

Corporate Property Services - The A-Z of effective Property Management

This is the sixth in a series of alphabetical property management tips and reminders aimed at Corporate Occupiers with operational and non-operational/surplus properties.

F inancial Management

In this economic climate it is particularly essential that finances are efficiently managed and outgoings carefully scrutinised. The following tips relate specifically to lease outgoings:

Is the charge correct?

It should not automatically be assumed that the charge is correct. Errors can occur, for example we have uncovered situations where the landlord has mistakenly insured a building when it is the tenant's responsibility to do so (and vice versa).

There are two key ways to minimise the risk of incurring erroneous lease outgoings:

1. Ensure that you have a full and accurate record of the lease terms.
2. Ensure that the person responsible for authorising the payments has the time and expertise to properly check them.

Can any part of the charge be recovered from a third party?

Where a property is sublet, there is a reasonable chance that outgoings can be recovered from the subtenant. Although less common, there are certain other situations where a tenant can recover outgoings from the landlord and/or neighbouring properties, for example, where the lease includes car parks, service roads or other areas over which rights have been reserved.

However, accounting departments are often separated into payable/receivable teams and those paying the charges may be unaware of the ability to recover.

If information regarding recoverability is not known by those authorising payment, an opportunity to reduce outgoings will be lost.

Are credits being sought and received?

From time to time credits will be due back from the landlord, for example at lease end. The majority of these will be automatically returned by the landlord, but it is sensible to check what periods the payments cover and whether a refund will be due in respect to overpayment of rent, service charge and insurance.

Ways to improve cashflow

There are various ways to improve cashflow, for example, ensuring that service charges are being properly budgeted and that on-account payments are as accurate as possible.

Many landlords are sympathetic to switching tenants from quarterly to monthly Rent payments, although requests are likely to be considered on a case by case basis and the landlord may understandably expect something in return.

Rapleys CPS team has substantial experience of managing lease outgoings effectively. For further details, please call 0870 777 6292 or contact one of our nationwide specialists directly, as below:

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