Response to HM Government Consultation on Payroll Giving

Charities Aid Foundation
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Introduction

0.1.1 The Charities Aid Foundation (CAF) is a registered charity that promotes charitable giving and provides financial services and social finance to not-for-profit organisations. We help donors – including individuals, major donors and companies – to give more effectively whilst providing financial and fundraising solutions for charities in the UK and internationally, helping good causes to manage their resources more effectively. We also have a strong track record in research, policy and advocacy, working across a range of issues to ensure the best possible funding environment for charities.

0.1.2 CAF operates the largest payroll giving agency in the UK, ‘Give As You Earn’, which helps over 3,000 companies and 400,000 staff to give nearly £80m to charity each year.

0.1.3 CAF has a strong history of campaigning for changes in policy and legislation in order to improve the giving environment and to secure supportive legal, fiscal and regulatory conditions for donors, charities and social enterprises. Our knowledge and understanding – gained through direct experience and research – makes us a trusted voice on giving and the effective use of charitable funds.

0.1.4 We are currently running the “Back Britain’s Charities” campaign in partnership with the National Council for Voluntary Organisations (NCVO).\(^1\) This aims to promote the vital work of charities in the UK and to encourage individuals, businesses and the Government to continue to support them during these difficult economic times.\(^2\) One of the key asks of this campaign is to encourage and enable people to give more regularly, and reform of the Payroll Giving system is an important element of this.

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\(^1\) [www.backbritainscharities.org](http://www.backbritainscharities.org)

\(^2\) The campaign was launched following the finding in [CAF/NCVO’s 2012 UK Giving report](http://www.backbritainscharities.org) that charitable donations had fallen by 20 per cent in real terms during 2011. Subsequent research reiterated the importance of the issue - we found that [one in six senior charity executives were concerned that their organisation faced the risk of closure in the coming year](http://www.backbritainscharities.org).
Response to Consultation Questions

Question 1
Do you agree that there is scope to improve Payroll Giving to increase the number of:
• employers offering a Payroll Giving scheme
• donors using Payroll Giving
to lead to additional giving overall, without affecting other forms of giving, such as
donations made under Gift Aid?

What would you recommend to increase these numbers?

1.1 Scope to improve Payroll Giving:

1.1.1 There is certainly scope to improve Payroll Giving and improve both the
number of employers offering the scheme and the level of uptake by
employees when the scheme is on offer. Currently the percentage of people
in employment who donate through payroll giving stands at 2.8 per cent,\(^3\)
compared to the number of people who donate to charity by any means
during a given month, which stands at 55 per cent.\(^4\) This disparity suggests
that there is room to increase the number of donors giving through their
payroll.

1.1.2 There are also stark variations in use of payroll giving according to donor
characteristics. For instance, our analysis shows that both donors aged 30 to
49 and those aged 50 to 64 are more than twice as likely to use Payroll Giving
as those under 30.\(^5\) Likewise, there are marked regional differences:
employees in Northern Ireland are more than three times as likely - and
those in Merseyside nearly twice as likely - as those in London to use Payroll
Giving.\(^6\) (Obviously there are relevant factors here that may help to explain
this variation, such as the split between public and private employment in a
region, but the point remains that there would appear to be scope for raising
participation rates across the board).

1.1.3 Payroll Giving bucks some of the main trends that affect overall charitable
giving. Most importantly, the gender difference seen in the general case is
reversed: in general, levels of giving are higher amongst men than amongst
women, whilst the opposite is true for Payroll Giving. Currently 3.4 per cent
of men in employment give via Payroll Giving, whilst only 2.2 per cent of
women do.\(^7\) In general terms, however, 58 per cent of women donate money
to charity every month compared to 52 per cent of men.\(^8\) This suggests that
Payroll Giving could be a tool to engage one of the hardest-to-reach donor
groups; namely young men.

