

# Payroll Giving

## A Guide for Fundraisers

Developed by the Institute of Fundraising, this Guide provides you with everything you need to know about Payroll Giving. Use this Guide to:-

- Gain a basic knowledge of Payroll Giving
- Understand the principles of Payroll Giving as they apply to employers and employees
- Make decisions about the best way for your charity to benefit from this source of unrestricted income

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## 1. Introduction

**Payroll Giving is a fundraising mechanism which enables employees to donate to charities from pre-taxed earnings, generating regular and reliable income for charities. The donor benefits from immediate tax relief on their gift. Payroll Giving now yields in excess of £100 million each year for good causes across the UK.**

Payroll Giving was first introduced in 1987 and the intention was to emulate the success of the USA equivalent – United Way, in which 30% of employees participate<sup>1</sup>. Government has long supported Payroll Giving in the UK, recognising its importance in encouraging regular, reliable donations to charity. With ongoing weekly or monthly payments, charities have the ability to plan ahead and budget for the future, ensuring that donations can be used most effectively.

By 2006-2007, more than 640,000 employees were giving in this way on an annual basis, donating a total of £89 million. Many employers now match their employees' donations and the combined total of this income is well in excess of £100m. (For regularly updated figures, please see the *Facts and Figures* page online at [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk)).

While this level of giving is no small drop in the ocean, growth in Payroll Giving has been slower than anticipated. The majority of larger household name charities are benefiting from regular donations in this way, but many smaller charities are yet to attract their first payroll donation. The scheme offers great potential and this Guide is intended to help all charities, irrespective of size and location, to explore the options available to them and generate a significant, regular and unrestricted income source through Payroll Giving.

### **Additional Resources**

In addition to the information in this Guide, the Institute of Fundraising has produced a series of resources for charities and employers about Payroll Giving, including a short film featuring the experiences of charities already making excellent progress with Payroll Giving. To find out more, visit the Payroll Giving Centre at [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk).

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<sup>1</sup> The United Way operates differently from the UK scheme in that all donations go into a central fund which is distributed locally to charitable organisations.

## 2. What is Payroll Giving?

**Payroll Giving is a donation mechanism for employees. Employees can give to any UK registered charity straight from their gross salary (before tax is deducted), and receive immediate tax relief of up to £4 for every £10 donated. Payroll Giving is an opportunity for charities to promote regular committed giving to donors as well as extolling the benefits of tax relief.**

To set up a Payroll Giving scheme the employer signs a contract with a Payroll Giving Agency (PGA), who will distribute funds to the selected charities on their behalf. It is easy for the employer to get started and, as an added incentive, Quality Marks are awarded to those employers who make the scheme available to staff. For further information, see *Appendix iii* or visit [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk).

Payroll Giving is very popular with staff as all they need to do is to complete a single donation form detailing how much they want to give and to whom, and then they can benefit from immediate tax relief on their donations. The form allows the donor to enter the names of one or more charities, authorising their employer to deduct the relevant amount from their pay and the contracted PGA to distribute the money on behalf of the donor. Payroll Giving can apply to one-off donations, but most often it is a regular, reliable income stream deducted on a weekly or monthly basis.

### **Example of how Payroll Giving works...**

**The donor gives £10 a month from pre-taxed income**

**This reduces the amount of income tax that the donor pays by £2.00 each month (or £4.00 for higher rate taxpayers)**

**The actual cost to the donor is £8.00 (or £6.00 for a higher rate taxpayer)**

**The charity gets £10**

### 3. How does the tax relief work?

Payroll donations are deducted from an employee's pre-tax or gross salary, reducing the total amount of income tax that the donor will need to pay. Therefore, it can be a very attractive way to support good causes. Payroll Givers give between £7 and £10 each month on average, however higher rate taxpayers tend to donate significantly more. Below are some examples of the cost to an employee depending upon their tax rate.

Table 1: Payroll Giving Tax Relief

<b>Employee donation received by charity</b>	<b>Tax relief (20% tax) or reduction in tax paid</b>	<b>Cost to basic rate taxpayer</b>	<b>Tax relief (40% tax) or reduction in tax paid</b>	<b>Cost to higher rate taxpayer</b>
£5.00	£1.00	£4.00	£2.00	£3.00
£8.00	£1.60	£6.40	£3.20	£4.80
£10.00	£2.00	£8.00	£4.00	£6.00
£15.00	£3.00	£12.00	£6.00	£9.00

Unlike Gift Aid, the tax relief benefits the donor and is not recoverable by charities. It can be a particularly attractive way to give for higher rate taxpayers who benefit from as much as £4 in tax relief on every £10 donated. Between April 2000 and March 2007, the total tax savings to donors in respect of payroll donations amounts to £165 million.

## 4. What is the Payroll Giving process?

It is important that all charity personnel involved in Payroll Giving (from fundraisers, to charity finance, trustees and administrative staff), understand the process of Payroll Giving. It can take some time to yield your first payroll donation, but the average donation continues at around £8 per month for a period of 10 years. Therefore, your charity will need to take a long-term approach to generating Payroll Giving income.

The key steps of the Payroll Giving process are:

- 1 The employer signs a contract with a PGA (a list of PGAs are available on HMRC website).
- 2 The PGA notifies HMRC that the contract has been signed, this means that the employer can begin to deduct donations from pre-taxed income.
- 3 The employer then promotes the scheme in the workplace (see *Chapter 7*).
- 4 Employees complete their Payroll Giving donation forms (either manually or electronically), identifying which charities they wish to support and how much they want to give. Upon completion, the forms are given to the wages/payroll department (or sometimes the HR department). (A sample form is given in *Appendix ii*). An employee can choose to keep their gift anonymous<sup>2</sup> from the benefiting charity by ticking a data protection box on the form or from the employer by sending the completed form direct to the PGA, in which case the employee simply notifies the employer of the total donation to deduct from earnings.
- 5 The wages/payroll/HR department sends copies of the completed forms to the PGA. When the deductions are made these are forwarded to the PGA with a statement showing the names of the people from whom deductions have been made and the amounts deducted. This has to be done within a prescribed period (see *Appendix i*).
- 6 When the PGA receives the money and the list of donors they check that they have the necessary information from the donor to distribute the money. Assuming all is well, the money is forwarded to the designated charities each month by the PGA. If a recipient charity has arranged to receive disbursement statements containing donor information (see *Chapter 12*) from the PGA they will be able to trace when a new donor appears or when a previous donor has not given. The distribution of funds has to be done within a

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<sup>2</sup> The term 'anonymous' is a little misleading in that donors may wish to have an acknowledgement letter from the benefiting charity(ies), but not receive publications or further requests for donations. The forms used by charities, PGAs and PFOs can be tailored to enable the donor to select how their contact details are used and what they wish to receive from the charity.

prescribed period (see *Appendix i*).

- 7 If the donor has elected to set up a 'voucher' account, the donation is redeemed by the benefiting charity when a voucher is presented by the donor to the charity, who will then pass it on to the PGA for their records. More information about the PGAs' role in this process is covered in *Chapter 6*.

Payroll donations are paid directly into your charity's bank account by BACs. If a scheme is set up and running properly there should be no difficulties, but delays can occur when:

- Charities don't promptly advise PGAs of changes in bank details, addresses or contacts.
- There is a lack of, or inaccurate, information about the benefiting charity to enable the PGA to distribute the funding according to the wishes of the donor.
- There is a change of person responsible for the administration of the scheme in the workplace.
- The money is forwarded to a PGA without the names of the donors from whom the deductions were made, in which case the PGA will have to chase the data before forwarding donations.
- The completed Payroll Giving Form has not been received by the PGA and therefore an individual donor's name is not on their records even though they do appear on the list provided by the employer.
- Very few employees are Payroll Givers – occasionally employers wait until they have a batch of donations to transmit to the PGA and therefore the funds are not transmitted as regularly as prescribed by the legislation.

The current legislation is available in full at: [www.hmrc.gov.uk/taxes\\_act\\_2001/vo107/si-c/si\\_c-19.htm](http://www.hmrc.gov.uk/taxes_act_2001/vo107/si-c/si_c-19.htm) and an abridged version containing the key elements is contained in *Appendix i*.

## Top Tips – The Payroll Giving Process

- Take a long-term approach to Payroll Giving. A number of processes need to be completed in order for an employer to begin deducting payroll donations, even before the scheme is promoted to staff. Realistically, the time taken between setting up a Payroll Giving scheme and receipt of your first donation is between three and six months. (It may take up to two full years before break-even point is reached<sup>3</sup>).
- Contact PGAs to develop a relationship, establish how they process donations and manage queries.
- Make sure that all relevant departments in your charity have an understanding of the process and their role in the internal administration of money or donors.
- Monitor your Payroll Giving donors and their donations by requesting regular disbursement statements from the PGAs
- Check your charity's bank statements for Payroll Giving donations being paid direct by PGAs.
- Be aware that most PFOs now have very full 'baskets' when making contact, contact them to find out what they are able to offer your charity and the processes involved.
- Be prepared for a long-term commitment of up to three years before you reach break-even point. If your donors are recruited by a PFO, the costs involved may well be covered in a much shorter time frame.

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<sup>3</sup> On average donors giving £1 a week realise break even at 17 to 18 months, the higher the donation the quicker the break-even point is reached.

## 5. What are the benefits of Payroll Giving?

### 5.1 Benefits for an individual charity:

- Unrestricted income
- Regular, reliable income stream, which allows a charity to plan ahead and budget for the future
- Low administration costs as the PGAs transfer the donations to the charity's bank account and supply donor information at a nominal cost
- Donations usually continue to be deducted from an employee's pay for many years – apathy features heavily with Payroll Giving so take advantage of this!
- Since donors benefit from tax relief on their donations, they may be encouraged to give a little more
- Payroll Giving can be the first step in building a long-lasting and lucrative relationship with the company that may lead to many other types of employer support
- Many employers choose to match their employees gifts, some even double-match their contributions
- There is always an opportunity to go back to an employer in order to increase the level of donations or to sign up new employees
- When Payroll Giving is included as part of a company's CSR or CCI initiative, such as Charity of the Year, Payroll Giving can provide a legacy of giving which continues long after the original partnership has ended.

Although there is a significant amount of work for the charity to undertake up front, once they have signed up an employer and the systems are up and running, the charity's ongoing workload is small, particularly when compared with many other kinds of committed giving.

