

## **VIEWS OF SMALLER CHARITIES ON FUNDRAISING REFORMS – SURVEY RESULTS**

**February 2016**

### **EXECUTIVE SUMMARY**

- Nearly half of respondents (45%) report being 'not very familiar' or 'not at all familiar' with the review of fundraising regulation. With a stronger regulator being established which will have universal application across all charities we believe that there is **significant work needed to raise awareness of the forthcoming changes to all charities.**
- The issues of public trust and confidence are being felt differently across smaller charities. 49% said that there had been 'not very much' or 'no' impact on their organisation, while 46% said there had been 'some' or 'a great impact'.
- **Smaller charities are most concerned about the administrative and cost burden of a Fundraising Preference Service.** 59% thought that it would lead to 'an increased administrative burden', and 59% thought that it would be 'likely to result in increased cost for checking against a suppression list', and over half (54%) thought that they would have to train staff to check contacts. **More respondents thought that it would result in a drop in donations (40%), than would result in a 'better public image' (29%).**
- There seems to be a general agreement that stronger sanctions are needed. 52% think that the new regulator should be able to issue 'cease and desist' orders on fundraising activity; and 43% think that it should be able to issue compulsory training orders. The least popular possible sanction was 'clearance of future campaigns' (16%).
- The most popular option for the funding of the new regulator was for it to be 'funded by charities that fundraise from the public' and who spend more than £100,000 on fundraising' (38%) – though it should be noted that almost as many (34%) thought that funding should come from government.
- While a fifth of respondents (21%) thought that the greater oversight of trustees would have 'a great deal' (6%) or 'quite a lot' (15%) of impact on their organisation. **72% said that trustees already play a clear role in or contribute to and set strategy for fundraising.**



## **ABOUT US**

The Institute of Fundraising (IoF) is the professional membership body for UK fundraising. The IoF's mission is to support fundraisers through leadership, representation, standards-setting and education, and champion and promote fundraising as a career choice. The IoF has over 450 Organisational members who bring in more than £9 billion in income, and over 5,500 Individual members.

The Small Charities Coalition is a national umbrella and capacity-building organisation with over 7,000 members UK-wide. The Small Charities Coalition exists to help trustees, staff and volunteers of small charities access the skills tools and information they need, and to provide a voice for and representation of small charities at a national level.

## **WHY WE DID THIS RESEARCH**

There are over 150,000 small charities registered in England and Wales and over 600,000 micro charities too small to register. These are charities that have an annual turnover of under £1 million and make up the overwhelming majority of the UK charity sector. Therefore, it is important that any future developments on fundraising policy and regulation are fully informed and responsive to the needs of all fundraising organisations.

Towards the end of 2015, concerns were raised that smaller charities were struggling to have their voices heard in the future regulation of fundraising. In response to this, the IoF and Small Charities Coalition announced a joint initiative aimed at understanding the views of smaller charities in relation to the new fundraising regulatory system taking shape, allowing them to feed in their ideas, concerns and recommendations.

It is hoped that these findings will support and be complementary to the work currently being undertaken to establish the new Fundraising Regulator, and provide additional intelligence and information to feed in to discussions on a new Fundraising Preference Service.

The full research results are available at

[www.institute-of-fundraising.org.uk/smallcharitiesresearch](http://www.institute-of-fundraising.org.uk/smallcharitiesresearch)

## **RESPONDENTS**

631 total responses

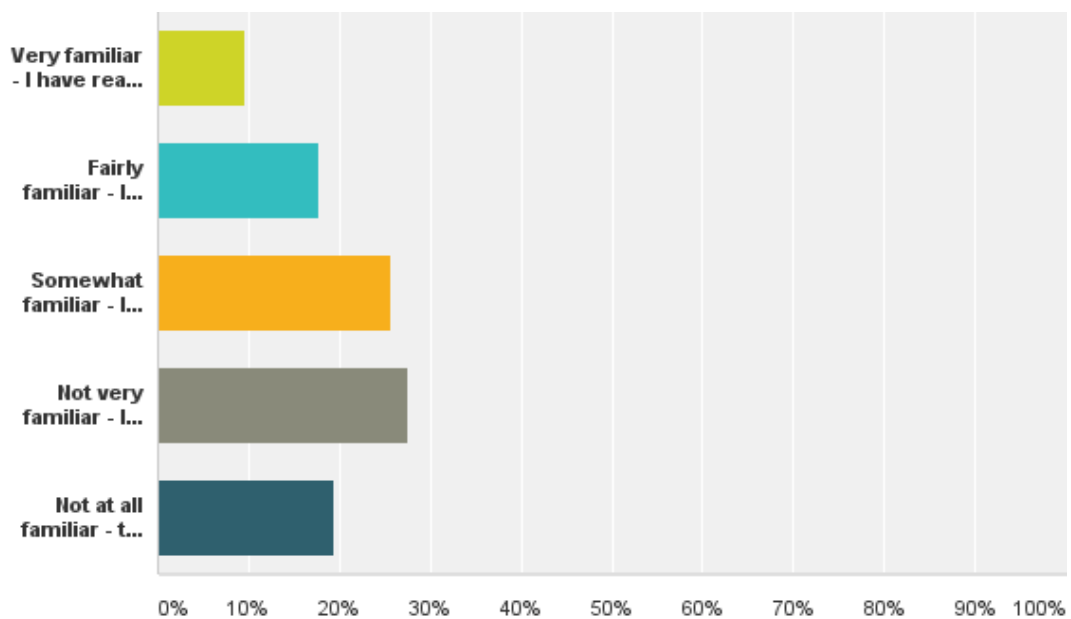
531 complete responses

The survey was available online, from 16<sup>th</sup> December until 15<sup>th</sup> January and promoted through emails and social media channels.

## SURVEY RESULTS

### SECTION 1: REVIEW OF SELF-REGULATION OF FUNDRAISING

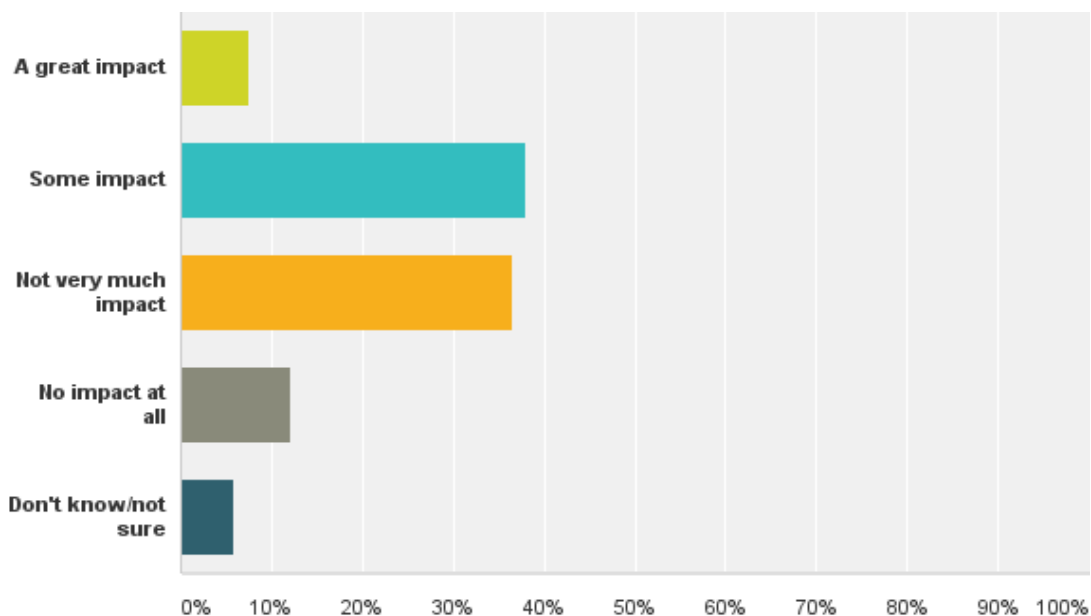
**Q1. How familiar would you say you are with the review into fundraising self-regulation also known as the Etherington review? The report of the review with recommendations was published in September 2015 as 'Regulating Fundraising for the Future'.**



Answer Choices	Responses
Very familiar - I have read the report in full	9.62% 60
Fairly familiar - I have skimmed the report but not read it in detail	17.79% 111
Somewhat familiar - I have only read about the recommendations and/or the conclusions	25.64% 160
Not very familiar - I have heard of it but not engaged with it	27.56% 172
Not at all familiar - this is about the first I've heard of it	19.39% 121
<b>Total</b>	<b>624</b>

Nearly half of respondents (45%) report being 'not very familiar' or 'not at all familiar' with the review.

