Third Sector Leaders

acevo

# Essential Guide to Fundraising

Written and Supported by:

Charity Consultants Ltd

ASSOCIATION OF CHIEF EXECUTIVES OF VOLUNTARY ORGANISATIONS

# Foreword

Impressed by the organisation, flattered to be interviewed, you accepted the job. Two months ago you arrived at the office as Chief Executive to find that things have changed. The financial projections no longer stack up, a big grant has gone astray, the fundraiser has left or there is an emergency financial crisis. Suddenly that small part of the job description, fundraising, is a priority. A brief panic attack, a few moments of self doubt, a despairing, "Why did I take this job?" is a perfectly acceptable response but the resourceful acevo member knows there must be a better answer.

If you have made the first step of calling the acevo Fundraising Helpline or getting hold of the Essential Guide to Fundraising you are already on the road to salvation.

When it comes to fundraising there are often two types of Chief Executive. The first group is lucky enough to inherit a fundraising strategy and staff. Here the need is to review the plan and consider how to deploy the organisation's fundraising resources. A second group find that the Chief Executive is the fundraiser or, at best, has an inexperienced fundraiser working alongside them. Since smaller organisations make up the majority of acevo members I have drafted these pages with smaller organisations in mind. However I hope my strategic approach can help the CEOs of larger organisations who may have some questions about existing fundraising performance and future directions. I cannot hope to condense 30 years of fundraising experience into just these few pages but I hope I can at least help you to understand six things:

- You are not alone and there are people who can help you.
- Fundraising is not a black magic art; there is a perfectly reasonable and logical approach to raising money; learn from those who have gone before you.
- Recognise that it is a discipline and you cannot make bricks without straw.
- Most organisations, but not all, can raise money.
- Fundraising may be hard work but it brings freedom to organisations reliant on the public purse.
- Ask, and ye shall receive. My transatlantic clients sometimes put it more bluntly, "If you don't ask you sure don't get".

Finally I need to thank all my fundraising friends and colleagues who, over the last 30 years have taught me so much. My apologies if I never learnt all the lessons. My friends at Prospecting for Gold Ltd and the Charity Consultants Network are ever patient, and will become your friends when you use the acevo Helpline.

Andrew Thomas

Shiplake, Oxfordshire

July 2005

# About the author

Andrew Thomas is Chief Executive of Charity Consultants Ltd, and founder of Prospecting for Gold Ltd, is a Fellow of the Institute of Fundraising with 30 years experience of not-for-profit organisations and charities in the UK. He has worked for Save the Children, Oxfam, UNICEF UK, the International Institute for Environment and Development (IIED) and the Prince's Youth Business Trust.

In this time Andrew has also managed UNICEF's greeting card trading in the UK, travelled to a number of UNICEF programmes in the field, and participated in a large number of European meetings giving him considerable experience of how international networks and national organisations function.

At IIED he gained experience of co-ordinating appeals based in Washington and London. His last post, before setting up Charity Consultants Ltd, was as the Director of the Prince's Youth Business Trust Appeal from 1987-1990 for their £40million fundraising programme.

As a volunteer Andrew has been a Board member of organisations including the Institute of Fundraising of which he is a Fellow, the Association of Fundraising Consultants, International Committee for International Year of the Disabled and for International Year of Shelter, the Globe Theatre Appeal Committee, a Board member of Friends of the Earth, a member of the International Council for the World Congress on Philanthropy 1991.

Currently he sits on the Board of the UK Association of Fundraising Consultants, is an adviser to Charity Consultants Lanka (PVT) and recently founded Prospecting for Gold Ltd, the UK's leading prospect research agency.

He started Charity Consultants Ltd in 1990 as the UK's first network consultancy specialising in fundraising AND strategic change for NGOs.

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# 1. Why do we need to fundraise?

Aside from the obvious riposte, "because we have to", common reasons for fundraising are:

- Because your organisation has great plans which need money.
- To fill a gap left by funders who have abandoned you.
- To break free from statutory grants or fees which limit what you do.
- To pay for core costs.
- Because your own organisational tsunami has struck and you are in a financial mess.

Hopefully you are not starting from scratch. You have some fundraising history; probably a mixture of good and bad, but some income is being banked. The challenge is either to maintain it or make a significant step change.

Often organisations divide into those who believe that they have a near divine right to spend money on their cause and those who accept and embrace the fact that successful fundraising depends on putting a persuasive case to sufficient donors.

Enlightened organisations realise that donors are partners in change. A strong bank balance gives you leverage with other funders. Powerful business partners give you access to resources and expertise. Wealthy donors bring influence in the corridors of power, whilst mass membership of campaigning organisation conveys legitimacy and voter power.

Effective fundraising organisations tend to be vibrant, open to new influences, responsive to public mood and expansionist. Poor fundraising institutions often look inward, feel vulnerable, and have poor reserves of money or energy.

