

3 Agreement to defer the recovery of costs incurred by the landlord over future periods, known as a payment plan

(See 4.8.4.6 and B5.6 of RICS' *Service charges in commercial property*, 2nd edition.)

The text in italics is produced for guidance only and sets out examples of the key elements of a communication. Practitioners should give consideration as to how the agreement of parties will be formalised before implementing as this is likely to be a voluntary agreement outside the provisions of the lease and legal advice should be sought on implementation.

<i>Property address</i>	
<i>Service charge period ending dd/mm/yyyy [current service charge period]</i>	
<i>Description of the works proposed</i>	
<i>Projected works cost</i>	<i>£</i>
<i>When the proposed works will be commenced</i>	
<i>Over which service charge years will the works cost be collected and how much annually</i>	
<i>Explanation of reasons for deferring costs and collecting post project completion</i>	

*In accordance with the detail above, it is proposed that the landlord will incur the full cost of works but spread the recovery over several service charge periods. In accordance with the current edition of RICS' *Service charges in commercial property*, the intention of this communication is to formalise agreement and treatment of these works in the accounts.*

The intention is for the landlord to fund the works in full and collect contributions from tenants over future service charge years to satisfy the project works as detailed above. This is to assist tenant cash flow to spread the costs of the proposed works, which negates a significant one-off increase in tenant service charge liabilities in the service charge year that the works are delivered. It is understood, however, that tenants will require certain assurances.

The recovery through the service charge of the costs of these essential remedial works could place an onerous financial burden on tenants and, therefore, consideration has been given to the level of contribution to be paid towards the repairs and also the mechanism to deal with its collection.

The landlord proposes to carry out the works in accordance with the following:

- 1. The balance of the cost of the works is to be paid over the proposed period set out above; with proportions collected by equal quarterly instalments commencing from the service charge year commencing as above. These additional charges will be shown as a separate item on your service charge demand and no interest will be charged on these deferred payments, provided that full settlement of each quarter's charge is made by the due date.*
- 2. For the avoidance of doubt, it remains the position that you are obliged to pay your full contribution towards the works in accordance with the service charge provisions in your lease, and this proposal is made entirely without prejudice to that position.*
- 3. [The landlord should set out each occupier's total proportion of the balancing cost of the major works expenditure if recovery were sought strictly in accordance with the terms of the lease].*
- 4. [Based on this concessionary offer, the landlord should also set out the proportion of the cost in respect of your premises to be collected over all the forthcoming service charge periods.] For the avoidance of doubt this proposal relates to the works only and excludes any other balancing charge or credit otherwise payable or due in respect of the service charge generally.*
- 5. On acceptance of this concessionary offer the appropriate adjustments to service charges due for the period will be made and invoiced accordingly.*
- 6. If this concessionary offer is not accepted, you will remain liable for the full amount of your share of the cost of the works as detailed above and as set out in the attached statement. Notwithstanding that such a concession may be agreed with other tenants.*
- 7. This concession is personal only to the tenant and it is not capable of assignment. On assigning your interest in the lease/tenancy or on the contractual expiry or sooner determination of your existing lease, the whole of the remaining balance amount then due at the concessionary rate (considering any payments already made) will become immediately payable in full.*
- 8. On agreement, this is binding on any successors in title.*