

Voluntary Action Merthyr Tydfil

Your local county voluntary council



VOLUNTARY ACTION
MERTHYR TYDFIL
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MERTHYR TYDFUL

8. Managing money

8.8 Payroll

Automated payroll systems provided by an outside contractor can be extremely useful and effective. However, if an organisation runs its own payroll system it needs adequate controls over who should be paid what and when and the making of those payments.

Only the volunteer management committee should function as an employer or contractor and approve individuals joining the payroll. It is essential to obtain the relevant details (address, national insurance number, bank details etc) during the recruitment process both so that employment can commence and proper payment can be made.

The volunteer management committee may well delegate authority and responsibility over aspects of payroll to a senior member of staff. These could include:

- changes to payment details,
- amounts paid out in any payment period
- overtime payments
- loan payments
- employers contributions to the Inland Revenue
- ensuring that payment levels are correct

It should be clear that the employee must agree and authorise changes to their personal information, for example, bank account details, deduction of monies to pay back a loan etc.

It is important that it should be absolutely clear who has authority to do what in relation to payroll, that a record should be kept and witnessed when any changes are made or procedures undertaken, and that the number of people allowed to authorise changes is kept to a practical minimum.

Methods of payment

Organisations can make an arrangement with their bank to make salary or wages payments to employees or contracted workers. This would normally require the employee to have a bank account. The organisation would be responsible for recording the exact payroll details each month in the books and making up wage slips showing National Insurance contributions and tax etc.

If employees or contracted workers receive their pay by cash or cheque in a pay packet they should check the contents in the presence of the issuing person and sign that they have received the amount that is noted by the issuer for that pay packet. This procedure ensures that there is agreement that the pay packet, contains what the record stipulates that it should. If there is a dispute about whether that amount is correct, at least the possibility of 'lost cash' can be ruled out.

People should be removed from the payroll immediately if they leave the organisation for any reason.

Paying trustees

It is a principle of charity law that in general charity trustees are not paid simply for their duties as charity trustees although in some circumstances this is permitted and takes place. Any such payments (or 'honorariums' as they are sometimes called) must be recorded as such. It is *not* appropriate to make such payments and 'pretend' they are expenses.

Charity trustees can be paid for delivering a specific service to the charity; for example, a trustee who is a plumber is paid to mend the charity's pipes. The volunteer management committee should make sure that they can justify this expenditure in terms of the best use of the charity's money i.e. give valid reasons why that person did the work as opposed to someone unconnected with the charity.

Payroll giving

If you do operate your own payroll system make sure you also set up a payroll giving scheme. Payroll giving allows employees to make donations to charity directly from their pay packet. The donations are made after deduction of National Insurance contributions but before deduction of tax. Because employees donate the money before the tax is worked out, they only pay tax on what's left, which means that employees get the tax relief immediately at their highest rate of tax.

Further information

HM Revenue and Customs (HMRC)

Tel: 0845 010 9000

www.hmrc.gov.uk

Charity Commission for England & Wales

Tel: 0845 3000 218

www.charity-commission.gov.uk

Pay Connect – Payroll service (provided by WCVA for voluntary organisations in Wales)

Tel: 0800 2888329

help@wcva.org.uk

www.wcva.org.uk

Giving Wales (Payroll giving)

Tel: 01970 631128

givingwales@wcva.org.uk

www.wcva.org.uk/givingwales

Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

For further information contact

Voluntary Action Merthyr Tydfil

Voluntary Action Centre, 89/90 High Street, Merthyr Tydfil, CF47 8UH

Registered Charity: 1060242

Tel: 01685 353900

enquiries@vamt.net

Fax: 01685 353909

www.vamt.net

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Tel: 0800 2888 329
www.wcva.org.uk