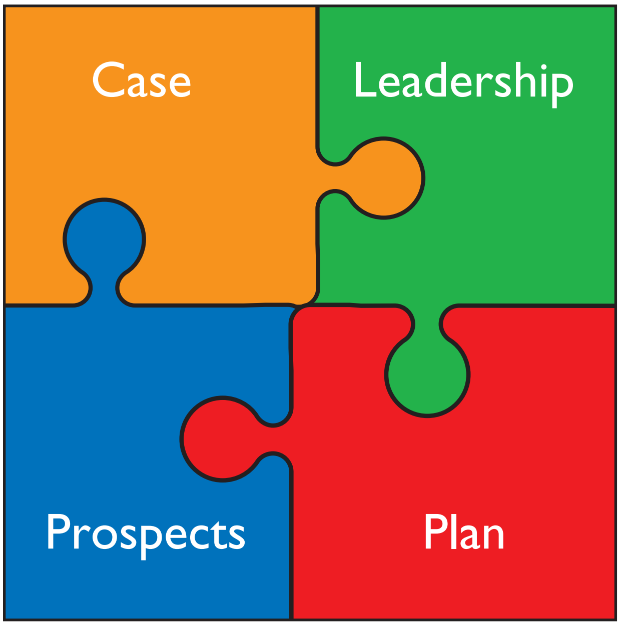
These organisations are letting their clients down. After all, we are in our jobs because we are trying to improve the common lot. It follows that we have a responsibility to fundraise effectively in order to make the biggest difference that we can.

However not every organisation is a household name, can capture hours of television or is even a popular cause. Spare a thought for the really unpopular causes like charities dealing with paedophiles, rare diseases, or a hypothetical new acevo member from the gardening world – the CEO of the National Society for the Preservation of Slugs.

Many organisations believe they should not have to fundraise and their organisation never has. A few years back I addressed the august trustee board of a London Hospital in their grand, but run-down, Victorian boardroom. Having made my fundraising presentation they talked scathingly of why the NHS needed donated money and the fact that they had never needed to raise money. Behind me was a marble bust dedicated to, "our munificent benefactor". That bust had been at every board meeting since the boardroom was built but everyone had forgotten that this hospital, like many great Victorian institutions was founded on public subscription.

# 2. The Fundraising Jigsaw

All good fundraising depends on a simple jigsaw:




If all are in place your fundraising is likely to succeed; if one piece is missing you will probably fail.

## The Fundraising Case

So let's start with the fundraising case. Can you answer four simple questions?

- How much money do you need to raise over the next 5-10 years? Thinking at least 5 years ahead shows you have a strategic approach and need sustainable repeat gifts.
- What precisely will it be spent on?
- Who might be interested in giving?
- Why should potential donors give money to you rather than other causes?

Try to steer clear of specific projects and look for the underlying motives encouraging donors to give; look to broad themes or programmes of work to give you flexibility and see how this fits with acevo's Core Costs approach. One useful idea is to focus on the funding gap. Project existing sources of income and compare it with how much you need overall. Make the funding gap your target.

## Fundraising leadership

Once the case is right, the second jigsaw piece to address is the fundraising leadership flowing from volunteers and you, as Chief Executive.

Leadership starts with the Board being clear about the case, seriously committed to investing the money and fundraising staff needed to deliver a fundraising campaign. Too many Boards believe that all they have to do is hire a fundraiser and let them get on with the job. Few businesses leave income generation, i.e. sales or fundraising, with so little active involvement as we see in many charities or not-for-profits. Indeed a common reason for fundraisers resigning is that the Board or trustees are disengaged from fundraising. As a minimum, look for 2-3 board members with positive fundraising experience.

Where the Chief Executive is active in fundraising and gives it a high priority, organisations usually prosper. Good fundraising CEOs tend to spend at least 10-20% of their time fundraising. They typically raise the profile of fundraising internally, and see its strategic role in developing their institution so allocate the time and resources to create the funds the organisation needs to grow. From time to time they also need to shield their fundraisers.

One of my favourite Chief Executives knew little about fundraising but having to raise £40 million he once described Chief Executive/fundraiser relationship along these lines. "I can show you the cliff we want to climb. I will take you up the cliff and when we get to the top the fundraiser lays a plank over the edge of the cliff and takes the risks by walking along it. Sometimes the fundraiser gets safely across to the next cliff and sometimes they fall off. My job is to catch you before you hit the bottom. Bruised egos are OK but broken spirits are disastrous."

Any fundraising needs champions on the Board but some types of fundraising, company, capital, public sector, and media for example, all benefit from well placed volunteers, familiar with these worlds, who can open doors. These are often grouped together as a sub committee of the Board, for governance reasons, or may lead an organisation's fundraising as a Campaign Board, Development Board or Appeal Committee. In effect they use their own commitment, to ask others to give.

This issue of board giving often causes problems in Britain. In North America, board members are often expected to give (personally), get (their friends to give) or get off (the board). Whilst this "give, get, or get off" philosophy is undoubtedly effective it seems harsh to many UK trustees; after all they give their time. Interestingly, experience suggests that giving boards are growing boards. Donors often ask why they are being asked to give if the board members are not prepared to donate themselves.

Trustees respond that they are not affluent but this misses the point, even being offensive to a potential donor. Wealthy benefactors understand that they are better placed to give generously but, unless they are super rich, most donors make sacrifices when they give and they expect board members to do the same; they look to your trustees to give leadership by contributing proportionately from their income or assets.

Broadly speaking fundraising divides into volume fundraising, such as direct marketing campaigns which focuses on many donors, and concentrated campaigns, such as legacies and capital fundraising, where a donor is approached face to face for a gift.

Organisations often expect fundraising staff to do the asking but, in reality, fundraisers are the staff hired to help manage fundraising campaigns; donors prefer to see the Chief Executive, a frontline person, or senior volunteer they know and respect. In their absence a good fundraiser ought to be able to ask for money but many are not trained to do this effectively and usually they will be less effective than a committed volunteer advocate.

