

# URBAN RENEWAL AUTHORITY (trading as Renewal SA) 2019-20 Annual Report

#### RENEWAL SA

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### **Acknowledgment of Country**

Renewal SA acknowledges that the land on which we work is the traditional lands of the Kaurna people and we respect their spiritual relationship with their country.

We also acknowledge the Kaurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kaurna people today. To:

The Hon. Rob Lucas MLC

Treasurer

This annual report will be presented to Parliament to meet the statutory reporting requirements of *the Urban Renewal Act 1995*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the Urban Renewal Authority (trading as Renewal SA) by:

Chris Menz

Chief Executive

Date 30.09.2020

Signature

#### From the Chief Executive

The Government of South Australia is committed to improving the lives of South Australians through economic development and growth. Through its Growth State plan, the State continues to identify initiatives and projects that support and drive the future economic growth of South Australia. Renewal SA supports this by identifying, prioritising and leading projects and initiatives that will stimulate the economy and create jobs for South Australians.

Renewal SA's primary purpose is to initiate, undertake, promote and support strategic urban development activity as outlined in the *30 Year Plan for Greater Adelaide* which defines target growth and infill areas and design outcomes.

Our focus is on property development that builds new industries, infrastructure and communities, drives economic activity, maximises private sector investment and participation, and enhances the liveability of our state.

Our activities are driven by several State strategies including *The 20-Year State Infrastructure Strategy* which was released in late-2019 and sets the long-term direction and priorities for infrastructure development in South Australia; and the *Our Housing Future 2020-2030* strategy which was launched in 2020 and is delivering a better housing future by coordinating activity and opportunities across the housing sector. We are also driven by the *30 Year Plan for Greater Adelaide*.

As a committed group of property professionals, the team at Renewal SA firmly believe we can improve the lives of South Australians, now and into the future through transformational projects and property. Each day we are inspired to deliver on this purpose.

As the State Government's leading urban development agency, Renewal SA has continued to deliver progress and contribute or lead flagship developments: Lot Fourteen, Tonsley Innovation District, Bowden, Lightsview, Port Adelaide and Playford Alive.

The 2019-2020 financial year has delivered significant challenges for the South Australian economy, the property industry, businesses and our people. Following major bushfires though December and January and the impacts of the COVID-19 pandemic, Renewal SA's renewed focus is on securing a pipeline of major projects and property initiatives will greatly aid our state's economic recovery and future growth.

I acknowledge and thank our Acting Chief Executives during 2019-20 financial year, Mark Devine who led our organisation until December 2019 and Damian De Luca who acted in the role until February 2020 before my arrival.

In 2020, Renewal SA welcomed a new Executive team. Joining myself as incoming Chief Executive and Damian De Luca, General Manager, Corporate Services, are Vy Collins, Senior Director, People and Culture, Tony Cole, General Manager, Major Projects and Pipeline, and Todd Perry, General Manager, Project Delivery and Property (who joined in August 2020). Each of these people come with significant experience and a passion for property and people, and a commitment to realising South Australia's potential for growth.

Finally, I am delighted to confirm that this year, Renewal SA has finalised its 3-year strategy for growth through 2020-2023. This strategy acknowledges the need for a thriving property sector here in South Australia and highlights the need for Renewal SA to create opportunities, provide a confident pipeline of projects and initiatives, focus on growing our people, and build lasting, mutually beneficial, partnerships between government and the private sector.

Together with the Treasurer, our Board of Management, and the Executive Management Team, I am proud of our achievements for 2019-2020 financial year and am looking forward to continuing to drive the social and economic growth of South Australia through property and projects.

Chris Menz

**Chief Executive** 

Contents Overview: about the agency	7
Our strategic focus (2019-20 financial year)	7
Changes to the agency	8
Our Minister	8
Our Executive team	9
Legislation administered by the agency	9
The agency's performance	10
Agency contribution to whole of government objectives	10
Performance at a glance - project highlights for 2019-20 financial year	13
Corporate performance summaryError! Bookmark not o	defined.
Operational Performance	21
Agency performance management and development systems	21
Work health, safety and return to work programs	23
Executive employment in the agency	25
Financial performance	26
Financial performance at a glance	26
Consultants disclosure	28
Risk management	31
Risk and audit at a glance	31
Fraud detected in the agency	31
Strategies implemented to control and prevent fraud	32
Public complaints	33
Number of public complaints reported	33
Appendix: Audited financial statements 2019-20	34

## Overview: about the agency

#### Our strategic focus (2019-20 financial year)

Our Purpose	The Urban Renewal Authority was established under the Urban Renewal Act 1995 with the primary purpose to initiate, undertake, promote and support strategic urban development activity to help deliver the key strategic priorities of the South Australian Government, particularly the new urban development directions as outlined in the 30 Year Plan for Greater Adelaide.
	Renewal SA is responsible for leading and coordinating urban renewal development activity to ensure that the state's future employment and housing needs are met through well planned, affordable and vibrant urban development located near transport, employment, education and other services.
	Our purpose is to improve the lives of South Australians now and into the future.
Our Mission	Delivering an inspiring urban future.
Our Values	Renewal SA is guided by the South Australian public sector values of service, professionalism, trust and integrity, respect, collaboration and engagement, honesty and integrity, courage and tenacity, and sustainability.
	These values reflect our commitment to the ever-changing needs of South Australians, and the role of government in helping to foster the state's prosperity and wellbeing.
	Renewal SA also has a set of five values that lead our day-to-day behaviours and decision making. They are:
	<b>Accountability:</b> We hold ourselves responsible for the work we deliver and how we deliver it.
	<b>Unity:</b> We embrace a team spirit. We seek opportunities to support each other's objectives and understand and align ourselves to one vision.

**Respect:** At Renewal SA we are courteous, listen and communicate openly. We value diversity and model ethical and professional behaviour towards all people.

**Excellence:** We are committed to excellence in everything we do.

Fun: We have fun at work and celebrate our success.

## Our functions, objectives and deliverables

The key functions of Renewal SA as outlined in the *Urban Renewal*Act 1995 are to:

- Initiate, undertake, support and promote residential, commercial and industrial development in the public interest.
- Acquire, assemble and use land and other assets in strategic locations for urban renewal.
- Promote community understanding of, and support for, urban renewal by working with government agencies, local government, community groups and organisations involved in development.
- Undertake preliminary works (including the remediation of land) to prepare land for development and other functions such as planning and coordination.
- Encourage, facilitate and support public and private sector investment and participation in development of the State.
- Acquire, hold, manage, lease and dispose of land, improvements in property.

#### Changes to the agency

During 2019-20 financial year there were no changes to the agency's structure and objectives as a result of internal reviews or machinery of government changes.

#### **Our Minister**

During 2019-20 financial year the Urban Renewal Authority, trading as Renewal SA, was within the portfolio responsibilities of the Minister for Transport, Infrastructure and Local Government, Hon Stephan Knoll MP.

#### Our Executive team

The Chief Executive currently reports to the Treasurer and the Urban Renewal Board of Management to oversee the day-to-day operations of our organisation, together with the Executive team.

As at 30 June 2020, Renewal SA's Executive Team comprised:

- Chris Menz, Chief Executive
- Damian De Luca, General Manager Corporate Services
- Mike Philippou, Acting General Manager Project Delivery
- Tony Cole, General Manager Major Projects and Pipeline
- Vy Collins, Senior Director People and Culture.

Mr Todd Perry joined Renewal SA as General Manager Project Delivery and Property in August 2020.

#### Legislation under which the agency operates

- Urban Renewal Act 1995
- Urban Renewal Regulations 2014

#### The agency's performance

Data for previous years is available at: https://data.sa.gov.au/data/organization/renewal-sa

#### Agency contribution to whole of government objectives

Growth State: Our Plan for Prosperity is the government's economic plan for the state.

Renewal SA is aligned to, and supports, the Government of South Australia's Growth State agenda which aims to stimulate the economy and population of the state.

The state government is delivering long-term benefits for the state by investing in projects that drive economic activity and growth, boost productivity and enhance liveability and land values.

Renewal SA plays a leading role by providing strategic opportunities for industrial and commercial development on designated employment lands to support social and economic growth and job creation.

Through our pipeline of development projects, partnerships with the private sector, and by supporting innovation in key industry sectors such as defence, space, energy and hi-tech, Renewal SA is attracting local, national and international investment and contributing to the growth of South Australia.

Renewal SA is guided by the government's 30-Year Plan for Greater Adelaide and has a role to play in the delivering The 20-Year State Infrastructure Strategy, which sets the long-term direction and priorities for infrastructure development in South Australia; and the Our Housing Future 2020-2030 strategy which is delivering a better housing future by coordinating activity and opportunities across the housing sector to deliver 20,000 housing outcomes by 2030.

Key objective	Agency's contribution
More jobs	Renewal SA facilitates the supply of strategically located commercial and industrial land to support South Australia's economic and employment growth. By working in multiple markets and de-risking projects, Renewal SA generates jobs and investment by enabling businesses to establish, grow and succeed. During the 2019-20 financial year Renewal SA sold 19.7 hectares of industrial land and the future development of that land is expected to deliver at least 850 jobs.
	Renewal SA's construction capital expenditure of \$106 million is estimated to have created at least 600 jobs across the 2019-20 financial year.
	Renewal SA's Works Program builds capability and capacity across the private sector, ensuring that there are sufficient skills in the market by generating training and employment opportunities through our contracts to support jobs and traineeships/apprenticeships. The Works Program works with industry to develop innovative delivery models, identify opportunities and deliver initiatives within our projects that provide social inclusion, indigenous business and participation outcomes. There were 77 participants engaged in training programs throughout the 2019-20 financial year and 44 of these participants gained employment.

#### Lower costs

Renewal SA's infill developments within existing suburbs create more affordable housing choices and communities that are more pedestrian and bike friendly, that benefit from having employment, shops and services within easy reach. Along with the lower infrastructure costs of developing in existing metropolitan areas, these factors will ultimately make our city more affordable to live in.

Renewal SA is committed to accelerating development that increases the supply of affordable housing for sale to a mix of low and moderate-income homebuyers. During 2019-20 financial year, Renewal SA delivered more than 200 affordable housing opportunities to the market.

The development and release of industrial land in key locations by Renewal SA provides opportunities for South Australian businesses to consolidate and modernise their operations, and to optimise transport and logistics functions. This is expected to increase competitiveness and lead to lower costs for business and consumers.

#### **Better Services**

Renewal SA drives great design outcomes by facilitating inclusive and connected communities that demonstrate good design, create quality public spaces and services, and enhance the South Australian lifestyle.

Renewal SA engages with the community, creates planning certainty and addresses any significant infrastructure and required site remediation, to de-risk and allow integrated and master-planned developments to proceed.

Renewal SA also adopts a master-planned approach to its commercial and industrial projects to ensure that employment precincts operate as viable and attractive workplaces, with an appropriate level of support services.

#### Performance at a glance - project highlights for 2019-20 financial year

Renewal SA's projects span the Greater Adelaide region, and include residential, commercial, industrial and mixed-use developments. Together with the critical contribution of the development industry, community and government partners, Renewal SA is delivering these projects for all South Australians.

#### Lot Fourteen

Renewal SA is working closely with the Department of Premier and Cabinet and the State Government as the commercial advisor and master developer of Lot Fourteen, to create an innovation precinct that leverages South Australia's abilities in space, defence, hi-tech and creative industries. Lot Fourteen is accelerating global interaction and investment, creating high-value jobs and driving economic growth and future prosperity for South Australia. Led by Premier Steven Marshall through the Department of Premier and Cabinet State Project Lead, Renewal SA has delivered substantial development progress at Lot Fourteen.

During the 2019-20 financial year, Renewal SA completed an \$80 million capital works program. This included the North Terrace public realm upgrade works; significant adaptive re-use of 16,000m2 of lettable space across six heritage buildings, and major demolition and infrastructure projects as key enabling works to allow new development to commence.

Lot Fourteen welcomed new tenants to the site including the 140 work-space Stone & Chalk start-up hub, the Australian Space Agency and SmartSat Cooperative Research Centre, University of Adelaide Australian Institute for Machine Learning, MIT bigdata Living Lab and the Australian Cyber Collaboration Centre.

Lot Fourteen became the first registered WELL Community pilot project in the southern hemisphere focused on the health and wellbeing of tenants and visitors and has achieved a 6-Star Green Star rating for Communities Design and Heritage Buildings.

