

Furlough leave and the Job Retention Scheme – what social businesses need to know

Thank you for joining us - The webinar will start at 12.00 midday.

PLEASE NOTE: to ensure optimum connection quality, microphones and video connections will be muted.

Generic questions can be asked in the chat function.

Specific questions should be directed to

sbwenquiries@wales.coop



Busnes Cymdeithasol Cymru Social Business Wales

[/businesswales.gov.wales/socialbusinesswales](http://businesswales.gov.wales/socialbusinesswales)



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Furlough leave and the job retention scheme – what social businesses need to know

Useful Links

- Wales Cooperative Centre: <https://wales.coop/covid-19/>
- Social Business Wales: <https://businesswales.gov.wales/socialbusinesswales/covid-19-support-your-social-business>
- Business Wales: <https://businesswales.gov.wales/coronavirus-advice>
- Welsh Government: <https://gov.wales/coronavirus>
- UK Government: <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>
- Public Health Wales: <https://phw.nhs.wales/>

Coronavirus Job Retention Scheme

Furloughing Staff

- <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>
- The details described in this webinar and on this presentation are correct at time of delivery and are intended as signposting and not as a substitute for specialised advice.
- See our full advice note www.wales.coop/covid-19

The Scheme

- Announced Friday 20th March 2020
- *“designed to support employers whose operations have been severely affected by coronavirus (COVID-19)”*
- Intended to help businesses to cover employee costs due to downturn in work and avoid having to implement lay-offs and redundancies
- Intended to apply to *“any employer in the country – small or large, charitable or non-profit”*

The Scheme

- All UK businesses with a PAYE scheme eligible
- For a business to access the scheme it needs to:
 - Designate affected employees as ‘furloughed’ workers, and to notify their employees of this change (changing the status of employees remains subject to existing employment law)
 - Submit information to HMRC about the employees that have been furloughed and their earnings through an online portal. HMRC are currently setting up these systems.



The Scheme

- HMRC will reimburse 80% of workers wage costs up to a cap of £2500 / month.
- Applies to employees who have been asked to stop working, but who are being kept on the businesses payroll; these are described as ‘furloughed’ workers
- Employers must demonstrate operations have been ‘severely affected’. We don’t know how closely the scheme will look at the extent of the disruption.
- No reference to employer’s ability to pay wages being linked to qualification

The Legal Position

- Term 'furloughed' not currently defined as part of employment law legislation
- Government guidance reflects the need in a lay off situation for an agreement between the employer and employee(s) to be reached. Changing the status of an employee is subject to existing employment law.
- Unclear what would happen if an employee does not agree to being furloughed.

Process

- Government guidance states that employers should discuss furlough proposals with staff and make changes to the employment contract by agreement
- Employers will need to:
 - Check contracts of employment for “Lay off” / Short time working clause
 - Review volume of work and decide which employees to designate as furloughed employees
 - Notify furloughed employees of the intended change
 - Consider consultations with employee representatives or trade unions if agreement in place or over 20 employees to be furloughed
 - Agree the change with employees. A furlough agreement should be put in place

Process

- Confirm the employees temporary new status in writing. This is a subsidy eligibility requirement and a record must be kept of this correspondence.
- Submit information to HMRC (expected to be operational by end April 2020)
- Ensure employees **do not** carry out any further work for the business
- In addition employers can claim associated employer NI contributions and minimum automatic employer pension contributions
- All payments under the scheme are subject to the usual income tax and other deductions.

Relationship with other forms of absence

- **Sick leave** – employees who are on sick leave or self-isolating should receive statutory sick pay (SSP) but can be furloughed once they have recovered or are no longer self isolating.
- **Unpaid leave** – employees on unpaid leave cannot be furloughed, unless they were placed on unpaid leave after 28th February 2020

Relationship with other forms of absence

- **‘Family Friendly’ Leave** – furlough leave will not reduce or change any employment rights, beyond any contractual variation
 - Points to consider:
 - Employees may refrain from exercising their rights to family leave
 - Effect on maternity leave and length of time taken

Relationship with other forms of absence

- **Gardening leave or working notice following being made redundant** – employees made redundant since 28th February 2020 can be re-engaged and put on furlough leave.

Furlough Leave and Holiday Leave

- Employees cannot be on both furlough leave and holiday leave
- Employers have the right to tell employees when to take holiday if they need to
- Government has announced it is allowing workers the right to carry over up to four weeks of annual leave into the next two leave years.
 - Point to consider: managing holiday requests on return to normalcy.

Claiming Procedures

- Employers need to claim for wage costs through the online system once it is up and running
- Employers discretion as to whether they choose to top up an employee's salary in excess of the 80% or £2,500 cap. However, this reduction in entitlement to 80% needs to be agreed with the employee(s)
- F/T & P/T employees: actual salary before tax as of 28th February 2020 should be used to calculate 80%. No fees, commissions or bonuses should be included.

Claiming Procedures

- Different approaches for employees whose pay varies:
 - Calculated as the higher figure of average monthly earnings 2019-20 tax year or same months earnings the previous years
- Only one claim can be submitted at least every 3 weeks. Three weeks is the minimum time an employee can be furloughed for. Can be backdated to March 1st 2020.
- Employers can not claim weekly for weekly paid employees
- Payment will be paid to employers direct to a UK bank account
- Claim in accordance with actual payroll amounts at the point at which you run payroll

When should employees on Furlough Leave be paid?

- Unlikely that scheme will be able to sanction payments in line with each businesses payroll date. Business may need to find the means to pay employees themselves with the grant not being received until a later date.
- In the event that the employer cannot afford to make the payments until receipt of the grant it is important that you advise the employees of this position and obtain their agreement.
- Loan and bridging funding could be considered.

Your questions



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Social Business Wales

[/businesswales.gov.wales/socialbusinesswales](https://businesswales.gov.wales/socialbusinesswales)

Need Help...

Get in touch

Phone: 0300 111 5050

Websites : <https://wales.coop/covid-19/>
<https://businesswales.gov.wales/socialbusinesswales/covid-19-support-your-social-business>

Email: sbwenquiries@wales.coop



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