



**Somerset
Council**

Relocation Allowance Policy

Organisation	Somerset Council
Title	Relocation Allowance Policy
Owner	HR Policy Team
Primary Legislation	

1. Policy Statement

- 1.1. This policy applies to new appointees to the Council on a permanent or fixed term contract of more than 2 years and existing employees who are required to move home as consequence of a new role. The new residence must be within a reasonable daily travelling distance of the new workplace.
- 1.2. The allowance is not payable if the employees' partner or other member of their household is in receipt of a relocation package from another organisation.
- 1.3. It sets out what can be claimed tax-free in accordance with HMRC rules on relocation costs when moving home to take up a new post.
- 1.4. This policy does not form part of the Somerset Council Terms and Conditions and may be subject to change.

2. Relocation Allowance

- 2.1. The relocation allowance is offered as a sum up to a total of £8,000 inclusive of VAT and is tax free as long as it is to reimburse for costs associated with moving the main living residence as defined by **HRMC qualifying costs**. The relocation allowance is paid from the service areas budget.
- 2.2. **Advance Allowance**
 - 2.2.1. To assist an employee to meet the immediate costs incurred in moving **their main residence**, an advance of up to £2,500 out of the relocation allowance may be paid on the first day of employment. An advance amount may be paid in advance of the first day of employment to migrant workers from overseas to help with the significant costs of relocating from abroad.
 - 2.2.2. It is important to stress that the 'advance' must be accounted for by the individual; at the end of six months if employee's expenses are less than the advance or employees are unable to account for it, the excess will be reclaimed.
 - 2.2.3. The advance should be arranged using form ESU60. This will enable a BACS payment to be arranged on or shortly after the employees first day at work. Managers must ensure that a copy of the form is retained so that the employee can sign to acknowledge receipt of the payment and sign the [Relocation Certificate of Undertaking](#).
 - 2.2.4. Further claims and the list of expenditure to account for the advance should also be submitted on form ESU60.

2.3. Qualifying Costs

2.3.1. Qualifying costs should fall into one of the following categories, this list is not exhaustive:

2.3.2. Sale or intended sale of old residence and/or purchase or intended purchase of new residence

- Estate agent fees.
- Legal fees and other professional fees and charges arising out of housing transactions.
- Disconnection and reconnection of domestic appliances and gas fires and fittings.

2.3.3. Transporting belongings

- Removal costs of personal effects and furniture between residences.
- Temporary storage of personal items where there is not a direct move from the old residence to the new.

2.3.4. Travelling and subsistence

- Travel allowance based on standard return rail fare once a week to the employee's former home (up to 26 weeks is usually considered reasonable).
- Travel and one overnight stay and subsistence for the employee and partner (and children) to search for new accommodation.
- Temporary accommodation rental costs where two homes (one in the old area and a temporary one in the new area) are being maintained. In the case of an employee whose family move into rented accommodation, they can continue to claim the costs if the present family home remains unsold. Where temporary accommodation costs are payable it is expected that the employee will purchase a property in the new area at the earliest possible moment. From time to time the Line Manager will enquire as to the steps being taken by the employee towards this end.

2.3.5. Domestic goods for the new residence

- Replacement of white goods if unsuitable for new residence. For example: an electric oven to replace gas cooker where no gas supply.

2.4. Senior Managers may authorise reimbursement of other costs incurred that are not included in the HMRC exemptions but are reasonable and justifiable expense. The payment of such items will be subject to normal tax and NI deductions and still within the limit of £8,000.

2.5. Interest on Bridging Loans

2.5.1. The interest on Bridging Loans may also be funded from the £8,000 relocation allowance if:

2.5.2. The loan does not exceed a reasonable estimate of the market value of the old property

2.5.3. The loan bridges an unavoidable gap between the date expenditure is

incurred on the purchase of the new property and the date on which the sale proceeds of the old property are received

- 2.5.4. The loan must be used only to pay off the mortgage on the old property, to fund the purchase of a new property or to meet immediately related incidental expenditure (e.g. legal or survey fees)
- 2.5.5. The interest payments must be made for no more than 12 months
- 2.5.6. Employees must produce evidence of the payments; a statement from the bank showing interest paid would act as evidence

2.6. Conditions

2.6.1. Where the employee has already sold their main residence / is in the process of selling, before a job offer is made, they will not be able claim expenses incurred in selling this residence.

2.6.2. Original receipts must be provided wherever practicable for all the allowances listed above.

2.6.3. Time limit

2.6.3.1. It is expected that employees will have relocated within 12 months of appointment. Senior Managers have discretion to reimburse expenses outside this time limit up to the maximum relocation allowance.

2.6.3.2. HMRC stipulate their own time limit for the employee to qualify for tax free reimbursement. Therefore, the expenses must be incurred, or the benefits provided, before the end of the tax year after the one in which the employee's circumstances changed. Any expenses claimed outside the HMRC time limit would be paid but would not be tax free. In this situation the manager should contact HR Admin and Payroll for further advice.

2.6.4. Repayment

2.6.4.1. The employee must stay in the Council's employment for at least two years, if they fail to do so they must refund to the Council one twenty fourth part of the total sum granted for each unexpired month or part month of the two year period. The Certificate of Undertaking should be issued and signed before payment of the allowance.

Version History

Revision Date	Author	Version	Description of Revision
		1	New Somerset Policy