**Barney Tallack, Oxfam's Head of New Income said:**

*"For too long the benefits of Payroll Giving have been hidden from view. If we can raise the profile of Payroll Giving just a notch in the UK, we can make an even bigger difference to the lives of millions blighted by poverty and suffering."*

## 5.2 Benefits for an employer:

- Low cost to set up and maintain
- Little administrative burden
- Features as part of an employer's Corporate Social Responsibility policy
- Enhances the employer's public image
- Demonstrates community involvement
- Shows support for the causes that matter to employees
- Aids in the recruitment and retention of staff, as employees like to work for a caring employer and the scheme is considered a 'benefit'
- Boosts staff morale
- Receipt of a Payroll Giving Quality Mark and, where target employee participation levels are met, an Award (see *Appendix iv*)
- Potential eligibility to enter the government supported National Payroll Giving Excellence Awards (see *Appendix iv*)
- Any costs incurred in setting up a scheme and promoting it to staff, may be offset against Corporation Tax as tax deductible expenses
- Where an employer meets the administration cost levied by the PGA, this can also be offset against the employers profits for tax purposes, treated as a charitable donation

There is low cost and minimal administrative resource involved in setting up Payroll Giving. Once the scheme is in place, and the employees are signed up, the workload is small, but the benefit to the company continues. Many SME (see *Chapter 12*) employers implementing schemes maintain that the total time taken is approximately 1.5 hours, at a minimal average cost of £150. In the main, costs incurred relate to staff time rather than systems requirements.

In 2002, The Giving Campaign<sup>4</sup> commissioned a research report into the business benefits of Payroll Giving, through the Ashridge Centre for Business in Society. Employers reported that Payroll Giving improves the company image (61%), enhances community involvement programmes (58%), supports employee volunteering (40%), boosts staff morale (34%) and improves staff recruitment and retention (27%).

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<sup>4</sup> The Giving Campaign was a 3-year initiative, -funded by government and charities, to promote a culture of charitable giving in the UK.

### **Recent quotes from employers:**

*"Payroll Giving is a fantastic way for employees and companies alike to embrace charity giving."*

Justin Beddows, Communications Manager, Admiral Group.

*"It makes us proud to think that Royal Mail Group's colleagues donate via Payroll Giving and deliver nearly £3m in tax-effective donations, which makes even more of a difference to communities throughout the UK and internationally."*

Denyse Busby Earl, Group Director - Engagement and Inclusion, Royal Mail Group.

*"As an extension to our corporate support, we are delighted to introduce Payroll Giving to our employees."*

Ian Ashcroft, Group Director of HR, Haymarket Media Group.

### **5.3 Benefits for employees:**

- Immediate tax relief on charitable giving as donations are deducted before tax is calculated
- Easy and efficient way to donate
- With just one form, a donor can choose to support a number of charities
- There are no direct debits or standing orders to complete
- Enables an employee to give to charity at a distance - some choose to remain committed but do not want their details passing to the benefiting charity(ies)
- All administration is handled by the employer and PGA
- Creates a feeling of goodwill in the workplace
- Knowledge that they are giving in an efficient, regular, reliable way to the charities they care about

**Recent quotes from Payroll Givers:**

*“Payroll Giving is a lot easier than organising standing orders and filling in lots of forms.”*

*“I think it’s a good idea, you don’t have to do anything. People have the best intentions to give regularly to charities, but if you have to pay it out yourself you tend to leave it. Taken out of your wages, you don’t miss it.”*

*“Fabulous idea. I wish more people realised the difference it makes.”*

*“An excellent system – painless giving.”*

## 6. Who are the key players in the Payroll Giving environment?

### 6.1 Her Majesty's Revenue and Customs (HMRC)

**Her Majesty's Revenue and Customs (HMRC)** must be notified of pre-tax schemes before deductions from earnings can commence. This notification comes from the Payroll Giving Agency (PGA) upon receipt of a completed contract from an employer, ensuring an audit trail to government. The PGAs submit an annual return to HMRC detailing the number of Payroll Givers, amounts received, the number of active Payroll Giving contracts and the number of new contracts signed in the year. (These figures are available to view on [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk) or by checking the HMRC website, [www.hmrc.gov.uk/stats/charities/table10-8.xls](http://www.hmrc.gov.uk/stats/charities/table10-8.xls)).

HMRC Charities provides information and support relating to all aspects of tax-effective giving directly at [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities) or via their helpline **0845 302 0203**. Alternatively, government has commissioned the Institute of Fundraising's Tax-Effective Giving team to provide support, training and resources for charities in making the most of the tax-effective giving. For more information, visit [www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk), email [taxback@institute-of-fundraising.org.uk](mailto:taxback@institute-of-fundraising.org.uk) or call **0845 458 4586**.

HMRC have the option to carry out inspections of PGAs should they feel it necessary. To help to promote the concept of Payroll Giving and provide clear guidelines, HMRC now include this fundraising mechanism in the Employer Guidance materials sent out to approximately 1.5 million HR and Payroll Managers throughout the UK. In addition the HMRC website also has useful guidance for employers, charities and employees.

### 6.2 Payroll Giving Agencies (PGAs)

In order for an employee to give through a Payroll Giving scheme, the employer must sign a contract with a **Payroll Giving Agency** or PGA (sometimes known as Agency Charities). The PGAs are all registered charities and are HMRC approved. Their role is to distribute to charities the amounts which the employees have had deducted from their salaries as detailed in *Chapter 4*. Charities do not need to register with PGAs in order to receive money from Payroll Givers, it is the role of each PGA to identify the benefiting charity specified by the employee when the Payroll Giving Form is completed and forwarded to the PGA. This works slightly differently for charity consortia, see *Chapter 8*.

PGAs deduct a small charge for administering schemes and distributing funds, this is typically between 2.5% and 4%. An increasing number of employers choose to cover this cost so that 100% of employee donations reach the target charities. There is no standard system whereby

PGAs will notify all charities when they have new Payroll Giving donors, it is best to check with each PGA about their individual processes. The PGAs will, upon request, supply charities with disbursement statements providing charities with regular donor information (see *Chapter 12* for more details).

The PGAs are keen to work with charities and charity consortia to develop Payroll Giving and they will provide you with information, guidance and support. If you are new to Payroll Giving, it is recommended that you approach each of the PGAs and ask them to send you a set of their paperwork, including their contracts, posters and Payroll Giving Forms so that you can familiarise yourself with the promotional materials they supply to employers. If you are talking to an employer about setting up a scheme, your recommendation about the PGA to use will often be expected and; having established regular contact with the PGAs you should be more confident when discussing the processes involved.

Any queries you have regarding the process and the receipt of donations should be run past the PGA initially rather than the employer. HMRC approved PGAs include the following organisations:

- CAF – operating the Give As You Earn (GAYE) scheme
- Charities Trust
- South West Charitable Giving – SWCG
- Ben – Motor and Allied Trades Benevolent Fund
- Sovereign Giving – Stewardship
- The Charity Service – TCS
- KKL
- Embassy of Man

A full updated list of the approved PGAs is available online at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

### 6.3 Professional Fundraising Organisations (PFOs)

A **Professional Fundraising Organisation** (PFO) is an organisation which promotes Payroll Giving to employees. They undertake workplace campaigns and represent a 'basket of charities' (see *Glossary of Terms*) for employees to select from. Currently approximately 80% of all new Payroll Givers in the UK are signed-up by PFO canvassers. All PFOs have a similar approach to the work that they carry out as follows:

- PFOs have a contractual agreement with their client charities and collect a fee for each new employee who signs up to support any of the client charities in their 'basket' selected by the donor.
- If the donor chooses a charity not in their 'basket', the PFO will process the donation as usual by sending the form on to the PGA, but not all PFOs will notify the charity that they have a new donor. PFOs do supply information, copies of forms completed etc., to the charities they contractually represent, some make charges for the data.
- If a donor chooses your charity and you are not in the 'basket' of the PFO carrying out the workplace campaign, then your donor comes to you at no cost whatsoever apart from the administration fee deducted by the PGA from the employee's donation.
- Most of the PFOs now have very full 'baskets' and the opportunity for your charity to be represented might not be possible. However, it is always worthwhile approaching them to establish a relationship and discuss mutually beneficial options. A key factor for most PFOs is the ability to develop new business introductions and they will be keen to hear from you if this is an area that you can influence.
- PFOs have a range of charges and they invoice client charities either monthly or weekly. They all have refund policies in the event that the first pledged donation is not forwarded to the PGA.

Other considerations when working with PFOs:

- a) If your organisation already has contracts with PFOs you will need to become familiar with the refund process and the pay-back period in order to monitor Payroll Giving cash flow.
- b) A PFO only gets one payment, whereas a charity – having spent money on the development of Payroll Giving – continues to receive ongoing gifts from the donors (which eventually offset the cost of the investment). A table which details the pay-back period for a charity is in *Appendix iv*.
- c) A large number of major employers have 'exclusive' arrangements with PFOs in respect of their internal canvassing.
- d) This arrangement helps employers to counter any requests from individual charities about the possibility of access to employees since the PFO represents a range of charitable causes.

- e) When the employer is a medium or large sized organisation the presence of a PFO helps to relieve the employer's personnel from the time commitment necessary to carry out a successful promotion as the PFO organises the whole campaign.
- f) There are variances in the services and operational methods of PFOs, contact each one to find out what they are.
- g) PFOs are individual businesses and make their decisions as to which charities they represent depending on the employers that they work with regionally.
- h) While a PFO might work with a charity or charity consortium on a sole promotion, they will always accept donations designated for other charitable organisations should a donor make that choice<sup>5</sup>.
- i) A small charity might find it difficult to provide the resources necessary to present Payroll Giving in the workplace of a large employer, a PFO can bring in a team of canvassers when required to carry out a major promotion in a short timescale.

#### 6.4 The Institute of Fundraising

Over the years, the **Institute of Fundraising** has played a significant role in the development of Payroll Giving in the UK. Current initiatives which have been introduced by the Institute in support of Payroll Giving include:

- Management of the Payroll Giving Quality Mark, a scheme that recognises and rewards employers for making Payroll Giving available to staff with a Quality Mark and Awards for those employers that meet target participation levels. For more information, see *Appendix iii*.
- The Payroll Giving Centre - an independent source of advice, guidance, and support materials for employers, employees, charities and charity consortia, set up by the Institute of Fundraising in 2006. Operated by Z/Yen, the Payroll Giving Centre comprises a website and helpline, providing resources, template materials and latest facts and figures about Payroll Giving, as well as an administration centre for the Quality Mark Awards and the National Payroll Giving Excellence Awards. For more information, visit: [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk).
- National Payroll Giving Excellence Awards – Introduced in 2007, (the 20th anniversary year of Payroll Giving in the UK) the Awards ceremony is supported by government, having taking place in its first two years at HM Treasury in London, (see *Appendix iv*).

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<sup>5</sup> For more information on the set up of consortia and gaining Payroll Giving donors see Chapter 8.

