



technical &
real estate services

Guide to Good Practice

Top 10 Tips to Reducing Property Costs &
Enhancing Operational Efficiency



INTRODUCTION

With a projected slowing of the UK economy in the second half of 2017 and into 2018, primarily due to uncertainty over Brexit negotiations; how are you working to maintain operating margins within your business?

Ask any CFO this question and his answer will be control your costs! So how can property related spend be controlled and even reduced?

Have you reduced your property operating costs?

Property is typically the second highest operating cost after staff and should therefore be an area to scrutinise in improving overall business efficiency. At Bellrock through our Group companies we have decades of experience of operating in the property & facilities management sector and doing this for our clients.

Here are 10 tips to help reduce costs and enhance your operational efficiency.

COST REDUCTION PROGRAMMES



1. CHALLENGE YOUR LANDLORD'S SERVICE CHARGE AND INSURANCE CHARGES

There is scope to challenge service charges without lowering the quality of service you receive. However, identifying potential opportunities is not easy. It requires an understanding and ability to analyse service charge accounts, challenge expenditure and exploit poorly drafted lease clauses.



2. KNOW AND PROACTIVELY TRACK AND MANAGE YOUR KEY LEASE EVENT DATES

Knowing your critical dates such as lease expiries, break options and rent reviews by using an electronic estates diary system will enable you to better plan ahead. Early planning will enable you to strategically review your requirements and negotiate optimum lease terms. Leaving it to the last minute will not only limit your options, but will almost always cost you extra money.



3. REVIEW COMMERCIAL PROPERTY RATES AND THE AVAILABLE TAX RELIEFS

Commercial rates can represent a significant proportion of real estate occupancy costs. Financial savings can be secured by having an understanding and awareness of where the opportunities exist to reduce liabilities e.g. Material Change of Circumstances, empty property relief or merging/splitting assessments.



4. RESTRUCTURE/RENEGOTIATE YOUR LEASE TERMS IN RETURN FOR LEASE EXTENSION

Landlords are usually keen to push for longer term lease agreements. Lease expiries, breaks options and rent reviews sometimes provide an opportunity to negotiate potential rent reductions, rent free periods, financial incentives or the removal of future liabilities such as dilapidations.



5. CONSIDER THE AVAILABILITY OF CAPITAL ALLOWANCES FOR CAPITAL EXPENDITURE

Before carrying out large capital expenditure on plant & machinery, fit-out or refurbishment you should always consider the tax relief opportunities available through capital allowances. Tax relief can be lost through inappropriate contract drafting or naivety regarding how building structure and design can benefit from relief.



6. REDUCE THE AMOUNT OF SPACE YOU OCCUPY THROUGH ENHANCED SPACE UTILISATION

Most companies are quick to identify opportunities to vacate potentially surplus accommodation. However, many organisations fail to recognise how a workplace and accommodation strategy can help change work practices, reduce accommodation costs, reduce carbon footprint or improve productivity.



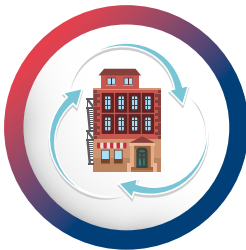
7. TRACK AND RENEGOTIATE UTILITIES CONTRACTS AND MANAGE YOUR ENERGY CONSUMPTION

Regularly reviewing the utilities market and careful timing of contract renegotiations can significantly reduce energy expenditure. In addition to the unit costs, energy efficiency initiatives such as building management systems, smart meters and remote sensor lighting are increasingly saving occupiers' money.



8. UNLOCK CAPITAL THROUGH ASSET SALES AND POTENTIAL SALE & LEASEBACKS

Enhanced value can be secured by unlocking capital tied up within a real estate portfolio. This can be achieved through structured sale and leasebacks, creating a joint venture vehicle or introducing an operating company/ property company structure.



9. MAXIMISE CAPITAL RECEIPTS FROM DISPOSALS

Always ensure you review the planning use and potential alternative use before disposing of surplus property assets. Securing a different planning consent e.g. office to residential use, may increase value particularly where there is redevelopment potential.



10. REVIEW KEY SERVICE CONTRACTS

Cost savings and service improvements can be identified and negotiated by reviewing contracts with building service suppliers. Areas to target include insurance provisions, bulk purchasing, re-aligning service delivery levels to requirements and improving unit pricing/tariff arrangements.



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