\(^3\) CAF, The Journey So Far... Insights into 25 years of Payroll Giving, 2012
\(^5\) CAF, op cit.
\(^6\) Ibid.
\(^7\) Ibid.
\(^8\) CAF/NCVO, Op Cit.
Payroll Giving remains a small part of overall charitable giving. Only 3 per cent of donors give via Payroll Giving in a typical month. However, the average value of a Payroll Giving donation is higher than for a cash gift (£8 as opposed to £5). The system also has specific characteristics that make it desirable as a method of giving. It is regular and also “sticky”, in the sense that once donors are in the scheme they are unlikely to withdraw from it (unless they move employer) or vary the amount they give. This sort of predictable donation is for many charities the “best kind of gift”, as it represents a stable income stream and can be used in forward planning. The converse, of course, is that Payroll Giving donors are also unlikely to make an active decision to increase their donations through the scheme once it is set up. A number of interested parties, including the Cabinet Office Behavioural Insights team, are looking into the possibility of ‘automatic escalation’ of Payroll Giving donations to overcome this problem.

One concern, as always when looking at ways of encouraging charitable giving through one particular channel, is that if we successfully increase uptake of Payroll Giving, this may come at the expense of another form of giving rather than bringing in truly new donations. However, there is some cause for optimism because the available research suggests that a reasonable proportion of donors who give through Payroll Giving do not give using any other method. This does not mean that cannibalisation is not a problem - if levels of Payroll Giving usage rise in general, it will inevitably mean that donors who were using other forms of donation are now giving through payroll, and this may be at the expense of their previous methods of giving. However, it does suggest that Payroll Giving might appeal to some people who are not drawn to other forms of giving, and thus offer the possibility of widening the donor pool.

Some of the key issues that need to be addressed in order to increase uptake of Payroll Giving by both employers and employees are addressed briefly below. In many ways, however, since this is the central challenge that needs to be addressed in attempting to reform Payroll Giving, almost all the points made in this consultation response will be relevant to it.

Our focus in this submission is on answering the questions posed in terms of changes that could be made to the way the Payroll Giving system operates and the role that the government can play. However, we should make it clear that CAF is also continually looking for ways to improve the Payroll Giving product we are able to offer within the current parameters. Our focus recently has been on using technology to enable employers to offer a platform that allows employees to take a more active role in managing their donations.
Payroll Giving donations, and on using technology to strengthen the links between charities and donors who give to them via Payroll Giving.

1.2 Increasing the number of employers offering the scheme

1.2.1 In order to increase the number of employers offering Payroll Giving to their employees without simply mandating them to do so, (an option that is explicitly ruled out in the consultation document), it is necessary to understand the motivation for companies offering it as a benefit. This obviously varies from organisation to organisation, but there are a number of clear motivations shared by many companies, including the following.

1.2.2 **Employee engagement and retention:** For some companies, Payroll Giving is seen primarily as an employee benefit, and an important part of an overall package designed to attract new joiners and keep existing employees engaged and satisfied. In this case, responsibility for Payroll Giving may rest largely within the HR department. Increasingly, employers are interested in the wellbeing of employees in a broad sense, and many believe that workplace giving can play a key role in improving this wellbeing. There is an increasing amount of evidence that for young people entering the job market, the values of an employer are an important consideration: one company has even reported to us that the corporate social responsibility section of their website is the second most viewed section by graduates, after the careers page. As the main available structure for workplace giving, Payroll Giving is seen as a vital element of this picture.

1.2.3 **CSR strategy:** For some companies, Payroll Giving is seen as a tool to position individual workplace giving within a broader corporate philanthropy, CSR or sustainability strategy. In this case, responsibility for Payroll Giving may lie with a dedicated CSR department. If Payroll Giving is viewed in this way it may be explicitly linked to a corporate charitable trust, or to specific corporate charity partners in order to emphasise the CSR angle. Obviously an employee of such a company would still be able to give to any charity of their choice via payroll giving (as the employer has to allow this), but the employer may limit additional benefits, such as match funding, to donations to the specified charities or appeals.

It is worth noting that Payroll Giving is far less likely to be viewed in this way by smaller companies, and that it is these that present the real challenge in terms of attraction and retention.

