



Property Budget Process

Current State 2010

Group Corporate Services Property

Date Issued	14 September 2010
Documentum Version No.	0.2
Status	<input checked="" type="checkbox"/> Draft <input type="checkbox"/> Approved
Documentum Location	Group Property Share Point – Knowledge Centre
Prepared By	Chris Virtue Process Documentation Corporate Services Group Property

Table of Contents

Document Control.....	4
1. Introduction.....	5
1.1 Document purpose	5
1.2 How to read this document.....	5
1.2.1 Abbreviations used	5
1.2.2 Flow chart key colour codes	5
1.2.3 Flow chart decision points	5
2. Background and Overview	7
3. Annual Budget Preparation - Overview.....	8
3.1 Stage 1 – Data collection and collation	9
3.2 Stage 2 – Modelling	13
3.3 Stage 3 - Set up and execution	14
4. Roles and responsibilities	15
4.1 Summary of roles.....	15
4.1.1 Head of Property Finance (Group Finance)	15
4.1.2 Head of Property Strategy - Business Information	15
4.1.3 Head of Property Strategy	15
4.1.4 Head of Property Leasing.....	15
4.1.5 Head of Property Management	15
4.1.6 Head of Design and Construction.....	15
4.1.7 Property Leadership Team	16
4.1.8 Business Units	16
4.1.9 Business Unit CFOs	16
4.2 RASCI Matrix	16
5. Business Rules.....	17
5.1 Cost recovery model.....	17
5.2 Budget sign-off.....	18
5.3 Committing to spend.....	18
5.4 Delegated Authority to Commit Expenditure for CBA Group Corporate Services.....	19
6. Rent Budget Preparation	21
6.1 Commercial properties budget planning process	21
6.2 Retail properties budget planning process	22
7. Occupancy Budget Preparation.....	23
7.1 Commercial budget planning process	23
7.2 Retail budget planning process	24
7.2.1 Overall process.....	24
7.2.2 Operating expenditure budget	24
7.2.3 Capital expenditure budget.....	26
7.3 Compliance costs	27
8. Capital Works.....	28
8.1 Capital Planning process	28
8.2 Notes.....	29
8.2.1 Bankwest properties	29
8.2.2 Regarding capital contributions	29

9. Budget Tracking30

9.1 Overview30

9.2 Reports30

9.2.1 Report types30

9.2.2 Report distribution list30

9.3 Budget tracking processes32

9.3.1 Leasing budget32

9.3.2 Property Management32

9.3.3 Capital works budget32

Document Control

Revision History

Version	Author	Last Modified Date	Changes
0.1	C.Virtue		NEW
0.2	L.Lawrence	14/9/2010	Reviewed

Distribution List

Name	Title	Business Unit	Responsibility
			Owner
			Reviewer
			Approver

1. Introduction

1.1 Document purpose

The purpose of this document is describe the current state end to end CRE property budgeting process and will provide:

- A common understanding for all participants involved in budget preparation and tracking
- Process flows for each activity, with reference to templates and timetables used
- Roles and responsibilities

The target audience are all budget process stakeholders.

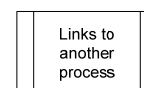
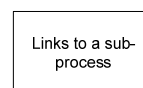
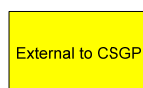
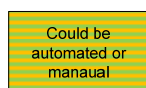
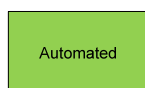
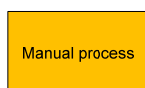
1.2 How to read this document

1.2.1 Abbreviations used

The table below provides an explanation of the terms used in the process flows:

Term	Meaning
CRE	Corporate Real Estate
GCS	Group Corporate Services
FM	Facilities Manager
ITC	Income Tax Credits

1.2.2 Flow chart key colour codes

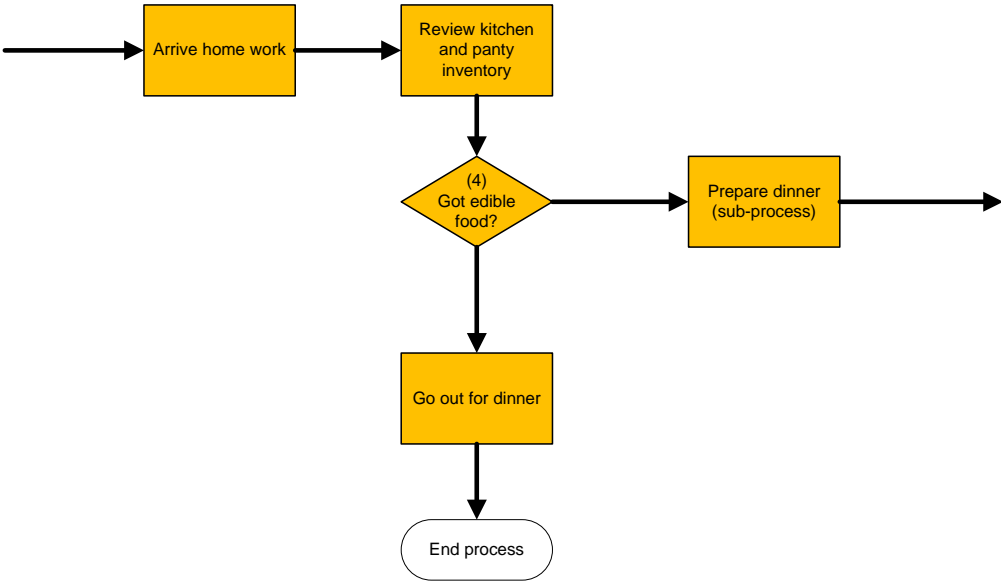


1.2.3 Flow chart decision points

All binary decision points imply a question that can have only a 'yes' or a 'no' answer that is driven by business rules.

If	Then
yes	<ul style="list-style-type: none">• the process moves right
no	<ul style="list-style-type: none">• the process moves down

In the following example, if there is food in the house, then stay in and cook dinner. If cupboards and fridge are bare, then go out for dinner.



2. Background and Overview

Group Corporate Services Property is responsible for the preparing and managing the corporate real estate (CRE) budget for our retail (including ATMs), commercial and residential property portfolios.



