Fundraising success rarely comes out of the blue; it is built on a strategic approach and having the right plans in place. But during a time of uncertainty, planning for the future is particularly tricky. Fundraisers, together with their boards, CEOs, and senior teams want to know what lies ahead to help inform future work, spending decisions, and accurately budget income.

While the specific factors informing your plans will be particular to your organisation, there are some common environmental factors that may influence your decisions and help you put the right steps in place. To help with that, we’ve looked at some of the political, economic, social, technological, legal and regulatory opportunities and risks on the horizon to make sure that you have the right information to hand as you take forward your work.
POLITICAL

Brexit

While the general rule for 2019/20 is the same as any other year – that the political priorities of the moment directs attention, focus, and government money – the specific circumstances of this year are unique: we are living through the most uncertain political times in a generation with Brexit dominating the political agenda and leaving little or no room for wider debates on public policy. While we don't know what will happen after October, there are some certainties that you can build in to your plans.

A guaranteed effect on fundraisers of leaving the European Union will be the end of the European Social Fund (ESF), which amounts to £250 million a year in funding to organisations and programmes working to improve social inclusion. In 2018 the government guaranteed that, even in a no deal scenario, successful bids for EU funding until the end of 2020 will receive their full financial allocation and will continue to receive funding over a project's lifetime.

This gives charities confidence in their funding until next year. Longer-term, the government has pledged to create a UK Shared Prosperity Fund (UKSPF) to replace this EU funding. The public consultation on the design and delivery of the new fund (promised before the end of 2018) is yet to be launched, but charities will want to be involved when it does if they are to influence the shape the UKSPF is to take – particularly given concerns that the funding focus may shift.

Government funding

The new Prime Minister, Boris Johnson, has already made various tax and spending pledges around public services. However, the government’s ability to spend will depend on whether it has to rely on the ‘insurance fund’ set aside for a no deal Brexit scenario (up to £6.1 billion at the time of writing).

A Whitehall Spending Review was due in 2019, intended to clear things up with at least a three-year spending plan. But with a new Prime Minister and uncertainty around Brexit negotiations this could be a shorter term review if it happens at all (current arrangements might just be rolled-over), making medium-term planning difficult for charities who look to government funding.

The sector income that comes from government has seen a general move towards the commissioning of large-scale contracts and away from grant-giving, disproportionately affecting smaller organisations’ ability to compete for this income. However, the 2018 Civil Society Strategy pledged a “revival of grant-making” as part of its aim to “broaden the range of funding options for community initiatives”. This has been expressed by supporting ‘Grants 2.0’ and re-emphasising the social value approach to procurement and commissioning. The future of the strategy is unclear, particularly in the context of a new minister for civil society, but it may be something to look out for.
What the research says...

• The IoF and PwC: Fundraising for Impact report found 30% of respondents were “very concerned” about Brexit

• The number of European staff in the charity sector fell by 20% - 7,800 individuals - between June 2016 and June 2017. This drop stalled towards the end of 2017, but for the first time since March 2013, the public sector has a higher proportion of EU workers than the voluntary sector¹

• Government funding decreased slightly in 2016/17, with income from local government falling and income from central government growing slightly. As a proportion of all income from government, local government income has fallen from 52% in 2004/05 to 46% in 2016/17¹

• In 2016/17, the skills that most needed upskilling were engaging with businesses, strategic use of IT, and impact reporting. For 2018/19, lobbying (57%), government relations (54%) and the latest HR laws (52%) were the three areas requiring the most upskilling, giving an indication of charity priorities in this political environment²

QUESTIONS FOR YOUR CHARITY TO CONSIDER...

• Does your organisation depend on EU workers or volunteers to advance its charitable mission? If you do, are you familiar with Home Office guidance around settled status? Are you providing any support to your employees?

• Will you be affected by increased operational barriers which will make it harder for UK charities to work across borders in the UK (e.g. visa requirements)?