1.2.4 **Brand and reputation:** Payroll Giving may also be seen as an important part of a company’s wider brand and reputation management strategy. This is particularly true when there are awards and recognition associated with it, such as the Payroll Giving Quality Mark. Many employers see this as a valuable tool that allows them to benchmark their own success and publicise
it to others, and many have expressed concerns about proposed plans to stop funding the quality mark in the future.

1.2.5 The other key element of getting more companies to sign up for Payroll Giving is to make it as easy as possible for employees to find out whether their employer offers the scheme, and if it doesn’t, for those employees to be able to express a wish that consideration is given to starting a scheme. This would probably be the most powerful incentive for companies, as it would give them a clear sense that there is a strong demand from their own employees. It would also be in the interests of fundraisers, because one of the key barriers to charities promoting Payroll Giving to prospective donors is that the donor must know whether their employer is registered for the scheme, and if they are not registered the donor must go away and try to convince them to set up a scheme. If this process is made as easy as possible, charities might be more inclined to promote Payroll Giving as an option to donors.

1.2.6 There is currently no tax incentive for employers to offer Payroll Giving schemes. One possibility would be to allow Payroll Giving to be run on a salary sacrifice basis, in the way that some pension schemes are, where the employee effectively forgoes a portion of their salary as payment into the scheme. This way employees would continue to receive the same benefits they currently enjoy but employers would also receive relief on their National Insurance contributions, which for many companies could act as an additional incentive to set up and promote Payroll Giving.

1.3 Increasing the number of employees using Payroll Giving:

1.3.1 Once a company has set up a Payroll Giving scheme, they still face the challenge of getting employees to take advantage of it. Some companies really struggle with this, and have participation rates of less than one per cent, but others have found ways to make Payroll Giving a core part of the fabric of their organisation and have as a result achieved participation rates of 25 per cent or higher. In a large company, this represents a sizeable pool of donations. There is no magic bullet that will ensure good levels of take-up of Payroll Giving, but again there are some common approaches shared by many companies which make a success of the scheme.

1.3.2 Leadership: One of the key factors that appears to influence whether Payroll Giving is a success within an organisation is the extent to which it is seen as having support from those at the top. If the CEO or Chairman is clear about the value of the scheme and the role it plays in the overall culture of the organisation, it sends a strong message to employees. This support can be demonstrated in many different ways: some companies carry letters from the CEO in annual CSR or sustainability reports that may talk about the importance of Payroll Giving, while other companies target things more to the individual and ensure, for example, that any employee enrolling in Payroll
Giving gets a personal message from the Chairman either encouraging them to join the scheme or welcoming them when they do join.

1.3.3 **Match funding**: One way that many employers incentivise people to use Payroll Giving is by offering to match their donations through the scheme. The matching ratio varies from employer to employer; many also put a cap on the total value of donations by an individual that will be matched each year. As discussed above (1.2.3), some organisations may offer matching on an employee’s donations to any charity, while others may restrict matching to donations made to charities which are official partners of the company or “charity of the year” if Payroll giving is linked to the CSR strategy.

1.3.4 **Clear and simple explanation**: Almost all companies that have made a success of Payroll Giving have ensured that they give staff clear and simple explanations of what the scheme is, how it works, what the benefits are and why the organisation sees it as important. The crucial point at which to do this is obviously when an employee joins the company, as this is when they are already thinking about HR issues and so more likely to be receptive to information about signing up for an additional employee benefit. Although there is a danger that companies simply put a Payroll Giving form in the starter pack and assume that is all that needs to be done, so the chance to have a more specific and detailed conversation about the benefits of Payroll Giving is lost.

There may also be other junctures, such as fundraising campaigns, that act as obvious focal points for internal promotion campaigns about the benefits of Payroll Giving. The Government can also play a part here, in ensuring that any material about Payroll giving that they provide for companies or employees is clear and conveys appropriate messages.

