Spring 2026

International and Fundraising Briefing

HaysMac

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Welcome

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Welcome from the editor

Welcome to the latest edition of our International and Fundraising Briefing, where we share insights and updates on accounting, tax, governance, risk and regulatory matters affecting international and fundraising charities.

The operating environment for charities continues to evolve at pace. Economic uncertainty, geopolitical instability, increasing regulatory expectations, technological change and growing scrutiny from donors and regulators all present challenges for organisations across the sector. At the same time, these developments create opportunities for charities that are prepared to adapt, strengthen their governance and embrace innovation.

In this edition, we begin with an article from Nicky Whitehead, Director, who explores the importance of establishing clear governance arrangements when operating internationally through overseas subsidiaries or branch structures. Nicky outlines the key role that Memoranda of Understanding play in protecting charitable assets, maintaining accountability and ensuring overseas operations remain aligned with the parent charity's objectives.

We then turn to Gift Aid, where Alice Palmer, Senior Manager, considers some of the often-overlooked opportunities and challenges that arise when dealing with overseas donors and international charities. Her article highlights circumstances where Gift Aid may still be available and provides practical guidance on areas that charities should consider when assessing eligibility.

The growing influence of digital technologies continues to shape the way charities operate and govern themselves. In my article, I explore how trustees can effectively balance innovation, risk and opportunity in an increasingly digital world. As artificial intelligence and other technologies become embedded within organisational processes, boards must ensure that governance frameworks evolve accordingly and that digital considerations become an integral part of strategic decision-making.

Resilience has become a critical priority for organisations operating in today's complex risk landscape. Rakesh Vaitha, Director, Risk Assurance & Advisory Services, examines the importance of business resilience and third-party risk management, offering practical guidance on how charities can strengthen oversight of partners, suppliers and service providers.

Steve Harper, Partner and Head of Social Purpose, provides an overview of the forthcoming Charities SORP 2026. With changes to income recognition, lease accounting, reporting tiers and trustees' reporting requirements on the horizon, Steve outlines the practical steps charities should be taking now to prepare for a smooth transition.

Finally, Nick Bustin, Director and Head of Employment Tax, considers immigration compliance and National Minimum Wage requirements. His article highlights common risk areas, the potential consequences of non-compliance and the practical measures organisations can take to strengthen their controls and governance arrangements.

I hope you find this edition informative and useful. If any of the topics raise questions for your organisation, please do get in touch with the article authors, me, or your usual contact. We would be delighted to discuss how these developments may affect your charity and look forward to sharing further insights with you in our next edition.

Going Global: Governance and MoUs for UK Charities Abroad

UK registered charities often seek to deliver impact to beneficiaries in other jurisdictions. This is sometimes achieved through working with partners, or via grant-funding of third parties. However, in many cases a UK registered charity will seek to **operate directly on an international basis.**

Charities operating on an international basis will typically adopt one of two structures when operating directly in overseas jurisdictions:

- **Wholly owned subsidiary:** A separate legal entity in which the UK charity holds all the shares.
- **Branch office:** Some jurisdictions will allow a UK charity to register a direct branch rather than setting up a new legal entity.

In either scenario, it is vital that there is a clear written agreement in place between the UK charity and the international subsidiary or branch. Such an agreement usually takes the form of a Memorandum of Understanding (MoU).

Service Level Agreements (SLAs) tend to be rarer in this context – they are legally binding, defining specific service delivery requirements, standards and metrics. SLAs are more common where a charity is paying for an ongoing service.

MoUs are generally not legally binding. They establish a common vision. They serve as a formal statement of intent, intended to protect the UK charity's reputation and promote the achievement of its international charitable objectives in a controlled manner.

MoU's are important for a number of reasons. They demonstrate to regulators that the charity trustees are fulfilling their legal duties to properly oversee the international operations, including in relation to the safeguarding of assets. They also prevent the international subsidiary or branch from drifting away from the mission and objectives of the parent charity.

Financial accountability is also important – MoU's set clear rules for how funds are transferred, monitored and accounted for, also ensuring tax compliance. They also serve to establish clear protocols and reporting mechanisms relating to the safety of staff, volunteers and beneficiaries.

There are a number of factors to consider when drawing up a MoU. They should typically include at least the following sections:

- **Parties involved:** Clearly define the legal names and registration details of the UK parent and the subsidiary/branch.
- **Purpose:** A detailed explanation of the objectives of the subsidiary or branch and why it was separated from the parent.
- **Board & governance:** Where this is a subsidiary, the document should confirm there is an independent board of directors and outline how the parent exercises shareholder control. For a branch, the governance arrangements should be specified including clear reporting lines, frequency and content of reporting etc.
- **Resource sharing:** Detail of how staff time, premises, intellectual property and IT systems will be shared or licensed between the entities or with the branch.
- **Financial management:** It is important to set out details including methods for transfer of funds, allowable expenditure types, delegated authority approval levels and accounting methods to allow for appropriate control and tracking of spending, including against restricted funds. This is important such that any restricted funding is spent in the appropriate manner and can be reported accurately.

- **Recharging:** If the overseas entity is a trading subsidiary, the UK charitable parent must recover all costs incurred on its behalf. This is vital as subsidising a trading subsidiary equates to using charitable funds to support non-charitable or commercial operations, which is a breach of legal duty.
- **Profit distribution:** Where this is a subsidiary, there should be detail of the mechanism for the subsidiary to transfer its profits to the parent to minimise tax liabilities. There will be different rules in different jurisdictions so we always recommend seeking specialist local advice.

Guidance from the Charity Commission on how to manage risks when working internationally is available at https://www.gov.uk/guidance/charities-how-to-manage-risks-when-working-internationally

Given the potential legal, financial and reputational impact of getting things wrong, we always recommend seeking external advice when considering setting up an overseas subsidiary or branch.

