

Auditor General's Report

Reports of the Performance Audit of the
Redevelopment of Bruce Stadium

Report 6 Financing Arrangements

USE OF THE TERMS CABINET AND EXECUTIVE

In *Report No. 6 – Financing Arrangements*, the term 'Executive' has been used in chapter and section headings on pages 19, 26, 57 and 58. In other parts of the Report, the term 'Cabinet' has been used to refer to the same body.

The Australian Capital Territory (Self-Government) Act 1988 is effectively the constitution of the Australian Capital Territory. Section 36 of the Act establishes the Australian Capital Territory Executive. Section 39 of the Act states that the members of the Executive are the Chief Minister and other Ministers appointed by the Chief Minister. Section 37 of the Act states that the Executive has the responsibility of governing the Territory.

The term 'Executive' is not generally used. As in other Australian jurisdictions, the term 'Cabinet' is used. That is, the committee of Ministers that governs the Territory is known as the 'Cabinet', although it is legally the 'Executive'. In addition, the office that manages the business of the 'Executive' is known as the 'Cabinet Office' and submissions to the 'Executive' and its decisions are known as 'Cabinet submissions' and 'Cabinet decisions' respectively.

As stated above, both terms have been used in this report. Readers should be aware that both terms identify the same body and the use of differing terms has no bearing on the Audit's opinions, findings or conclusions.

PA98/11

September 2000

The Speaker
ACT Legislative Assembly
South Building
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with section 17 of the *Auditor-General Act 1996*, I transmit to the Speaker my Report titled *Bruce Stadium Redevelopment: Report 6 Financing Arrangements* for presentation to the Legislative Assembly by the Speaker. This Report is one of twelve reports arising from my performance audit of the Bruce Stadium redevelopment.

Yours sincerely,

John A Parkinson

GUIDE TO THE REPORTS OF THE AUDIT

The redevelopment of Bruce Stadium project involved a wide range of activities, including construction, financing, marketing, operating the stadium and bidding for and hosting Olympic soccer. Each of these activities was important to the redevelopment project and therefore was included in the performance audit.

For convenience of compilation and publication, the results of the Audit are provided in a series of reports. It should be noted that the reports are not intended to stand alone. For a complete understanding of the Audit's outcome, readers need to refer to all reports. The Audit has been reported in a series of 12 reports as outlined below. The reports are shown diagrammatically in the accompanying chart.

Report 1 Summary Report This Report summarises all aspects of the Audit. It lists the Audit's objectives and opinions and contains chapters on the outcomes and components of the redevelopment, factors that contributed to the outcome and the Audit's methodology. The Report contains synopses of each of the other reports of the Audit.

Report 2 Value for Money The question of whether the cost incurred in redeveloping the Stadium represents value for money is most important in the overall assessment of the redevelopment project. This Report provides an opinion on whether the costs incurred in redeveloping the Stadium represent value for money for the Territory.

Report 3 Costs and Benefits This Report provides an opinion on whether the economic benefits from redeveloping and operating the Stadium and hosting Olympic soccer are, or will be, greater than the costs incurred in redeveloping and operating the Stadium and hosting Olympic soccer.

Report 4 Decision to Redevelop the Stadium In July 1996, SOCOG invited the Territory to submit a bid to host Olympic soccer. In September 1996 the Cabinet agreed to submit a bid and to upgrade the Stadium should the bid be successful. This Report provides an opinion on whether the decision to redevelop the Stadium was made with the aid of relevant, accurate and complete information. The

Report discusses redevelopment proposals in 1993 and 1994, the bids in 1995 and September 1996 and related capital works proposals.

Report 5 Selection of the Project Manager This Report provides an opinion on whether the selection of the project manager was based on sound management practices. The Report summarises the Government's purchasing policy and includes a comparison of the selection process used with the policy. It discusses the tendering process, the probity review and the project management agreement.

Report 6 Financing Arrangements The total cost of the redevelopment was originally estimated at \$27m. This was to be financed by a \$12m appropriation with the balance to be provided by sales of Stadium products (e.g. a passholder program, naming rights and corporate suites) and borrowings. Considerable work was undertaken and costs incurred in efforts to have a financing structure developed. This Report provides an opinion on whether the management of the financing arrangements to meet the costs of redeveloping the Stadium was effective. The Report outlines the financial structures contemplated and comments on the utility of the final structure developed.

Report 7 Stadium Financial Model The Stadium financial model was a key document referred to in the decision to redevelop the Stadium and was used as an indicator of the commercial viability of the redeveloped Stadium and as a justification for several major decisions. This Report provides an opinion on whether it was reasonable to use the model as a reliable primary document for decision making.

Report 8 Actual Costs and Cost Estimates This Report provides an opinion on whether the actual costs of the redevelopment were contained within the cost estimates on which Cabinet decisions were based. It also includes reference to costs which were met from funds appropriated for other purposes and identifies the major items that contributed to cost increases. It explains some of the major factors that contributed to the actual costs being significantly in excess of original estimates.

Report 9 Market Research and Marketing In mid-1998, a consortium was appointed to market and sell the Stadium's products. Only a fraction of the forecast revenue was raised. This Report provides an opinion on whether the management of market research

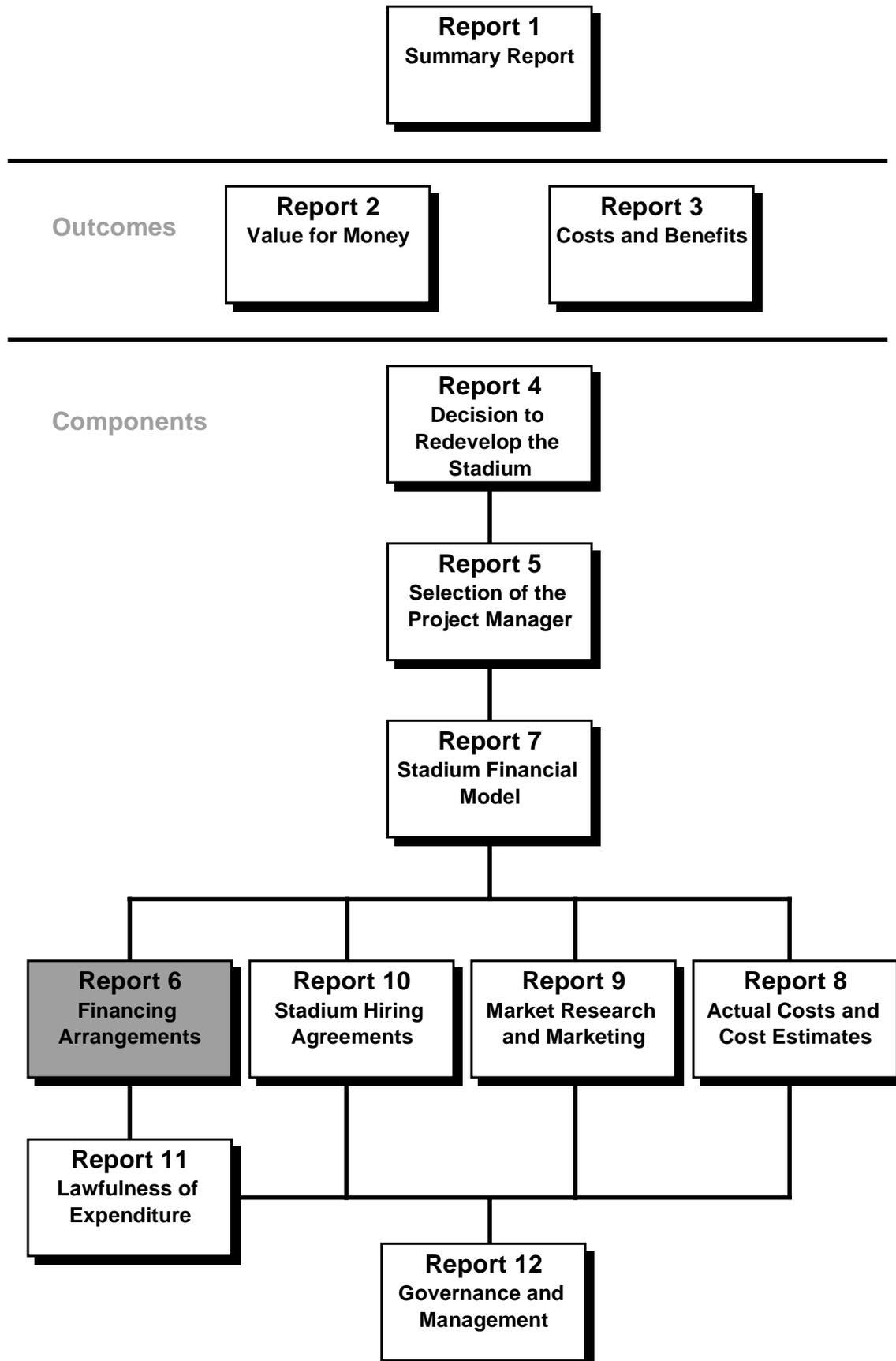
and marketing has contributed to the commercial viability of the Stadium's operations. Comments are provided on marketing research and the selection and monitoring of the marketing consortium.

Report 10 Stadium Hiring Agreements The redevelopment plan included negotiation of new hiring agreements with the major hirers of the Stadium. Negotiations with the hirers commenced in July 1997 and continued throughout 1998. The agreements included large revenue assurance guarantees, particularly for one hirer. This Report provides an opinion on whether the negotiation of the Stadium hiring agreements has contributed, or will contribute, to the commercial viability of the Stadium's operations. The Report discusses the Heads of Agreements settled with the teams, negotiation principles agreed by the Cabinet and the revenue assurance guarantees.

Report 11 Lawfulness of Expenditure After funds appropriated for the redevelopment were exhausted, funds were provided from the Central Financing Unit of the Chief Minister's Department. This Report provides an opinion on whether the payments made for the redevelopment in excess of the amounts appropriated were lawful and whether the overnight borrowing on 30 June 1998 was lawful.

Report 12 Governance and Management This Report comments on the governance framework in the Territory and those arrangements specifically set up to oversight and manage all aspects of the project to redevelop and operate the Stadium. The Report provides an opinion on whether governance and management arrangements for the redevelopment project were effective. It comments on submissions to the Cabinet, operational management and human resourcing arrangements.

REPORTS OF THE AUDIT



REPORT 6

FINANCING ARRANGEMENTS

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1. FINANCING ARRANGEMENTS OVERVIEW

INTRODUCTION

1.1 The Audit of the Bruce stadium redevelopment included examining how the redevelopment was financed. The Audit objective addressed was ‘to provide an independent opinion to the Legislative Assembly on whether the management of the financing arrangements to meet the costs of redeveloping the Stadium was effective’.

1.2 Initial intentions for the redevelopment included that the source of funding to meet the costs of the redevelopment would be a combination of a Government appropriation, sale of Stadium products, (such as naming rights), and borrowings. The Audit included reviewing whether the funding used was actually obtained from the intended sources.

1.3 The Audit also reviewed the sources from which the actual finance was obtained. Unsuccessful actions taken to obtain finance from other sources were also reviewed in the Audit. This part of the Audit included identifying the total costs incurred in developing a finance structure intended to provide funding for the redevelopment.

1.4 This Chapter provides background information on the financing arrangements and states the Audit’s overall conclusion on the Audit objective. The later Chapters in this Report provide more detail in relation to matters referred to in this Chapter. Readers should be aware that some comments in this overview Chapter are repeated in the following Chapters.

SUMMARY OF PLANNED AND ACTUAL SOURCES OF FUNDS

Expected Financing Needs and their Sources

1.5 The available documentation shows that in 1997 and early 1998 the amount of finance expected to be needed for the redevelopment, and the sources of that finance, were as set out in *Table 1.1* on the following page. The figures in the table are in agreement with Cabinet decisions made prior to the redevelopment commencing.

Table 1.1 - Expected Sources of Finance

Source	\$m
Appropriated Government Capital Injection	12.3
Sale of Stadium Products, etc	8.0
Government Guaranteed Borrowing	7.0
Total Finance Required	\$27.3

1.6 As the table shows the only intended financing, through borrowings, was for \$7m. The Cabinet had agreed that borrowings would be guaranteed by the Government.

Actual Sources of Finance

1.7 The actual sources of the finance used to 30 June 1999 are shown in *Table 1.2*. It should be noted that the totals in the table do not match tables of total costs presented in other Audit reports on the Bruce Stadium redevelopment. The table represents funds drawn to 30 June 1999. Expenditure after 30 June 1999 is therefore not included in the table but is included in other reports. Also, expenditure met from appropriations not specifically identified as being for the redevelopment is not included. For information on the total capital cost, reference should be made to *Report 8 – Actual Costs and Cost Estimates*.

Table 1.2 - Sources of Finance

	\$m
Appropriated Government Capital Injection Appropriations	12.3
Sale of Stadium Products, etc	Nil
Expenditure from the Central Financing Unit Not Covered by an Appropriation Act	17.9
Commonwealth Bank Interim Financing Facility (Borrowing)	16.1
Total Finance Drawn	\$46.3
<i>Less</i> Cash on Hand at 30 June 1999	7.0
Total Finance Used	\$39.3

1.7 Both the expenditure from the Central Financing Unit and the expenditure from the interim financing facility were subsequently appropriated through the *Appropriation (Bruce Stadium and CanDeliver Ltd) Act 1999*.