**Q2. How much impact, if any, do you believe that issues of public trust and confidence in the charity sector have had on your organisation?**

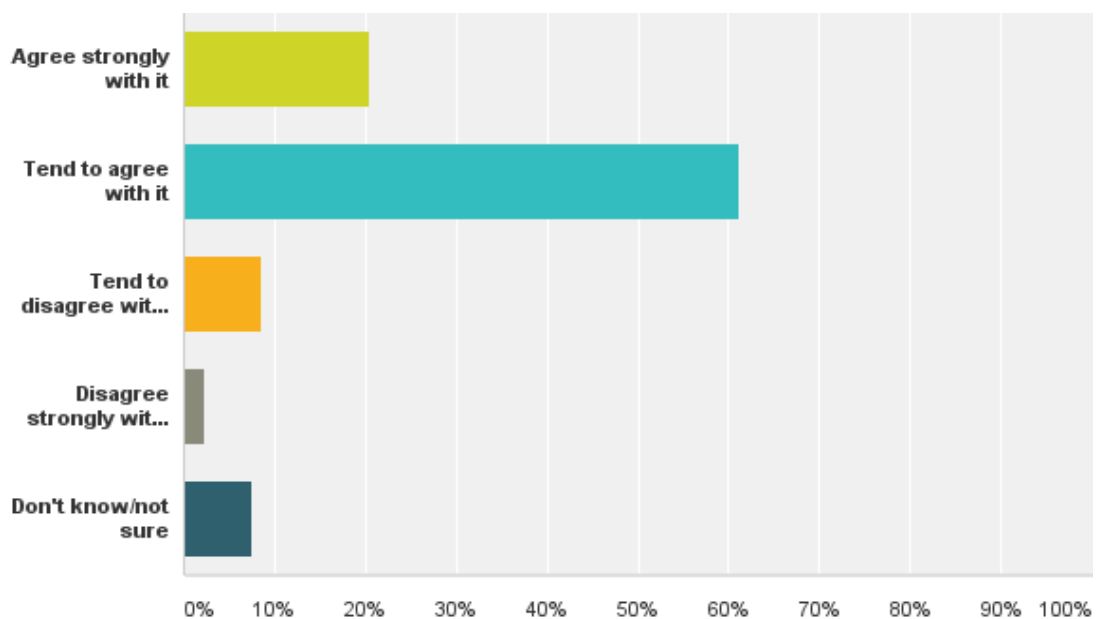


Answer Choices	Responses
A great impact	7.53% 47
Some impact	37.98% 237
Not very much impact	36.54% 228
No impact at all	12.02% 75
Don't know/not sure	5.93% 37
<b>Total</b>	<b>624</b>

The issues of public trust and confidence are being felt differently across smaller charities. 49% said that there had been 'not very much' or 'no' impact on their organisation, while 46% said there had been 'some' or 'a great impact'.

## Section 2: The new Fundraising Regulator: your views on the recommendations

**Q3. The review recommends that fundraising should continue to be self-regulated, but work in close co-operation with the Charity Commission for England & Wales, Office of the Scottish Charity Regulator, and the Northern Irish Charity Commission. Thinking about this recommendation, do you:**



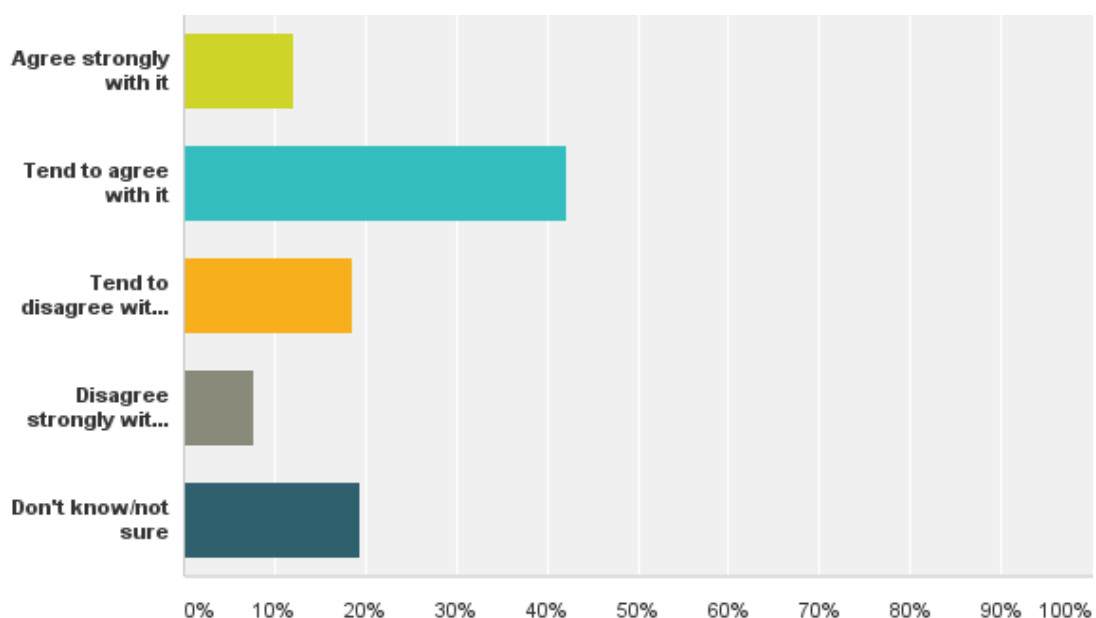
Answer Choices	Responses
Agree strongly with it	20.46% 116
Tend to agree with it	61.20% 347
Tend to disagree with it	8.47% 48
Disagree strongly with it	2.29% 13
Don't know/not sure	7.58% 43
<b>Total</b>	<b>567</b>

The majority of respondents agree with the recommendations on the key aspects from the review of fundraising self-regulation. 82% of respondents agreed that the system should remain self-regulatory, but work closely with the Charity Commission or the other Charity regulators in devolved nations.

Comments provided by respondents in free text answers raise issues or concerns around the following areas:

- The time and resource that the Charity Commission has to devote to these issues;
- The political independence of the Charity Commission;
- The powers and sanctions of the Charity Commission;
- Extra reporting, administrative and regulatory requirements that could be overburdensome for the smaller charities;
- Whether the new self-regulatory system will be considered as robust enough by the public;
- Whether this proposal is true 'self-regulation';
- The potential for any 'close co-operation' with the fundraising sector to be entirely superficial.

