

# FUNDRAISING: WHAT TRUSTEES NEED TO KNOW

## NPC briefing, June 2013

**Sarah Hedley**

On 3 June 2013, NPC and the Clothworkers' Company held a seminar for trustees wanting to understand more about fundraising and what trustees need to know. Attendees discussed successful—and not so successful—fundraising methods and strategies, and examined the role of trustees in supporting the efforts of management and fundraising teams, including understanding the risks of certain approaches. This report highlights the main themes discussed during the seminar, including trustees' responsibilities when it comes to fundraising; understanding fundraising strategies; and the role trustees can play in supporting the fundraising team.

The seminar was chaired by Rob Abercrombie, Director of Research and Consulting, NPC. The panellists provided four perspectives on charity fundraising:

- **Sally Bagwell** (Consultant, NPC) shared the findings from NPC's research with Ipsos MORI looking at the giving motivations and behaviour of 3,000 people in the UK.
- **Sarah Godwin** (Independent Consultant) spoke about how trustees' roles of oversight and governance are important in fundraising.
- **Amanda Bringans** (Head of Global Funding and Brand, VSO) gave her perspective as a charity fundraiser both at VSO and Macmillan Cancer Support, where she was previously Director of Fundraising.
- **Adrian Bagg** (Trustee, Children's Society, and Chief Executive, The Papworth Trust) shared his experience of fundraising both as a charity chief executive and as a trustee of the Children's Society.

## Introduction

Fundraising is at the top of the agenda for many UK charities. In a time of economic hardship, many have suffered cutbacks in their income from both voluntary donations and government contracts. At the same time, many organisations are seeing a rise in demand for their services, as a growing number of people find it harder to make ends meet and fall into difficulty.

However, there is some good news. Earlier this year, NPC, working with Ipsos MORI, launched the findings from a major study into giving in the UK. This study, *Money for good UK*, surveyed 3,000 people to explore the habits, attitudes and motivations of the UK's donors. Based on the results, NPC estimated that a further £665m of potential donations could be unlocked if charities engage donors in the right way.

If charities are going to be best placed to weather the economic storm and to win new funds, then trustees need to be engaged and supporting of a charity's fundraising efforts. The section below sets out five ways trustees can support their charities to have success in fundraising.

## Five tips for trustees about fundraising

### Trustees have important responsibilities when it comes to fundraising

Sarah Godwin spoke about how trustees' duties are closely linked to fundraising in three key areas:

- **Financial stability:** Trustees are responsible for ensuring that their charity is financially viable—and in some cases, trustees can have personal liability for this—and so there is a clear link between this and fundraising. Trustees also need to think about fundraising in the context of other income streams the organisation might have, eg, income from government contracts or trading. It can be treacherous to rely too heavily on one source of income, so trustees need to make sure that income from fundraising is sufficient to spread the risk of one income source failing.
- **Strategy:** Trustees are responsible for setting their charities' strategy and what they want to achieve. Trustees also need to think about *how* they are going to achieve their strategy, and income from fundraising is often an important element of this.
- **Risk:** As with most other aspects of running a charity, fundraising comes with its own risks and challenges. Trustees' responsibilities for managing risk means they need to ensure they understand and are involved in managing fundraising risks.

*Trustees are often not involved in fundraising, but they really should be: it's an essential part of their job description.*

Sarah Godwin

### Take time to understand your charity's fundraising and donors

Fundraising is often a delicate balance of techniques that play different roles in a charity's fundraising strategy. Amanda Bringans, VSO, spoke about two key concepts that trustees need to understand about the fundraising strategy:

1. **Fundraising portfolios need balance:** Each type of fundraising will come with its own benefits and risks, and so charities need to make sure they are not relying on just one source. Instead they need to spread the risk of fundraising and invest in several different types.

For example, legacy fundraising can have an extremely high return on investment (RoI) as charities receive large lump sums as part of a supporter's will. But, by its nature, income from legacies is very unpredictable and volatile; a charity cannot count on just that one source.

Having a number of different fundraising products also provides opportunities for engaging with donors in many different ways. For example, don't be scared of asking a major donor if he or she would like to come to a community fundraising event.