1.8 The results of the Audit's review of attempts to sell Stadium products is included in *Report 9 – Market Research and Marketing*.

SOURCES OF FUNDS

1.9 The following comments provide outline descriptions of each of the funding sources intended to be used and/or actually used.

Capital Injection Appropriations

1.10 Excluding the retrospective appropriation in June 1999, the total amount appropriated in Appropriation Acts as a capital injection for the redevelopment was \$12.3m. This amount was fully drawn.

1.11 Consistently in documentation reviewed by the Audit, this amount is referred to as the Government's contribution to the project. The amount is given prominence in many documents as a fixed amount above which the Government would not contribute.

1.12 Although described as a limit to the Government's contribution, the actual meaning was that \$12.3m was to be the maximum amount which the Government would appropriate for the redevelopment.

1.13 Documentation prepared after the redevelopment was commenced indicates that, in order to eliminate the risk of the Government having to contribute more than \$12.3m, the redevelopment construction was to be phased in such a way that expenditure of \$12.3m would allow the Olympics requirements to be met. The intention was that, if the planned revenue from sale of Stadium products, etc failed to eventuate and/or the \$7m borrowings had not been arranged by the time the \$12.3m was spent, the Government would not be exposed to more than \$12.3m as the redevelopment could be stopped at that point.

Audit Comments

1.14 From at least December 1997 the \$12.3m was not treated as a limit which could not be exceeded by using funds drawn from other Government sources (see paragraphs 1.23-30 of this Chapter). The \$12.3m, however, was always treated as the maximum which would be appropriated.

1.15 Although, all except the earliest documentation sighted by the Audit supports that the Government's \$12.3m capital injection appropriation was to be expended first, which meant it had to be expended in 1997-98, only \$5.88m was appropriated in 1997-98. The remainder was appropriated in 1998-99.

1.16 In a response received during the Audit¹, it was advised that 'government officials never regarded the agreement of the Cabinet to project finance the redevelopment pending the finalisation of the financing structure as exceeding the Government's \$12.3m contribution'. (For comment on the Financing Structure see paragraphs 1.39-49 of this Chapter).

1.17 The Audit considers this comment illustrates misconceptions of the sources of financing the redevelopment. The response indicates that executives, who had a prime role in the redevelopment, seem to have believed that using the Central Financing Unit funds until finance was obtained through the financing structure was in place, effectively contained the government contribution to \$12.3m. This belief ignores the obvious fact that the finance eventually obtained through the financing structure would have had to be repaid at some time. Repayment of the finance could only be made from sources owned by the government i.e. either the profits generated by the redevelopment or, if there were no profits, from the government's general budget. Financing for the redevelopment construction through a financing structure would simply have deferred when the construction costs had to be met from government owned resources.

1.18 Stopping or suspending the redevelopment does not seem to have been given any serious consideration during the progress of the redevelopment. The Audit has been unable to locate documentation or other evidence which provides any evidence that, once the project had commenced, consideration was ever given to ceasing the project at \$12.3m expenditure. As described in the *Report 9 – Market Research and Marketing*, the marketing of Stadium products had not commenced, yet redevelopment continued. Similarly until April 1999 no borrowings had been made, yet the redevelopment continued.

¹ Moiya Ford, 5 June 2000

Sale of Stadium Products

1.19 The Stadium financial model (see *Report 2 – Stadium Financial Model*) contained a revenue projection of \$13.9m for the sale of Stadium products in the first year of the redevelopment. The majority of the projected revenue (\$8m) was to be used towards meeting the capital costs of the redevelopment (see *Table 1.1*). The remainder was to be used to meet Stadium operating costs. It was originally intended that the marketing process would commence at an early stage in the redevelopment of the Stadium, however, this did not occur (see *Report 9 – Market Research and Marketing* for more information on the sales and marketing program).

1.20 The marketing program, when it was implemented from July 1998 to June 1999, was a failure. As *Table 1.2* shows the sales of stadium products provided no funds to be used for the capital costs of the redevelopment.

Government Guaranteed Borrowings

1.21 Initially the only intention was to borrow \$7m of the \$27m costs of the redevelopment. The intention was that the borrowings made would be repaid from the profits generated by the Stadium's operations over seven years. There was Cabinet agreement that the Government would guarantee repayments of the borrowings if the Stadium's profits proved to be insufficient.

1.22 As it transpired no borrowing arrangements were completed other than a temporary facility arranged with the Commonwealth Bank of Australia towards the end of the redevelopment construction (April 1999). It is acknowledged that a financing structure was nearing completion by June 1999 (see paragraphs 1.39-49 of this Chapter).

Expenditure from the Government's Central Financing Unit Not Covered by an Appropriation Act

1.23 As *Table 1.2* shows, a net amount of \$17.9m was drawn from the Central Financing Unit of the Chief Minister's Department. This was expended on the redevelopment. Funding from the Central Financing Unit was not initially intended as a source of finance for the redevelopment.

1.24 Obtaining finance early in the life of the redevelopment project was urgent as, until significant revenue was generated through marketing the Stadium's products and/or financing was arranged, the only source of funds available for the project were the amounts appropriated in the Government's 1997-98 budget. As stated previously, the appropriated amount was only \$5.9m for 1997-98. Since no revenues were being generated through sale of the Stadium's products, obtaining the necessary finance for the redevelopment construction to proceed would have been expected to be a matter of immediate urgency.

1.25 The urgency of obtaining finance was removed, however, when the Project Control Group (PCG)² was advised in July 1997 that 'the Government will provide interim finance up to 30 June 1998'. This statement is recorded in the minutes of a PCG meeting. What the statement meant was that funds held in the Territory's bank accounts maintained by the Central Financing Unit would be used for the project until alternate financing sources were obtained.

1.26 As foreshadowed, the Cabinet agreed on 8 December 1997 to the funding being provided by the Central Financing Unit in the following terms:

- agreed that to ensure construction continues, funds be provided from the Central Financing Unit to provide project finance for the full redevelopment until the new financing structure is in place; and
- noted that the new financing structures must be in place and external finance received by 30 June 1998.

1.27 Although the Cabinet decision required that a financing structure be in place by 30 June 1998 this did not occur. The Central Financing Unit continued to fund the redevelopment project through most of 1998-99.

1.28 It is unknown to the Audit who decided that interim financing would be provided by the Central Financing Unit from as early as June 1997. The Cabinet did not make this decision until 8 December 1997.

² For more information on the role and composition of the Project Control Group see *Report 12 - Governance and Management*.

1.29 The existence of ready access to funds from the Central Financing Unit allowed the redevelopment to proceed without any hindrance arising from funds from intended sources not being available. Because of the availability of this Central Financing Unit finance, the failure of the marketing program to produce the \$8m intended to help fund the construction, and the delays in obtaining borrowings had no effect on the construction. If the Central Financing Unit funds had not been available the redevelopment construction could not have proceeded past the expenditure of the appropriated \$12.3m unless some other lawful source of funding was found (e.g. an additional appropriation was passed).

1.30 The lawfulness of using the Central Financing Unit is addressed in *Report 11 — Lawfulness of Expenditure*.

Interim Financing by the Commonwealth Bank

1.31 The Under Treasurer on 23 April 1999 arranged an interim financing facility with the Commonwealth Bank for 30 days pending finalisation of a financing structure involving that Bank as the provider of the finance. The interim facility was later extended for a further 30 days and then extended again to the end of July 1999.

1.32 The Under Treasurer has advised³ that the interim financing facility was established with the Bank to replace existing funding sources (i.e. the Central Financing Unit) and, as a precursor to the final financing structure being in place. The Under Treasurer believed the ultimate financing structure would be implemented within a few weeks. In a response provided during the Audit, Deutsche Bank advised that its recollection was that the legal documentation was in final draft with all major negotiation issues resolved (for a description of Deutsche Bank's involvement see later).

1.33 As shown in *Table 1.2*, the amount drawn from the interim facility was \$16.06m. Of this sum \$6.1m was paid to the Central Financing Unit to repay some of the amount previously drawn from that source, \$2.8m was used towards the capital costs of the redevelopment and \$100,000 was used to meet the Bank's establishment fee. At 30 June 1999, \$7.03m remained on hand and this was subsequently repaid to the Commonwealth Bank.

³ Mick Lilley 20 January 2000

1.34 Interest on the interim loan of \$211,210 was paid to the Commonwealth Bank.

1.35 Available documentation provides no explanation why the interim facility was drawn upon. Drawing on the interim finance facility required an establishment fee of \$100,000 to be paid to the Bank.

Audit Comment

1.36 On the basis that the Government and its officials believed that financing the redevelopment from Central Financing Unit funds was lawful (see *Report 11 – Lawfulness of Expenditure*), there appears to be no reason why the Under Treasurer would have seen a need to draw on the interim facility. The Under Treasurer could have waited until all documentation was final.

1.37 If the Under Treasurer had waited, payment of the establishment fee would have been unnecessary since the Government eventually decided not to proceed with the financing structure. All the interim financing provided by the Bank was repaid in July 1999.

Timing and Sources of Draw Downs of Finance

1.38 The timing of finance draw downs from the sources described in the previous comments are set out in *Table 1.4* which is included at the end of this Chapter.

DEVELOPMENT OF A FINANCING STRUCTURE

1.39 The initial Cabinet agreed intention for the sourcing of finance for the redevelopment was that \$7m would be raised through Government guaranteed borrowings. As *Table 1.2* shows no funds were actually provided from this source. There was, however, considerable work undertaken and costs incurred in efforts to have a financing structure developed. The financing structure was intended to provide substantial repayable finance to be used on the redevelopment. The efforts and the outcomes are described in the following paragraphs.

1.40 In mid-1997, proposals to provide finance for the redevelopment

were sought by the project manager⁴. Two major banks offered to provide the finance but these offers were not considered acceptable by the Under Treasurer. There is no documentation showing why the offers were not proceeded with, although the Audit understands the offers were not acceptable as the finance charges payable were seen as being too high.

1.41 In October 1997, following the decision not to proceed with the offers received, the Under Treasurer decided to engage a firm of financial advisers to assist with arranging a financial structure to provide the necessary financing at attractive interest rates and other benefits for the Territory. The Under Treasurer was able to do this as he was aware that the Central Financing Unit would finance the redevelopment until at least 30 June 1998. Therefore, there was considerably more time available to organise a financial arrangement than would have been available if access to the Central Financing Unit's funds was not available.

1.42 Shortly after their engagement the financial advisers sought proposals from a selection of merchant bankers. Two proposals were received and, in accordance with the financial advisers' recommendation, a merchant bank (Deutsche Bank) proposing the relatively more complex arrangement of the two offered, was selected. The bank then commenced work to put into place its proposal.

1.43 The bank's proposal relied, for achieving a beneficial cost of finance, on gaining advantages from certain taxation benefits. Solving the issues necessary to achieve these benefits proved complex and time consuming and consequently costly.

1.44 Eventually in June 1998 an issue involving sales tax was identified. The bank's and the financial advisers' examination of this issue revealed that proceeding with the proposed tax based structure would result in substantial sales tax amounts having to be paid. The examination estimated that the requirement to pay the sales tax would outweigh the potential financial benefits from the structure and accordingly the tax based proposal was abandoned.

⁴ For the role of the project manager see *Report 5 – Selection of the Project Manager*

1.45 The Under Treasurer, however, then decided to continue working with the merchant bankers and the financial advisers to convert the previous tax based proposal to what was now referred to as a debt based structure. Pursuit of this structure commenced in July 1998. Implementation of the debt based structure also met complications and by June 1999 the structure was not in place.

1.46 Implementing the structure was abandoned in June 1999 when the Government took the decision to seek a capital injection appropriation to fund the entire redevelopment.

1.47 The initial anticipated requirement for financing was \$7m. This requirement had grown to more than \$30m by the time it was decided not to proceed any further with a financing structure.

Costs Incurred in Developing Financing Structures

1.48 According to available records, costs incurred in attempting to develop the financing structures for the Stadium redevelopment were paid to the organisations shown in *Table 3*.

1.49 Deutsche Bank were contracted on the basis that the Bank would only receive fees if a structure was successfully implemented. No fees have been paid to the Bank at the time of preparing this Report. The amount in the table shown as paid to the Bank was to cover some out of pocket expenses only. If the structure had proceeded to implementation a fee of around \$250,000 would have been payable to the Bank. This would have brought the total costs of implementing the structure to more than \$930,000.

Table 1.3 - Costs Incurred in Developing Financial Structures	
	\$
Deutsche Bank	8,699
Clayton Utz (Deutsche Bank’s Taxation and Legal Advisers)	231,719
Bato Partners (Under Treasurer’s Financial Advisers)	187,199
Mallesons Stephen Jaques (Under Treasurer’s Taxation and Legal Advisers)	139,894
Commonwealth Bank Establishment Fee	100,000
Others	17,248
	684,759

AUDIT CONCLUSION

1.50 Initially the Under Treasurer's intention was to create an attractive financing structure to financially benefit the Territory through securing a lower cost of finance than the Territory could obtain from borrowing in its own right. This intention, however, was defeated when attempts to implement a financially beneficial structure failed in June 1998.

