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**Lease Requirements Template**

**(Heads of Terms) England and Wales**

Heads of Terms is a document that records the main terms of a lease agreement between a landlord and a tenant. The terms are usually prepared and negotiated by the landlord’s agent, but you can also use this template. Although heads of terms are not legally binding, it is important for the tenant to take time to understand the terms and the financial implications.

This Heads of Terms template is to be used to stimulate early discussion between members of the community group or enterprise and also as the basis to record decisions reached by the parties. There may be other matters that either party may wish to include at an early stage, but these are the critical things we think you should be thinking about for your green space project or enterprise. Guidance notes are provided in green in the left-hand columns below. They should be read carefully. Please seek advice from the [CLAS Cymru team](mailto:wales@farmgarden.org.uk) if you need further assistance.

The Heads of Terms is not a final contract and should not be taken as such. Is important to mark it **‘Subject to contract and without prejudice’** which means that you’ll be turning it into a formal agreement at a later date.

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| **WITHOUT PREJUDICE & SUBJECT TO CONTRACT** | |
| **Type of Lease Head lease Sub lease Please tick** | |
| **Landowner**  NOTE: the name of the Landowner should match the name of the person/entity as registered on the title deeds with the [Land Registry](https://www.gov.uk/get-information-about-property-and-land/copies-of-deeds). Tenants should check they are the legal landowner and there are no other parties involved who have an interest in the land. | Name:  Address:  Contact Details: |
| **Tenant/Occupier**  NOTE: if you intend to lease the land as a group, you will need to create a legal entity to take the lease in its name. **A constituted group is not a legal entity** as it is unincorporated in law. In this instance personal names would be needed on the lease.   * Creating a legal entity is like creating a whole separate person that the law recognises. This ‘person’, once created, has its own legal rights and obligations, separate to those who own or run that “entity”. * An entity could be a company, a partnership, a charity, or any other entity that is recognised by law as having its own separate legal existence.   A legal entity can enter contracts, incur and pay back debts, be accountable for activities against the law and sue or be sued by other entities. This allows you to avoid potentially heavy personal financial risk if a tenant obligation is not carried out as the landowner will only be able to sue the separate entity that you’ve created. | Name:  Address:  Contact details: |
| **Guarantor (if any)**  NOTE: the guarantor will need to be included as a party to the tenancy document | Identity of guarantor:  Contact details: |
| **Solicitors**  Note - It is highly recommended to engage a solicitor and is compulsory for leases of more than 7 years as they need to be executed as a deed and registered with the land registry | Landowner’s solicitor:  Tenant’s solicitor: |
| **Agents (if applicable)** | Landowner’s agent:  Tenant’s agent: |
| **Description of Site**  NOTE: An OS. or land registry compliant plan is essential at an early stage. There are many websites where a map can be downloaded, printed and the boundary of the site marked with a red pen to produce a plan of the site. The line should be on the inside of the boundary and be of a width appropriate to the scale of the plan. **You should check that the owner owns all the land that is going to be subject to the lease by checking it against the land registry plan.** | Address:  Detailed Description of site and measured area:  As shown [edged red] on the attached plan: |
| **Rent**  Note – this could be [peppercorn](https://en.wikipedia.org/wiki/Peppercorn_(law)) or by the giving of labour or produce. | A rent of £………………. to be paid monthly/annually/half yearly/other……………………… in advance/ arrears starting from xxxx date. |
| **Rent free period (if applicable)**  Note – if land is in a poor state and not going to be productive initially it is a good idea to ask for a rent-free period at the start of the lease term |  |
| **VAT**  Note - Is VAT to be applied to the rent or not |  |
| **Term (length of lease)**  Note - This is the guaranteed period for how long you will occupy the site. Rent is legally due during this term. Grant funders have regard to the lease term. You should speak to them about their requirements before agreeing on the length of lease with your landlord.  Any leases over 7 years need to be registered by a solicitor with the land registry. | From ………….. (start date) to ……………… (end date) being…………. Years/ months |
| **Break clause**  Note - This is the right to end the tenancy early by either party. Please speak to any prospective funders about whether they will accept break clauses as part of their funding conditions. | What stage can the landlord or tenant end the lease early?  How much notice is required? |
| **Security of tenure (right to renew)**  NOTE - The Landlord and Tenant Act 1954 allows the tenant the **automatic right to a new lease** on the same terms (save for rent) at the expiry of the current lease term. If you agree to contract out of this clause a statutory Notice will need to be served by the landlord before signing the lease and you need to be aware that the lease will come to end at the end of the lease term. Start negotiating 18 months to 2 years before the end of the lease term if you wish to get a new lease to stay on the site so you not get any nasty surprises. | Has it been agreed between the parties that the lease will be contracted out of section 24-28 of the Landlord and Tenant Act 1954? |
| **Rent deposit (if any)** | Amount: ...........................  Date of deposit return: ........................... |
| **Rent review**  Note - Will the rent stay the same or be reviewed? If rent is be reviewed, how often is the rent reviewed? Three years is a traditional frequency. | None/Yes, if so based on what? (open market rent, linked to an index?) |