3. Annual Budget Preparation - Overview

The CRE budget is forecast on a three year cycle, with a rolling forecast completed at the end of each quarter. Budget assumptions are critical to the success of the planning and tracking process. These are reviewed on a quarterly basis and rolled up into the annual review.

The budget is fixed after April and non-budget spending must be approved at senior executive level, usually at the expense of some less urgent items that could potentially be pushed out to the following budget.

Overall, there are four elements budgeted for property:

- Rent
- Occupancy and Expense
- Depreciation and Funding
- Capital Works

The method of budgeting used in the Group Property varies across the four budget line items. *Zero-based budgeting* which requires each cost element to be justified, as though the activities to which the budget relates are being undertaken for the first time, is used for the rent. Historical and trend data from the previous budget is used to prepare the budgeting for occupancy and expenses; and the capital planning process is used to prepare the capital works budget.

The approach taken for requesting additional spending in the property budgeting environment is that proposed activities are submitted via a business case for approval by the appropriate manager. Each business case contains an analysis of the cost of the activities, states the purpose of the activities, identifies alternative methods for achieving similar objectives, assesses consequences of not performing the activities or performing them differently and establishes the measures for the performance of activities.

3.1 Stage 1 – Data collection and collation

In this stage:

- The timetable and budget templates are issued to CRE budget stakeholders.
- The assumptions are clearly documented and issued to budget stakeholders.
- The budget data is populated into the templates.
- Depreciation and finding costs are overlayed
- The data is collated into a budget by portfolio across each of the line items, ready for review by budget stakeholders.
- Draft budget approved by the Property leadership team

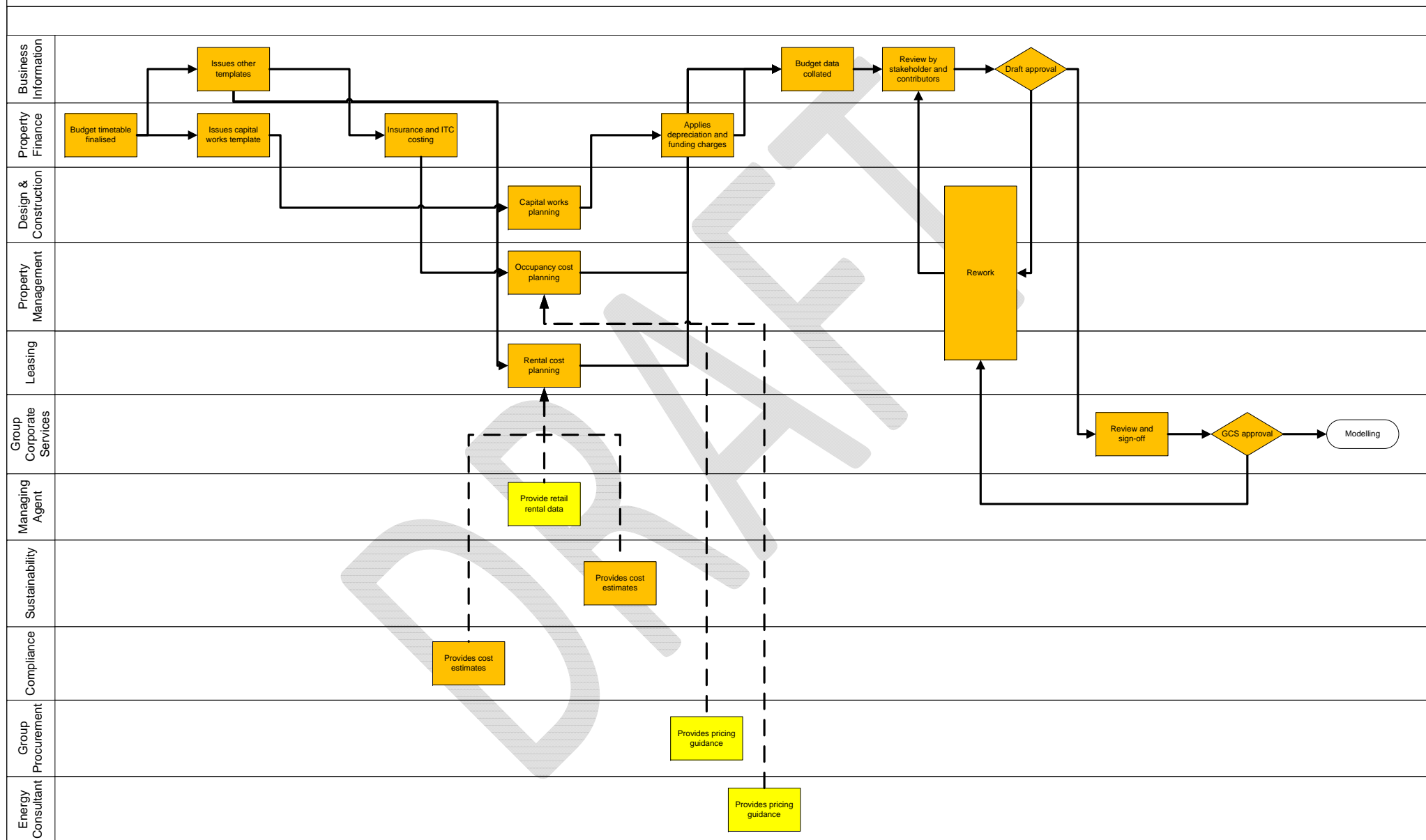
Stage	Timeframe	Description	Responsibility	Output issue to
1.1		Budget timetable prepared and issued with overall budget assumptions/ constraints or targets. Completed budget is usually due mid-May.	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Business Information • Property Leasing • Property Management • Design and Construction
1.2	November	Templates issued for leasing, occupancy, ITC and insurance	<ul style="list-style-type: none"> • Business Information 	<ul style="list-style-type: none"> • Property Leasing • Property Management • Property Finance
1.3		Capital works planning templates issued	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Design and Construction
1.4		<p>Rental cost budget prepared for retail and commercial portfolios</p> <p>Inputs:</p> <ul style="list-style-type: none"> • Managing agent – retail properties • Commercial Leasing Team – commercial properties • External Tenant Management – residential properties • ATM Management – ATMs • Property Strategy – BU liaison & planning • BU – direct consultation <p>Outputs</p> <ul style="list-style-type: none"> • Further working assumptions are developed on a property by property level • Rental lines (paid & received) for each property • Portfolio list (existing and planned, includes dummy properties – acts as direct tenancy schedule) <p>See <i>Rent Budget Preparation</i> on page 21 for more information.</p>	<ul style="list-style-type: none"> • Head of Property Leasing 	<ul style="list-style-type: none"> • Business Information



