



# SUBMISSION TO CONSULTATION ON RESTRICTING GROUND RENT FOR EXISTING LEASES

## 1. WHO WE ARE

- 1.1. The Community Land Trust Network is the official charity supporting Community Land Trusts (CLTs) in England and Wales. We are a membership body and represent 358 CLTs with over 1,900 homes and other assets, and which together have plans to deliver 7,000 homes by 2026.
- 1.2. For further information on CLTs and this response please contact Tom Chance, Chief Executive of the Community Land Trust Network, on [tom@communitylandtrusts.org.uk](mailto:tom@communitylandtrusts.org.uk).

## 2. RESPONSE

- 2.1. **Question 11: Are there any specific freeholder management functions which cannot be charged through the service charge?**
- 2.2. Yes. One of the key functions for a Community Land Trust is to steward the interests of the wider community in land it owns. This can include realising some of the value of the land through an annual ground rent from the leaseholder(s) rather than a one-off capital payment; and using the leasehold arrangement to protect the community's ownership and control of the land, for example to preserve affordable housing in perpetuity.
- 2.3. The charging of this ground rent does not relate to providing a service to the leaseholder(s) and so cannot reasonably be introduced as a service charge.
- 2.4. CLTs use this ground rent income to cover their operational costs, and to reinvest in further community development activity. Many disburse small community grants, e.g. to parent and baby groups or to repair a village hall. Many also use the income to forward-fund new projects to develop housing, workspace and other assets of importance to the community. These are not housing services exclusively for occupants.

- 2.5. It is common for CLTs to lease homes to housing associations, which in turn let the homes to tenants or sell them on a shared ownership basis to householders. In these cases, there is no direct financial or service relationship between the CLT and the occupants of the homes, and any service charge the housing association charges to the residents is unrelated to the ground rent the CLT recovers from the housing association for the use of its land.
- 2.6. **Question 19: Please select any type of leases which you agree should be given an exemption to a cap on existing ground rent?**
- 2.7. The Leasehold Reform (Ground Rent Act 2022) exempted leases for community-led housing, including where the freeholder or landlord is a community land trust. We would like to see that same exemption applied to existing ground rent. We note that in the question the phrasing has been incorrectly copied over - mentioning the case of a CLT as landlord but not a freeholder.
- 2.8. We would also like it amended for existing ground rents and in the 2022 Act for new ground rents to include cases where the head lessee is a community land trust. There are cases where landowners (typically local authorities) prefer to offer community land trusts long leases on sites, and the CLTs as head lessee then grant leases to housing association partners for the development of homes. These should be treated in the same way as cases where a community land trust owns the freehold.
- 2.9. This exemption underpins the important principle that CLTs can steward and realise the value of land leased for housing, as noted above. Given CLTs are by law (as defined in statute) non-profit organisations and are required to use their land ownership to serve the social, economic and environmental interests of their local community, there is no risk of the exemption being abused to profiteer off leaseholders. All the occupants of their homes are able to join the CLT for a nominal sum and to participate in its governance, democratically, and many CLTs reserve places on their board for occupants of their homes / commercial units / etc.