

**STAFF NOTICE NO 10**

**Human Resources**  
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Edinburgh  
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**REIMBURSEMENT OF EXPENSES INCURRED ON TRANSFER: ADDITIONAL HOUSING COSTS ALLOWANCE**

1. The attached guidance replaces NIM22 dated November 1996.
2. The guidance is applicable to staff transferred on public interest terms who may be eligible to claim an additional housing costs allowance.
3. This notice does not change any rules but expands on the guidance previously provided in NIM22.
4. The guidance will be included in the next amendment to the Transfers section (Chapter 14) of the Staff Handbook.

**Enquiries**

4. Please contact Kate Fielding, HR Services, extension 6531 for further information or guidance

January 2008

## STAFF NOTICE 10

### REIMBURSEMENT OF EXPENSES INCURRED ON TRANSFER: ADDITIONAL HOUSING COSTS ALLOWANCE

#### Introduction

1. Arising from the budget statement of 6 April 1996 Additional Housing Costs Allowance (AHCA) became a taxable allowance. Due to the continuing need to encourage and assist staff in moving to new locations the Forestry Commission will reimburse tax at a **flat rate of 22%** by grossing up the AHCA payment. (See also NIM91 – Relocation Expenses: Reimbursement of Tax, NIC and ENI Contributions.)

#### Allowance Payable

2. Officers who are transferred to areas of the country where housing is more expensive may be eligible to receive AHCA while those who are transferred to areas where average house prices and general outgoings are equal to or less than those at the old station will not be eligible for AHCA.

3. In determining the amount of AHCA payable a key factor will be the difference in the average prices of similar types of housing in the local authority areas in which the old and new houses are located. For this purpose the Valuation Office (an Executive Agency of the Inland Revenue) produce a list of average prices for different property types within local authority areas every 6 months as at 1 April and 1 October. Personnel Services staff should ensure officers transferring at these dates are made aware that new listings will be published and may affect the average prices. If an officer actually purchases or enters into an agreement to purchase a property at the time of issue of new listings Personnel Services have discretion to apply the average prices which are most beneficial to the officer. In exceptional circumstances where the property of an owner occupier cannot be categorised within the types of property quoted in the average price list a further valuation may be undertaken by the Valuation Office.

The Forestry Commission places great emphasis on the valuations made by the Valuation Office.

4. There are some local authority areas where there is insufficient data to enable an average price to be given for a particular type of property. In these circumstances Personnel Services have discretion to make an individual assessment on the merits of the case and will use the Valuation Office to do an individual property survey.

5. AHCA payments are subject to a ceiling on the basis of the differential in the average property prices multiplied by the Mortgage Interest Factor (MIF). Where the average price at the new location is the same as or lower than the average price at the old location no AHCA will be payable in respect of additional mortgage. It will however be possible for an officer who moves to a lower priced area to receive AHCA when account is taken of other outgoings such as water rates, buildings insurance and council tax. Where additional outgoings are higher, we will seek evidence that this is not because a superior property has been purchased.

#### The 25% Rule

6. Where the actual prices of the old **and** new properties are **both** either more than 25% above or more than 25% below the listed average for properties of their type in each location **and** the listed average price for properties of similar type at the new location is higher than at the old location the maximum additional mortgage should be calculated as follows:-

$$\frac{A-(B + 25\%) \times (C-B)}{B}$$

Where A = selling price of old property  
B = average price for that property type in old area  
C = average price for that property type in new area

The result of this calculation is either added or subtracted as appropriate to the difference between the average price new minus the average price old.

### **Period of payment**

7. AHCA will be payable for a period of 7 years. Once calculated the amount of AHCA payable within the 9 year cycle should not be revised except when there is a change to the MIF or the officer reduces their mortgage. AHCA however is not affected by changes in the MIF after the 5<sup>th</sup> full year of payment and will remain at the amount then payable, with only the appropriate annual one-fifth reductions until the allowance ceases.

### **Calculation of AHCA**

Purchased to Purchased Property.

8. In cases where an officer who was an owner occupier at the old station and moves to purchased property at the new the AHCA will be calculated on the basis of additional outgoings at the new location taking account of the following:-

- a. The amount of necessary additional mortgage obtained to purchase the new property multiplied by the MIF. The amount to be taken into account must not exceed the maximum as calculated in accordance with para 5;
- b. The annual water rates payable (England and Wales only) at the date of removal from the old home/occupation of the new home;
- c. The annual building insurance premium at the date of removal/occupation of the new home;
- d. The annual council tax charge at the date of occupation of the new home.

For the purpose of 8a, only the additional necessary mortgage to fund the purchase will be taken into account. Officers will be expected to use monies available from the sale of the old property to fund the purchase of the new home. There may be circumstances where it would be unreasonable to insist that officers should put all their funds towards the purchase. For example part of the capital may need to be used for essential repairs and the officer would then be required to take out a larger mortgage.