**Question 2**

*Do you agree that non-charitable organisations should be allowed to enter the Payroll Giving Agency market to improve the supply side of the sector?*

*If non-charities are allowed to enter, how do we ensure a level playing field between participants?*

**2.1 Competition**

2.1.1 Our general position is that increased competition in the Payroll Giving market could be an extremely positive thing, if it is done in such a way that it maximises the scope for innovation and improves the experience of employers, employees and charities. Involving non-charitable providers in an appropriate way could help to achieve this ambition.
2.1.2 However, we do not believe that simply opening up the existing payroll giving market to commercial organisations is necessarily the answer. There is a significant risk that such a move would fall flat, because no commercial providers opted to move into the market, or that it would lead to undesirable consequences, because non-charitable providers decided that the only way to make payroll giving a commercially viable endeavour is to deliver it in a way that ends up going against the best interests of donors and charities.

2.1.3 Without more fundamental reform of the system, it is hard to see what the appeal would be for a non-charitable organisation to register as a Payroll Giving Agency. There are likely to be significant up-front capital costs in terms of developing the systems required to validate charities and process payments, and a commercial provider will want to find a way to recoup these costs over time. This would appear to leave a few broad options:

A) Recoup the capital costs through subsequent revenue generation. Since the only obvious revenue stream is the fees charged to donors (or potentially paid by employers on their behalf), this would require charging fees that were much higher than those charged by existing providers, as they would be expected to cover running costs and initial capital costs. Additionally it might take many months/years to build a sufficient client base to generate a suitable revenue stream, especially as new entrants would be at a disadvantage in an existing market. The large PGAs that currently exist created their customer bases from virgin territory – i.e. the scheme was new and employers did not have a relationship with a provider.

B) Cut costs through improved efficiency, and thereby potentially win new business and deliver higher profit margins. The difficulty here is that whilst there may well be room for increased efficiency in the delivery of payroll giving, as there is in most areas of business, it is hard to see where there is such great potential for cost-saving that it justifies the capital investment or provides a compelling commercial advantage in a marketplace where there is a great deal of inertia. The experience of existing PGAs is that the level of dissatisfaction that customers have to have with their current provision in order to contemplate moving to another provider is really quite high. This suggests that the scope for winning business away from competitors on the basis of lower prices achieved through cost saving is limited. If cost was the main concern of employers, the largest percentage of Payroll Giving contracts would be with the cheapest provider, but this is not the case. Furthermore, if all that happens is that new entrants take business from existing providers, the market will not actually grow. This would not appear to match the ambitions outlined in this consultation.
It is possible that costs could be significantly reduced, for instance by radically reducing the number of charities that donors are able to donate to. In the extreme version of this scenario, payroll giving could look something like the current system of ATM giving, where donors are only able to choose from a proscribed list of ten or so charities. It is more likely, however, that donor choice would be limited only to registered charities. This would make the system far simpler to implement and run, but at the cost of allowing donors proper choice. We believe that donor choice is a fundamental principle that must be protected in any amended system of payroll giving, and that this choice must encompass charitable organisations that are not registered charities as this is a vital feature of the current system. (See 2.3.1 for further detail) We would strongly oppose any change that allowed choice to be limited.

C) Write off the capital costs as CSR spending. It is possible that a large company with much of the existing technology and processing infrastructure to deliver payroll giving could decide to develop their own system and view the associated capital costs as CSR expenditure. This is essentially the approach taken by BT in the development of their MyDonate fundraising platform. This has not had the effect of fundamentally altering the fundraising marketplace, with many charities still choosing to use “charging” competitors.

One further possibility would be that a company of sufficient size might decide to set up its own payroll giving system and register itself as an agency so that it could deliver payroll giving for its own employees without having to engage an external agency. However, the arguments outlined above about the lack of a compelling business case also apply here.

2.1.4 We are not saying that market forces cannot be brought to bear in order to deliver many of the benefits the consultation outlines as desirable: “more investment, dynamism and innovation”, “keeping pace with new ideas” and “improving the service for donors, employers and, ultimately the recipient charities”. What is crucial is that the point at which market forces are introduced needs to be chosen carefully, rather than simply assuming that opening up the payroll giving marketplace in its current state to commercial players will deliver all of these benefits.