• Will you be affected if the UKPF redesigns and redirects EU structural funding?

• Do you rely on the EU market for importing or exporting?
The economic effects of political decisions around Brexit are not only difficult to ignore but also difficult to plan for. Economic uncertainty may put charities at risk of reduced income from investments, trading, and savings depending on consumer and market confidence.

The second quarter of 2019 experienced the first fall in quarterly GDP in six and a half years, and the Bank of England has predicted a one in three chance of a recession at the start of next year. Inflation is sitting slightly above the Bank’s target; if it increases this will mean rising costs for charities that rely on purchasing goods and services. For regular giving methods, inflation means that donations that stay the same level will be worth less in real terms. Charities can do less for their money.

Charities hold approximately £108 billion in investment assets; those that depend on investments will need to consider their exposure to the UK economy, particularly because the pound is likely to be weak. Even if this does not apply to you, your organisation may be funded by foundations that similarly rely on investment income. Over the last six years, the top 300 foundations have reported a cumulative real £7.3 billion income from investments, equal to 56% of grant-making value. Charities are likely to feel the knock-on effects of foundations with tighter budgets.

Individual giving

Some types of charitable giving will be more influenced by the economic climate than others. Legacy income reflects the value of the assets left in estates – most importantly houses and savings – which fluctuate in line with the economy. For example, in 2008 following the global financial crisis, UK-wide legacy income fell by 5%.

However, economic events do not appear to impact total charitable giving in the UK. Throughout the 2008 financial crash, austerity, and the triggering of Article 50, the total donated remains stable at around £10 billion per year.

2019 did see a drop in the proportion of people giving to charity, and when Third Sector asked people their reasons for not donating to charity 60% cited “not being able to afford to do so”. But, money spent generating fundraising income also fell (by 18% in 2018), suggesting charities are investing less in their fundraising. Since research shows that the majority of people give to charity as a result of being asked, these factors could well be linked.

Equally, Fundraising for Impact shows charities are currently prioritising improving the experience of, and developing the relationship with, existing supports. While the
proportion of the population that donates changes, the total amount donated remains consistent, suggesting a relationship between nurturing core supporters and giving more. Charities are expecting to pivot from this in the future, with 74% citing that the most important area for fundraising will be finding new supporters.

**Demand**

Perhaps the biggest strain on resources may come from an increase in demand for services, or changes in the type of services needed (as experienced in response to austerity measures). This puts pressure on fundraising functions given that a better equipped and supported fundraising team is more likely to drive the necessary income. Investing in this function is a popular strategy for weathering economic uncertainty; in 2015 for example, 49% of those surveyed intended to increase fundraising in current areas of focus, and 41% were planning to start fundraising in new areas over the following 12 months. With income streams under pressure, diverse fundraising portfolios enable charities to be resilient and sustainable by making them less vulnerable to fluctuations in funding.

**What the research says....**

- In 2016/17 investments were the main driver in the overall growth of assets and grew by £6.9 billion (7%) amounting to £102.3 billion
- Voluntary organisations spent £6.6 billion on activities for raising funds in 2016/17 which represents 14% of their total spending. The total amount has dropped slightly for the first time in six years
- 67% of fundraisers said the biggest challenge to the sector was the economic environment. 52% said they could grow their income because they the right level of investment in activity
- 73% of fundraisers described their organisations as prioritising investment in generating voluntary income. 57% said that their organisation’s attitude to investing in generating voluntary income was willing, while 35% described theirs as cautious
QUESTIONS FOR YOUR CHARITY TO CONSIDER...

• How secure is your existing funding, for example contracts from other bodies for service delivery, statutory funding or grants from other bodies, for the foreseeable future?

• Will your funding support your strategic plans? If relying on a single source of income should you be looking at other sources of funding? Is it possible to diversify or broaden your sources of income?

• Do you anticipate an increase in demand for your services in the coming climate?