Stage	Timeframe	Description	Responsibility	Output issue to
1.5		<p>Occupancy cost budget prepared</p> <p>Inputs</p> <ul style="list-style-type: none"> Actuals from previous FY Procurement Compliance Sustainability Insurance ITC <p>Output:</p> <ul style="list-style-type: none"> costs rolled up into total PF occupancy cost <p>See <i>Occupancy Budget Preparation</i> on page 23 for more information.</p>	<ul style="list-style-type: none"> Head of Property Management 	<ul style="list-style-type: none"> Business Information
1.6		<p>Capital works planning</p> <p>Design and Construction consult Strategy and BUs to develop a BU list of project cost estimates.</p> <p>Inputs</p> <ul style="list-style-type: none"> Capital works budget (new properties) Programs (refurbishment, make-goods) <p>Outputs</p> <ul style="list-style-type: none"> operating expenditure budget capital expenditure budget (for depreciation and funding), applied to new and existing properties <p>See <i>Capital Works</i> on page 28 for more information.</p>	<ul style="list-style-type: none"> Head of Property Design and Construction 	<ul style="list-style-type: none"> Property Finance
1.7		<p>Property Finance applies depreciation and funding charges to the capital works budget.</p>	<ul style="list-style-type: none"> Property Finance 	<ul style="list-style-type: none"> Business Information
1.8		<p>Data collated to prepare a draft direct property budget.</p> <p>Output:</p> <ul style="list-style-type: none"> total property budget on the following bases: <ul style="list-style-type: none"> per building per floor per RU / department ID 	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Stakeholders and contributors
1.9		<p>Weekly meetings of stakeholders (including line item owners and contributors etc) to review the draft master budget.</p>	<ul style="list-style-type: none"> Property Finance 	

Stage	Timeframe	Description	Responsibility	Output issue to
1.10		Draft master budget reviewed and approved by leadership team	<ul style="list-style-type: none"> EM Group corporate Services 	

Property Budget Process – Stage 1: Preparation



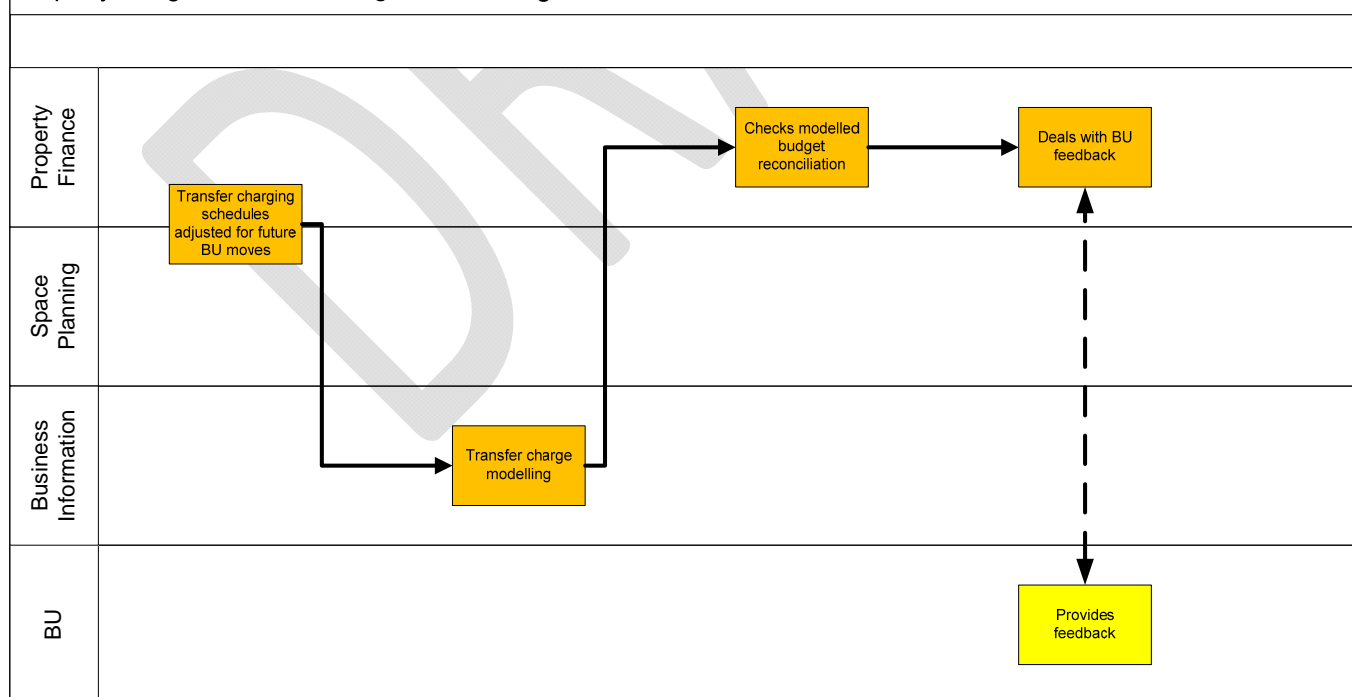
3.2 Stage 2 – Modelling

In this stage:

- Adjustments are made to provide for future
- Transfer charge modelling produces individual property budgets for each BU.
- BU CFOs approve their property budgets

Stage	Timeframe	Description	Responsibility	Output issued to
2.1		Property Finance works with Space Planning to adjust transfer charging schedules for proposed BU accommodation changes (e.g. future moves).	<ul style="list-style-type: none"> • Property Finance • Space Planning 	<ul style="list-style-type: none"> • Business Information
2.2		Transfer charging modelling to produce draft individual BU property budgets Inputs: <ul style="list-style-type: none"> • approved direct property budget • adjusted tenancy schedules 	<ul style="list-style-type: none"> • Business Information 	<ul style="list-style-type: none"> • Property Finance
2.3		Property Finance checks the modelled budget to ensure that it has reconciled.	<ul style="list-style-type: none"> • Property Finance 	
2.4		Property Finance produces a summary of the budget for the BUs, deals with feedback and obtains approval of the transfer charging basis.	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Business Units