| **Permitted Uses and Rights**  Note – Consider if trade or business will be allowed. Keep the description general and be mindful of the need to carry out future uses or activities such as, training or paid for visitors. Who is allowed on the site? What hours will the use be limited to? Monday to Friday or weekends as well? Again, it is important to remember here that any rights to use land inferred in the lease do not infer rights of planning permission and the tenant will be expected to enquire with the local planning authority or seek professional planning advice as to whether a planning application is required. Social Farms & Gardens CLAS service can support you with this. | Specify what the tenant is allowed to use the site for  E.g. The growing of …….. and selling of……….. keeping of animals etc  Planning permission if required, who is applying (Landowner or Tenant)? |
| **Access and Parking**  Note - Record parking areas, numbers of cars allowed, and by which access route. Also record here if deliveries/ pick ups are to be allowed.  Any additional parking or comings and goings to and from the site may require planning permission and the tenant should enquire with the local planning authority or seek professional planning advice before entering it arrangements with the landlord around this. The CLAS Service at Social Farms & Gardens can support on this. | Access with vehicles on the routes [marked brown] on the plan, parking in the [shaded blue area only]. Access by foot along the routes [marked green]. |
| **Erection of hardstanding/ structures/ buildings**  Note - Any rights to carry out works in the lease do not infer rights of planning permission and the tenant will be expected to enquire with the local planning authority or seek professional planning advice as to whether a planning application is required. The CLAS Service at Social Farms & Gardens can support you on this. | Is it permitted by the landlord?  Is prior written consent required? |
| **Alterations**  Note - Any rights to carry out works in the lease do not infer rights of planning permission and the tenant will be expected to enquire with the local planning authority or seek professional planning advice as to whether a planning application is required. The CLAS Service at Social Farms & Gardens can support you on this.  If alterations are made does the tenant expect compensation at the end of the lease term? Parties should agree compensation for each item of improvement before building it/at the end of the agreement and whether required to remove it and return site to original state | Are you permitted to carry out any alterations to the property to fit your business or project needs?  Are structural alterations permitted?  Are general alterations permitted? (Fixtures and fittings)  Will the landowner’s prior written consent be required?  Do alterations need to be removed when the lease ends? |
| **Insurance Responsibilities - Please tick or type yes/no**  Note – Landlords may choose to defer liabilities to the tenant. It is very important that the tenant has adequate insurance having regard to everything that is laid out in the lease.  Landlords will often ask for a minimum level of cover such as £5 million for public liability insurance. Tenants should make sure their insurance is adequate and renewed every year on time. | **Buildings**  Landowner to insure  Tenant to insure |
| **Public Liability**  Landowner to insure  Tenant to insure |
| **Damage by fire, storm, terrorism**  Landowner to insure  Tenant to insure |
| **Theft/ vandalism**  Landowner to insure  Tenant to insure |
| **Employers’ liability**  Landowner to insure  Tenant to insure |
| **Maintenance and Repairing Responsibilities - Please tick or type yes or no**  Note - Both parties should make good any damage they have caused but regular maintenance will be required too. Here you should lay out who is responsible for maintaining what.  It is good practice to also consider what action the other party can take if the maintenance isn’t done and what costs can be recovered.  Parties should agree compensation for each item of improvement before building it/at the end of the agreement and whether required to remove it and return the site to its original state. | **Exterior - including boundaries and footpaths**  Landowner’s responsibility  Tenant’s responsibility |
| **Interior of any buildings or structures**  Landowner’s responsibility  Tenant’s responsibility |
| **Other**  Landowner’s responsibility  Tenant’s responsibility |
| **Compensation for improvements**  Note - Always discuss this before erecting any structures or making improvements to the site. | Can the site be left as it is at the end of the lease term or do they need to take down structures?  If they are to be left how much will the landlord compensate the tenant for them? |
| **Water, Business Rates, Gas and Electricity**  Note - It is often the tenant’s responsibility to pay utility companies for usage and standing charges so you should budget for this going forward. | Who will provide the ability to gain water/ gas or electricity to the site?  Who will pay the utility company usage and standing charges? |
| **Service Charges (if any)**  Note - This would be in addition to any rent so should be discussed as an early stage. | An extra charge for maintenance on a property which has been leased e.g. cleaning costs or hedge cutting |
| **Alienation (Tick or type yes or no)**  NOTE: Landlords are often prevent the ability to sublet or transfer the lease. It is important to consider this carefully with your future requirements in mind. For instance, do you want to rent out allotment plots? Do you want to sublet part of the site in the future to being in extra income? | **Rights to assign or sublet whole or part of the property**  Prohibited  Consent required  Conditions for consent  Permitted without consent  Rights to sublet whole or part of the property  Rights to share occupation of whole or part of the property |
| **Responsibility for legal costs in finalising the agreement**  NOTE: Usually each party is responsible for their own costs, but you can agree whatever you want. Please ensure that this is set out clearly and consistently in the lease. It will usually be the responsibility of the tenant to register the lease with the land registry. **It is compulsory to register a lease with the Land Registry if the lease is for a term longer than seven years.** | Each party is to be responsible for their own legal costs? |

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