1.51 The Audit is firmly of the view that efforts to put in place a financing structure should have ceased no later than July 1998. At this time it should have been clear that there was no financing structure available which would be more financially beneficial to the Territory than the Territory directly borrowing on its own behalf. The decision taken in June 1999 to appropriate the funds for the redevelopment was therefore the correct decision in the Audit opinion. The decision, however, should have been made in July 1998 or earlier.

1.52 The main priority of the officials managing the redevelopment was to deliver the full stadium redevelopment to the original design concepts including targetting the premium end of the market. The Audit is of the view that the availability of the unappropriated Central Financing Unit funds led to controlling the costs of the construction to the estimates advised to the Cabinet and the Legislative Assembly being a lower order priority than completing the full redevelopment to the original design, scope and size. The approach seems to have been to spend the available money (i.e. from the Central Financing Unit) to construct the full redevelopment and to work out later how to recoup the money spent. Other reports, particularly *Report 8 — Actual Costs and Cost Estimates*, also comment on this matter.

1.53 Using Central Financing Unit funds eventually led to the position where approximately \$27m not covered by an appropriation had been spent. The only option which seems to have been considered to resolve this situation was to implement a relatively complex financing structure. Over time, the approach seems to have become that the structure would be implemented, irrespective of whether the structure would produce any financial benefits for the Territory.

1.54 Once it was clear (in July 1998) that the planned sources of finance (i.e. borrowings with a beneficial cost of finance and the revenue from sales of Stadium products) were not going to eventuate, in the Audit opinion, an Assembly appropriation should have been sought. This

option apparently was not recognised as an available option.

1.55 In summary the Audit opinion is that the management of the financing arrangements to meet the costs of the redevelopment was ineffective. Clear indications of poor management are:

- the development of borrowing arrangements commenced in September 1997 and by June 1999, some 20 months later, had not been put in place;
- external legal and other costs incurred in developing and attempting to implement the structure reached more than \$680,000;
- the intended financing structure had no potential to provide financial benefits to the Territory;
- the intended financing arrangement was inefficient as it required two companies and a Trust to be created which, in turn, would have created ongoing legal and financial obligations and generated costs; and
- creation of the companies and the Trust was necessary only to enable the financing structure to work.

1.56 The Under Treasurer managed every aspect of the development of the financing structure for the redevelopment. Consequently for the reasons outlined, the Audit is of the opinion that the Under Treasurer did not effectively manage the financing arrangements for the redevelopment.

1.57 As part of the Audit the available official documentation was reviewed. The Audit sighted no documentation which includes written directions on the financing arrangements to the Under Treasurer by the Chief Minister. The Audit has also sighted no documentation of the Under Treasurer providing information or advice to the Chief Minister on the financing arrangements other than briefs which were prepared as explanatory material for submissions to the Cabinet.

1.58 As part of the Audit, four submissions to the Cabinet were examined. Cabinet decisions relating to the financing arrangements were based on these submissions. A purpose of the Audit examination was to establish whether the submissions contained complete, accurate and balanced information. The results of these examinations are in *Chapter 8* of this Report. As reported in that Chapter the content of one of these submissions had the potential to seriously misguide the Cabinet.

1.59 The quality of the work performed by consultants was not within the scope of this Audit. References in this Report to Bato Partners, Deutsche Bank and other consultants should therefore not be taken as criticism of those organisations. The Audit was directed at the management by Government and its executives of the financing arrangements and not at the quality of work by consultants.

TIMING AND SOURCES OF FINANCE

1.60 The table on the following page sets out the timing and sources of finance drawdowns used for the redevelopment.

BRUCE STADIUM REDEVELOPMENT – FINANCING ARRANGEMENTS

Table 1.4 - Schedule of Drawdowns for Bruce Stadium Redevelopment

Year	Date	Appropriated Capital Injections \$'000	Other Sources		All Sources Cumulative \$'000
			Central Financing Unit \$'000	C'wlth Bank \$'000	
1997/98	19/08/97	1,285			1,285
	30/09/97	1,439			2,723
	19/12/97	1,435			4,158
	23/12/97		700		4,858
	20/01/98	1,400			6,258
	24/02/98		1,800		8,058
	30/03/98		3,165		11,223
	29/04/98		174		11,397
	1/05/98		1,226		12,623
	27/05/98		150		12,773
	28/05/98		850		13,623
	19/06/98		1,650		15,273
1997-98 Total		5,558	9,715		15,273
1998/99	21/07/98	834			16,107
	18/08/98	551			16,658
	29/09/98	529			17,186
	27/10/98	517			17,704
	30/10/98		1,745		19,449
	30/10/98		180		19,629
	10/11/98		230		19,859
	24/11/98	928			20,787
	2/12/98		330		21,117
	22/12/98	978	450		22,545
	5/01/99		1,962		24,507
	13/01/99		290		24,797
	19/01/99	1,045			25,842
	09/02/99		803		26,645
	16/2/99	315			26,960
	30/03/99	332			27,292
	31/03/99		1,500		28,792
	31/03/99		1,500		30,292
	1/04/99		1,900		32,192
	27/04/99	164			32,356
See Note 1	28/04/99			16,063	48,418
See Note 1	7/05/99		-6,125		42,293
	11/05/99		2,500		44,793
	25/05/99	159			44,953
	22/06/99	391			45,343
	30/06/99		926		46,269
1998-99 Total		6,742	8,191	16,063	46,269
Grand Total		12,300	17,906	16,063	46,269

NOTE 1 From the \$16.063m borrowed from the Commonwealth Bank on 28 April 1998 \$6.125m was paid to the CFU, thereby reducing the net amount drawn from the CFU.

DEPARTMENTAL RESPONSE

1.61 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this Report was provided to the Chief Executive of the Chief Minister's Department for his consideration and comments. The Chief Executive's response is set out following.

1. *"This report finds that the management of the financial arrangements to meet the costs of redeveloping the Stadium was not effective. The reasonableness of such a sweeping conclusion is questionable.*

2. *While private financing arrangements for the bulk of the cost of the redevelopment were not implemented, the report acknowledges that the necessary arrangements had been developed before the Government decided to meet the total cost of the redevelopment through appropriations. The fact that private financing arrangements ultimately were not adopted does not, by itself, justify the conclusion that the management of these arrangements was not effective.*

3. *I do agree, however, that it would have been prudent to abandon the private financing objective in June 1998 when it became clear that such arrangements would not yield any financial benefit to the Territory. My understanding is that this decision was not made because officials were still committed to limiting the cost to the Territory to the original \$12.3m.*

4. *From the material I have seen, I am satisfied that the officers in the Office of Financial Management approached the issue of the financing of the redevelopment in good faith. Undeniably, errors were made in the interpretation of the requirements of the Financial Management Act. These errors cannot be excused, even if they can be understood in the context of the transition from cash to accrual accounting. The need for more structured and continuing training in the requirements of the Financial Management Act is acknowledged.*

5. *Chapter 2 of this report finds that the purpose intended to be achieved from raising finance – to obtain finance at least cost to the Territory - was initially clear. As Audit has not criticised this intention, it would seem to be safe to conclude that this intention was reasonable. The difficulty and complexity in seeking such an outcome cannot be denied. The officials involved sought, and obtained, appropriate professional advice.*

6. *The officials undertaking this activity were required to operate in the real world, with all the attendant limitations of time constraints and*

lack of access to the benefits of hindsight. In assessing their performance, the report offers no such concessions. For example, the report argues that the financing structure should have been in place before construction commenced. Such a conclusion is fine in theory, but it ignores the circumstances of the redevelopment of Bruce Stadium where outcomes were required to be achieved by a given date.

7. *Similarly, the report argues that sensible management practice would have been to identify alternative options for obtaining finance, given the complexity of the issues involved in the Deutsche proposal. The report suggests no such alternatives, while the sequence of events described in the report demonstrates the considerable efforts made by officials to select and implement the most favourable arrangement for the Territory.”*

CONCLUDING COMMENTS

1.62 The Audit’s view on the issues identified in the Chief Executive’s response are discussed in the following paragraphs.

1.63 In *paragraph 2*, the Chief Executive comments that the financing arrangements had been developed when the Government decided to meet the total cost of the redevelopment through appropriations. That is the arrangements had reached the stage where they could be implemented. It needs to be remembered that it had taken twenty months to reach this stage. Taking twenty months of itself, does not justify the conclusion that management was not effective. When, however, the time taken is considered in the context of what occurred during the twenty months period, the Audit’s opinion is considered to be well founded. This is consistent with the Chief Executive’s comment in his *paragraph 3*.

1.64 In *paragraph 3* the Chief Executive expresses his agreement that it would have been prudent to abandon the private financing objective in June 1998 when it became clear that such arrangements would not yield any financial benefit to the Territory. That the efforts continued beyond June 1998 is clear evidence of ineffective management. Also in *paragraph 3* the Chief Executive comments that the decision to continue with developing a finance structure was taken because officials were still committed to limiting the cost to the Territory to \$12.3m. In *paragraphs 1.10 to 1.18* the misconceptions reflected in the officials’ commitment are addressed. That the responsible executive had such misconceptions is clear evidence of ineffective management. It also should be mentioned

that the original intention was to borrow \$7m and the borrowing requirement had reached more than \$30m by the time the financing arrangement was abandoned.

1.65 In *paragraph 4* the Chief Executive comments that the officials in the Office of Financial Management approached the issue of the financing of the redevelopment in good faith. The Audit is unable to determine the responsible executive's motivations and therefore cannot respond to the Chief Executive's comment. The Chief Executive goes on to state that errors made were understandable. The executive responsible for the financing was the most senior financial official in the ACT public service. It would be expected that he should have had a complete knowledge of the operation of the Financial Management Act. On this basis the Audit does not agree that the errors were understandable.

1.66 In *paragraph 5* the Chief Executive comments that the officials involved sought, and obtained, appropriate professional advice. This is correct. The extent of the advice and the costs are set out in the Audit report. One of the Audit's points is that, at least from June 1998, no further advice should have been sought as the financing arrangements could not generate the low cost of finance which was originally thought to be available.

1.67 The Audit makes no comment on the Chief Executive's reference to hindsight in *paragraph 6*. In relation to the reference to the financing structure being in place before construction commenced, the Audit would point out that, although this was not contemplated by the responsible executives, it was achievable. The project manager was appointed in early April 1997 and construction did not commence until September 1997. There were almost five months available to develop a structure prior to construction commencing, however, no useful work was done.

1.68 In relation to *paragraph 6* of the Chief Executive's response the obvious alternatives were to seek an appropriation, or for the Territory to borrow directly in its own right.

1.69 All of the matters raised by the Chief Executive were identified during the Audit and carefully considered. On receipt of the Chief Executive's response they were reconsidered. The Audit conclusion is that the content of the Chief Executive's response does not change the Audit's opinion.

2 INITIAL PURPOSE OF BORROWING

INTRODUCTION

2.1 The objective of the Audit was to evaluate the effectiveness of the management of the financing arrangements. To enable this evaluation to be carried out it was necessary to identify the intended purposes of the financing arrangements. This Chapter sets out the Audit's conclusion in relation to the identification of purposes.

2.2 The Audit reviewed various sources to identify the purposes which the financing arrangements were intended to achieve. Each of these is commented on in this Chapter.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *The purpose intended to be achieved from raising finance was initially clear.*
- *The amount of finance to be raised was the shortfall between the estimated cost of the redevelopment and the total of funds becoming available during the period of construction; the funds to become available were to be from the Government's contribution and from sales of certain Stadium products.*
- *The initial purpose included using a cost effective and efficient method to obtain the finance at least cost to the Territory.*

THE PROJECT MANAGER'S EXPRESSIONS OF INTEREST

2.3 The project manager's successful proposal in response to the Expressions of Interest for a project manager for the Stadium redevelopment states that the purpose of seeking financing was to provide \$7m to be used towards the costs of the redevelopment.⁵

⁵ See Report 5 – Selection of the Project Manager

- 2.4 The project manager's first stage submission stated:
- ‘The entire redevelopment is estimated to cost \$27m in current terms. Our financial plan for the redevelopment is centred around \$12m of equity contributions from the ACT Government.
- This \$12m will be supplemented by Government guaranteed loans of \$7m, which will be serviced by operating revenues earned from the ongoing use of the redeveloped Stadium by its three long term anchor tenancies; the Canberra Cosmos National Soccer League team, the Canberra Raiders Australian Rugby League Team and the Brumbies Super 12 Rugby Union team.
- The balance of the finance will need to be provided by the private sector under a business plan driven marketing campaign raising funds from items such as corporate suites, a gold passholder program, and food and beverage rights.’
- 2.5 The nature of the Government's equity contribution of \$12m is not identified in the submission. The Audit understands, however, that it was to be a standard capital injection appropriation in the same form as payments for public infrastructure (e.g. construction of a school).
- 2.6 The project manager's second stage submission contained a similar statement.