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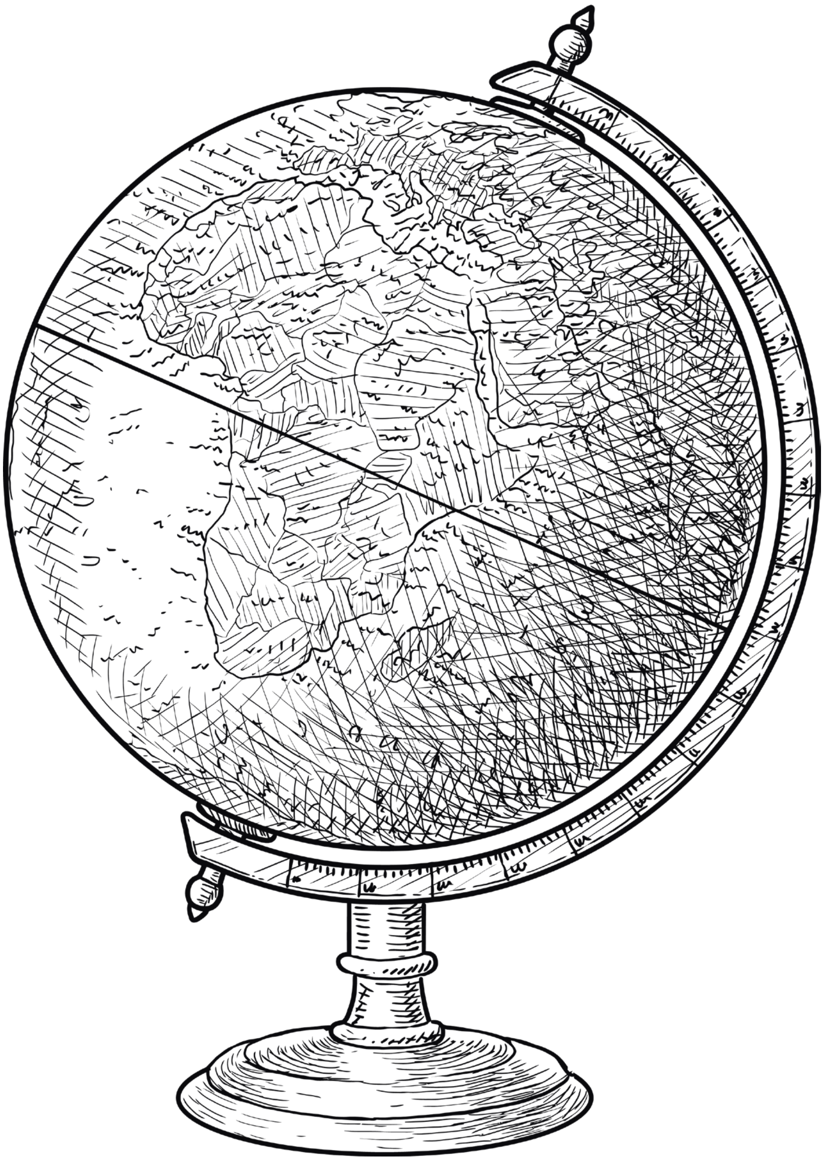

International Gift Aid implications

Gift Aid is a UK tax relief that allows charities to reclaim basic rate income tax on donations it receives from eligible UK taxpayers. The fundamental requirement is that the donor must be a UK taxpayer — specifically, they must have paid sufficient UK income tax and/or Capital Gains Tax in the relevant tax year to cover the amount that the charity reclaims from HMRC. Where the donor has not paid sufficient UK tax, HMRC may pursue the shortfall from the donor.

Given what is said above, this means that an individual donor who is resident overseas but has UK-source taxable income (such as rental income from UK property or UK employment income) and pays UK tax can, in principle, make a valid Gift Aid declaration to the charity.

As such, it is possible for a charity to claim Gift Aid on what appears to be an "overseas" donation. However, the charity should ensure that the donor fully understands the "tax to cover" principle and is confident that they will have sufficient tax liability in the relevant tax year to allow Gift Aid to be claimed.

This check is in addition to ensuring that the other main administrative points are dealt with, including that the donor has signed a Gift Aid declaration, any benefits given by the charity in consequence of the donation do not exceed the benefits threshold and, that a full audit trail of the donation is kept.

Takeaway point to note: Where donors provide a non-UK address as part of their donor record, a charity should carry out additional checks to see if Gift Aid is claimable – do not assume an overseas address blocks a Gift Aid claim.

Gift Aid and international charities

A charity registered overseas (rather than in the UK) can theoretically claim Gift Aid in the UK. However, to do so, the charity must be supervised by either a UK High Court or Court of Session. This is known as the 'jurisdiction condition'. As such, the administrative burden involved in meeting these requirements is likely to preclude many overseas registered charities from pursuing a claim for Gift Aid in the UK.

This also means that for a UK donor, the usual tax efficiencies of donating via Gift Aid are not available, which may put UK donors off donating altogether.

As an alternative option, UK donors may choose to instead use a UK registered charity which aligns with their chosen overseas charity or a grant making UK charity with worldwide objects (such as CAF) or indeed, a Donor Advised Fund.

A Donor Advised Fund (DAF) is an account or wrapper set up under the umbrella of a UK registered charity. A DAF enables the donor to make a cash donation and receive UK tax relief (via Gift Aid), whilst enabling the donor time to consider which charities they wish to support. The DAF takes on responsibility for receiving donations and dealing with any related administration requirements and then makes grants to other charitable organisations, including overseas charities. This enables UK donors the opportunity to make overseas donations whilst attracting UK tax relief (via Gift Aid).

Takeaway point to note: When dealing with overseas donors or charities, consideration should be given to whether tax efficient giving may be possible for UK taxpayers.

