

# Raise your income by improving gift aid processing

## Targets & benchmarking

- 1990 - Gift Aid introduced on donations over £600
- 2000 - £600 minimum donation requirement removed
- 2006 - Scheme extended to include items donated at charity shops
- 2017 - Total claimed by charities  
FY 16/17 = £1.27bn

The benefits of Gift Aid are clear but it does have its challenges as changes in legal requirements and HMRC-led processes result in internal processes becoming increasingly complex. For some donations the cost of processing may outweigh the amount received.

## Gift aid challenges

- Donors don't understand Gift Aid, know if they are eligible or how to fill in forms correctly
- Legitimate donations are rejected internally as a result of knee-jerk reactions to risk of HMRC fines
- Person collecting the declaration (e.g. fundraiser) doesn't understand importance of correct information on the form
- Claiming Gift Aid is seen as a 'rainy day' activity due to manual and time-consuming processes - errors are noticed later and are difficult to rectify
- Culture of acceptance with lengthy backlogs has emerged due to the four year allowance from receiving the gift to making the claim.

The challenges above result in Gift Aid being missed out on altogether or organisations sitting on potential income for a long period of time. In the current climate where charities are working harder for every penny it is important that Gift Aid claims are processed quickly so that rightful income can be used to deliver the charity's purpose or invested into generating future income.

## How you can improve processing a claim

Ad Esse recently conducted a Lean review with a national charity across their donations, sponsorship and retail processes. The objectives for the review were to:

- Reduce existing claim backlog (including donations excluded due to error)
- Design an improved process to stop backlog build-up in future

Reviewing the existing backlog highlighted a number of current process issues. This information was used to identify areas for improvement activity including getting the Gift Aid 'ask' right at the start and removing wasteful activity that caused errors and long delays. After implementing the new process the following benefits were realised:

- Additional £1.3m Gift Aid was claimed in 15/16 (23.6% incremental to total Gift Aid budget)
- Eligible income excluded from claim reduced from 88% to 40% - more income claimed each month, less time and resource spent repeatedly processing bad data
- Time from receiving sponsorship forms to claiming from HMRC reduced from 1 year to 8 weeks

In addition to increasing Gift Aid as a percentage of total income, the improved process also meant that resource and time required to process the claim was reduced. This resource can be redeployed to focus on ensuring that changes to legislation, HMRC processes and ways of donating are understood before the existing process is changed.

## Say hello

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