Fundraising

Charities spend a great deal of time and resources raising funds through a wide range of activities.

Whilst this would appear to be an inherently good thing in that ultimately funds are raised for the charity, the way that this is done and the costs incurred are often scrutinised and criticised.

Adverse stories in the press or Charity Commission investigations often focus on the way that funds have been raised, which causes significant harm to the public perception of the charity.

What are your Responsibilities as a Trustee?

There are six fundraising principles which summarise the responsibilities of a trustee:

- Plan effectively
- Supervise your fundraisers
- Protect your charity's reputation, money and other assets
- Identify and ensure compliance with laws and regulations
- Identify and follow recognised standards.
- Be open and accountable

Plan Effectively

Any plan for fundraising must initially start as a wider review of the income needed by the charity to achieve its objectives and how this is to be raised. Once the role of fundraising in income generation has been established, the trustees should then set the fundraising strategy.

The fundraising strategy should include details of the fundraising methods to be used, the likely costs, any risks involved and how the fundraising will reflect the values of the charity. Once the plan has been agreed, trustees should regularly monitor the progress of the plan and the activities undertaken.

Supervise your Fundraisers

You are likely to delegate fundraising activities to employees, volunteers or commercial partners. In terms of employees and volunteers, you should ensure that a fundraising policy is in place which outlines:

- The role of the employee or volunteer
- The rules which must be complied with, for example when talking to the public
- The training required
- The reporting requirements so that you can monitor activities effectively.

Where you decide to work with a professional fundraiser, you must be satisfied that this is in the best interests of the charity. Any cost involved must be reasonable in comparison with the money raised. Some fundraisers use a model which results in only a small proportion of funds raised being passed to the charity and there is a risk that this could damage the charity's reputation. The fundraiser is required to tell donors the proportion of income which will be passed to the charity and you need to ensure that this solicitation statement complies with the regulations and is being followed.

Additional due diligence will be required to ensure the fundraiser is suitable and appropriate and that there are no conflicts of interest. The agreement should be regularly reviewed.

We would recommend that if you are considering using a professional fundraiser, you should obtain additional advice at the outset to ensure that the agreement is set up correctly. A similar situation occurs where the charity has a trading subsidiary. Trustees should be monitoring its performance and ensuring its activities are in the best interests of the charity.

Protect your Charity's Reputation, Money and Other Assets

Any fundraising strategy needs to be incorporated into your risk review. There are likely to be both reputational risks and financial risks associated with fundraising. The plans for mitigating these risks need to be incorporated into the fundraising strategy. You should be able to justify any costs involved and have procedures in place to ensure that you are receiving all the funds to which the charity is entitled.

Cash collections are a key area of risk and are susceptible to fraudsters. Additional guidance on best practice for cash collections is available as part of a financial control's checklist produced by the Charity Commission.

There have also been cases where donations have been used to facilitate money laundering. You need to ensure that staff understand the risks and perform checks on donations received from donors they don't know. You also need to have procedures in place where funds are being raised on your behalf by a third party. Unauthorised use of your name could impact significantly on the reputation of the charity.

Identify and Ensure Compliance with Laws and Regulations

The laws and regulations governing fundraising are contained in the Code of Fundraising Practice which you should familiarise yourself with. The regulations cover cash collections, running events, the statements that professional fundraisers are required to make to the public, and the rules regarding lotteries and raffles.

Identify and Follow Recognised Standards

Fundraising standards are also contained in the "Code of Fundraising Practice" and cover areas such as using enclosures in direct mail packs, completion of due diligence, training for face-to-face fundraisers, and security of cash donations.

The Fundraising Regulator regulates charities' compliance with recognised standards. If you register with the Fundraising Regulator you will be included on a public register which demonstrates your commitment to high standards in fundraising. Registration may also increase fundraising opportunities as registration is a prerequisite for fundraising at some sites.

Be Open and Accountable

Legislation was introduced which was effective for accounting periods ending on or after 1 November 2016 and which applies to charities requiring a statutory audit.

This legislation included additional accounts disclosure requirements. These include:

- The approach taken by the charity to activities for the purpose of fundraising
- Any failure to comply with the fundraising standards
- Whether the charity monitored activities by any person on behalf of the charity
- The number of complaints received by the charity in respect of fundraising
- What the charity has done to protect vulnerable people. In terms of complaints, there need to be effective procedures in place so that any concerns from the public and donors are addressed in a timely and direct fashion.

Consequences of getting it wrong

There are significant consequences of getting fundraising wrong, both in terms of reputational risks and possible intervention by the Fundraising Regulator or the Charity Commission and OSCR in Scotland. Whether you are running a coffee morning or a large charity ball, you need to ensure that you are following the fundraising guidance, so you don't get caught out.

How do I know if I am doing a good job?

- You understand the role that fundraising plays in the overall strategy of the charity.
- You are satisfied that there are adequate controls and procedures in place to ensure that fundraising is undertaken in line with the objects of the charity and is effectively monitored.
- You have made yourself familiar with the Code of Fundraising practice.
- You have included adequate disclosure in the Trustees' Report of your statutory accounts.
- You regularly review the fundraising policy and ensure that any fundraising being undertaken is in the best interest of the charity.

Did you know?

- The Charity Commission's main guidance is document CC20 "Charity fundraising: a guide to trustee duties".
- Donations made via websites, social media and apps account continue to grow with 38% of 25-34s giving this way but only 18% of over 65s (Charities Aid Foundation UK Giving Report 2021)

How we can help

Make sure you know how your charity is raising funds and the policies and procedures in place to manage the process. If you have any questions regarding fundraising please contact your local MHA member firm.

If you would like to discuss any matter arising from this article please contact MHA on info@mha-uk.com or your usual MHA contact.