Property Budget Process – Stage 2: Modelling





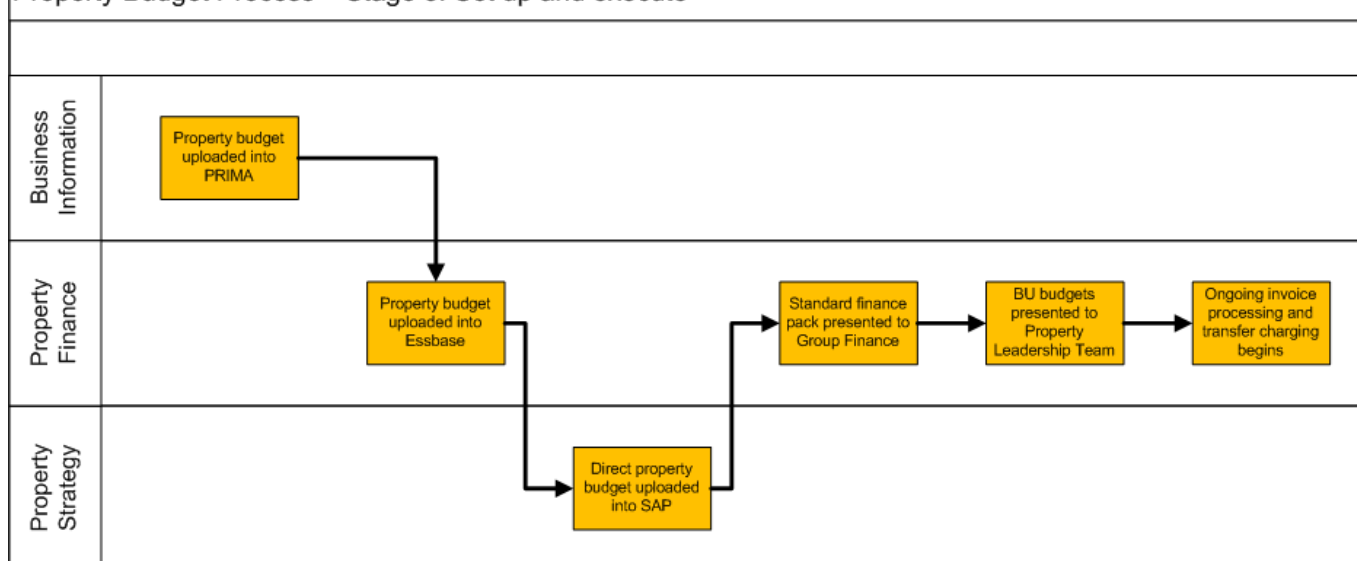
3.3 Stage 3 - Set up and execution

In this stage:

- BU budgets are uploaded into the Property Repository and Essbase
- direct property budget uploaded in SAP
- budgets uploaded during July so that reporting can begin in the first week of August
- ongoing invoice processing into SAP

Stage	Timeframe	Description	Responsibility	Output issued to
3.1		Property budget uploaded in the Property Repository (PRIMA) by cost element: <ul style="list-style-type: none"> • per building • per floor • per RU / department ID 	Business Information	
3.2		Property budget uploaded in Essbase: <ul style="list-style-type: none"> • department ID • cost element 	Property Finance	Group Finance
3.3	July	Direct property budget uploaded in SAP	Property Strategy	
3.4		Property Finance produces a standard finance pack for presentation to Group Finance.	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Group Finance
3.5		BU budgets presented to Property Leadership Team	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Group Corporate Services
3.6		Ongoing invoice processing commences: <ul style="list-style-type: none"> • direct costs entered in SAP • SAP and Maximo data picked up by PeopleSoft daily • invoices paid by Accounts Payable • transfer charging monthly to recover costs from BUs. 		

Property Budget Process – Stage 3: Set up and execute





4. Roles and responsibilities

4.1 Summary of roles

4.1.1 Head of Property Finance (Group Finance)

- Is accountable for the CRE budget preparation process.
- Develops and issues budget timetable.
- Issues working assumptions, constraints and targets for the overall budget.
- Applies accounting standards.
- Delivers the approved budget to the BU CFOs (with the Head of Property Strategy)

4.1.2 Head of Property Strategy - Business Information

- Preparation and issue of budget templates, used for data collation
- Collates data received from budget stakeholders to produce a draft budget on the following bases:
 - per portfolio
 - per building
- Produces the proposed transfer charging reports:
 - per building
 - per floor
 - per rental unit and department ID

4.1.3 Head of Property Strategy

- Delivers the approved budget to the BU CFOs (with the Head of Property Finance)

4.1.4 Head of Property Leasing

- Preparation of the rental cost budget using the following inputs:
 - Group Finance assumptions
 - Colliers – retail properties
 - Commercial Leasing Team – commercial properties
 - External Tenant Management – residential properties
 - ATM Management – ATMs
 - Valuations – nominal rents (Bank-owned properties)
 - Property Strategy – BU liaison & planning
 - Business Units – direct consultations
- Produces property portfolio list

4.1.5 Head of Property Management

- Preparation of occupancy and expense cost budget using the following inputs:
 - Actual costs from previous FY
 - Compliance, including insurance, OH&S etc. from compliance manager and property procurement
 - Sustainability cost from Property Strategy
 - Property list from Property Leasing
- Rolls up costs into total portfolio occupancy cost budget

4.1.6 Head of Design and Construction

- Capital works planning
- Operating expenditure and capital expenditure budgets using the following inputs:
 - BU consultation
 - Property accommodation strategy (strategic program)
 - Property procurement
 - Property list from Property Leasing on new properties or planned exits
 - Program budgets for existing refurbishments

4.1.7 Property Leadership Team

- Approval of draft budget (prior to depreciation and funding costs added; and transfer charge modelling).