Due to changes in water charges it is recognised that there will be occasions when staff are moving between properties where water is metered and properties where it is not. Where metering exists in **both** properties it should be excluded from the AHCA calculation. Where staff are moving from a property where there is **no metering** to one where there is, the calculation should be based on a comparison between the annual charge for water rates, and four times the metered charge for the last quarter. It is appreciated that the quarterly figure is only an estimate and not absolutely accurate but these figures can be reviewed if the officer so requests, after the first year of occupancy and amended accordingly.

In some cases insurance companies give all-inclusive policies and are unable to give a separate building insurance premium. Where this occurs the payment of insurance should not be taken into account in the calculation.

The Council Tax figures used should always be those at the date of occupancy of the new property (i.e. obtaining corresponding current rates for the old property).

### **Rented to Rented**

9. In cases where an officer moves from a rented property to another rented property, including Forestry Commission properties, AHCA will be calculated on the basis of additional outgoings at the new location taking account of the following:

- a. The amount of additional rent. In cases where an officer is moving from or to a Forestry Commission property where Foresters' Standard Rent or Civil Service Standard rent are paid then the fair rent for that property established by the Area Land Agent must be used in the calculation. The amount to be taken into account should normally be limited to the difference between the average prices for the appropriate type of property at the old and new locations multiplied by the MIF. Exceptionally, local circumstances may be such that it would be impossible for the officer to obtain suitable rented accommodation without incurring outgoings on rent significantly higher than the limits based on the average price differential. In cases where this would cause hardship Personnel Services have discretion to pay a higher level of AHCA, subject to the overall ceiling;
- b. The annual water rates applicable at the date of removal from the old home/occupation of the new home;
- c. Any annual buildings insurance premium on the house at the date of removal/occupation if not included in the rental;
- d. The annual council tax payable at the date of occupation if not included in the rental.

### **Co-Ownership**

10. Outgoings for co-ownership accommodation should be assessed in the same way, as rented accommodation except that the buildings insurance premium should also be included together with management charges for heating, lighting and services, provided they are an integral part of the rent paid.

### **Rented to Purchased**

11. Where officers move from privately rented property or Forestry Commission property for which they are paying fair rent and rates or Civil Service Standard Rent they have no formal entitlement to assistance with AHCA if they choose to purchase a home. Assistance may, however, be given to Forest Officers who rent Forestry Commission properties and pay Foresters' Standard Rent under the terms of the Foresters' Housing Agreement. Exceptionally assistance may be given to officers who were previously paying a fair/commercial rent when there is clear evidence that the officer cannot obtain suitable rented accommodation at or near the new location. In such cases Personnel Services, if necessary, may calculate AHCA on the basis of additional outgoings at the new location taking account of the following:

- a. The amount of additional monies when the annual/commercial rent for the old property is subtracted from the new mortgage multiplied by the MIF; the amount to be taken into account must not exceed the maximum as calculated in accordance with para 5;
- b. The annual water rates applicable at the date of removal from the old home/occupation of the new home;
- c. Any annual building insurance at the date of removal/occupation;

- d. Council tax at the date of removal/occupation.

### **Rented Property (Foresters Standard Rent) to Purchased**

12. In cases where officers move from a Forestry Commission property for which they were paying Foresters Standard Rent under the terms of the Foresters' Housing Agreement to a purchased property, AHCA will be calculated on the basis of additional outgoings at the new location taking account of the following:

- a. The amount of additional monies when the annual/fair commercial rent for the old property (established by the Area Land Agent) is subtracted from the new mortgage multiplied by the MIF. The amount must not exceed the maximum as calculated in accordance with paragraph 5.
- b. The annual water rates applicable at the date of occupation of the new home.
- c. Any annual buildings insurance at the date of occupation.
- d. Any council tax payable at the date of occupation.

### **Part of Accommodation used for Business Purposes**

13. If any part of the accommodation either at the old station or new location was or is used for purposes other than the officer's residence (e.g. farm, boarding house or shop) an appropriate exclusion should be made in respect for the non-residential element.

### **Calculation of Temporary AHCA**

14. AHCA for temporary accommodation is based on the same principles as AHCA for permanent accommodation. Both married and single householders are eligible for AHCA for temporary accommodation, and if married the officer must be joined by the family in the temporary accommodation in order to qualify for AHCA. Personnel Services need to be satisfied there are good reasons for regarding the accommodation as temporary and that it is not possible to obtain suitable permanent accommodation. Once commenced, payment of the allowance should be reviewed every 3 months in order to determine whether its continuation is justified.

