertake theoretical thinking/research**, without the constraints of the bottom line. The National Trust and Green Alliance have for example been major enablers in a debate about tradability of natural capital across catchments.
- Civil society can be the intermediary for the growing use of **‘nudge’ and other behavioural, influencing and deliberative techniques**. As civil society groups often have greater **trust**, they can be more powerful leaders of locally facing energy and water efficiency messaging for example. In other sectors they have also played an invaluable role as **convener and facilitator of deliberative fora** such as citizens juries.
- Civil society can use **soft power** to get consumers, citizens, companies and policy makers / regulators to exercise both their rights but also their **responsibilities**. As a consequence, civil society can provide powerful **3rd party endorsement** of companies which espouse a ‘Sustainable Licence to Operate’. Once civil society had attacked Shell over Brent Spar, for example, Shell worked with and to some extent secured endorsement from the same NGOs once they had reinvented their business model post this incident.
- Civil society can form explicit **delivery partnerships** on key issues, or supplies. So, for example, the Rivers Trust deliver significant catchment work and education for water companies. In a few cases, utilities have set up their own civil society organisations: for example, Community Interest Companies (eg Cadent’s Affordable Warmth) and water company charitable trust funds (eg Auriga Services – the not for profit trading subsidiary of Severn Trent). Looking forwards, the growth of local heat networks and distributed energy storage may trigger a major step change in the engagement of that part of civil society which coalesces around local delivery.
- On some issues, civil society groups can provide a platform / route into **crowd sourced funding** that can be channelled to tackle social and environmental risks.

The role that civil society can play in escalating and increasing political and regulatory risk

31. Civil society interest in specific sectors has always ebbed and flowed. We would judge that there is both a **trend increase in civil society activity** in the utilities due to social media/24-hour news, the changing nature of the state and increased environmental concerns (eg the formation of Extinction Rebellion) and a cyclical variation around this trend.
32. A major influence in the ‘cyclical’ component is **the extent of change in a sector**. Human nature being what it is (and the UK’s propensity for more than its fair share of nimbyism) means that oppositional civil society at least will tend to coalesce around ‘new’ threats – fracking, new reservoirs etc. The campaign expressing concern about electro-magnetism associated with overhead powerlines is perhaps an exception here.

33. This is reinforced by **the legal means of challenge** – in particular JR - and the considerable expertise in these routes among sectors of UK NGOs. Since typically such challenges is to changes, the existence of a number of changes at one point in time can create opposition simply because it provides the opportunities to oppose.
34. For the larger NGOs and faith groups there are also implications of **overarching and global issues** such as climate change, environmental degradation (plastics, species extinction etc) and poverty/inequality as these become more important/start to more visibly impact. These can provide a powerful focus for lobbying ministers. International civil society networks can play a key role here, particularly around major UN conferences etc. The extent to which the **UN's Sustainable Development Goals** become a rallying call and focus for more far reaching change remains to be seen. Forward looking energy and water companies, often working with civil society groups such as Business in the Community, are already starting to think what they can do to meet these goals and address the associated risks.
35. Civil society **views of profit-making companies** have also ebbed and flowed, and there is undoubtedly a degree of '**contagion**' from cause celebres such as Carillion and pay day lending and from poor performers in the energy and water sectors to their peers. The growing polling evidence in support of nationalisation of utility monopolies is a current reflector of this. This also reflects the point made above about a perceived 'democratic deficit': civil society, it can legitimately be argued, was quicker to address this than more conventional democratic routes, in part because of the explicit delegation from elected politicians to economic regulators.
36. Civil society may be more likely to escalate risks in the energy and water sectors if the **significant asymmetries that can exist in information, capacity and power** between companies, regulators and policy makers and civil society groups are not addressed. If expectations around the potential role that civil society can play are raised without addressing these points, it may actually lead to heightened rather than reduced risk.
37. **Theories of change** are one approach that can be used by utility companies and decision makers to help them understand the potential role and needs of civil society groups in addressing political and regulatory risks around fairness and the environment. The agenda in other regulated sectors (eg financial services) towards promoting transparency as a tool of regulation could also have parallels here.

Trends in civil society that may impact on political and regulatory risk and uncertainty

38. The distinction between general/single issue/local groups/providers still largely holds but is blurring. This is in part due to **digital**, which means that new campaign groups and 'social' businesses can quickly pop up and challenge existing players. These players in turn may choose to collaborate/partner with them rather than be seen as yesterday's institutions/be disintermediated or may in response review their core business model/ approach. Digitisation can enable new shifting '**networks of networks**' (eg Green Alliance's Greener UK initiative). These can bring groups together and build a more coherent evidence base which reduces risk. By providing a clearer single point of contact, this can also help amplify that 'voice.'

39. Many of the new hybrid organisations involve the **NGO becoming a delivery partner** (e.g. Age UK and EON) **or commercial provider** in its own right. The drivers here are a desire to maximise impact (e.g. Citizens Advice delivery of Pension Wise guidance) but also potentially down to shrinking funding and the need for new sources of income. The net impact of all this on risk and uncertainty is that there are more avenues now for people to have their views championed / represented but the ‘sparkle’ / greater trust these groups bring can quickly fall away if they overstretch / don’t carry out **due diligence** and ensure good **partnership governance**.
40. **Funding patterns** can entail potential conflicts of interest/drive changes in direction. A **reduction for some entities in core charitable funding** – which can lead to an overwhelming focus on specific projects and campaigns – can make it more challenging for NGOs to spend time sharing learning, bringing together different interests and addressing cross sector or underlying problems at a strategic level. If, at the same time, this is accompanied by NGOs getting increasing funding from corporate/political/overseas donors, there can be questions about conflicts of interest which need to be managed to avoid undermining credibility.
41. The **core funding issue is also being felt in the community sector**. Core funding, which in many cases was provided by local authorities to support people and groups in vulnerable circumstances, is being rapidly eroded. There can be relatively healthy project funding, and government and utilities both play an important part here. But for the recipient organisations a strong preponderance of project funding can entail a conscious or unconscious trade off with the ability to act independently, and also undermines the ability to form a proactive strategy and to undertake wider research/engagement.
42. At the same time, it is worth noting that the **National Trust and RSPB have record membership** (over 5m and over 1m respectively), based in significant part on the visitor attraction part of the membership offer. This is to some extent recycled into campaigning and research activity – although with the RSPB at least, there are competing pressures from pensions and international commitments. And while the ‘cold call’ approach from charities is in disrepute, the phone/TV based appeal seeking small sums from a large number of potential donors has grown significantly among larger bodies, as have emotional appeals for legacy funding.
43. When core funding has been eroded there is also increasing professional application to **philanthropic foundations**, such as the Esme Fairbairn trust. The funding criteria of these bodies can in themselves help frame political and regulatory risk and uncertainty in regard to fairness and the environment and the projects that are carried out using their funds can both address risks and escalate these, depending on your perspective. It could potentially be argued that in some cases changes in funding – and the dislike of seeming to be ‘in bed’ with corporates or government - have driven greater activism as a way of competing for scarce private funds.
44. For the energy and water sectors to stay abreast of these trends, thought is needed about how best to **build capacity** amongst civil society groups that companies, regulators and policy makers may want to partner with and how to ensure that their own processes are as **transparent, accessible and straightforward** as possible to engage with. **Partnership governance** which fairly shares risk and reward between different actors is crucial here.