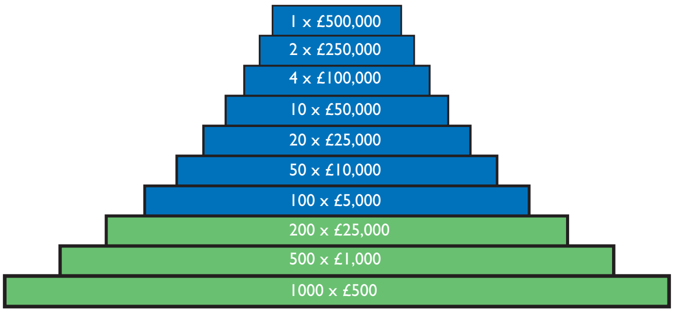
Whilst fundraisers advise on fundraising strategy, ultimately it is the board's responsibility. No corporate board of directors leaves the sales strategy to sales staff; it is simply too mission critical. Similarly not for profit boards cannot delegate fundraising strategies to staff alone. It is far too important and irresponsible as the Giving Campaign's *Fundraising and Trustees* booklet says, "… fundraising is a core concern for every trustee". Usually too few Board members are responsible for fundraising; leading the board on fundraising issues; arguing for investment and gathering *ad hoc* working groups of other influential volunteers to cover other fundraising areas. This process is widespread in community fundraising groups and national capital appeals but, all too often, ignored for other types of fundraising. Certainly, when it comes to asking for money, nobody does it better than a well motivated volunteer.

## Fundraising prospects

The third corner of our jigsaw is filled with donor prospects.

At the outset your most valuable management tool, in planning and monitoring a five year fundraising goal, is the table of gifts laying out how many people must give and at different levels. So many campaigns follow a broad pyramidal shape along these lines.

Table of Gifts for a £10 Million Fundraising Target




There are over 30 different fundraising disciplines with varying success rates in converting new donor prospects into actual givers; for example many major donor programmes raise one donation for every three people approached but a direct mail campaign will have a lower success rate. The fundraising tool you use depends on the audience(s) being sought. It costs time and money to reach donors, so if you can move more people from the green section (£25,000 and below) into the blue section you reduce the number of prospect approaches and costs dramatically.

Before we ask possible supporters for money we have to find them. There may be 700,000 people in the UK with assets other than their house of £1 million or more; most give to charity but often well below their potential because we do not who they are.

Finding them through prospect research might account for 5% of your fundraising budget although costs are falling with increased technology and more data in the public domain.

Still most of us think of companies and trusts as natural sources but the majority of UK private sector giving comes from affluent people. A recent NCVO report suggested that roughly 85% of giving comes from individuals with companies and trusts giving around 15% between them! Over half of the 85% comes from just 5-6% of the affluent and wealthy people in the UK.

If you think some of your supporters are well off try these simple steps to start prospecting for gold in your organisation:

- Ask staff and volunteers who they know and what companies they work for; talk to your accountants and solicitors to see what doors they can open.
- Look to past and present trustees, patrons etc. One recent client found a board member living in one of the wealthiest villages in Gloucestershire; his Christmas card list was worth its weight in gold many times over.
- Where are your lists of donors, members, audiences, alumni etc? Break up the list, give part of it to everyone in the office and see if they recognise any names of supporters. Yes I know Eric Clapton could be the local milkman but if he plays a real mean guitar maybe he can give more than the £10-50 a year most charities get from celebrities they mail.
- If you are lucky enough to have a big list, screen it electronically to discover the monied people you know and where they are. It only costs between £1.50 and £10 per name and you only pay for names they find. Two good web sites are www.prospectingforgold.co.uk or www.prospectprofiler.co.uk
  Both offer free sample snapshot services for larger lists. Typically most charities have 3-5% of supporters capable of giving over £5,000. We once found ten people giving £10 per annum who could have given £1-10 million each.
- Using property screening you can select older supporters with expensive homes who are great legacy prospects. Another client spotted 600 company directors amongst their personal donors; a tremendous start for a local corporate fundraising approach.
- Talk to local groups or branches to identify contacts with supporters living locally.

## Fundraising plan

Once the case is right, good leadership in place and the best prospects identified, the fourth jigsaw piece is the fundraising plan.

Some voluntary organisations feel more comfortable using fundraising consultants for this part and we discuss this later. Plenty of Chief Executives tap into acevo's free half day consultancy service (see details below) but you could do worse than use these headings to make a start yourself.

### Fundraising plan headings

- who might give
- a fundraising case to put to them
- a blend of fundraising strategies to maximise success
- targets
- measurable intermediate goals
- indicative and possibly alternative incomes and expenditures
- the volunterr and staff structures needed to make the program work
- future research requirements
- database and infrastructure implications
- budgets
- assessing the impact of possible fundraising competitors
- publicity and awareness issues which affect your appeal
- a fundraising timetable

However you tackle fundraising planning, ensure your Board plus key staff are committed and the plan is well thought through; too many fundraising plans we see at Charity Consultants Ltd have very little flesh on the bones.

They look marvellous at first glance but have too little detail for a Chief Executive to manage and monitor progress. Since donations are at the end of a fundraising process, it is necessary to check the milestones along the way in terms of prospects contacted, conversion rates to real donors and reliable forward pledges and promises.