4.1.8 Business Units

- Consultation during capital works planning

4.1.9 Business Unit CFOs

- Review and acceptance of final property budget for their business

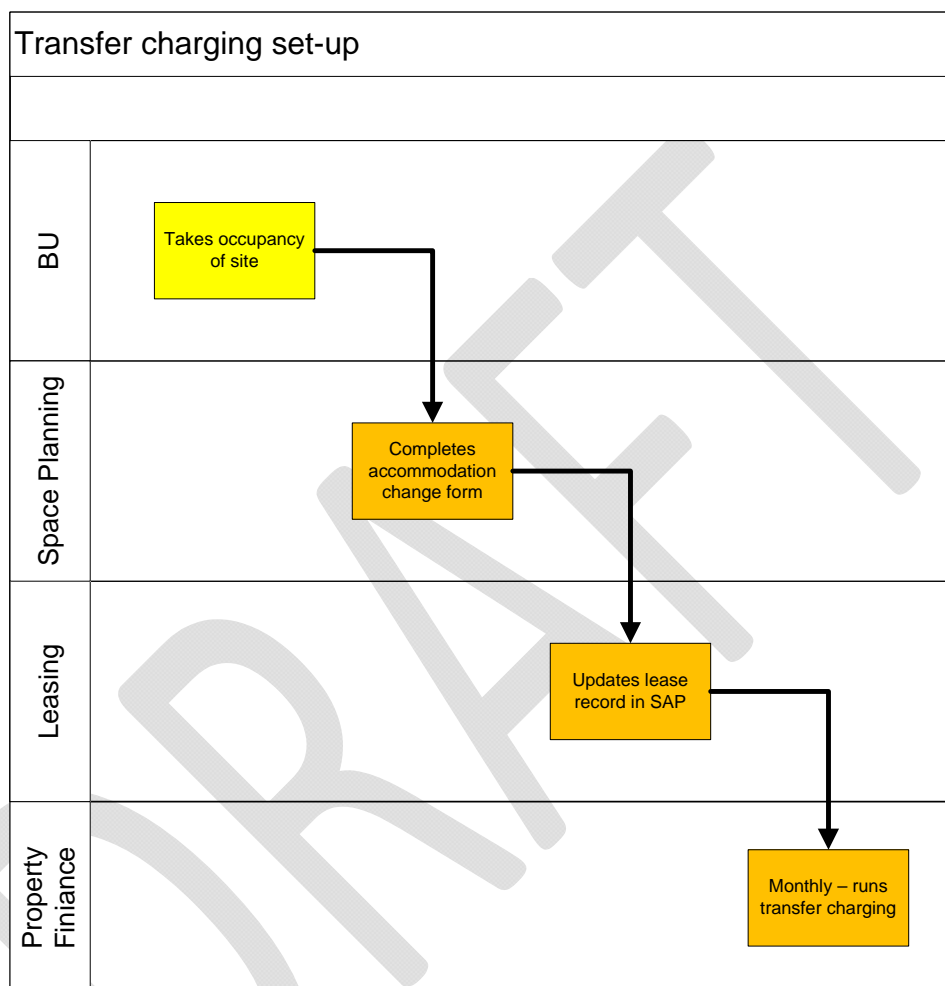
4.2 RASCI Matrix

	Head of Property Finance	EM Business Information	Head of Property Leasing	Head of Property Management	Head of Design and Construction	Property Leadership	Business Units CFOs	Head of Property Strategy
Budget timetable	A	I	I	I	I	I	-	I
Issue budget templates	A	R	I	I	I			I
Rental cost budget preparation			A	I	I			C
Occupancy and expense cost budget preparation	S		S	A				C
Capital works planning budget preparation	C			C	A		C	
Collation of budget template data into four line item elements	S	R	C	C	C			
Data review	A	S	R	R	R			R
Overlay of depreciation and funding costs (this is part of the capital works planning) and Finance Modelling	R							
Budget Review and Approval						A		
Transfer charge modelling	A	S						
Presentation to BU CFOs	A							R
Load of Budget into PRIMA		A						
Load of Budget into SAP	A							
Tracking of Budget Spend			R	R	R	A		

5. Business Rules

5.1 Cost recovery model

After direct property costs are paid by the Bank, they are recovered from the occupying business units through the transfer charging process. After a Bank property has been occupied, the Space Planning Team sends an accommodation change form to the Leasing Team, who record the occupancy split against the lease record in SAP.



Business units are charged according to floor space they occupy with the floor space converted from the number of full time equivalent seats occupied. Where there are multiple business units sharing a floor, common areas are charged according to the percentage occupancy. Refer to the following example in which three business units occupy a total floor space: 2,000 m² of which 250 m² are shared common areas such as corridors, meeting rooms and the kitchen.

	FTE staff	% Occupied	M ² charged
BU 1	85	42.50%	850
BU 2	20	10.00%	200
BU 3	95	47.50%	950
Total	200	100.00%	2000

On the first working day of each month, Property Finance runs transfer charging to recover the following costs from the business units:

Occupancy charges	These include non-general contract items such as cleaning, electricity etc. that are not paid for by the property owner.
Depreciation	Projects are set up in SAP and after the capital dissection (post completion) has been performed, the asset amounts are transferred to the asset accounts in PeopleSoft for depreciation purposes. Depreciation data is transferred back to SAP each month prior to transfer charging being run. Depreciation costs for a commercial fit-out are charged to the whole building (SU) because current systems are unable to charge to a rental unit (RU). Asset items are created in SAP and transferred to PeopleSoft.
Funding costs	Funding costs of projects are recovered from business units using the Bank's tractor rate (equivalent to the money market interest rate used for internal funding). It is analogous the BU paying interest on "loan" to fund the project.

5.2 Budget sign-off

The master property budget is approved by the Executive General Manager Corporate Services.

