



**Government
of South Australia**

TRS19D1115
TRS19D1201

Treasurer
Level 8
State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 2264
Adelaide SA 5001
DX 56203 Victoria Square
Tel 08 8226 1866
treasurer.dtf@sa.gov.au

Hon Stephen Mullighan MP
Member for Lee
Unit 1, 62 Semaphore Road
SEMAPHORE SA 5019

lee@parliament.sa.gov.au


Dear Mr Mullighan

APPLICATION UNDER THE FREEDOM OF INFORMATION ACT 1991

I refer to your applications made under the *Freedom of Information Act 1991* (FOI Act), dated 9 and 10 May 2019.

Your applications seek access to:

"All minutes, briefings and correspondence titled 'Education Works New Schools Refinancing Update' as described on the Objective document management system, between 12 July 2018 and 9 May 2019."

"All minutes, briefings and correspondence titled 'Education Works New Schools Refinancing' as described on the Objective document management system, between 12 July 2018 and 10 May 2019."

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 3 documents were identified as answering the terms of your application.

I grant you access in full to 2 documents; copies of which are enclosed.
I grant you access in part to 1 document, a copy of which is enclosed.

Documents Released in Full

Document 1 and 3

Document Released in Part

Document 2 is a briefing which was prepared by DTF for my consideration, in relation to the Education Works New Schools Public Private Partnership.

The briefing contains information which may compromise the state's future commercial negotiating position. I therefore determine this exempt pursuant to clause 16(2)(a)&(b) to the FOI Act.

Exemptions

Clause 16 – Agency operations

(2) A document is an exempt document if—

- (a) it relates to an agency engaged in commercial activities; and
- (b) it contains matter the disclosure of which could prejudice the competitiveness of the agency in carrying on those commercial activities.

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information (PC045)*, the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely



Hon Rob Lucas MLC
Principal Officer

20 September 2019

RELEASE

MINUTE

Recd 20/12/18
 File No: T&F18/059
 Physical ID: TRS18D2675



Government of South Australia
 Department of Treasury and Finance

MINUTES forming ENCLOSURE

File T&F18/0837

Doc No A984778

To The Treasurer

EDUCATION WORKS NEW SCHOOLS REFINANCING UPDATE

Timing: ROUTINE — For Information only

Recommendations/Issues: It is recommended that you:

- Note that on 9 December 2018 you approved the State's share of the Education Works New Schools refinancing gain (estimated \$2.34 million) be paid upfront, and noted that Pinnacle Education (Project Co) was expected to provide formal notice to the State during the week ending 7 December 2018 of its intention to execute refinancing.
- Note that Project Co has delayed issuing formal notice to the State of its intention to execute refinancing until mid to late January 2019. DTF understands this delay is due to further negotiations between Project Co and banks, as well as the volume of transactions requiring approvals within Project Co and its financiers.
- Note that Project Co's advisers expect the State's share of the refinancing gain to 'move by an immaterial amount' following these negotiations. Project Co will provide further details of any changes in January, ahead of the formal notice.

Noted

Rob Lucas

Hon Rob Lucas MLC
 Treasurer

13/1/19

Brad Gay

Brad Gay
 EXECUTIVE DIRECTOR COMMERCIAL AND ECONOMICS

19 December 2018

Contact Officer:	Simon Croll
Telephone:	84280825
Email address:	simon.croll@sa.gov.au

Supported / Not Supported

David Reynolds

David Reynolds
 CHIEF EXECUTIVE

Department of Treasury and Finance

Date 20/12/18



MINUTE

18/3/19

File No: 1017

Physical ID: TRS19D0600



MINUTES forming ENCLOSURE

File T&F/0561
Doc No A1072400

To The Treasurer

EDUCATION WORKS NEW SCHOOLS REFINANCING

Timing: URGENT — A decision is required before 22/03/2019

Recommendations/Issues: It is recommended that you:

- Note that project Co is expected to provide formal notice to the State of its intention to execute refinancing for the Education Works New Schools project during the week ending 22 March 2019.
- Note that Project Co has advised DTF that the State's share of the refinancing gain is now estimated to be \$2.49 million (up from \$2.34 million), partly due to a higher withheld equity dividend compared to last December.
- Note that Project Co's debt profile has changed compared to that proposed in December 2018, resulting in periods where the State's exposure to Termination for Convenience and Market Disruption clauses have become marginally worse; however DTF's commercial advisor considers the probability of these events to be very low.
- Approve the State's share of the refinancing gain to be paid upfront as the First Refinancing.
- Note the State has 15 days to consent following formal notice of Project Co's intention to refinance. Subject to your approval of the above, DTF will liaise with the State's delegate from the Department for Education to provide Project Co written consent.
- Note that DTF will work with Project Co to coordinate timing of the payment, which will be subject to Project Co's financial close with banks.

Noted & Approved

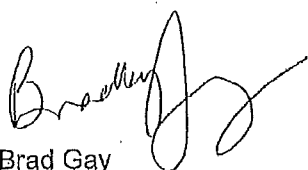
Rob Lucas

Hon Rob Lucas MLC
Treasurer

19/3/19



- On 9 December 2018 you approved the State's share of the Education Works New Schools refinancing gain be paid upfront as the First Refinancing (estimated to be \$2.34 million at the time).
- On 13 January 2019 you noted that Project Co had delayed issuing formal notice to the State of its intention to execute refinancing.
- Project Co is now expected to provide formal notice to the State of its intention to execute refinancing for the Education Works New Schools project during the week ending 22 March 2019.
- Project Co has advised DTF that the State's share of the refinancing gain is now estimated to be \$2.49 million (up from \$2.34 million), partly due to a higher withheld equity dividend compared to last December.
- As advised in December 2018, the State is entitled to 85% of the total refinancing gain as the First Refinancing gain, and 50% of any future refinancing gains. The State can elect to defer the First Refinancing 'having regard to market practice', however DTF's commercial advisor (Acadamie) considers deferral of the First Refinancing very unlikely to deliver greater benefit to the State.
- The State can elect to receive its share of the refinancing gain as an upfront payment, a reduction in quarterly service payments, or as a combination of both. As advised in December, Acadamie estimates that the net present value of the revised upfront payment to be higher than that of quarterly service payment reductions. The upfront payment option would also have a greater benefit to the net operating balance and net debt over the budget period.
- Project Co's debt profile has changed compared to that proposed in December, resulting in periods where the State's exposure to Termination for Convenience and Market Disruption clauses have become marginally worse; however Acadamie considers the probability of these events to be very low.



Brad Gay
EXECUTIVE DIRECTOR COMMERCIAL AND ECONOMICS

18 March 2019

Contact Officer:	Simon Croll
Telephone:	84290625
Email address:	simon.croll@sa.gov.au

RELEASE IN PART

MINUTE

Date	5/12/18
File No.	T18/040
Doc No.	T&F/0561



MINUTES forming ENCLOSURE

File T&F/0561

Doc No A975329

To The Treasurer

EDUCATION WORKS NEW SCHOOLS REFINANCING

Timing: URGENT — A decision is required before 07/12/2018

Recommendations/Issues: It is recommended that you:

- Note that Pinnacle Education (Project Co) is expected to provide formal notice to the State during the week ending 7 December 2018 of its intention to execute refinancing for the Education Works New Schools Public Private Partnership.
- Note that the Department of Treasury and Finance (DTF) has notified Project Co that it considers this to be a Scheduled Refinancing, under which the State has relatively limited rights to refuse consent.
- Note that the State is entitled to 85 per cent of the First Refinancing gain, and 50 per cent of any subsequent refinancing gains, and that the State can elect to defer the First Refinancing.
- Approve the State electing to exercise this as the First Refinancing.
- Approve the State's share of the refinancing gain (estimated \$2.34 million) to be paid upfront, rather than via reduced quarterly service payments over five years.
- Note the State has 15 days to consent following formal notice of Project Co's intention to refinance. Subject to your approval, DTF will liaise with the State's delegate from the Department for Education to provide Project Co written consent.