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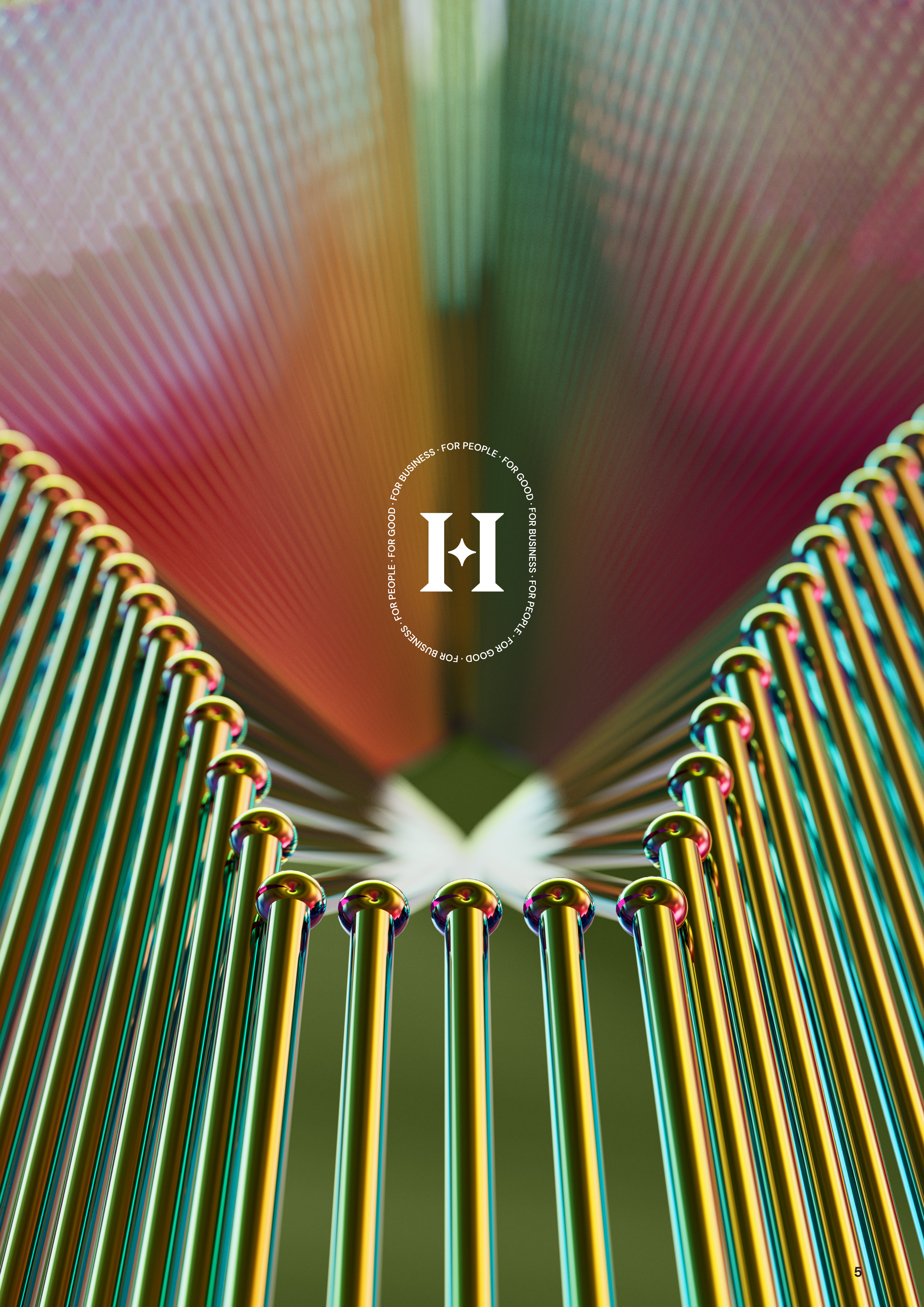
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The modern evolution of charity governance in an increasingly digital world

Governance in the charity sector increasingly finds itself situated within a state of volatility with the world around us seemingly moving from one crisis to the next. This constant instability requires trustees to be ever reactive to the changing environment around them. This change in the global environment requires a shift from reactive problem solving to proactive strategies which enable charities to stay the course, rather than be constantly manoeuvring.

This theoretical transition is underpinned by the Charities Act 2011, which establishes fiduciary duties requiring trustees to act with reasonable care and skill while prioritising the organisational mission of the charity above all other interests. It is clear that digital technologies, including Artificial Intelligence (AI) will be an increasing part of all charities ecosystems, and as such, boards governance will need to build digital into their governance activities, adapting existing policies to recognise both the potential use-cases and risks associated with digital technologies.

Under the recently revised Charity Governance Code, boards are explicitly tasked with ensuring they possess the necessary knowledge and experience to govern effectively in an environment defined by rapid technological change. The development of AI and complex digital ecosystems has transformed technology from an isolated operational variable into potentially being a core governance tool. Trustees are not required to possess proficiency in the workings of any digital technologies; rather, they must maintain a strategic comprehension of how these tools reshape the charity's risk profile. This represents a shift where technology serves as a "golden thread" interwoven through organisational values and operations, rather than the historic view of technology being a single area of risk, typically focused on potential data loss and cyber risks.

A critical aspect in modern governance is the principle of proportionality, which dictates that the level of board oversight must correspond directly to the scale and nature of the risks presented. The administrative use of AI generally presents a lower-risk profile compared to, for example, embedding automated systems into service delivery that directly impacts upon beneficiaries.

In high-risk scenarios involving automated decisions, the trustees must be satisfied that the process is based on sound logic and has appropriate guardrails in place to bring in human oversight as and when risk hits a set level.

Over the last few years risk management has similarly evolved into a dynamic process underpinning all decision making, rather than a static annual exercise of updating the risk register and then filing it away until the next year. Current guidance dictates that boards must advance beyond the mere identification of gross risks to actively managing net risks through a rigorous analysis of mitigation and robust internal controls.

This approach requires trustees to form a view on the level of appetite for the residual risk remaining after mitigating factors have been considered. Furthermore, contemporary risk assessment places a much higher level of overall risk on the potential impact rather than the likelihood, whereas in traditional models the impact and likelihood scores carried equal weighting.

While larger entities may successfully navigate digital transformation with access to greater resources and the ability to bring in experts and professional assistance, smaller organisations often encounter cost and knowledge constraints that can lead to technological stagnation.

Conversely, with the right blend of resource and risk appetite, those smaller charities can have the ability to move nimbly compared to larger more complex organisations and reap the rewards of innovation.

In conclusion, the current evolution of charity governance is defined by the necessity of bridging the gap between advancing digital innovation and trustees' appetite for change and risk.