5.3 Committing to spend

5.4 Delegated Authority to Commit Expenditure for CBA Group Corporate Services

Interim delegation for BWA/CBA Corporate Services Property pending implementation of CBA Systems (Ariba)

Within plan / within approved business spend

	Property Manager	Executive Manager Property Management	Head of Property Management	Leasing Manager	Head of Property Leasing	Project Director	Executive Manager Design and Construction	Head of Design and Construction	Head of General Procurement	EGM	GE - FS	BWA CFO/CEO
Capital Expenditure	\$0.05M	\$0.25M	\$1M	\$0.05M	\$0.25M	\$0.1M	\$0.3M	\$2.5M	Nil	\$10M	Within CBA Board approved expenditure	Within BWA Board approved plan
Leases	Nil	Nil	Nil	Up to 1,500sqm not exceeding \$1.5M annually	Up to 5,000sqm not exceeding \$5M annually	Nil	Nil	Nil	Nil	Up to 10,000sqm not exceeding \$10M annually	Within CBA Board approved expenditure	Within BWA Board approved plan
Property Sales	Nil	Nil	Nil	Nil	Sale value up to \$3M	Nil	Nil	Nil	Nil	Sale value up to		
\$5M	Within CBA Board approved expenditure	Within BWA Board approved plan										
Property Acquisitions	Nil	Nil	Nil	Nil	Purchase value up to \$1M	Nil	Nil	Nil	Nil	Purchase value up to \$2M	Within CBA Board approved expenditure	Within BWA Board approved plan

	Property Manager	Executive Manager Property Management	Head of Property Management	Leasing Manager	Head of Property Leasing	Project Director	Executive Manager Design and Construction	Head of Design and Construction	Head of General Procurement	EGM	GE - FS	BWA CFO/CEO
Occupancy (general repairs and maintenance, individual or per event)	\$0.05M	\$0.25M	\$1M	0.1M	0.5M	\$1M	\$0.1M	\$1M	Nil	\$2M	Within CBA Board approved expenditure	Within BWA Board approved plan
Professional Fees (Technical, engineering, valuers, agency, management fees, legal fees, marketing costs)	Nil	\$0.125M	\$0.25M	\$0.125M	\$0.25M	\$0.05M	\$0.125M	\$0.25M	Nil	\$0.5M	Within CBA Board approved expenditure	Within BWA Board approved plan
General Procurement	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.5M	25M	Within CBA Board approved expenditure	Within BWA Board approved plan

The delegations presented above are approved by the CBA Board for day to day management of CBA & Subsidiaries Property and Procurement activities. Approval is sought from the BWA CEO/Board to utilise these same delegations on behalf of BWA. Whilst operating under transition structures Glen Fowler, Property and Procurement Program Manager, West Coast will have the ability to authorise payments in Oracle and execute contracts on behalf CBA / BWA where authorised by the relevant functional Property or Procurement staff member with their delegation.

Notes

All lease and General procurement contracts or commitments must have BU confirmation of support, signoff from legal and Group Risk, prior to commitment or execution. CBA Group Corporate Services is the only entity able to commit the CBA Group & Subsidiaries to General Procurement and Property contracts.

6. Rent Budget Preparation

The Head of Property Leasing is responsible for preparing the rental budget. There are separate processes for the commercial and retail portfolios.

6.1 Commercial properties budget planning process

Commercial leases are managed by the Leasing Team.

Stage	Timeframe	Description	Responsibility	Output issued to
6.1.1	Ongoing throughout the year	Leasing Team liaises with both Property Strategy and business units directly to determine business needs.	<ul style="list-style-type: none"> Head of Property Leasing 	
6.1.2	November	Business Information sends template to the Leasing Team.	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Leasing Team
6.1.3		The Portfolio Managers in the Leasing Team review the template for market reviews and expiries. They assess and research the rental market and factor in rent increases. Bank West properties are included in the budget.	<ul style="list-style-type: none"> Commercial Leasing Team 	
6.1.4		Senior Leasing Managers review templates and sign-off the commercial rental budget.	<ul style="list-style-type: none"> Head of Property Leasing 	
6.1.5		A separate budget is prepared for make goods, using a formula, based on a rate per square meter. Lease obligations are taken into account.	<ul style="list-style-type: none"> Commercial Leasing Team 	
6.1.6		Budget income (sub-tenants) is reviewed taking into account rent reviews, expiries and renewals.	<ul style="list-style-type: none"> Commercial Leasing Team 	
6.1.7		Base building costs (maintenance, cleaning etc recouped by the landlord) are added to the budget to produce a rent line per property in the portfolio.	<ul style="list-style-type: none"> Commercial Leasing Team 	
6.1.8		Head of Leasing signs off the budget and the templates are returned to Business Information.	<ul style="list-style-type: none"> Head of Property Leasing 	<ul style="list-style-type: none"> Business Information

6.2 Retail properties budget planning process

A managing agent is engaged by the Bank to manage its retail portfolio.

Stage	Timeframe	Description	Responsibility	Output issued to
6.2.1	Ongoing throughout the year	Leasing Team liaises with both Property Strategy and business units directly to determine business needs.	<ul style="list-style-type: none"> Head of Property Leasing 	
6.2.2		Instructions on how to complete the budget template along with assumptions (legal fees, CPI rates, statutory impacts etc) are developed for the Bank's managing agent.	<ul style="list-style-type: none"> Head of Property Leasing 	
6.2.3	December	Business Information sends template to the Leasing Team.	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Leasing Team
6.2.4	December	The template and the assumptions and instructions are forwarded to the Bank's managing agent.	<ul style="list-style-type: none"> Head of Property Leasing 	Managing agent
6.2.5	mid-January	The managing agent researches the rental market; completes and return the template.	<ul style="list-style-type: none"> Managing agent 	Head of Property Leasing
6.2.6		<p>Leasing managers review all the rental data, including ATMs, external tenants and residential properties.</p> <p>A separate file is produced for make good budgets.</p> <p>Lists are adjusted for known closures and additions. Leasing consults the managing agent when making adjustments.</p>	<ul style="list-style-type: none"> Leasing managers 	
6.2.6		The Leasing Team applies rates and taxes charges.	<ul style="list-style-type: none"> Leasing managers 	
6.2.7		<p>For Bank-owned properties, Leasing managers prepare rent budget by adding the CPI (usually 3%) to the previous year's nominal rental amount.</p> <p>Note: The managing agent has no role in Bank-owned properties, other than external tenant management.</p>	<ul style="list-style-type: none"> Leasing managers 	
6.2.8		Head of Leasing signs off the budget and the templates are returned to Business Information.	<ul style="list-style-type: none"> Head of Property Leasing 	<ul style="list-style-type: none"> Business Information

7. Occupancy Budget Preparation

The Head of Property Management is responsible for the occupancy budget. There are separate processes for the commercial and retail portfolios.