Noted & Approved /
Noted & Not-Approved

Hon Rob Lucas MLC
Treasurer

9/12/18



Key Points:

- The Education Works New Schools Public Private Partnership (the Project) agreement for six schools was signed in July 2009 with the State's private sector partner, Pinnacle Education (Project Co). Control of Pinnacle Education transferred from Lend Lease to AMP Capital in 2012.
- The Project is predominantly bank debt financed. The initial five-year term of debt finance expired July 2014, followed by a five-year refinancing from 1 July 2014.
- Project Co and its advisers, RBC Capital Markets, recently undertook a competitive RFP process with 12 banks with a view to refinancing the Project. From this group, the incumbent lenders (CBA, NAB and Westpac) were shortlisted. The proposed refinancing is a five-year tranche of fully amortising bank debt (\$173.59 million). Existing lender participation in the refinancing ensures that existing interest rate swaps (as required by Project Co's debt financiers) can be retained.
- Project Co intends to provide formal notice to the State of its intention to execute refinancing during the week ending 7 December 2018. The State, through its nominated delegate, Jodie O'Hara Department for Education, has 15 days to consent following formal notice. Subject to your approval, DTF will liaise with the State's delegate to provide written consent to Project Co.
- DTF has appointed commercial (Acadamie) and legal (Thomson Geer) advisers to review financial models and documentation in advance of formal notice being provided to the State.

Scheduled Refinancing

- The proposed refinancing is considered by Project Co to be a Scheduled Refinancing. A Scheduled Refinancing is a refinancing that is specifically referred to in Project Co's financing proposal for the Project and is anticipated in the base case financial model.
- The State has relatively limited rights to refuse consent to a Scheduled Refinancing, essentially confined to where:
 - the financial indebtedness assumed under the refinancing will not be used solely for the Project; or
 - the State suffers "an increase or adverse change in its contractual liabilities" under the agreement or related documents (other than as reflected in the financial model) as a result of the refinancing without offsetting compensation being paid to the State by or on behalf of Project Co.
- DTF's advisers agree that this refinancing is a Scheduled Refinancing, and DTF has notified Project Co that it considers it to be a Scheduled Refinancing subject to reviewing final bank terms and an appropriately updated model.

First Refinancing

- This refinancing is expected to result in a gain due to a decline in bank's credit margins available to Project Co since its 2014 refinancing. The State is entitled to 85 per cent this gain as the 'First Refinancing' gain, and 50 per cent of any future refinancing gains.

- The State can elect to defer the First Refinancing 'having regard to market practice', however given market trends and the stage of project, Acadamie considers it very unlikely that deferral now would lead to a greater benefit later for the State because future credit margins are unlikely to change materially from presently available rates.

Refinancing Gain

- The State can elect to receive its share of the refinancing gain as an upfront payment; a reduction in quarterly service payments (QSP); or as combination of both options.
- If taken as reductions in the QSP over five years (2018-19 to 2023-24), the State's share of refinancing gain is estimated to be \$2.37 million (nominal), funded through project cashflows.
- If taken as an upfront payment, the State's share of the refinancing gain is estimated to be \$2.34 million in 2018-19. The upfront payment would be partly funded by Project Co through an increase in debt of \$1.4 million.
- In net present value terms, the upfront payment option is greater than the QSP reduction option. The upfront payment option would also have a greater benefit to the net operating balance and net debt in 2018-19 and over the forward estimates period.

State Liability

- There are three occasions where the Project may be terminated early by the State; termination for default; force majeure; or convenience. Under termination for either force majeure or convenience, the State is liable for the level of debt outstanding at the termination date.
- At the date of refinancing, debt repayable by the State in the event of termination is \$1.4 million higher under the upfront payment option (\$173.59 million) than the deferred payment option (\$172.18 million). The State therefore faces a slightly increased exposure under the upfront payment option, however DTF considers the increased risk to the State negligible. The schools continue to be delivered successfully by Pinnacle and there are many contractual options for the State to ensure the schools are fit for purpose.


Stuart Hocking
DEPUTY CHIEF EXECUTIVE

5 December 2018

Contact Officer:	Simon Crotti
Telephone:	04290625
Email address:	simon.crotti@sa.gov.au