

NPC'S RESPONSE TO PACAC INQUIRY INTO FUNDRAISING

Written evidence from New Philanthropy Capital

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Introduction

1. Charities have come under intense political and media scrutiny in the last six months, with a particular focus on the way they choose to fundraise for their causes. This comes after press stories looking at the scale and tone of some charity communication and the behaviour of some fundraisers. Public concern about some practices has been raised by, among others, the Prime Minister, the Leader of the House of Commons, and the Chair of the Charity Commission.

2. We strongly believe that, while charities need to raise money to achieve their goals and help their beneficiaries some of the behaviour uncovered is unacceptable. Charities rely on the good faith and trust of the public, and this is placed under strain by certain fundraising practices. Having outsourced contractors harassing vulnerable potential donors and ignoring requests to end contact is a recent and troubling example. 'Chugging' can also go too far. Research for NPC's report *Having their say: What the public likes and dislikes about charities* (2015) found that 15% of surveyed respondents felt that there was something wrong with how charities were raising money and 6% unprompted mentioned 'chuggers' as a problem.¹ While poor practice may be far from representative of fundraising as a whole, as charities have been keen to point out, where this behaviour exists it must be dealt with. NPC welcomes any steps taken by charities to tighten up on this.

3. Charities, government and regulators have a difficult balance to strike, between taking steps which will reassure the public and allowing charities freedom to fundraise appropriately—and the vast majority do—to deliver high quality work for their beneficiaries.

Funding context

4. We believe that the context in which charities operate is crucial to understanding the questions around charity fundraising. The shift from grants to contracts by government bodies has altered the finances of many charities. Research by the National Council of Voluntary Organisation (NCVO) showed that in 2000 overall charities' income from statutory sources was relatively evenly split between contracts and grants, representing £4.6 billion and £4.8 billion respectively. By contrast in 2012/13 contracts represented £11.1 billion in income for charities versus £2.6 billion in grants.² Such sharp changes in the funding mix in recent years means that many charities may find themselves driven by the need to fundraise more than previously, in particular to build up unrestricted funding.

5. In addition, the shift towards government contracts has placed new, sometimes costly processes on charities. Those charities that decide to invest the time and resources in completing detailed tender applications will not recover the cost of doing so, regardless of whether the bid is successful or not. As a result, charities may face greater reliance on fundraising to support the increased resourcing required for these operations. This may be an inevitable consequence of the contracting system, but may also help explain why charities have felt additional pressure to fundraise for unrestricted income.

NPC recommendations to government and regulators

6. We believe that government can play an important role in building public trust in charities, ensuring money goes further, and enabling charities to increase their impact. This is especially the case when, via contracts, charities are working in partnership with local and national government to deliver public services. While government should continue to scrutinise and regulate charities appropriately, and is not a 'cheerleader' for the

¹ Hargrave, R., Noble, J. and Wixley, S. (2015) [Having their say: What the public likes and dislikes about charities](#). NPC. pp.6

² NCVO (2015) [UK Civil Society Almanac](#)

sector, ministers can also play a role defending and explaining the need for organisations to spend on core costs and recruit professional staff.

7. Government regulation of charities is essential, but must be designed in a way which does not generate unnecessary administrative work for charities. For example, monitoring and evaluating requirements should be suited to an organisation's size and the scope of their projects.

8. A strong charity regulator would have an important role to play in restoring public trust in charities and therefore the ability of the sector as a whole to fundraise. The Charity Commission can take on this role by being effective, fair and reliable. The Charity Commission does important and necessary work, but in order to ensure it can be proactive and take appropriate action as a regulator it needs to be well funded. The Charity Commission is currently consulting on whether larger charities should contribute to paying for its services. While the best approach remains government properly funding the Commission, NPC would urge larger charities not just to dismiss this suggestion out of hand. While it would require a lot of thinking and reassurance on issues like governance, independence and accountability, a strong and effective regulator that can take action against the bad practices in a small minority of charities will help the majority of charities continue with work to help their beneficiaries.

NPC recommendations to charities

Data

8. The quantity of data handled by charities has increased rapidly in recent years. However it seems that awareness of data protection has not risen concurrently. In 2014/15, for example the number of data breaches by charities reported to the Information Commissioner's Office (ICO) rose by 69%, which is much higher than the average rise in breaches reported to the ICO, of 16%.³ For charities which fundraise amongst the public, protection and proper use of personal data with respect to fundraising is paramount, and as recent cases show such protection is crucial to secure the safety of donors data as well as ensuring the charity and sector more broadly maintains its reputation.

9. There are a number of things charities need to think about in order to ensure they continue to protect both service users and donors' data, as well as maintaining public trust. These include maintaining transparency about what happens to data, checking whether data is still needed, having methods of securely removing data, careful data processing, and carefully responding to donors/beneficiary rights. NPC's recent report *Protecting your beneficiaries, protecting your organisation* (2015) provides some much needed guidance for charities on keeping data safe.⁴

10. Charities should not only protect the data of their existing donors, but also review their data procedures. Do donors have an easy opt-out from future communications? Is it clear whether a donor's information is going to be shared with other fundraising organisations? Donors are unlikely to read the terms and conditions if they donate online so it is important that charities maintain their trusting relationship with donors by making it easy for donors to choose their level of involvement and future communications.

