>insert government department crest<

Cost Benefit Analysis
for Lease Endorsements

 <Agency>

<Project Name>

 <Location>

Version (Date): Day Month Year

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1. Executive Summary

Provide a brief summary of the proposal, including:

* the basis on which the proposed lease was selected;
* an outline of the expected benefits of the proposed lease (savings, efficiency gains, co-location etc); and
* the alignment of the proposed lease with the Whole-of-Government leasing strategy.

Note: Where the proposal is not in alignment with the Strategy, please contact the Strategic Property Adviser and Finance to request a deviation as early as possible.

* 1. Recommendation

Provide a summary of the procurement process to date, and provide a recommendation that the Minister endorses the proposed lease.

1. Background

Information relevant to the development and consideration of the proposal.

For example, is the proposal for a new requirement, replacing an existing expiring lease or a lease for a property that is no longer suitable?

Outline relevant policies and directives that influence the change such as agreed new policies and Government directives, Machinery of Government changes, and budget announcements.

* 1. Current Situation

Details of the current situation, including lease address, status, usage/occupation profile, property and fit-out condition, or outline if this is a new requirement.

1. Establishing the Requirement

The functional brief that establishes the parameters for the proposed lease.

This includes the operational requirements of the lease, the occupancy profile (numbers and density) and spatial requirements for the lease. If there are additional storage, special use space, secure and open car parking space requirements, these should be documented here.

In particular, discussion should cover:

* drivers for the proposed lease term, and expected changes to operational requirements over that time;
* analysis and planning for efficient space use, for example how the entity has planned to ensure that the proposed lease is of an efficient size over the term of the lease;
	+ where the entity is anticipating additional headcount, please include a profile of when and for how long these staff are expected to be engaged;

* non-office area lease requirements
	+ detail non office lease requirements such as storage, car parking, or specialist areas such as laboratories.
* location drivers, including the importance of:
	+ accessibility to public transport;
	+ proximity to related facilities (head office, bulk storage, related agencies, heavy vehicle access etc.);
	+ where the lease is proposed to be in an area of higher rent (i.e. a CBD location) justification for this location, including commentary on locating only essential staff in high cost locations with other staff in a less expensive location.
* Operational efficiencies and alignment with government initiatives, such as:
	+ achievement of/or surpassing Government Sustainability Targets;
	+ inclusion of Industry best practices;
	+ adherence to accessibility and disability requirements, policy and legislation; and
	+ Green lease targets.
1. Procurement process

Describe the procurement process undertaken to identify the proposed lease, and describe how this will result in a value for money outcome.

Include information on whether it was an open, or limited market approach, the agency’s assessment criteria and weightings.

1. Options Analysis

Detail the options considered from both an operational and financial perspective. Options that have been considered, but not developed due to significant factors that would reasonably prevent them from being realised, are summarised under Discounted Options in this section.

* 1. Options

Each proposal should include at least two viable alternative options.

Detail the options that have been considered and provide a summary of the advantage and disadvantages of each scenario.

* + 1. Building Details

For each shortlisted option please provide a basic description and relevant physical characteristics (i.e. PCA ‘A’ Grade modern six story office building of 35,000sqm, 40yr old 1,200sqm single level retail office in an arcade complex, AC clad industrial warehouse etc.)

* + 1. Occupancy profile

Areas under lease (office NLA, storage, end of trip facilities) and occupational density.

This section should detail the NCE’s planning for workspace efficiency, and include consideration of flexible working policies, information on the ratio of staff to desks, and whether activity based working is being implemented for the lease.

This section should also include information regarding the effect of COVID-19 on the proposed lease.

* + 1. Incentive

Detail the incentive proposed, including its size in dollar terms and how it will be allocated to expenses. Incentives may include rent free periods, fit-out funding, or rent abatement.

* + 1. Fit-out

Where fit-out works are proposed, this should include the cost per m2 of these works and expected life of these works. Where costs are expected to exceed $1,800 per m2, please provide a justification of the cost.

This might include information on specialist areas in the building with greater fit-out costs such as laboratories, with an estimated area and cost per m2 of these areas.

This section should include detailed information regarding how this cost will be funded. i.e. NPP, NPI, PPP, departmental capital, lease incentive.

* + 1. Lease Details

Specific details of the lease including lease type, costs, area, lease term, options to extend the term, and critical dates. Property maintenance arrangements and covenants to refresh/upgrade services of the interior finishes and end of lease make good commitments, as relevant.