#### **Tonsley**

Over 1,700 people are now employed at the Tonsley Innovation District, which is 70% more than when Mitsubishi announced their closure in 2008. There are now over 35 businesses established on the site, 290 co-working members, and 8,000 students studying at Tonsley each year.

During the 2019-20 financial year, construction commenced on Autism SA's head office as well as on the Australian Gas Infrastructure Group's Hydrogen Park SA (HyP SA), Australia's first hydrogen production and distribution facility. Mobile x-ray imaging company Micro-X, Flinders University and Rockwell Automation have now established operations in the Main Assembly Building (MAB).

One of Australia's largest rooftop solar arrays, the Tonsley District Energy and Recycled Water Scheme, reached a major milestone with the completion of the solar PV installation on the roof of the MAB. Over 7,000 solar panels are now generating around 2.4 MW on site to deliver clean, competitively priced energy to Tonsley's tenants and residents via smart renewable technology.

Residents have begun moving into terrace homes and apartments at Peet's residential development, Tonsley Village. A total of 34 homes have been handed over while 48 are under construction in addition to two apartment buildings. These are helping to realise the vision for Tonsley Innovation District as a vibrant, mixed-use precinct.

#### Playford Alive

During the 2019-20 financial year, almost 170 allotments were produced, which has provided stock to enable purchasers to take advantage of the Federal Government's HomeBuilder initiative announced in June 2020.

Renewal SA continued to recognise and reward community groups and local people through the Playford Alive Initiatives Fund and Local Heroes Awards.

To date, the Playford Alive project has produced and offered for sale more than 1,700 residential allotments, continuing to provide the opportunity for residents to build their new homes and enjoy the lifestyle offered as part of the Playford community.

#### Bowden

In October 2019, the doors opened to Bowden's first display centre at 24 Gibson Street, showcasing two boutique housing options; a fully fitted-out 354 Bowden apartment as well as a Guild Terrace home, allowing would-be purchasers an initial glimpse at what life at Bowden is like.

During the 2019-20 financial year, construction commenced on Stage 1 of Guild Terraces, 15 architecturally designed Torrens-Titled townhouses, and on 354

Bowden, comprising 5 buildings and 228 apartments. The first 354 Bowden apartment building, On The Lane, containing 26 apartments was completed.

An Indigenous food garden for Bowden's Guild Terrace reserve commenced planning the 2019-20 financial year also, in recognition of the region's rich Kaurna heritage and ongoing cultural importance. The garden is being delivered through a collaboration between Renewal SA and Kaurna elders of the Kaurna Nation Cultural Heritage Association.

Plant 3 Bowden Pty Ltd has also completed the design for the redevelopment of Plant 3, a former manufacturing plant, and has now engaged a builder to commence construction with completion due in the first quarter of 2021.

#### **Woodville West**

The Woodville West Urban Renewal Project, marketed as 'The Square at Woodville West', is delivering a diverse mix of housing options including villas, townhouses, apartments and lofts. Renewal of the area includes construction of up to 425 new dwellings and three retail premises, reconfiguration of roads and creation of new public spaces.

The project is being delivered over 6 stages. To date civil works have been completed across all stages, and sales within Stages 1, 2 and 6 are complete, and Stage 5 is almost sold. The project has constructed 159 new dwellings, 3 refurbished dwellings and a sold further 77 vacant lots to accommodate 140 new dwellings.

#### Port Adelaide

The focus for the 2019-20 financial year has been the successful management of multiple developers delivering the construction of residential and commercial developments around the Port Adelaide Inner Harbour. These ventures will result in 1,150 homes, 2,000 people living and recreating, and 1,000 new workers in the port in addition to the hundreds of construction jobs.

Fletcher's Slip, an 8-year project by Cedar Woods, which will deliver 500 dwellings, commenced in earnest with demolition and ground remediation nearing completion across half of their total development area. Dock One, an 8-year 650 dwelling project by Starfish Developments, commenced construction following the settlement of Stage 1 in July 2019, with the first residents moving in during August 2020.

A preferred proponent has been secured for the development of the former Incitec Pivot Site at Port Approach North into a mixed use commercial and light industrial precinct following an Expression of Interest process.

In November 2019, the City of Adelaide Clipper Ship and barge were successfully relocated from Dock One to Dock Two, the first step in establishing a maritime heritage tourism precinct at Dock Two and enabling the development of Dock One by Starfish Developments.

Other development commencements of note during the 2019-20 financial year period include the commencement of the Colac Hotel redevelopment on St Vincent Street by Dominion Homes, The Globe Hotel redevelopment on St Vincent Street by the Ginos Group, Hexagon townhouse development on Divett Street, and the completion of Stage 1 of the Port Adelaide Plaza redevelopment by the Precision Group. The 2019-20 financial year also saw the commencement of fit-out works at the former TAFE SA Port Adelaide Campus building on Mundy Street for 250 employees of the Naval Group. Development approvals of note for the same period include the 180-room Rydges on McLaren Parade and the reuse of the 7-storey former Department of Marine and Harbours Building on St Vincent Street into a hotel by Starfish Developments, which are all strong indicators of positive growth and renewal of the Port.

#### Festival Plaza

The Festival Plaza Redevelopment consists of three separate major capital projects being undertaken in and around the site of the former Hajek Plaza:

- upgrades to the Festival Plaza Public Realm and the Adelaide Festival Centre's façade and lobbies
- Walker Corporation's integrated car park, office accommodation and retail building development
- SkyCity's new six-star hotel and upgrade of its premises within the Adelaide Railway Station building.

Renewal SA continues to work closely in partnership with the Department for Infrastructure and Transport, Walker Corporation, SkyCity Casino and the Adelaide Festival Centre to deliver a unique, world-class hub for the arts, culture, tourism, entertainment and commercial sectors.

During the 2019-20 financial year, revised designs for the Festival Plaza Public Realm received all required endorsements, statutory approvals and funding, enabling construction of the first stages to commence in June 2020. As part of the Festival Plaza Public Realm works, Renewal SA commissioned a significant public artwork to be installed in the ceiling of the new Station Entry which will connect the Adelaide Railway Station to the Riverbank Footbridge.

Substantial progress was made by SkyCity Casino on construction of its new building and redevelopment of existing premises. Separately, Walker Corporation completed demolition, excavation and piling works enabling construction works to commence on the delivery of a 5-level car park with 1560 spaces, which is the first element of its integrated development.

#### Adelaide Railway Station

Work commenced in April 2020 on the comprehensive restoration of the western façade of the Adelaide Railway Station building, including the large arched windows. These works will protect the structural integrity of this State heritage-listed building.

The transformation of the retail offering within the Adelaide Railway Station made significant progress with the opening of SkyCity's new \$6 million bar and dining venue, The Guardsman, and the opening of new small retailers within the public concourse and access ramp.

Agreements have been established with the Department of Infrastructure and Transport and SkyCity Casino to effect the creation of 700 square metres of new retail tenancy spaces within the station's public concourse.

This last year also saw design, planning and procurement activity for a program of works in and around the Adelaide Railway Station, which will uplift the heritage features of the building and complement the new and improved retail offering. This program of works, to be delivered between October 2020 and June 2022, will include upgrades to the North Terrace shop-front and public realm, restoration works within the heritage ramp and public concourse, and the installation of internal and external architectural lighting.

#### Adelaide Riverbank

Working in partnership with the City of Adelaide and the State Planning Commission, Renewal SA is leading the delivery of a new Precinct Plan for the Adelaide Riverbank on behalf of the Capital City Committee. The Precinct Plan will:

- document development to date within the precinct
- articulate a vision, purpose and identity for the precinct that is shared across local and state government
- establish a shared framework for future development within the precinct
- identify and prioritise development and investment opportunities.

Renewal SA continues to support the Riverbank Entertainment Precinct Advisory Committee in the coordination of development, activation and marketing of the precinct.

#### Commercial and Industrial Land

Renewal SA provides opportunities for industrial and commercial development on designated employment lands to support South Australia's economic and employment growth.

Significant landholdings at Osborne and Edinburgh Parks support the growth of South Australia's defence sector and we continue to work closely with the Commonwealth Department of Defence to ensure the requirements of the Navy, Army and Air Force can be accommodated in these locations. During the 2019-20 financial year, we completed the Northern LeFevre Peninsula Master Plan, which provides a long-term vision for a naval industry hub at Osborne with facilities and services required to support expansions of defence and port-related industries, and the resulting workforce.

Over the last three years, Renewal SA has transferred 29.61 hectares of land to facilitate the expanded Osborne Naval Shipyard and sold or leased a further 7.525 hectares to defence-related businesses to support the shipyard construction and operations. During the 2019-20 financial year, the Osborne Naval Shipyard (including land sold/leased by Renewal SA) has seen significant construction activity, and it is expected that ongoing development of this land will lead to over 1,100 jobs in the precinct.

Grand Trunkway Estate offers potential purchasers master-planned industrial allotments at the western edge of the Northern Economic Corridor. Following solid interest during the 2019-20 financial year, which included the sale of an additional allotment (generating revenue of \$1.15 million) and construction commencing on a previously sold allotment within the estate, Renewal SA has completed further work to release an additional 3 allotments to the market.

Strategically-located commercial and industrial land continues to sell at Technology Park. Highlights this year include the sale of 3.8 hectares to Commercial & General to accommodate a new Raytheon development. Pelligra Group also purchased 6.6 hectares at Edinburgh Parks to accommodate the Auscold Logistics development.

#### Other activities

#### **Environmental Services**

The Environmental Services Group are a team of highly skilled experts who provide guidance and direction on all environmental matters associated with acquisition, development, management and divestment of land to all divisions of Renewal SA and other government agencies.

This year, the team has successfully negotiated the remediation strategy and associated costs for the SAHMRI2 development on behalf of Department for Treasury and Finance, which saved the government a significant amount of money in remediation costs.

The team actively works on the Tonsley, Port Adelaide and Bowden projects and leads the way in ensuring that these contaminated sites are assessed and remediated allowing development to occur in a sustainable and pragmatic way.

Renewal SA's soil recycling facility at Port Adelaide has experienced an increase in demand for the disposal of soil, due to securing the contaminated soil from the SAHMRI2 project and is undergoing an expansion to manage a larger volume of soil. In the 2019-20 financial year, work began on the construction of two additional structures for the storage of low-level contaminated soil.

#### Works Program

The Renewal SA Works Program delivers economic outcomes through employment and work experience opportunities in Renewal SA-managed contracts, engagement, training and employment programs in partnership with registered training organisations, and by building capacity in organisations and within communities.

Through the inclusion of economic development clauses (EDCs) in Renewal SA contracts, Renewal SA's contractors provided 40 work experience placements and 11 paid employment positions in the 2019-20 financial year.

In addition to delivering opportunities through live training site and pre-employment programs, there has been greater capacity to engage new groups in learning, such

as through our Children's University sponsorship, Tonsley school holiday workshops and STEM Works @Tonsley tours.

Overall, in the 2019-20 financial year, the Works Program provided 387 people with pathways to employment through education, training, engagement and work experience, across all Renewal SA projects: Playford Alive, Bowden, the Square at Woodville West, Our Port, Lot Fourteen and Tonsley Innovation District.

#### Planning & Design

The Planning and Design team plays an important role in contributing to the pipeline of development opportunities that enable growth and attract additional investment for the state. During the 2019-20 financial year, the Oakden/Gilles Plains Structure Plan, Stakeholder Consultation Report and Draft Development Plan Amendment were completed; at Aldinga, the Draft Structure Plan was completed and land was sold to facilitate the delivery of the R-12 School; and the Draft Development Plan Amendment for the New Castalloy site was prepared.

The team provides support and advice across all Renewal SA projects. Their expertise is recognised and valued across government and staff were consulted on the development of various local and state government development strategies and projects. Support and advocacy were provided throughout the 2019-20 financial year through membership on steering and reference groups on key projects across government.

Preparation of the Development Plan Amendment and coordination of concepts for staged public realm delivery at Lot Fourteen, and initial scoping studies for the Entrepreneur and Innovation Centre and International Centre for Food, Hospitality and Tourism Studies were delivered. Preparation of stage plans, product development and project reviews were also undertaken at Bowden and Woodville West.

#### Reconciliation Action Plan

Renewal SA readily recognises and accepts the opportunity and responsibility to be part of Reconciliation process. As the South Australian Government's urban authority, Renewal SA has the capacity to take meaningful steps across our range of projects, programs and other activities to enhance how we respectfully acknowledge and engage with our key Aboriginal and Torres Strait Islander partners and stakeholders. In the 2019-20 financial year Renewal SA established a Reconciliation

Action Plan Steering Committee and launched the agency's first Reconciliation Action Plan.