Trustees who avoid engagement with emerging technologies are not acting with prudence; they are potentially failing to fulfil their core governance duties. Effective leadership now demands a blend of traditional fiduciary responsibilities with a proactive approach to digital engagement, ensuring that the charities being led remain relevant and competitive in an ever-changing environment.

It is essential for boards to consider the potential use cases of digital technologies as well as adapt existing policies from a digital first perspective, building in the benefits on offer whilst being aware of and mitigating, where possible, any potential risks.

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Business resilience and third-party risk management

International development, humanitarian and fundraising organisations operate in an increasingly complex and interconnected risk environment. As organisations dedicated to delivering social impact, supporting vulnerable communities and stewarding donor funds, they face growing operational, financial, regulatory and reputational challenges. Business resilience and third-party risk management are therefore critical to ensure programmes continue to deliver impact, donor confidence is maintained, and organisational objectives are achieved.

Current risk landscape

The social purpose sector faces a range of evolving risks that can directly affect programme delivery and organisational sustainability. International charities and fundraising organisations operate against a backdrop of economic uncertainty, increasing regulatory scrutiny, geopolitical instability, cyber threats and heightened stakeholder expectations regarding transparency and accountability.

Many organisations rely on extensive networks of third parties, including implementing partners, local non-governmental organisations (NGOs), fundraising agencies, technology providers, payment processors, grant recipients, consultants and outsourced service providers. These relationships enable organisations to extend their reach and deliver programmes efficiently but also introduce significant dependencies and risks beyond their direct control.

Cyber threats continue to increase across the sector. Charities and fundraising organisations hold significant volumes of sensitive donor, beneficiary, employee and volunteer data, making them attractive targets for ransomware attacks, phishing campaigns and data breaches. At the same time, digital fundraising platforms and cloud-based systems have increased reliance on external providers whose resilience directly affects organisational operations.

International organisations must also contend with risks arising from political instability, conflict, sanctions regimes, fraud, corruption, safeguarding failures and financial misconduct within partner networks. Any failure within the supply chain or partner ecosystem can have far-reaching consequences for programme delivery and public trust.

Why third-party risks matter

Failing to understand or manage third-party risk has real, material consequences for international and fundraising organisations, such as:

- **Programme disruption:** Failure of implementing partners, local NGOs or key service providers can delay or prevent delivery of critical programmes and services.
- **Financial impact:** Fraud, misuse of funds, partner insolvency or disruption to fundraising operations can result in significant financial losses and reduced funding availability.
- **Regulatory and compliance exposure:** Weak oversight of third parties can lead to breaches of charity regulations, sanctions requirements, anti-bribery legislation, data protection laws and donor agreements.
- **Safeguarding and reputational damage:** Incidents involving partners, contractors or fundraising agencies can significantly damage public confidence and donor trust.
- **Data breaches and cyber incidents:** Sensitive donor and beneficiary information may be compromised through vulnerabilities within third-party systems.

The impact of these risks extends beyond operational disruption and can affect funding relationships, governance overview, regulatory compliance and an organisation's ability to achieve its mission.

Approaching resilience & third-party risk

Management should approach business resilience and third-party risk management as an integrated strategic activity rather than reactive compliance exercises. Here is a practical framework that international organisations should consider:

1. **Map critical services, partners and suppliers**
    - Develop a comprehensive inventory of third parties, including implementing partners, fundraising agencies, grant recipients, technology providers and outsourced service providers.
    - Categorise relationships according to criticality, programme dependency, access to sensitive information, geographic exposure and regulatory risk.
2. **Perform detailed risk assessments**
    - Assess the likelihood and impact of risks associated with key third-party relationships and incorporate findings into the organisational risk register.
    - Consider scenarios such as partner failure, fraud, safeguarding incidents, cyber-attacks, sanctions breaches, political instability and disruption to fundraising platforms.
3. **Strengthen due diligence, contracts and controls**
    - Conduct proportionate due diligence before engaging third parties and refresh assessments periodically.
    - Establish clear contractual requirements covering performance expectations, safeguarding standards, financial controls, cyber security, reporting obligations and incident notification requirements.
    - Include audit rights and monitoring provisions where appropriate.
4. **Integrate with business continuity planning**
    - Incorporate partner and supplier failure scenarios into business continuity and crisis management exercises.
    - Test contingency arrangements for critical programmes, fundraising operations and technology platforms.
    - Ensure staff understand escalation procedures, communication protocols and decision-making responsibilities during disruptions.
5. **Monitor, review and report**
    - Maintain ongoing oversight of critical third parties through performance monitoring, assurance activities and regular risk reviews.
    - Report emerging risks, incidents and trends to senior leadership and trustees through structured governance processes.
    - Review mitigation plans regularly in response to changing operational, geopolitical and regulatory conditions.

Effective third-party risk management should support informed decision-making, strengthen organisational resilience and help safeguard both mission delivery and stakeholder trust.

Taking practical steps to gauge and improve maturity

To assess and enhance resilience and third-party risk management capabilities, leadership teams should consider the following practical actions:

- Conduct a resilience and third-party risk maturity assessment to benchmark governance, oversight processes, incident response capabilities and partner assurance arrangements against recognised good practice.
- Undertake scenario testing and tabletop exercises involving partner failure, cyber incidents, safeguarding concerns, funding interruptions and major operational disruptions.
- Strengthen governance oversight by ensuring trustees and executive leadership receive regular reporting on critical third-party risks and resilience arrangements.
- Deliver targeted training and awareness programmes for leadership teams, programme managers, fundraising teams, procurement functions and risk owners.
- Develop a structured assurance programme to evaluate the effectiveness of controls across key partners, suppliers and service providers.

By incorporating resilience and third-party risk management into strategic planning and governance processes, international and fundraising organisations can better protect their mission, maintain donor confidence and continue delivering positive outcomes for beneficiaries in an increasingly uncertain world.

