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Stock Market Funds and Renting

Notional Rent

Question:

We have owned our premises since 1997 and are receiving cost rent. Would we get more income by switching to notional rent? A recent valuation shows the building has increased in value by £400,000.

Answer:

You have not provided enough information for me to give you a complete answer as I cannot make sensible assumptions simply on the basis that your surgery's value has increased by £400,000.

Cost rents (now known as borrowing costs) are based on the construction and associated costs of a building.

Once granted they are guaranteed to GPs at a fixed rate or at a variable rate linked to interest rates on borrowing.

Notional rents relate to the district valuer's assessment of the property's rental value and can increase or go down.

GPs have the right to transfer from cost rent to notional rent at any time. But, once they have transferred, they cannot revert to cost rent if conditions change.

Your practice should approach the primary care organisation (PCO) to have it instruct the district valuer to assess the notional rent. If the value is the same as or less than the cost rent then it is not worth transferring.

However, if the notional rent is about 10 per cent higher than the cost rent then the practice would be advised to transfer.