#### **Corporate performance summary**

#### Organisational review and restructure

During 2019-20 financial year, Renewal SA undertook a review of the organisational structure to ensure that we have the right functions and capability to lead, support and drive investment and growth through property and projects. A proposed restructure was announced in June 2020 and was confirmed in July 2020.

Renewal SA is now structured around three divisions – Corporate Services, Major Projects and Pipeline, and Projects Delivery and Projects. These divisions are supported by Office for the Chief Executive; People and Culture; and Strategy, Marketing and Communications.

#### **Awards**

In August 2019, the master plan and protocols for the development of Lot Fourteen's public realm won an Award of Excellence in the annual Australian Institute of Landscape Architects Awards for South Australia.

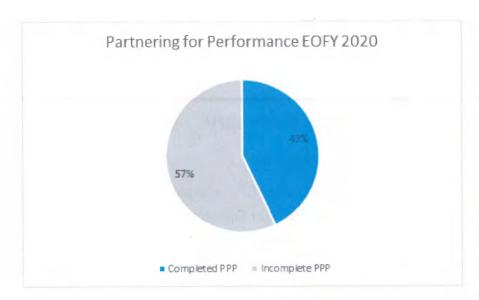
In November 2019, Tonsley Innovation District won the top prize for the Commercial Landscape (\$500,000-\$1,000,000) category in the Master Landscapers of South Australia Awards for the Lounge Forest, its latest landscaped outdoor area built by LCS Landscapes.

#### **Operational Performance**

The following sections provide a summary of Renewal SA's operational performance in regard to performance management and development systems, work health and safety and return to work programs.

#### Agency performance management and development systems

Renewal SA's Partnering for Performance Plan (PPP) process provides clarity regarding expectations of employees and managers in driving organisational performance. Completions of a formal documented PPP in the financial year ending 30 June 2020 are outlined in the following chart.



The PPP process is being reviewed and refreshed during the financial year ending 30 June 2021 and is currently being implemented to target a 100% completion rate.

#### Work health, safety and return to work programs

Program name	Performance
Work Health and Safety Program	Renewal SA follows a risk management approach to its safety program, with extensive consultation through employee and management representation on our WHS committee.
Wellness Program	Renewal SA offers a holistic wellness program, focusing on health, mental health and the prevention of violence.  In relation to health and mental health, we adopt a preventative approach, with offerings such as skin screenings, influenza vaccinations, and the promotion of physical activities through programs like the Corporate Cup.  To promote workplace mental health, we maintain a fully trained complement of Mental Health First Aiders.  Teamgage, an employee engagement tool, was also introduced this financial year. Feedback on workplace safety, health and wellbeing is sought through this tool.  As a White Ribbon accredited workplace, Renewal SA stands firm against domestic violence, gender-based violence and inequality.  As a result of the COVID-19 pandemic, we have introduced measures across our agency to safeguard our staff. We have introduced a Preparedness Coordinating Committee to oversee our COVID-19 response.
Return to Work Program	We provide care and support for both compensable injuries and non-compensable injuries. We proactively liaise with our Return to Work Service Provider and consistently maintain a 100% performance rating for ensuring all Return to Work claims are assessed within two business days of the date the employer was notified of the injury and that a determination on a Return to Work claim is made within ten business days.

Workplace injury claims	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Total new workplace injury claims	1	2	-50%
Fatalities	0	0	0%
Seriously injured workers*	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	3.33	-100%

<sup>\*</sup>number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Number of notifiable incidents (Work Health and Safety Act 2012, Part 3)	0	0	0%
Number of provisional improvement, improvement and prohibition notices ( <i>Work Health and Safety Act 2012,</i> Sections 90, 191 and 195)	0	0	0%

Return to work costs**	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$841	\$41,408	-95%
Income support payments – gross (\$)	0	\$20,104	-100%

<sup>\*\*</sup>before third party recovery

Data for previous years is available at: <a href="https://data.sa.gov.au/data/dataset/renewal-sa-work-health-and-safety-and-return-to-work-performance">https://data.sa.gov.au/data/dataset/renewal-sa-work-health-and-safety-and-return-to-work-performance</a>

#### **Executive employment in the agency**

Executive classification	Number of executives
Chief Executive	1
Executives*	18

<sup>\*</sup>In accordance with the workforce information data definition Office of the Commissioner for Public Sector Employment, an Executive is an employee who receives:

- A total salary equivalent to \$121,224 per annum or more; or
- Receives a Total Remuneration Package Value type contract equivalent to \$151,645 per annum or more; and
- Has professional or managerial 'executive' responsibilities

Four of the Executives reported above are in the Executive team supporting the Chief Executive. The remainder of the Executives reported are high level senior professionals that are responsible for the delivery of key outcomes e.g. project directors, or leaders of functional business units.

The Office of the Commissioner for Public Sector Employment has a workforce information page that provides further information on the breakdown of executive gender, salary and tenure by agency.

#### **Financial performance**

#### Financial performance at a glance

The reported Comprehensive Result is a loss of \$112.3 million, which is an improvement of \$94 million on the previous financial year. The comprehensive result has been materially impacted by valuation adjustments and one-off transactions with government which together total \$112.2 million. The 'ordinary' result excluding valuation adjustments, and extraordinary transactions is a small loss of \$83,000, which is better than budget for ordinary activities by approximately \$2 million.

The reported Comprehensive Result was impacted by the following one-off items:

- A portfolio of properties was transferred to TAFE SA during the year, for their book carrying value of \$601 million. The proceeds from the transfer were applied to reduce borrowings, including the novation of \$400 million of fixed interest loans to the Treasurer. These loans were revalued to reflect their market value, immediately prior to their transfer to the Treasurer, resulting in a reported cost for Renewal SA of \$68.8 million.
- A payment of \$6.7 million was made to the then Department for Planning,
   Transport and Infrastructure (DPTI) as reimbursement for costs incurred as part of the Festival Plaza redevelopment.
- Net asset valuation adjustments of \$36.8 million were reported in the financial year. The most significant adjustment related to the Adelaide Railway Station, that value of which was reduced by \$27.5 million as a result of the formalisation of rent-free arrangements for the space occupied by DPTI.

The Statement of Financial Position shows a Net Asset and Total Equity of negative \$50.7 million as at 30 June 2020. This is an improvement of \$13.2 million on the previous financial year. The negative net asset position results primarily from the Government's decision, in the previous financial year, to provide contributions to the capital cost of Renewal SA's development projects as equity rather than grant funding. A going concern issue does not exist given that Renewal SA's forecast cash flows are positive moving forward, with gearing expected to reduce each year over the forward estimates.

It should be noted that Renewal SA's inventory assets are recorded at the lower of cost and net realisable value, in accordance with the Accounting Standard

AASB 102 - Inventories. The net realisable value of Renewal SA's inventory assets are estimated to be significantly higher than the reported book value.

A summary of the financial result is presented below. Full audited financial statements for the year ended 30 June 2020 are attached to this report.

Statement of Comprehensive Income	2019-20	2018-19
	Actual	Actual
	\$000s	\$000s
Revenue from Sales	62 567	66 755
Less: Cost of Sales	(36 489)	(41 195)
Gross Profit on Sales	26 078	25 560
Other Income	55 070	95 137
Operating Expenses	(60 651)	(66 837)
Borrowing Costs (excluding early termination costs)	(20 580)	(40 683)
Underlying Operating Result	(83)	13 177
Net Gain/(Loss) from Changes in Asset Values	(36 761)	(219 500)
Revaluation loss from early termination of loans	(68 776)	-
Payment to DPTI towards Festival Plaza costs	(6 695)	-
Comprehensive Result	(112 315)	(206 323)

Statement of Financial Position	2019-20 2018	
	Actual	Actual
	\$000s	\$000s
Current assets	94 264	98 528
Non-current assets	269 175	896 613
Total assets	363 437	995 141

Statement of Financial Position	2019-20	2018-19
	Actual	Actual
	\$000s	\$000s
Current liabilities	300 766	399 507
Non-current liabilities	113 352	659 582
Total liabilities	414 118	1 059 089
Net assets	(50 681)	(63 948)
Equity	(50 681)	(63 948)

#### **Consultants disclosure**

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

#### Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
30 Consultants engaged	Various	109,124

#### Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
AECOM Australia Pty Ltd	Environmental due diligence	33,719
Baukultur Pty Ltd	Lot Fourteen - Entrepreneur & Innovation Centre Reference Scheme	137,000
D Squared Consulting Pty Ltd	Women's Health Centre Building Green Star Rating	13,040

Consultancies	Purpose	\$ Actual payment
Deloitte Access	Lot Fourteen - Economic	94,094
Economics	Development Strategy	
Doug and Wolf	Lot Fourteen - Innovation Centre	11,400
	Architectural Visualisation	
Flightpath Architects Pty	Adelaide Railway Station -	28,224
Ltd	Heritage Advice and Heritage	
	Impact Statements	
Fyfe Pty Ltd	Aldinga Structure Plan	63,083
Guildhouse Incorporated	Lot Fourteen - Public Art and	11,015
	Culture Strategy	
Hannan Duck & Partners	Renewal SA - Strategic Plan	19,000
	2019-2022	
Holmes Dyer	New Castalloy - Development	37,000
	Plan	
Integrated Heritage	Aldinga Cultural Heritage Survey	18,661
Services		
John Wardle Architects	Lot Fourteen - Innovation Centre	462,500
	- Scoping Study, Brief and	
	Preliminary Concept	
MacroPlan Holdings Pty	Lot Fourteen - Retail Market	10,500
Ltd	Assessment	
Mott MacDonald	Project Management Support -	33,156
	Women's Health Centre	
	Refurbishment	
Point of View Design Pty	Adelaide Railway Station -	43,078
Ltd	Lighting Design	
Price Waterhouse	Accounting Advice – Lease	18,360
Coopers	Accounting	

Consultancies	Purpose	\$ Actual payment
Right Angle Studio	Lot Fourteen - Place Vision and Strategy	55,728
Right Angle Studio	Lot Fourteen - Retail Vision and Strategy	41,199
Senversa Pty Ltd	Soil Assessment	44,222
The Buchan Group Melbourne Pty Ltd	North Terrace Frontage Enhancement Works	135,322
	Total	1,310,301

See also the <u>Consolidated Financial Report of the Department of Treasury and Finance</u> for total value of consultancy contracts across the South Australian Public Sector.

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. <u>View the agency</u> list of contracts.

The website also provides details of <u>across government contracts</u>.

#### Risk management

#### Risk and audit at a glance

Renewal SA has in place a robust risk management framework. The objective of this framework is to ensure an appropriate risk culture prevails with a high level of risk awareness throughout the organisation. The framework includes formalised risk management processes to manage risk in line with contemporary risk management standards whereby risks are identified, assessed and assigned to risk owners with risk treatment and mitigating strategies required.

There is also in place appropriate risk reporting to the Executive, the Finance, Risk and Audit Committee and the Board of Management.

The Urban Renewal Authority Board of Management has an established Finance, Risk and Audit Committee whose principal functions are to:

- assess the quality of financial reporting and the effectiveness of internal controls
- oversee the administration of the Risk Management Framework
- maintain an effective and efficient internal control environment
- advise the Board on procedures and ways of working within Renewal SA to align these with the organisation's overall strategic direction
- oversee financial performance.

The Finance, Risk and Audit Committee comprises members of the Board of Management, supplemented by an independent member.

Renewal SA's Internal Audit function is provided by the Department of Human Services Internal Audit team, under a Service Level Agreement. The Internal Audit work plan is reviewed and approved by the Finance Risk and Committee with all findings reported to the Committee.

#### Fraud detected in the agency

Nil.

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

#### Strategies implemented to control and prevent fraud

Renewal SA's fraud policies include a range of internal controls to ensure employees, volunteers, agents, contractors, sub-contractors and suppliers of goods and services are aware they must refrain from engaging in any activity that is, or could be perceived as, fraudulent or unethical.

Renewal SA has developed a fraud and corruption control strategy, which includes operational arrangements to improve awareness of obligations and to minimise the chance of fraud such as:

- Training for all staff in fraud and corruption control is conducted every 3 years;
- Induction is provided to all new starters and includes information on fraud and corruption as well as obligations for employees;
- All offers of gifts or benefits (whether or not accepted) are centrally recorded and reported to the Executive and the Finance, Risk and Audit Committee:
- Employees are required to conduct risk assessments, as appropriate, at an enterprise, program, project, operational and transactional level; and
- An annual assurance program is undertaken, whereby all Directors and Executives sign statements of compliance regarding fraud and risk management and any breaches are reported to the Finance, Risk and Audit Committee.