Audit Comment

- 2.7 The project manager's proposals indicate that the only purpose of seeking finance was to provide some of the funds necessary to construct the redevelopment. The other points to be made from the proposal are that the intention was that the loans would be serviced (i.e. interest paid and borrowings repaid) from future Stadium revenues, and also, if revenues were insufficient to source the loans, the Government would meet the shortfall under a guarantee to be provided by the Government.

EXECUTIVE DECISION — 10 MARCH 1997

- 2.8 A submission was provided to the Cabinet titled *Bruce Stadium Redevelopment — Recommended Tenderer* on 6 March 1997. The submission was signed by the then Minister for Sport and Recreation. The submission, which advised the Cabinet of the intention to appoint CRI as project manager, included the following:

‘The \$27m funding package is composed of three components, the Government capital injection of \$12m, debt financing of \$7m through a government guaranteed loan and equity funding of \$8m which is proposed to be serviced by the three major hirers, the Raiders, Brumbies and Cosmos.’

2.9 The submission also included the following:

‘The debt servicing and \$8m equity component of the financing package will need to be provided by the private sector under a business plan driven marketing campaign raising funds from items such as corporate suites, a gold passholder program plus food, beverage and naming rights.’

2.10 The submission was the basis of the Government’s decision on 10 March 1999 which, amongst other things noted that the:

- Government, after negotiations with bankers, would provide a government guaranteed loan of \$7m; and
- the Treasurer and the Minister for Sport and Recreation would determine further details for the redevelopment financing package and management structure.

Audit Comment

2.11 The comment in the Cabinet submission was consistent with the project manager’s proposal.

2.12 In essence, according to the submission, the loan was to make up the difference between the total estimated cost of the redevelopment, and the combined total of Government contributions (\$12m) and the estimated revenue from certain product sales to be made during the period when the redevelopment construction was taking place (\$8m). The amount of borrowings anticipated, on the basis of a \$27m project, was therefore \$7m. The loan was to be guaranteed which meant if future Stadium revenues were insufficient at any time the Government would be required to meet the shortfalls under a guarantee to be given to the provider of the funds. According to the Stadium financial model, the guarantee would not be called upon.

2.13 Neither the project manager’s proposals, nor the Cabinet submission, stipulated anything in relation to the source or cost of finance. The Audit therefore assumes that obtaining the finance from a

source, which offered the best terms available to limit debt servicing costs, was the major priority to be taken to account at this time. There is no documentary evidence which suggests that any other commercial purposes were to be achieved.

ADVICE RECEIVED DURING THE AUDIT

2.14 The following comments were included in a response to the Audit⁶ provided during the conduct of the Audit:

‘The objectives of the financing were clearly articulated, detailed and understood by all the relevant parties. Government’s intention was that it would only ever contribute \$12.3m towards the redevelopment. Accordingly, it was agreed that the remainder of the redevelopment would be debt/equity financed. How this debt/equity financing would occur was to be in accordance with the main objective "to explore the possibilities for optimising the funding arrangements for the redevelopment of the Stadium”’.

What is meant by the word “optimising” is employing a financial structure that is both cost effective and efficient in its operation.

It was also contemplated that an independent commercial operator would be found to manage the stadium operations and this would need to be accommodated within the structure.’

Audit Comments

2.15 The advice provided corresponds mostly with the Audit’s view of the initial purposes of the financing in that a cost effective and efficient source of finance was to be obtained.

2.16 The advice mentions the need to accommodate an independent commercial operator within the structure. This reference to an operator is not intended to mean that a financial structure was necessary for an operator to be introduced. Swimming pools are an example where the Government has introduced commercial operators without any ‘financial structure ’ being in place.

⁶ Mick Lilley, 31 January 2000

CONCLUSION

2.17 The Audit reviewed various sources to identify the purposes which were initially intended to be achieved by the financing arrangements. Identification of the amount to be raised was clear and simple; \$7m was needed to cover the estimated shortfall between the \$27m estimated construction costs and \$20m thought to be available from sources other than borrowings. The other sources were to be a \$12.3m Government capital injection appropriation, and \$8m expected to be raised through a marketing program selling certain Stadium products. The sales were planned to occur during the construction period.

2.18 In the absence of any directions or other indication as to the source or cost of the finance, the Audit has concluded that obtaining the finance, using a method which would provide the finance at least cost to the Territory, was the prime objective at this time.

3 EARLY ATTEMPTS TO OBTAIN FINANCE

INTRODUCTION

3.1 This Chapter addresses the earliest attempts to obtain finance for the redevelopment over the period from March 1997 to the end of September 1997. Information is also provided on the appointment of a financial adviser to assist with implementing a financial structure.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Only limited efforts were made to identify possible sources of finance for the redevelopment prior to October 1997 although the need for finance was known in April 1997.*

FIRST ATTEMPTS TO OBTAIN FINANCE

3.2 The Project Control Group⁷ (PCG) papers (2 July 1997) contain the following:

‘The project has received confirmation of finance proposals from two major banks offering funding to complete total redevelopment works. Offers have been received from:

- i) Commonwealth Bank of Australia; and
- ii) Westpac Banking Corporation.

CRI anticipates a positive response from BT Australia and notes interest from several other specialist institutions.’

3.3 The project manager obtained the proposals mentioned in the PCG papers. Both proposals were for straight forward borrowing arrangements. The proposals were unacceptable as the finance charges were seen as too high. One offer was to provide financing throughout the construction period with repayment by December 2006. The other offer was for a shorter term facility to be repaid in full by 31 December 1998. No offer was received from BT Australia.

⁷ For composition and function of the Project Control Group see section 12 —*Governance and Management*.

Audit Comment

3.4 From the PCG papers it seems some action had been taken by the project manager to identify sources of finance in the early stages of the project. Two offers were received, but they were not proceeded with.

3.5 The Territory's contract with the project manager required the manager to be involved with obtaining finance for the redevelopment. It is noted, however, the limited action outlined here is the only action taken by the project manager in relation to obtaining finance. From September 1997 this function was taken over by the Under Treasurer.

ENGAGEMENT OF FINANCIAL ADVISERS

3.6 In October 1997, the Under Treasurer wrote to Bato Partners, a Sydney firm of corporate and finance advisers requesting 'advice on finalising the financial structure and also the possibility of you running a selective tender process on our behalf'. The Under Treasurer's letter stated 'we need to prepare the tender fairly quickly as the time factor is critical'.

3.7 Bato Partners included in their response:

'The exercise to be conducted by ourselves on behalf of the ACT Government is one of inviting (and subsequently evaluating) structuring proposals for the financing of the Bruce Stadium. Given the fluid nature of the project and potential solutions this is not to be addressed as a formal tender situation.'

3.8 The Under Treasurer accepted Bato's terms, effectively engaging them from this point. Bato's quoted fee for preparing an information memorandum for use in inviting structuring proposals was \$12,500.

3.9 In a response received during the Audit⁸, advice was provided that obtaining, sourcing and arranging of financing is a specialist area. It needed to be undertaken by experts within the field and by those people who have the relevant contacts and ability to arrange such finance. The methodologies employed to arrange and facilitate finance for such a project are potentially numerous and this is why the independent financial

⁸ Mick Lilley, 31 January 2000

experts, Bato Partners, were engaged to advise on cost effective financing solutions. Bato were appointed to invite and subsequently evaluate structuring proposals for the financing of the Bruce Stadium. The objectives to be achieved from the financing were subsequently developed by the Under Treasurer and Bato Partners and included in an information memorandum which was to be used in inviting financial structuring proposals.

Audit Comments

3.10 The Audit agrees that, in the circumstances, it was appropriate to engage consultants to provide the services described by the Under Treasurer, as officials with the relevant skills were not readily available at the time in the ACT Public Service.

3.11 The available documentation related to the appointment of Bato Partners does not identify any particular objectives to be achieved from the financing. As the process of producing an information memorandum was to be a consultative and cooperative procedure between Bato Partners and the Under Treasurer it is not unexpected that detailed objectives were not set out in their engagement documentation.

CONCLUSION

3.12 The initial efforts to source finance for the redevelopment produced offers that were unacceptable because of the interest rates to be charged. Rejection of these offers was consistent with the objective of obtaining the necessary finance at least cost to the Territory.

3.13 The Under Treasurer subsequently decided to seek the necessary finance using a structured financing arrangement which he anticipated would provide the finance at a low cost of funds.

4 SELECTION OF DEUTSCHE BANK

INTRODUCTION

4.1 As a result of the Information Memorandum issued by Bato Partners, on behalf of the Government, two proposals from merchant banks were received. Comments are provided in this Chapter on the subsequent selection of Deutsche Bank to arrange a financing structure for the redevelopment.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Two proposals were received to arrange a financial structure for the redevelopment.*
- *Both proposals required that the Government guarantee all loan repayments of finance advanced.*
- *A proposal, which could potentially provide the necessary finance at a better rate than the Territory could borrow in its own right, was accepted in December 1997.*
- *The better rate could only be achieved if the successful proponent's tax assumptions were correct.*

EXECUTIVE DECISION OF 8 DECEMBER 1997

4.2 On 8 December 1997, the Cabinet agreed that the Under Treasurer:

- a) will negotiate with Deutsche Morgan Grenfell and County NatWest to ensure that the best possible financial outcome is achieved for the Government, balancing immediate returns and/or obligations against ongoing costs, including the establishment of such vehicles as are necessary; and
- b) may restructure the financial components to allow the current \$12.3m capital allocation to decrease and a greater debt component to be guaranteed by Government.

4.3 The Cabinet decision was based on a submission to the Cabinet dated 4 December 1997 titled *Bruce Stadium Redevelopment* —

Financing and Management Arrangements. The submission was signed by the Chief Minister. The submission includes the following:

‘The objective in calling for submissions was to explore the opportunities for optimising the funding arrangements for redeveloping the Stadium by minimising the Territory’s capital contribution and eliminating its current contribution to operating costs.’

Audit Comments

4.4 Point (a) of the Cabinet decision provided the Under Treasurer with wide latitude to choose the financing method to be utilised. The Cabinet’s decision delegated to the Under Treasurer the responsibility to select and appoint an arranger for finance.

4.5 The flexibility provided by Point (b) of the Cabinet decision allowed the Under Treasurer to restructure the financial components to allow the Government’s capital contribution (i.e. capital injection appropriation) of \$12.3m to decrease and a greater debt component (i.e. borrowings) to be guaranteed. It did not provide for the capital injection appropriation to be increased.

4.6 The decision allowed for the borrowings to increase beyond \$7m if the increase was offset by a reduction in the Government’s \$12.3m appropriation for the project. This seems to have been on the basis that the cost was still to be \$27m and acceptance that the revenues projected in the Stadium financial model⁹ would be achieved.

4.7 As stated, the Cabinet submission contained an objective for the financing arrangements. The first part of the objective was ‘to explore the opportunities for optimising the funding arrangements for redeveloping the Stadium by minimising the Territory’s capital contribution’. The Audit understands that this was intentionally written in broad terms to allow respondents to the information memorandum to apply their own intellectual capital to develop proposals for the financing of the redevelopment. The Audit considers that, at this time, this approach was appropriate.

4.8 The second part of the objective in the submission is ‘eliminating

⁹ For information see *Report 7 — Stadium Financial Model*.

its (the Government's) current contribution to operating costs (of the Stadium)'. This contribution was only around \$150,000 annually and could not have been a major objective to be achieved from the financing arrangement.

BATO PARTNERS' EVALUATION

4.9 Copies of the information memorandum were sent to five merchant banks on 7 November 1997. Two banks submitted proposals.

4.10 Both proposals were evaluated by Bato Partners on 10 December 1997. Bato Partners conclude their evaluation by recommending Deutsche Bank in the following terms.

'Our preliminary review of the initial submissions provided by County NatWest and Deutsche Bank has resulted in the following recommendations for consideration by the ACT in assessing the suitability of the proposed refinancing structures for the Bruce Stadium within the constraints of the pre-determined ACT objectives and guidelines.

a) The County NatWest proposal merely shifts the ACT's borrowing requirements into a simple trust structure. The ACT would be able to do this on its own account at a lower cost but, in any event, the borrowing would rank as a Loan Council borrowing and no advantage would be gained. Accordingly, we do not recommend that the ACT proceeds with the County NatWest proposal.

b) In view of the apparent ability of the Deutsche Bank proposal to meet with the ACT's overall objectives (i.e. timing, pricing cost benefit, minimised up-front cash contribution commitment etc.), we recommend, subject to obtaining independent confirmation of the Deutsche Bank tax assumptions, that the Deutsche Bank submission be accepted and for Deutsche Bank to be given an exclusive "mandate" to firm up their submission to a formal offer within an agreed timetable.

c) It will be necessary for us to work closely with Deutsche Bank during the next phase in "firming up" their formal offer, so as to evaluate and verify the extensive detailed financial data supporting their proposal, as well as to determine the level of cost necessary to complete the transaction.'

