

## Government's Challenge to Payroll Giving Agencies

Charitable Giving accepts the challenge to Payroll Giving Agencies as detailed in the Cabinet Office/HMT letter dated 19 March 2012.

### Introduction.

#### Principles.

Charitable Giving consider that there are general principles which must always be kept in mind. The first and basic principle is that a donor cannot be forced to give. The second is that although an employer could be forced to set up a Payroll Giving scheme the employer cannot force the employees to take part.

#### The current state of development of Payroll Giving Agencies.

The Payroll Giving scheme celebrated its 25<sup>th</sup> anniversary on 6 April 2012. Over that time employee donors have given over £1.2 billion to over 7000 charities, religious organizations and recognized charitable associations and organizations.

All Payroll Giving Agencies are regulated by the Charitable Deductions (Approved Schemes) Regulations 1986 (as amended) and are registered charities.

There are now 13 Payroll Giving Agencies listed on the HM Revenue and Customs website. The three largest of these are Charities Aid Foundation (Give as you Earn), Charities Trust and Charitable Giving. The remaining 10 restrict their activities to either specific groups of donors or areas of operation.

In addition to their charitable status Charities Aid Foundation, Charities Trust and Charitable Giving are Companies limited by guarantee. These Agencies must comply with not only the Regulations and the Charities Act 2011 but also the Companies Act 2006. Any alterations to the way that these Payroll Giving Agencies work can therefore only be made through the Regulations or the Acts.

#### Practical Payroll Giving Agency facts.

Each Agency has independently developed their distribution systems and procedures within the framework of the Regulations. No Agency has received Government funding for this development work. Each Agency has had to be self-funding from surpluses or private grants.

Agencies contract with individual employers to administer the Payroll Giving scheme within the regulations but if the employer fails to administer the scheme correctly, for instance failing to forward the donations to the Agency within the required time, the only sanctions available to the Agency are to terminate the contract.

Each Agency has independently developed other schemes alongside the Payroll Giving scheme where employees can make further donations to charity (see the Charitable Giving scheme Every Penny Helps. [www.charitablegiving.co.uk](http://www.charitablegiving.co.uk)).

### Consideration of the desired outcomes set by the Government challenge.

The views given are specifically those of Charitable Giving and may not be applicable to other Agencies.

#### Improve connectivity between donors and charities (where the donor consents).

Charitable Giving believe that this heading should read “Improve connectivity between charities and donors (where the donor consents)”.

The Charitable giving Donor Choice form, available on the Charitable giving website, offers the donor the choice of remaining anonymous to the chosen charities or making his personal and employer details available to his chosen charities but to no other organizations. Charitable Giving have no control over forms provided by fundraising organizations or other charities.

[REDACTED]

#### Efficient processing.

##### Collaboration with other Payroll Giving Agencies to streamline the back office processes, including validation.

Each Payroll Giving Agency has independently designed and developed their distribution processes. There is no common distribution program. To require commonality of processing between Agencies will require very large expenditure on a universally agreed program which is not available at the present time.

##### Significant reduction in the time taken between the donation and receipt of the donation by the charity.

[REDACTED]

##### Easier access for donors/employers on how and where to sign up.

[REDACTED]

##### Portability arrangements when the donor moves between employers.

There are many reasons why a donor may leave employment but only two reasons why they may not rejoin the Payroll Giving scheme on re-employment. The first

reason is that the donor may not wish to continue donating to charity through the scheme. The second reason is that the new employer may not have a Payroll Giving scheme. In the view of Charitable Giving the only way of achieving some element of portability is to include a Payroll Giving statement on the leavers P45.

### Transparency.

The word transparency has little meaning in this context without further definition. Charitable Giving consider that, having due regards to business confidentiality and security of data, the administration of the Payroll Giving scheme is transparent.

### Greater take-up by employers and donors.

As stated in the opening paragraphs donors cannot be forced to give and employers cannot be forced to activate a scheme. At least two incentives have been tried in the past which have only been partially successful. The first was the Government addition of 10% to donations. In the view of Charitable Giving this was not sufficient to make a donor decide whether to give or not to give. The second was the grant to SME to start a scheme. Unfortunately this was seen by many small businesses as free money from the Government and many took the money and ran.

Approximately six years ago the Institute of Fundraising asked Government to set up a Commission to undertake a root and branch review of the Payroll Giving scheme to overcome “the self interest of the Payroll Giving Agencies and the Professional Fundraising Organisations”. Although no Commission was set up this led to a number of reviews and the impression was given that the scheme was flawed and not fit for purpose. The reason for this was that those making these statements had no understanding of how the scheme works or is administered. Gradually over the years these statements and accusations have faded away as those making the statements realized that there was no foundation to the complaints, although as recently as twelve months ago the Chairman of the Institute of Fundraising made a public statement that if he heard the words Payroll Giving again he would “scream”. All the above has been very damaging to the employers and some charities view of the Payroll Giving scheme and has not encouraged the take up by employers.

### Summary.

Charitable giving consider that the development of the Payroll Giving scheme that they have achieved covers most of the outcomes desired in the Government’s challenge with exception of portability and take-up by employers.

However it must be remembered that the Agencies are competing businesses all working within the regulations but in slightly different ways. Employers should always have choice to select whichever of the Agencies suits their best needs.

### Counter challenge

Charitable Giving believe that the Government should consider the following actions which will encourage greater take-up by employers and donors and go some way to answering the request for portability :

- Make a positive statement that the Payroll Giving scheme is fit for purpose
- Reward employers and donors by taking donations out of National Insurance
- Commission a simple pamphlet explaining to employers how the Payroll Giving scheme works within the company and how the scheme should be set up.
- Add a Payroll Giving statement to the new form of P45 which will become mandatory in October 2013 on the completion of the conversion of all employer's payrolls to RTI