Data for previous years is available at: https://data.sa.gov.au/data/dataset/f3ab015c-866c-450b-a74c-e52b2e8a7222

#### **Public complaints**

#### Number of public complaints reported

No categories of complaints were received by, or made against, Renewal SA for the 2019-20 financial year.

The total number of enquiries between 1 July 2019 – 30 June 2020 was 230. As a result of these enquiries, no specific service improvements were required to be implemented by Renewal SA as part of the result or action as a result of the enquiry.

#### **Further Information**

For further up-to-date information regarding Renewal SA and its activities, please refer to <a href="https://www.renewal.sa.gov.au">www.renewal.sa.gov.au</a>

## **Appendix: Audited financial statements 2019-20**

RENEWAL SA

## FINANCIAL STATEMENTS

For the year ended 30 June 2020





## FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME				
For the Year Ended 30 June 2020	Note	2020	2019	
	No.	\$'000	\$'000	
Income				
Revenue from sales	9	62 567	66 755	
Less: cost of sales	9	36 489	41 195	
Gross Profit from Sales		26 078	25 560	
Share of net profit in joint ventures	10	844	2 166	
Revenues from SA Government	11	6 267	8 239	
Interest revenues	12	711	975	
Property income	13	45 493	81 141	
Other revenues	14	1 755	2 2 1 6	
Net gain from disposal of non-current assets	15	-	400	
Total Other Income		55 070	95 137	
Total Income		81 148	120 697	
Expenses				
Employee benefits expenses	7	14 573	15 780	
Operating expenditure	16	49 559	49 939	
Bad and doubtful debts expense	20	1 311	600	
Borrowing costs	17	89 356	40 683	
Depreciation and amortisation	23	1 903	518	
Net loss from changes in value of non-current assets/provision for development expenditure	24	36 761	219 500	
Total Expenses		193 463	327 020	
Profit/(Loss) Before Income Tax Equivalent		(112 315)	( 206 323)	
Total Comprehensive Result		(112 315)	( 206 323)	

The Profit/Loss After Income Tax Equivalent and Total Comprehensive Result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIA As at 30 June 2020			
	Note	2020	2019
	No.	\$'000	\$'000
Current Assets			
Cash and cash equivalents	19	11 236	21 083
Receivables	20	5 080	5 698
Inventories	21	74 702	68 402
Investment in joint ventures	10	3 246	3 345
Total Current Assets		94 264	98 528
Non-Current Assets			
Receivables	20	13 142	8 615
Inventories	21	162 002	178 920
Investment properties	22	77 590	706 530
Property, plant and equipment	23	15 780	1 832
Investment in joint ventures	10	659	716
Total Non-Current Assets		269 173	896 613
Total Assets		363 437	995 141
Current Liabilities			
Payables	26	11 667	21 702
Unearned income	28	2 817	3 554
Financial liabilities	27	256 113	270 552
Provisions	29	27 137	101 300
Employee benefits	8	2 880	2 247
Other liabilities	30	152	152
Total Current Liabilities		300 766	399 507
Non-Current Liabilities	-		
Payables	26	9 119	7 455
Unearned income	28	14 865	15 313
Financial liabilities	27	86 357	633 150
Provisions	29	48	37
Employee benefits	8	2 963	3 627
Total Non-Current Liabilities		113 352	659 582
Total Liabilities		414 118	1 059 089
Net Assets		(50 681)	(63 948)
Equity			
Contributed capital		509 188	381 857
Retained earnings		(559 869)	(445 805)
Total Equity		(50 681)	(63 948)
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	33		
Contingent assets and liabilities	34		

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY  For the Year Ended 30 June 2020				
Tor the rour Ended	Note No.	Contributed Capital	Retained Earnings	Total
		'\$000	'\$000	'\$000
Balance as at 30 June 2018		356 857	(230 551)	126 306
Total Comprehensive Result for 2018-19		-	( 206 323)	( 206 323)
Adjustment on adoption of new accounting standards			(1798)	(1798)
Transactions with the SA Government in their capacity as owners:				
Equity contribution		25 000	-	25 000
Net assets transferred from administrative restructure			3 812	3 812
Dividends paid	18	-	(10 945)	(10 945)
Balance as at 30 June 2019		381 857	( 445 805)	( 63 948)
Total Comprehensive Result for 2019-20			(112 315)	( 112 315)
Transactions with the SA Government in their capacity as owners:				
Equity contribution		127 331	-	127 331
Dividends paid	18	-	(1749)	(1749)
Balance as at 30 June 2020		509 188	(559 869)	(50 681)

All changes in equity are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH			
For the Year Ended 30 June	2020 Note	2020	2019
	No.	\$'000	\$'000
Cash Flows from Operating Activities			- + + + + + + + + + + + + + + + + + + +
Cash Inflows			
Receipts from sales		63 876	67 452
Receipts from tenants (rent and recoveries)		44 926	80 088
Receipts from SA Government		6 267	26 301
Interest received		270	495
Recoveries and sundry receipts		806	4 672
Cash Generated from Operations		116 145	179 008
Cash Outflows			
Payments for land purchase and development		(107 157)	(104 168)
Payments in the course of operations for supplies and services		(78 148)	(71 218)
Interest paid		(92 522)	(41 044)
Income tax equivalent paid			(4519)
GST paid to the ATO		(58 780)	(4787)
Cash Used in Operations		(336 607)	(225 736)
Net Cash Used In Operating Activities	31	(220 462)	(46 728)
Cash Flows from Investing Activities			,
Cash inflows			
Distributions of profit by joint ventures		1 000	1 000
Proceeds from the sale of investment properties		661 243	1 800
Cash Generated from Investing Activities		662 243	2 800
Cash Outflows			
Purchase of plant and equipment		( 175)	(476)
Cash Used in Investing Activities		( 175)	( 476)
Net Cash provided by Investing Activities		662 068	2 324
Cash Flows from Financing Activities			
Cash Inflows			
Equity contributions received from the SA Government		127 331	25 000
Proceeds from borrowings		226 152	183 600
Cash Generated from Financing Activities		353 483	208 600
Cash Outflows			
Repayment of borrowings		(803 187)	(174 218)
Dividends paid to SA Government		(1749)	(10 945)
Cash Used in Financing Activities		(804 936)	(185 163)
Net Cash (Used in)/Provided by Financing Activities		(451 453)	23 437
Net (Decrease)/Increase in Cash Held		(9847)	(20 967)
Cash at the beginning of the financial year		21 083	42 050
Cash at the End of the Financial Year	19	11 236	21 083

# NOTE INDEX

A1-4-		Objectives of the Linkon Denoused Authority
Note	1	Objectives of the Urban Renewal Authority
Note	2	Basis of Preparation
Note	3	Transferred Functions
Note	4	Significant Transactions with Government Related Entities
Note	5	Key Management Personnel
Note	6	Board and Committee Members
Note	7	Employee Benefits Expenses
Note	8	Employee Benefits Liabilities
Note	9	Revenue from Sales and Cost of Sales
Note	10	Joint Ventures
Note	11	Revenues from SA Government
Note	12	Interest Revenues
Note	13	Property Income
Note	14	Other Revenues
Note	15	Net Gain/(Loss) from Disposal of Assets
Note	16	Operating Expenditure
Note	17	Borrowing Costs
Note	18	Dividends Paid to SA Government
Note	19	Cash and Cash Equivalents
Note	20	Receivables
Note	21	Inventories
Note	22	Investment Properties
Note	23	Property, Plant and Equipment
Note	24	Net Gain/(Loss) from changes in Value of Non-Current Assets/Provision for Development Expenditure
Note	25	Fair Value Measurement
Note	26	Payables
Note	27	Financial Liabilities
Note	28	Unearned Income
Note	29	Provisions
Note	30	Other Liabilities
Note	31	Cash Flow Reconciliation
Note	32	Changes in Accounting Policy
Note	33	Unrecognised Contractual Commitments
Note	34	Contingent Assets and Liabilities
Note	35	Impact of Standards and Statements not yet Effective
Note	36	Financial Instruments Disclosure and Financial Risk Management
Note	37	Covid-19 Pandemic Outlook
Note	38	Events after the Reporting Period

### Note 1 Objectives of the Urban Renewal Authority

The Urban Renewal Authority (trading as Renewal SA) is a statutory corporation established under the *Urban Renewal Act 1995* (the Act). In accordance with the Act, Renewal SA's Board of Management is appointed by His Excellency the Governor and comprises up to seven members, including a Presiding Member. The Presiding Member reports to the Minister for Transport, Infrastructure and Local Government (the Minister). Renewal SA's functions contained in the Act include;

- The development of residential, commercial and industrial land in the public interest, particularly for urban renewal purposes
- The facilitation of public and private sector investment, undertaking development activities which are attractive to potential investors and participating in the development of the State
- Managing the orderly development of areas through the management and release of land
- Holding land and other property to be made available as appropriate for commercial, industrial, residential or other purposes.

In undertaking its functions, Renewal SA will make a significant contribution to creating a vibrant city, safe communities, healthy neighbourhoods, an affordable place to live, and growing advanced manufacturing. Renewal SA has the responsibility for leading and coordinating urban renewal activity to ensure that our future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

### Note 2 Basis of Preparation

### Statement of Compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements. The financial statements have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the provisions of the *Public Finance and Audit Act 1987*.

Renewal SA has applied Australian Accounting Standards that are applicable to for-profit entities, as Renewal SA is a for-profit entity.

### **Basis of Preparation**

Renewal SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been revalued.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month reporting period and presented in Australian currency. The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2020 and the comparative information presented.

### Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

### **Taxation**

In accordance with *Treasurer's Instruction 22 Tax Equivalent Payments*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

Renewal SA recorded operating losses for the reporting periods ending 30 June 2019 and 30 June 2020 and therefore no income tax equivalent was paid/payable.

Renewal SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rate equivalents.

The financial statements are reported net of the amount of GST except:

- when the GST incurred on the purchase of goods or services is not recoverable from the Australian Taxation Office, in
  which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable;
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office are classified as part of operating cash flows.

Unrecognised commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

#### **Going Concern**

The financial statements have been prepared on a going concern basis.

As at 30 June 2020, the financial statements reported a net asset deficiency of \$50.6 million. Renewal SA's inventory assets are recorded at the lower of cost and net realisable value, in accordance with AASB 102 – Inventories. If all land holdings were recorded at their net realisable value, Renewal SA's net asset position and gearing as at 30 June 2020 would be significantly improved.

In accordance with Section 24 of the Urban Renewal Act 1995, all borrowings of Renewal SA are guaranteed by the Treasurer.

#### **Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. Renewal SA has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, Renewal SA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

### **Assets**

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Acquisition and recognition of non-current assets (other than inventories)

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

Where non-current assets are acquired at no, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the non-current assets are acquired as part of a restructuring of administrative arrangements then the non-current assets are recognised at the book value recorded by the transferor, immediately prior to transfer.

### Impairment (other than inventories)

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds its recoverable amount is recorded as an impairment loss.

### Non-financial assets

In determining fair value, Renewal SA has considered the characteristics of the asset (for example condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible and financially feasible). Renewal SA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1.5 million or an estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to Notes 22, 23 and 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for non-financial assets.

### Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

#### Impact of Covid-19 Pandemic

Renewal SA has undertaken external valuations and/or undertaken impairment tests for its property holdings as at 30 June 2020. These valuations and impairment tests incorporate known impacts from the current economic conditions on the value of the properties as at that date. Limited evidence exists regarding the impact of the Covid-19 pandemic and resulting government stimulus measures on the Adelaide property market moving forward and the future impact on property values is uncertain.

In accordance with South Australian Government policy, Renewal SA provided rent relief to tenants that were severely impacted by the pandemic during the financial year. Renewal SA received funding from the State Government through the Business and Jobs Support Fund to compensate for rent relief provided, resulting in no net impact on Renewal SA's operating result.

In accordance with the Covid-19 Emergency Response Act 2020, Renewal SA was not able to recover land tax totaling \$0.238 million from the tenants that were severely impacted by the pandemic, during the financial year.

### Note 3 Transferred Functions

Net assets assumed/transferred by Renewal SA as a result of the administrative restructure are the carrying amounts of those assets in the transferor's Statement of Financial Position immediately prior to the transfer.

There were no transferred functions received/provided by Renewal SA for the financial year ending 30 June 2020.