2. **Each type of fundraising has its own role within the portfolio:** You cannot analyse the performance of one type of fundraising without understanding its role in the portfolio. For example, community fundraising generally has a low RoI because it requires a lot of people to be out on the frontline. However the approach has other benefits beyond the funding it brings in: it can increase a charity's brand and networks in a community, and can lead to supporters giving in other ways, eg, through legacies or regular giving.

Sally Bagwell also explained the importance of understanding the underlying motivations of donors—especially for trustees who are involved in major donor fundraising. The *Money for good UK* survey looked at donors' motivations and attitudes to identify seven types of donor. For some, belief in the cause is a strong motivating factor; for others, being asked to give by peers is the most important driver for giving; and others feel a sense of duty to give. Understanding who your donors are, and why they give to you, can help you build stronger relationships with them and, hopefully, encourage them to give more.<sup>1</sup>

*One of the most helpful things trustees can do is work with the fundraising team to make sure the charity has as well-balanced fundraising portfolio.*

Amanda Bringans, VSO

### Support investment in fundraising

Amanda Bringans and Adrian Bagg both emphasised the need to invest in fundraising. This is true at any time, but is particularly important right now when competition for funds is increasing. According to the Charities Aid Foundation, giving has reduced by 20% and many trusts and foundations are struggling to maintain their grant-making in the face of poor returns on their investments.

As competition grows, charities need to have the right people and resources to ensure they are in the best possible position to raise the funds they need. Particularly crucial is a good customer relationship management (CRM) system, which you can use to manage your relationship with donors. Several software packages tailored to donor management exist; one of the most popular is Raisers Edge, developed by Blackbaud.<sup>2</sup>

A good system will enable charities to try and "cross-sell" different products to donors. The speakers reflected that fundraisers often fear making a second ask of someone, eg, asking a regular giver to make an extra donation to a special appeal. However, success rates can be quite high if asked correctly. Fundraisers need to make sure that they ask in a way that donors can say "no" and don't feel pressured.

Effective CRM systems can also help convert volunteers to donors, and vice versa. For membership organisations, a good database can help to convert donors and volunteers to members.

*Under-investment in fundraising is currently a big problem in the charity sector. But investing in a good CRM system can be revolutionary.*

Amanda Bringans, VSO

### Think about how you can add value to your charity's fundraising efforts

Trustees not only need to understand and be supportive of the fundraising team, they also need to think about how they can contribute towards the fundraising effort in three key areas:

- **Giving:** All speakers emphasised that trustees should give to the charity they support. It does not need to be much but it is important for establishing credibility when asking for money from others, and for trustees to understand the experience of the charity's donors.

If you do not want to give to the charity where you are a trustee, you need to think why not? If it's because you think other charities could do a better job or that money might be wasted, then there's clearly a problem with the charity that needs to be addressed.

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<sup>1</sup> NPC is currently working with the fundraising community to explore ways to put the research into action. If you are interested in being involved, please email [moneyforgoodUK@thinkNPC.org](mailto:moneyforgoodUK@thinkNPC.org).

<sup>2</sup> See: <https://www.blackbaud.com/fundraising-crm/raisers-edge-donor-management>

- **Networks and contacts:** Trustees should consider potential fundraising prospects among their own networks and identify who they know on existing lists of potential supporters. Trustees can also act as an ambassador for their charity by talking about its work and impact in other settings.
- **Trustee-led events:** For example, small intimate events are valuable for building relationships with potential donors. An alternative would be development boards for large projects (eg, a new building): trustees can be founding members of the board and then invite other potential donors from their network to join them.

*There is a saying from the US that trustees must either: Give (money to the charity); Get (funding from elsewhere); or Go (ie, stand down from the board). I don't fully subscribe to that, but it's a useful way for trustees to ask themselves if they are adding value to the charity's fundraising efforts.*

Adrian Bagg, Papworth Trust and Children's Society

### **Making sure fundraised income is well spent, and report back on its impact to donors**

Trustees also need to consider how fundraised income is spent and ensure that it is having the maximum impact. Adrian Bagg emphasised that income from fundraising should not be used to fill funding gaps, but should be considered in its own right. For example, fundraising income should not be used to subsidise the costs of services delivered under government contracts—these should '*stand on their own two feet*'. Instead trustees should feel confident that every pound from fundraising is doing something for the organisation and for its beneficiaries. Make sure you challenge this if you don't think this is the case.