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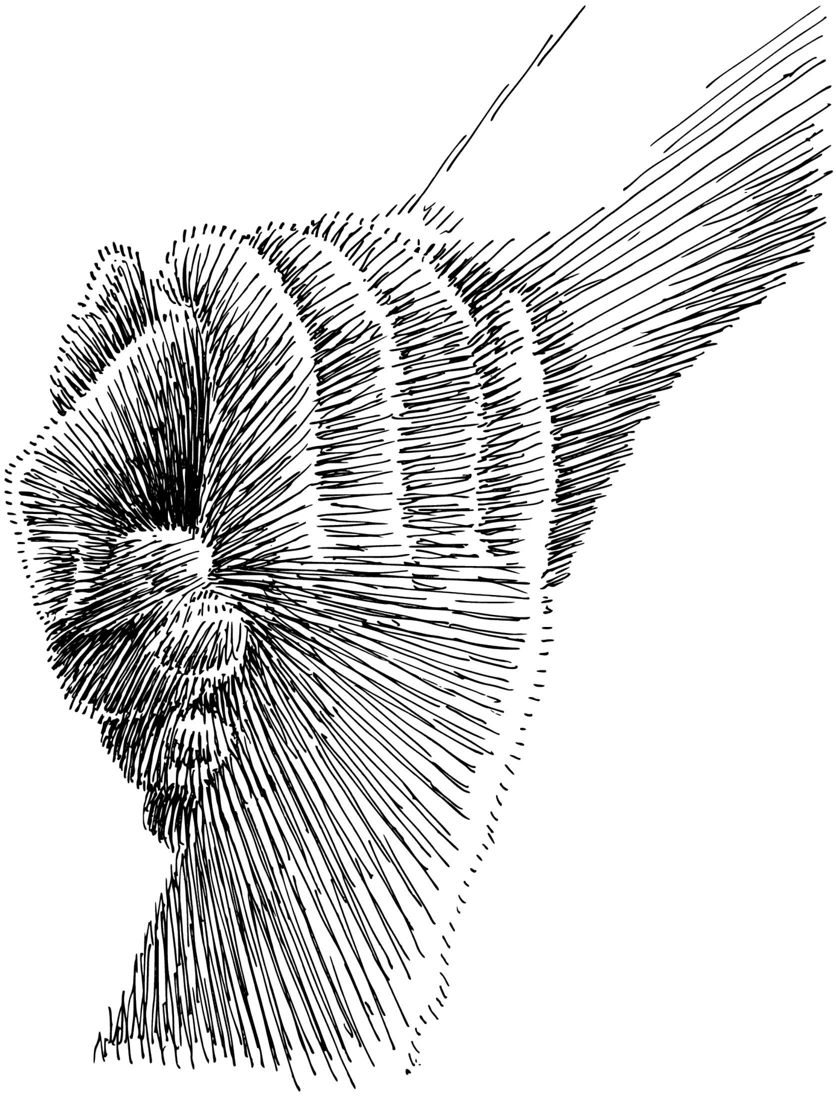

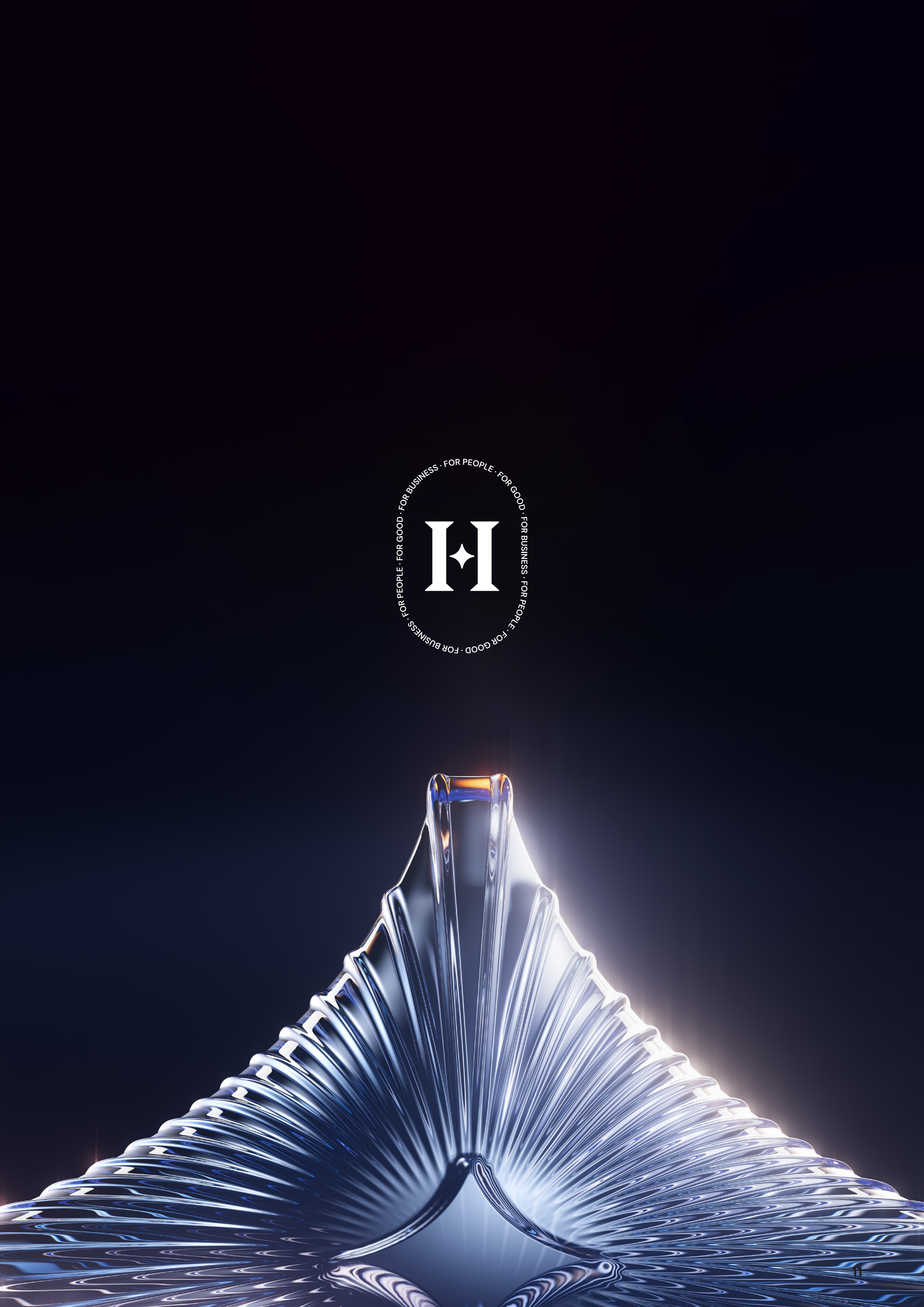
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SORP 2026: What charity finance leaders should do now

