

A guide for employers - Key changes to the Coronavirus Job Retention Scheme June 2020

From 1 July 2020, employees who have previously been furloughed will be able to work part-time ("flexible furloughing") and their employer can claim under the Coronavirus Job Retention Scheme for employees' wages for the normal hours that they do not work (i.e. hours they remain on furlough). The Government published further guidance on flexible furloughing on 12 June 2020. Employer funding under the furlough scheme will gradually decrease from 1 August:

Key Headlines

From 30 June 2020, the Coronavirus Job Retention Scheme closes to new entrants and employers will be able to furlough only those employees who have already been furloughed for at least the minimum furlough period of three weeks up to 30 June 2020. This means that the last date on which an employee could be furloughed for the first time was 10 June 2020, although there is an exception to the furlough cut-off date for employees returning from family leave (i.e. statutory maternity, paternity, adoption, shared parental or parental bereavement leave).

Only those employers that have already furloughed employees will be able to claim under the scheme from July onwards

In August, employers will no longer be able to claim for employer NICs or pension contributions.

In September, employers will be able to claim 70% of wages up to a cap of £2,187.50 per month for the hours that a furloughed employee does not work. As well as paying employer NICs and pension contributions, employers will have to pay 10% of wages so an employee's capped entitlement is still £2,500 per month.

In October 2020, employers will be able to claim 60% of wages up to a cap of £1,875 per month for the hours that a furloughed employee does not work, with the employer paying the other 20% so the employee's capped entitlement is still £2,500 per month (as well as paying employer NICs and pension contributions).

The scheme will close at the end of October 2020.

Seven things employers need to know about flexible furlough

1. Who is eligible to be furloughed under the new scheme?

Only employees who have been furloughed for at least three weeks on or before 30 June under the old scheme can be furloughed after 1 July. The only exceptions to this are where parents return to work after taking maternity, shared parental leave, adoption, paternity or parental bereavement leave.

2. Duration of furlough

From 1 July, you'll be able to bring back previously furloughed employees for any amount of time and on any pattern of work and claim a grant for the hours not worked. For example, if your employee normally works five days a week and you only need them in work for two, you can furlough them for the remaining three days. If business picks up, you might want them to work for three days and be furloughed for two.

The last date anyone could be furloughed for the first time was 10 June. If you furloughed any employee on that date, you'll be able to move them onto the new scheme immediately from 1 July.

However, it is now clear that if you re-furlough someone after 10 June, you will have to wait the full three weeks before you can move them onto the new scheme, regardless of whether this ends after 1 July. For example, a previously furloughed employee starting a new furlough period today (15 June) must remain furloughed under the old scheme until at least 6 July. After this date, the employee can be flexibly furloughed for any period.

3. Limits on numbers of people you can furlough from 1 July

The numbers of employees you can furlough in any period starting from 1 July can't exceed the maximum numbers of employees you claimed for under the old scheme - although you don't include returning parents in this calculation.

This may create some difficulties for employers who have already put in place rotating furlough patterns. For example, if you have divided your 200-strong workforce into two groups of 100 each and rotate them on three-weekly furlough, you won't be able to put all 200 workers on flexible furlough so that everyone works half a week.

4. Claim periods

You must submit any claims under the old scheme by 31 July. After 1 July, you can't submit claims that cross calendar months. This means that if you have staff whose furlough spans June and July, you'll need to submit separate claims for June and July - even if they have been furloughed continuously.

Your claim period is made up of the days you are claiming a grant for. Claim periods starting on or after 1 July must (usually) start and end within the same calendar month and must last at least seven days. You must include all furloughed staff in one claim even if they are paid at different times and the Government recommends that, if you can, you should match your claim period to the dates you process your payroll.

One thing to bear in mind is that if you can submit a claim up to 14 days before the end of the relevant claim period. However, if you do this and the number of days your staff work changes, you'll need to adjust the claim next time. That doesn't sound too difficult if you've over-claimed, but if you've under-claimed, you'll have to contact HMRC for help. The Government therefore recommends that you don't "claim until you are sure of the exact number of hours your staff will have worked during the claim period".

5. Working out pay under the new scheme

If you don't intend to ask staff to return to work, your pay calculations won't change, although your contribution will increase from 1 August.

However, if your staff do return to work part-time you'll need to work out how many hours each employee usually works and off set this from the number of hours they have been furloughed.

First of all, you'll need to decide if your employee has fixed or variable hours. If their pay depends on the number of hours they've worked, or they are not contracted to work a fixed number of hours, use the variable calculation.

6. Keeping records

You'll need to keep a copy of all records (although it is currently unclear whether this is for five or six years) including:

- the amount claimed and claim period for each employee
- the claim reference number
- your calculations
- for employees who are flexibly furloughed, their usual hours including any calculations and the actual number of hours they have worked.

7. Written agreement

The guidance states that you need a "new written agreement" to confirm the new furlough arrangement.

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