



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
Date Referred: 27/02/2015

Proposal No: A278  
Date Published: 27/03/2015

Proposal Title: **MOVE THE MINISTRY OF HEALTH TO LIVERPOOL**

Cluster: Health

## General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)		1,428	4,667	4,826	10,921
Depreciation					0
Less: Offsets			6,170	6,386	12,556
Revenue					0
<b>Net Operating Result:</b>	<b>0</b>	<b>-1,428</b>	<b>1,503</b>	<b>1,560</b>	<b>1,635</b>

Capital Expenditure		10,620			10,620
Capital Offsets					0
<b>Net Capital Expenditure:</b>	<b>0</b>	<b>10,620</b>	<b>0</b>	<b>0</b>	<b>10,620</b>

<b>Net Lending/(Borrowing):</b>	<b>0</b>	<b>-12,048</b>	<b>1,503</b>	<b>1,560</b>	<b>-8,985</b>
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<b>Net Financial Liabilities:</b>	<b>0</b>	<b>12,048</b>	<b>10,545</b>	<b>8,985</b>	
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## Total State Sector Impacts

<b>Net Financial Liabilities:</b>	<b>0</b>	<b>12,048</b>	<b>10,545</b>	<b>8,985</b>	
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## Notes and costing assumptions

The policy proposes to move the main office of the Ministry of Health from North Sydney to Liverpool from 1 January 2016.

The costing is based on moving 500 full time equivalent staff, with an allowance of 10 per cent to cater for part time employees and a further allowance for 40 project staff (a total of 590 actual staff).

The costing assumes:

- Appropriate accommodation will be available for lease in the Liverpool CBD, and that three months will be required for fitout and movement of staff.

- The standard Government allowance of 13m<sup>2</sup> per person for the Liverpool accommodation, which provides a total area of 7,670m<sup>2</sup>.

- A benchmark face rent of \$497 per m<sup>2</sup> in 2015-16, which is escalated at 3.5 per cent per annum. In addition, there will be outgoings of \$91.50 per m<sup>2</sup> in 2015-16, escalating at 3 per cent per annum. The escalation rates are based on standard escalation rates for office accommodation in the Liverpool CBD. It is assumed that rent commences in the final quarter of 2015-16. This gives total rent and outgoing charges of:

2015-16 \$1.1 million  
2016-17 \$4.7 million  
2017-18 \$4.8 million

**Costing assumptions continued:**

- Employee costs of \$300,000 would be incurred in 2015-16 to manage the move.
- The capital costs for the Liverpool offices include: fit out of \$1,300 per m<sup>2</sup>, ICT fit out of \$1,000 per head and moving costs of \$100 per person. These costs, which total \$10.6 million, are assumed to be incurred in 2015-16.
- According to the Property Council of Australia's January 2015 Office Market Report, the office vacancy rate in the Sydney CBD is 7.4 per cent. Based on this, the costing conservatively assumes that the Ministry would be able to recoup 80 per cent of the annual rent from 2016-17 onwards (\$7.2 million in 2014-15 and assumed to increase by 3.5 per cent per annum). The lease on the Ministry of Health's North Sydney office ends in July 2019.