

10 November 2004

Charities merge to push forward payroll giving

Sharing the Caring, the wholly owned subsidiary of Help the Aged, is merging with the Charities Aid Foundation, in a move that will increase the flow of funds from payroll giving to charities. The merger is expected to be completed by the end of 2004.

The merger will bring together Sharing the Caring, the UK's leading promoter of payroll giving to employees, with the Charities Aid Foundation, the UK's leading provider of agency services through its Give As You Earn scheme. The aim is to increase payroll giving for the charity sector as a whole by growing take up within existing companies, attracting new employers, and responding to the Chancellor's commitment to extend payroll giving to small and medium-sized companies.

A key goal of the new venture will be to engage more charities so that they too can benefit from the stability that regular income from payroll giving provides.

The move will provide a full, one-stop-shop service under the Charities Aid Foundation covering promotion of payroll giving, collection and distribution of donations, and complete end-to-end relationship management for companies and charities. It will also provide an ideal platform from which to develop further the market for payroll giving; will shorten communication channels between all parties - including beneficiaries; and will result in more efficient and cost effective processing. In short, it will create a unique payroll giving service for the UK.

Total payroll giving in the UK has grown from £37m in 1999/00 to around £91m in 2003/04. Growth prospects are good, as many large companies do not yet have payroll giving, and few small and medium sized enterprises offer this to their employees.

Sharing the Caring works with many corporate clients, and is responsible for raising around £6 million each year for many UK registered charities. Its reputation and ethical approach have set high standards and confidence in payroll giving.

CAF is committed to tax efficient giving, working on behalf of charities, companies and individual donors. Long the champion of payroll giving development in the UK, it currently channels £60 million per annum in payroll donations to thousands of charities (over three quarters of the total value).

Jenny Byers, Executive Director, Donor Services for CAF comments: 'This is a tremendous opportunity for payroll giving. By mobilising the combined reach and expertise of Sharing the Caring and CAF, and by drawing on the Government's own commitment to the scheme, we can generate even greater interest in this valuable form of giving.'

Michael Lake, Director General for Help the Aged concludes: 'Sharing the Caring has been a great success for Help the Aged and I am proud of its many achievements. I am pleased that we have been able through this merger to pass the baton on to CAF, whose sole goal is to capitalise on the enormous future potential for payroll giving for the benefit of the charity

sector'.

QUESTIONS AND ANSWERS

1. How much money does Help the Aged (HtA) generate from StC, and how is it going to replace this source of income in other ways?

Help the Aged has provided the promotion of payroll giving as a service to the charity sector that now generates £6m each year. It has not been run as a fund raising operation for HtA.

2. Why is HtA selling StC?

StC is not a core activity for HtA because it provides a payroll giving service to the charity sector as a whole, generating millions of pounds per year. The activity has only ever delivered a very modest margin to HtA. Merging StC with CAF allows two leading players in the field of payroll giving to join together to provide a one-stop-shop service that will help grow payroll giving in the UK for the benefit of individuals, corporates and charities.

3. How much is CAF paying HtA for StC and what will the money be used for?

This is not a financial transaction. It is concerned with transferring StC to CAF to provide a holistic service that will best serve the needs of the charity sector in developing payroll giving.

4. How many redundancies will there be as a result of the two organisations merging?

It is likely to result in the loss of a very small number of the 41 positions at Sharing the Caring. This is still subject to consultation.

5. Will HtA abandon payroll giving as a way of generating funds for itself?

Like many charities, Help the Aged continues to encourage donations via payroll giving because this is a convenient cost effective way for individuals to donate to their chosen charities, and it provides an unrivalled, stable and cost-effective income stream - the return on investment is twice that of the average of all other forms of committed giving.

6. Will the existing staff be transferred to CAF and what employment protection will they have?

Staff transferred to CAF will be fully protected under TUPE legislation.

7. Is this transaction just another way of HtA saving costs, given its problems with raising income over the last year?

This transaction is not about saving costs: it is about charities finding solutions together that are better for donors, better for beneficiaries, and better for the charity sector as a whole.

8. Are the Trustees fully behind this decision?

The Trustees and management of both HtA and CAF are fully behind the

decision to merge StC with CAF to provide a better service for donors, beneficiaries and the charity sector.

9. Will Help the Aged suffer because it is losing a valuable source of company contacts?

StC has developed corporate clients for payroll giving for the benefit of many charities. Quite separately, HtA has its own corporate relationships which are managed independently from StC.

10. Will the existing staff stay in the building in Canterbury or be moved to another location?

StC will continue to operate from Canterbury for the time being. However, during the course of 2005 it will need to relocate as the current office lease matures in September 2005

11. How efficient is this form of fundraising in terms of administration costs?

Payroll giving as a whole is an efficient way of raising donations from individuals. The typical return on investment on payroll giving is £7.08 raised per £1 spent. The average for all other forms of committed giving is roughly half this at £3.85 per £1 spent. (Source: Centre for Inter Firm Comparison report: Fundratios)

12. How will this merger actually increase the standing of payroll giving and generate more money for the charitable sector?

Promotion of payroll giving into the SME sector would require further investment by Help the Aged. The charity would rather fund services for older people, its main focus, and sees this merger as a positive move for payroll giving by positioning Sharing the Caring within an organisation dedicated to this goal.

Payroll giving is core to CAF's activities. CAF anticipates maximising the opportunities provided by this merger through further investment in the coming year.

CAF and HtA believe that a one-stop-shop service will be more attractive to companies and charities alike because it will be more efficient and effective than having promotion and processing separate from each other.