**Q4: The review proposes the abolition of the FRSB and the establishment of a new Fundraising Regulator which does not have a membership structure. Instead, the new Fundraising Regulator will be accountable to Parliament and have a universal remit to adjudicate all fundraising complaints. Thinking about this recommendation, do you:**



Answer Choices	Responses	
Agree strongly with it	12.11%	69
Tend to agree with it	42.11%	240
Tend to disagree with it	18.60%	106
Disagree strongly with it	7.72%	44
Don't know/not sure	19.47%	111
<b>Total</b>		<b>570</b>

There was generally a positive response to the recommendation that a new Fundraising Regulator is to be set up, with 54% of respondents reporting that they agree with it.

There were a great deal of comments and extra information provided by respondents. The key areas and issues raised are:

- The changes may place a greater burden on smaller charities;
- Abolishing the FRSB could be seen as unnecessary and potentially confusing by charities the public;
- The development of best practice standards must involve fundraisers at all levels and their expertise.

Membership:

- The new Fundraising Regulator could experience similar funding problems as the FRSB;
- An exemption from paying a levy/fees for small charities would be welcome;
- Money given by the public with the intention to fund charitable activity would be used to fund the new body and associated costs;
- An alternative to a membership scheme would be helpful, as 'optional' fees can be deter charities from joining.

Universality:

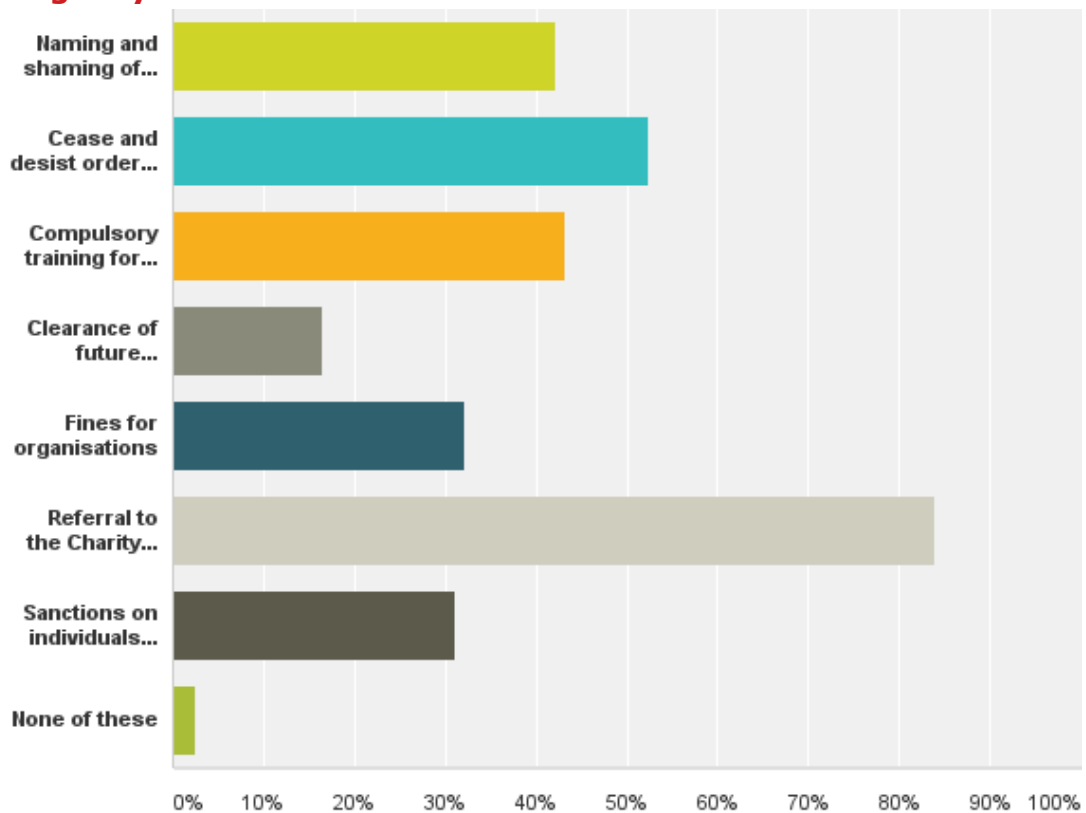
Generally, respondents thought it was a good idea for the system to be universal, rather than membership based - in the past, many charities were able to elect to not be a part of the system. There were also comments that it would be helpful to have some kind of 'kitemark', similar to the FRSB tick, which can reassure donors of this universality.

Accountability:

From some, there was a strong desire for the new Fundraising Regulator to have independence from the political system, while others thought it would be helpful to have separation from the sector itself. However, there was confusion over reporting to Parliament with some thinking that this introduced party politics to the system.

Suggestions were made that accountability should come under the remit of the Charity Commission, instead of a parliamentary committee, to ensure a system of self-regulation is maintained. Others called for regulatory powers to be given to the Charity Commission, rather than setting up a new independent regulator.

**Q5: The review recommends that the new Fundraising Regulator should have stronger sanctions for non-compliance. Which, if any, of the following do you believe it should have?**





Answer Choices	Responses
Naming and shaming of organisations	<b>42.25%</b> 237
Cease and desist orders on fundraising activity for organisations	<b>52.41%</b> 294
Compulsory training for organisations	<b>43.32%</b> 243
Clearance of future campaigns	<b>16.58%</b> 93
Fines for organisations	<b>32.09%</b> 180
Referral to the Charity Commission where there appears to have been a breach of trustee duties	<b>83.96%</b> 471
Sanctions on individuals within organisations for breaches of the fundraising Code	<b>31.02%</b> 174
None of these	<b>2.50%</b> 14
<b>Total Respondents: 561</b>	

With only 2.5% of respondents answering that the new fundraising regulator should have none of these powers, there seems to be a general overall agreement that stronger sanctions are needed.

There were many comments and further suggestions and detail provided by respondents on the issue of sanctions for charities, including:

- Concern that these stronger sanctions would mean the regulator that took a more punitive attitude, rather than one focused on improving good practice.
- Respondents felt that the regulatory intention should, in the first instance, be to improve behavior rather than to punish. Sanctions should only be used in situations where the charity has ignored advice and warnings.
- Power to sanction would only be effective if placed in the hands of a fair, respected and competent regulator that could be trusted to use them sensitively. The potential reputational damage (that could come specifically from naming and shaming an organisation) could destroy a small charity, and therefore should only be used appropriately and with care.