As well as making sure the money is spent effectively, trustees should think about how the impact of this funding is reported back to donors. Sarah Godwin explained that a good annual report can increase giving and attract new donors; trustees should therefore consider if their charity's reporting tells donors what they need to know in an interesting way.

NPC's *Money for good* UK findings echoes this advice, with three in five donors paying close attention to how their donation is used. And yet, this is an area where charities are currently underperforming: fewer than 50% of donors believe charities do this well. NPC believes that improving how charities report back on the impact of their funding is crucial for unlocking the additional £665m in potential additional donations.

*There is an opportunity for charities to unlock more donations from the UK public by clearly demonstrating the impact of donors' funding.*

Sally Bagwell, NPC

## **Case studies from our speakers**

### **The view from a charity fundraiser**

Amanda Bringans reflected on her time as director of fundraising at Macmillan Cancer Support, and emphasised the important role of the board in fundraising. During her time there, membership of the trustee board was reoriented towards people with a business background, which had the effect of bringing more analysis and rigour to its fundraising. Amanda felt particularly well supported by one member of the trustee board who spent time getting to know how the charity's fundraising worked in detail.

Amanda also stressed the importance of getting the right balance of different types of fundraising. Amanda reflected that, in retrospect, the decision at Macmillan Cancer Support to invest heavily in community fundraising was not the right one. This was because it was resource-heavy, which prevented the charity from focussing on acquiring new donors through direct marketing (eg, mail shots, street or door-to-door fundraising).

However, Macmillan later decided to make an investment from its reserves into direct marketing, which helped the charity to recruit new donors, providing security for the future.

### **The view from a charity chief executive and trustee**

Adrian Bagg reflected on his experience as a trustee for World Vision and then subsequently as trustee and chair of the fundraising committee at the Children's Society. In both cases, Adrian was brought in for his fundraising and charity experience; his role has been to support and challenge the fundraising and management team to make better decisions.

Adrian also emphasised the need for trustees to think about and encourage innovation in fundraising. To illustrate this, he gave two experiences from the Children's Society and the Papworth Trust, where he is chief executive.

The Children's Society has been experimenting with using mobile technology and social media to connect donors in Newcastle more closely with the impact of their funding, as part of Nesta's Innovation in Giving Fund. The aim of the programme is to cast light on the question: if donors are more connected to the cause, will they give more? The pilot is now being rolled out to ten other sites in the UK, and the Children's Society is developing a toolkit to help other charities replicate the same idea.<sup>3</sup>

The Papworth Trust was involved in the Big Lottery Fund and Channel 4's Secret Millions series. This profiled five charities developing new approaches—in the case of the Papworth Trust, it piloted a new way of providing holidays and respite support for families with a disabled person. As a result of the trial, the Papworth Trust was awarded £2m from the Big Lottery Fund to convert a farm into a new site to provide short breaks.

## **Discussion with attendees**

### **How can small charities get a fundraising programme going?**

When it comes to fundraising, small charities often feel like they're at a disadvantage in comparison to larger ones. However, this is not always the case: small charities are likely to know all their donors and have good one-to-one relationships with them, which is key to successful fundraising.

Other ways that small charities can get the ball rolling with fundraising include:

- Partnering with a well-established charity. Attendees knew of charities that have an agreement to operate and apply for funding together.
- Using the contacts of your CEO and trustee board to find potential donors. Also consider speaking to previous trustees.
- Concentrating your resources on funders that explicitly say they like supporting small charities.

### **If you're the chair of a board, how can you get the best out of your fellow trustees?**

Firstly, clarify expectations by providing them with a really clear brief or job description that sets out their role and what they are there to do. Then, find out what excites your trustees—whether that's accounting, volunteering on the frontline, setting up databases—and let them do it. If what excites them doesn't fit with what you need, then consider whether they are right for your board.

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<sup>3</sup> See: <http://giving.nesta.org.uk/project/the-childrens-society/>

### **Are there any rules of thumb when it comes to return on investment on fundraising techniques?**

There are no hard and fast rules of thumb when it comes to rates of return: it will depend on the sector (eg, children, disability etc) and on the fundraising technique (eg, you'd expect a lower return on community fundraising compared to direct mail).

