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To: Personnel Committee **Date:** 4 November 2015

Subject: Relocation Assistance Scheme

Classification: **Unrestricted**

SUMMARY:

The Relocation Assistance Scheme has been rationalised to ensure it is 'fit for purpose'. It is proposed to have a single and flexible scheme and used only when specifically required.

1. BACKGROUND

- 1.1 The aim of the Relocation Assistance Scheme is to offer financial assistance where there is a justifiable business requirement to new or existing employees in order to resolve recruitment difficulties.
- 1.2 The original Relocation Assistance Scheme was divided into 3 parts. Part 1 allowed employees to claim qualifying relocation expenses up to a maximum of £5,500. Part 2 allowed an additional payment to be applied for up to £2,500. This was only applicable in exceptional cases with the authority of the Head of Service. Part 3 comprised an additional payment to meet up to the full cost of Stamp Duty, only to be made in the case of recruitment difficulty for management positions and with the approval of the relevant Corporate Director. There was also the ability for KCC to arrange the purchase of someone's house.

2. CHANGES TO THE SCHEME

- 2.1 It is proposed that parts 1 and 2 of the original Scheme will be combined into one Scheme, comprising qualifying Relocation expenses up to a maximum of £8,000. In exceptional circumstances, additional payments to meet up to the full cost of Stamp Duty can be made with the approval of the Corporate Director, as outlined above. This makes the Scheme, given in Appendix 1, clearer and more concise, which will help to ensure its effective application.
- 2.2 The eligibility criteria and conditions have been updated to clarify that the Scheme relates to a variety of circumstances, including home ownership, rented accommodation or lodging.
- 2.3 The section referring to additional travelling expenses has been clarified by stating that these expenses will only be paid where there

has been no temporary relocation and that they are not in addition to other relocation expenses.

- 2.4 Reimbursement of storage expenses is now included within the Scheme. This can be a significant expense, which was not recognised within the original Scheme provisions. These will need to be claimed within the £8,000 total qualifying expenses.
- 2.5 The Relocation Allowance – Form of Undertaking has been updated to enable managers to more effectively monitor all expenses being claimed under the Scheme. The manager's responsibility to ensure that the document has been approved prior to authorising payment has been made explicit. The claimant is also expected to monitor their own expenditure.
- 2.6 The payment and reimbursement of rental deposits was not clarified in the original Scheme. This is now catered for by allowing the employee to claim for the cost of the rental deposit. This will be included in the £8k qualifying expenses. The deposit is taxable once it is returned to the employee by the landlord.
- 2.7 An Equality Impact Assessment has been undertaken and has not highlighted disproportionate or negative outcomes on the areas of protected characteristics. It is attached at Appendix 2.

3. CONCLUSION

- 3.1 The changes to the Scheme will ensure clarity and consistency, and will encourage managers and employees to closely monitor claims made under the Scheme.

4 RECOMMENDATION

- 4.1 Personnel Committee are invited to approve the changes to the scheme.

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Background Documents – None

Relocation Assistance Scheme

A Introduction

The Relocation Assistance scheme offers financial assistance to new or existing employees in exceptional circumstances in order to resolve recruitment difficulties, enabling them to move nearer to their place of work. Therefore the provisions should be used only when there is a justifiable business requirement. It should not be perceived as an entitlement.

The payments available under the Relocation Assistance Scheme are reviewed and, when it is required, updated by the Corporate Director with HR responsibility.

Payments can be used in a variety of relocation circumstances and expenditure will be set up to the overall limit of £8,000.

B Eligibility and Conditions of the Scheme

Your eligibility must be established and authorisation agreed before any commitment to expenditure is made.

In addition to the basic eligibility requirements outlined below there are further conditions under the scheme, explained later in this document. To receive benefits under the scheme the following conditions must apply:

1. You must change your only or main residence.
2. The new residence must be within reasonable daily travelling distance of the new normal place of work.
3. The old residence must not be within reasonable daily travelling distance of the new normal place of work.
4. If your partner receives (or has received) a similar allowance from KCC or another employer you will not be eligible to receive benefits under this scheme.
5. The full cost will be met from the approved budget of the employing directorate.
6. If you leave KCC within three years of the start of your employment, you will be asked to repay whole or part of the net relocation costs paid to you under this scheme. You will be required to sign a form of undertaking to confirm that you agree with this.
7. The first claim under the scheme must be made within 12 months from the date of your appointment.
8. Three quotes for removal expenses should be obtained however reimbursement is limited to the value of the lowest quote.

Please Note: KCC only pays eligible expenses as defined by Her Majesty's Revenue & Customs (HMRC). For further details please refer to the HMRC website.

Eligibility Criteria and Conditions

- The scheme is intended to be used in a way which takes into account a variety of circumstances such as home ownership, rented accommodation or lodging. However, you must be personally or jointly responsible for paying for the accommodation.
- Each case will be dealt with on its merits and be subject to an overall limit of £8,000.

Approval, Authorisation and Management of the Scheme

Approval to receive benefits under this scheme is subject to you meeting the eligibility criteria and scheme conditions and rests with the employing directorate. Heads of Service have the authority to approve applications, normally on the advice of the employee's line manager and Human Resources. It is the responsibility of the authorising manager to monitor the scheme and to ensure that the amount(s) claimed are eligible and to ensure payments are processed in a way which is compliant for tax recording purposes and within the agreed limits up to a maximum of £8,000.