SORP 2026 applies to accounting periods beginning on or after 1 January 2026. For calendar year-end charities, the first accounts prepared under the new framework will be for the year ending 31 December 2026. That may still feel some distance away, but the **practical work should start now.**

This is more than a tidy-up of existing guidance. The new SORP changes how some income is recognised, brings most leases onto the balance sheet, introduces a three-tier reporting framework and raises expectations for the Trustees' Annual Report. As a result, many 2026 accounts will look different from 2025, even where the charity's underlying financial position has not changed.

Changes arising from the new SORP could create apparent deficits, reduce reported reserves or affect covenant calculations unless they are understood and explained early.

A new three-tier framework

SORP 2026 introduces reporting tiers based on gross income: Tier 1 for charities up to £500,000, Tier 2 for those above £500,000 and up to £15 million, and Tier 3 for charities above £15 million. The higher the tier, the more extensive the financial and narrative reporting requirements.

Charities will need to assess their tier each year. A one-off spike in income could therefore increase reporting obligations, and larger charities should not assume that prior-year presentation will remain appropriate. This is because there is no equivalent of the Companies Act provisions which allow a year's grace when a threshold is breached.

There is, however, some proportionality. Charities with income below £15 million will generally no longer be required by the SORP to prepare a cash flow statement, charitable companies will need to be aware that only small companies are able to claim this exemption from an FRS102 perspective, so the £15 million limit will not apply in many cases.

Income recognition: more judgement, more evidence

The most operationally significant change for many finance teams will be income recognition. SORP 2026 draws a clearer distinction between exchange transactions and non-exchange transactions.

- Exchange income is earned in return for goods or services under a contract and is subject to a five-step revenue recognition model.
- Non-exchange income, such as donations and many grants, is recognised under the performance model, with restrictions and conditions considered carefully.

For exchange transactions, charities must identify the contract, the performance obligations, the transaction price and its allocation, then recognise income as those obligations are satisfied.

In practice, this could defer income from commissioned services, membership arrangements, training, trading activities or some restricted funding until delivery milestones are met. In other cases, income may be recognised earlier. The key action is to map significant income streams and document the judgement applied to each.

For non-exchange transactions, there is a move away from the entitlement criteria to considering performance conditions. In some cases, this will lead to a different pattern of income recognition over the life of an agreement.

For international charities, large multi-year grant agreements deserve particular attention and for some charities the changes will have a significant impact on reported performance, which will require a shift in internal management information. It is particularly important to ensure you have the necessary information to capture achievement of performance conditions, as this will be a critical consideration for revenue recognition going forward.

Transition will be a policy decision. There is an option to restate comparatives, subject to some practical expedients. There is also an option to present the adjustment as an opening adjustment to reflect the impact of the changes on the opening position. The option taken is likely to depend on the magnitude of the impact for each individual charity.

Lease accounting: a visible balance sheet impact

The new lease requirements will be highly visible for charities with property, vehicle or equipment leases. Most former operating leases will be brought onto the balance sheet.

Charities will recognise a right-of-use asset and a corresponding lease liability, measured by reference to future lease payments. The Statement of Financial Activities will also change, with depreciation and interest replacing a single lease rental expense for many arrangements. The changes to the Statement of Financial Activities will also change the pattern of expenditure recognition, with a higher charge in the earlier years of a lease.

Short-term leases (usually those with a minimum period of twelve months or less) and leases for low-value assets may qualify for exemptions. Peppercorn or below-market leases need separate consideration, as the arrangement may include both a lease and a donated element.

Transition will be dealt with through an opening reserves adjustment, without restating comparatives. Finance teams should therefore prepare trustees, lenders and other stakeholders for accounts that may not be directly comparable with the prior year. Unlike for the changes to income there is no option to fully restate comparatives in relation to the changes to leases.

New lease liabilities do not necessarily signal weaker finances. They reflect a different accounting presentation, but may still affect perceptions, reserves narratives and covenant tests.

The Trustees' Annual Report: higher expectations

SORP 2026 also raises the bar for narrative reporting. Trustees will need to explain more clearly how the charity's activities deliver its purposes, how impact is assessed, how reserves are managed and how key risks are addressed.

For larger charities with income over £15m, the report will require greater detail on environmental, social and governance matters. This should be treated as more than compliance: a clear report can help donors, funders and beneficiaries understand the quality of stewardship behind the numbers.

Practical priorities for finance teams

The transition should be managed as a project rather than a year-end exercise. The immediate priorities are:

- Review income streams. Classify material income as exchange or non-exchange and document the recognition basis. Identify agreements with significant performance conditions, and ensure the mechanisms are in place to capture progress against performance conditions.
- Build a lease register. Capture lease terms, payments, options and exemptions, then model the effect on assets, liabilities and covenants.
- Confirm the reporting tier. Assess current and forecast income, including one-off items that may change the tier. For charities that are likely to sit just below a tier threshold, consider whether you will choose to report based on the higher tier to avoid changes later on.
- Brief trustees early. Explain the likely impact on reserves, reported results and the balance sheet before the accounts are drafted.
- Engage auditors. Agree key judgements, transition entries and disclosure expectations in advance.
- Engage other stakeholders. Consider other stakeholders who will need engaging earlier. For example, charities with significant borrowings should consider the impact on loan covenants and the need to discuss potential issues with their bankers.
- Check systems and data. Ensure finance systems can support lease schedules, revenue assessments and the additional disclosure requirements.