- Tax-Effective Giving – Funded by government, the Institute of Fundraising provides help, support and advice for England-based charities about the full range of tax-effective giving methods. For more information, visit [www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk) or call the helpline on **0845 458 4586**.
- Development of Codes that define best practice in fundraising. The Code of Fundraising Practice for *Committed Giving in the Workplace* covers all the guidelines relevant for Payroll Giving activity. Visit [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk) for more information.
- Payroll Giving Special Interest Group - The Institute's Special Interest Group (SIG) meets at least twice a year in Spring and Autumn to discuss various areas of interest to charities and stakeholder organisations. There is also an online Forum so that members can seek advice and guidance on Payroll Giving, benefiting from the expertise available and following 'best practice' recommendations. Details can be found by visiting the Special Interest Groups area at: [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk).
- Suite of resources and published materials for charities and employers, available through the Payroll Giving Centre.
- Payroll Giving Review & Research – The Institute of Fundraising has conducted a number of research projects into Payroll Giving as a whole, alongside the specific issues of portability and pension giving. For more information, research reports and related developments contact the Institute at [info@institute-of-fundraising.org.uk](mailto:info@institute-of-fundraising.org.uk).

Past initiatives include:

- SME Grants Programme (April 2004 to March 2007) – Lead role (in partnership with Business in the Community (BITC)), in running the SME Grants Programme, see *Appendix ix*. The programme not only increased the number of contracted employers by 3,493 but also gained government support and funding for the introduction of the Payroll Giving Quality Mark and Awards.
- 10% Supplement - The successful campaign to extend the 10% supplement on Payroll Giving from a 3 to 4-year term, (see *Appendix vii*).
- Charity Training - A series of one-day workshops for charities and charity consortia about how to make a success of Payroll Giving.

Much of this activity has been funded by HM Government as part of their commitment to the development of Payroll Giving.

## **6.5 Specialist Payroll Giving Organisations**

There are a number of organisations specialising in providing help, support, mentoring and training for fundraisers and charities in order to progress with the development of a strategy which includes Payroll Giving, (see *Appendix x*). Investment to secure training and support from specialist organisations is recommended in the early stages to avoid costly mistakes, particularly if there is limited knowledge of Payroll Giving within the charity.

## **7. How can my charity generate funds from Payroll Giving?**

For many charities, Payroll Giving attracts a sizable regular and unrestricted income source. But, others find it difficult to generate substantial funding from Payroll Giving. In order to ascertain how Payroll Giving might work for your charity, you will need to answer the following questions :

- Does your organisation have existing warm leads with companies or public sector employers?
- Is your cause relevant to employees, business activities or the workplace?
- Are your trustees completely flexible and do they think strategically?
- Are you able to allocate developmental time to Payroll Giving?
- Is your cause attractive for a PFO to represent?

If the answer to each of the questions above is a yes, then your organisation is likely to make a real success of Payroll Giving. Where your charity has the opportunity to make a direct approach to an employer, Payroll Giving can be the start of an ongoing, lucrative relationship that may lead to various other forms types of corporate support. So, even if you do not get huge numbers of donors from that particular organisation in the short term, the employer may include you in all kinds of in-house activities and fundraising initiatives.

### **7.1 The market place and approaching employers**

If you are not going to be represented by a PFO you will need to develop your own marketing plan and identify which employers you can approach. Many charities would automatically go for the 'big numbers' and approach the major employers, but as mentioned earlier, a number of the larger employers do not grant workplace access to individual charities. If you are in a PFO 'basket' you can expect to receive some donors from their work. But, if you are not, you are less likely to be selected by employees, unless they have prior knowledge of your charity and want to give regularly.

Around 10,000 employers now have schemes in place - mainly larger employers - but there are 1,216,020 SMEs<sup>6</sup>, most of who are not yet involved. You will need to tailor the information you provide an employer about Payroll Giving according to how familiar they are with the scheme.

Particularly for smaller, locally based charities, SMEs are an attractive target. There are numerous advantages in approaching an organisation that does not yet have Payroll Giving in place as many of their employees will be new to Payroll Giving and, should you get the opportunity to introduce it to them alongside the work of your charity and the services it provides in the community, your charity will be best placed to benefit from a sizable proportion of employees' payroll donations. Smaller businesses are also less likely to have fulfilled their CSR remit and may well be open to supporting your charity in other ways, in addition to Payroll Giving. In total, there are 12 million SME employees in the UK – almost half of all those paid through PAYE.

Charities rarely succeed with Payroll Giving through direct mailing campaigns or cold contact methods alone. Real success is achieved through a targeted and tailored approach to relevant businesses. The best starting place for any charity wanting to 'test the water' and get going with Payroll Giving proactively is to:

1. Learn through practice - get your own charity to put a scheme in place and allocate time yourself to carrying out the promotion.
2. Get in touch with employers that are known to you or with whom you have an existing relationship – local employers providing some kind of support.
3. Approach suppliers that depend upon your charity from a business to business perspective, what do you buy in and where do you get the service or product from? Start with your accountant or legal advisers if they are an independent company.
4. Contact long-standing donors to see where they work and if they can introduce you to their employer.
5. Speak to employees of the charity – where do their partners/parents work, can they effect an introduction for you?
6. Contact volunteers – particularly those that are retired, they might be able to help you to draw up a list of potential companies to liaise with and, given training, visit the employer themselves on your behalf.
7. Approach trustees and patrons – can they open doors for you, will they act as the intermediary?
8. Explore business environments – do you have the opportunity to talk to local business groups such as Rotary Clubs, Lions, Chambers of Commerce, Federation of Small Businesses? This is exactly the right opportunity to get the message across to a larger audience.

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<sup>6</sup> Figures provided by Small Business Survey 2004.

9. Think about cause-related relationships. They can be fruitful; for example, if your charity works with those that are bereaved, the work you do might be very relevant to those involved with dealing with the aftermath of death – funeral directors, care homes etc.
10. Make the most of referrals – once you have successfully gained access to the employees in one workplace and carried out a campaign ask for an introduction into other organisations.

When approaching an employer it is crucial that you remember the Benefits for Employers (*Chapter 5, section 5.2*), primarily the employer wants to know what is in it for them – the business case for making Payroll Giving available to staff. The relevance of working with your organisation is also an essential point to cover and the benefits to your charity the final aspect of the negotiation. Charities working with employers in Charity of the Year (COTY) partnerships should always feature Payroll Giving as part of the fundraising methods to be used, especially in respect of localised COTY schemes.

It is worthwhile becoming familiar with the employer publications which cover relevant payroll and HR-related issues, they include:

- First Voice - Produced by the Federation of Small Businesses.
- Employer Bulletin - Produced by HMRC, providing guidance and relevant updates about all payroll-related issues
- Payroll World - A magazine produced for HR and Payroll Managers covering payroll and HR-related issues.
- Pay Magazine - A magazine produced for HR and Payroll Managers covering payroll and employment-related issues.

## **7.2 What you need to know**

When approaching an employer, you will need to know:

- Whether the employer already has a Payroll Giving scheme and, if so, with which PGA?
- About the PGAs and how Payroll Giving works, in order to advise an employer that is not yet contacted to a PGA or familiar with the Payroll Giving process
- About the employer, size, number of sites, business activity, contact details
- What time you can allocate to the whole process

- What 'buttons' to push – is the employer interested in helping your charity or keen to provide the giving mechanism for the benefit of the workforce or both?
- Whether the employer is happy for you to carry out the promotion, do they want to do it themselves or would they prefer to work with a PFO?
- Which employees within the organisation will you be working with – the Managing Director, line managers, HR, union representatives or charity champions?

## **Top Tips – Approaching Businesses**

- Do the necessary groundwork before approaching an employer and be aware of the key issues which are likely to be of interest to them
- Utilise the support of your corporate fundraising colleagues where possible
- Always look for the 'warm' leads in the initial stages of making approaches to employers
- Local SME businesses will often provide the best options for your charity to work with in developing new Payroll Giving schemes
- Be open minded - being in the workplace will provide various opportunities to secure corporate and individual support
- Always include Payroll Giving when discussing fundraising in a COTY partnership

### **7.3 Who will do the promotion?**

How will you do the work necessary to carry out a successful campaign and achieve the best results? For most small charities this is a major consideration and includes the following options:

- Do it yourself
- Work with volunteers
- Investigate whether a PFO will represent you
- Work with others in your charity to get the work done

- Employ a canvasser on a part-time basis
- Apply for a secondee (see *Chapter 12*) from a local business
- A mixture of all or some of the above.

Promoting Payroll Giving in the workplace is a specialised fundraising role and requires specific skills, a list of attributes for such a person is included in *Appendix vi*. Where the employer is a medium or large sized enterprise the best results will come from PFO canvassing because they can resource the campaign more easily.

#### **7.4 Delivering the Payroll Giving message in the workplace**

Whether Payroll Giving is introduced into the workplace by a charity representative, a volunteer canvasser or a PFO, the following steps apply:

1. The fundraisers or canvassers have several specific tasks and should possess excellent negotiation and presentational skills.
2. There are a number of ways to reach employees to deliver the message and a great deal depends upon the culture within the workplace. For example, it may be possible to talk to groups of people in timetabled throughout the day. For many PFOs, the opportunity to visit each person as they work at their desks is a preferred option, whilst some employees find this method intimidating others like the one-to-one approach. Negotiate the best option for each party – one which gives you access to as many people in a controlled environment in the shortest possible time.
3. Every campaign benefits from the involvement, commitment and support of line managers. In the lead up to the promotion ensure that internal influencers are identified and available to help during the time of the workplace canvassing. If there is a strong union presence, include convenors in your early negotiations.
4. If you are the charity selected for promotion but the employer wants a member of staff or a volunteer to deliver the message, be on hand to answer any questions which may arise.
5. Accept employee donations to pass on to other charities, you are not legally bound to do so but it will help you to demonstrate that you are facilitating the wishes of employees and employers. Indeed, some employers will not give you access unless you confirm that you will be promoting charity choice. Even so, if you are the charity carrying out the workplace promotion, approximately 80% of new donors will donate to your organisation.

6. If the employer already has a Payroll Giving scheme make sure that you find out how many are currently giving and that the forms you use enable people to 'add to' their existing choices rather than replace them.
7. Ask if you can leave some Payroll Giving information, including forms with the relevant department to be inserted into Induction Packs for new starters.

Having done all the work supporting the employer setting up a scheme and established a relationship with the employer, what happens if you are unable to present your charity to people in the workplace? There are a number of things that you can do to build your charity profile in the workplace, to create an awareness of your cause and the importance of Payroll Giving:

- Develop materials which employers can circulate in the workplace on your behalf, provide articles for use in their in-house publications or on the organisation's intranet and enquire about promoting your organisation by email. All this costs relatively little but can form a strong campaign.
- Explore the benefits of working with other local charities to set up a consortium (see *Chapter 8*).
- See if your charity can gain representation within a PFO basket
- Promote Payroll Giving actively to your donors and potential donors alike. Ensure that all fundraising and local PR campaigns include an explanation of how important Payroll Giving is to the long-term future of your charity.

## **Top Tips - Planning your promotion**

- Consider the timing of the promotion carefully - aim for times when motivation is high (for example, just before the holiday season, good news announcements and pay rises)
- Discuss your workplace promotions with the employer, ensuring that you can reach the maximum number of people in the minimum amount of time
- Allocate an appropriate budget and manage the expectations of Trustees in respect of the pay-back period
- Explore the options for approaching 'lapsed' donors when they leave the organisation and build this in to the Payroll Giving strategy from the outset.