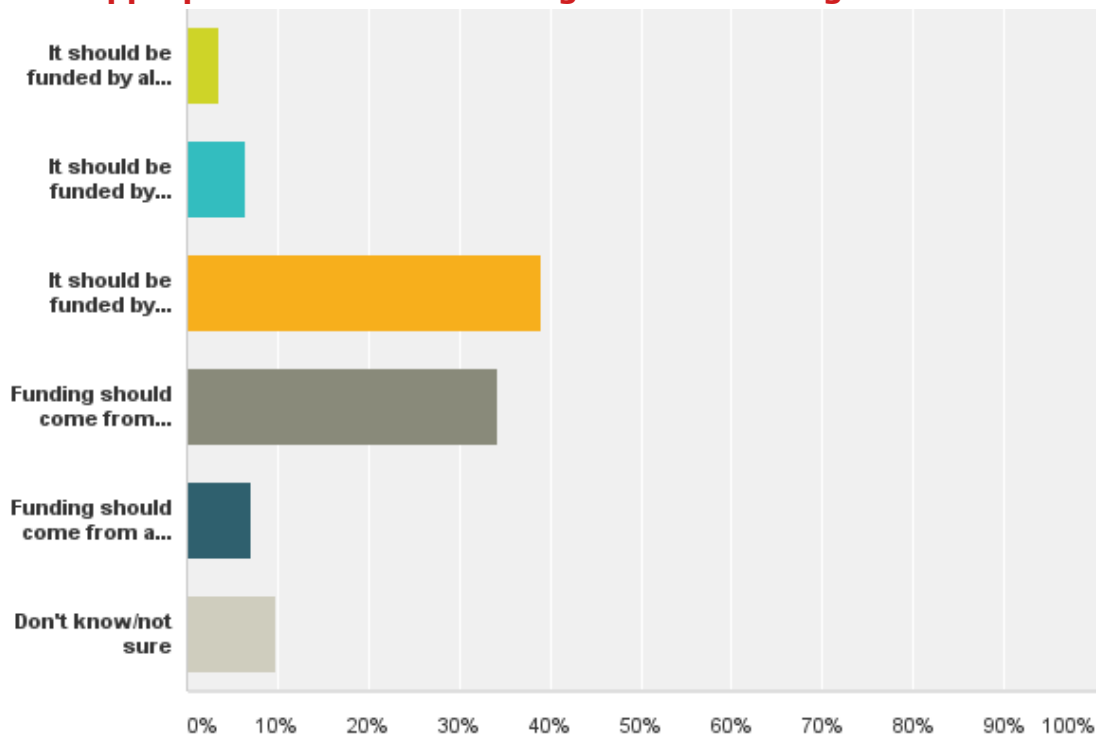
Many respondents also commented on the need to think about the overall impact on the sector with regards to sanctions. A common view was that there would need to be recognition that charities are more reliant on public trust and confidence than other sectors - some of the sanctions listed, even if publicly issued to individual charities, could pose a serious risk to the reputation of the sector as a whole.

The following detailed issues were also raised:

- *Proportionality:* The severity of sanctions must be proportionate to nature and degree of non-compliance, and the size of the charity.
- *Flexibility:* There should not be a one-size fits all approach to issuing sanctions. While there should be fairness and consistency, the sanctions issued should vary with the context.
- *Last resort:* These sanctions must only be used in the event that a charity is repeatedly found to be non-compliant, as a last resort.
- *Compulsory training:* Any proposed training costs would need to be reasonable, as charities with small incomes/reserves may not be able to meet the costs of compulsory training. Suggestions were made that charities of a certain size could be provided with free training in the event that they are found to be non-compliant.
- *Fines:* Concerns were raised that fines would not be an appropriate use of charitable donations.
- *Naming and shaming:* Most comments were specifically around the potential for the new regulator to 'name and shame' charities that were found to be non-compliant. An overall view came across from comments that 'naming and shaming' could be effective, but should only be used in the most flagrant breaches of fundraising standards. There was also some discussion about naming individuals responsible, rather than charities.
- *Trustees:* For some small charities, trustees are personally liable – stronger sanctions could make the recruitment and retention of trustees more difficult, and cause trustees to be more risk-averse.

An important note was made that fundraising needs to remain innovative and therefore will inherently carry some risk. Fundraisers and trustees should be made to adhere to rules and guidance, but regulation must not stifle innovation.

**Q6: The Review suggested that the fairest, most effective approach to acquire resources for the new regulator is through a levy on fundraising expenditure which could apply to organisations reporting an annual fundraising expenditure of £100,000 or more. The Review recommends a stepped levy so that those spending more on fundraising make a great contribution. Thinking about this recommendation, what do you think is the most appropriate source of funding for the new regulator?**



Answer Choices	Responses
It should be funded by all charities	<b>3.54%</b> 20
It should be funded by charities that fundraise from the public	<b>6.37%</b> 36
It should be funded by charities that fundraise from the public and who spend more than £100,000 on fundraising activity	<b>38.94%</b> 220
Funding should come from Government	<b>34.16%</b> 193
Funding should come from a levy on Gift Aid	<b>7.08%</b> 40
Don't know/not sure	<b>9.91%</b> 56
<b>Total</b>	<b>565</b>

The most popular option for the funding of the new regulator was for it to be 'funded by charities that fundraise from the public and who spend more than £100,000 on fundraising' (38%) – though it should be noted that almost as many (34%) thought that funding should come from government.

Comments from respondents include:

*Government funding:* Some respondents felt that funding should come from government, while others believed strongly that an effective regulator would need to be wholly independent and therefore receive no government funding.

*Funding for other regulators:* Some respondents questioned how regulators for other sectors are funded.

*Exemptions:* Concerns that some small charities have fundraising budgets of £1,000 per year or less – would they be exempt?

*Gift aid:* A strong opposition to a levy on gift aid, with additional concerns that smaller charities would suffer the most from this.

*Stepped levy:* A general view that a stepped levy feels like the fairest option.

*Annual expenditure limit:* What is this limit to be based on? There were concerns that this amount, currently suggested to be £100,000, was arbitrary and would not reflect income or scope of activity.

*Definition and calculation of fundraising costs:* A number of questions around how this was to be defined and calculated: would it include staff costs, overheads, or just 'activity' costs. Concerns were raised that setting an arbitrary cut off might encourage creative accounting e.g. allocating a proportion of expenditure to education or awareness.

*Proportionality:* Even if a levy is to be proportional depending on fundraising spend, how will the actual amount be decided?

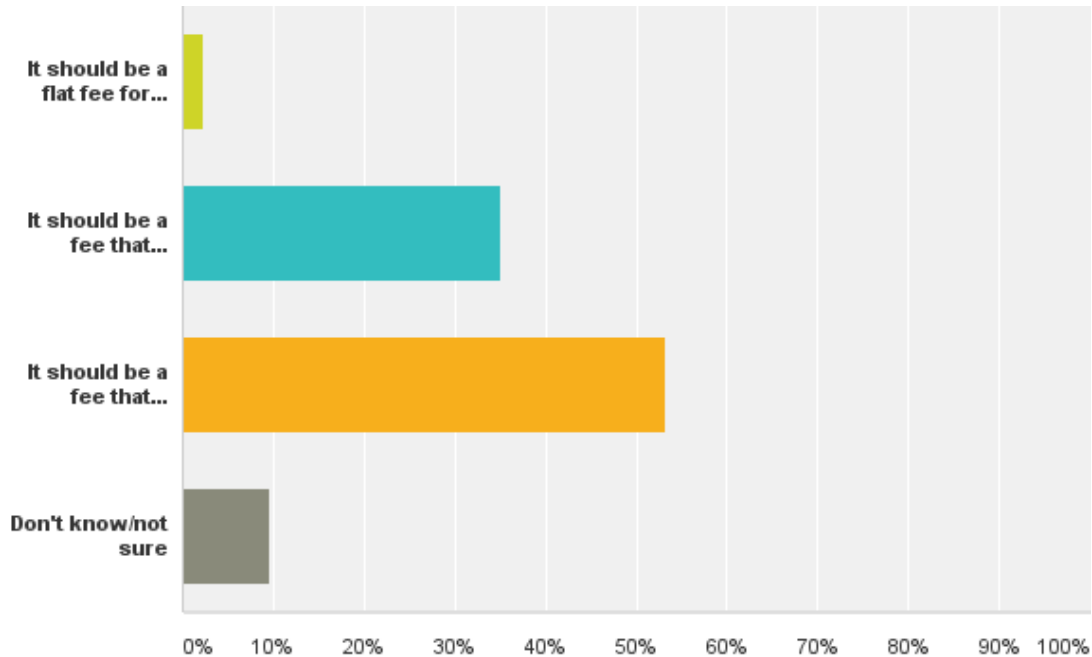
*Greater expense:* There were a number of questions on whether the new fundraising regulator will be more expensive to run than the FRSB, and why.