• Are you continuing to plan fundraising activity?
SOCIAL

Media & trust

The Fundraising Regulator announced earlier this year that they will be naming the charities they investigate quarterly; the first batch of charity names was expected to be published in June. Greater transparency is intended to improve perceptions of how the sector is regulated, but there may well be a period of increased media scrutiny for the sector.

The Regulator only investigates complaints about fundraising where these cannot be resolved by the organisations themselves; therefore, it is worth reviewing your charity’s complaints policy to make sure it is comprehensive and put into practice throughout the organisation. In the 2017/18 Complaints Report, the Fundraising Regulator investigated 5% of complaints they received, identifying a common theme relating to a failure to deal effectively with complaints about fundraising. This is an opportunity to learn from the Regulator’s casework and integrate its learning and recommendations into your own charity’s processes to continue giving supporters the best possible experience.

The media rightfully shines a light on poor practice within the sector and holds charities to the high standard expected of them, but often with the consequence that charities are tarred with the same brush. The Charity Commission’s ‘Trust in Charities’ report showed just how much value the public place in transparency around how and where charities spend their income and the difference they make with it. The impact negative media reports can be minimised by meeting fundraising standards, communicating this to donors and supporters, and showing how you are making a difference to the cause.

Demographics

In the same way that charities dependent on limited income streams may be more vulnerable to changes in the funding environment, if your charity depends on a relatively homogenous donor and supporter base then demographic changes may affect your donor acquisition, retention and regular giving.

Legacy Foresight has predicted 640,000 charitable bequests from 2017 to 2021, worth a total of £15.6 billion to UK charities. A charity reliant on an ageing donor base might therefore anticipate more charitable bequests, but feel the impact on the sustainability of their voluntary income in the long-term.

Consider whether your charity might be missing out on engaging communities that you haven’t traditionally reached out to before; for example, according to figures received by the Charity Commission, British Muslims were estimated to have given approximately £100 million to charity during Ramadan 2016. With changing demographics of both beneficiaries and supporters, we need a fundraising community
that represents both. A broad base of support enables sustainability, but to attract and maintain a diverse funding base requires boards, staff, and communications to also be diverse.

**What the research says...**

Millennials and generation Zers contribute to 30% of total giving in the UK (because of the sheer size of this demographic) and ‘matures’ make-up 22%. But 40% of the former plan to increase their donations in the next year, while 73% of matures do not anticipate changes in their giving habits\(^4\).

According to the Commission on the Voluntary Sector and Ageing, if people hitting 65 keep donating time and money at the same rate as today’s older population, it’ll be worth the equivalent of £6.5bn to the sector over the next 20 years.

**Workforce**

14% of voluntary sector employers reported a skills gaps in their organisations - although the level of skills reported as missing has decreased in recent years. When asked why, over a third of organisations with more than 250 employees mentioned problems retaining staff and just under a third of organisations with 100-249 employees cited being unable to recruit staff with the required skills\(^1\). The FSI’s Skills Survey reflects this, finding that fundraising is the most challenging vacancy to recruit for in small charities. The survey found the impact of skills gaps in small charities was an increased workload for colleagues (48%), increased time to deliver work (45%), and a decreased ability to take on new work (42%).

When staff and volunteers are trained, supported and have access to advice, they are better able to do their jobs, ultimately making charities more sustainable. Where possible, budgets should be made available for trustee, staff and volunteer training, and there are many opportunities in the sector for formal training or skills sharing between organisations. 82% of organisations surveyed had tried to address their skills gap with training or other help, but many had also tried to improve their employment offer by having a training plan (63%) or offering flexible working (43%)\(^1\).
What the research says...

Blackbaud’s Status of UK Fundraising revealed that:

- 60% said they could grow their activity because they had enough people with the right level of skills in place
- 50% said their organisations were taking appropriate steps to address the issue of EDI
- 53% are concerned about public perceptions of the sector as a challenge it will face in next 3 years
- Of those whose income decreased, 66% said they did not have enough people with the right skills to grow income
- When thinking about their fundraising functions, 41% disagreed that they have the right balance of skills. Those who said that their fundraising teams did not have enough people with the right balance of skills were more likely to say income had fallen.