Other common problems are unrealistic targets, endless cumulative growth and agreeing a plan that nobody believes will happen. Never let fundraising hype blind you to your instincts and ensure the fundraising budget has a baseline target for the year which meets the organisational needs defined by your Treasurer or Finance Director. Then get the fundraising team to plan for an aspirational target allowing you to invest the surplus in the following financial year.

# 3. Donors

## Why people give

Given the way many charities treat their donors it is a mystery as to why people give to the not for profit sector, but with public mistrust rising, understanding why they continue to give is crucial for Chief Executives seeking sustainable funding. With public sector funders, charitable trusts and, to a lesser extent companies, the answer is easily available as they have policy documents and giving guidelines to enlighten us.

With individuals it is more problematic. The Charities Aid Foundation and NCVO research teams produce general market information and some of it covers reasons for giving and which causes are popular. Historically we have had to rely on North American research into donor motivations but more recently two publications, *Why People Give* and *A Little Bit of Giving* (see publications appendix for details) have provided more insight into British donors. Both are an easy read and while we pull out pull out a few examples here both are worth reading in full.

Traditional reasons for giving typically include:

- Religious belief or growing up in a faith-based environment
- Altruism
- Self preservation
- Guilt
- Obligation
- Recognition
- Pressure from friends.

Some of the more recent research shows:

- A trend to local giving
- A need for people to put something back into society

- Feeling that their life is lucky so they should give back
- Feeling good about giving
- Wanting to help the less fortunate
- Personal experience of a problem
- Knowing people who are involved in a cause
- Involvement in a group activity
- Making a difference
- Being passionate about a charity
- Investing in the future.

Needless to say there are plenty of reasons for not giving but, when starting out, think positively about your donors as partners in the great endeavour that is your organisation.

## Recognition

Donors are only human and they want to be valued for themselves not just as cash dispensers. They need to be recognised. A few want visible public recognition, a name on the hospital wing for example and others want a name as a memorial to a loved one. Business donors may want their company name in lights either for commercial reasons or simply to justify giving shareholders money. There can be little harm in satisfying these recognition needs assuming it is consistent with your cause's goals and ethical stance. Recognition, which damages the cause by association, is clearly undesirable and the Charity Commission web site offers some guidance on the ethical position of trustees.

Ironically as active fundraisers we ought to want to maximise recognition. Firstly it encourages other donors to understand we need funds but, sometimes equally importantly, it reminds our staff and supporters that fundraising is vital if we are to prosper.

## Thanking people

Talk to trust grant makers and you would be amazed at how many successful grant applicants never say thank you to the trust. While it may be rude and ungrateful it is always foolish fundraising. As a wise volunteer fundraiser once noted, "Thanking people is like asking them in advance for their next gift". When thinking about thanking make sure the most appropriate person is involved. This may be someone senior but it could just as easily be the staff member who made the ask, or a beneficiary. Make the "thank you" relevant to the person and wherever possible use a meeting or telephone call rather than a letter. Take a minute to imagine how you would like to be thanked. Sometime a public event is right but many friends may feel awkward with high profile thanks. Often the personal, lower-key gesture is much more appreciated.

## Stewardship

Stewardship is often associated with church or environmental organisations but donors deserve nurturing and caring for if we want sustainable support from them.

As noted earlier, no-one wants to be seen simply as a cash dispensing machine. Donors feel they are a part of the organisation. First and foremost they want to be involved, so explore how this might happen. Certainly some can sit on committees but at least one wealthy national donor prefers to spend a night each week at a shelter for the homeless.

Use their experience, and emotional involvement to get them to give again and bring others into your cause. Remember people give to people, often as much as they give to organisations so foster those friendships and nurture their networks. If you do fail to look after them they will simply drift off to other more welcoming organisations so you have been warned – be a good steward for the next Chief Executive.

# 4. Types of Fundraising

## A bewildering mix

There are more than thirty types of fundraising. Some such as street collections and direct mail campaigns are well known whilst capital campaigns, legacies and internet gaming may be less familiar to you.

In planning a fundraising campaign, or if you are reviewing your organisation's fundraising for the next financial year, bear a few thoughts in mind:

- Never rely on one fundraising technique; sooner or later they all saturate their market.
- In smaller organisations think in terms of a couple of mature fundraising tools which provide the bulk of current income, a couple of older income sources which may be waning but can still contribute, plus a group of new fundraising ideas which need to be tried out. Like all good cooking there are different blends of ingredients but the underlying recipe is the same.
- Fundraisers sometimes resemble generals fighting the last war. They often depend on well tried techniques they learnt in earlier jobs or the latest fundraising fashion flowing through the sector.
- Never do anything to damage your organisation's reputation.
- New good fundraising ideas are rare. A handy rule of thumb says one in ten new fundraising ideas are good, one in ten good ideas are practical and a tenth of the practical ones make money. Obviously there are novel ways of fundraising but most of our income comes from proven methods applied in a disciplined way.
- Trust your instincts; it has to be a very good idea to go against your best instincts. If you think an idea is a bit odd try it out on your trustees or call the acevo fundraising helpline.

## Broad types of fundraising

The Table of Gifts we discussed in the Fundraising Jigsaw (Section 2) splits into two parts:

The trick when choosing tools is to focus on the smaller number of larger gifts in the blue area. Although large donations may seem more daunting the real costs, time and volume of work are in the larger number of small gifts. Some organisations have a national appeal and the staff to cope with hundreds of thousands of donors but it will cost more and fundraising costs, as we will see later, are a hot topic. You may have a large natural constituency of members, audiences or alumni where a broad fundraising base is an advantage but even here you ought to be able to screen your database for more affluent donors (see Section 2 – Prospects).