* + 1. Sublease or contingent leases

Provide details of any expected subleasing associated with the lease.

If the proposal has contingent leases or agreements required, such as might be the case in Joint Approaches to Market, provide details.

* + 1. Commonwealth National Lease

Is the proposed lease based on the Commonwealth National Lease? If there are changed clauses, please outline the changes.

* + 1. Local Impact Assessment

Local Impact Assessments must be undertaken where Finance considers a potential move would adversely affect a local economy, transport and logistics infrastructure and/or give rise to adverse social and community effects. Finance will determine if a Local Impact Assessment is required. If it is required, Finance will undertake the Local Impact Assessment using the Local Impact Assessment Methodology, with information provided by entities. Costs for any external advisory services for this task are to be recovered by Finance from the relevant NCE. A Local Impact Assessment must be referred to the Finance Minister when the NCE:

* is considering relocating outside of its current area as defined by the Australian Bureau of Statistics SA2 area calculations ; and
* the workforce proposed to be moved represents more than 10 per cent of the employment in its current locality.

Will any of the potential leases trigger a LIA?

* 1. Discounted Options

Clearly state the options and reasons they have been discounted.

* 1. Proposed lease

Detail why the proposed lease was selected from the viable options.

|  |  |  |  |
| --- | --- | --- | --- |
| **Lease details** | **Option 1 (preferred)** | **Option 2** | **Option 3** |
| **Address** |  |  |  |
| Lease Start date |  |  |  |
| Lease length and option length(s) |  |  |  |
| Net Lettable Area (NLA) |  |  |  |
| Useable Office Area (UOA)\* |  |  |  |
| Proposed Gross Face Rent ($/sqm/yr) |  |  |  |
| Proposed Incentive | Incentive allocated to fit-out |  |  |  |
| Incentive allocated to rent abatement |  |  |  |
| **Incentive total** |  |  |  |
| Proposed Gross Effective Rent ($/sqm/yr) |  |  |  |
| Proposed Lease Type (eg: Gross/ Net) |  |  |  |
| If Net rent, outgoings ($/sqm/yr) |  |  |  |
| Building grade (to PCA rules) |  |  |  |
| Sustainability/Energy Efficiency (i.e. Renewable energy, 6 Star - Green Star rating, Carbon Positive) |  |  |  |
| Escalation rate (%/yr) |  |  |  |
| ASL or headcount |  |  |  |
| Occupational density ratio (UOA m2/head count)\* |  |  |  |
| Sub-lease space |  |  |  |
| Other material costs  | Number of carparks  |  |  |  |
| Cost of car parks ($/bay/yr) |  |  |  |
| Size of storage area (m2) |  |  |  |
| Cost of storage area ($/sqm/yr) |  |  |  |
| Make Good  |  |  |  |
| Lease tail (current lease) |  |  |  |
| **Other material costs total** |  |  |  |
| Cost of initial term (GST exclusive) |  |  |  |
| Whole-of-life cost (GST exclusive)  |  |  |  |
| \* If the lease requires a fit-out, please estimate |

1. Financial Analysis
	1. Funding Sources

State how the preferred lease will be funded (from existing POE/operational or departmental budgets, from offsets etc).

* 1. Cash Flow Assumptions

Detail all assumptions for the cost inputs used in the financial cost modelling and cash flow analysis, including but not limited to the following.

This section should be supported by the New Lease Proposal Financial Analysis spreadsheet that is available from the [GovTEAMS](https://www.govteams.gov.au/) site.

* 1. Timing Assumptions

Detail the critical dates used in the cost modelling (lease start and end date, initial lease term and options to extend the term). Please clearly outline any lease tail costs, detailing how costs have been minimised in these circumstances.

* 1. Discounted Rate and Net Present Value (NPV)

Detail the assumptions for the discount rate used; and the basis for the sensitivity analysis (if applicable). Please note that the discount rate used to calculate Net Present Value for a Commonwealth lease is the cost of money, or lost opportunity to Government. This would normally be the 10yr bond rate.

1. Market Commentary

Market factors that influence the proposal such as the availability of suitable properties, competition, cost, market forecasts etc. This may include a comparison of market rent rates for CBD and inner/outer suburb locations.

Finance would expect that further negotiation and cost refinement would occur prior to the selection of a preferred option. This section should highlight if there is an identified risks that costs would increase, and identified aspects of the proposals that would require negotiation.

1. Risk Analysis

Statement of the risks associated with the proposal, including the consequences of the risks if realised. This might include where subleasing is proposed.