Brexit and Philanthropy: Impacts

MORGEN THOMAS LTD

FUNDRAISING CONSULTANCY & PROJECT MANAGEMENT

BRIEFING NOTES

BREXIT AND PHILANTHROPY: IMPACTS

The UK is in a period of substantial political and economic uncertainty. The immediate aftermath of the decision to leave the European Union has seen a dramatic fall in share prices and the value of the pound. Other impacts such as interest rates are yet to be seen.

What might this mean for fundraising? Though it is too early to tell whether recessions and significant economic downturns in the past hold any precedent for the current situation, nor whether the current situation will exacerbate or how protracted it might be, the uncertainty itself could create a need for fundraising adjustment.

Donors may understandably delay decision-making as they monitor the effects of the situation on their wealth and liquidity. Almost undoubtedly they will be distracted and pre-ask engagement and cultivation timescales could be considerably longer than usual.

It may be premature to assume that ultimate levels of giving will fall but at the same time the totals raised in the near term may fall as decision-making periods extend and other matters consume donor attention.

This may continue until such time as either 'normal service is resumed' or a 'new normal' is defined.

We would suggest the following considerations for those organisations with whom we work, either in advisory capacities or direct project management.

1. We can't stop: The fundraising process (and investment in it) should continue – even if results are unlikely to be immediate. Why? Because fundraising is at its essence relationship management with money as the outcome. To ignore one's philanthropic stakeholders because they might not be in an immediate position to invest will undoubtedly have negative long term impacts for the organisation, financial, reputational and otherwise. Without continually nurtured relationships whilst the wider environment is so ambiguous – you're important to us; this isn't just about your wallet - conversations with existing donors who could reinvest when the time is right will have to be restarted from cold. Equally importantly for growth, the pool of prospective donors would likely dry up without persistent 'friend raising'.

Taken together it's hard to see how failure to continue to engage for short-term reasons wouldn't create even larger problems in the medium to long run.

2. Poverty is relative: We supported numerous successful programmes during the seismic downturns of the late 2000's – the credit crunch and banking collapses. In the words of one hedge fund manager philanthropist with whom we worked: It's a bloodbath out there. Nonetheless he (and a number of others) pledged £100,000 per year for five years to the cause – and did so apologetically as 'It's all I can afford for now.'

Similarly grant-makers – organisations who are in the business of giving money to charity – will have long-term investment strategies that take into account the possibility of recession and in general tend to invest in limited risk vehicles.

Even before the recession of the late 2000's grant-making trusts and foundations were far more likely to be invested in gilts rather than equities or other instruments. Consequently whilst grant-making fell during the recession it was far less than had been anticipated.

3. Be patient; don't assume the worst: It is possible, perhaps probable, that projects and programmes will take longer to deliver than envisaged as philanthropic funding decisions take longer or as funders invest more modestly until such time that they feel confident enough to invest at higher levels. Nonetheless those organisations who demonstrate that they continue to deliver on their missions rather than retrenching will be viewed by philanthropists as the most investment worthy. In fact even if uncertainty is not removed quickly, once any 'new normal' is defined, donors could start to prioritise giving as the importance of social, cultural, health, welfare and educational causes is impressed upon our society – precisely because of the impacts of financial and political fallout. Rather than scrolling back their support, donors may see the need to sustain their commitments.

Take the Great Recession of the late 2000's. According to the National Council for Voluntary Organisations (NCVO), between 2007/08 and 2008/09 the proportion of people who gave money to charity decreased by two percentage points to 56%, alongside a 13% decrease in the total amount given to charity. If the recession hit giving though, levels recovered reasonably quickly and between 2008/09 and 2010/11 levels of giving increased year on year with 58% of the population giving money to charity by 2010/11. Since 2008/09 giving has grown by 6.1% in real terms to £11.0 billion in 2010/11.

Given that there were real term drops in both take home pay and disposable income over the same period, a clear conclusion is that the public's determination to give to charity remained strong.

4. Pledge-based fundraising is more important than ever: It gives donors more flexibility to accommodate the uncertain, the unknown and the unforeseen. When they start paying and how long they take to pay is at their discretion and to that extent, reassuring.

5. Endowment: More and more organisations are recognising the importance of building permanent endowments (where the earnings not the principal fund their missions). The primary tool here is bequest work. This strand of fundraising might be largely untouched by the current situation as discussions with supporters would involve deferred giving and estate planning. Thus immediate challenges surrounding liquidity and disposable income don't really come into the picture.

Our analysis suggests that for every 40 declared legacies organisations can expect £1m in endowed funds - and be in receipt of £500,000 of that within 5-10 years. Fundraising being a long game, the importance of this work in the income generation mix cannot be overemphasised. Permanent endowments enabling flexible uses of earnings could go a long way to insulating charities when times are tough.

For more information email us at
info@morgenthomasfundraising.co.uk or visit www.morgenthomasfundraising.co.uk

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FUNDRAISING CONSULTANCY & PROJECT MANAGEMENT

ONE VICTORIA SQUARE, BIRMINGHAM, B1 1BD, UK. TELEPHONE: 44 (0)121 632 2500.