*Disincentive to invest in fundraising:* There could be a disincentive to invest in fundraising if it would consequently lead to an increase in the financial contribution a charity is required to make towards the fundraising regulator.

*Membership model:* There were a number of positive comments about a move away from a membership model towards a system where smaller charities would be required to stay informed about rules and regulations.

*Communication to the public:* An acknowledgement that while the public are keen for stronger regulation, there is also a long way to go in educating the public about administration and staff costs for charities.

**Q7: If it is decided that the funding for the new regulator should come from charities, which of the following do you think would be the most appropriate?**



Answer Choices	Responses
It should be a flat fee for all organisations that have to pay	2.19% 12
It should be a fee that increases depending on the annual income of the charity	35.10% 192
It should be a fee that increases depending on how much charities spend on fundraising activity	53.20% 291
Don't know/not sure	9.51% 52
<b>Total</b>	<b>547</b>

The most popular option for funding the new regulator was for it to be a fee that would increase depending on how much charities spend on fundraising activity, with over half of respondents preferring this option. However, there was general dissatisfaction that this was another cost placed on charities.

Comments from respondents include:

*Definition of 'fundraising activity':* Concerns and questions over what kind of fundraising activity would be applicable. A number of respondents reported that they do not have fundraising staff, or do limited public fundraising, but gain the majority of income through trusts and grants.

*Consistent with previous FRSB membership fees:* Feedback was given that a levy generally in line with the previous FRSB membership fees might be appropriate.

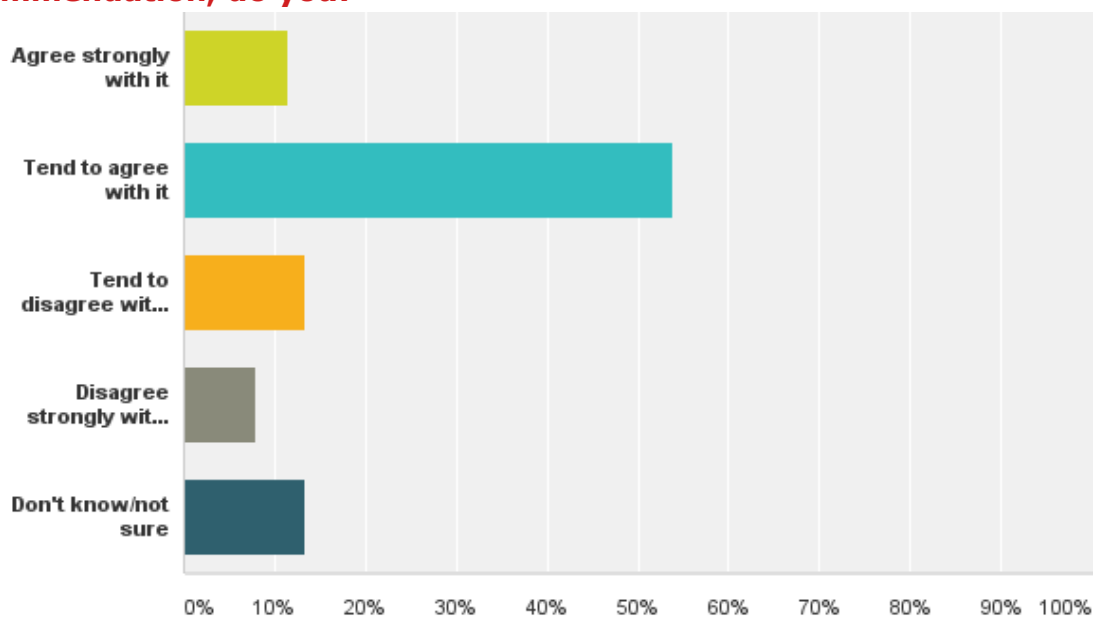
*Upper and lower limit:* The levy should have an upper and lower limit so that larger charities do not feel penalised and have ever-growing liabilities.

*Clear definition of fundraising spend:* Specific questions here about where fundraising ends and marketing begins – what exactly would be included in fundraising expenditure compared with wider direct marketing or communications costs, as well as infrastructure (e.g, a website)?

*Potential to deter long-term investment in fundraising:* Communication to the public around the need for long-term investment in fundraising is already challenging – focusing specifically on fundraising expenditure risks adding pressure on fundraising budgets and the way they are reported.

### Section 3: The Code of Fundraising Practice

**Q8: It is recommended that the Code of Fundraising Practice is passed from the Institute of Fundraising and handed over to the new Fundraising Regulator who would set the rules for fundraising through a new Fundraising Practice Committee, the composition of which should ensure the appropriate balance of fundraising expertise, donor and public representation and legal expertise. Thinking about this recommendation, do you:**



Answer Choices	Responses
Agree strongly with it	11.57% 65
Tend to agree with it	53.91% 303
Tend to disagree with it	13.35% 75
Disagree strongly with it	7.83% 44
Don't know/not sure	13.35% 75
<b>Total</b>	<b>562</b>

Again, the majority of respondents (66%) agreed that the Code of Fundraising Practice should move to be set by the new Fundraising Regulator.

Comments from respondents include:

*Relevant to small scale fundraising:* Respondents felt that it would be important for rules to be developed that were relevant to small scale fundraising, so that small charities can easily comply.

*Representation:* There was a clear response that a wide representation of fundraising expertise, from all size organisations and different types of fundraising, will be key. It would also be useful to have broader charity expertise on the Fundraising Practice Committee and representation of individuals with good knowledge of small charities (even those as small as having less than £25,000 income). It was also noted among a number of respondents that it is important to represent donors and the public on the new committees

*Recruitment process:* There was a strong message from respondents that they would want to see an open and clear selection process for both committees.

