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Rental Income

Question:

Our branch surgery was built in the 1990s to accommodate an anticipated increase in the population in the area which has only happened in the past two years. It is much larger than our main surgery. A local private dentist, currently practising from home, wants to rent space in a wing of the branch surgery so he can expand his practice. We receive cost rent on the wing, but the community staff who were there have moved out. The part of the premises that the dentist would use represents probably a third of the building. The building's value makes conversion to notional rent ill-advised. How much can we charge in rent and services costs without having to refund the PCT?

Answer:

You will need the permission of the PCT and I believe that there are two ways that you can look at this.

Firstly, you could ask for some of the accommodation to be removed from the GMS/PMS recognised accommodation so that that part can be rented out separately. Of course if you do this, then you will lose the apportionment of the Cost Rent relating to those areas removed.

Secondly, you could agree to pay any rent to the PCT that you received from the orthodontist so that, in effect, the amount of Cost Rent being received would be reduced by the actual rent from the orthodontist leaving you in a similar position but the PCT better off. Rent relates only to the basic commercial rent on the property and does not include any service charge or other addition that you may wish to charge the orthodontist for a contribution towards insurance cost, repairs (internal or external), utility costs etc. Such costs need to be charged separately from any rent and clearly designated "service charge" or similar. These charges go to the Practice and do not have to be offset against rent reimbursement