QUESTIONS FOR YOUR CHARITY TO CONSIDER...

- Who is not in the room? Are there groups of people who are in your charity’s community but missing at events, on databases, or in your workplace?
- Have you signed up to the Change Collective to follow updates and actions?
- Different demographics might have different expectations from the relationship – is your charity offering diverse ways to engage? How can you motivate new audiences to get involved and to give?
- Have you thought about other factors that might influence supporters? E.g. reputational issues and any of a charity’s policies can affect the support of its donors, for example the way the charity invests its money or the way it fundraises.
- Do you have an annual training plan linked to your business plan?
- Do you currently offer flexible working?
Digital fundraising

8.5% of overall fundraising in 2018 came from online giving and of those donations 24% were made on a mobile device, making mobile-friendly sites of greater importance than ever (particularly for younger supporters). Nearly a fifth of charities do not currently have an online giving functionality and only 42% of charities are confident that they have adequate technology in place to grow their online/digital fundraising. Approaching these structural changes strategically means being able to offer a range of ways to engage with your charity that work for different people in order to meet audiences where they are. We can’t afford to ignore the changing ways in which consumers behave.

With new technologies come the opportunity for innovation, and already charities have begun taking donations through voice technology and crypto-currency, and using VR tech and chat-bots to help engage audiences. However, with the possibilities offered by technology it can be easy to lose sight of those things that form the basis of excellent fundraising: relationships and engagement with supporters. Digital and technology can be a means to this end if done thoughtfully.

Ideally charities would embed digital across their functions with a joined-up digital strategy led from the top, but those that aren’t yet at that stage can engage in certain...
activities for little cost but high return, with the likes of Facebook donate, Just Giving and Instagram donation stickers all free of charge. However, the accessibility of these platforms and the rise of crowdfunding does mean increased competition in the fundraising space - everyone can be a fundraisers, whether an individual for a personal cause or a corporate for start-up investment.

**What the research says...**

- 47% are concerned about keeping up with the pace of technological change

- Charities felt prepared for social media giving, but unprepared for contactless, crowdfunding and give as you shop

- Blackbaud reports that 79% have a digital strategy, although the Charity Digital Skills report puts this figure at 45%

- This found that the top 3 barriers to charities getting the most out of digital are: funding, lack of skills, and culture

**QUESTIONS FOR YOUR CHARITY TO CONSIDER...**

- Are digital skills represented on your charity’s board?

- Does your charity have a strategy to help them use digital and data to achieve their charitable purposes, aims and objectives? Is it incorporated into their organisational strategy?

- Have you considered the needs of users who are digitally excluded? Have you thought about the user journeys of beneficiaries and supporters?
The sector is likely to have to adapt to a changing legal and regulatory framework as the UK extracts itself from the EU’s. This results in a burden of compliance, particularly for smaller charities, with a resulting time and monetary cost.

While we don’t yet know what form these changes will take, there are several regulatory movements on the horizon that fundraisers should be aware of.

**Legacy environment**

At the end of 2018 the government announced that probate fees (paid when administering someone’s estate after they die) would change from a flat fee of £215 to fee bands, in which estates valued at less than £50,000 would be exempt from fees and estates worth more than £50,000 would pay between £250 and £6,000. The Institute of Legacy Management has warned that the changes could cost charities £10 million in legacy donations each year, with the top legacy-receiving charities estimating a cost of £1.5 million a year. Initially planned to come into effect from 1 April 2019, the reforms have yet to complete the final stage of the parliamentary process.

An overhaul of the service that notifies charities when they have been left money in a will has also been announced, with HM Courts and Tribunals Service currently consulting on a new system with charity stakeholders. Smee & Ford will provide the service in an interim arrangement and there is an assumption that this change means charities will be asked to pay more for each notification.