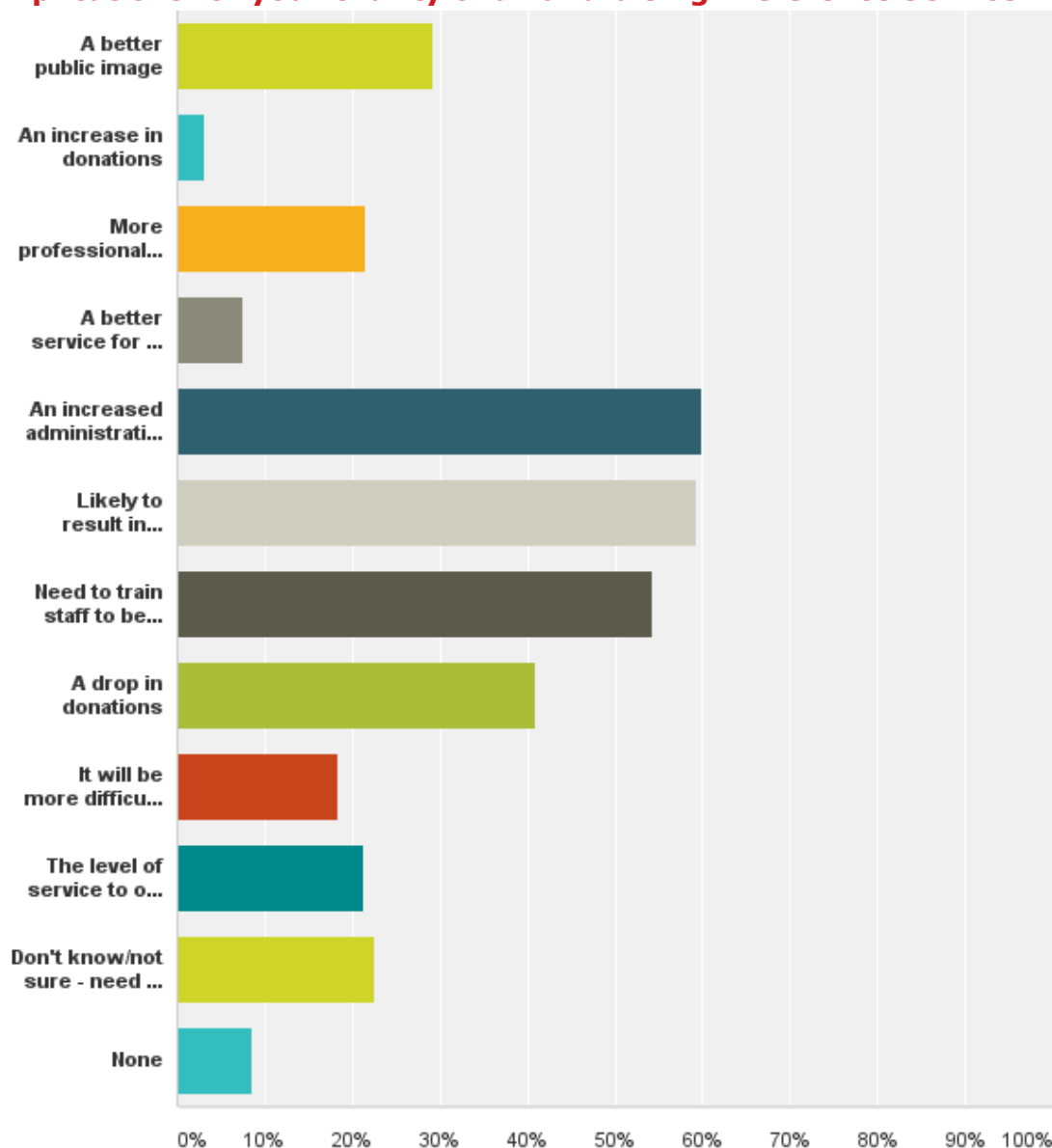
*Separation of powers:* Some respondents were of the opinion that the regulator should be separate from those who set the rules.

*Practical to implement and clear to follow:* Respondents emphasised that the Code, wherever it 'sits', must remain practical to implement, clear to follow and regularly updated.



**Section 4: A Fundraising Preference Service (FPS)**

**Q9: The Review recommends that the Fundraising Regulator establishes a 'Fundraising Preference Service' (FPS) "which would enable members of the public to prevent the receipt of unsolicited contact by charities and other fundraising organisations". Organisations would have a responsibility to check their contacts against this 'suppression list' before the start of a campaign. What, if anything, do you think may be the implications for your charity of a Fundraising Preference Service?**



Answer Choices	Responses
A better public image	29.29% 164
An increase in donations	3.04% 17
More professional fundraising	21.61% 121
A better service for our beneficiaries	7.50% 42
An increased administrative burden	59.82% 335
Likely to result in increased cost for checking against 'suppression list'	59.29% 332
Need to train staff to be able to check contacts against a 'suppression list'	54.29% 304
A drop in donations	40.89% 229
It will be more difficult to recruit volunteers	18.39% 103
The level of service to our beneficiaries will fall	21.25% 119
Don't know/not sure - need to see more detail	22.50% 126
None	8.57% 48
<b>Total Respondents: 560</b>	

When asked about the Fundraising Preference Service, the most common implications were thought to be the administrative and cost burden of a Fundraising Preference Service. 59% thought that it would lead to 'an increased administrative burden', and 59% thought that it would be 'likely to result in increased cost for checking against a suppression list, and over half (54%) thought that they would have to train staff to check contacts. More respondents thought that it would result in a drop in donations (40%), than would result in a 'better public image' (29%).

Comments from respondents include:

*Cost:* Will this add disproportionate administrative costs to smaller charities and prevent them from carrying out mailings?

*Unintended consequences:* Concerns that some individuals may sign up without realising who it would apply to – e.g. schools, universities, theatres etc.

*Impact:* Research needs to be carried out to assess the impact of this service. Currently, it is not clear how this would impact on day to day communications with supporters, how it would work for new donors, and how charities will be affected.

*Stewardship:* Concerns that charities will not be able to 'thank' their donors if they are not able to contact them.

*Existing supporters:* How will this apply to existing supporters?



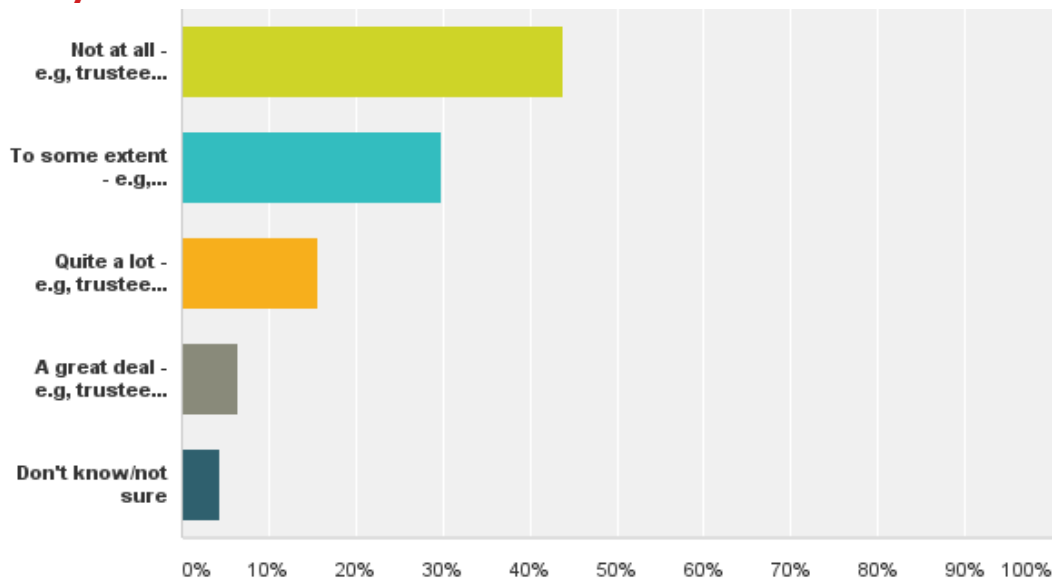
*Relationship with TPS and MPS:* These services already exist but there is a problem with the public's knowledge and understanding of them, and about compliance with those existing services.

*Third parties:* Some respondents assumed that the Fundraising Preference Service would only be relevant to those organisations that work with third parties.

*Administratively overburdensome:* Some small charities may not have sophisticated IT systems/databases, making compliance with an FPS either expensive or unmanageable.