- 4.11 Under the heading of ‘Establishment Costs’ the evaluation states:
‘The County NatWest proposal is a relatively simple structure, whereas the DMG stapled security trust structure is complex, requiring extensive legal and taxation advice in its implementation and documentation.
It is envisaged that the DMG proposal would be significantly in excess of the county NatWest submission in terms of establishment costs.’

Audit Comments

4.12 The lower Deutsche Bank financing cost was to have been available to the Government if the Stadium assets were transferred to a private sector asset holding vehicle (e.g. company, trust, etc.) and that vehicle was able to gain access to taxation depreciation benefits which are not available to Government entities. The Natwest proposal did not involve transferring the Stadium assets to a private sector entity and was not based on taxation benefits. Although the Natwest proposal provided for an asset holding vehicle to be created, the holding vehicle would have been wholly owned by the Territory.

4.13 The County Natwest proposal was the simpler and lower risk proposal. It would have had higher financing costs but its establishment costs would have been significantly lower.

4.14 The evaluation documentation clearly shows that the lower cost of financing was a major factor which influenced the selection of Deutsche Bank.

4.15 The County Natwest proposal included an indicative financing rate which was 0.9% more than the Deutsche Bank indicative rate. It should be noted that the Deutsche Bank rate would only be available if the Deutsche Bank taxation assumptions proved to be valid.

COMPARISON OF PROPONENTS VIEW OF CASH FLOW RISKS

Extract from Natwest Proposal

4.16 County Natwest doubted the projections of cash flows presented with the information memorandum to the organisations asked to propose financing structures. In their proposal Country Natwest state:

‘Traditionally, financing for Stadiums relies principally on the strength of determinable contractual income. The event income generated by a Stadium is highly uncertain especially in the early years of operation, thus financiers look to contractual income as a secure base to underpin earnings and largely fund against such flows. Prior to these contracts being entered into, the uncertainty of the levels of such contractual income makes it difficult to obtain funding at a competitive cost of funds.

Accordingly, we do not believe that it is appropriate to seek third party equity investment prior to term contracts being entered into with tenants and the various members of the Stadium (such as corporate suite tenants and passholders).’

4.17 Because of Natwest’s view on the uncertainties in the redevelopment project its proposal required the Government to guarantee that repayments would be paid in full and on time.

Audit Comments

4.18 It is the Audit’s view that the approach taken by Natwest was correct in the circumstances. Subsequent events have proved Natwest’s view was correct. The Stadium’s cash inflows have been far less than those in the projections which accompanied the information memorandum.

Extracts from the Deutsche Bank Proposal

4.19 The Deutsche Bank proposal’s Executive Summary contained the following:

‘Deutsche Bank had developed a financing structure which exceeds the ACT Government’s requirements. Based on the Information Memorandum and discussions with the ACT Government’s advisers, Bato Partners, the financing structure is forecast to provide the ACT Government with:

- an upfront cash flow benefit of approximately \$7.0 million by reducing its capital contribution from \$12.3 million to approximately \$5.3 million;
- a net benefit of \$1.0 million provided by the funding structure;

- access to net cash flows after financing cash flows for the first 15 years, providing a net present value benefit of \$2.6 million based on the Bato Partners project model;
- based on the project model provided in the Information Memorandum, no amounts are forecast to be payable under the guarantee to the financiers;
- funding of \$14 million from financiers;
- cost of funds for the \$14 million to be provided by financiers of 6.1%, which is 0.9% below the assumed benchmark debt rate of 7.0%; and
- control of Bruce Stadium after 15 years, or a cash contribution from financiers of approximately \$28 million and proportionate access to Bruce Stadium cash flows.

These forecast benefits are based on the information contained in the Information Memorandum, including ACT Government Guarantees. Deutsche Bank has not undertaken any detailed due diligence on the underlying cash flows and assumptions in the Bato Partners project model contained in the Information Memorandum.’

4.20 Deutsche Bank advised the following during the Audit:

‘Deutsche Bank are not experts in assessing the operating feasibility of stadium projects. Deutsche Bank were advised by Bato Partners and the ACT that the specialists contracted to undertake this role included Graf Consulting, IMG and Arthur Andersen. All of these organisations are highly regarded in this area and as such Deutsche Bank was not in a position to assess the reliability of the information provided or reviewed by these organisations.’

Audit Comment

4.21 As disclosed by Deutsche Bank, it is important to note that the delivery of the benefits listed in the Deutsche Bank proposal depended entirely on the accuracy of the cash flows and assumptions contained in the information memorandum and the existence of Government guarantees.

4.22 The cash flows and assumptions contained in the Information Memorandum were the same as those in the Stadium financial model which as reported elsewhere has to date not been achieved and in the Audit view will largely not be achieved (see *Report 7 — Stadium Financial Model*).

4.23 The existence of the Government guarantees meant that, irrespective of actual revenue cash flows achieved, a financier participating in the Deutsche structure would be repaid in full the total amount it advanced for the redevelopment.

4.24 As stated previously the lower cost of finance was only achievable if the taxation benefits envisaged by Deutsche Bank proved to be available.

CONCLUSION

4.25 Both of the proposals received recognised there were commercial risks inherent in the Stadium, particularly in the achievement of the cash flows projected in the Stadium financial model.

4.26 Although the Natwest proposal did not reject the Stadium financial model's projected cashflows outright, it did provide a proposal which reflected the risks inherent in the redevelopment project. This proposal required Government guarantees.

4.27 Deutsche Bank also recognised the commercial risks and catered for these in their proposal by having the Territory provide guarantees that it would make up to the financier any shortfalls in the Stadium revenues needed to pay interest and to repay borrowings.

4.28 Deutsche Bank were able to produce the apparently more attractive proposal because of the taxation benefits they considered could potentially be available. The rejected proposal did not consider taxation benefits were available. To achieve the Deutsche taxation benefits the Deutsche proposal contained a degree of complexity which was greater than the other proposal.

4.29 The selection of Deutsche Bank was consistent with the objective of obtaining the finance at least cost to the Territory. There was, however, considerable uncertainty to achieving the lower cost as the Deutsche taxation assumptions had to be proved to be sound.

4.30 Acceptance of the Deutsche proposal committed the Territory to paying for the taxation and legal advice that Deutsche needed to obtain. The total amount paid for this advice was approximately \$231,700. The Under Treasurer also engaged taxation and legal advisers. The amounts paid to these advisers totalled approximately \$139,900.

4.31 As previously reported, a firm of financial advisers had been engaged to assist with inviting the structuring proposals and evaluating the proposals received. The advisers' engagement continued with the purpose of assisting with the development and implementation of the Deutsche proposal. The advisers were eventually paid approximately \$187,000.

4.32 Because of various factors, some of which are described in later Chapters, the Deutsche Bank proposal was never implemented.

5 IMPLEMENTING INITIAL STRUCTURING ARRANGEMENTS

INTRODUCTION

5.1 This Chapter addresses the development of the financing arrangements during the period October 1997 to July 1998. The Chapter outlines some of the factors which caused delays and added to costs in the period.

SIGNIFICANT FINDINGS IN THIS CHAPTER

- *Several issues arose which delayed the implementation of the intended financing structure.*
- *Some of these would not have arisen if the financing arrangements had been put in place prior to the redevelopment commencing.*
- *The eventual identification of the requirement for the proposed entities to pay sales tax led to the abandonment of the approach.*
- *No action was taken to evaluate other possible cost effective methods of debt financing.*

REASONS FOR DELAYS

5.2 It is usual in the development of financing structures to include a period in which a detailed due diligence exercise is undertaken. During the due diligence exercise for the redevelopment's financing structure certain issues were recognised.

5.3 Several of the issues identified had been previously unforeseen. Addressing the issues contributed to delays in implementing the financing arrangements and generated additional costs. Some of the issues which were identified and caused delays are outlined following.

Sublease of Stadium from the Australian Sports Commission

5.4 The Territory leases the Stadium from the Australian Sports Commission which in turn leases the Stadium from the Commonwealth Government. For the Deutsche Bank structure proposal, with its anticipated taxation benefits to be realised, changes to the Territory's lease with the Australian Sports Commission were necessary.

5.5 The Audit understands that it was always recognised that a need existed to either extend the current sub-lease with the Australian Sports Commission or transfer the Stadium to the ACT Government. The subject was first raised in December 1996 with negotiations commencing in earnest in June 1997. Unfortunately, apparently due to the Federal election in October 1998, the Commonwealth Government did not formally agree to the ACT Government's proposal. Negotiations did not re-commence until January 1999. At this time, a new Federal Ministry had been introduced with a new view on the transfer of the Stadium.

Taxation Benefits Not Available Until Financial Structure in Place

5.6 On 30 March 1998 Deutsche Bank informed Bato Partners of the Bank's taxation adviser's opinion that depreciation and building write offs would not be available on expenditure made on the redevelopment prior to the creation of Bruce Property Trust (BPT)¹⁰. BPT was created in April 1998. By this time, more than \$10m had been expended on construction costs.

5.7 Considerable research was required on the issue in regard to how compliance with the taxation requirements could be achieved. The legal ownership of work-in progress and items of plant located on Crown land was not a clear issue and considerable time was expended on clarifying this complex matter before an answer was found.

5.8 If the full benefits of the potential taxation advantages were to be gained, the structure needed to be in place prior to construction expenditure commencing on the redevelopment i.e. prior to October 1997. This fact does not seem to have been recognised until raised by Deutsche Bank's taxation advisers.

¹⁰ BPT is the Special Purpose Vehicle created in accordance with the Deutsche Bank structuring proposal.

Transfer of Contracts

5.9 For taxation benefits to be obtained, all existing contracts for work on the redevelopment between builders, etc. and the Territory had to be transferred to the Bruce Property Trust following its creation. This required agreement by the other parties to the contracts (e.g. the builders). Agreement was not forthcoming until the other parties' lawyers had examined the transfer agreements. The process began in mid-April 1998 and continued over a few months. This added to the Government's costs as the Government's lawyers had to prepare the transfer contracts and the Government was also required to meet the other parties' lawyer costs. The longer the processes continued the more the potential taxation benefits eroded.

5.10 If the financing structure arrangements had been in place before the contracts were signed there would have been no need to transfer the contracts.

Management Arrangements for the Stadium

5.11 One of the issues related to the attainment of the taxation benefits was the management arrangements for the Stadium. This issue was first identified in January 1998. In general terms, if Government employees were managing the Stadium, the Government could be seen to be in control of the Stadium and this would negate the potential taxation benefits. The solution was that the Stadium management needed to be employed by Bruce Operations Pty Ltd. To implement this solution, the existing employees involved in directly managing the Stadium were seconded to Bruce Operations Pty Ltd.¹¹ This was done towards the end of April 1998.

Sales Tax

5.12 In June 1998, sales tax was identified as a matter that had not been considered in developing the Deutsche Bank structure. In general terms, if the proposed structure was put in place, sales tax would become payable on many of the items purchased for the Stadium. If the Government purchased the items no sales tax would be payable. In effect the potential income tax benefits to be gained from the proposed

¹¹ Bruce Operations is a company formed by the Government. Creation of the company was in accordance with the Deutsche Bank structuring proposal.

arrangements would be offset by the requirement to pay sales tax. The estimate of sales tax which would be payable was \$2.5m to \$2.8m.

Audit Comment

5.13 There were two sets of taxation legal specialists (Clayton Utz for Deutsche Bank and Mallesons for the Under Treasurer) who examined the structure. Deutsche Bank were responsible for devising the structure and Bato Partners reviewed the structure. None of these parties considered the sales tax issue. A government official below executive officer level eventually identified the issue.

CONCLUSION

5.14 The proposal accepted to implement a financial structure which would produce a financial benefit for the Territory relied upon income taxation advantages being generated. The concept of the structure meant that many complex issues had to be addressed and solved. In addressing these issues unforeseen problems were identified. Solving these problems delayed the implementation of the structure. Eventually the process ground to a halt when the requirement for the proposed entities to pay sales tax was identified.

5.15 As the content of this Chapter illustrates, for the full benefits potentially available from the financing structure to be achieved, the structure needed to be in place before expenditure on the redevelopment commenced. This, however, does not seem to have been recognised. A carefully planned approach to the financing would have ensured the structure was in place prior to expenditure occurring. Attempts to implement the structure after the redevelopment expenditure had commenced contributed to the complexities of the arrangements.

5.16 No alternative position was identified which could be adopted if the Deutsche Bank proposal proved to be incapable of producing the benefits claimed for the Territory. In the Audit opinion, considering the complexity of the issues involved in the Deutsche Bank proposal, sensible management practice should have included identifying alternative options for obtaining finance for the construction.

5.17 When the Deutsche Bank proposal did fall over, no option seems to have been considered by the Under Treasurer other than to request that Deutsche Bank arrange a revised structure. There is no documentation which provides evidence that any other alternative was considered.

5.18 In the Audit’s view the major benefit of implementing the ‘tax based’ structure was that it was potentially a more cost effective method of obtaining finance for the redevelopment than if the Government borrowed in its own right. This is consistent with the Audit’s understanding of the initial purposes of the financing.