**PECR and ePrivacy**

The Privacy and Electronic Communications Regulations (PECR) provide individuals with specific privacy rights in relation to electronic direct marketing communications and the use of Cookies. PECR are due to be replaced with a new ePrivacy Regulation, which is currently working its way through the EU legislative process and is now likely to be implemented in 2020. The ePR was originally planned to come into force alongside GDPR so many of the changes will hopefully not be too surprising to those well-versed with developments in data protection regulation. Since it has not yet been agreed what the final regulation will look like, PECR will continue to apply for the time being.

**Payment Services Directive**

The new Payment Services Directive (EU wide legislation) is due to come into force 14 September 2019, bringing with it Strong Customer Authentication (SCA) for digital payments. This will result in a bit more ‘friction’ in the payment process by requiring people to do more to prove that they are who they say they are in order to process a
payment; so the journeys of supporters making digital donations will take a bit longer and be a bit more disrupted. However, the Financial Conduct Authority has agreed an 18 month implementation, giving plenty of time to prepare before enforcement action commences.

GASDS

From 2019 financial year, the Gift Aid Small Donations Scheme (GASDS) applies to donations of £30 or less made by individuals in cash or by contactless payment - to bring it in line with the limit for contactless payments.

Code of Fundraising Practice

The new Code structure and ‘plain English’ language changes have been published, with the intention of helping fundraisers and their audiences better navigate the complexities of the Code. Charities who have references to the previous version in their resources should aim to have things up-to-date by October. The IoF will be working with the Fundraising Regulator to develop resources to help fundraisers with the changes.

Phone-paid Services

The Phone-paid Services Authority (PSA) is updating regulatory requirements for phone-payment subscriptions to align with other digital payment mechanisms. This will affect providers of society lottery services and charities receiving recurring donations who sign up supporters via text message. The new regulation will come into force on 1 November 2019 and requires: that communications be clear when an action will put charges on a phone bill, double opt-in consent to charge, and that a receipt is sent to the consumer after each charge for the first 90 days.

EU payment protection

Changes in EU payment protection may impact on charities due to increased processing fees. After Brexit, card scheme operators would be able to set higher interchange fees for cross border transactions. According to the draft legislation, entities participating in cross-border transactions between the UK and Europe could incur higher costs, which could well be passed on to consumers either directly or indirectly.
QUESTIONS FOR YOUR CHARITY TO CONSIDER...

- Who in your organisation is responsible for making sure you’re compliant in these different areas?
- Have you thought about what internal documents or training resources you might need to update when the Code is reformatted?

LOOKING FORWARDS

Planning ahead and being flexible

There is a lot of talk about uncertainty at the moment; whether that affects charity funding or how charities are able to deliver services, what you can be certain of is that it makes planning difficult. Charities should try to be as agile as possible, following changes as best they can, preparing for different possibilities, and adjusting plans when more information comes to light. When asked about what makes a good fundraiser, 97% said they should be adaptive to change – the statement people most agreed with.

Short-term instability is inevitable in the current political climate, but people in the UK give to their favourite causes through thick and thin. Investing in fundraising is a long-term strategy that provides sustainability and resilience. Fundraising connects people to those causes and drives that support whatever the weather - our research shows 81% gave a donation having been asked to support a cause rather than it being a spontaneous decision, with 30% of these people saying that they wouldn’t have donated otherwise. With strong foundations in place – a strategic plan and business case, and a donor journey that encourages loyalty and longevity of support – charities can weather coming storms.

Of course, all charities are different so not all factors will affect the sector equally – it will be worth weighing up your trustees’ appetite for risk and the diversity of your charity’s income streams. But times of change can be times of opportunity just as much as challenges. Charities responded admirably to data protection regulatory changes, and any coming changes will be no different – it can ultimately lead us to reflect on our practices and what is best for our supporters.
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