## Section 5: The role of trustees

**Q10: The Review also recommends greater oversight of charities' fundraising activities by trustees. How, if at all, would this affect your charity?**



Answer Choices	Responses
Not at all - e.g, trustees already play a clear role in setting strategy and regular oversight of fundraising activities	43.81% 244
To some extent - e.g, trustees contribute to and set strategy but are not regularly involved in oversight of fundraising activities	29.80% 166
Quite a lot - e.g, trustees tend to only be involved in our fundraising when something special is planned or something unexpected happens	15.62% 87
A great deal - e.g, trustees currently play no real role in overseeing fundraising activities or setting strategy	6.46% 36
Don't know/not sure	4.31% 24
<b>Total</b>	<b>557</b>

Comments from respondents include:

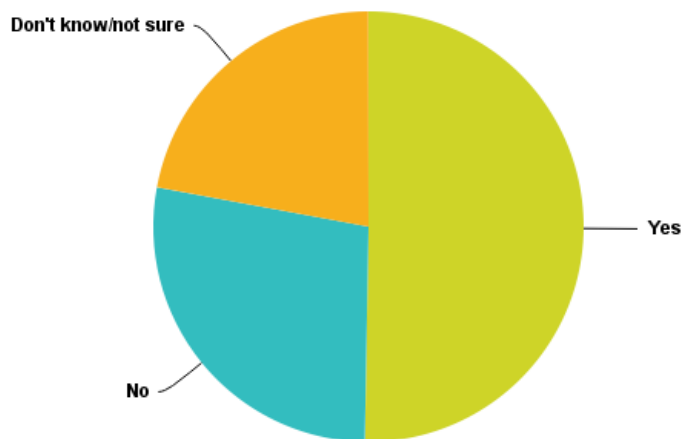
*Level of involvement:* General thinking was that the need for trustees to have more oversight must remain at 'oversight', rather than overly operational management.

*Recruitment:* Concerns that encouraging trustees to have greater oversight or increasing their duties could make it harder to recruit good volunteers.

*Timely recommendation:* General feeling that it is a positive move to engage trustees across the sector in fundraising.

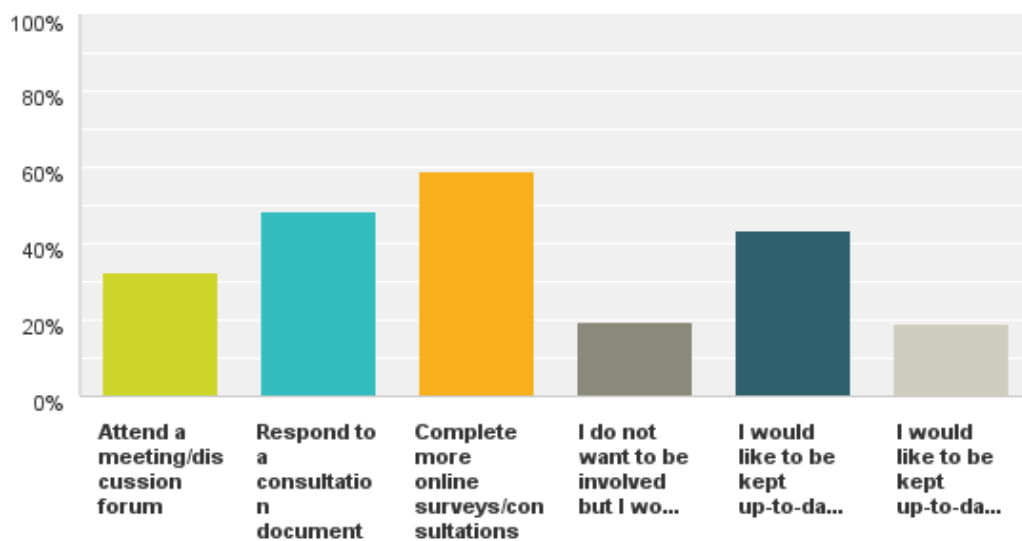
## Section 6: Development of the system

### Q11: Would you like to be involved in, or consulted with, the development of the new fundraising regulator and policy development?



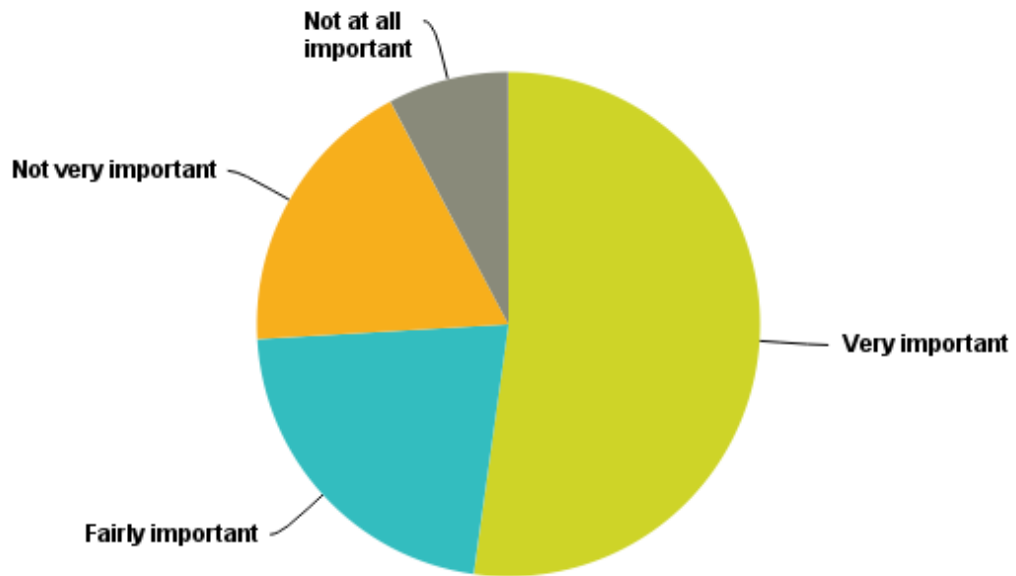
Answer Choices	Responses
Yes	50.27% 278
No	27.67% 153
Don't know/hot sure	22.06% 122
<b>Total</b>	<b>553</b>

**Q12: How, if at all, would you like to be involved in the development of the new fundraising regulator and policy development? Tick all that apply.**



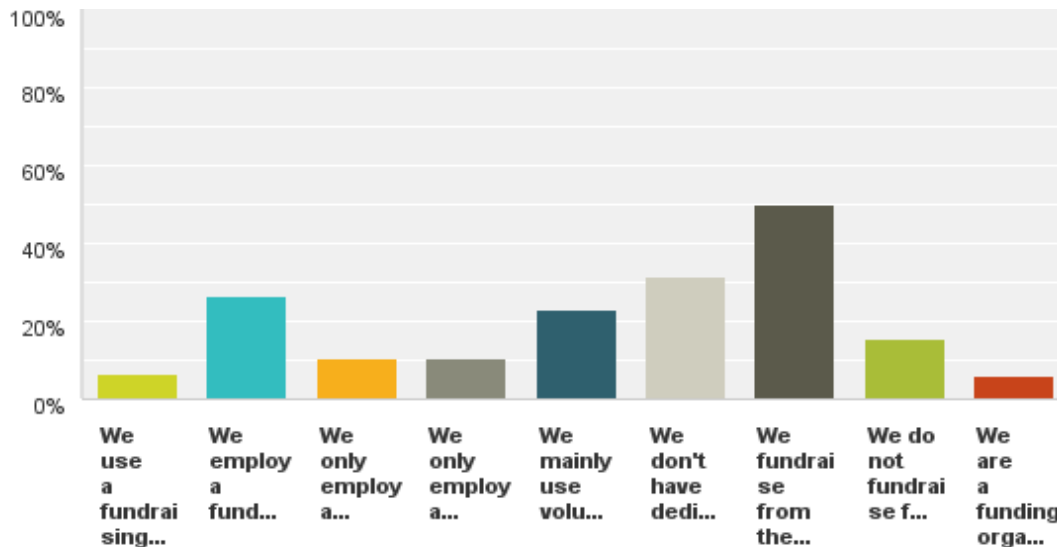
Answer Choices	Responses
Attend a meeting/discussion forum	<b>32.35%</b> 164
Respond to a consultation document	<b>48.72%</b> 247
Complete more online surveys/consultations	<b>58.97%</b> 299
I do not want to be involved but I would like to be kept up-to-date with emails specific to this topic	<b>19.72%</b> 100
I would like to be kept up-to-date through general emails	<b>43.39%</b> 220
I would like to be kept up-to-date through the charity press	<b>18.93%</b> 96
<b>Total Respondents: 507</b>	