## 7.5 Payroll Giving Promotion – Which tools to use?

The success or failure of Payroll Giving hangs upon the ability to promote it to employers and the workforce. Promotion for Payroll Giving has a number of components and the mechanism(s) selected will depend upon the size of the budget which is available and the willingness of the employer to sanction the proposals you make.

If you already have some general publicity materials, it is likely that they can be adapted for specific purposes such as a Payroll Giving campaign. It is important to use information which highlights the positive benefit to your charity of payroll donations. Should you be able to present your case in a face-to-face situation, emotive and arresting imaging will impact on the potential donor.

Tools for promoting Payroll Giving in the workplace might include:

- Staff presentations (backed up with printed materials)
- The intranet, staff newsletters & emails
- Your charity newsletters
- Posters & display materials
- Pay packet announcements/teasers
- Updated photos about your work to continue to reinforce your charity's messages about the long-term value of Payroll Giving.
- Themed menus in the staff canteen, including tray liners with a message or display materials for the tables ('table talkers')
- Incentives such as free coffee and cake in the canteen, small give-aways such as pens, badges, mugs etc.
- Dress down days and competitions
- Free prize draws such as an extra day's holiday as a first prize
- Consider setting up cross-department or branch league tables of payroll donations

The best results come from using a number of promotional techniques and innovation is the key. Your aim should be to make the whole exercise fun, albeit with a serious underlying message. Since the introduction of the Payroll Giving Quality Mark, many employers are more regularly promoting the scheme to staff in order to attain and keep a Bronze, Silver or Gold QM Award. Make sure you know about the scheme and the National Payroll Giving Excellence Awards – both can be powerful incentives to employers.

## **7.6 Making the Ask**

Once you have gained access to the workforce, be sure that you are presenting your charity's case – tell the story of what you do, do not sell the process of Payroll Giving. The following steps should be considered:

- Ensure that your 'pitch' or presentation is carefully crafted, prepared and delivered with passion and skill.
- Prepare the story of your charity with care ask your own staff to help you to improve it by providing feedback and working with you to perfect it.
- Take along photographs or visual materials demonstrating the work your charity does and strong case studies.
- Tell people what your charity raises and how the money is spent.
- You might be expected to move from place to place during the time you are in the workplace so make sure your materials are easily portable.
- Best results are achieved when the workforce is encouraged to sign up for Payroll Giving at the time the charity or PFO makes the presentation – make sure you have donation forms readily available at the time of your promotion. Take advantage of the emotional response which you have nurtured and make the 'ask' immediately after delivering your message.
- If the employer has agreed to any kind of corporate support, highlight this to employees as this is known to positively influence take-up levels. Employees like to know that their generosity is being matched in some way by the company.
- Make sure that donors know that their gift is voluntary and that they can cease at any time by revoking their authorisation to deduct. Few will do so but it prevents an individual from thinking that the donation is a life-long commitment with no 'get out' clause.
- Tell people what they can expect to get from your charity - an initial thank you letter; a newsletter twice a year; or perhaps a copy of your annual review and accounts.
- Give them the opportunity to opt out of any mailing.

When you ask people to complete a Payroll Giving donation form, make sure you have a good supply of pens, give-aways at this stage act as an additional spur to instant action. Some charities provide new donors with badges at the time they sign up. Hand out copies of a 'Pledge to Supporters' or a copy of your latest newsletter. Always keep a copy of the form the employee completes for your own records and to enter onto your database if you are carrying out the workplace promotion.

## **Top Tips – Making the Ask**

- Tell, don't sell. When asking people to become donors, involve them in the work that your charity undertakes and make the presentation emotive
- It is important to emphasise the element of 'charity choice' when approaching employers and employees alike. A significant number of people choose to support a number of charities through the scheme
- Highlight the contribution of the employer, include the 'hidden donation' of allocating the time necessary to a successful canvass, involvement of key personnel, meeting the administration charge of the PGA or making a matched giving donation
- Ensure that you follow up with employers and employees, keep in touch and nurture the newly established relationship (see below)
- Strike while the iron is hot – make sure you have payroll donations, pens and anything else you might need to for an employee to complete a payroll donation on the spot.

### **7.7 Follow up and maintaining momentum**

There are a number of ways in which you should follow up your initial canvass, they include:

- If your charity is carrying out the promotion in the workplace, hand the completed forms in to the person responsible for processing them and request that the deductions are made as soon as possible.
- Be sure to keep the employees up to date with developments at the charity by having posters or announcements available in the workplace.
- Establish contact with the employer regularly to build upon the relationship you have started and secure an overall commitment to your charity. This can easily lead to employer-matching donations and a variety of other kinds of corporate support, be innovative about how

you achieve a closer relationship.

- If you have missed a large number of employees during the canvass make arrangements for a further visit if appropriate and cost effective.
- Try to encourage the employer to use your charity and the successful Payroll Giving scheme as an example of their company's commitment to the local voluntary sector.
- Ask if your leaflets can be added to the employee induction pack.
- Take the time to show the workforce the benefit of their donations over an extended period, and celebrate this.
- Ensure that the employer knows about the Payroll Giving Quality Mark Awards and the National Payroll Giving Excellence Awards. Use this as an opportunity to agree regular visits to approach new employees and bring existing donors up to date with how your charity has been using their donations.
- Ask if you can set up a 'clinic' in the workplace highlighting how the charity benefits the local environment and community. This has the benefit of building your profile; sourcing potential donors and volunteers; and promoting Payroll Giving as a key way for employees to support your work.

## **7.8 Allocating a budget and monitoring results**

Charities' promotional costs for Payroll Giving vary significantly and it is up to each organisation to work within its means to identify a realistic and appropriate budget for fundraising through Payroll Giving. Where larger charities may have dedicated officers, comfortable budgets and ambitious targets to meet, smaller charities may be restricted by limited funding. Your promotion need not be hugely costly - simple materials printed in-house, emails or web pages, can make a big impact.

It is worth considering employing an additional member of staff, especially if that person can also develop additional corporate support as part of their role. (Many charities ensure that Payroll Giving becomes part of the job description for corporate fundraisers.) But, not every charity will have the resources to employ a Payroll Giving fundraiser at the outset. Either way, some budget should be allocated to recruitment of donors, whether that is by training volunteers, paying for donors recruited by a PFO or covering the costs of re-allocating existing fundraisers in the charity to develop this fundraising mechanism.

Set targets for your promotions in order to assess their effectiveness over time. As soon as you begin to develop your Payroll Giving income and donor base make sure that you share this information with employers, they will want to see how their employees have helped your charity and it is an opportunity to keep in regular contact and build your relationship with them.

Internal monitoring of Payroll Giving income is important to assess your year on year growth. As mentioned previously, PGAs provide disbursement statements so that you can track your donors and the amounts being received. Monitoring can also be provided by specialist organisations and details are provided in *Appendix xii*. Make sure that the charity's finance department understands the payment process of donations when they are forwarded by the PGAs and the importance of liaison with the fundraisers when amounts are received so that fundraising records can be updated each month. Always ensure that there are proper handover notes in place within your organisation for continuity where colleagues are required to manage the Payroll Giving income and monitor donors on behalf of your charity.

Trustees should be aware of the long-term investment which Payroll Giving requires, few charities achieve a break-even in the first 18 months to two years, depending upon how their donors are recruited. However, a persistent and consistent approach to this fundraising mechanism will pay dividends as part of the overall funding strategy (see *Appendix v* for 'pay-back' time frame). Most employees giving on Payroll Giving schemes have never donated regularly to charities before. And yet, according to research carried out by Charities Aid Foundation (Payroll Giving 2005), Payroll Giving donors give for an average of 10 years.

## **Top Tips**

- If Payroll Giving is the responsibility of the Individual Giving team it is important that colleagues responsible for Corporate Fundraising are involved, ensure there is co-operation between teams.
- Ensure that the charity finance and administrative teams understand their role in the process
- Produce handover notes for new colleagues tasked with managing the Payroll Giving income and monitoring donors on behalf of your charity.
- Once your charity has generated a regular Payroll Giving income, strategic investment should be placed in Payroll Giving fundraising to grow this form of funding even further.

## 8. Setting up a consortium

Many employers will refuse to allow individual charities or PFOs into the workplace to promote their causes. Usually, this is either because the employer is concerned about setting a precedent of allowing charities into the workplace or sees no relevance to the approach being made by that particular charity. Refusal of access to PFOs is most often because the employer is concerned that they will pressurise employees to donate. This view is completely unfounded, but changing employer attitudes towards PFOs is an ongoing challenge.

So what is likely to appeal to such an employer? Research shows that employers do like to be seen to be supporting what goes on in their local community, not only does this provide them with the opportunity to improve their local image and build their customer base, but it also denotes a responsible attitude towards the environment in which they carry out their business activities. But, which local cause should be selected? Who makes the decision? How can they say no to the many other small local charities once agreement has been given to one?

The development of charity consortia, particularly those formed by small local charities operating within a defined geographical area, can be a particularly appealing proposition for SME businesses. Not only does the option of presenting a consortium to employees to support through Payroll Giving appeal to small employers but in the workplace the opportunity for an individual to give to a number of causes with one donation is also very popular. Selecting a consortium is an obvious solution for a potential donor who has no particular charity or charitable cause which they want to support. In those circumstances the consortia could be local or include a range of nationally recognised charities.

There are few legal requirements in order to set up a consortium. Each member must be a registered charity and the Memorandum of Understanding (MOU) must be registered with HMRC. The consortium should also register with each PGA when HMRC approval has been given, PGAs will need specific information in order to distribute the Payroll Giving donations when they are received and each will have different requirements so it is wise to establish what is needed at an early stage.

Many such consortia have been established over the past 10 years or more, but only one-third have succeeded in making the progress anticipated at the outset. By following the guidance within this section and the Institute's charity consortia workbook 'Charity Combinations' your chances of success are greatly improved. Charity consortia can be a highly successful way for smaller charities to collaborate and attract a significant Payroll Giving income.