Benefits of the Scheme up to a maximum of £8,000

The benefits of the scheme are outlined below.

Removal costs

100% of removal costs, based on the lowest of three tenders, including the cost of insuring when in transit. These must have been approved by the Head of Service.

Temporary lodging, rent or travelling allowance

For a period of up to 12 months, based on management discretion, payment may cover:

- A lodging or rent allowance towards temporary accommodation.
- The cost of a return journey home each weekend, paid at KCC's casual user rate above 10,000 miles or public transport, depending on which is the lower.
- An allowance towards the additional travelling expenses for daily travel at KCC's casual user rate above 10,000 miles. This will only be paid where there has been no temporary relocation and is not in addition to other relocation expenses.

An allowance towards replacing domestic goods

Purchase of domestic goods needed to replace items used at the old home which are **not suitable for use** in the new home (eg a fitted fridge which cannot be moved). Reimbursement will be confined to the net amount after any sale proceeds from the old goods.

The Payment of Storage Expenses.

Storage expenses will be reimbursed.

Professional expenses and services

Professional Expenses and services connected with the disposal of the old and acquisition of the new properties.

Additional Payments

In exceptional circumstances, additional payment to meet up to the full cost of Stamp Duty, only to be made in the cases of recruitment difficulty for management positions and with the approval of the relevant Corporate Director. See Tax Implications below.

Tax Implications

Certain expenses and benefits (up to a limit of £8,000) may be paid in respect of relocation without incurring a tax liability. All expenses paid are deemed to be eligible expenses and are therefore not taxable unless the total amount exceeds £8,000. Any amount paid in excess of this figure is reportable at the year-end for P11D purposes. You will then have a tax liability on the amount in excess of £8,000.

In order for any expenses or benefits to fall within the £8,000 taxable limit they must be paid within the tax year that the job change takes place or the subsequent tax year. Payments made outside this period will be taxable in full. If expenses will be incurred after this date please contact the Taxation Accountant. A case can then be put to HMRC who have the power to grant an extension if it seems reasonable to do so. It is necessary not only to monitor total costs but the time over which those expenses are incurred.

National Insurance

The £8,000 limit for qualifying expenses does not apply for NICs. Providing the expenses qualify under the income tax rules no liability to NICs will arise regardless of the amounts involved.

Updating Allowance within the Scheme

The Corporate Director with responsibilities for Human Resources has delegated authority to update all allowances, informed by HMRC guidance.

VAT

The reclaim of VAT on relocation expenses is dependent on two main factors:

- That there is an actual reimbursement of expenditure incurred.
- That the expenditure is supported by a valid tax invoice.

If you require further information on the VAT treatment, contact Chief Accountants Team – Taxation, County Hall.

Special Situations

- (i) **Leaving within Three Years:** if you leave within 3 years of the start of your employment contract. KCC will request payment of the benefits received or a proportionate amount. This will be repayable unless

agreed otherwise by the Head of Service. If a liability to tax is incurred in a previous year, you may need to contact the HMRC directly.

- (ii) **Aborted Move:** If no move takes place, all costs incurred will become taxable and may be repayable, depending on the circumstances. The Head of Service will review this on a case by case basis.

Reimbursement of Expenses

Reimbursement is made through Officers Expenses. You are required to make these claims on a monthly basis.

All appropriate expenditure actually incurred by you must be supported by authentic, dated receipts. Receipts must be authorised and submitted in the normal way for auditing and monitoring purposes.

Declaration of Legitimacy and Consequences

The authorising manager is responsible for ensuring that the amount(s) claimed:

- fall within the elements of the scheme; and
- cumulative amounts do not exceed the agreed maximum
- any items which attract VAT are correctly coded on the expenses claim form and are supported by a valid VAT receipt.

Copies of claims and receipts should be retained by the employee. These can then be used for tax calculations as appropriate.

Under no circumstances will you be entitled to duplicate allowances and the authorising manager will be responsible for ensuring this does not occur. If you claim a weekly lodging allowance for a period during relocation, the claim should be supported by signed and dated receipts.

Should you, as the relocating employee require advice about domestic goods which are eligible for replacement under the scheme; your line manager will act as first point of contact. Any queries can be followed up through the Chief Accountants Team – Taxation, County Hall.

If you are claiming for payment of a rental deposit, this must be included within the £8,000 expenditure limit.

Relocation Allowance – Form of Undertaking

Full Name
Job Title
Unit
Directorate
Authorising Manager

Note: The form of undertaking must be personalised to reflect the agreement made with the employee. It is the manager's responsibility to ensure that this document has been approved prior to authorising payment. More than one Form of Undertaking may be required, dependent on the circumstances.
"In consideration of Kent County Council" (hereinafter called "KCC") paying me

- Removal Allowance - £
- Lodging Allowance per week - £
- Travelling Allowance per week - £
- Legal expenses - £
- Other expenses (please state) - £
- Rental deposit – £

The total of the above expenses must not exceed £8,000

These payments are consequent upon me taking up employment with KCC as a **#job title#** in the **#name of Directorate#**. I undertake with KCC that if my employment is terminated for any reason other than ill health or redundancy within three years from the start of my employment, I will repay the whole, or such lesser amount (as KCC demands) of the relocation benefits I have received.

Once signed, the completed form should be e-mailed to HR Connect.

SIGNATURE (employee):

I confirm that appropriate approval has been obtained prior to completing this form and that I will undertake to monitor the expenditure.

Completed/authorised by (Manager signature):

DATE: