

## **SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

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**REPORT TO:** Finance and Staffing Portfolio Holder

6<sup>th</sup> October 2009

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### **REVIEW OF RELOCATION ASSISTANCE POLICY**

#### **Purpose**

1. To seek approval from the Finance and Staffing Portfolio Holder for the revised Relocation Assistance policy and procedure.

#### **Background**

2. The revision forms part of the HR policy review process. The Relocation Assistance policy and procedure were last reviewed in October 2003.
3. The policy has been edited to add time scales and to give greater clarity around procedures. The total amount that can be claimed has been uplifted from £6,910 to £7000. The repayment scheme and terms have not been altered.
4. HM Revenues & Customs, Income tax and National Insurance contributions on relocation packages regulations have been taken into consideration. Currently there is no employment legislation to take into consideration.

#### **Considerations**

5. It is important to treat all employees equally and fairly and therefore the relocation policy and procedure should be considered open to all new employees.
6. Enabling an employee to move closer to their workplace is desirable in that it helps the employee to achieve a better work life balance and reduces the amount of travelling time and reduces the amount of time away from their home. In encouraging employees to live nearer to their workplace and thus reducing travelling time and home to work mileage the Council is demonstrating a commitment to reducing CO2 emissions. A review of this policy forms part of the actions under the Council's Travel Link plan.
7. HM Revenues and Customs have a limit of £8,000 before allowances become subject to tax and NI. By working below this limit no payment will be subject to tax and NI.
8. To comply with the tax rules there is a time limit for completion of claims, which is: by the end of the tax year following the tax year the start date falls in.
9. The current policy allows a move to be from an address 'at least 25 miles from the new place of work' to an address 'no more than 20 miles from the new place of work' giving a difference of 5 miles. The revised policy increases the distance to be moved with the address to be moved from changing to 'at least 40 miles from the place of work', which feels a more reasonable minimum distance to move. The new address must be no more than 10 miles from the employee's workplace.

10. The current policy applies to homeowners only. It is recognised that new employees may be in rented accommodation prior to taking up employment with SCDC or move from a homeowner status to rented accommodation in South Cambridgeshire. The policy has been revised to take account of these circumstances.
11. It has been identified that there are some weaknesses with the current process.
  - a) Payments are currently paid through Creditors (Accountancy) on proforma invoices. This approach has placed the responsibility on accountancy staff to check and challenge claims. On occasion employees have submitted claims for more than the maximum amount allowable.
  - b) There is a risk that monies due are not reclaimed when an employee leaves as there is no central point for checking who has entered into a relocation agreement. This gives rise to inconsistency within the system. Therefore it is recommended that HR-Payroll will check that claims meet the conditions of the policy, ensure monies are paid for allowable items and do not exceed maximums, and that monies are repaid when an employee leaves.
12. The Finance and Staffing Portfolio Holder and the Chief Executive have delegated powers to authorise an annual increase in the relocation allowance that reflects the Retail Price Index for the previous 12 months. The relocation allowance was revised in 1998 (from £5,899 to £6,222) and in 2003 (from £6,222 to £6,910). It has not been revised since. If the retail price index were to be applied to July 2009, then the figure would become £8,075. This would be above the tax threshold of £8,000 mentioned earlier in the report. Relocation remains an important recruitment incentive and therefore allowances must still reflect a level that continues to be attractive and appropriate to potential job applicants. In the current financial climate at SCDC it is inappropriate to increase the sums significantly and it is recommended that the total amount of £6910 is rounded up to £7000.
13. The HR Coordinator has undertaken a research exercise to compare the South Cambridgeshire District Council approach to relocation with other local authorities. In particular, consideration has been given to amounts payable and repayment terms. It is felt that the revised policy and procedure reflects best practice.

### Options

14. Maintain the status quo, which will leave us with a policy that does not always meet our needs and a process that leads to inconsistency and possible risk to the Council in that monies, which should be reclaimed, are missed.
15. Agree the revisions to the policy but retain current levels of allowances to a maximum value of £6,910.
16. Agree to the revisions to the policy and uplift the maximum amount payable to £7000, this would be below HMRC limits.

### Implications

17.	Financial	Relocation is a cost to Service areas but an incentive when recruiting new staff. It is particularly important for employees who relocate from less expensive regions in the UK.
	Legal	The relocation agreement should be binding document.
	Staffing	Incentive to attracting new employees, particularly as Cambridgeshire can be an expensive area to move in to.
	Risk Management	Risk of not complying with HMRC regulations.

Equal Opportunities	The policy needs to be implemented fairly and consistently across SCDC.
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### **Consultations**

18. Both Unison and GMB are being consulted on the changes.
19. The Council's Legal team are being consulted on the wording of the employee agreement form to ensure that it is legally binding.

### **Conclusions/Summary**

20. The purpose of the policy is to make financial assistance available to new employees. It needs to offer a reasonable level of assistance to enable employees to move nearer to the workplace.
21. The amendments to the policy should make the policy easier to follow and more consistent in its application.

### **Recommendations**

22. It is recommended that:
  - a) Subject to agreement from the unions, amendments to the policy and procedure are approved
  - b) An uplift in the total amount to £7000 is approved.

### **Background Papers**

The following background papers were used in the preparation of this report:  
Policies from other local authorities  
HMRC guidelines  
Xpert HR employment advice

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