### Note 4 Significant Transactions with Government Related Entities

Renewal SA had the following significant transactions with South Australian Government entities:

Rental income of \$22.5 million was received from the Department of State Development relating to a portfolio of TAFE properties.

In November 2019, the portfolio of TAFE properties were sold to TAFE SA for \$601.1 million. As part of the sale, the South Australian Treasurer assumed loans with a face value of \$400 million from Renewal SA. These loans were revalued to market value of \$469 million immediately prior to their assumption by the Treasurer, resulting in a debt revaluation expense for Renewal SA of \$69 million. An equity contribution of \$60 million was provided to Renewal SA by the Government to offset the increase in gearing resulting from this revaluation.

Equity contributions of \$127.331 million and Community Service Obligation funding of \$5.234 million (refer Note 11) were received from the Department of Treasury and Finance during the financial year.

In June 2020, the multistorey carpark on Lot Fourteen was transferred to Renewal SA from the Department of Health and Wellbeing. As part of the transfer, Renewal SA assumed responsibility for the contractual arrangements with the carpark financier and operator. A finance lease payable and right of use asset of \$15.2 million has been recognised as at 30 June 2020, offset by a sublease asset to the carpark operator of \$1.7 million, resulting in a net Right of Use asset of \$13.513 million

A long term lease was entered into between Renewal SA and the then Department of Planning, Transport and Infrastructure (DPTI) for areas occupied by DPTI in the Adelaide Railway Station. The peppercorn nature and long term of the lease resulted in a reduction in the reported value of the property by \$26.8 million, the value of which is based on its net income potential.

An allotment of land at Aldinga was sold to the Department of Education for \$7.0 million.

### Note 5 Key Management Personnel

Key management personnel of Renewal SA include the Minister for Transport, Infrastructure and Local Government, members of the Urban Renewal Authority Board of Management, the Chief Executive and the members of the senior management team that have responsibility for the strategic direction and management of Renewal SA.

Total compensation for key management personnel was \$2.105 million (2019: \$1.986 million).

The compensation disclosed in this note excludes salaries and other benefits to the Minister. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Total Compensation	2 105	1 986
Post-employment benefits	136	169
Salaries and other short-term employee benefits	1 969	1 817
	\$'000	\$'000
	2020	2019

### Transactions with Key Management Personnel and Other Related Parties

A Director is an employee of a company from which Renewal SA has leased space on a commercial basis. Additionally, that company has an option to purchase land from Renewal SA on commercial terms. Both arrangements were entered into prior to the director commencing with Renewal SA.

A Director is a shareholder of a company that leases space within a Renewal SA property. The lease arrangements were established on commercial terms and the Director did not take part in the decisions relating to the lease.

### Note 6 Board and Committee Members

Members during the year ended 30 June 2020 were:

### **Urban Renewal Authority Board of Management**

C Tragakis, Presiding Member (appointed Presiding Member 31 July 2019)

H M Fulcher

J W McDowell\*

A Skipper (appointed 31 July 2019)

J P Rundle (appointed 31 July 2019)

K Willits (appointed 31 July 2019)

Hon B J Pike, Presiding Member (to 30 July 2019)

P A Baker (to 30 July 2019)

T R Groom (to 30 July 2019)

D J McArdle (to 30 July 2019)

# Urban Renewal Authority Finance Risk and Audit Committee

H M Fulcher, Chair

C Tragakis (appointed 24 July 2019)

D Hughes (appointed 29 April 2020)

B Pike (to 30 July 2019)

P Baker (to 30 July 2019)

### **Tonsley Steering Committee**

T Burgess, Chair

D Coltman\*

J Connolly\*\*

M Devine\* (to 27 November, 2019)

A Dickson\*

M Duffy\* A Skull\*

A SKUII

C Stirling\*

The Tonsley Steering Committee was dissolved on 29 April 2020.

### **Food Park Steering Committee**

T Burgess, Chair

T Groom

R Kerin\*

S Ashby\*

M Hynda\*

J Harry\*\*

C Sayer\*\*

The Food Park Steering Committee was dissolved on 29 April 2020.

<sup>\*</sup>In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

<sup>\*\*</sup> Non government employee, nil remuneration.

### **Board and Committee Remuneration**

The number of members whose remuneration received or receivable falls within the following bands:

Total Number of Members	24	21
\$60 000 to \$79 999	2	2
\$20 000 to \$39 999	4	5
\$0 to \$19 999	18	14
	No:	No:
	2020	2019

Total remuneration received and receivable by all members for the period they held office was \$0.300 million (2019: \$0.333 million). Remuneration of members includes sitting fees and superannuation contributions.

Note 7 Employee Benefits Expenses		1 210
	2020	2019
	\$'000	\$'000
Salaries and wages	13 736	14 010
Targeted Voluntary Separation Packages	103	78
Long service leave	132	839
Annual leave	1 242	1 128
Skills and experience retention leave	118	34
Employment on-costs - superannuation	1 589	1 463
Employment on-costs - other	818	949
Board and committee fees	286	305
Other employee related expenses	8	22
Gross Employee Benefits Expenses	18 032	18 828
Less: Employee benefits capitalised to inventories	(3 459)	(3048)
Total Employee Benefits Expenses	14 573	15 780

### Employment on-costs - superannuation

The superannuation employment on-cost charge represents Renewal SA's contributions to superannuation plans in respect of current services of current employees.

Executive remuneration	2020	2019
The number of employees where remuneration received or received a falls within the	No:	No:
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 000 to \$154 000^	n/a	3
\$154 001 to \$174 000	7	6
\$174 001 to \$194 000	4	3
\$194 001 to \$214 000	2	2
\$214 001 to \$234 000	4	6
\$234 001 to \$254 000	3	1
\$254 001 to \$274 000	1	-
\$274 001 to \$294 000	1	1
\$294 001 to \$314 000	1	1
\$374 001 to \$394 000		1
\$434 001 to \$454 000	-	1
\$514 000 to \$534 000	1	-
Total Number of Employees	24	25

<sup>^</sup>This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The total remuneration received by these employees for the year was \$5.250 million (2019: \$5.402 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment paid to the employee, including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Remuneration includes the payment of accumulated leave entitlements upon separation.

### Targeted Voluntary Separation Packages

The number of employees who received a TVSP during the reporting period was 1 (2019: 1)

Net Cost to Renewal SA		
Recovery from the Department of Treasury and Finance	( 108)	( 86
Leave paid to separated employees	5	8
Targeted Voluntary Separation Packages	103	78
Amount paid to separated employees:		
	\$'000	\$'000
	2020	2019

Note 8 Employee Benefits Liabilities		
	2020	2019
	\$'000	\$'000
Current		
Accrued wages and salaries	931	274
Annual leave	1 618	1 784
Long service leave	257	142
Skills and experience retention leave	74	47
Total Current Employee Benefits	2 880	2 247
Non-Current		
Long service leave	2 963	3 627
Total Non-Current Employee Benefits	2 963	3 627
Total Employee Benefits	5 843	5 874
		00

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

### Salaries and Wages, Annual Leave, Skills and Experience Retention Leave (SERL) and Sick Leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability are expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

### Long Service Leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 Employee Benefits contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and period of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on high quality corporate or government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased to 0.75% in 2020 from 1.25% in 2019.

The actuarial assessment performed by the Department of Treasury and Finance reduced the salary inflation rate from 4% in 2018-19 to 2.5% in 2019-20 for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.284 million and employee benefits expense of \$0.390 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

### **Employee Benefit On-Costs**

Employee benefit on-costs (payroll tax and superannuation) are recognised separately in payables (refer Note 26).

		1
Note 9 Revenue from Sales and Cost of Sales		EN FEW
	2020	2019
	\$'000	\$'000
Sales revenue for the reporting period is summarised as follows:		
Land sales to:		
Joint ventures	4 620	7 283
Entities within the SA Government	7 055	3 524
Other - sales to general public and developers	50 892	55 948
Total Sales Revenue	62 567	66 755
Cost of sales associated with:		
Joint ventures	752	944
Entities within the SA Government	13	2 763
Other - sales to general public and developers	35 724	37 488
Total Cost of Sales	36 489	41 195

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments. Revenue for land sales is recognised when settlement is completed and legal title transfers to the purchaser.

Cost of sales comprise all direct material acquisition, development and relevant holding costs in respect of inventory sold during the reporting period. The carrying amount of inventories held for sale are expensed as cost of sales when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs, where applicable. Assumptions of future costs and revenues involve an element of professional judgement when estimating cost of sales for long life projects.

### Note 10 Joint Ventures

In July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of PEET Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities.

Renewal SA has 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA will make available to the joint venture land for development and receive progressive land payments as the development proceeds.

Renewal SA's share of the profit from ordinary activities of the Northgate Stage 3 Joint Venture in which Renewal SA has a participating interest, is as follows:

Farmed and a second a second and a second an	2020	2019
	\$'000	\$'000
Revenues	8 834	12 886
Expenses	(7990)	(10 720)
Profit from Ordinary Activities	844	2 166
	\$'000	2019 \$'000
	\$'000	6,000
Share of investment in joint ventures:		\$ 000
		\$ 000
Carrying amount at the beginning of the period	4 061	2 895
Carrying amount at the beginning of the period Profit for the reporting period	4 061 844	
		2 895

Renewal SA's investment in joint ventures is represented by its share of assets and liabilities as follows: 2020 2019 \$'000 \$'000 Current assets: Cash 2 655 4 340 Receivables 276 351 Inventories 5 579 8 272 **Total Current Assets** 8 510 12 963 Non current assets: Property, plant and equipment 659 716 **Total Non Current Assets** 659 716 **Total Assets** 9 169 13 679 Current liabilities: Creditors and other payables 5 264 9618 **Total Liabilities** 

Renewal SA's interest in the Northgate Stage 3 Joint Venture is measured by applying the equity method. Renewal SA's share of the assets and liabilities of the joint venture in which it has a participating interest is included in the Statement of Financial Position as investment in joint ventures. Renewal SA's share of net profit from the joint venture is included as revenue in the Statement of Comprehensive Income as share of net profit/(loss) in joint ventures.

5 264

3 9 0 5

3 9 0 5

9618

4 061

4 061

Joint venture income is recognised when the right to receive payment is established.

Note 11 Revenues from SA Government	0.3/	Polyne
	2020	2019
	\$'000	\$'000
Community service obligations from SA Government	5 234	25 188
Funding from Business & Job Support Fund	1 552	-
Other SA Government revenues	506	1 113
Gross Revenues from SA Government	7 292	26 301
Less: Revenue deferred for development costs	(1025)	(18 062)
Total Revenues from SA Government	6 267	8 239

### **Community Service Obligations**

**Net Assets** 

Net Assets after Impairment

Renewal SA is required under its Charter to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides Renewal SA with funding to compensate for these non-commercial activities. Noncommercial activities include the provision of infrastructure, sustainable energy development and precinct and urban planning works. Community services obligations are provided for both capital and operating purposes.

Community service obligations are recognised at their fair value where there is a reasonable assurance that the funding will be received and Renewal SA will comply with all attached conditions.

Community service obligations relating to capital costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

### **Business and Support Fund**

As part of the Government's Business and Support Job Fund, funding of \$1.552 million was received to reimburse rent relief provided to Renewal SA's tenants that were severely impacted by the Covid-19 pandemic.

#### Other SA Government Revenues

SA Government revenues relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Grants from SA Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Renewal SA will comply with all attached conditions.

Note 12 Interest Revenues		
	2020	2019
	\$'000	\$'000
Interest from cash and cash equivalents	252	479
Finance debtor interest	459	496
Total Interest Revenues	711	975

Interest revenue includes interest received on bank term deposits, interest from investments, interest from finance debtor receivables.

Note 13 Property Income	SCHOOL VERY SERVICE STATE OF THE SERVICE SERVI	
	2020	2019
	\$'000	\$'000
Rental income	36 035	70 467
Recoveries	10 556	10 650
Rent relief provided	( 1 552)	-
Other property income	454	24
Total Property Income	45 493	81 141

Property income arising from investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods. Rental income from investment properties was \$34.135 million (2018-19 \$70.093 million).

Property income from the portfolio of TAFE properties was \$22.5 million for the year ended 30 June 2020. These properties were transferred to the general government sector in November 2019.

In accordance with South Australian Government policy, Renewal SA provided rent relief of \$1.552 million to tenants that were severely impacted by the Covid-19 pandemic. Funding to reimburse the rent relief was provided to Renewal SA from the Business and Jobs Support Fund (refer Note 11).