**Q13: How important to your organization, if at all, is raising money from the general public?**



Answer Choices	Responses	
Very important	52.22%	282
Fairly important	21.85%	118
Not very important	18.15%	98
Not at all important	7.78%	42
<b>Total</b>		<b>540</b>

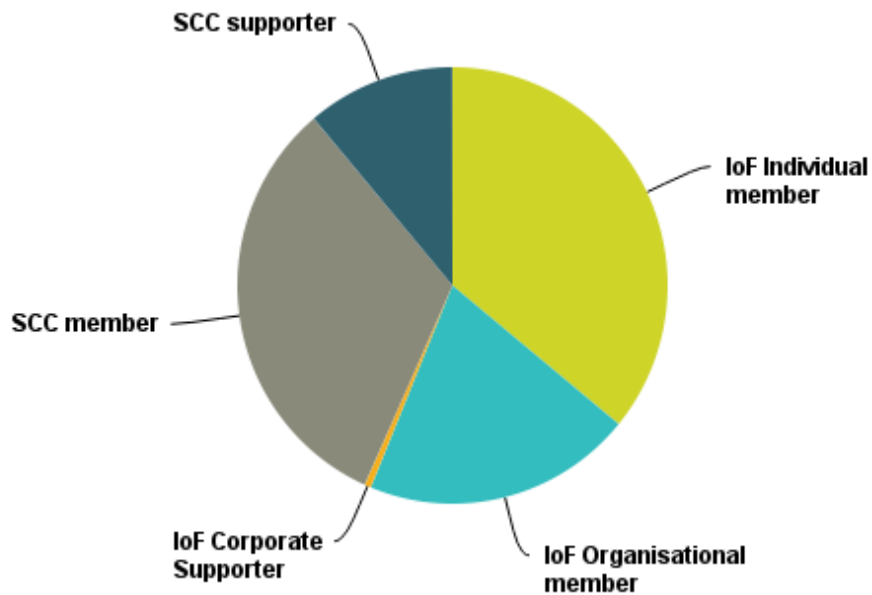
**Q14: Which of the following statements best describes your organisation's fundraising activity? Tick all that apply.**



Answer Choices	Responses
We use a fundraising agency/company to deliver work on our behalf	<b>6.67%</b> 36
We employ a fundraising team	<b>26.48%</b> 143
We only employ a single full-time fundraiser	<b>10.37%</b> 56
We only employ a part-time fundraiser	<b>10.74%</b> 58
We mainly use volunteer fundraiser(s)	<b>22.96%</b> 124
We don't have dedicated fundraising staff but fundraising activity is carried out by our CEO or existing staff	<b>31.67%</b> 171
We fundraise from the public	<b>50.19%</b> 271
We do not fundraise from the public - we have other sources of funds e.g. membership fees, an endowment	<b>15.37%</b> 83
We are a funding organisation and disperse funds to others	<b>5.93%</b> 32
<b>Total Respondents: 540</b>	

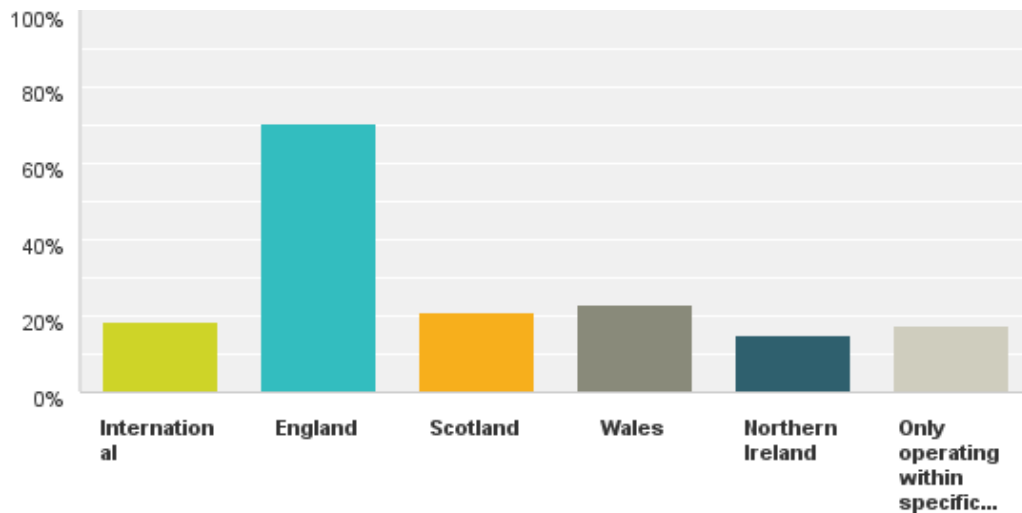


**Q15: Please tell us on what basis you are responding to this survey**



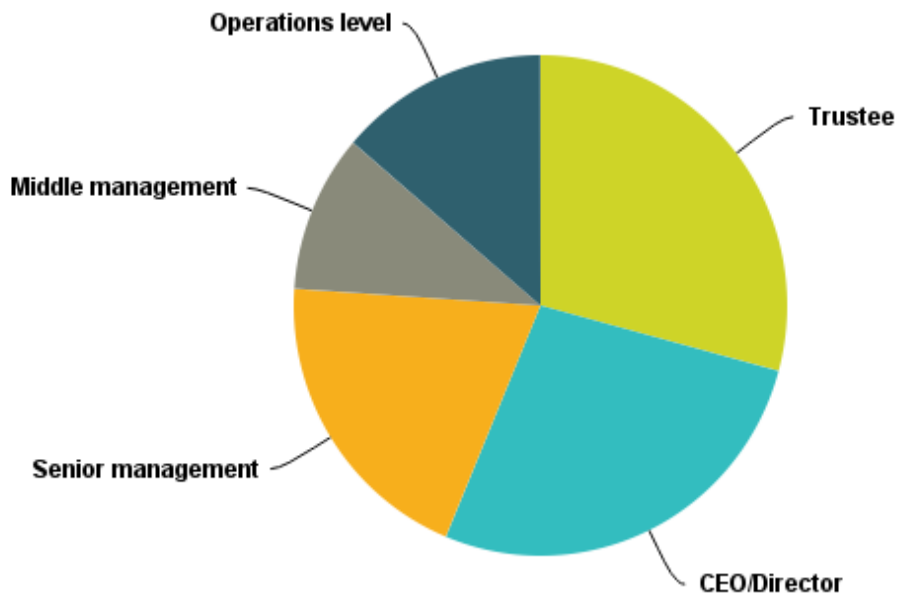
Answer Choices	Responses	
loF Individual member	35.95%	142
loF Organisational member	20.25%	80
loF Corporate Supporter	0.51%	2
SCC member	32.15%	127
SCC supporter	11.14%	44
<b>Total</b>		<b>395</b>

**Q16: Where does your organisation operate? Tick all that apply.**



Answer Choices	Responses
International	18.27% 99
England	70.66% 383
Scotland	20.85% 113
Wales	23.25% 126
Northern Ireland	14.76% 80
Only operating within specific regions	17.34% 94
<b>Total Respondents: 542</b>	

**Q17: What is your position in your charity?**



Answer Choices	Responses	
Trustee	29.22%	149
CEO/Director	27.06%	138
Senior management	19.80%	101
Middle management	10.20%	52
Operations level	13.73%	70
<b>Total</b>		<b>510</b>

**Q18: What is the size of your charity, based on total voluntary income?**