Some fundraising tools are more expensive than others and whilst trust fundraising bears fruit this year, legacy fundraising may take 4-7 years (see Section 7).

Some of the common fundraising tools you might want to consider are listed here.

This Guide is too short to do them justice but many of them are described in more detail in the *Comprehensive Guide to Fundraising* (details in the Section 8b Resources).

Fundraising is often seen as one set of skills. In fact it encompasses a wide range of activities, some requiring very different approaches, and includes:

- **Direct marketing** – the direct mail and inserts that you regularly see in your post or falling out of magazines. High initial investment but has been a great way to build a donor list. Tremendous for those charities who invested in the 1980s and 90s but difficult for many new causes to start from scratch.
- **Internet fundraising** – the trendy new arrival on the block. Lots of new ideas vying for attention and a great way to reduce costs. A must-have bolt-on for charities with young client groups but still a new frontier for many of us. The brave may do well.
- **Face to face fundraising** – if you have ever been accosted or "chugged" in the high street by someone asking you to sign a standing order to a charity you will know what I mean. It is a tremendous way to recruit new, younger supporters but the jury is still out on whether they remain loyal friends.
- **Donor development** – the process where we try to get existing donors to increase their annual gift and possibly consider remembering our cause in their will.
- **Committed giving** – trying to persuade *ad hoc* donors to give on a regular basis, often by monthly standing order.
- **Membership** – encouraging people to join our charity as campaigners or people receiving special membership benefits; often used by service, campaigning and arts organisations.
- **In memoriam** – giving in memory of a loved one who has died.

- **Major donors – the big gifts**
  - **Capital fundraising** – trying to raise large capital sums, typically for buildings and endowment but increasingly being considered by social welfare and related causes. A very structured and cost effective fundraiser using social networks and peer group influence to open doors.
  - **Major donor revenue fundraising** – similar to capital fundraising but working with medium sized donors, e.g. university alumni where the staff do most of the asking.
  - **Legacy** – persuading people to remember you in their will. Extremely cost-effective but you never know when you will receive the funds, although there are ways to even out legacy income.
- **Corporate giving** – there are myriad ways of seeking funds from companies but remember companies only give a small part of UK giving and the world and his wife are pursuing them. Good sometimes for large national charities, local firms and where you have a natural relationship.
  - **Sponsorship** – typically used for events but can be used for all sorts of activities.
  - **CSR** (corporate social responsibility) – where companies and causes have a mutual interest.
  - **Donations** – real money but becoming more difficult except from new entrepreneurial donors.
  - **Gifts in Kind** – it is often easier to get companies to give people, time, products, equipment and services than cash. A bit complicated to launch but a great way of involving companies and saving money if the gifts in kind are appropriate.
  - **Payroll giving** – employees giving out of their pay and often heavily promoted as a new form of giving.
  - **Commercial promotions** – Tesco Computers for Schools is one of the best known examples but includes all those products who give a penny to charity every time you buy the product.
  - **Staff fundraising** – a great way of getting employees involved in fundraising for you and often linked to the company making a donation of its own.
- **Community fundraising** – all the fundraising you did as a child and all the activities parents, church, mosque, school, community group, theatre etc drag you into. Too numerous to list here but these are the most common:
- **Events** – balls, galas, dinners, auctions etc.
- **Branches and local groups**
- **Trading** – recycling things, selling tea towels, badges, charity bands.
- **House-to-House collections** – Christian Aid Week is probably the most famous and can be very effective.
- **Street Collections** – those people who dangle collecting tins in front of you outside the supermarkets and stations. Needs a licence for public places and depends on the number of collectors you have.
- **Gaming** – provided you are happy with the ethics of gambling, which some causes struggle with:
  - **Society lotteries** – often the local raffles tickets and scratch cards you buy. For lots of causes these are a growing source of income.
  - **Internet gaming** – an exciting growth area for suitable charities capable of raising large sums from regular punters.
  - **Competitions** – gaming ideas with a little bit of skill in them.
- **Emergencies** – tsunami, earthquake, famine in Africa, refugees, and war zones are the most common. Typically media-led and involving large numbers of people. Almost instant fundraising and the way many of the larger international organisations built up their early supporter lists. The principle works equally well at a local level with examples of the "roof blew off in the last gale", floods, local factory closures with large unemployment etc.
- **Media fundraising – using the media to ask for money through:**
  - **Advertising** – always take advantage of free advertising in newspapers, bus shelters, and the sides of lorries otherwise it can be expensive. Useful for building up awareness but outside emergencies rarely profitable and difficult to measure. Advertising agencies love to give their creative people a chance to work on "something interesting" and the best is brilliant. However if they expect it to raise money ask them to invest their money in the campaign rather than yours.
  - **Inserts** – the fascinating array of charity leaflets that fall out of weekend newspaper supplements. Often designed to recruit new donors so often only makes a profit from subsequent contacts.