5.19 With the ‘tax based’ structure ruled out, and if the Under Treasurer wished to pursue alternate structures, action should have been taken to evaluate whether there were other possible methods of debt financing which could produce a more cost effective result than the government borrowing in its own right. This type of evaluation did not occur. That this evaluation did not occur indicates that obtaining finance at least cost, which was probably the major objective at the commencement of the process, was no longer a major consideration.

6 ADOPTION OF REVISED STRUCTURING ARRANGEMENT

INTRODUCTION

6.1 This Chapter provides information on the decision made in July 1998 to continue with Deutsche Bank.

6.2 Because of the insoluble sales tax issue, a decision was taken not to proceed with the original Deutsche Bank proposal. Available documentation shows that it was decided that the originally proposed ‘tax based’ arrangement was to be replaced with a ‘debt based’ arrangement. Deutsche Bank was to arrange its implementation. The documentation does not disclose who made the decision for a revised arrangement to be implemented, or that Deutsche Bank continue to be involved.

SIGNIFICANT FINDINGS IN THIS CHAPTER

- *A decision was taken to retain Deutsche Bank to implement a ‘debt based’ structure; there is no documentation showing who made the decision or why.*
- *The decision to proceed with the ‘debt based’ structure was apparently based on three benefits, two of which could only be regarded as benefits if reducing the financial information available to the Assembly and the electorate is seen as a benefit.*

ADVICE ON ALTERNATIVES

6.3 Following confirmation that the sales tax issue was insoluble, Bato Partners provided advice to the Under Treasurer about continuing or discontinuing with the Deutsche Bank structure. Bato Partner’s advice included the following:

‘Abandon Deutsche Bank Structure

If the retention of sales tax exemption is regarded as paramount in that the additional cost thereof outweighs the reduction in funding costs to be obtained by using the Deutsche Bank structure, then the ACT would need to revert to a debt funded structure and retain ownership of BPT and BOPL.

This would necessitate:

- the capitalisation of structure costs already incurred;
- significant additional “on balance sheet” debt for the ACT; and
- continued accounting for stadium operations within the ACT budget (which would presumably be open to inspection under FOI rules).

Continue with Deutsche Bank Structure

This option would entail incorporating the additional sales tax cost in the funding requirement. However, since the cost attaches to depreciable items it would itself be subject to deductions in respect of depreciation.

The benefits of continuing with the Deutsche Bank structure on this basis would appear to be:

- reduced immediate cash outlay by the ACT;
- the Stadium would be “off balance sheet” for ACT reporting purposes; and
- the operational results of the Stadium would not be open to public scrutiny.’

6.4 There is no documentation of what the Under Treasurer thought of Bato Partners’ suggested alternatives.

Audit Comments

6.5 The first benefit identified by Bato Partners of continuing with the Deutsche Bank structure of reduced immediate cash outlay is achievable from any borrowing option. Any borrowing will allow an organisation to reduce its immediate cash outlay. The benefit comes at a cost as finance charges have to be paid and in this case substantial legal and other costs were also involved. The benefit identified does not specifically arise from continuing with the Deutsche Bank structure. It would be available from any form of borrowing. The Territory has no difficulty in using its usual methods to raise finance at low interest rates. The structure therefore provides no benefits over other methods of borrowing as a provider of ‘upfront’ cash to meet the costs of the redevelopment.

6.6 The second benefit identified was that the Stadium would be ‘off balance sheet’ for reporting purposes. The next part of this Chapter

provides a brief outline of ‘off balance sheet’ transactions and their potential benefits. The Audit view is that the Stadium being ‘off balance sheet’ could not provide any financial benefits for the Territory.

6.7 If the last benefit identified by Bato Partners (i.e. that the operational results of the Stadium would not be open to public scrutiny) was given any weight in the decision to continue it should be a matter of concern to the Legislative Assembly and the electorate.

Off Balance Sheet for Reporting Purposes

6.8 The Bato evaluation refers as a benefit to the Stadium being ‘off balance sheet for ACT reporting purposes’. For the information of readers a brief outline of some issues related to ‘off balance sheet for reporting purposes’ is provided following.

6.9 ‘Off balance sheet’ is a term generally used where a financing organisation purchases an asset for another organisation which controls and operates it. The operating organisation has physical possession of the asset, and control of its use, but does not legally own it. Since it does not legally own the asset, the theory is that the asset will not be included in the organisation’s balance sheet. As the assets are legally owned by the financing organisation, they would appear in that organisation’s balance sheet. The annual depreciation charge would then reduce the financing organisation’s profits for taxation purposes, and consequently reduce the taxation payable.

6.10 It is the financing organisation’s funds which are used ‘upfront’ for the purchase of the asset. However, the financing organisation recovers the funds it has used to purchase the asset through hiring charges it makes to the operating organisation for the use of the asset. The hiring charges would include an interest component.

6.11 The advantages of this arrangement to the operating organisation which has physical possession and uses the asset may include:

- the asset can be in the possession of (and used by) the operating organisation without the need for the organisation to outlay its own cash, or borrow in its own name, to purchase the asset;
- as the operating organisation does not directly raise the finance to acquire the asset, there are no loans recorded in the organisation’s balance sheet and therefore the gearing or other financial ratios

calculated from balance sheet data are unaffected. Gearing and other financial ratios are frequently used by credit rating agencies, banks, other potential lenders, etc, to assess the financial strength of an organisation; and

- the operating organisation ‘pays for’ the asset by means of periodic payments to the finance company. These payments are accounted for as expenses and therefore reduce the amount of tax payable by the operating organisation. This may be more tax-efficient for the operating organisation than the operating organisation purchasing the asset with its own cash and then progressively expensing the purchase cost as depreciation over the useful life of the asset.

6.12 Accounting standards and concepts determine whether an asset acquired and controlled through an arrangement of the type outlined is to be recorded in the operating organisation’s balance sheet or can be accounted for on an ‘off balance sheet’ basis. The accounting standards emphasize substance over legal form.

6.13 This means that, although in a strictly legal form a financing organisation may own an asset, if the operating organisation receives all the benefits from use of the asset and bears all or most of the risks related to its use (e.g. restoration if it breaks down, replacement if it is stolen, meeting losses incurred if it becomes prematurely obsolescent, etc.) the Standards require that the asset must be included in the operating organisation’s balance sheet. If this is the case, the associated liabilities arising from the requirement to make future payments to the financing organisation for the use of the asset must also be included in the balance sheet. In these cases the asset and the associated liability would not be ‘off balance’ sheet.

Audit Comments

6.14 The Territory’s balance sheet is currently strong. The Territory has a AAA credit rating. Therefore there would be no financial benefit to be gained for the Territory through keeping the Stadium redevelopment and its financing off balance sheet in order to avoid a worsening of its gearing and other financial ratios.

CONCLUSION

6.15 Bato Partners identified three benefits from continuing with the Deutsche Bank structure. The first benefit identified was that of reducing the immediate cash outlay. This benefit is not, however, a benefit specifically arising from continuing with the Deutsche Bank structure. It would be available with any form of borrowing.

6.16 The second benefit identified was that the Stadium would be off balance sheet for reporting purposes. There are no tangible financial benefits from this. The third benefit identified was that the operational results would not be open to public scrutiny. There is no financial advantage from this.

6.17 At this point the Under Treasurer should have recognised that there were no financial benefits available from continuing with a financial structure.

6.18 As there were no financial benefits identified as obtainable by adopting the revised structure, the Audit is of the view that attempts to implement a structure should have ceased. The cessation should have been in July 1998 when it was clear that any possible income tax advantage would be offset by sales tax costs.

6.19 There is no criticism of Bato Partner's evaluation intended in the preceding comments. Bato Partners were asked to comment on continuing with the Deutsche Bank structure. They were not asked to comment on alternate methods of obtaining finance.

7 COMMENTS ON THE REVISED ARRANGEMENTS

INTRODUCTION

7.1 As outlined previously attempts to implement the initial ‘tax based’ financing arrangement ceased in July 1998. Deutsche Bank was then retained to arrange a revised ‘debt based’ arrangement.

7.2 This Chapter comments on the ‘debt based’ arrangement and related activities in the period between July 1998 and June 1999.

7.3 By June 1999, the arrangements were not in place. Implementing a financing structure was abandoned in June 1999 when the Government decided it would approach the Legislative Assembly to have the redevelopment cost retrospectively appropriated.

SIGNIFICANT FINDINGS IN THIS CHAPTER

- *The revised arrangement proposed by Deutsche Bank provided no financial benefits to the Territory nor would it reduce any of the Territory’s financial risks.*

AUGUST 1998 EVALUATION OF NEW STRUCTURE

7.4 A revised structure proposal was prepared by Deutsche Bank in early August 1998. Bato Partners provided an evaluation of this structure.

7.5 According to Bato Partners this revised structure would:

- take the Bruce Stadium real estate ‘off balance sheet’;
- leave the operations of the Stadium with the ACT through the medium of BOPL; and
- create an option arrangement whereby the Stadium real estate could revert to the ACT after 15 years.

7.6 Bato Partners evaluation also included the comment that it would appear that the indicative cost of funds from a financier was 0.7% above the benchmark rate.

7.7 According to Bato Partners the risks for the Territory from the revised structure were:

- the financing of costs overruns arising from the construction of the Stadium;
- a funding shortfall should the ‘revenue from sale of Stadium products’ not be received as planned;
- normal operational risks relating to the Stadium and performance of contracts by BOPL with users etc.;
- responsibility of ACT to manage BOPL as a viable operating entity, including the provision of working capital if required; and
- the provision of a guarantee for the cashflows flowing from BOPL to BPT (and thence to the financier) and any calls thereunder should the Stadium not generate the cashflows envisaged by the Graf business plan.

7.8 Deutsche Bank had been advised that the project’s final costs were estimated to be \$41.55m. Deutsche Bank were now proposing that these costs would be financed as shown in *Table 7.1*.

Table 7.1 - Sources of Finance	
	\$000
Debt financier	23,821
ACT Government	10,021
Revenue from Sale of Stadium Products	7,707
Total	\$41,550

Audit Comment

7.9 Bato Partners identified in their evaluation that the proposal would achieve certain results. Comments on each of these follow.

7.10 *Bruce Stadium real estate being ‘off balance sheet’* — The Audit view on this result has been set out in the previous Chapter of this Report.

7.11 *Leaving the operation of the Stadium with the ACT through the medium of BOPL* — Without any structure in place, the operation of the Stadium would be with the Territory. The Stadium had been managed by the Territory in the past and with no structure implemented it would continue to be managed by the Territory. What seems to be identified is that implementation of the structure would not result in the Government

being prevented from managing and/or controlling the Stadium's operations as it had done in the past.

7.12 *Creation of an option arrangement whereby the Stadium real estate could revert to the ACT after 15 years*¹² — The result being referred to, in very simplified terms, is the creation of an arrangement whereby the financier would be able to have an equity interest in the Stadium property at the end of fifteen years by the payment of a sum of money to the Territory. Whether the option available to the financier to do this would be exercised would be entirely the financier's decision. There are no circumstances in which the Territory could compel the financier to exercise the option. It should be noted that the interest is in the Stadium property and not in the operations of the Stadium.

7.13 Under the proposed structure, after 15 years, the financier would have been repaid in full all finance advanced for the redevelopment plus interest. At that point, the financier could either withdraw from the arrangements or be an equity participant in the Stadium property.

7.14 Full repayment to the financier would have occurred as the arrangement's finance repayment profile was set to match the Stadium financial model's projections of cash available to make the repayments. If the projections did not eventuate, the arrangement required the Government to guarantee all repayments to be made in full and on time. This means, if in any year revenue generated by the Stadium's operation was not in accordance with projections and consequently was insufficient to cover the repayments, the Government would make up the difference. The financier, therefore, carried no risk that it would not be repaid in full and on time.

7.15 During the arrangement in place in the first fifteen years, legally the financier would have an equity interest in the Stadium property. The financier's equity interest, however, would not be the same as an equity interest holder in the usual sense. In the usual sense an equity holder would have rights in relation to profits, and obligations in relation to losses. Under the proposed structure for the redevelopment, however, the financier's right was to be that it be paid its due rental on time and in full

¹² Readers should be aware that the description of the option arrangement provided here is in very simplified terms endeavoring to concisely convey the effects of the arrangement. To achieve the arrangement, relatively complex legal issues had to be addressed which for the purposes of this Report it is considered unnecessary to describe.

throughout the term of the lease. The rental would be set at the amount required to repay the financier over fifteen years together with interest. The financier, unlike an equity holder in the usual sense, would not have been exposed to any commercial risks, such as operating losses, arising from the Stadium's property or operations.

7.16 The proposed structure would allow the financier the option to choose to hold an equity interest at the end of fifteen years. It is obvious the financier would continue with its equity interest only if there would be commercial benefit to the financier from doing so. Before deciding to continue, the financier would assess whether commercial benefit existed by comparing the potential income it could earn from the Stadium with the amount of money it would be required to pay for the equity interest. The financier would also take into account the risks it would be accepting if it became a substantive equity holder.