To aid clients with the transition, we have run a series of webinars focusing on the key areas. We will re-run this series in the autumn, and details are available on our website.

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Managing risks around visa conditions and working hours

In recent months we have seen the authorities increase their oversight of visa related employment and general working conditions. Where organisations have been found to have fallen short of the required regulations, fines can be significant, and we have seen these being issued in excess of £20k per employee. Now is the time to review your internal procedures and ensure that you have robust systems in place to monitor these arrangements. Within this insight we consider two areas which can present **significant challenges to anyone engaging an employee on a work visa.**

Employers have a duty under UK Home Office rules to ensure that all workers have the appropriate immigration status and are working in line with their visa conditions. Failure to comply can result in severe consequences, including civil penalties, reputational damage, loss of sponsorship licence, and even criminal sanctions in certain cases. Two common areas of risk are:

1. Workers who have exceeded the validity of their visa (overstayers).
2. Workers who are working longer hours than permitted under their visa (hours worked in excess of those specified by your sponsor in your Certificate of Sponsorship (CoS)).

Key considerations for organisations

- **Right-to-Work checks:** Employers must carry out right-to-work checks before employment begins and at prescribed intervals. These checks need to be documented, stored securely, and updated when visas are due to expire.
- **Visa expiry monitoring:** Organisations should have a robust system for tracking visa expiry dates and renewal requirements, with reminders in advance of critical dates.
- **Working hours restrictions:** Where employees are subject to capped working hours, employers must implement systems to track actual hours worked across all roles within the business (and, where possible, across group entities). This includes monitoring overtime and casual hours.
- **Sponsor licence duties:** Employers holding a sponsor licence have an additional duty to report changes in employees' circumstances (e.g., role, hours, immigration status) within strict Home Office deadlines.
- **Data privacy:** While monitoring immigration status and working hours, organisations must ensure compliance with data protection requirements, particularly when storing employee immigration documents.

Processes you should have in place

- **Centralised compliance register:** Maintain a central record of all employees' immigration status, visa conditions, expiry dates, and permitted working hours.
- **Automated alerts:** Use HR or compliance software to flag upcoming visa expiries or breaches in working hours.
- **Manager training:** Line managers should be trained to understand the restrictions on working hours and visa compliance, as they are often closest to monitoring daily activity.
- **Periodic audits:** Conduct regular internal audits to confirm compliance with immigration requirements, including sampling timesheets against visa conditions.
- **Escalation procedures:** Establish a clear process to escalate potential breaches quickly, ensuring that remedial action is taken and reported to the Home Office where required.
- **Engagement with workers:** Proactively communicate with employees about their obligations to inform HR of changes in status, renewals, or potential breaches.

National minimum wage

The second area is National Minimum or Living Wage, where the level of complexity within the regulations can also have significant consequences for employers. Again, failure to fully comply with the regulations can result in significant financial implications including the need to repay any underpayment of earnings, exposure to penalties and reputational risk with the possibility of being 'named and shamed'.

Below is a summary of the key considerations that you will need to consider for your organisation.

Key considerations for organisations

- **Working time accuracy:** Organisations must ensure all hours actually worked are recorded, including travel time whilst attending events held 'offsite'. This can raise specific questions from HM Revenue & Customs such as: how accurate are your working time processes? Do they capture all the hours that are being worked? Do they consider special working arrangements?
- **Pay calculations:** Organisations need to calculate the hours worked as per the pay reference period, which could be weekly, four weekly or monthly and not on a cumulative basis. Are you excluding bonuses and overtime premiums from the minimum pay calculations? Not accurately monitoring the hours worked in a particular pay period can lead to issues of non-compliance with the visa regulations noted above.
- **Deductions from pay:** It is not uncommon for deductions to be made from an employee's pay and where these are made, whether it is from gross or net pay, they will have an impact on the pay calculation. Any deductions made by the employer, whether it is from gross or net pay must not bring the employee's pay below the NMW limits.
- **Record keeping:** Employers are required to maintain detailed pay and hours worked records for all employees for at least the past six years. Is this something you are doing? Do you regularly review compliance with the NMW regulations?
- **Policies and contracts:** It is essential that your employment contracts clearly define working hours, how breaks are treated as well as the expectations of both you, as the employer, and your employees. Are policies in place for travel time, sleep-ins and training, changes of working arrangements. What information is provided to staff, regardless of whether they are full, part-time or employed via a zero-hours contract.

Action points and where we can assist

HMRC are carrying out NMW reviews, which from April 2026 will become the responsibility of the new Fair Working Agency. Both organisations will be making use of AI technology to interrogate data they already hold, such as payroll RTI submissions, to identify any potential compliance failures. If HMRC should undertake an NMW review, you will need to ensure that you can provide answers to the questions/issues set out above? So what can you do now?

- **Proactive risk management:** To avoid falling foul of immigration rules, organisations should move beyond reactive compliance and adopt a proactive, risk-based approach. We can help review your current risk management processes and help you to improve management and governance in this area.
- **Risk assessments:** Incorporate immigration compliance into wider risk assessments, particularly in industries with high reliance on overseas workers. Consider carrying out checks on your current data and processes to help you manage compliance.
- **Scenario planning:** Consider potential impacts of workers overstaying or exceeding visa conditions on operations and client service delivery. What are your contingency plans and levers that you can apply to help business continuity?
- **Governance oversight:** Ensure immigration compliance is regularly reported to senior leadership, with clear accountability for monitoring.
- **NMW monitoring:** Review your systems which monitor the actual hours worked and calibrate these against the employees hourly rates of pay. Carry out spot checks on your data to help ensure your continued compliance with the regulations and identify any gaps in your systems.
- **Record keeping:** Ensure you are reviewing employees pay and deductions as part of your monthly payroll processing.
- **Policies and contracts:** You need to ensure these are regularly reviewed and updated. We are able to review and provide comment on the current policies and contracts to enhance your documentation.
- **Continuous improvement:** Review lessons learned from any breaches or near misses, and update processes accordingly

Summary

All organisations face considerable challenges especially in terms of staff resourcing. However, it is important to ensure your compliance obligations, whether that is to the Home Office, HM Revenue & Customs or eventually the Fair Working Agency are fully maintained.

