
Overview

Entering into a contract for new business premises will often be the largest commitment of cash a business will make. As well as being a significant financial commitment it means taking on the responsibility of a property that needs to be agreed under the right contractual terms, over an appropriate period and with suitable break points. It also needs to be insured, maintained, cleaned and heated. Negotiations with commercial landlords to secure the right premises are different to buying a house.

You might do this if you need to:

1. agree a contract for premises when starting up a business or social enterprise
2. are considering moving into new business premises
3. want to review the contract of your current premises

Contracting for business premises involves:

1. negotiating beneficial terms and conditions of purchase or lease
2. identifying relevant sources of professional advice and information
3. getting commitment from backers or other relevant parties

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Contract for business premises

Performance criteria

- You must be able to:*
- P1 assess the terms and conditions being offered on the premises you have chosen
 - P2 clearly state the terms and conditions which your business needs to have
 - P3 state the negotiation limits you will set
 - P4 work out the full cost to your business of getting and running premises before you agree to anything formally
 - P5 use professional advice to help you decide
 - P6 make sure that the contract clearly shows the roles and responsibilities of those involved
 - P7 get agreement from your backers before you sign contracts for the premises

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Knowledge and understanding

You need to know and understand:

Terms and conditions

- K1 what the terms and conditions for the premises are, including the following:
 - K1.1 whether you are buying or leasing (for example long-term lease, licence, short-term lease, rental, freehold purchase or managed work space)
 - K1.2 which services are provided and who pays for them
 - K1.3 what fixtures and fittings are included
 - K1.4 who is responsible for maintenance and decoration
 - K1.5 what charges and costs have to be paid (for example insurance, commercial rates and other local government charges)

Negotiation

- K2 why you need to set negotiation targets before you start discussions
- K3 how to get the best deal for your business
- K4 why negotiation skills are important
- K5 why you need to record what has been discussed and agreed

Finances

- K6 what other costs may be involved in getting your business running in a new premises (for example alterations, decorating, fittings, equipment and removal)
- K7 what laws and other regulations apply to your premises (for example planning restrictions, class order uses, fabric regulations, light, heat, space, security, insurance compliance, fire exits and equipment, access and exits for the disabled, toilets and bathrooms, ventilation, health and safety)

Consultation

- K8 who else needs to be involved in the decisions or told about the plans (for example, backers, staff, partners and advisers)

Information and advice

- K9 why it is important to take legal advice before you sign any contracts

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Additional Information

Links to other NOS

1. EE3 Make deals to take your business forward
2. BL2 Choose a business premises

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