7.17 The factors on which the financier would base its investment decision to continue with the equity holding could include, *inter alia*:

- the terms of the new lease agreement for the rental of the Stadium;
- the quality of the lessee covenant;
- the cost of money;
- the ability of the financier to recoup its new investment over the lease term;
- returns available from competing investments at the time; and
- the financier's strategic policy regarding property investments.

7.18 If at the end of the fifteen years the financier decided to hold an equity interest in the Stadium, this could be to the advantage of the Territory which, although paying a fair market rental for the use of the Stadium, would have the use of the funds the financier was required to pay for the equity interest. This money would be available for the Government to use on projects of its choice. It should be noted that this advantage to the Territory is in the same nature as an advantage which comes from cash being generated through the sale of Territory assets. It should also be noted that receiving the advantage would be entirely dependent on the financier's decision. The Territory would have had no control over the decision.

7.19 Based on the Audit's understanding of the option arrangement there would have been no inherent financial benefits to the Territory from the existence of the option arrangement.

7.20 *Risks Identified* - Bato Partners were correct in advising of the several significant risks with the revised structure. The risks identified by Bato Partners, however, would be carried by the Territory irrespective of the method of financing used. Bato Partners were effectively only advising that the implementation of the structure would not increase or decrease the risks the Territory carried in relation to the redevelopment.

7.21 *Cost of Funds* - The cost of funds that would be provided under the arrangement were likely to be 0.7% over the benchmark rate. This cost of funds would be no better than the cost which the Territory would pay through borrowing in its own right.

7.22 In summary, it is clear that there was no financial benefit to be generated from implementing the revised structure. In addition, the revised structure had no potential to produce other benefits through the reduction of financial risks to the Territory.

SEPTEMBER 1998 EVALUATION OF PROPOSED STRUCTURE

7.23 Bato Partners provided another evaluation following further development by Deutsche Bank of their proposed financing structure. This evaluation included the following comments:

‘As evidenced by the latest draft Information Memorandum (“IM”) provided by DB and dated 4 August (1998), the proposed structure would appear to:

- enable the operations of the Stadium to be conducted on a commercial basis through the medium of BOPL;
- facilitate the possible privatisation of the Stadium operations at a later date;
- take the Bruce Stadium real estate ‘off balance sheet’; and
- create an option arrangement whereby the Stadium real estate could revert to the ACT after 15 years’.

7.24 The evaluation also included the following comments by Bato Partners:

‘We support DB’s assertion that the structure should result in an “off-balance sheet” financing for the ACT. However, it would appear desirable for the ACT to confirm with its own auditor that this will in fact be the case in the light of any government related accounting principles with which we are not familiar.’

Audit Comments

7.25 The Audit’s comments on the effects identified by Bato Partners follows.

7.26 *To enable the operations of the Stadium to be conducted on a commercial basis through the medium of BOPL* — the financial structure was not necessary to enable the Stadium operations to be conducted on a commercial basis. Similar to previous comments, all that was identified was that if the proposed financial structure was introduced, the Government could continue to operate the Stadium through Bruce Operations Ltd.

7.27 *To facilitate the possible privatisation of the Stadium operations at a later date* — the financial structure would facilitate the possible privatisation of Stadium operations at a later date, however, the financial structure as designed is unnecessary for this to occur. It is understood that the privatisation referred to here would be through the sale of shares in Bruce Operations Pty Ltd to the private sector. The financial structure is irrelevant as Bruce Operations Pty Ltd like any other company could be sold through the transfer of its shares.

7.28 The Audit has commented previously on the off balance sheet matter and the fifteen year option.

7.29 The Bato Partner’s suggestion that confirmation should be obtained from the Auditor-General that the structure would be ‘off balance sheet’ was not followed.

INTERESTED FINANCIERS

7.30 Rabobank was approached by Deutsche Bank to express an interest in being the financier in the financial structure. On 11 November 1998 Bato Partners advised that in their opinion the financing rate indicated by Rabobank was acceptable and that Deutsche Bank should seek a formal offer from Rabobank.

7.31 Rabobank, however, did not submit a formal offer and advised, on 30 November 1998, that they would not proceed with the transaction. Their withdrawal advice included the following:

‘In recent weeks we have been giving consideration to the revised proposal under a slightly revised structure, for funding of approximately \$28m. To be honest, while we feel that we have a sound understanding of the transaction structure and the underlying risks, the transaction was seen as “opportunistic” by us as it falls outside our core focus of food, agriculture and healthcare. Accordingly we have found that in the changed market environment since the original proposal was considered, coupled with the increased amount required, we do not have the support of our credit committee to proceed with the revised transaction.’

7.32 On the withdrawal of Rabobank, Deutsche Bank approached Westpac to ascertain if that bank was interested. Westpac advised an indicative pricing of a credit margin 0.8% above a benchmark rate and an establishment fee of 1% of the amount financed. Westpac later advised a credit margin 0.64% above the benchmark. The establishment fee on \$24m would have been \$240,000. The Westpac credit margin and the establishment fee were more costly than the withdrawn Rabobank offer.

7.33 On 19 January 1999 the Commonwealth Bank of Australia (CBA) advised of their interest in providing a loan to the redevelopment. The CBA rate was 0.475% above the benchmark rate with a \$100,000 establishment fee.

7.34 Bato Partners advised that in their view the CBA offer was superior to the Westpac offer and that the ACT should proceed with the CBA offer. Deutsche Bank were so instructed on 29 January 1999. At the same time Bato Partners were advised that the financing requirement was now \$30.5m. On 1 February 1999 Deutsche Bank formally advised the CBA that it had been selected as the preferred financier for the transaction.

Audit Comments

7.35 Financially, there was nothing to be gained by proceeding with the financial structure in order to secure the CBA’s offered interest rate. The rate quoted by the CBA was a similar rate which the bank would have offered to the Territory if the Territory was borrowing in its own

right. The rates were the same because, although the financier would have been advancing funds to the Bruce Property Trust, the repayment of the funds was guaranteed by the Territory. Without the Territory guarantee the rate would have been significantly higher.

REMAINING BENEFITS OF THE STRUCTURE

7.36 On 19 April 1999 the Under Treasurer wrote to Bato Partners as follows.

‘The Territory is in the process of finalising the financing with the Commonwealth Bank of Australia and based on revised estimates the facility required will be in the order of \$33.0m.

The Commonwealth Bank of Australia have agreed pending the finalisation of the required documentation for the financial structure to provide the finance direct to Bruce Property Trust. They also require the Territory to put in place the necessary income support mechanisms. Additionally, should the final structure not be in place by 31 July 1999 then the bank requires the facility to be refinanced direct with the Territory.

Due to previous difficulties encountered it is apparent that the only benefit of the current proposed structure is to ensure an off balance sheet transaction is effected.

Accordingly, please confirm that the current structure meets the previously stated objectives of the Territory and that indeed the financing structure will ensure that the transaction is treated as off balance sheet.

As the assets and respective liabilities will reside with Bruce Property Trust, I wish to ensure that you have considered all the appropriate accounting consolidation conditions, such that Bruce Property Trust would not be required to be consolidated into the Territory’s financial statements.’

7.37 Bato Partners response on 20 April 1999 included the following:

‘Firstly, there would appear to be several benefits deriving from the current financial structure, viz.

- the operations of Bruce Stadium (“the Stadium”) are contained within a separate corporate structure (“BOPL”) which can be operated on a commercial basis;

- the benefits of the government’s sales tax exemption are retained;
- in due course, should the appropriate opportunity arise, BOPL can be easily and quickly transferred to the private sector; and
- the financing of the Stadium real estate is kept “off balance sheet” (subject to our comments below).’

7.38 Bato’s ‘subject to our comments below’ were:

‘We have reviewed Australian Accounting Standard 24 (“AAS”) in the light of the above and come to the conclusion that, on a strict interpretation of the terms of the standard, the Territory should not be required to consolidate BIC or BPT under AAS24, albeit by a very fine margin of balance.

In our fax of 8 September 1998 addressed to [a Government official], in which we supported Deutsche Bank’s view that the proposed structure should result in an “off balance sheet” funding, we recommended that the Territory “confirm with its own auditor that this will in fact be the case in the light of any Government related accounting principles with which we are not familiar”. We are not aware whether the Territory has followed up this recommendation and, accordingly, our views expressed above must be qualified in this regard.

We recommend that the Territory has discussions with the office of the Auditor-General prior to execution of final documentation to confirm that de-consolidation of BPT will be effective once the final structure is implemented. We would be pleased to assist you with formulating any approach you may deem appropriate in such matter.’

Audit Comments

7.39 A structure such as that proposed is not required in order for Bato Partner’s first identified benefit to be obtained i.e. having the operations of the Bruce Stadium contained within a separate corporate structure. ACTEW and ACTTAB are Territory Owned Corporations which operate on a self contained commercial basis without such a structure. The option of a statutory authority would also be suitable for containing the Bruce Stadium operations. A statutory authority is a relatively common approach adopted in other Australian jurisdictions for sports stadiums.

7.40 The second identified benefit i.e. retention of sales tax exemptions, is not a benefit generated by the existence of the structure. Without the structure, exemptions would operate in any event. It is the implementation of a structure which could have created sales tax complications.

7.41 As far as the Audit understands the matter of transfer to the private sector is merely conjecture. In any case the financial structure is irrelevant to the transfer of BOPL to the private sector as this could be achieved simply by the sale of the Government's shares in BOPL to the private sector.

7.42 The 'benefit' from keeping the financing of the Stadium off balance sheet has been referred to previously in this Report. It is noted that the Under Treasurer's letter to Bato Partners states that the off balance sheet reporting is the only remaining benefit of the current proposed structure. The last two paragraphs of the Under Treasurer's letter show the apparent importance which the Under Treasurer attached to the off balance sheet aspect.

7.43 It is noted that Bato Partners again advised the Under Treasurer that the Auditor-General should be consulted on the financing structure. That consultation did not occur.

7.44 In the Audit's view the benefits set out by Bato Partners were not sufficient to justify the costs which had been incurred in designing and implementing the structure to this point. There was also no justification for incurring further costs.

PAYMENT OF ESTABLISHMENT FEE

7.45 The Under Treasurer on 23 April 1999 authorised the payment of the \$100,000 establishment fee for the Commonwealth Bank of Australia (CBA) referred to previously. At the same time an interim facility was arranged for 30 days pending finalisation of the financial structure. This was later extended for a further 30 days and then extended again to the end of July 1999.

7.46 The Audit has been advised that the interim financing facility was established with the CBA to replace existing funding sources and as a precursor to the final financial structure being in place.

7.47 The Audit was also advised that the ultimate financing structure was expected to be implemented in the next few weeks. Accordingly, the CBA, as part of establishing the interim financing facility, requested that the establishment fee be paid.

Audit Comment

7.48 It is unknown to the Audit why the interim facility was drawn upon prior to the final financing documentation being completed. Documentation available to the Audit provides no explanation. Drawing on the interim finance facility required the \$100,000 establishment fee to be paid to the CBA. Establishment fees are normal in the provision of financing facilities.

7.49 On the basis that the Under Treasurer believed that financing the redevelopment from Central Financing Unit funds was lawful (see *Report 11 – Lawfulness of Expenditure*) there appears to be no reason why the Under Treasurer saw a need to draw on an interim facility. The Under Treasurer could have waited until all documentation was final.

7.50 If the Under Treasurer had waited, payment of the establishment fee would have been unnecessary since the Government eventually decided not to proceed with the financing structure. All the interim financing provided by the Bank was repaid in July 1999.

CESSATION OF DEALINGS WITH CBA

7.51 On 16 June 1999, the Director Finance, Office of Financial Management, wrote to the CBA advising that the Territory would not be proceeding with the financing arrangements.

DEUTSCHE BANK FEE REQUEST

7.52 Deutsche Bank were engaged on the basis that no fee would be payable until a financial arrangement was in place. No fees have been paid to the Bank at the time of preparing this Report. Deutsche Bank, however, requested \$250,000 for its work in relation to arranging the financing structure. The fee requested has not been paid.

7.53 In a response provided during the Audit, Deutsche Bank advised the following:

‘In summary, Deutsche Bank, with the strongest encouragement of the ACT, was ready to finalise the financing with the

Commonwealth Bank of Australia when its mandate was terminated. We note, however, that Deutsche Bank had already arranged interim financing of A\$33m from the Commonwealth Bank in April 1999, using the financing structure arranged by the Deutsche Bank, of which approximately \$16m was drawn down in late April and Deutsche Bank in June 1998, advised and assisted the ACT in establishing the interim ownership and operating structure. As a result of an unforeseen political outcome in July 1999, the ACT Government elected to terminate the private sector funding and fund the development through a conventional budget appropriation.

In all but a very final sense, Deutsche Bank had completed the arrangement of the financing as mandated. Further, it devoted significant effort and commitment to the achievement of the objectives of the ACT between February 1998 and July 1999.’

7.54 Deutsche Bank then went on to explain its justification for the proposed amount of \$250,000.

‘Because of the extremely unusual circumstances surrounding the termination of the private sector funding, Deutsche Bank believes there is a strong commercial and “good faith” basis for considering a payment of professional fees.