There are a number of recommendations which charities should adhere to when setting up a consortium, they are:

1. **Choose your partners with care** - choose with care, not merely who is interested. Will each charity be able to participate fully? What can they offer the consortium? Limit membership to six charities, it is much more difficult to manage large consortia. Actively encourage members already enjoying a high profile locally.
2. **Approach Payroll Giving as a long-term investment** – it may take some time to reach break-even point for your charity. Agree investment levels and other contributions ‘in kind’ from each consortia member (including staff resources) at the outset.
3. **Decide whether you will employ fundraisers or use a PFO, or both** - what would encourage a PFO to welcome you? The more people involved in acquiring payroll donors the better, where possible get into a PFO basket as well as utilising in-house champions, volunteers and fundraisers from member organisations.
4. **Managing the consortium requires different skills to fundraising for it.** Allocate recruitment of donors and management of the consortium appropriately, considering outsourcing to PFOs and specialist agencies as required. (Outsourcing will increase your costs, but deliver high levels of expertise and exposure to employers and their employees).
5. **Your consortium’s success will depend upon corporate leads from each charity partner** - gain commitment from each charity for the provision of a set number of corporate leads. Consider how the consortium will be able to generate new leads once the initial ones are exhausted and factor that cost into your budgets at the outset.
6. **The consortium will require its own driver** - a lead individual should be responsible for keeping the momentum going, and ensuring co-operation from each partner.
7. **Governance and legal requirements**– the consortium is required to agree a Memorandum of Understanding (MOU) and to register the consortium with the HMRC. The consortium Board must consist of representatives of each partner who have the authority to take decisions and to think of the whole consortium, rather than just their charity. (A template MOU is available within the Institute’s Charity Combinations workbook or from HMRC - this can be developed and expanded by the consortium, as appropriate).
8. **Planning** – think ahead, agree an initial plan for the first year, and develop this into a 3-5 year strategy. You will need to review this plan each year and monitor progress against this strategy.
9. **Brand, Marketing and PR Strategy** – recognise the importance of a clear brand and, once you have developed one, use this widely. Establish a marketing and PR strategy that is in keeping with your brand and take a long-term outlook to maximise impact.
10. **Use available help** - make use of external agencies along with advice from other consortia to gain access to expert guidance and ensure that you are adhering to best practice, (see *Appendix xii*).

For more information about the development of charity consortia, contact the Institute of Fundraising on 020 7840 1000.

## **Top Tips**

- Select the right charity partners for the consortium and limit the number
- Understand the business perspective and appeal of a consortium
- Make sure that financial investment is agreed in addition to other 'in kind' contributions from partners
- Commit to sharing leads and ensure that a regular supply is available through each partners involvement
- Manage expectations in respect of 'pay-back' and progress
- Register the consortium with HMRC and also register with PGAs, find out what information they need from you
- Communicate with donors as a consortium, not as individual charities
- Decide upon the administrative infrastructure and ensure it has inbuilt continuity

## 9. Transferring from post tax giving to a pre-tax scheme

Prior to 1987, UK donors giving directly from their earnings were doing so on post tax deduction schemes, usually benefiting a single charity selected by the employer. Many larger employers had set up Charity Committees so that the money raised from their scheme could be distributed to a range of causes nominated by employees and managed by the Committee. There are still a number of active post tax donation schemes around, benefiting individual charities. It is possible to transfer a post tax scheme to pre-tax, by taking the following steps:

- The employer must sign a contract with a PGA which is then advised to HMRC.
- The employer gives notice to those employees donating on the post tax scheme that the scheme will change to a pre-tax scheme and give the date when the change will happen.
- An explanation can be included in the notice given that the deduction will be grossed up to reflect the tax relief which the employee will get as a result of the new scheme.
- A minimum notice period of two months must be given to employees with an option for them to amend or cancel their existing authorisation to the employer.
- Providing that the donor makes no objection, the employer can then transfer the donation across to the pre-tax scheme and increase the level of the gift to reflect the tax relief. Therefore if a donor was giving £5 a month on a post tax scheme the employer could deduct £6.25 from the new pre-tax scheme as the actual cost to the donor would continue to be just £5.

When an employer has a Charity Committee receiving post tax donations from employees that they then distribute to nominated charities, the same transfer process can apply. However the Charity Committee would need to register with the relevant PGA as a Staff Group Scheme and it would then receive vouchers which must be redeemed with registered charities or organisations listed by HMRC to receive pre-tax Payroll Giving sums.

Further guidance on the above can be obtained by contacting HMRC Charities on their helpline number 0845 3020203.

## Key Facts

- Post-tax schemes can be transferred to pre-tax without the need to obtain a new donation form from the donor as the amendment is a processing issue rather than a change to the original instruction.
- It is possible to gross up donations to reflect the amount of tax relief a donor will get by having their deduction made before tax ,at no additional cost to themselves.
- Employers are advised to consult properly with staff before making any of changes, particularly in respect of increasing the amount to reflect the tax relief.
- If people give on post tax schemes, the charity can claim Gift Aid on the donation if the donor completes the appropriate declaration.

## 10. Summary

This Guide covers the main elements of Payroll Giving as a fundraising mechanism, the benefits for all parties and the processes involved. But, there is a lot to consider when deciding how it might work for your charity and how to proceed. Before you begin, you will need to explore?

- What links does the charity have to local employers?
- How to reach potential donors?
- How to work with PGAs and/or PFOs to gain greater exposure to local businesses?
- Whether to establish a local consortium?
- How to promote Payroll Giving in the charity's fundraising materials, online and through the media?
- Is the corporate fundraising team/fundraiser knowledgeable about Payroll Giving?
- What advice can be gleaned from charities or consortia already making headway?
- Is Payroll Giving a priority for our charity?

Whether your charity promotes Payroll Giving in the workplace individually, as part of a consortium, through PFOs, in-house staff or volunteers, there is much potential for this form of fundraising. Engaging employees in Payroll Giving is one of the biggest challenges currently facing the sector. Only around 7% of employees able to donate through Payroll Giving schemes now do so, leaving great scope to attract new and often generous donors to your charity.

Currently, few UK donors plan their giving, thinking ahead about who they want to support and how much they wish to give. Rather, they tend to respond to requests from fundraisers and fundraising appeals. Through Payroll Giving, they have an opportunity to take a considered and planned approach to their giving and to benefit from a generous tax relief at the same time. Make sure your charity embraces Payroll Giving within its fundraising mix and joins the receiving end of this regular income stream while the donor potential remains high.

## 11. Frequently asked questions

**Q: How do I make sure I am using best practice in Payroll Giving?**

A: The Institute has produced a Code of Fundraising Practice for Committed Giving in the Workplace, this can be accessed on the Institute's website ([www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)), or see *Appendix x*.

**Q: Are there any charities that I can learn from?**

A: The Institute of Fundraising's Payroll Giving Special Interest Group (SIG) includes representatives from charities already involved in Payroll Giving as well as stakeholder organisations (PFOs and PGAs). However, it should be remembered that the majority of the members use PFOs for donor recruitment. A short film has now been produced which features the experiences of charities benefiting from Payroll Giving and a Forum has been established for those wishing to gain further information, advice and guidance on any aspect of Payroll Giving. Visit [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk) for more information.

**Q: Why should my charity offer Payroll Giving to our own staff?**

A: By making the scheme available to your own staff and promoting it internally you achieve two things. The first is the opportunity to learn about face-to-face promotion and the tools necessary. The second is that you establish credibility with a potential employer who will want to know that you understand the challenges involved in getting key messages across to employees and securing a positive result.

**Q: Can pensioners use Payroll Giving?**

A: Yes, a number of pensioners continue to be Pension Givers when reaching the age of retirement. People can give from pre-taxed pensions providing their pension is taxed under the PAYE scheme. (The Institute has carried out some research into the further potential for pension giving. You can download the research summary from the Payroll Giving Special Interest Group page on the Institute's website).

**Q: Does Payroll Giving affect NI contributions?**

A: No, most payroll software systems include a box for pre-tax Payroll Giving deductions as they do for NI contributions. When opening the box on the software the calculation in respect of tax and NI is done separately so that the NI contribution is unaffected.

**Q: Can bonuses be donated through Payroll Giving?**

A: One-off gifts can be donated through Payroll Giving; this can depend upon the ability and willingness of the payroll department to facilitate ad hoc amounts.

**Q: How can I encourage donors to increase their donation?**

A: Most Payroll Givers tend to give as an instant reaction to a request made in the workplace so they can be categorised as non-committed initially. Over a period of time you should send through basic information telling them what you are doing with their donations. Only when they have been giving for a reasonable period – 18 months to two years – should you attempt to increase the level of gift. This can be done in a variety of ways, by carrying out an upgrade visit to say ‘thank you’ to existing donors, or by engaging a telemarketing company to do the work for you. Charities Trust has some good experience with index-linked Payroll Giving, see [www.charitiestrust.org](http://www.charitiestrust.org).

**Q: What information will the employer’s finance office expect to receive from the PGA, when and how?**

A: Most finance staff will be familiar with the system of pre-tax deductions and PGAs will be able to provide any further advice. Some PGAs issue advice along with the initial contract and employee registration documents, but it does vary from agency to agency. If in doubt, ask the individual PGAs.

**Q: What regular correspondence will there be between a PGA and the charity recipient?**

A: At the time that a donor completes a form benefiting your charity, the PGA will enter the details on their database. If this is the first time that you receive payroll donations, the PGA should contact your organisation and ask for your bank details to pay the money in directly by BACS payments. It is worthwhile checking with the individual PGAs what further communication you can expect from them.

**Q: How do I know if a Payroll Giver has stopped donating to my charity?**

A: You should receive regular disbursement statements from PGAs, which you may need to pay for. The information provided enables you to track your donors’ gifts. If a donor does not appear on a statement don't automatically assume that this is because that person has stopped giving or left the employer. It might be that they are on long term sick leave, maternity leave or have married and their surname and address has changed. Always investigate the situation before contacting the person directly to see if they will reinstate their donation.

**Q: Are there any recommendations about data protection statements on Payroll Giving forms?**

A: Yes, in consultation with charities, PGAs and PFOs, the Institute has developed a recommended data protection statement to include on Payroll Giving forms/mandates. This can be downloaded from the Payroll Giving Centre website and the Institute's website also. A model Payroll Giving form is included in *Appendix ii*.

**Q: What charges are made by the PGAs?**

A: Apart from a charge for disbursement statements or requested additional information, the PGAs make no charge to charities receiving payroll donations. They do deduct a small administration fee from the employee's donation each month before sending the money on to the benefiting charity. An increasing number of employers now cover that administration fee.

**Q: What are the rules about benefits for Payroll Givers?**

A: If a charity provides benefits, for example free admission to properties or events, in return for donations the donations will not qualify for relief under Payroll Giving. However, HMRC does not regard items of negligible value, for example newsletters, badges or pens as benefits for this purpose and an employer might easily offer a free prize draw at the time of a Payroll Giving promotion to encourage people to sign up.

## **12. Glossary of Terms**

### **12.1 Disbursement statements and donor information**

These are supplied by the PGAs to charities upon request and a small charge is made for them. Any charity receiving Payroll Giving income should make sure that they register for disbursement statements with each PGA, paying money into their bank account by BACs payments.

The statements will provide basic information about the donors:

- Name (if the gift is not given anonymously or the donor has asked for this information to be withheld)
- Address
- Amount donated
- Name of employer (in most cases)

It is necessary to make sure that notification of the BACs payments is given to the fundraisers (usually by the finance department of the charity) and that there is an understanding that the money being credited to the charity's account comprises amounts donated by individuals in the workplace. Only when you are in regular receipt of disbursement statements can you begin to track and monitor your Payroll Giving donors. The majority of disbursement statements are sent by email as an Excel attachment so the donor information can be uploaded on to databases or added to an Excel workbook to aid monitoring of donors.

