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TO FURLOUGH OR NOT TO FURLOUGH?

A PRACTICAL GUIDE ON FURLOUGHING DURING THE UK'S COVID-19 CRISIS

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CONTENTS

Contents	Pages
What is furloughing?	1
What is reimbursed?	2
The process of furloughing	3
FAQ's	4-5

WHAT IS FURLOUGHING?

Furloughing has been introduced by the government as part of its series of responses to the Coronavirus outbreak. The government strategy includes asking all non-essential workers to remain at home to help prevent the spread of the virus which is highly contagious. The government has therefore developed the furloughing scheme which supports businesses, charities and other organisations so that the staff from these organisations can be sent home.

Technically, furloughing is defined as a temporary suspension of employment for a specified period of time, during which the employee does not receive wages.

This is part of the **Covid-19 Job Retention Scheme**.

Charities are eligible for this scheme, however, they must fulfil certain criteria:

- **The person for whom the charity is applying must have been on the charity's payroll on or before 19 March 2020.**
- **The charity must be enrolled on to PAYE online.**
- **The charity must have a UK bank account.**

WHAT IS REIMBURSED?

The government will return **80% of wage costs** though this will be subject to the usual deductions. Payments are to be capped at **£2500 per month** plus national insurance and minimum pension allocation.

The scheme is to last for an initial three months (1 March - 31 May) with a government review which may result in the scheme being extended, but the company will only be reimbursed for the time period for which the employee is furloughed. Any employee can only be furloughed for a minimum of three weeks.

It is up to the charity which employees it furloughs, it will need to consider the business needs of its organisation in order to decide who should be kept in work during the period of lockdown and those that are to be furloughed. It is not necessary to furlough an employee, however, this is a facility that has been offered by the government to weather the difficult economic situation of a lockdown.

It is advisable that a company furloughs its staff as soon as possible as it will only be able to claim from the first day of the staff being on furlough. Charities will be able to backdate their claim to the first date of furlough - which is the first day of not being at work. The claim will be made through a government portal which is scheduled to be launched on 20 April. The payment will be made as a grant and therefore the charity will be under no obligation to return the monies. HMRC will reserve the right to retrospectively audit any claims for furloughing.

THE PROCESS OF FURLOUGHING

The process for furloughing is as follows:

- Identify the staff that need to be furloughed.
- Write formally to such staff to offer the furlough and seek agreement as it is a change to their terms and conditions.
- Start the initial furloughing period for three weeks, and then review the situation of the organisation after the first three weeks to see if the organisation will continue to furlough the staff.
- Make a claim for backdated pay from HMRC. You can make a claim to HMRC once every three weeks for the period you are claiming.

Employees are not obliged to accept the offer of furloughing however furloughing can only occur if the employee has agreed to be furloughed and this should be in writing. The charity should confirm to the employee that they have been furloughed and this should include the start date of the furloughing.

During this period, the employee is not allowed to conduct any work for the charity. The employee may volunteer but only for those aspects of work that do not add to the business of (i.e. generate business revenue for) the charity. A charity cannot furlough a member of staff that is recipient of government funds (e.g. for the provision of a service) as these will continue to be provided to the charity. All statutory rights are maintained while an employee has been furloughed.

Furloughing is different from Statutory Sick Pay which should be offered to those who have the virus, have symptoms of the virus or are self-isolating because they are in a household with someone who has symptoms of the virus.

FREQUENTLY ASKED QUESTIONS (PART 1)

Can staff that are self-isolating or on long term sickness be furloughed?

Yes, they can.

Can or should a charity top up an employee's pay to 100%?

A charity is not obliged to top up its employees wages to 100% pay but may decide to do so if it wishes. It will not be able to claim this back from the government.

Can a charity furlough its employee for a part of his/her job?

A charity cannot furlough an employee for a part of his/her job.

FREQUENTLY ASKED QUESTIONS (PART 2)

Can the employee seek training during the period of furloughing?

Yes, the employee can seek training during the period of furloughing however he/she should either be paid the national minimum wage or the national living wage for this time. The charity will not be able to claim this back.

What about those who are working for charities but are self-employed?

The government is offering a self-employed income support scheme, however, the person who is self-employed will be contacted by HMRC directly to apply if they are eligible. This is most likely to be sometime in June.

These notes have been prepared based upon the guidance provided by Omar Rashid of The HR Dept and Nasir Rafiq of Dua Governance.