2.1.5 We believe that the best option would be to combine greater consolidation of the back end of the payroll giving system with a front end that allows providers from all sectors to compete in terms of user experience and added value, in such a way that it drives the kinds of innovations that could make a real difference to the perception and use of Payroll Giving.
2.2 Consolidating the back end of the Payroll Giving system

2.2.1 Consolidation of the back office functions of Payroll Giving (such as processing, data handling, payment management etc.) by creating a centralised infrastructure could go a long way towards addressing many of the criticisms of the system.

2.2.2 This centralised infrastructure could be established in a number of different ways. For instance, it would be possible for the Government to issue a single licence to deliver the system, for which providers would compete (similar to the National Lottery model). Equally, it would be possible for a new entity to be created based on a shared ownership model in which existing (and potentially new) Payroll Giving Agencies have a holding (similar to the model of BACS, the non-profit organisation which deals with inter-bank payments in the UK). This may also address the 30 day disbursement and donor drop off questions in the document.

2.2.3 The idea of consolidation is considered in passing in the Government’s consultation document. However, this is only in the context of the idea of “a super-PGA... who would administer the registration of employers and donors, collect donations, and disburse payments to charities”. The idea is ruled out on the grounds that the ambition to make Payroll Giving “as dynamic, appealing and as cost effective as possible to donors, employers and charities” is “unlikely to occur under a single monopolistic provider.”

2.2.4 We believe that this criticism is flawed, and rests on the assumption that consolidation of the back office would simply mean artificially limiting the market to a single PGA within the current system. We would argue that consolidation of the back office, if it is done in the right way- either using a license model or using the model of a new company set up with existing PGAs as stakeholders - would actually open up more room for innovation. By removing the need to replicate back office functions (validation, processing, data collection etc), many of the major barriers to entry for new players in the market would be removed. As long as the system was set up to ensure that it was open for 3rd party developers to use through an API, competition amongst providers could occur, but with user experience as the driver.

2.2.5 The advantage of such a two-pronged approach, in which the back office is consolidated and innovation and competition can occur via a third-party API, is that competition would be focused on user experience rather than on cost. As outlined earlier (2.1.3), we do not believe that there is clear evidence that there is potential to significantly cut costs within the existing PGA market without undermining basic tenets of the system such as donor choice. This would be particularly true for new entrants who would have to recoup initial capital costs as well as ongoing running costs. Hence an expanded version of the existing market in which new providers are expected to win business off
existing providers by beating them on price and offering a better user experience seems an unappealing prospect for commercial organisations, and would once again not lead to any growth in Payroll Giving. If there is no compelling business case in this scenario (except perhaps the CSR option outlined earlier), there is a danger that expansion of the market will fail to have the desired impact. In the two-pronged approach, however, there would be no need to replicate expensive back office functions, and hence more room for investment in developing front-end solutions that could have a transformative effect on Payroll Giving.

2.2.6 As stated above (2.2.1), we believe that competition could play a key role in driving innovation in Payroll Giving and improving the experience of donors, employers and charities. However, we believe that a structured process of market development based on a two-pronged approach like that outlined above is more likely to deliver this than simply opening up the market in its current form to non-charitable PGAs and hoping that this will deliver the desired transformation.

2.3 Maintaining a key principle of Payroll Giving

2.3.1 Donor Choice: We believe that it is fundamental to the integrity of Payroll Giving that donors are able to give to any validated social purpose organisation of their choice. In the case of CAF’s Give As You Earn scheme, this is not limited to organisations that are registered with the Charity Commission or HMRC, as we will independently validate organisations such as community groups that are not registered charities. This is important because places of worship, for instance, are significant recipients of Payroll Giving donations and not all of these are registered charities.

As highlighted above, one of our key concerns about the opening up of the Payroll Giving market is that the commercial market pressures could act as an incentive to limit donor choice as a way of reducing costs. We believe it is crucial that the principle of donor choice is protected in any new system of Payroll Giving.