7.1 Commercial budget planning process

Stage	Timeframe	Description	Responsibility	Output issued to
7.1.1	November	Previous year's actual expenditure is received from Business Information in the budget template.	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Commercial Property Management
7.1.2		Individual line items reviewed at GL code level for each building and the CPI component is added. Notes: <ul style="list-style-type: none"> Forecast amounts are averaged across all 12 months. There are approximately 50 line items in seven main categories. The monthly figures are averaged for each month (total budget expense divided by 12). Variances (from previous year's estimates) can be applied across the portfolio as savings. 	<ul style="list-style-type: none"> Facilities managers 	
7.1.3		Group Procurement provides guidance on possible price movements.	<ul style="list-style-type: none"> Group Procurement 	<ul style="list-style-type: none"> Facilities managers
7.1.4		Budgets adjust to reflect pricing advice.	<ul style="list-style-type: none"> Facilities managers 	
7.1.5		Building budgets are rolled up to a functional portfolio (EM) level.	<ul style="list-style-type: none"> Executive Manager Commercial Property 	<ul style="list-style-type: none"> Head of Property Management.
7.1.6		Consolidated property management budget reviewed and approved.	<ul style="list-style-type: none"> Head of Property Management. 	
7.1.7		Compliance and sustainability costs added, averaged per site across the entire portfolio.	<ul style="list-style-type: none"> Compliance Manager Sustainability Manager 	<ul style="list-style-type: none"> Head of Property Management.
		The total commercial occupancy budget is then sent to Business Information for inclusion in the master property budget.	<ul style="list-style-type: none"> Head of Property Management. 	<ul style="list-style-type: none"> Business Information

Note: Later in the overall process, the total budget is reviewed and may require adjustment. FM's then rework their figures by applying variances as savings or providing commentary on line item increases.

7.2 Retail budget planning process

7.2.1 Overall process

Retail property management produces two property expenditure budgets – operating and capital – that form part of the overall retail property management budget.

Stage	Timeframe	Description	Responsibility	Output issued to
7.2.1	November	Previous year's actual expenditure is received from Business Information in the budget template.	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Commercial Property Management
7.2.2		Operating expenditure budget prepared	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
7.2.3		Capital expenditure budget prepared.	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
7.2.4		Consolidated property management budget reviewed and approved.	<ul style="list-style-type: none"> Head of Property Management. 	
7.2.5		Compliance and sustainability costs added, averaged per site across the entire portfolio.	<ul style="list-style-type: none"> Compliance Manager Sustainability Manager 	<ul style="list-style-type: none"> Head of Property Management.
7.2.6		The total retail occupancy budget is then sent to Business Information for inclusion in the master property budget.	<ul style="list-style-type: none"> Head of Property Management. 	<ul style="list-style-type: none"> Business Information

7.2.2 Operating expenditure budget

Operating expenditure budget items include:

- light, power and heating
- preventative maintenance (cleaning, scheduled service etc)
- corrective maintenance and repairs

Stage	Timeframe	Description	Responsibility	Output issued to
7.2.1.1	Ongoing throughout the year	FM's collate abnormal items (incidents, adverse weather events etc).	<ul style="list-style-type: none"> Facilities managers 	
7.2.1.2		Previous year's actual expenditure is received from Business Information.	<ul style="list-style-type: none"> Business Information 	<ul style="list-style-type: none"> Retail Property Management
7.2.1.3		Any known proposed properties are added to a spare template.	<ul style="list-style-type: none"> Retail Property Management 	
7.2.1.4		Facilities managers review non-controlled items (e.g. out of contract cleaning) by reviewing the costs around regionally grouped properties. Forecast amounts are averaged over the year by dividing the total estimated cost by 12.	<ul style="list-style-type: none"> Facilities managers 	



Stage	Timeframe	Description	Responsibility	Output issued to
7.2.1.5		Light, power and heating price movements are estimated by an external consultant (presently Energetics) and applied to the entire retail portfolio, including ATMs and residential properties.	<ul style="list-style-type: none"> Executive Manager Retail Property 	
7.2.1.6		Estimated costs of controlled contract items (programmed cleaning and preventative maintenance etc) are applied to entire retail portfolio.	<ul style="list-style-type: none"> Executive Manager Retail Property 	
7.2.1.7		<p>Estimates for dummy properties are factored in with a cost bucket per region.</p> <p>Note: There are three dummy cost buckets for retail branches (NSW, Queensland and Victoria) and around four or five for ATMs.</p>	<ul style="list-style-type: none"> Executive Manager Retail Property 	
7.2.1.8		Abnormal items are removed prior to collation into the master budget. Contingency costs are maintained as a separate cost element.	<ul style="list-style-type: none"> Executive Manager Retail Property 	
7.2.1.9		Operating expenditure budget is incorporated in the overall retail property budget.	<ul style="list-style-type: none"> Executive Manager Retail Property 	<ul style="list-style-type: none"> Head of Property Management



7.2.3 Capital expenditure budget

Capital expenditure budget items include programmed (end of lifecycle) replacements for air conditioning, switchboards, and carpets and so on).

Estimates for replacement cost can come from:

- historical knowledge (similar items have previously been replaced in similar situations)
- vendor estimates
- internal knowledge

Stage	Timeframe	Description	Responsibility	Output issued to
7.2.3.1	Ongoing throughout the year	Facilities managers conduct site audits and meet with area managers throughout the year to maintain a database of known capital items that will require replacement during the forecast period and diarise the planned replacement date. Property Management liaises with the Design and Construction team to share information.	<ul style="list-style-type: none"> • Facilities managers 	
7.2.3.2		Capital expenditure budget is prepared for the portfolio per building or site and is forwarded to Design and Construction for review.	<ul style="list-style-type: none"> • Executive Manager Retail Property 	Head of Design and Construction
7.2.3.3		Reviewed capital expenditure budget is incorporated in the overall retail property budget.	<ul style="list-style-type: none"> • Executive Manager Retail Property 	<ul style="list-style-type: none"> • Head of Property Management



7.3 Compliance costs

The Compliance Manager produces a budget for compliance projects:

- HAZMAT (asbestos removal)
- building code compliance
- OH&S compliance
- disabled access

Costs for individual projects are split into operating and capital expenses. The capital component is sent to Property Finance who apply depreciation and funding costs in the same way as they do for capital works projects (Design and Construction). Projects with budgets of more than \$1,000 are deemed to be capital expense projects, except for HAZMAT projects which are 100% expense items.