[Fundratios](#) from the Institute of Fundraising is a useful resource to help you benchmark your results against others. This can help you determine if you're being over-demanding or not demanding enough.

### **How can a charity tell if its fundraising strategy is working?**

Fundraisers should be monitoring the success of a fundraising campaign at least monthly. Key metrics to look at include:

- Response rates, eg, how many people responded to a direct mail shot
- Average donation size
- Attrition, eg, how many people who responded to a direct mail shot are still donating one year later

Based on the data, fundraisers should re-model and re-forecast income projections, and adjust the strategy accordingly.

### **What strategies can be used to develop successful relationships with corporates?**

It is generally fairly easy to get a small amount of in-kind support, especially if you're a small charity.

If you're looking for a more substantial investment, then you need to think about what your charity can do for a corporate (eg, good PR). Look at corporate CSR strategies and see where there is most alignment, and then, before approaching them, think about what would create a win-win situation for both your organisation and the company.

### **How do you raise the issue of trustees donating to the charity?**

It is the chair's responsibility to lead by example and encourage other trustees to give to the charity. It doesn't have to be much, but the speakers stressed that it's important that all trustees give something—it backs up the cause and provides credibility when trustees fundraise from others.

NPC's *Money for good UK* study suggests that charities are sometimes too cautious about asking volunteers—including trustees—to donate. Our research suggested that volunteers give about twice what non-volunteers do. This doesn't prove that volunteering is the reason why people give more, but it does suggest that charities need not be over-sensitive about asking volunteers to give.

## **Final thought**

*When it comes to fundraising, no charity wants their trustees to leave their brains at the door and start worrying about the designs on the Christmas cards. You can add the most value by focusing on the big things that matter—like your strategy and developing the right fundraising mix.*

**Amanda Bringans, VSO**

## Top tips for trustees

Tips for charities	Questions trustees could ask
Invest in a really good CRM system, use it to "cross sell"	<ul style="list-style-type: none"> <li>• What do we need our CRM to do?</li> <li>• Is our current CRM fit for purpose?</li> <li>• How much can we afford to invest in fundraising?</li> </ul>
Spend time getting to know your fundraising portfolio	<ul style="list-style-type: none"> <li>• How do the different fundraising methods fit together?</li> <li>• What is each type of fundraising bringing to the portfolio?</li> </ul>
Set realistic milestones on fundraising performance. Then collect data and analyse it to see what is working and what is not.	<ul style="list-style-type: none"> <li>• How long will it take to see a return?</li> <li>• What's the return on investment we expect?</li> <li>• How does this compare to others in our sector?</li> </ul>
Ask more than once—nicely!	<ul style="list-style-type: none"> <li>• What are the opportunities for cross-selling different fundraising products to donors?</li> <li>• When did we last ask our volunteers to donate?</li> <li>• Could some of our donors become members of the charity?</li> </ul>
Donate by example	<ul style="list-style-type: none"> <li>• Is everyone on the board donating to the charity?</li> <li>• If not, why not?</li> </ul>
As trustees, be prepared to help make asks of important individuals	<ul style="list-style-type: none"> <li>• Who do I know that might be interested in funding the charity?</li> <li>• Who do I know that has knowledge or expertise that is useful for the charity?</li> </ul>

## Useful resources

- *Money for good UK*: [www.thinknpc.org/publications/money-for-good-uk](http://www.thinknpc.org/publications/money-for-good-uk)  
NPC is currently working with the fundraising community to help put the findings of the *Money for good UK* study into practice. If you are interested in being involved, please email [moneyforgoodUK@thinkNPC.org](mailto:moneyforgoodUK@thinkNPC.org).
- Showcase of Fundraising Innovation and Inspiration (SOFII): [www.sofii.org/](http://www.sofii.org/)
- Institute of Fundraising: [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)
- Fundratios: [www.institute-of-fundraising.org.uk/research/fundratios](http://www.institute-of-fundraising.org.uk/research/fundratios)
- Nesta Innovation in Giving fund: [www.nesta.org.uk/giving](http://www.nesta.org.uk/giving)