### **12.2 SME**

An SME is a small or medium sized enterprise. For the purposes of this document, the description is applied to any employer with between 1 and 499 employees.

### **12.3 'Basket' of charities**

This term was coined by the PFOs to describe the range of charitable organisations they represent in the workplace, the size of the 'baskets' vary but generally contain up to 150 charities. The actual constituents can also vary depending upon the workplace and the views of the employer. For example, a local charity consortium might well be included if the PFO is canvassing in a company where they have expressed an interest in supporting local charities, but would be less relevant should the PFO be promoting Payroll Giving in a workplace placed outside that locality.

When the canvasser is promoting Payroll Giving to an employee they first of all ask which charitable causes the individual is interested in supporting. The canvasser then goes to the appropriate grouping of charities and shows the range that they represent so that an employee who has not made their mind up about which charity they want to support can make a selection.

### **12.4 Attrition rates**

Very few people cancel their Payroll Giving authorisations once they have completed a form. Instead, attrition usually occurs as employees leave the place of employment and their giving is terminated along with their pay and other related deductions. The staff turnover rate is something which you should establish if you are going to approach employers to carry out Payroll Giving promotions. If it is high, you will need to factor lapsed donor or attrition rates into your forecasts and budgets. On average the current attrition rate throughout the UK is between 10-15%, but this can vary considerably with 25% evident in some businesses.

The Institute has produced a research report on this subject and recommendations to present to government requesting that Payroll Giving portability features when employees move from one employer to another. The ideal solution being the inclusion of a box on the P45 indicating when an employee has been a Payroll Giver so that the new employer is automatically aware of the fact. For further information please check the Payroll Giving SIG page on the Institute's website.

### **12.5 Seconded**

A number of organisations second personnel to work with charities on specific projects for a set period of time. Employers with declared Corporate Social Responsibility (CSR) agendas are worthwhile approaching. Through charity secondment, employers can expand the skills of staff at all levels, and provide a smooth transition to retirement for older employees through greater community involvement.

## **12.6 Post tax Payroll Giving**

Post Tax Payroll Giving was started in the early 1900s by Barnardos (then 'Dr Barnardos'). The process was simple; employees agreed to donate a sum every pay-day direct through the payroll, this was deducted from the net pay (post tax) and forwarded directly to the charity. These donations were often very small. Such schemes can be transferred to pre-tax Payroll Giving.

Post Tax Roundup Schemes also exist. This works by rounding up or down pennies to the pound from employees' pay cheques, with the difference donated to charity. In this situation, it is the employer who decides which charity will benefit. A fundraising agreement is then established between the employer and the fundraising charity setting out the terms of the arrangement. The employer may consult the staff in selecting the charity or 'basket' of benefiting charities. It could be that the charity selected is the company's charity of the year.

The employer collects the funds each month and sends them to a company whose role it is to distribute them to charity. There is no legislation in place to determine how quickly these funds are passed to benefiting charities unlike pre-tax Payroll Giving.

### **13. Where to go for further information**

#### **HMRC**

HMRC Charities provides information and support relating to all aspects of tax-effective giving at [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities) or via their helpline **0845 302 0203**. A guidance CD covering all payroll-related matters, including Payroll Giving, is available for all UK businesses.

#### **Institute of Fundraising / The Payroll Giving Centre**

The Institute of Fundraising provides support on Payroll Giving through its independent resource centre - the Payroll Giving Centre - and the Payroll Giving Special Interest Group. The Payroll Giving Quality Mark CD is distributed to employers by the PGAs, giving guidance, practical advice on promotional opportunities, success stories and simple flow charts for employers and employees. For guidance on best practice in Payroll Giving, see the Institute of Fundraising's Code of Fundraising Practice, *Committed Giving in the Workplace*, (2002). For more information, visit [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk), [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk) or call 020 7840 1000.

#### **PGAs**

The PGAs are keen to work with charities and charity consortia to develop Payroll Giving and they will provide charities with information, guidance and support. A full updated list of the approved PGAs is available online at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

#### **PFOs**

A **Professional Fundraising Organisation** (PFO) is an organisation which promotes Payroll Giving to employees. They undertake workplace campaigns and represent a 'basket of charities'. A list of PFOs is available online at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

#### **Specialist Fundraising Organisations**

See *Appendix x*.

## **Appendices**

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## **Appendix i - Payroll Giving Legislation**

### **Sections 713 to 715 Income Tax (Earnings and Pensions) Act 2003**

These sections of the Income Tax (Earnings and Pensions) Act 2003 incorporate **The Charitable Deductions (Approved Schemes) Regulations 1986**, amended 6th April 2000 and again 21st August 2000.

This legislation provides the tax relief for employee donors and defines what is meant by 'donations' for the relief. Introduced by HM Treasury, in exercise of the powers conferred on them by section 28 of the Finance Act 1986(a). The regulations cover the relationships between PGAs, Employers, Employees, HMRC and the distribution of funds to the charities specified by Employees. (Whilst Data Protection issues are not covered in the current regulations advice was obtained from the Information Commission several years ago and the view taken was that the PGAs operate as data handlers, but that the benefiting charities are the data controllers assuming that the gifts are not made anonymously).

The key factors covered by the legislation are as follows:

1. All schemes are administered by Agency Charities (Payroll Giving Agencies – PGAs) they must be approved by HM Revenue and Customs (HMRC).
2. An Employer must have a contractual agreement signed with a PGA and this must be notified to HMRC before any deductions from pre-taxed salaries can take place.
3. An Employee must authorise the Employer (usually by completing a Payroll Giving Form) to deduct from pre-taxed income the amount to be donated to a charity(ies) or to place in a voucher account.
4. The Employer is constituted the agent of the PGA in holding moneys withheld from employees' income in respect of Payroll Giving donations. The amounts must be forwarded to the PGA each month within 14 days of the end of that income tax month (income tax months begin on the 6th day of any calendar month and end on the 5th day of the following calendar month).
5. The PGA will, if so requested, give written receipts to the employer in respect of sums paid over to it.
6. In no circumstances can sums withheld and paid over to the PGA be returnable to the employer or to any employee. The PGA must pay over the donations to the charities specified by the employee no later than 60 days following receipt of the money from the employer. PGAs will deduct their administration charges before forwarding the donations.

7. The PGA will, if requested by an employee at the end of any year (tax year), give a certificate of the amounts which the PGA has paid to charities specified by the donor in respect of the deductions made. The certificate can also include the maximum time which elapsed between the PGA receiving the donation and the money being forwarded to the charity(ies).
8. If the PGA is unable to pay the amount deducted from pay to a charity specified by the employee the PGA must pay the sum to another charity which the PGA considers has objects similar to those of the charity specified by the employee. On so doing the PGA will give notice to the employee to that effect.
9. Where an employee has been provided with a voucher by which a payment may be made to a charity and that voucher has not been presented to the PGA within a time prescribed by the PGA, the PGA will pay the money to such other charity as it sees fit and will give notice to the employee that it has done so.
10. PGAs will furnish a return to HMRC each year (in effect they are provided quarterly in addition to the annual return), of the sums paid to charities, the number of participating employees and the number of active contracts.

Other points included in the regulations cover the maintenance of records, termination of contracts and statements to be provided by employers when a Payroll Giver leaves.

Since 1987, there have been two amendments to the legislation which were:

- A reduction of the time allowable to disperse donations to charities from 90 to 60 days.
- Amendments to cover the distribution of the 10% supplement from 2000 to 2004 and the removal of the upper limit on Payroll Giving from £1,200 per year.

The legislation does not cover circumstances in which a PGA forwards donations to the wrong charity in error for example when mistaking the name of the benefiting organisation - RNID and RNIB are visually similar. There is no onus on the PGA to reimburse the charity not in receipt of the donation and the recommendation is that charities should establish with PGAs how they approach such a situation, particularly if the propensity for such errors is obvious.

## Appendix ii – Model Payroll Giving Donation Form

### MODEL PAYROLL GIVING DONATION FORM

PLEASE COMPLETE THIS FORM IN BLOCK CAPITALS

SURNAME: ..... TITLE: MRS/MR/MISS/MS (Delete as appropriate)

FORENAMES: .....

HOME ADDRESS: .....

..... POST CODE: .....

TELEPHONE NO: HOME ..... WORK: .....

N.I. NUMBER (if known): ..... EMPLOYEE/STAFF NO: .....

EMPLOYER'S NAME: ..... LOCATION (Town) .....

JOB TITLE: ..... DEPARTMENT: .....

AGE (please tick box): 16-25 ● 26-35 ● 36-45 ● 46-55 ● 56 + ●

#### WE NEED TO KNOW THE FOLLOWING:

Name & address (if known) of the Charity(ies) you wish to support. (You could put the name of your charity here if you wish)	How much do you wish to give?
	£ : p
	£ : p
	£ : p
<b>TOTAL</b>	£ : p

PER MONTH/WEEK OR OTHER (specify): ..... Are you an existing payroll giver YES/NO

SIGNED: ..... DATE: .....

**What is Payroll Giving?** It's a simple and tax-effective way to support any charity of your choice. You decide how much you want to give each week or month, by completing this form, you ask your payroll department to deduct your donation from your pay at source.

**How does my donation reach my charity?** Your payroll department sends your total donation to an HMRC approved Payroll Giving Agency which forwards your gift on to your chosen charity(ies) every month.

The data supplied on this form will be used to enable your donations to reach your chosen charity/charities. In order that your instructions can be acted on, your details will be passed to Her Majesty's Revenue & Customs registered Agency, with whom your employer has contracted, who will forward your donations to your chosen charity/charities. Your chosen charity/charities may send you a thank you letter acknowledging your donation.

If you do not wish to receive acknowledgement from your charity and only wish to be contacted in the event of a specific query needed to resolve the processing of your data for the purposes of these instructions, please tick here.

Your name and address will not be passed to any other organisation by the (name of your charity).

## **Appendix iii - The Payroll Giving Quality Mark and Awards**

The Payroll Giving Quality Mark and Awards (PGQM) scheme recognises and rewards employers of all sizes for making Payroll Giving available and promoting it to staff. The PGQM was unveiled on 30th January 2006 at HM Treasury, one year after launch of the SME Grants Programme (see *Appendix ix*), and continues as a legacy beyond the lifetime of the Programme with funding from government and managed by the Institute's Payroll Giving Centre.

### **How does it work?**

The PGQM brand logo and certificate is provided to all employers with a Payroll Giving scheme in place. Bronze, Silver and Gold Quality Mark Awards are available to employers that achieve minimum employee take-up levels, as below:

#### **The Payroll Giving Quality Mark**

Each employer (private, public or voluntary sector) that offers Payroll Giving to their employees is awarded a Quality Mark. Quality Mark Awards are provided to employers that meet target participation rates as outlined below:

- Bronze QM Awards - for employers with 1 – 4% employee take-up
- Silver QM Awards - for employers with 5 – 9% employee take-up
- Gold QM Awards - for employers with 10%+ employee take-up and provide additional support, either by paying the PGA's administration fee (otherwise deducted from employee's donations), through matched giving or having carried out an active promotional campaign in the previous year

Employers are assessed on the number proportion of donors at the end of March each year. Awards are distributed between April and June.