Separate budgets are produced for retail and commercial portfolios. An averaged, per building, per site amount is applied across each portfolio. These are applied to occupancy budget.

DRAFT

8. Capital Works

8.1 Capital Planning process

The budgeting for Capital works is an annual process actively managed by the Head of Design & Construction with each business unit to determine:

- new sites
- growth

Stage	Timeframe	Description	Responsibility	Output issued to
8.1		Property Finance provides Design and Construction with a capital works template.	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Design and Construction
8.2		Design and Construction consults business units to identify sites and obtain an estimated overall budget for projects.	<ul style="list-style-type: none"> • Head of Design and Construction 	
8.3		Capital works budget prepared using the template provided by Property Finance.	<ul style="list-style-type: none"> • Head of Design and Construction 	Property Finance
8.4		Property Finance consults Design and Construction to determine whether items will be capitalised or expensed.	<ul style="list-style-type: none"> • Property Finance 	
8.5		<p>Depreciation and funding charges are then applied.</p> <p>Note: This is a manual process, using historical knowledge and internal expertise and produces a dollar value budget amount.</p>	<ul style="list-style-type: none"> • Property Finance 	
8.6		<p>Property Finance works with Business Information to produce a list for transfer charge modelling.</p> <p>Depreciation and funding for capital works is put through the transfer charge modelling with other direct property budget estimates.</p>	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Business Information
8.7		For the Bankwest entity, capital budget is sent to Bankwest Property Finance to inclusion in their budget.	<ul style="list-style-type: none"> • Property Finance 	<ul style="list-style-type: none"> • Bankwest Property Finance
8.8		Any stretch targets are documented and worked towards during the budget year.	<ul style="list-style-type: none"> • Head of Design and Construction 	
8.9		The project teams set up projects within SAP for capital works.	<ul style="list-style-type: none"> • 	

8.2 Notes

8.2.1 *Bankwest properties*

Works for Bankwest properties are kept separate from the CBA properties and each has their own Project Identifier (PI) number.

During capital dissection, line items are separated into capital and expenses:

- Expenses flow through the regular monthly expense reporting.
- Capital items are invoiced to Bankwest and fully reimbursed by BWA.

Charges for the Raine Square program are processed through the Bankwest Oracle system.

8.2.2 *Regarding capital contributions*

Where appropriate, incentives are arranged with lessors, with CBA acting as their agent, to invest in capital works. The lessor reimburses CBA for those works and retains the ownership of the fit-out. Where the lessor owns the fit-out, the lessor fully depreciates the work. In the event that only a portion of the fit-out is owned by the lessor, and CBA owns the remainder, CBA would depreciate the portion owned by the Bank.

During capital works, Property Finance invoices the lessor for the incentive. The payment is allocated against the project during the dissection process.



9. Budget Tracking

9.1 Overview

Budget tracking begins in the second quarter after the July transfer charging is run. Teams are responsible for tracking their budgets and recording variances.

9.2 Reports

9.2.1 Report types

Two sets of budget versus actual reports are run monthly:

Direct property costs

- run at a portfolio level
- includes around 180 cost elements
- downloaded from PRIMA by Property team members

Client Reports

- has transfer-charged costs for each BU
- bundled with other reports (including Maximo charges, lease expiry) and a newsletter and distributes to BU CFOs.

For information regarding the transfer charging process and accommodation updates, see *Cost recovery model* on page 17.

9.2.2 Report distribution list

Business Unit	Distribution List
Business and Private Banking	<ul style="list-style-type: none"> • Accountant EML Reporting • Manager Financial Reporting • Chief Financial Officer Business and Private Banking • Executive Manager Customer Accommodation • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Wealth Management	<ul style="list-style-type: none"> • Executive Manager Reporting and Planning • Executive Manager Finance • Manager Business Reporting and Analysis CFSI • Manager Business Reporting and Analysis CFP • Executive General Manager Group Audit • Chief Financial Officer Global Asset Management • General Manager WM Finance • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Financial Services	<ul style="list-style-type: none"> • Executive Manager Financial Services • Manager Performance Reporting and Analysis • Executive Manager Business Information • Manager Reporting Analytics • Head of Property



Business Unit	Distribution List
Human Resources and Marketing & Communications	<ul style="list-style-type: none"> • EM Group HR Group Marketing and Communications Finance • Executive Manager Business Advisory • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Institutional Banking and Markets	<ul style="list-style-type: none"> • Head of Performance Management IB&M • Executive Manager Customer Accommodation • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
International Financial Services	<ul style="list-style-type: none"> • Executive Manager IFS HR and People Development • Head of Finance IFS • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Office of the CEO	<ul style="list-style-type: none"> • Executive Personal Assistant • Company Secretary • Principal Adviser Executive Support • Assistant Manager Performance Reporting • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Risk Management	<ul style="list-style-type: none"> • Executive Manager Risk Planning and Support • Executive Manager Risk Management Finance • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Enterprise Services and core Banking	<ul style="list-style-type: none"> • Executive Manager Finance Operations • Chief Financial Officer Group Strategic Projects • Executive Manager CBM Finance • Performance Tracking Analyst • Finance Manager • Executive Manager Business Information • Manager Reporting Analytics • Head of Property
Retail Banking Services	<ul style="list-style-type: none"> • General Manager Network Development • Executive Manager Network Development Strategy • General Manager Financial Reporting and Control • Executive Manager Business Information • Manager Reporting Analytics • Head of Property

9.3 Budget tracking processes

Individual teams track their budgets and provide variance commentary.

9.3.1 *Leasing budget*

At present, the Leasing is not involved in tracking its budgets, other than to respond to queries from Property Finance regarding transfer charging issues.

Variance reporting and commentary is performed by the Business Information team.

9.3.2 *Property Management*

At present, there is minimal budget tracking, other than to provide variance commentary, which is forwarded to Property Finance.

9.3.3 *Capital works budget*

Project Directors (through external quantity surveyors) are responsible for managing their budgets.

DRAFT