



# TO FURLOUGH OR NOT TO FURLOUGH

Nasir Rafiq BA (Hons), FCA

9<sup>th</sup> April 2020

**DUA GOVERNANCE**  
CHARTERED ACCOUNTANTS  
& BUSINESS ADVISORS





# Introduction – Nasir Rafiq

- ❑ Financial Governance and accountancy experience spanning 20 years.
- ❑ Trained as a Chartered Accountant with PricewaterhouseCoopers and KPMG in UK. Spent 8 years auditing and advising Government bodies and education establishments in UK.
- ❑ Former Associate Partner / Director in mid tier firm, leading on charity audits and advisory.
- ❑ Founder & Director of Dua Governance, specialising in Charity Finances & Accountancy.
- ❑ Clients include large faith based International relief charities and many Mosques, small faith based INGOs and Islamic education establishment across UK.
- ❑ Recently worked as the Interim Finance & Corporate Services Director of Islamic Relief Worldwide for 3 years, leading the Finance, Human Resource, ICT, Procurement and Facilities functions.



# Furlough – Financial impact

## Questions covered

1. Why the need for Government Intervention
2. What is the economic choice for charities and businesses
3. How should charities assess their business need to furlough employees
4. What is the business process involved



# Furlough – Financial impact

## 1. Why the need for Government Intervention

- **Stay indoors with whatever the cost** – sudden brake (Massive economic shock)
- Logically and historically employers lay off staff as first step (easier to do)
- Govt stepped to stop wide scale redundancies so people stay inside –
- Redundancies may happen eventually after the lock down – no Govt promises there



# Furlough – Financial impact

## 1. What is the economic choice for charities and businesses

- This is voluntary on organisations, not a legal obligation.
- Govt statement – you stand by your employees, we will stand by you. (Hidden message)
- It is a choice between no job and a guaranteed job (be it 80%)
- **Not a choice between full time job going part time or a wage cut (Scheme will not apply)**
- Scheme will be only for the lock down period – a very temporary measure
- After 80% some staff may be paid below the national minimum wage

# Strategic considerations



## Immediate and three month impact (i.e. Ramadan)

### 1. Show stopper (Furlough territory)

- a) **Fund Raising** – Events, Community, Road side, Door to door, Travelling, Work that requires office presence, Call centre activity – social distancing protocols
- b) **Delivery** – Travelling, Reporting and Monitoring, Collective prayer, Class rooms, Any activity that requires a building or meeting in person (i.e. mosques, schools, community centres)
- c) **Back office** – Facilities, Procurement, ICT service, Human Resource (Recruitment, Business Partnering), Finance Juniors, Finance Business Partnering, Invoice or paper processing, Internal Audit, Investigations

# Strategic considerations



## Immediate and three month impact (i.e. Ramadan)

### 2. Business alternatives – (No Furlough needed)

- a) **Fund Raising** – Online and Social Media, Marcoms working from home, CRM management, Phone lines.
- b) **Delivery** – Emails, Online meetings, Project Payments, Reporting.
- c) **Back office** – Payroll, Finance payments, ICT infrastructure and network, legal, policy work, year end audits.
- d) **Volunteering** – Should not be part of main job or another job. Should sound and feel like volunteering. There is a strict definition “generating income” and the charity sector is different from business sector.
- e) **Training** – Maximise use of this where possible.



# The Process

1. **Identify** staff and formally write to them.
2. **Adjust** payroll if needed to reflect that (i.e. 80% salary) – Payroll software is often user friendly.
3. **Continue** with RTI and monthly / weekly staff pay as normal.
4. **Submit** information on HMRC portal. By end of April 2020 (InshaAllah), HMRC will introduce a portal and following information required:
  1. the ePAYE reference number
  2. the number of employees being furloughed
  3. the claim period (start and end date), the amount claimed (per the minimum length of furloughing of 3 weeks) and
  4. the bank account number and sort code.
5. **Money paid** direct in the charity bank account, as a grant.
6. **Accounting** treatment – Must not net off with spend. Will be shown as a grant income in the accounts.





## Any Questions?

Nasir Rafiq BA (Hons), FCA

[info@duagovernance.com](mailto:info@duagovernance.com)

[www.duagovernance.com](http://www.duagovernance.com)

Dua Governance Thoughts blogs

**DUA GOVERNANCE**  
CHARTERED ACCOUNTANTS  
& BUSINESS ADVISORS