Note 14 Other Revenues		No. S. T.
	2020	2019
	\$'000	\$'000
Consulting revenue	614	677
Recoveries	13	53
Other revenues	1 128	1 486
Total Other Revenues	1 755	2 2 1 6

Consulting revenue represents the recovery of costs incurred by Renewal SA on a fee for service basis for services provided to various State Government entities including the South Australian Housing Trust.

Recoveries represent the direct recovery of goods and services provided to external parties.

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned.

Note 15 Net Gain/(Loss) from Disposal of Non-Current Assets		No. of Concession, Name of Street, or other party of the Concession, Name of Street, or other pa
	2020	2019
	\$'000	\$'000
Investment properties:		
Proceeds from disposal	601 130	1 800
Less net book value of assets disposed	(601 130)	(1400)
Net Gain from Disposal of Completed Non- Current Assets	-	400
Total Net Gain from Disposal of Non-Current Assets		400

Income from the disposal of investments is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount.

Sales revenue from the disposal of investment properties is recognised when settlement is completed and legal title transfers to the purchaser.

Note 16 Operating Expenditure	Sale Park and a series	There's
	2020	2019
	\$'000	\$'000
Property expenditure	13 348	15 645 21 955 1 515
Land tax	19 801 2 254	
Contractors and consultants		
Accommodation costs	1 337	2 207
Administration and other expenditure	14 508	11 705
Gross Operating Expenditure	51 248	53 027
Less: Land tax capitalised to inventories	(1689)	(3088)
Total Operating Expenditure	49 559	49 939

### **External Consultants**

The number and dollar amount of consultancies paid/payable (included in operating expenditure) that fell within the following bands:

	2020	2020	2019	2019
	Number	\$'000	Number	\$'000
Below \$10 000	30	109	19	76
Above \$10 000	22	1 310	17	594
Total Paid/Payable to the Consultants Engaged	52	1 419	36	670

### **Auditor General Remuneration**

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* 1987 included in administration and other expenditure total \$0.217 million (2018-19 \$0.212 million).

Note 17 Borrowing Costs		CALL STREET
	2020	2019
	\$'000	\$'000
Borrowing costs on Premises SA Scheme loans	83	428
Borrowing costs on other loans	81 858	26 279
Borrowing costs on overdraft	71	6
Interest expense on lease liabilities	43	-
Guarantee fees on Premises SA Scheme loans	64	106
Guarantee fees on other loans	7 448	14 212
Guarantee fees on overdraft	71	5
Gross Borrowing Costs	89 638	41 036
Less: Borrowing costs capitalised to inventories	( 282)	( 353)
Total Borrowing Costs	89 356	40 683

Borrowing costs include interest expense and guarantee fees paid to the South Australian Government. The debt costs for 2019-20 includes a market rate adjustment of \$69 million as a result of novation of fixed rate debt assumed by the Treasurer as part of the sale of TAFE SA properties.

In accordance with AASB 123 Borrowing Costs, borrowing costs attributable to the construction of a qualifying asset are capitalised if they are expected to result in a future economic benefit. Borrowing costs are expensed where it is expected that the costs incurred will not be recovered. All other borrowing costs are expensed when incurred.

A qualifying asset is an asset that takes a substantial period of time to be ready for its intended use or sale.

Note 18 Dividends Paid to SA Government	PROPERTY AND THE	988
	2020	2019
	\$'000	\$'000
Dividends paid	1 749	10 945
Total Dividends Paid to SA Government	1 749	10 945

Pursuant to the *Urban Renewal Act 1995*, Renewal SA must make a recommendation to the Minister before the end of each year regarding the payment of a dividend for that financial year.

Due to the operating loss for the year ended 30 June 2020, Renewal SA did not pay a dividend for its overall activities. In 2018-19 a dividend payment of \$9.917 million was made relating to profit earnt in 2017-18 in excess of that declared in the previous financial year.

Renewal SA is required to make special dividend payments associated with the Adelaide Station and Environs Redevelopment (ASER) site. In 2019-20 the Minister and Treasurer approved a dividend payment of \$1.749 million. In 2018-19 a dividend payment of \$1.028 million was made related to the ASER site.

Note 19 Cash and Cash Equivalents	Market Barrier	
	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	8 216	18 657
Short-term deposits with SAFA	203	-
Cash at bank and on hand	2 817	2 426
Total Cash and Cash Equivalents	11 236	21 083

Cash assets include short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and equivalents consists of cash and cash equivalents as defined above.

Cash is measured at nominal value.

### Deposits with the Treasurer

Includes funds held in Renewal SA's operating account.

### **Short-term Deposits**

Short-term deposits are made for varying periods of between one day and three months. These deposits are lodged with SAFA and earn the respective short-term deposit rates.

### Cash at Bank and on Hand

Cash at bank and on hand include petty cash and cash received from property managers for net rental income on Renewal SA properties.

### Interest Rate Risk

Cash at bank and on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Note 20 Receivables		THE
	2020	2019
	\$'000	\$'000
Current		
Trade and other receivables	2 452	3 855
Lease receivables	6 311	5 237
GST receivable	1 900	737
Provision for doubtful debts	(5699)	(4 139)
Prepayments	116	8
Total Current Receivables	5 080	5 698
Non-Current		
Lease receivables	13 142	8 864
Provision for doubtful debts	-	( 249)
Total Non-Current Receivables	13 142	8 615
Total Receivables	18 222	14 313

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

Lease receivables include receivables from property leases and finance leases. Finance lease receivables are measured at the present value of minimum lease payments.

Receivables arise in the normal course of selling goods and services to the public and other SA Government agencies. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that Renewal SA will not be able to collect the debt. Bad debts are written off when identified.

### Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised for specific customer debtors and customer debtors assessed on a collective basis for which such evidence exists.

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	4 388	3 794
Increase in the allowance	1 311	594
Carrying Amount at the End of the Period	5 699	4 388
Bad debts written off:		
Trade debtors	-	6
Transfer to provision for doubtful debts:		
Trade debtors	298	345
Lease receivables	1 013	249
Total Bad and Doubtful Debts Expense	1 311	600

### Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

### Categorisation and Maturity Analysis of Financial Instruments

Refer to table in Note 36.

### Ageing Analysis of Financial Assets

Refer to table in Note 36.

### **Risk Exposure Information**

Refer to table in Note 36.

Note 21 Inventories		
	2020	2019
	\$'000	\$'000
Current		
Land held for sale	38 752	23 870
Development projects	35 950	44 532
Total Current Inventories	74 702	68 402
Non-Current .		
Land held for sale	140 570	171 934
Development projects	21 432	6 986
Total Non-Current Inventories	162 002	178 920
Total Inventories	236 704	247 322

### **Movements in Carrying Amounts:**

Reversal of inventory write down Carrying Amount at the End of the Period	4 975 236 704	12 285 247 322
Inventory write down	(5942)	( 125 833
Transfer to finance receivable	( 2 478)	(3756
Cost of sales	( 36 489)	(41 195
Community service obligations for development costs	-	(18 062
Development costs capitalised	29 316	108 816
Carrying amount at the beginning of the period	247 322	315 067
	2020 \$'000	2019 \$'000

Inventories include land and other property held for sale in the ordinary course of business. It excludes depreciating assets and investment properties.

Inventories are measured at the lower of cost or their net realisable value (NRV). NRV is determined using the estimated sales proceeds less costs incurred in producing, marketing and selling to customers. NRV is determined on each individual asset/project by independent valuation or via an internal cash flow valuation.

Inventories were reviewed at 30 June 2020 to ensure they are carried at the lower of cost and NRV.

The amount of any inventory write-down to NRV or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

The write-downs of \$5.942 million and reversals of previous write downs of \$4.975 million in 2019-20 are as a result of the annual review of the recoverable values of inventory and future cash flows for projects.

Renewal SA uses a discounted cash flow methodology to value its inventory balances associated with the Tonsley, Bowden, Woodville West, Playford Alive and Lot Fourteen projects. In past years the cash flows used in these valuations included the Community Service Obligation (CSO) funding from Government as a positive cash flow. From 1 July 2019, funding towards capital expenditure for Renewal SA's development projects is provided in the form of contributions of equity rather than as CSO.

Equity contributions are not included in the discounted cash flow valuation as the nature of the payment is of the form of an owner's contribution to the organisation as a whole rather than being of the nature of funding to offset the capital cost of the particular project. The change in the nature of funding in 2018-19 resulted in significant reductions in the carrying value of the Tonsley, Bowden and Lot Fourteen projects, which is reflected as a write down of inventory.

The year end valuation for the Lot Fourteen project as at 30 June 2020 has been assessed as negative \$27.114 million due to the demolition and remediation requirements for the site. Consequently, the inventory asset has been recorded as a zero value and a provision for future expenditure totalling \$27.114 million has been recorded (refer Note 29). The total impact on operating profit from the value change for this project is \$7.857 million loss for the financial year ended 30 June 2020.

The following are specific recognition criteria:

### Land Held for Sale

Land held for sale is carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of NRV was determined by an independent valuation of its market value less selling costs.

All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer or fair value.

### **Development Projects**

Development Projects are large projects that require significant capital investment in order to realise revenue over an extended period of time. Development Projects are carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale.

Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of net realisable value was determined by an internal cash flow valuation based on the current delivery strategy for each project.

In determining the NRV via an internal valuation, the expected net cash flows from the development and sale of land, buildings and improvements in the ordinary course of business are discounted to their present values using a risk-adjusted discount rate. The rate is assessed annually having regard to appropriate risk factors.

The ordinary course of business delivery method and assumptions for each project could change due to market conditions or a change in policy or project strategy which could change the NRV. Where the NRV of a project is below the current inventory value, the difference is recognised as a write-down of inventory and an expense in the Statement of Comprehensive Income.

All development projects are classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Note 22 Investment Properties	A THE WAR THE STATE OF THE STAT	1-3-11-4
	2020	2019
	\$'000	\$'000
Freehold Land at Fair Value:		
Independent valuation	55 473	234 600
Total Freehold land at Fair Value	55 473	234 600
Buildings at Fair Value:		
Independent valuation	22 117	471 930
Total Buildings at Fair Value	22 117	471 930
Total Investment Properties	77 590	706 530
Movements in Carrying Amounts		
	2020	2019
	\$'000	\$'000
Freehold land at fair value:		
Carrying amount at the beginning of the period	234 600	193 739
Transfer from buildings at fair value	-	42 471
Transfer to finance receivable		(2150)
Disposals	( 178 267)	(1200)
Net gain / (loss) on fair value adjustments	( 860)	1 740
Carrying Amount at the End of the Period	55 473	234 600
Buildings at fair value:		
Carrying amount at the beginning of the period	471 930	522 421
Transfer to freehold land at fair value		(42 471)
Capitalised grants received	(1025)	-
Capitalised expenditure	1 152	
Disposals	( 422 863)	( 200)
Net gain / (loss) on fair value adjustments	( 27 077)	(7820)
Carrying Amount at the End of the Period	22 117	471 930
Total Carrying Amount at the End of the Period	77 590	706 530

### Amounts Recognised in the Statement of Comprehensive Income

otal Amount Recognised in the Statement of Comprehensive Income	29 499	65 404
income (refer Note 16)	( 1)	( 12)
Direct operating expenses arising from investment properties that did not generate rental		,
(refer Note 16)	(4635)	(4677)
Direct operating expenses arising from investment properties that generated rental income		
Property Income (refer to Note 13)	34 135	70 093
	\$'000	\$'000
	2020	2019

Investment properties are held to earn rentals and/or for capital appreciation purposes.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to Renewal SA.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. Investment properties are not depreciated.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight line basis over the lease term.

Any gains or losses on the sale of investment property are recognised in the Statement of Comprehensive Income in the year of sale.

The net loss on fair value adjustments primarily relates to a decrease in the reported value of the Adelaide Railway Station building by \$26.8 million. A long term lease was entered into between Renewal SA and the then Department of Planning, Transport and Infrastructure (DPTI) for areas occupied by DPTI in the Adelaide Railway Station. The peppercorn nature and long term lease resulted in a reduction in the reported value of the property, the value of which is based on its net income potential.

TAFE SA properties with a value of \$601.1 million were sold to TAFE SA in 2019-20 (refer Note 4).

### Valuation Basis

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2020. Valuations of all investment properties were undertaken by qualified Certified Practicing Valuers with extensive experience in the local market with equivalent properties. Valuations were carried out in accordance with the relevant provisions of the *Australian Property Institute of Australia and New Zealand's Valuation and Property Standards* and as per *AASB 140 Investment Property*. The valuer arrived at fair value using either the direct comparison, capitalisation of net income, depreciated replacement cost or discounted cash flow approach.