- **Broadcast appeals** – happen every week on the BBC and other broadcast media.
  - Telethons and radiothons - Comic Relief, Help a London Child, BBC Children in Need.
  - Newspaper appeals – various national newspaper appeals e.g. Guardian Christmas Appeal but also local and regional press appeals for local needs e.g. hospitals and hospices.
- **Grant fundraising from:**
- **Trusts & foundations** – most of us do this. Good grant applications succeed in about 10% of the applications. As grant makers strive to maximise the benefit from their grants the supplicants have to become ever more adept at answering the exam questions in the way that examiner wants them answered rather than the way we see the problem. We love and rely on trusts but do try to build a relationship with them and accept they fund projects not overheads. The "Lottery" if you fit the guidelines mostly through:
  - The Big Lottery Fund
  - Sport England
  - Arts Lottery Fund
  - Heritage Lottery Fund
- **Public sector** – Effectively the drug of choice for too many voluntary bodies. The public purse is an ever changing range of grant making, contracts and fees; very tempting because it provides a little over 50% of all UK charity income. Important to the majority of institutions but it is all too easy to become dependant on public sector funding. It can be withdrawn at short notice and follows political trends with very little notice. Lots of organisations have had to close or make savage cuts when it is withdrawn. Private sector fundraising is a counterbalance to public sector and provides insurance, flexibility and security. The programmes are constantly changing so if you need preliminary free advice contact the Grants Service on the acevo Fundraising Helpline and then look at two web sites online at www.fundinginformation.org and www.governmentfunding.org.uk.
- **EU and international** – European and international funding is invaluable for some bodies, depending where you are in the UK and your involvement in international or political themes close to the hear of European policy. There are good books and reams of internet pages on EU funding. The ordinary Chief Executive may find a maze but the Helpline can usually point you in the right direction. If not a good tip is to talk to other acevo members receiving EU funding from your area or the local Regional Development Agency. The forms are horrible, the rewards great but be prepared to start work before the funds hit your bank account so watch out for cash flow.
- **Social enterprise** –the buzz word in some circles and a way of commercially earning your keep instead of asking for it – social enterprise describes a panoply of entrepreneurial income generation activities. Keen advocates see it as more sustainable than fundraising. These are just a few:
  - **Charity shops** – from the large chains like Oxfam to the local hospice retail outlet.
  - **Charity trading** – commonly used to describe mail order catalogues but includes a wide range of buying and selling of services.
  - **Recycling** – books, DVDs, furniture and waste paper collections.
  - **Social businesses** – any kind of business activities from railway preservation societies, or community businesses to the National Trust where a business activity is for the common good.
  - **Co-operatives** – locally and nationally
  - **Banking** from Triodos, to Charity Bank, to local non cash economies.
  - **Property development** – where not for profit organisations develop a site for the housing association movement.
  - **Micro – business/ employment initiatives** – schemes to help people get back to work or start their own business (The Prince's Trust is an example).
  - **Special events** – everybody loves them, they take enormous energy and organisation and often go wrong. Try to keep the organisation out of your office, never sit on an event committee and always make sure the event is underwritten. Typical events might involve:
    - Auctions
    - Dinners
    - Balls & Galas
    - Race Days
    - Challenge & trek events

Whatever activities you choose think in terms of a balance between sustainable income, and return on investment.

# 5 Return on Investment – Risks and Rewards

## Returns on investment

Most fundraising depends on investment in fundraising activities, staff and marketing. Whilst many charity annual reports show fundraising costs as 7-8% of funds raised this can be misleading because it can include public sector funds, legacies, and grant fundraising which is relatively inexpensive but of little help sometimes with core costs.

It also ignores the fact that some causes are unpopular so have a smaller donor pool. Causes dealing with asylum seekers, paedophilia, the unemployed, are common examples but equally a not for profit organisation seeking to "Save the Skunk" might have limited appeal in the UK.

## Cost ratios

In conversations with fundraisers you may find them quoting a figure of 5:1 return on investment i.e. spending £1,000 to raise £5,000 and this is quite common. A review of the top 500 UK fundraising charities a few years back suggested that the average charity spends 15-17% of its private sector fundraising income on fundraising. Whilst this is typical, capital appeals often only cost 8 -12% because the donations are larger and therefore fewer people have to be approached. Even better, legacies may cost hardly anything at all, possibly 1-2%.

Even more confusingly, you may not know which activities generate the most income. Some donations arise spontaneously as your organisation raises its profile.

Despite these issues the question of fundraising costs seems to be a perennial concern and recent media interest means that it will probably grow in importance in the coming years. We have to be honest and open. It costs money to raise money and a well run not-for-profit has a responsibility to invest in fundraising if it is to grow and remain independent of public funding.

For larger organisations it may be worth signing up to the Fund Ratios project which benchmarks different fundraising tools on a quarterly basis but it does need good records at your end and may be less suitable for smaller organisations.

The law of cumulative investment - lots of fundraisers are not very good at sums; I think it comes from dreaming in millions so we keep misplacing the zeros. Similarly we are not very good at working out the impact of saving £10,000 on fundraising and investing it in a more profitable rate of return. Just ponder on this thought. Imagine saving £10,000 in fundraising costs in your first year in post. Invest that £10,000 in fundraising, which costs only 10% rather than 15%. Keep reinvesting the funds for ten years and you will raise £5.5 million more than if you kept on at 15%. Not bad for £10,000 investment but that is the law of compound investing. (If you want to work out the figures it is a ten minute job with an Excel spreadsheet or email the acevo Fundraising Helpline for an example).