The calculation for Temporary AHCA often requires further consideration than just comparing prices of similar properties in 2 areas. When an officers mortgage is relatively low compared to the value of his property and the average house prices for the area, (e.g. a property worth £100k + a mortgage of £25k) discretion may be given to consider actual outgoings, that is the cost of borrowing on the outstanding mortgage compared to the rent being charged in the new location. This discretion takes into account the fact that not all staff will have a full mortgage on the property and will therefore be paying a 'rent' (cost of borrowing the mortgage) which is well below the average house prices for the area. In comparing this with the actual commercial rent of the new station we need to take account of more than the difference in average house prices. It must also be justified on the basis that the temporary residence is of the same size as that vacated and not better. The calculation will be done by comparing continuing commitments (old mortgage x MIF, plus council tax and buildings insurance) with rent plus council tax.

It is accepted for example, that in the case of a married couple with children whose old property is a 3 bedroom detached that they would need a comparable property to rent of 2 or 3 bedrooms. Single officers or married couples with no children or dependants moving with them could reasonably be expected to move into a one or 2 bedroom property even if the old home is larger. This takes account of the temporary nature of the arrangement. The daily amount of temporary AHCA payable to all officers must not exceed the appropriate rate of lodging allowance. Once

calculated the allowance should not be altered to take account of any change in the actual rent paid in the same property.

If married officers occupy hotel accommodation or lodgings with their family after entitlement to night subsistence allowance has ceased, half the combined charges for food and accommodation should be used as the rent element in assessing any AHCA payable.

When calculating whether temporary AHCA/storage charges are payable Personnel Services should take account of any interest that may be made on capital from the sale of the home at the old location and no new home has been purchased. Personnel Services should look at amounts involved on a case by case basis and check if a sufficient amount of interest has accrued before deciding if payment of temporary AHCA/storage should cease or be reduced.

Temporary AHCA may be paid for a maximum of 3 years for all householders. On the third anniversary of date of transfer the temporary accommodation should be treated as permanent accommodation. Any AHCA payable should then be paid under the normal rules and for the remainder of the 9 year period only.

### **AHCA Paid Before Date of Transfer**

15. If AHCA was payable on property at the old location at the date of transfer the following steps should be taken:

**a. Owner Occupier Accommodation at the Old Location**

i. Entitlement to AHCA should be calculated and if any entitlement arises should be paid as if no previous move had taken place. Any allowance payable at the old rate of AHCA should continue in parallel as if the fresh move had not taken place but should not be paid beyond the date it would otherwise have stopped.

ii. Where there is entitlement to AHCA because the move is to a higher priced area but the difference between the mortgage and other outgoings produces a negative figure, any AHCA already in payment should be reduced by the negative figure. Any revised entitlement will not be payable beyond the date on which payment was originally due to stop.

iii. If no fresh entitlement arises and the second move is to a lower price area the old rate will be subject to abatement. This will be based on the average house price differential for the relevant type of house in the location involved in the current move. The maximum abatement will be equivalent to the MIF x average price differential. Any revised entitlements will not be payable beyond the date on which payment was originally due to stop.

**b. Rented Accommodation at the Old Location**

i. As a.i. above

ii. As a.ii. above

iii. If no fresh entitlement arises the old rate will be abated by the amount of any reduction in outgoings for roughly equivalent accommodation at the new location. Any revised entitlement will not be payable beyond the date on which payment was originally due to stop.

### **AHCA on Unpaid Leave**

16. Entitlement to AHCA ceases during periods of unpaid leave. On return to official duty AHCA should recommence at the point which would have been reached had payment continued uninterrupted.

### **AHCA on Unpaid Maternity Leave**

17. Although payment of AHCA stops during periods of unpaid maternity leave the total period during which AHCA is paid should not be reduced. AHCA should start again on return to work and continue for the balance of the payment cycle. This in effect means that the original nine years payment period will be extended by the total length of any periods of unpaid maternity leave. This rule applies **only** to unpaid maternity leave and no other form of special unpaid leave including career breaks.

### **Death**

18. Any AHCA in payment at the death of a married householder may continue at the discretion of Personnel Services if the partner continues to live in the property for which the allowance was paid. The allowance should normally continue for not more than 13 weeks after the officer's death, but Personnel Services have discretion to decide on exceptional cases in which payment for a longer period would be justified.

### **Annual Verification of AHCA**

19. In order to establish continued eligibility for AHCA payments Personnel Services will send Form A293 annually at 31 March to each officer asking them to certify that there have been no changes in circumstances which would affect their current entitlements. Personnel Services will check this verification against current records.

### **Management Controls**

20. The checking and approval of eligibility to AHCA lies with the HEO or next senior designated officer in Personnel Services.

### **Housing Cost Supplement – HCS**

21. Since AHCA became a taxable allowance in April 1993 and the ceiling of £30,000 in respect of maximum additional mortgage was lifted, Housing Cost Supplements ceased to apply for any cases after that date. However those officers already in receipt of HCS will continue to receive payment until its normal expiry or their circumstances change whereby they no longer qualify. The period of payment and the method of tapering is the same as that for AHCA as referred to in Para 7.

22. Any queries regarding this instruction should be referred to Personnel Services, Headquarters.

**David S Taylor**  
**Personnel Services**  
**December 2001**