**Question 3**

Do you agree that the maximum time between the PGA receiving the money or the notification from the employer/pension scheme administrator and the PGA paying the money to the charity should be reduced from 60 to 30 days?

Is 30 days the right target to aim for and do you see any disadvantages in reducing the time limit?

3.1 In our role as a PGA, CAF aims to make payments via our Give As You Earn scheme to a donor’s nominated charity within 30 days. We believe that this is a realistic ambition, but would also highlight the fact that the ability to meet
this commitment is dependent on a number of variables, not all of which will necessarily be in a PGA’s power to control. For instance, the ability to commit to payments within 30 days may be contingent on the extent to which the PGA’s payment dates fit with those of the donor’s employer. It is also heavily dependent on the PGA receiving the donor’s instructions on where they wish their gift to go at the same time as the donation itself, and this is often problematic. As a PGA, we often receive payments from employers for which we have no instructions, and subsequently have to chase for further details.

3.2 It is worth noting that there is also a balance to be struck between getting money through to charities in good time and simply passing money straight through to them as soon as it is received. For many charities, the latter approach would present significant difficulties in terms of managing income, reconciling banking details etc. One of the responsibilities of a PGA should be to take some of this burden off charities by consolidating payments appropriately.

3.3 Despite these caveats we believe that 30 days is a reasonable target to aim for, and that there would be clear benefits in shortening the length of time between an employee feeling as though they have made a donation and that donation being passed on to the relevant charity. It may be that this entails greater cost on the part of the PGA, however, and this may be passed on to the donor in the form of increased fees.

**Question 4**
Do you believe that Payroll Giving forms for donors and employers should be standardised?

Within 30 days of a PGA receiving notice that an employee has left a company, or when a PGA hasn’t received a donation from a regular donor, should the PGA write out to the donor with:

- a standardised new enrolment form for Payroll Giving for them to complete and pass to their new employer?
- a direct debit / Gift Aid form made out to their existing charity?

In the absence of any notification of leaving, how long should a PGA wait before writing out to the donor? Would a period of three months be appropriate?

Should the PGA also contact the charity informing them of the employee and their pending, or assumed, departure, allowing the charity to contact them directly (where donor has given consent for their details being passed)?

What else can charities, PGAs and other stakeholders do to ensure that when a donor moves job they maintain their charitable giving relationship?
4.1 The central issue here is how to reduce Payroll Giving donor attrition rates when employees move between companies. The elephant in the room, however, is that Payroll Giving can never be a truly portable system unless it is universally available for employees, and that would require the government to make it mandatory for all employers to offer the system. This option is explicitly ruled out in the consultation document.

4.2 If true portability is not possible, then the question is how can we get at least part of the way towards it? Standardisation of forms and better methods of notifying donors are identified in the consultation document as the key tools for increasing portability, on the assumption that this will make it easier for donors to remain in the Payroll Giving system when they switch employers.

4.3 It is worth noting that standardisation of forms is not universally seen as a good thing. We consulted a number of employers that operate Payroll Giving schemes who said that tailoring the materials that they give to employees is important to them, and that their ability to do this could be hampered if there were strictly standardised forms of wording.

4.4 The proposal to combine consolidation of the back end of the Payroll Giving system with a front end third-party API as outlined above (2.2) would result in significant benefits in terms of portability. Since a single entity would now be responsible for data management and processing, once a donor’s details were on the system it would be a simple matter for that donor to switch employer, even if that also meant switching between 3rd party providers. This might require an equivalent of the Porting Authorisation Code (PAC) used in the mobile phone industry when transferring mobile telephone numbers between providers, in order to ensure that donors are able to switch payroll giving suppliers easily.

4.5 The consolidation of the back end of Payroll Giving would not solve the problem of donors who move from an employer that offers Payroll Giving to one that does not. However, as explained above (4.1), this will remain a risk for as long as the system is not universally offered. One step that could be taken within the existing framework (as identified in 1.2.5) would be to find a way for existing Payroll Giving donors to express their desire to continue in the scheme to a new employer that doesn’t offer it. This should be offered as an option when PGAs or charities contact donors who they believe to have left an employer.