## Risks

In making these investments accept there are risks. Some fundraising activities will fail; without regular failures we are probably being too conservative but all risks need to be managed. Certainly a part of each year's fundraising budget might be set aside for new initiatives. Where practical feasibility assessment may be possible. Test phases and a step by step approach dripping more funds into ideas as they prove their worth are also sensible but fundraising is an entrepreneurial activity. Learn to embrace it.

## Building a fundraising war-chest

Many small organisations have few or no funds to invest in fundraising but need a war-chest to invest. The blunt fact is that normally it can only come from reserves, existing donors, the Board, or by cutting services now in order to seek a better future. Few organisations have reserves but building a war-chest from donors and Board members is possible for some. Cutting services is definitely difficult but may have to be faced if you do not want years of reducing services anyway.

## Commission based fundraising

Chief Executives often ask about commission or performance based fundraising. While modest performance incentives may be acceptable, both the Institute of Fundraising and the Charity Commission caution against it. Freelance fundraisers may raise the target quickly but they may damage your long term reputation amongst donors. They may also end up building a relationship with your donors and taking them on to their next client.

# 6. Fundraising Staff and Consultants

## Fundraisers – do we need them?

Let's start by clearing the air. "Fundraisers are a pain in the neck, you take ages to find one, they demand exorbitant salaries, never seem to raise the money and depart less than a year later leaving you bruised and worse off than ever."

While we may be too polite to be so blunt but quite a few Chief Executives feel like this. We try hard to be good managers but are flummoxed by finding and keeping fundraisers. If this fits your situation worry no more. You are not alone; one well-known sector commentator explained that the life expectancy of a fundraiser in London is under 14 months.

Larger charities must have an answer as their growing fundraising teams take an ever larger slice of the fundraising cake, but it is pretty grim for the rest of us. So consider a few facts to begin. CAF tracks 500 large fundraising organisations but far more are trying to raise below £500,000 annually. The Institute of Fundraising has over 4000 members and there may be another 9000 paid fundraisers in Britain falling into three camps: staff fundraisers, fundraising consultants and professional fundraisers who raise money on your behalf.

The best help you to raise money but, to get the best, you have to afford and supply them with the right tools. Smaller causes, with an income of under £200,000, might ask whether it makes sense to hire fundraising staff. If you have volunteers or existing staff happy to broaden their skills there is plenty of good training available from the Institute of Fundraising, Directory of Social Change and independent trainers like the Projects Company and Fundraising Training Company. Equally there are many good books available from the Directory of Social Change, available at UK Fundraising books www.fundraising.co.uk/book or www.amazon.co.uk.

If you need over £500,000 annually or plan big capital spending then it probably makes sense to hire someone but between £200,000 and £500,000 is a grey area; it may make sense but is fraught with challenges.

## Recruiting a fundraiser

Once you decide on a fundraiser route, explore whether you need to employ staff or contract a freelancer. Look up the Institute of Fundraising web site (Information for fundraisers and vacancies sections) for tips on recruiting and relevant agencies. The recent *Guardian* publication, "Working in Fundraising" may help. Check if candidates are Institute of Fundraising members. Most reputable fundraisers should be members but some higher education and arts fundraisers may not be because Institute penetration there is less effective. The Institute also runs an inexpensive vacancies advertising service on its web site, as does Fundraising UK and this field is expanding.

*The Guardian* is often seen as the natural print advertising of choice but it is expensive. Professional Fundraising or Third Sector may be a better option.

Then there are the recruitment agencies. Eleven agencies advertise in the Institute handbook recruiting fundraisers and more can be found in the trade publications. They have the advantage of working on a fee only if they find a suitable employee. Reputations vary over time so it is difficult to make recommendations but talk to other acevo members for their views.

While recruiting allow plenty of time; it can take 4-6 months to even shortlist. Plan the interviews carefully; smaller organisations might borrow a fundraiser from another acevo member to help with shortlisting or on the day. Even experienced fundraisers get burnt out or just be wrong for you; another fundraiser will spot the gaps in CV or interview answer.

It may take 18-48 months to become profitable so be realistic about Year 1 expectations. Your success relies on organisations committing to fundraising, working on a compelling case and the constituencies interested in your cause. Be open about the potential, the challenges and the no-go areas as many fundraisers leave because facts were hidden at interview. A good guide to the sort of questions you may get asked about your fundraising readiness is the *Fundraising Preliminary Questionnaire* (available from the Helpline) which highlights the sort of questions fundraisers will expect you to answer.

## Fundraising consultants

For larger fundraising campaigns it may make sense to use a fundraising consultant to audit existing fundraising, plan the strategy, research early donors, advise during implementation, train and mentor staff. Good consultants will be expensive but can save you considerable time and money in the longer term but need to be used properly to get good value from them.

The main source of established fundraising consulting firms is the Association of Fundraising Consultants whose web site lists the larger firms and has some excellent guidance on selecting a consultant on its publications pages.

The Institute of Fundraising web site (Directories & Contacts\Consultants Section) can also help. This list has more smaller firms and solo practitioners. Solo consultants can be good value but they may specialise in a smaller range of fundraising disciplines or operate in a specific region. Whoever you choose bear in mind that consultants will help guide you through unknown territory so you need to feel comfortable in trusting them.

Lastly remember that the acevo Fundraising Helpline offers a free half day consultancy service which may be all you need to get you started. Details are in the acevo Handbook.