	2020	2019
	\$'000	\$'000
Right-of-use Buildings		
At cost	13 513	
Accumulated amortisation	(41)	
Total Buildings	13 472	
Accommodation and Leasehold Improvements		
At cost (deemed fair value)	3 264	3 162
Right-of-use asset at cost	2 146	
Accumulated amortisation	(4027)	(2445
Total Accommodation and Leasehold Improvements	1 383	717
Plant and Equipment		
At cost (deemed fair value)	1 775	1 703
Right-of-use asset at cost	16	
Accumulated depreciation	( 866)	( 588
Total Plant and Equipment	925	1 115
Total property, plant and equipment at cost (deemed fair value)	5 039	4 865
Total property, plant and equipment at cost	15 675	
Total accumulated depreciation	( 4 934)	(3033
Total Property, Plant and Equipment	15 780	1 832
movements in our ying runounts	2020	2046
movements in our ying various is	2020 \$'000	
Buildings:		
Buildings: Right of use asset	\$'000 13 513	
Buildings: Right of use asset Amortisation	\$'000	
Buildings: Right of use asset Amortisation Carrying Amount at the End of the Period	\$'000 13 513 ( 41)	
Buildings: Right of use asset Amortisation Carrying Amount at the End of the Period Accommodation and Leasehold Improvements:	\$'000 13 513 ( 41)	\$'000
Buildings:  Right of use asset  Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements:  Carrying amount at the beginning of the period	\$'000 13 513 ( 41) 13 472 717	\$'000
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period  Additions	\$'000 13 513 ( 41) 13 472 717 102	\$'000
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset	\$'000 13 513 ( 41) 13 472 717 102 2 146	1 055
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation	\$'000 13 513 ( 41) 13 472 717 102	1 055
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period	\$'000 13 513 ( 41) 13 472 717 102 2 146 (1 582)	1 055
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment:	\$'000 13 513 ( 41) 13 472 717 102 2 146 (1 582) 1 383	1 058 ( 338 717
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment: Carrying amount at the beginning of the period	\$'000 13 513 ( 41) 13 472 717 102 2 146 (1 582) 1 383	1 055 ( 338 717
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment: Carrying amount at the beginning of the period Additions	\$'000  13 513 ( 41) 13 472  717 102 2 146 (1 582) 1 383	1 055 ( 338 717
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment: Carrying amount at the beginning of the period Additions Right of use asset	\$'000  13 513 ( 41) 13 472  717 102 2 146 (1 582) 1 383  1 115 73 31	1 055 ( 338 717
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment: Carrying amount at the beginning of the period Additions Right of use asset Disposals	\$'000  13 513 ( 41) 13 472  717 102 2 146 (1 582) 1 383  1 115 73 31 ( 14)	1 055 ( 338 717 818 476
Buildings: Right of use asset Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements: Carrying amount at the beginning of the period Additions Right of use asset Amortisation  Carrying Amount at the End of the Period  Plant and Equipment: Carrying amount at the beginning of the period Additions Right of use asset Disposals Depreciation	\$'000  13 513 ( 41) 13 472  717 102 2 146 (1 582) 1 383  1 115 73 31 ( 14) ( 280)	\$'000 1 055 ( 338 717 819 476
Amortisation  Carrying Amount at the End of the Period  Accommodation and Leasehold Improvements:  Carrying amount at the beginning of the period  Additions  Right of use asset  Amortisation  Carrying Amount at the End of the Period  Plant and Equipment:  Carrying amount at the beginning of the period  Additions  Right of use asset  Disposals	\$'000  13 513 ( 41) 13 472  717 102 2 146 (1 582) 1 383  1 115 73 31 ( 14)	2019 \$'000 1 055 ( 338 717 819 476 ( 180) 1 115 1 832

### Carrying Amount of Leasehold Improvements and Plant and Equipment

The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3, of the fair value hierarchy, as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

All plant and equipment, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to right of use assets and leasehold improvements, while depreciation is applied to tangible assets such as plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Depreciation/Amortisation of \$1.903 million (2018-19 \$0.518 million) is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight Line	Life of lease
Leasehold improvements	Straight Line	Life of lease
Plant and equipment	Straight Line	5 - 10 years
Furniture and fittings	Straight Line	5 - 10 years
Computer equipment	Straight Line	5 years

#### Impairment

Property, plant and equipment leased by the department is recorded at cost.

Right of use assets of \$2.177 million were recognised on adoption of AASB 16 Leases from 1 July 2019 (refer Note 32). A net right of use asset of \$13.513 million was also recognised in June 2020 relating to the multistorey carpark on Lot Fourteen (refer Note 4).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets.

# Note 24 Net Gain/(Loss) from Changes in Value of Non-Current Assets/Provision for Development Expenditure

A reconciliation of the net (loss)/gain from changes in the values of non-current assets as follows:

		2020	2019
	Note	\$'000	\$'000
Inventories			
Inventory write down	21	(5942)	(125 833)
Reversal of inventory write down	21	4 975	12 285
Provision for future development expenditure	29	(7857)	(99 872)
Total Gain/(Loss) from Changes in Value of Inventories		(8824)	(213 420)
Investment property			
Net gain/(loss) on freehold land fair value adjustments	22	(860)	1 740
Net gain/(loss) on building fair value adjustments	22	(27 077)	(7820)
Total Gain/(Loss) from Changes in Value of Investment Property		(27 937)	(6 080)
Total Net Gain/(Loss) from Changes in Value of Non-Current Assets		(36 761)	(219 500)

### Note 25 Fair Value Measurement

AASB 13 Fair Value Measurement, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Renewal SA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 not traded in an active market and are derived from unobservable inputs.

#### Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition, measurement and disclosure purposes. Renewal SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement as follows:

#### Fair Value Measurements at 30 June 2020

	2020	Level 2	Level 3
	\$'000	\$'000	\$'000
Recurring Fair Value Measurement			
Investment properties (Note 22)	77 590	77 590	-
Buildings (Note 23)	13 472	-	13 472
Leasehold improvements (Note 23)	1 383	-	1 383
Plant and equipment (Note 23)	925	-	925
Total Recurring Fair Value Measurements	93 370	77 590	15 780
Fair Value Measurements at 30 June 2019	2019	Level 2	Level 3
	\$'000	\$'000	\$'000
Recurring Fair Value Measurement			
Investment properties (Note 22)	706 530	706 530	-
Leasehold improvements (Note 23)	717		717
Plant and equipment (Note 23)	1 115	-	1 115
Total Recurring Fair Value Measurements	708 362	706 530	1 832

Renewal SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2019-20, Renewal SA had no valuations categorised into level 1 and there were no transfers of assets between level 1 and 2 fair value hierarchy levels during the financial year.

### Valuation Techniques and Inputs

Refer to Notes 22 and 23 for valuation techniques and inputs used to derive level 2 and 3 fair values. During 2019-20 there were no changes in valuation techniques. Although unobservable inputs were used in determining fair value, and are subjective, Renewal SA considers that the overall valuation would not be materially affected by changes to the existing assumptions.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Reconciliation of Level 3 Recurring Fair Value Measurements as at 30 June 2020

	Buildings	Leasehold Improvements	Plant & Equipment
	\$'000	\$'000	\$'000
Opening Balance at the Beginning of the Period		717	1 115
Acquisitions		102	73
Right of use asset	13 513	2 146	31
Disposals	-		( 14)
Depreciation and amortisation expenses	(41)	(1582)	( 280)
Carrying Amount at the End of the Period	13 472	1 383	925

Reconciliation of Level 3 Recurring Fair Value Measurements as at 30 June 2019

	Buildings Ir	Leasehold mprovements	Plant & Equipment
	\$'000	\$'000	\$'000
Opening Balance at the Beginning of the Period	-	1 055	819
Acquisitions		-	476
Depreciation and amortisation expenses	-	(338)	( 180)
Carrying Amount at the End of the Period	-	717	1 115

Note 26 Payables		100
	2020	2019
	\$'000	\$'000
Current		
Trade creditors	2 581	2 899
Sundry creditors and accrued expenses	8 626	18 385
Parental leave scheme	10	10
Employment on costs	450	408
Total Current Payables	11 667	21 702
Non-Current		
Employment on costs	275	333
Sundry creditors and accrued expenses	8 844	7 122
Total Non-Current Payables	9 119	7 455
Total Payables	20 786	29 157

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Renewal SA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

The Paid Parental Leave Scheme payable represents amounts which Renewal SA has received from the Commonwealth Government to forward onto eligible employees via Renewal SA's standard payroll processes. That is, Renewal SA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

Renewal SA makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to various superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave was 42% (2019: 41%) and the average factor for the calculation of employer superannuation on-costs was 9.8% (2019: 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefits expense of \$0.03 million.

### Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Categorisation of Financial Instruments and Maturity Analysis of Payables Refer to table in Note 36.

### **Risk Exposure Information**

Refer to table in Note 36.

Note 27 Financial Liabilities	NEW STATE OF THE STATE OF	THE RESERVE
	2020	2019
	\$'000	\$'000
Current		
Loans - South Australian Government Financing Authority (a)	-	6 401
Loans - South Australian Government Financing Authority (b)	253 050	264 151
Lease Liabilities	3 063	-
Total Current Borrowings	256 113	270 552
Non-Current		
Loans - South Australian Government Financing Authority (a)	6 401	-
Loans - South Australian Government Financing Authority (b)	66 851	633 150
Lease Liabilities	13 105	-
Total Non-Current Borrowings	86 357	633 150
Total Borrowings	342 470	903 702

Renewal SA measures financial liabilities including borrowings/debt at historical cost. Financial liabilities that are due to mature within 12 months after the reporting date have been classified as current liabilities. All other financial liabilities are classified as non-current.

### **Borrowings from SA Government**

These are unsecured loans which bear interest. The terms of the loans were agreed by the Minister/Governing body at the time the loan was provided.

- (a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.
- (b) Comprises borrowings from SAFA in respect of other activities of Renewal SA.

Borrowings are recognised at cost and have fixed maturity dates. The interest rate is determined by the Treasurer. The interest rate varied between 0.43% and 2.52% in 2020 (1.65% and 6.2% in 2019).

# Categorisation of Financial Instruments and Maturity Analysis of Borrowings Refer to table in Note 36.

### **Risk Exposure Information**

Refer to Note 36.

#### **Defaults and Breaches**

There were no defaults or breaches on any of the above borrowings during the year.

### Lease Liabilities

Lease liabilities are finance leases relating to accommodation and have been recognised in accordance with AASB 16. All material cash flows are reflected in the lease liabilities disclosed above.

Note 28 Unearned Income	SEAL IS NOT THE RESERVE	1 2010
	2020	2019
	\$'000	\$'000
Current		
Unearned income	2 817	3 554
Total Current Unearned Income	2 817	3 554
Non-Current		
Unearned income	14 865	15 313
Total Non-Current Unearned Income	14 865	15 313
Total Unearned Income	17 682	18 867

Unearned income includes rental income and revenues from SA Government received in advance. Rental income from the leasing of inventories and investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis or a constant periodic rate of return. Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Unearned income includes rental income of \$14.116 million (2019: \$14.143 million) and revenues from SA Government of \$3.566 million (2019: \$4.724 million) received in advance.

### **Movements in Carrying Amounts**

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	18 867	21 817
Received during the year	273	5 243
Recognised in the statement of comprehensive income	( 1 458)	(8 193)
arrying Amount at the End of the Period	17 682	18 867

Note 29 Provisions	2020	2040
		2019
	\$'000	\$'000
Current		
Provision for workers compensation	23	24
Provision for future development expenditure	27 114	101 276
Total Current Provisions	27 137	101 300
Non-Current		
Provision for workers compensation	48	37
Total Non-Current Provisions	48	37
Total Provisions	27 185	101 337

		1
Movements in Carrying Amounts		
	2020	2019
	\$'000	\$'000
Provision for workers compensation		
Carrying amount at the beginning of the period	61	38
Increase/(Decrease) in provisions recognised	10	23
Carrying Amount at the End of the Period	71	61
Provision for income tax equivalent		
Carrying amount at the beginning of the period		4 519
Reductions arising from payments	-	(4519)
Carrying Amount at the End of the Period		-
Provision for future development expenditure and legal claim		
Carrying amount at the beginning of the period	101 276	1 250
Reductions arising from payments for development expenditure	(80 615)	-
Increase in provision for inventory development expenditure	7 857	99 872
(Decrease)/Increase in provision for lease development expenditure	(1404)	1 404
Reductions arising from payments for legal claim	-	(1250)
Carrying Amount at the End of the Period	27 114	101 276
Total Provisions	27 185	101 337

Provisions are recognised when Renewal SA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment (a division of the Department Treasury and Finance). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Renewal SA has recognised a provision of \$27.114 million being the discounted future negative cash flows relating to its obligations under the Lot Fourteen development project. The State Government's equity contributions towards this project are not included in the determination of the discounted future cash flows.