If you need assistance in reviewing any of these areas, please contact Rakesh Vaitha, Risk Assurance Director, or myself.

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International and Fundraising charities team

If you need guidance on any audit and accounting, financial reporting, VAT, employment tax or direct tax matters you can contact any member of our International and Fundraising charities team as detailed below.

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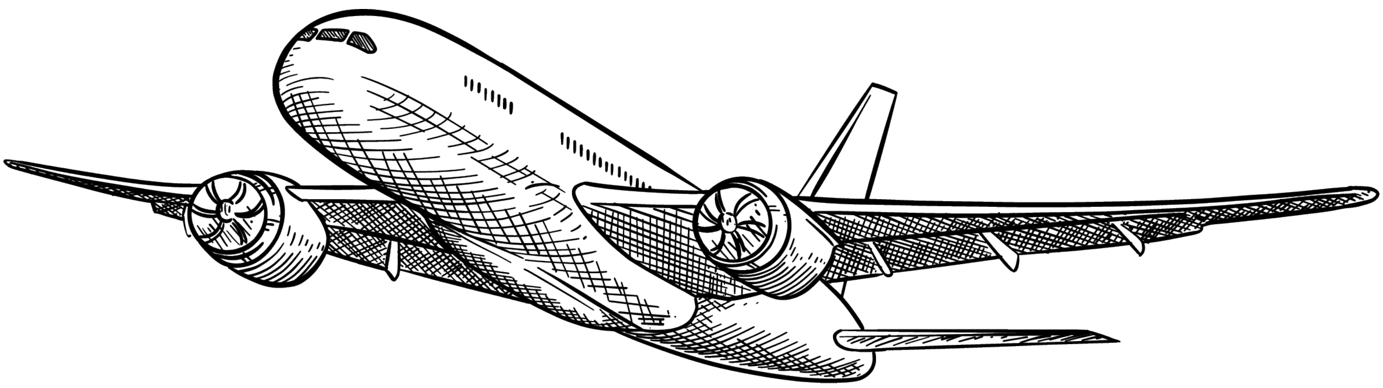

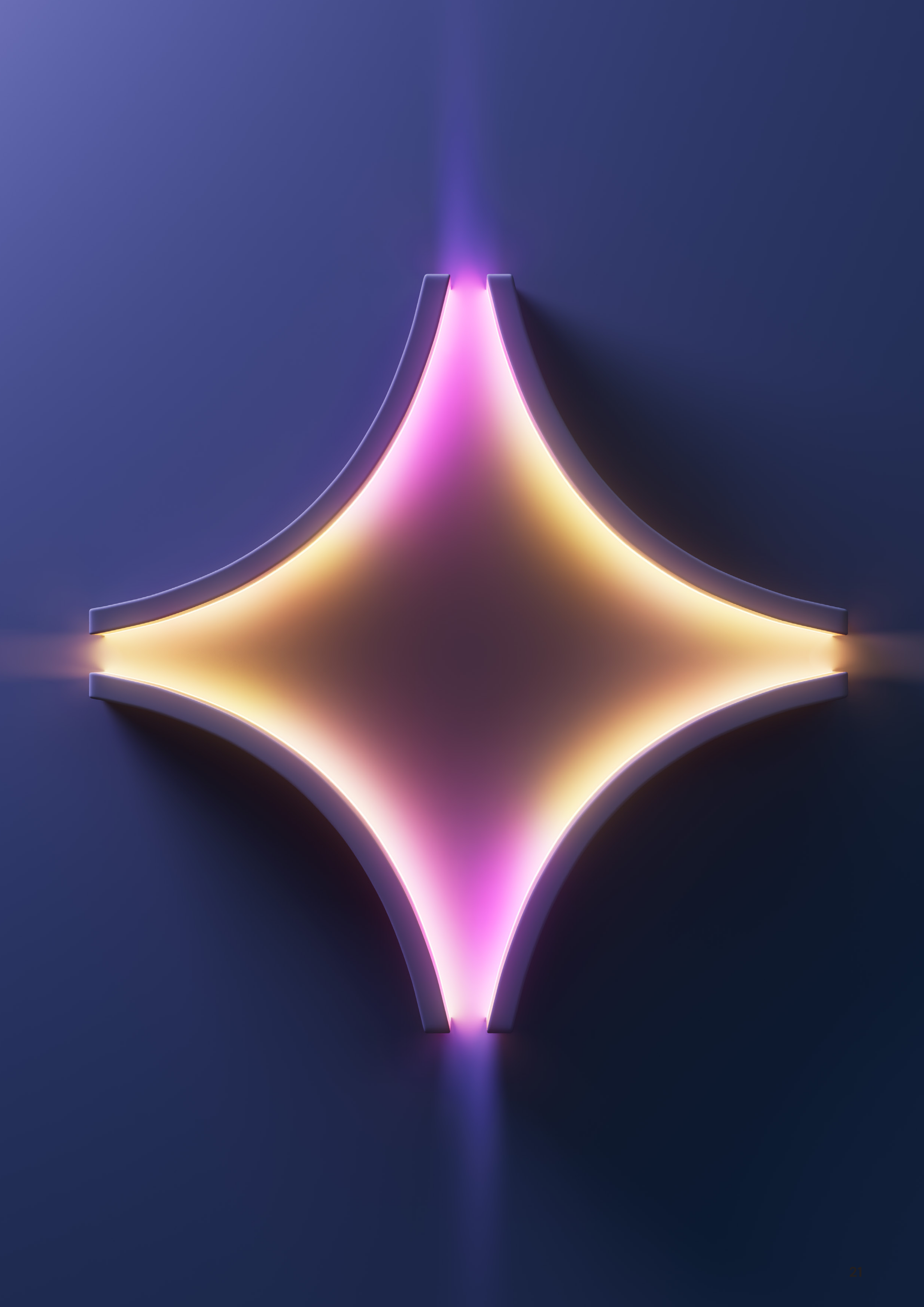

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