

Report to: Governance Committee

Date of meeting: 28 September 2023

By: Chief Operating Officer

Title: Relocation scheme

Purpose: To seek the Governance Committee's agreement to expand the employee relocation scheme to allow employees to claim all reasonable expenses, rather than just those on the current HMRC-prescribed list, subject to tax and NI being applied.

RECOMMENDATIONS

The Governance Committee is recommended to:

- 1) Agree that the relocation scheme is expanded to allow reimbursement of all reasonable expenses associated with relocation up to a maximum amount of £8,000**
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1 Background

- 1.1 ESCC operates a relocation scheme, whereby managers can offer new recruits up to £8,000 assistance with the cost of moving to a location nearer their work base. Subject to Assistant Director approval, it can be used where there is evidence of difficulty in recruiting to a vacancy, or where the preferred candidate would be unable to accept a job offer without assistance.
- 1.2 The scheme has historically operated on the basis that only certain expenses can be claimed for reimbursement, based on HMRC's list of 'qualifying expenses'. Reimbursement of these qualifying expenses is therefore exempt from income tax and National Insurance deductions.
- 1.3 Whilst the HMRC list of qualifying expenses is fairly extensive, recent feedback from recruiting managers suggests that it does not always meet the needs of employees newly recruited from overseas. Where candidates are brand new to the UK, they may reasonably need assistance with other expenses that aren't considered to be qualifying expenses by HMRC, and therefore currently aren't reimbursable under the ESCC policy.
- 1.4 For example, the current policy only allows for reimbursement of legal and professional fees if these are associated with buying a house. Similarly, purchase of furniture and household items is only reimbursable if these are to replace items in a property the new employee is selling. Where an employee is moving into rented accommodation, or relocating a long distance and therefore only arriving with a limited amount of luggage, the costs associated with this cannot currently be reimbursed under the terms of the policy.
- 1.5 The Council is operating in an extremely challenging recruitment market, competing with other local authorities and the private sector to attract and retain talented staff, particularly into key roles such as social work. It is therefore in the Council's interests to ensure that new recruits feel appropriately supported and able to work effectively following relocation, which is likely to be a major life event involving considerable expense for individuals. On that basis, it's proposed that the relocation policy is expanded to allow reimbursement of all reasonable expenses associated with relocation, rather than just HMRC qualifying expenses.
- 1.6 It's important to note that only HMRC qualifying expenses are eligible for tax relief. While employers can choose to reimburse other expenses as proposed above, these elements of the relocation allowance would be subject to NI and tax, and employees would therefore not receive the full value of the expenditure back. For example, if an employee on the basic rate

of income tax claimed £7,000 worth of qualifying expenses and £1000 worth of non-qualifying expenses, tax and NI would be applied to the £1000 non-qualifying element of their claim, meaning they would receive around £7,670 in total. However, even after allowing for tax and NI deductions, employees would still be better off than under the present policy.

- 1.7 As part of the claim process, the HR Employee Services team will apply the appropriate tax treatment to each element of the claim – due to the comparatively low number of relocations processed each year, there are no resourcing implications for the Council, and this will take place as part of business as usual. As with the existing relocation process, the employee only needs to provide receipts for each expense claimed.
- 1.8 As the range of expenses an employee might reasonably claim would also be expanded compared to now, managers would need to exercise some discretion as to what constitutes a reasonable relocation expense. However, the policy will be updated to define reasonable expenses as those that are incurred as exclusively as a direct consequence of the relocation, and that are necessarily in order to facilitate the relocation. Advice has been sought from Internal Audit who are satisfied that the proposed changes to the policy do not represent a risk, provided that any non-qualifying expenses are taxed appropriately, and there is sufficient opportunity for managers to scrutinise claims.
- 1.9 The existing policy makes it clear that the £8,000 available under the scheme is a maximum contribution towards reasonable expenses and is not intended as an undefined welcome payment or general recruitment incentive payment. The policy also contains provisions for repayment in the event the employee leaves: full repayment if they leave within one year of receiving the allowance, with the amount repayable then reducing by 1/12th for each month of service completed beyond their first year.

2 Conclusion and Recommendations

2.1 The Governance Committee is recommended to agree that the relocation scheme is expanded to allow reimbursement of all reasonable expenses associated with relocation up to a maximum amount of £8,000.

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