The obligation for lease development expenditure was extinguished as at 30 June 2020, resulting in a reversal of the previous year's provision of \$1.404 million.

Note 30 Other Liabilities		
	2020	2019
	\$'000	\$'000
Security deposits	152	152
Total Current Other Liabilities	152	152
Total Other Liabilities	152	152

Security deposits are cash bonds held relating to property leases.

Note 31 Cash Flow Reconciliation		SELD CITY
	2020	2019
	\$'000	\$'000
Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period:		
Statement of Cash Flows	11 236	21 083
Statement of Financial Position	11 236	21 083
Reconciliation of profit/(loss) after income tax equivalent to net cash provided by	/(used in) operating activities	
Loss after income tax equivalent	(112 315)	(206 323)
Add/Less Non Cash Items		
Inventories write down	5 942	125 833
Transfers from inventories	2 478	3 756
Adjustments from administrative restructure		2 014
Depreciation and amortisation	1 903	518
Provision for doubtful debts	1 311	594
Provision for development expenditure	6 463	95 530
Transfers from investment properties	_	2 150
Share of net profits of joint ventures	( 844)	(2166)
Net gain on disposal of investment property	-	(400)
Reversal of inventories write-down	(4975)	(12 285)
Investment property net loss on fair value adjustments	27 937	6 080
	40 215	221 624
Movements in Assets / Liabilities		
(Increase)/Decrease in other receivables	(5112)	(4 158)
(Increase)/Decrease in prepayments	( 108)	4
(Increase)/Decrease in inventories	7 173	(49 559)
Increase/(Decrease) in investment property GST	(60 113)	-
Increase/(Decrease) in payables	(8 371)	(90)
Increase/(Decrease) in unearned income	(1185)	(2950)
Increase/(Decrease) in provisions	(80 615)	-
Increase/(Decrease) in employee benefits	( 31)	(4970)
Increase/(Decrease) in other liabilities		( 306)
	( 148 362)	(62 029)
Net Cash (Used in)/Provided by Operating Activities	( 220 462)	(46 728)

### Note 32 Changes in Accounting Policy

### **AASB 16 Leases**

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 July 2019 resulted in adjustments to the amounts recognised form a lessee perspective in the financial statements.

- AASB 117 Leases only required the recognition of an asset and lease liability in relation to finance leases. AASB 16
   Leases applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously being classified
   as operating leases having right of use assets and related lease liabilities being recognised in the Statement of Financial
   Position
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under supplies and services.
   AASB 16 Leases largely replaces this with depreciation expenses that represent the right of use asset and borrowing costs that represent the cost associated with financing the right of use asset.

### Impact on retained earnings

The total impact on Renewal SA's retained earnings as at 1 July 2019 is as follows:

The total impact of itenewal createstance carrings as at it only 25 to 15 as ionows.	
	as at 1 July
	2019
	\$'000
Assets	
Right of Use Assets	2 177
Total Assets	2 177
Liabilities	
Lease liabilities	2 177
Total Liabilities	2 177
Net Impact on Equity	-

### Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. Renewal SA has adopted the following accounting policies:

- To apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019.
   Comparatives have not been restated.
- At 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- The initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing.
- The initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- The initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

### Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in Renewal SA's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- Right-of-us assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15,000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- Renewal SA, in the capacity of a lessee, does not include non-lease components in lease amounts.
- Right-of-use assets are not measured at fair value on initial recognition or leases that have significantly below-market terms and conditions principally to enable Renewal SA to further its objectives.
- Right-of-use assets are subsequently measured applying a cost model.

### Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in Renewal SA's accounting policies as follows:

- AASB 15 is applied to a portfolio of contracts with similar characteristics
- There is no adjustment to the promised amount of consideration for the effects of a significant financing component if the
  period between the transfer of goods/services and the payment date is one year or less.
- For measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value of the customers of Renewal SA's performance completed to date.

		1
Note 33 Unrecognised Contractual Commitments	William Co.	BIRTER
	2020	2019
	\$'000	\$'000
Operating Lease Receivables		
Future minimum rental revenues under non-cancellable operating property leases held but not provided for:		
Due within one year	12 228	66 785
Due later than one year not longer than five years	30 884	248 295
Due later than five years	22 833	509 898
Total Operating Lease Receivables	65 945	824 978
These amounts comprise of property leases reducing significantly in 2019-20, as the TAFE SA proper TAFE SA.		
	2020	2019
Operating Lease Payables	\$'000	\$'000
Non-cancellable operating leases contracted but not provided for:		
Payable within one year	-	1 458
Payable later than one year not longer than five years	-	6 064
Payable later than five years		2 349
Total Operating Lease Payables		9 871

These amounts comprise of property leases and leases for motor vehicles. The property leases are non-cancellable over varying terms up to seven years, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

	2020	2019
	\$'000	\$'000
Capital and Operating Expenditure Commitments		
Payable within one year	48 524	96 187
Payable later than one year not longer than five years	16 772	17 095
Payable later than five years	793	286
Total Capital and Operating Expenditure Commitments:	66 089	113 568

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

### Note 34 Contingent Assets and Liabilities

### **Contingents Assets**

There were no contingent assets as at balance date.

### **Contingent Liabilities**

Renewal SA has a potential liability to a developer of up to \$0.2 million (being maximum of \$0.1 million for each of the three stages of the development) for soil disposal costs if the soil on site is discovered to be unsuitable for the Renewal SA Soil Bank.

### Note 35 Impact of Standards and Statements not yet Effective

Renewal SA has assessed the impact of new and changed Australian Accounting Standards Board standards and interpretations not yet effective. AASB 1059 Service Concession Arrangements: Grantors does not apply to Renewal SA.

### Note 36 Financial Instruments Disclosure and Financial Risk Management

### **Financial Risk Management**

Renewal SA is exposed to a variety of financial risks, i.e. market risk, credit risk and liquidity risk. There have been no changes to risk exposure since the last reporting period, and due to the nature of financial instruments held, the financial risks are low.

Renewal SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

### Liquidity Risk

Renewal SA has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer and SAFA) and interest bearing liabilities (borrowings from the SA Government).

Liquidity risk arises from the possibility that Renewal SA is unable to meet its financial obligations as they fall due. Renewal SA settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

Renewal SA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Renewal SA undertakes all its borrowings from South Australian Government Financing Authority (SAFA) therefore its market and liquidity risk for new and maturing borrowings is aligned to that of the South Australian Government.

#### **Market Risk**

Renewal SA does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. Market risk for Renewal SA is primarily through price risk.

Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. Renewal SA's borrowings are managed through the SAFA and any movement in interest rates are monitored daily. There is no exposure to foreign currency or other price risks.

### Credit Risk

Renewal SA has no significant concentration of credit risk. Renewal SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. No collateral is held as security and no credit enhancements relate to financial assets held by Renewal SA.

### Impairment of Financial Assets

Loss allowances for receivables are measured at an amount equal to the lifetime expected credit loss using the simplified approach in AASB 9.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which Renewal SA is exposed to credit risk. The expected credit loss of government debtors is nil based on the external credit ratings and nature of the counterparties.

The following table discloses information about the exposure to credit risk and ECL for non-government debtors.

LOSS Allowance	3 907		20
More than 90 days past due  Loss Allowance		0.5	0
61 - 90 days past due	1 382	0.5	7
31 - 60 days past due	210	0.5	1
1 - 30 days past due	521	0.5	3
Current (not past due)	1 794	0.5	9
	amount \$'000	%	losses \$'000
	Gross carrying	Loss	Lifetime expected

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect the differences between previous economic conditions, current economic conditions, and Renewal SA's view on the forecast economic conditions over the expected life of the receivable.

Impairment losses are presented as net impairment losses within net resulted, subsequent recoveries of amounts previously written off are credited against the same line item. In addition to the expected loss of \$0.02 million there are expected losses of \$5.679 million for specifically identified customers.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter a payment plan and failure to make contractual payments.

Renewal SA considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

### Categorisation of Financial Instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in respective notes.

Renewal SA does not recognise any financial assets or financial liabilities at fair value but does disclose fair value in the notes. All the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

Borrowings are initially recognised at fair value plus any transaction costs attributable to the borrowings, and subsequently held at amortised cost. For the majority of borrowings, their fair values are not materially different from their carrying amounts, since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short-term nature.

Renewal SA measures all financial instruments at amortised cost.

		Carrying	2020 Cd	ontractual Mati	urities	Fair
		Amount	< 1 year	1-5 years	> 5 years	Value
	Note	\$'000	\$'000	\$'000	\$'000	\$'00
2020						
Financial Assets:						
Cash and cash equivalents	19	11 236	11 236	-	-	11 23
Loans and receivables:						
Receivables	20	21 905	8 763	4 403	8 739	21 90
Allowance for doubtful debts	20	(5699)	(5699)			(5699
Total Financial Assets		27 442	14 300	4 403	8 739	27 44
Financial Liabilities:						
Financial liabilities at cost:						
Payables	26	19 834	10 990	8 844		19 83
Borrowings	27	326 302	253 050	73 252		324 69
Lease Liabilities	27	16 168	3 063	7 824	5 281	16 16
Total Financial Liabilities		362 304	267 103	89 920	5 281	360 69
Net Financial Assets/(Liabilities)		( 334 862)	(252 803)	(85 517)	3 458	( 333 257
		Carrying	2019 Cd	ontractual Mat	urities	Fair
		Amount	< 1 year	1-5 years	> 5 years	Value
	Note	\$'000	\$'000	\$'000	\$'000	\$'00
2019		, , , , ,	*	* * * * * * * * * * * * * * * * * * * *	,	, , ,
Financial Assets:						
Cash and cash equivalents	19	21 083	21 083	_		21 08
Loans and receivables:						
Receivables	20	17 956	9 092	8 864	_	17 95
Allowance for doubtful debts	20	(4388)	(4139)	( 249)	_	(4 388
Total Financial Assets		34 651	26 036	8 615	-	34 65
Financial Liabilities:						
Financial liabilities at cost:						
Payables	26	28 194	21 072	7 122	-	28 19
Borrowings	27	903 702	270 552	283 150	350 000	815 27
Total Financial Liabilities		931 896	291 624	290 272	350 000	843 47
Net Financial Assets/(Liabilities)		(897 245)	(265 588)	(281 657)	(350 000)	(808 819

### Receivables and Payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

### Note 37 Covid-19 Pandemic Outlook

The Covid-19 pandemic is likely to continue to impact the Adelaide property market in 2020-21. To the date of reporting, the various financial arrangements provided to businesses by the State and Commonwealth Governments has resulted in minimal adverse impacts on Renewal SA's rental income and property sales income as a result of the Covid-19 pandemic.

### Note 38 Events After Reporting Period

There are no events to report.

### CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Urban Renewal Authority (trading as Renewal SA):

- o comply with relevant Treasurer's Instructions issued under Section 41 of the *Public and Finance Audit Act 1987*, and relevant Australian Accounting Standards;
- o are in accordance with the accounts and records of the Urban Renewal Authority; and
- o present a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2020 and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Urban Renewal Authority for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year and there are reasonable grounds to believe the Urban Renewal Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Urban Renewal Authority Finance Risk and Audit Committee.

C MENZ CHIEF EXECUTIVE

September 2020

D DE LUCA GENERAL MANAGER, CORPORATE SERVICES

6 September 2020

C TRAGAKIS PRESIDING MEMBER

September 2020

# DELIVERING AN INSPIRING URBAN FUTURE





### INDEPENDENT AUDITOR'S REPORT



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### To the Presiding Member Urban Renewal Authority

### **Opinion**

I have audited the financial report of Urban Renewal Authority for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the Chief Executive, and the General Manager Corporate Services.

### **Basis for opinion**

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Urban Renewal Authority. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# Responsibilities of the Chief Executive and the members of the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the Board are responsible for overseeing the entity's financial reporting process.

### Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1995*, I have audited the financial report of Urban Renewal Authority for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of
  expressing an opinion on the effectiveness of the Urban Renewal Authority's internal
  control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson

Auditor-General 22 September 2020