11. NPC's research has shown that from time to time members of the public will be annoyed or upset about certain fundraising practices⁵. When this happens they need to have a clear and simple way of making a complaint and securing some sort of redress. Currently the system that has evolved is too complex and opaque, with a number of different institutions dealing with fundraising issues. As we go forward this needs to be

³ www.ico.org.uk/action-weve-taken/data-breach-trends/

⁴ Gyateng, T. (2015) *Protecting your beneficiaries, protecting your organisation*. NPC

⁵ Hargrave, R., Noble, J. and Wixley, S. (2015) *Having their say: What the public likes and dislikes about charities*. NPC. pp. 6.

drastically simplified. At one extreme they could all be merged. Less radically we could have a simple online portal that would direct the public to the right organisation with minimal fuss. .

12. There have been suggestions that the Charity Commission should be involved in fundraising regulation and / or that it become statutory. These feel to us like very much last resorts. It would distort the role of the already stretched Charity Commission and it is an area where self regulation should be the best solution—as long as this really happens.

Transparency

13. At a time when fundraising communication is under scrutiny, we know that existing and potential donors want greater transparency from charities about how their donations will be used. For example, in NPC's research paper *Money for good* (2013) the two factors named as the most influential over decisions to donate were 'how the organisation will use my donation' and 'evidence the organisation is having an impact'.⁶ Later research for the paper *Mind the gap* (2014) found that 36% of surveyed respondents felt that one of the main things that charities were doing wrong was 'not being transparent about how they spent their money'.⁷ We believe increased transparency from charities on the way that money is spent, and the impact it has, would increase donor trust in organisations and help them to better understand charities' need for fundraising activities⁸.

Funding mix

14. A financial objective of any charity should be to look to build a sustainable funding base that is spread across funding sources. Where possible charities should look at all available options, including individuals, trusts, foundations, corporates, crowd funding, community fundraising, social investment, and government contracts. Maintaining this balance between funding sources is a difficult task, but it is crucial in ensuring that charities are not imperilled if one source of funding dries up.

Trustees

15. In a challenging fundraising environment it is important that trustees are engaged with and supportive of the way their charity fundraises. Fundraising is not only needed to ensure an organisation is financially viable it is often needed to enable a charity to achieve its mission. A trustees' responsibility for the financial strategy, risk and stability of an organisation means that fundraising is closely linked with their role. As we have argued elsewhere however, a focus on fundraising should not be at the expense of a charity focusing on mission and improving their impact.

16. Trustees must be conscious of the potential repercussions of poorly considered fundraising; is the charity ensuring that it protects donors data? Are they relying too heavily on a small pool of donors? Are their donors content with the methods of fundraising they are currently using and could these be improved?

17. There are a number of ways trustees can respond to this. Trustees must take into account the size and shape of an organisation's fundraising portfolio—ensuring there is a balance of risk within a portfolio, including legacy fundraising, community fundraising and fundraising amongst high net worth individuals. Trustees should also be willing to support good fundraising practices within their charity: for example, using appropriate fundraising software, recruiting staff, making their own commitments and drawing on their own networks to strengthen the position of an organisation. Finally, trustees can support the fundraising efforts of their charity by helping report back to donors on how their money has been spent and what the impact of the charity has been.

⁶ Bagwell, S., de Las Casas, L., Poortvliet, M., and Abercrombie, A. (2013). *Money for good*. NPC. pp. 34.

⁷ Hargrave, R., Noble, J. and Wixley, S. (2014). *Mind the gap: what the public thinks about charities*. NPC. pp. 3.

⁸ NPC supported calls for the Charity Commission to request more relevant data from charities in Hargrave, R. (2014), *Charities, transparency and doing good*. NPC

Impact

18. We think charities should consider adapting their fundraising strategies so they reflect existing evidence on 'what works' in fundraising practice. For example, NPC's *Money for good* (2013) suggested that charities could unlock a further £665 million in donations by improving the way they communicate impact and explaining how donations are used.⁹ At a time when the public is wary of fundraising communications, we would recommend that charities use such research to maximise the effectiveness of the communications they do use.

19. Interestingly, the most important prompt—personalised communication from a charity based on an existing relationship—is also the one that charities worry can have a negative impact on a relationship if used too often. The *Consumer Attitudes Report* found that more than 50% of donors would stop giving if a charity contacted them too often. This is clearly a balance that charities need to strike.¹⁰

20. At NPC we have worked with charities for more than a decade to help them achieve the greatest possible impact for the people and the causes they serve. This mission would come under threat if the public lost trust in charities. The charity sector needs to consider its collective responsibility to the public and understand that poor fundraising practices in a few charities can affect everyone. Charities need to be open about how they raise money and how they spend it to keep public trust, raise standards across the sector and continue to help the people they serve.

⁹ Bagwell, S., de Las Casas, L., Poortvliet, M., and Abercrombie, A. (2013). *Money for good*. NPC. pp. 2

¹⁰ The REaD Group PLC, (2012) *Consumer Attitudes Report 2012: Direct Marketing from the Third Sector*

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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