All employers contracted to Payroll Giving receive a Quality Mark certificate with an explanatory leaflet about the PGQM Awards and a CD-ROM from which they can download the logo to use on promotional materials. Bronze, Silver and Gold Quality Mark Award winners receive

the relevant Bronze, Silver or Gold certificate and logos, along with a congratulatory cover letter signed by a senior Minister. Samples of the materials which are forwarded to employers can be obtained by calling **0845 602 6786**. An Awards application form and case studies of Gold Award winners are available online at [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk).

### PGQM Logos

The 2007 Quality Mark and Award logos are illustrated below:

MAKING A DIFFERENCE TOGETHER



BRONZE AWARD 2007



SILVER AWARD 2007



GOLD AWARD 2007



## **Appendix iv - National Payroll Giving Excellence Awards**



The National Payroll Giving Excellence Awards programme is an annual celebration of the very best Payroll Giving schemes across the UK. The Awards are presented at a prestigious event held at HM Treasury in London in October each year.

First launched in 2007, the Awards showcase best practice in Payroll Giving and recognise those employers that have created a giving culture in the workplace. Established by the Institute of Fundraising, the awards are funded by HM Government and administered by the Payroll Giving Centre. Any employer who has achieved a Bronze, Silver or Gold Quality Mark Award is eligible to submit an entry for the National Awards.

The Award categories are:

- Best Launch of a New Scheme
- Best Re-Launch of an Existing Scheme
- Best Employer and Charity Promotion
- Best Promotional Partnership
- Best SME Campaign
- Best Large Employer Campaign
- Most Successful Payroll Giving Promotion

Charities are encouraged to work with employers to apply for the relevant Award and, as employers offering Payroll Giving to their own staff, can consider applying for relevant awards themselves. Video clips of past Award winners telling their Payroll Giving success stories, further information about the Awards, the eligibility criteria and the judging panel is available online at: [www.pgxawards.org.uk](http://www.pgxawards.org.uk).

## **Appendix v – Time frame for Payroll Giving income receipt**

This section demonstrates the progressive income and cumulative donor levels that can be expected from Payroll Giving. There are a number of factors which would impact how quickly your charity reaches break-even point, including how you promote Payroll Giving and how much resource (both in terms of staffing and costs) you invest in the scheme.

**Table 2: Time frame for Payroll Giving Income Receipt (based upon static donor levels)**

This table demonstrates a likely time frame for Payroll Giving income receipts, based on static donor recruitment levels of 30 new donors per month, giving a monthly average of £8.00. The time frame reflects the anticipated 3-month delay between signing up donors and receipt of donations, assuming a monthly cost of £1,000 to the charity (to cover the employment of a part-time fundraiser and related fundraising costs).

<b>Month</b>	<b>Number of new donors</b>	<b>Monthly Income (from new donors)</b>	<b>Cumulative Income</b>	<b>Costs</b>
Apr-08	30	£0	£0	£1,000.00
May-08	30	£0	£0	£1,000.00
Jun-08	30	£0	£0	£1,000.00
Jul-08	30	£240.00	£240.00	£1,000.00
Aug-08	30	£240.00	£480.00	£1,000.00
Sep-08	30	£240.00	£720.00	£1,000.00
Oct-08	30	£240.00	£960.00	£1,000.00
Nov-08	30	£240.00	£1,200.00	£1,000.00
Dec-08	30	£240.00	£1,440.00	£1,000.00
Jan-09	30	£240.00	£1,680.00	£1,000.00
Feb-09	30	£240.00	£1,920.00	£1,000.00
Mar-09	30	£240.00	£2,160.00	£1,000.00
<b>Total (Year One)</b>	<b>360</b>	<b>n/a</b>	<b>£10,800.00</b>	<b>£12,000.00</b>

<b>Month</b>	<b>Number of new donors</b>	<b>Monthly Income</b> <i>(from new donors)</i>	<b>Cumulative Income</b>	<b>Costs</b>
Apr-09	30	£240.00	£2,400.00	£1,000.00
May-09	30	£240.00	£2,640.00	£1,000.00
Jun-09	30	£240.00	£2,880.00	£1,000.00
Jul-09	30	£240.00	£3,120.00	£1,000.00
Aug-09	30	£240.00	£3,360.00	£1,000.00
Sep-09	30	£240.00	£3,600.00	£1,000.00
Oct-09	30	£240.00	£3,840.00	£1,000.00
Nov-09	30	£240.00	£4,080.00	£1,000.00
Dec-09	30	£240.00	£4,320.00	£1,000.00
Jan-10	30	£240.00	£4,560.00	£1,000.00
Feb-10	30	£240.00	£4,800.00	£1,000.00
Mar-10	30	£240.00	£5,040.00	£1,000.00
<b>Total (Year Two)</b>	<b>720</b>	<b>n/a</b>	<b>£55,440.00</b>	<b>£24,000.00</b>

The Green Line denotes the break-even point.

Table 3: Time frame for Payroll Giving Income Receipt – (based upon fluctuating donor levels)

This table demonstrates a likely time frame for Payroll Giving income receipts, where the number of new donors fluctuates each month and the first signings take place three months later on.

<b>Month</b>	<b>Number of new donors</b>	<b>Monthly Income</b> <i>(from new donors)</i>	<b>Cumulative Income</b>	<b>Costs</b>
Apr-08	0	£0	£0	£1,000.00
May-08	0	£0	£0	£1,000.00
Jun-08	0	£0	£0	£1,000.00
Jul-08	0	£0	£0	£1,000.00
Aug-08	10	£0	£0	£1,000.00
Sep-08	20	£0	£0	£1,000.00
Oct-08	20	£0	£0	£1,000.00
Nov-08	20	£80.00	£80.00	£1,000.00
Dec-08	30	£160.00	£240.00	£1,000.00
Jan-09	30	£160.00	£400.00	£1,000.00
Feb-09	30	£160.00	£560.00	£1,000.00
Mar-09	30	£240.00	£800.00	£1,000.00
<b>Total (Year One)</b>	<b>190</b>	<b>n/a</b>	<b>£2,080.00</b>	<b>£12,000.00</b>

<b>Month</b>	<b>Number of new donors</b>	<b>Monthly Income</b> <i>(from new donors)</i>	<b>Cumulative Income</b>	<b>Costs</b>
Apr-09	20	£240.00	£1,040.00	£1,000.00
May-09	20	£240.00	£1,280.00	£1,000.00
Jun-09	30	£240.00	£1,520.00	£1,000.00
Jul-09	20	£160.00	£1,680.00	£1,000.00
Aug-09	30	£160.00	£1,840.00	£1,000.00
Sep-09	30	£240.00	£2,080.00	£1,000.00
Oct-09	30	£160.00	£2,240.00	£1,000.00
Nov-09	30	£240.00	£2,480.00	£1,000.00
Dec-09	20	£240.00	£2,720.00	£1,000.00
Jan-10	20	£240.00	£2,960.00	£1,000.00
Feb-10	30	£240.00	£3,200.00	£1,000.00
Mar-10	30	£160.00	£3,360.00	£1,000.00
<b>Total (Year Two)</b>	<b>500</b>	<b>n/a</b>	<b>£28,480.00</b>	<b>£24,000.00</b>

The Green Line denotes the break-even point.

## **Appendix vi - Attributes of a Payroll Giving canvasser**

A successful Payroll Giving canvasser should have the following skills and background:

1. At least one year's experience of working independently within fundraising, sales, marketing and/or promotions. **Desirable**
2. An open and friendly manner with excellent inter-personal and communication skills. **Essential**
3. A confident negotiator prepared to be firm in discussions with employers. **Essential**
4. The ability to communicate fairly complicated concepts in a clear and concise manner to people at all levels within an organisation. **Essential**
5. A good sense of humour and able to relate to people in the workplace. **Essential**
6. Prepared to travel and to work unsocial hours in order to be able to present to all employees. **Essential**
7. An understanding of, and a commitment to, the field of fundraising for a charity. **Essential**
8. An interest in developing knowledge of the charity and their work. **Essential**
9. The ability to handle own administration and experience of using computer software, including word processing, spreadsheets and databases. **Essential**
10. Basic numerical and financial skills. **Essential**
11. An understanding of the principles and operation of Payroll Giving. **Desirable**
12. Experience of working with outside agencies directly linked to this area of fundraising. **Desirable**
13. Commitment and motivation to work alone with minimum supervision. **Essential**

## Appendix vii - Payroll Giving and Gift Aid – the difference

The difference between Payroll Giving and Gift Aid is that, with a pre-tax payroll donation, the employee benefits from the tax relief, whereas with Gift Aid the individual will have already paid the tax and authorises the charity to claim basic rate tax against the value of their donation.

Table 4: Comparative Value & Cost of Gift Aid versus Payroll Giving Donations\*

Donation	Gift Aid		Payroll Giving	
	Value to Charity	Cost to Donor Paying Basic Rate Tax (20%)	Value to Charity	Cost to Donor Paying Basic Rate Tax (20%)
<b>£8.00</b>	£10.00	£8.00	£8.00	£6.40
<b>£10.00</b>	£12.50	£10.00	£10.00	£8.00
<b>£15.00</b>	£18.75	£15.00	£15.00	£12.00

\*The figures in this table relating to Gift Aid tax relief, are calculated on the current basic rate of tax at 20%, as introduced in April 2008. However, from April 2008 to April 2011, Government has allocated transitional tax relief to Gift Aid donations in order to compensate charities as they adapt to the lowered rate of income tax.

Because of the generous personal tax relief applicable on Payroll Giving, donors may be encouraged to give at a higher level. To ensure that the charity receives an equivalent amount to that which they receive with Gift Aid, simply request that donors gross up their gift on their donation form, thus passing the benefit of the tax relief on to the charity. For example, to gross up an £8 donation, the donor will need to make the following calculation:

$$\frac{\text{£8.00 (Proposed Donation)} \times 20 \text{ (Basic Rate Tax)}}{80 \text{ (100\% less Basic Rate Tax)}} = \text{£2.00} \qquad \text{£8.00} + \text{£2.00} = \text{£10.00}$$

Therefore, the donor must pledge £10.00 in order for their donation to carry the same value as an £8.00 Gift Aid donation, at the same cost. The table below demonstrates how much a basic rate taxpayer would need to pledge in order to generate the same value as the Gift Aid donations in the example given above, at the same cost.

Table 5: Grossing Up a Payroll Giving Donation

<b>Donation</b>	<b>Value to Charity</b>	<b>Cost to Basic Rate Taxpayer (20%)</b>
<b>£10.00</b>	£10.00	£8.00
<b>£12.50</b>	£12.50	£10.00
<b>£18.75</b>	£18.75	£15.00

If the donor is a higher rate taxpayer, the cost is calculated with a 40% reduction (rather than 20%).