The key fact is that Deutsche Bank was ready to complete the financing with the endorsement of the Territory and its advisers. In all but the signing of final documentation, the financing had been successfully completed.

While the definition of “benefits” of the structure can be debated, the key issue is that Deutsche Bank ultimately delivered a structure which was in accordance with the objectives of its client, the Territory and which its client wished to implement.’

7.55 The Audit was not directed at the performance of Deutsche Bank in delivering the services it was engaged to provide. Accordingly the Audit makes no comment in respect of the Bank’s fee request.

CONCLUSION

7.56 Nowhere in evaluations of the revised structure is it suggested that any cost benefit to the Territory would be generated by implementing the revised structure proposed by Deutsche Bank. In fact there were none. Implementation of the revised structure, if it had proceeded, would have

been at a net additional cost to the Territory.

7.57 The Audit's review of the benefits for the Territory identified in various evaluations reveals that the financial structure was irrelevant to all except the so called off balance sheet benefit. Generally the benefits identified, other than the off balance sheet matter, would have been available using standard public sector structures and arrangements.

8 RELEVANT EXECUTIVE DECISIONS

INTRODUCTION

8.1 The Cabinet made a number of decisions on raising finance to pay for part of the redevelopment. The Audit reviewed each of these decisions and reviewed the completeness, accuracy and balance of the submissions prepared by officials to inform the Cabinet in relation to the financing aspects of the decisions.

8.2 This Chapter contains the results of the Audit's reviews of the submissions.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Four submissions were specifically made to the Cabinet to inform its decisions on proposed arrangements to raise finance to pay for part of the redevelopment.*
- *One of the submissions could have seriously misguided the Cabinet.*

INTRODUCTION

8.3 During the course of the planning and construction of the redevelopment, the Cabinet considered nine submissions on various aspects of the project. Four submissions included specific reference to proposed arrangements to raise finance to pay for part of the redevelopment. The proposals were considered at meetings of the Cabinet held over a 15 month period from December 1997 to March 1999. The Cabinet's decisions, based on the submissions, covered:

- negotiations with two financiers to obtain the necessary funding for the redevelopment and to use Central Financing Unit funding in the interim – 8 December 1997;
- the Under Treasurer's progress on negotiations – 12 January 1998;
- proceeding with the full redevelopment and acceptance of Deutsche Bank's revised proposal – 21 December 1998; and
- borrowing from the Commonwealth Bank and guarantee repayments on the loan – 22 March 1999.

OVERALL RESULTS OF THE REVIEW

8.4 The Audit's review of the submissions disclosed that all either omitted some relevant information or had inaccuracies. Of these, the problems with the content of one was of sufficient significance to potentially misguide the Cabinet. Comments follow on this submission.

EXECUTIVE SUBMISSION — BRUCE STADIUM FINANCING

8.5 The purpose of the submission titled *Bruce Stadium Financing* was to outline the revised budget for the Bruce Stadium redevelopment and agree the private sector financing arrangements. The Chief Minister signed the submission on 16 December 1998. Alan Thompson, Moiya Ford and Mick Lilley were involved in its preparation and clearance.

8.6 After consideration of the submission the Cabinet amongst other things:

- noted the increased cost of the Bruce Stadium redevelopment;
- noted that other than the \$12.3m currently identified, there will be no further call on the ACT for the redevelopment;
- agreed to implement the Ownership Structure as proposed by Deutsche Bank;
- noted that the Ownership Structure was likely to be finalised in January 1999; and
- agreed that the Under Treasurer finalise the arrangements for the Ownership Structure without further reference to Cabinet.

8.7 The submission stated that the revised estimated cost of the redevelopment had increased from \$27.3m to \$33.5m and that the Government's contribution continued to be limited to \$12.3m. It then stated:

‘the balance of the \$15m project costs were to be raised from the private sector through a mixture of debt and equity, funded by the sale of new corporate products. A business plan, prepared by Graf, demonstrated how the new Bruce Stadium could generate ongoing returns sufficient to support the redevelopment in this manner. The assumptions behind the plan were tested and supported by Arthur Andersen Pty Ltd and International Management Group of America Pty Ltd (IMG)’.

- 8.8 The submission also stated:
‘Deutsche Bank has analysed the revised Business Plan for the Stadium and are confident that it can support the increased finance required to fund the full redevelopment’.
- 8.9 The submission’s conclusion included the following:
‘Deutsche Bank has already confirmed the integrity of the business plan and determined its capacity to support additional private sector financing’.

Audit Comment

- 8.10 The statement in the submission that the assumptions behind the plan were ‘tested and supported by Arthur Andersen Pty Ltd and IMG’ is incorrect.
- 8.11 The Audit closely reviewed the reports prepared by the two organisations. Nowhere in the reports do the organisations state an overall conclusion that they have tested, and support, the assumptions behind the business plan. In the absence of an overall conclusion the Audit reviewed the details in the reports.
- 8.12 The Audit’s review of detail in the reports disclosed that while the reports are supportive of the majority of the assumptions behind the business plan each Report identifies some important assumptions which they do not support. The assumptions not supported relate mainly to significant delays in the timing of the receipt of certain large amounts of revenue. The Audit does not believe that Andersen and IMG can reasonably be taken to have supported the business plan in its entirety. To be accurate the submission should have stated that Andersen and IMG supported most assumptions but there were some important assumptions which they did not support.
- 8.13 The Audit also reviewed the methods used by Andersen and IMG to test the assumptions. In the Audit opinion the results produced by the firms’ methods of testing should not have been relied upon for establishing a high level of assurance that the revenue projections in the business plan would be achieved. Taking some assurance would have been reasonable, however, the level of assurance indicated in the Cabinet submission was definitely not justified.

8.14 More detailed comments on the Audit's review of the reports are included in *Report 7 — Stadium Financial Model* (Andersen) and *Report 9 — Market Research and Marketing* (IMG).

8.15 The statements that Deutsche Bank 'analysed the revised Business Plan for the Stadium and are confident that it can support the increased finance required to fund the full redevelopment' and that Deutsche Bank 'has already confirmed the integrity of the business plan and determined its capacity to support additional private sector financing' have no factual basis. The Audit contacted Deutsche Bank who indicated it had conducted no analysis of the nature indicated in the submission nor confirmed the integrity of the business plan. The Bank advised its actions were limited to confirming its ability to raise funding to accommodate the business plan and that this involved modelling and matching the business plan's expected cash flows with the planned sources of funding.

8.16 With such statements in the submission, it is not surprising that the Cabinet agreed that the Under Treasurer proceed to finalise the financing arrangements. The submission included statements that the business plan had been 'tested and supported' by such well known organisations as Arthur Andersen and IMG. The submission also stated that Deutsche Bank had 'analysed the revised business plan and were confident that it would support the increased finance required to fund the full redevelopment'. The submission further stated that the Bank had confirmed the integrity of the business plan. Statements such as these would obviously have provided the Cabinet with great confidence that the Territory would not be exposed to any financial risk through the financing arrangements. Unfortunately the statements attributed to the organisations were not made by the organisations.

8.17 The submission also had a significant omission. While it referred to Andersen, IMG and Deutsche Bank, the submission did not make any reference to market research work performed by NVM (see *Report 9 — Market Research and Marketing*). NVM was the organisation engaged to conduct a sales and marketing program for the Stadium's products. NVM had market research conducted in October 1998 which focussed on the Canberra market. The results of this research were not supportive of several of the business plan assumptions. The results of the research would have been known to the officials, who were involved in the preparation of the Cabinet submission and therefore it would have been expected that this information would have been mentioned in the submission.

8.18 The Audit also has additional concerns with this submission. They are described in *Report 8 – Actual Costs and Cost Estimates*.

CONCLUSION

8.19 The result of the Audit’s review of the submission described in this Chapter does not support that information in the submission was accurate and complete. There were significant inaccuracies, and an omission, which in the Audit view had clear potential to misguide the Cabinet. Whether the individual Members of the Cabinet were misguided depends on the other information sources on the subject which they may have had available to them.

Annexure

Reports Published in 1993

- 1 Management of Capital Works Projects**
- 2 Asbestos Removal Program**
- 3 Various Performance Audits Conducted to 30 June 1993**
 - **Debt Recovery Operations by the ACT Revenue Office**
 - **Publicity Unaccountable Government Activities**
 - **Motor Vehicle Driver Testing Procedures**
- 4 Various Performance Audits**
 - **Government Home Loans Program**
 - **Capital Equipment Purchases**
 - **Human Resources Management System (HRMS)**
 - **Selection of the ACT Government Banker**
- 5 Visiting Medical Officers**
- 6 Government Schooling Program**
- 7 Annual Management Report for the Year Ended 30 June 1993**
- 8 Redundancies**
- 9 Overtime and Allowances**
- 10 Family Services Sub-Program**
- 11 Financial Audits with Years Endings to 30 June 1993**

Reports Published in 1994

- 1 Overtime and Allowances - Part 2**
- 2 Department of Health** - **Health Grants**
 - **Management of Information Technology**
- 3 Public Housing Maintenance**
- 4 ACT Treasury** - **Gaming Machine Administration**
 - **Banking Arrangements**
- 5 Annual Management Report for Year Ended 30 June 1994**
- 6 Various Agencies** - **Inter-Agency Charging**
 - **Management of Private Trust Monies**
- 7 Various Agencies** - **Overseas Travel - Executives and Others**
 - **Implementation of Major IT Projects**

Annexure (continued)

8 Financial Audits with Years Ending to 30 June 1994

9 Performance Indicators Reporting

Reports Published in 1995

1 Government Passenger Cars

2 Whistleblower Investigations Completed to 30 June 1995

3 Canberra Institute of Technology - Comparative Teaching Costs and Effectiveness

4 Government Secondary Colleges

5 Annual Management Report for Year Ended 30 June 1995

6 Contract for Collection of Domestic Garbage/Non-Salary Entitlements for Senior Government Officers

7 ACTEW Benchmarked

8 Financial Audits With Years Ending to 30 June 1995

Reports Published in 1996

1 Legislative Assembly Members - Superannuation Payments/Members' Staff - Allowances and Severance Payments

2 1995 Taxi Plates Auction

3 VMO Contracts

4 Land Joint Ventures

5 Management of Former Sheep Dip Sites

6 Collection of Court Fines

7 Annual Management Report For Year Ended 30 June 1996

8 Australian International Hotel School

9 ACT Cultural Development Funding Program

10 Implementation of 1994 Housing Review

11 Financial Audits with Years Ending to 30 June 1996

Annexure (continued)

Reports Published in 1997

- 1 **Contracting Pool and Leisure Centres**
- 2 **Road and Streetlight Maintenance**
- 3 **1995-96 Territory Operating Loss**
- 4 **ACT Public Hospitals - Same Day Admissions**
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 **Management of Leave Liabilities**
- 6 **The Canberra Hospital Management's Salaried Specialists Private Practice**
- 7 **ACT Community Care - Disability Program and Community Nursing**
- 8 **Salaried Specialists' Use of Private Practice Privileges**
- 9 **Fleet Leasing Arrangements**
- 10 **Public Interest Disclosures - Lease Variation Charges**
- Corrective Services
- 11 **Annual Management Report for Year Ended 30 June 1997**
- 12 **Financial Audits with Years Ending to 30 June 1997**
- 13 **Management of Nursing Services**

Reports Published in 1998

- 1 **Management of Preschool Education**
- 2 **Lease Variation Charges - Follow-up Review**
- 3 **Major IT Projects - Follow-up Review**
- 4 **Annual Management Report for Year Ended 30 June 1998**
- 5 **Management of Housing Assistance**
- 6 **Assembly Members' Superannuation and Severance Payments to Former Members' Staffers**
- 7 **Magistrates Court Bail Processes**
- 8 **Territory Operating Losses and Financial Position**
- 9 **Financial Audits with Years Ending To 30 June 1998**

Annexure (continued)

- 10 Management of Schools Repairs and Maintenance**
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer**

Reports Published in 1999

- 1 Stamp Duty on Motor Vehicle Registrations**
- 2 The Management of Year 2000 Risks**
- 3 Annual Management Report for the Year Ended 30 June 1999**
- 4 Financial Audits with Years Ending To 30 June 1999**

Reports Published in 2000

- 1. Bruce Stadium Redevelopment — Summary Report**
- 2. Bruce Stadium Redevelopment — Value for Money**
- 3. Bruce Stadium Redevelopment — Costs and Benefits**
- 4. Bruce Stadium Redevelopment — Decision to Redevelop the Stadium**
- 5. Bruce Stadium Redevelopment — Selection of the Project Manager**
- 6. Bruce Stadium Redevelopment — Financing Arrangements**
- 7. Bruce Stadium Redevelopment — Stadium Financial Model**
- 8. Bruce Stadium Redevelopment — Actual Costs and Cost Estimates**
- 9. Bruce Stadium Redevelopment — Market Research and Marketing**
- 10. Bruce Stadium Redevelopment — Stadium Hiring Agreements**
- 11. Bruce Stadium Redevelopment — Lawfulness of Expenditure**
- 12. Bruce Stadium Redevelopment — Governance and Management**

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