4.6 Sharing donor details with charities

4.6.1 In general, we believe that PGAs should share donor information with charities if the donor has given their consent for this to happen, both on an ongoing basis and particularly when there is a suspicion that a donor has left a scheme.
4.6.2 When it is assumed a donor has left a scheme, either by electing to do so or because they have moved jobs, the best course of action would be for PGAs to notify the beneficiary charities. The charities could then contact the donor (if they had given their consent) and explore suitable options for continuing support. The benefit of doing this would be that donor would be more likely to see their relationship as being with the charity than with the PGA (or if applicable a PFO), and this would be desirable in terms of strengthening the donor-charity link and in terms of increasing charities’ perception of Payroll Giving as a valuable fundraising mechanism.

4.6.3 One practical difficulty with sharing donor details with charities is that it generates increased costs. Currently CAF (and most other PGAs) charge a fee to charities for passing on donor information, but not all charities are willing to pay such a fee. Another practical difficulty is that charities may have unrealistic expectations about the scope of the information that PGAs hold: they may want access to items of data such as personal email addresses or National Insurance numbers that PGAs either do not collect or would not be at liberty to share. This is understandable from the charity’s point of view, as they ideally want enough information to be able to target the donor independently, but it can cause friction in the relationship between charities and PGAs.

Question 5

Whilst respecting confidentiality, how can we require agencies to be more open and transparent in relation to their data on participation of employers, donations, fees and length of processing times?

What other information would be most useful to employers, charities and donors in relation to Payroll Giving Agencies?

How can this information be made most accessible to interested parties?

5.1 By and large PGAs are already transparent with their fees, and openly declare the various charges they make for elements of their service. Furthermore as charities, PGAs are obliged under the Charities Act 2006 to declare voluntary income and publish their annual accounts through the Charity Commission website (and Payroll Giving donations would be qualified in accounts).

5.2 We agree that it could be useful for there to be appropriately anonymised information about levels of participation in Payroll Giving amongst companies in particular sectors. This would allow the companies themselves to benchmark their own engagement in the scheme, and would allow charities to measure their investment in Payroll Giving as a fundraising mechanism.
Charities Aid Foundation response to HM Government Consultation on Payroll Giving

Question 6

What activities of PGAs would be suitable for self -regulation and what activities, if any, should be subject to statutory regulation?

Do you have any views on the assessment of impacts made at Annex A? How do you think reforms to the regulations around Payroll Giving will affect the take-up?

6.1 Payroll Giving Agencies are already quite heavily regulated. As PGAs are currently required to be registered charities they are subject to regulation by the Charity Commission, Companies House and HMRC, with additional opt-in regulation by the FRSB. It is arguable that any further self or statutory regulation would place an unnecessary burden on PGAs that could hinder innovation and/or drive up the cost of service provision.

6.2 The expansion of the market place to include commercial entities would raise new issues. In particular, consideration would need to be given to how charity monies would be ring-fenced to protect from possible company insolvency. Currently, because PGAs are registered charities, any money held by them has effectively passed the charitable threshold and so there are existing mechanisms to ensure that those funds still go toward a charitable purpose. This would not be the case for a commercial organisation, so there would be a danger that money that donors believed had already been given to charity would in fact end up being paid out to creditors unless specific rules were put in place. This may require specific arrangements for the holding of client money or the appointment of an independent custodian, analogous to arrangements often made in the investment management industry.

6.3 In addition, charities must ensure that they comply with the legal requirements detailed in Part II of the Charities Act 1992 and The Charitable Institutions (Fund-raising) Regulations 1994 if they are involved in, or thinking of becoming involved in, fund-raising with a commercial partner. This may have implications should PGAs become commercial operators, in terms of placing an additional financial and legal burden on charities.

Question 7

Do you agree that HMRC specifically and HMG in general should re-phrase its advice on Payroll Giving to emphasise the increased gift to charities rather than the decreased cost to the donor?

Do you agree that HMG should encourage PGAs, PFOs and charities to present this scheme in the same manner to ensure a consistent message?