Promotion of both giving mechanisms in the workplace is beneficial since a number of people may not be able to or want to give through their payroll department (for example, contractual staff and temporary officers). Therefore, the option for them to give by direct debit and complete a Gift Aid authorisation should be an available.

Basic rate income tax was reduced from 22% to 20% in April 2008 and, as such, the Gift Aid amount reclaimed by charities has dropped from 28p for each pound donated through the scheme to 25p. However, a transitional period of Gift Aid relief was agreed by government in the March 2008 budget for a period of three years (ending in April 2011) so that charities would still be able to receive the same Gift Aid amount as they have in the past in order that they are given time to adjust their fundraising activities to compensate for the lost revenue caused by the reduction of standard rate tax from 22p in the pound to 20p. For further details of the changes in Gift Aid arrangements please visit: [www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk)

## **Appendix viii - The 10% Supplement**

### **Background**

Payroll Giving was first introduced in the UK in 1987, enabling employees to make pre-tax payroll donations of up to £1,200 per donor each year. Towards the end of 1999, the Inland Revenue (now HM Revenue and Customs) conducted a review to explore what could be done to bolster Payroll Giving and ensure that it would build upon the remarkable increase evident as a result of The Children's Promise<sup>7</sup>.

### **Charity Tax Review - Introducing the 10% Supplement**

At the end of the review, Payroll Giving was re-launched as part of the Charity Tax Review of Budget 2000, to include a 10% government supplement (uplift) on all payroll donations. The supplement was to be applied to Payroll Giving donations for a period of three years, until the end of March 2003. At the same time, the pre-existing ceiling on Payroll Giving - £1,200 per donor per year was abolished and a major £2 million promotional campaign was carried out by the Inland Revenue.

The 10% supplement was intended as an added incentive for employees to donate through the scheme and for charities to use the additional income to invest in Payroll Giving fundraising. The supplement had an immediate effect in increasing the amount of money received by charities as many high level donors donated annual bonuses. And, following a campaign by the Payroll Giving Working Group, the supplement was extended by a further year to April 2004.

### **Impact of 10% Supplement**

In 1999/2000 £37 million was donated through Payroll Giving and, during in the last year of the supplement (2003/04), £85 million was donated, representing a significant rise. A key benefit of the scheme was also the raised awareness levels of Payroll Giving.

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<sup>7</sup> Led by Marks & Spencer, employers were encouraged to enable employees to donate their last hour's pay of the previous millennium to benefit several children's charities. The Children's Promise emphasised a commitment that all children, in the new millennium, should have a better life.

The 10% supplement worked well in engaging employees (particularly higher rate taxpayers) to donate through existing Payroll Giving schemes, but was insufficient in encouraging many new employers to put schemes in place. A number of factors are thought to have diluted the growth potential of Payroll Giving, particularly the restructure of Gift Aid (also in Budget 2000).

At the same time as the upper limit on payroll donations was removed, so was the minimum donation level of £250 for Gift Aid. Donors were provided with an array of tax-effective giving options, with Gift Aid more widely and readily accessible. Promoted actively by charities that benefit from an extra 28p<sup>8</sup> in every £1 donated through the scheme, its usage has risen monumentally since this key change was implemented. Few charities took the opportunity to 'ring fence' funding generated through Payroll Giving to invest in this form of fundraising. As such and, in competition with Gift Aid, the growth of Payroll Giving was disappointing.

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<sup>8</sup> Prior to changes to the Basic Rate of Tax, implemented in April 2008.

## **Appendix ix - The SME Grants Programme**

### **Background to the SME Grants Programme**

By 2004 a significant number of larger employers now offered Payroll Giving, but the challenge was to engage small and medium sized enterprises (SMEs), employing up to 499 employees. This is a sizeable marketplace with 11.5 million employees and 1,222,000 employers, of which 65% employ between 1 and 4 people<sup>9</sup>.

In recognition of charities' need for sustainable and unrestricted income streams, Government has invested in Payroll Giving since 1987. After a period of slow growth, the SME Grants Programme was introduced to entice SMEs to make Payroll Giving available to staff, thereby enabling a further 47% of the UK workforce to support charities in this way.

In 2004, the Chancellor's Budget Report announced that a Grants Programme would be introduced to encourage more SMEs to make Payroll Giving available to their employees. The government-funded SME Grants Programme was launched in January 2005, delivered in partnership by the Institute of Fundraising and Business in the Community.

### **Aims and Objectives**

The key objectives of the Grants Programme were to increase the number of SMEs offering Payroll Giving schemes, number of employees giving to charity through the payroll and the amount of income to charities through Payroll Giving.

### **Structure of the SME Grants Programme**

The key elements of the SME Grants Programme were:

- a) **SME Employer Grants**; A one-off grant of £300, £400 or £500 was provided to each SME signing up to the scheme, tiered according to the number of people employed 1-199, 200-249 or 250 – 499. Grants were available to employers that signed up to Payroll Giving

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<sup>9</sup> Source: Small Business Service Statistics 2002.

between April 2004 and 31<sup>st</sup> December 2006, backdated for those that contracted between April 2004 and the launch of the Programme. Employers were given the option of donating their grant to charity / charities.

- b) Matched Giving; The Grants Programme provided matched giving of up to £10 per month for the first six months of each employee’s gifts. Matched giving applied to SME employee donations that commenced between April 2004 and 31<sup>st</sup> March 2007. (The time period for matched giving extended three months beyond the closing date for employer grants, to give employers joining at the tail end of the Programme some time to promote the scheme to employees).
- c) Quality Mark Awards for Employers; The introduction of a Quality Mark and Awards scheme recognising and rewarding employers that made Payroll Giving available to staff, (see *Appendix iii*).

### Results

The SME Grants Programme generated almost £7 million for UK charities during its lifetime. Employee participation and donation levels continue to grow. The sustainable annual income of payroll donations for charities from donors engaged during the lifetime of the Programme is approximately £1.75 million per annum. 58% of the Grants distributed by the PGAs were received by charities.

Table 6: Funds Raised for Charities

<b>Source of Funds Raised</b>	<b>Amount</b>
Payroll donations (from employees of newly contracted SMEs)	£5,905,473
Matched Giving	£592,691
Employer Grants	£500,700
<b>Total</b>	<b>£6,998,864</b>

Almost 3,500 employers signed up to Payroll Giving during the lifetime of the Programme, exceeding the target figure of 3,328 by 5%. As a result, the total number of employees able to become payroll donors grew by over 200,000. The awareness campaign for Payroll Giving influenced employers beyond the SME marketplace to sign up and the number of UK employers contracted to the scheme increased by 39% in just over two years.

In terms of the number of people donating to charity through the new SME Payroll Giving schemes, progress against target was disappointing. An ambitious target of 71,892 new employees was set and the actual number of employees signed up came in significantly beneath that, at under 16,000. A number of factors influenced the growth in take-up of Payroll Giving amongst SME employees; particularly the delay between employers signing up to the scheme and promoting it to their staff. 34% of new SME employers signed up to Payroll Giving during the last 3 months of the Programme, leaving little or no time for promotion to employees. As many as 20% of newly contracted employers had not forwarded any employee donations by the closing date of the Programme.

However, the Payroll Giving Quality Mark and Awards scheme was introduced in January 2006 with this target in mind, aiming to engage more employees in Payroll Giving by rewarding employers for achieving target take-up levels. The scheme was quick to take effect. By March 2007, the number of employers achieving the Gold target 10% employee participation rate had almost doubled. The scheme continues, alongside the National Payroll Giving Excellence Awards, to make progress in attracting new employers and employees to Payroll Giving.

The SME Grants Programme succeeded in attracting a raft of employers to Payroll Giving. The challenge is now, through the Payroll Giving Quality Mark, to encourage those employers to actively and regularly promote Payroll Giving, building employee participation year on year, and to continue to engage new employers with the scheme.

## **Appendix x - Specialist Organisations**

### **Organisations specialising in monitoring Payroll Giving income are:**

Payroll Giving Monitoring Service  
25 Meadow Road, Salisbury  
Wiltshire SP2 7BN  
Telephone: 01722 329337  
Website: [www.pgmsuk.com](http://www.pgmsuk.com)

Bell Fundraising Ltd, Estate House  
2 Pembroke Road, Sevenoaks  
TN13 1XR  
Telephone: 01732 459010  
Email: [hwasey@bellfundraising.co.uk](mailto:hwasey@bellfundraising.co.uk)

### **Organisations specialising in training, guidance and support for charities are:**

CC Works Ltd,  
Ospringe House  
57 Island Road  
Upstreet  
Nr Canterbury  
Kent  
CT3 4BZ

Workplace Giving UK  
2nd Floor Cavendish House  
369 Burnt Oak Broadway  
Edgware  
Middlesex HA8 5AW  
Telephone: 020 8731 5125  
Email: [payrollgiving@workplacegiving-uk.co.uk](mailto:payrollgiving@workplacegiving-uk.co.uk)

Maria Jacobs  
Fundraising and Management Consultant  
79 Ham Lane,  
Pedmore, Stourbridge  
West Midlands DY9 0UB.  
Telephone: 01562 882543  
Email: [maria.jacobs@hotmail.co.uk](mailto:maria.jacobs@hotmail.co.uk)

### **Payroll Giving Agencies and Professional Fundraising Organisations**

A list of Payroll Giving Agencies and Professional Fundraising Organisations can be found online at [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities).

The Association of Payroll Giving Organisations (APGO) encompasses both PGAs and PFOs, the Association is the result of the merger between the Association of Payroll Giving Agencies (APGA) and the Association of Payroll Giving Professional Fundraising Organisations (APGPFO). Visit [www.apgo.org.uk](http://www.apgo.org.uk) for more information.

### **Institute of Fundraising**

The Institute of Fundraising is the professional membership body for UK fundraising. The Institute's mission is to support fundraisers, through leadership, representation, standards setting and education, to deliver excellent fundraising.

Institute of Fundraising  
Park Place, 12 Lawn Lane  
London SW8 1UD

Web: [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)  
Email: [info@institute-of-fundraising.org.uk](mailto:info@institute-of-fundraising.org.uk)  
Tel: 020 7840 1000  
Fax: 020 7840 1001

### **The Payroll Giving Centre**

The Payroll Giving Centre is an independent resource centre for Payroll Giving, established by the Institute of Fundraising.

The Payroll Giving Centre  
PO Box 52709  
London  
EC3A 6AU

Web: [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk)  
Email: [info@payrollgivingcentre.org.uk](mailto:info@payrollgivingcentre.org.uk)  
Tel: 0845 602 6786

## **Appendix xi - List of all contributors**

Thank you to all contributors including:

- Ilene Hoyle, Consultant
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- Tina Steele, Payroll Giving Consultant
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- Payroll Giving Centre