

Summary of Government Corona Virus Job Retention Scheme

Updated 29 March 2020



What is Furlough?

Furlough is a new term in UK employment as a result of the impact of CV19. The process around furlough is most commonly referred to as lay-off or short time working.

If you are unable to find work and/or pay for your employees because of the impact of CV19 you can now temporarily "furlough" your employees. During furlough employers will be able to claim a grant of up to 80% of an employee's pay up to a limit of £2,500 per month where there is a need to lay employees off for three weeks or more. This grant is available for three months from 1 March 2020 although the Government has indicated it will be made available for longer if necessary.

How do I implement Furlough?

To use the scheme you will need to designate affected employees as 'furloughed workers,' and notify your employees of this change. Although the language is new, it is the same as laying employees off.

You first need to check if you have a lay-off clause in your contracts:

- If you have a layoff term in your contract you do not need to seek further agreement from employees;
- If you do not have a layoff clause in your contract then you will need to obtain agreement individual employees agreement.

In due course you will need to submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal. HMRC will set out further details on the information required and are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

There is nothing to stop you paying more than the grant to your employees if you are able to bear the additional cost.

Employers are still responsible for paying the employee and the grant will be paid to the employer. There will be a time lag between making wage payments and reclaiming the money from HMRC which will put extra pressure on cash flow. If that is a problem for your business you have two options:

1. Tell employees that you will make the payments once you get the cash from HMRC.
2. Make whatever payments you can to employees (eg 50%) and make adjustments on receipt of the grant.

You may also want to check the government information for further financial support that is available: <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

What is the process I need to follow with employees?

To implement furlough, take the following steps:

1. Check whether your contracts of employment include a lay-off clause.
2. Arrange phone/skype meetings with your staff individually
3. Explain the financial situation of the business and that you believe that furlough is the best option for the individual and the business. Reassure insofar as you can that you hope to be able to reengage them fully in due course. Answer any questions that they have, if you don't know the answer make a note of the question, take advice and go back to them with the answer.
4. Issue them a furlough letter (templates below)
 - a. Lay off in contract – no further action required.
 - b. No lay off in contract - ask them to consider their position; if they are happy to accept then sign and return the letter to you (scan or email confirmation will be fine). If they are not happy to accept then their options are unpaid leave or redundancy. If you don't get a response with 2 days then follow up until you get a response either way.

Lay-off in contract

Dear

I am writing to confirm that you [are/will] be laid off with effect from [] which means you will be treated as a "furloughed worker" from that date with a view that the Furlough Leave would end on the earliest of the following events:-

- (a) the government's Coronavirus Job Retention Scheme ending
- (b) either you or us ceasing to be eligible for funding under that scheme; or,
- (c) us deciding to end Furlough Leave and bring you back to work.

If you agree, under the government scheme, you would be paid 80% of your normal basic pay [up to a limit of £2,500 per month] funded by HMRC [, the Company will top this up to full pay].

HMRC will pay a grant to the company in order to cover this sum; [however there will be a delay until we receive the grant from HMRC and as such we deeply regret that we are unable to meet wage payments at 80% until such time we receive the grant from HMRC.][we are however able to make a wage payments of XX% this month which we sincerely hope is enough to tide you over until we receive the grant.] You will be paid through the payroll in the usual way and the normal tax, NI and pension deductions will be made. For avoidance of doubt, you will retain your employment rights and continuity of employment during this period.

During the furlough period you should remain available for work and we may require you to participate in on-line training. Whilst you are not permitted to work during the furlough period you may if you wish to volunteer, for example within the NHS or Care Sector. We will let you know as soon as we need you to return to work.

No Lay-off in contract

Dear

I am writing to confirm our discussions on [date]. I explained to you that due to the unprecedented situation we all find ourselves in and the impact that this has had on our business we are having to consider placing XX employees on Furlough Leave.

We believe that this position will be temporary and propose that it would take effect from [date]. This would mean that you would be treated as a "furloughed worker" from [date] with a view that the Furlough Leave would end on the earliest of the following events:-

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- (b) either you or us ceasing to be eligible for funding under that scheme; or,
- (c) us deciding to end Furlough Leave and bring you back to work.

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During the furlough period you should remain available for work and we may require you to participate in on-line training. Whilst you are not permitted to work during the furlough period you may if you wish to volunteer, for example within the NHS or Care Sector. We will let you know as soon as we need you to return to work.

If you do not agree to accept furlough the Company has very limited options which it is able to offer you; such as unpaid leave. It is possible that should you choose not to accept furlough the Company may have to consider placing your role at risk of redundancy. These are steps that the Company would

like to avoid as we envisage that this is a temporary cessation of work and once the worst of the virus is over, we hope that we should be able to get back to work as usual.

In summary to confirm your agreement to be placed on furlough please either sign and scan a copy of this letter back to me if you have the facility to do so or use the wording below in an email. If I have not received your agreement by [date], I will contact you again to discuss the matter further.

If you have any questions please contact [XXXXXX]. I should like to take this opportunity to thank you for your understanding during this unprecedented time. [add any personal note].

Further Advice

Please contact me for further advice.

Cath Dixon

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