## Costs

Fundraisers are expensive because few people like to ask for money; most prefer to spend it. They know their market value even if we suspect they are overpaid. Salary levels may distort inflexible salary structures, especially if the fundraiser's salary exceeds the Chief Executive's remuneration. Nevertheless if fundraising needs dominate your thinking it pays to employ the best money can buy. Recall the old saying, "pay peanuts and you get monkeys". In some cases you can end up with gorillas!

Whilst staff costs for some fundraising are 80% of the budget, other types consume investment in media, postage, events and databases. Effective staff require a reasonable operating budget to deliver the results.

## Managing fundraisers

Many fundraisers and Chief Executives are disillusioned with each other. A significant factor is fundraisers feeling that the organisation is not committed to fundraising; it wants the money but is not prepared to invest the time, money and energy necessary to raise it. "My Chief Executive does not understand fundraising and I am isolated from trustees", is a common feeling. It helps if you brief yourself on the types of fundraising you plan and give senior fundraisers access to trustees; why not ask one trustee to act as mentor to the fundraiser and become their champion on the Board. A similar ploy uses the Finance Director to act as mentor; research from Charity Finance demonstrates that close fundraiser/Finance Director relationships breed growing income.

A second problem is a vague fundraising case or too little lead time, often inside 12 months, when the fundraiser needs to sell long-term programmes. There is little point in trying to start raising money in January for work that needs to happen in the next 6-9 months; it takes time to raise the money.

Thirdly, as Chief Executive you require time to participate in fundraising and meeting donors. Hiring a staff fundraiser and simply letting them get on with the job is a recipe for disaster. Fundraising is a pretty lonely business and most fundraisers do not fundraise; they merely manage the process by which organisations raise money.

## Other alternatives

Finally ask if hiring fundraising staff is the best solution. For relatively simple fundraising, like grant applications, it may be better to train existing staff in grant fundraising. Certainly for more scientific or technical projects it may be more cost effective to develop in house skills or commission a fundraiser on a short contract. Sometimes this can apply to events and corporate fundraisers. However to breed long term relationships with donors, legacy fundraising and major gifts for instance, you normally prefer an in house fundraiser to maintain a close friendship.

Just remember, if your last fundraiser did not work out the next is a new opportunity.

# 7. Resources

To keep this Guide short there are extensive references to web sites and other organisations where there are useful and often free documents or advice. They have all been checked at the time of writing but inevitably they change. If you find a change or are struggling to find the web site do call the acevo Fundraising Helpline hosted by Charity Consultants Ltd on 0118 9401016 and ask for Andrew Thomas. We will do our best to point you in the right direction especially if you prefer to work offline.

## Organisations

**acevo Fundraising Helpline**
**email: charityconsult@btinternet.com**

- Association of Fundraising Consultants
  www.afc.org.uk
- Charities Aid Foundation
  www.cafonline.org/
- Charity Commission
  www.charitycommission.gov.uk/
- Charity Consultants Ltd
  www.charityconsultants.co.uk
- Directory of Social Change
  www.dsc.org.uk/
- Fundraising Training Company
  www.frtr.co.uk
- Institute of Fundraising
  www.institute-of-fundraising.org.uk/
- NCVO
  www.ncvo-vol.org.uk
- Prospecting for Gold Ltd
  www.prospectingforgold.co.uk
- The Projects Company
  www.theprojectsco.co.uk
- The Giving Campaign
  www.givingcampaign.org.uk/

## Internet

CharityFact
www.charityfacts.org

## Grants information

- Profunding
  www.fundinginformation.org
- Directory of Social Change
  www.governmentfunding.org.uk.

## Publications

There are many fundraising books. You may have read the acevo *Guide to Core Costs.* Two web sites have good lists of books and these can be quite useful for new titles and a broader range of subjects than listed here:

- The Directory of Social Change
  www.dsc.org.uk
- Fundraising UK
  www.fundraising.co.uk

## acevo Fundraising Helpline

The acevo Fundraising Helpline is provided by Charity Consultants Ltd as a free service to acevo members only. It offers 20 minutes free telephone or email fundraising advice and a free half day fundraising consultancy if you are planning to raise more than £1 million.

The telephone helpline has been used for assistance with:

- Planning a fundraising strategy
- Using fundraising consultants
- Major gift and capital fundraising
- How to research donors
- Corporate fundraising
- Grants fundraising
- Public Sector and EU funding
- Donor development
- Internet fundraising
- Gaming and charities
- Community fundraising
- Fundraising communications
- Managing fundraising campaigns
- Recruiting and managing fundraising staff

For more information contact Andrew Thomas, Chief Executive, on 0118 9401016 by email at charityconsult@btinternet.com

CHARITY CONSULTANTS LTD

In addition it offers specialist helplines with grants, corporate and donor research.

Whatever your fundraising query about trusts, lottery or EU funding, Charity Consultants will put you in touch with one of their grants specialists. If you are thinking about launching a grants fundraising programme we will also offer a free meeting to help you get your thinking straight. Simply contact Isabel White on 01323 439368.

www.charityconsultants.co.uk

### Free donor research and advice

If you have a list of at least 20,000 donors, members, audience, friends or alumni, Prospecting for Gold Ltd, the UK's leading donor research organisation, will let you have a free Snapshot Report of your database telling you how many wealthy and well-connected people you have on your lists.

Simply contact Chris Burrell at Prospecting for Gold Ltd on 0118 9401303 or email chris@prospectingforgold.co.uk

### Free fundraising seminars

From time to time we offer free fundraising seminars in London. Email charityconsult@btinternet.com if you would like to be added to the invitation list.

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