Do you have any suggestions about what more Government can do to promote Payroll Giving?
7.1 Wording advice on Payroll Giving

7.1.1 Rewording the advice given about Payroll Giving may be worth doing, but there would need to be clarity about what the purpose was (presumably to drive greater participation and thus more donations), and evidence that any proposed change would achieve this. We are aware, as mentioned in the consultation document, that the Cabinet Office Behavioural Insights unit is doing some work looking at “nudges” that could be used to encourage greater use of Payroll Giving, and that some of these involve experimental changes to the wording of literature. However, pending the results of these experiments, is there reason to believe that “emphasising the increased gift to charities rather than the decreased cost to donors” would be effective? Do we know for certain that Payroll Giving donors do not respond to messages about the reduction in cost of making a gift (and does this differ for those on different rates of income tax)?

7.1.2 Apart from the question of the efficacy of such a wording change, there is also an issue about whether the suggested message is truly correct. As Payroll Giving is solely a personal tax relief (unlike Gift Aid, where the basic rate of tax paid is reclaimed by the charity that receives the donation), it is slightly confusing to talk about the “increased gift to charities”. If we do so, then donors might assume that, like in the Gift Aid system, money is added to their donation after they have made it, whereas in fact the gift to charity is only increased through Payroll Giving if the donor takes into account the net cost to themselves of making the gift and adjusts the donation amount accordingly.

7.1.3 It is important to remember that there must always be a balance between explaining the tax benefits of Payroll Giving and positioning it as an easy way for people to act on the motivations that they might have for wanting to support charities. The tax benefit may be the reason why Payroll Giving is chosen as the donation method, but it is highly unlikely to be a motivation to give in itself. Rather, there must be a prior reason for someone to want to give to charity in a longer-term planned way.

7.2 What more can the Government do to promote Payroll Giving?

7.2.1 The Payroll Giving Quality Mark: As mentioned briefly before (1.2.4), one issue that has come up in our discussions with corporate clients is their concern about the possible scrapping of the Payroll Giving Quality Mark and the accompanying awards scheme. Many of these companies feel that the quality mark is an important tool they can use to highlight their own good practices in delivering payroll giving and something that is valued by senior executives within their organisations.

We recognise that Government finances remain tight, and that spending decisions need to be constantly reviewed, but we would argue that the
Payroll Giving quality mark represents good value for money in terms of the positive messages about Payroll Giving it sends out and the part it plays in establishing best practice.

7.2.2 Government-led promotion campaign: We recognise that in recent years the Government has been reluctant to launch a large-scale campaign to promote Payroll Giving because it was felt that it was first necessary to fix the known problems with the system. We agree with this approach, and have welcomed the opportunity afforded by this consultation. However, if solutions to the main problems are identified through the consultation process and subsequently implemented, it would seem appropriate at that point for the Government to consider launching a promotional campaign to raise awareness of the benefits of Payroll Giving.

Question 8
How else can we increase amounts of charitable involvement in the workplace outside of Payroll Giving?

Mindful that other approaches could distract from Payroll Giving, how do we ensure that overall charitable giving increases?

8.1 As mentioned above, the attitude of employers to Payroll Giving depends on whether they see it as primarily an employee benefit or as part of a wider CSR strategy. In the former case, the company may also have CSR activities that it carries out separately and which may contain an element of employee involvement, such as corporate volunteering programs. In the latter case, Payroll Giving may be explicitly linked to other CSR activities such as a corporate foundation or a charity of the year program. Both of these approaches are valid and can prove successful for different companies in terms of encouraging participation in Payroll Giving.

8.2 There are many ways in which companies can encourage charitable activity outside Payroll Giving, from skilled volunteering and pro bono work to establishing giving circles in the workplace. It is not clear that Government has a direct role to play in these sorts of initiatives, but it can play an important part in highlighting best practice and promoting leadership from those at the top of companies when it comes to workplace giving.

11 See, for instance http://www.cityphilanthropy.org.uk/philanthropy-networks