

LICENCE FOR WORKS AGREEMENT



Guidance Notes

Introduction

This Agreement is designed to be used to record the consent of a landlord to works carried out by a tenant under a lease. There is a separate form of tripartite Agreement to which the parties are landlord, tenant and sub-tenant. The Agreement has provision also for a guarantor, where relevant.

1. Definitions

Delete those definitions that do not apply to your transaction, e.g. Guarantors.

Although the PSG do not consider it necessary, you can if you wish refer to all the letting documentation, in which case the definition "Lease" should be amended accordingly and the letting documentation listed in a new Part of the Schedule.

2. Clause 5 Rent Review

The rental value of the Works will normally be disregarded for rent review purposes under the Lease, but this point needs to be considered on a case by case basis. The Landlords may, for example, wish their value to be taken into account if, though carried out by the Tenants, the Works have been paid for in whole or part by the Landlords. Also, leases will often state that it is only enhanced rental value that is to be ignored, not diminished rental value.

3. Clause 6 Reinstatement at Expiry

This clause entitles the Landlords to require reinstatement "in accordance with the provisions of the Lease", on the basis that the extent to which the Landlords can require reinstatement will be governed by these provisions. Again, this needs to be considered on a case by case basis and reference made as appropriate to the reinstatement provisions in the actual Lease. There may be circumstances where, because the Landlords have a discretion in the giving of consent to the Works, they are entitled to impose reinstatement obligations in this Agreement which go beyond those in the Lease.

4. Clause 9 Costs

Although it is frequently the norm these days in lease documentation that each party bears its own costs, the assumption is that the Tenants will pay the Landlords' costs in connection with the Works.

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5. **Schedule Part 1**

1. The Landlords should remember to liaise with their insurers as required in relation to the carrying out of the Works in order to determine their requirements.
- 4/5. Appropriate time periods need to be considered and inserted.
6. It may be the case that, because of the scale of the Works or otherwise, collateral warranties for the benefit of the Landlords may be appropriate in certain instances. This is not the norm, principally because the Tenants will normally have a full repairing obligation under the Lease, and hence this Agreement makes no provision for such warranties. Consideration should, however, be given to the point where relevant, and provision made accordingly.

6. **Schedule Part 2**

Here details of the Works need to be inserted. It is a matter for consideration in each case as to whether one merely lists drawings by reference to numbering etc. and/or annexes copies of the actual drawings themselves. Depending on the nature of the Works, there may or may not be a specification as well. If the Agreement is to be registered in the Books of Council and Session, it should be borne in mind that any drawings annexed may be truncated and/or photocopied in sections for the purpose of the extracts, so that it may be preferable either not to annex drawings in such cases or to have the parties sign and retain duplicates of the drawings.

7. **General**

In general, in this Agreement time periods have been inserted or suggested where it is thought particularly important to do so. Otherwise, words such as “immediately” have been used where a rigid timescale as such is perhaps not necessary – and may indeed be productive of unnecessary debate – provided the obligation itself is actually implemented. In the case of production of a copy completion certificate, no specific timescale is proposed as this is not a matter which is within the control of the Tenants.