


Department of Planning and Environment

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Property NSW Annual Report 2021/2022

Financial statements for the year ended 30 June 2022 & Statutory information



Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

Published by Property NSW

<https://www.dpie.nsw.gov.au/housing-and-property/divisions/property-and-development-nsw>

Property NSW Annual Report 2021/2022

First published: November 2022

ISBN/ISSN: 2652-9289

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TMP-MC-R-SC-V1.2



The Hon. Anthony Roberts, MP
Minister for Planning and Minister for Homes
GPO Box 5341
SYDNEY NSW 2001

Dear Minister

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of members this report of the activities of Property NSW for the year ended 30 June 2022.

Following the tabling of this report in Parliament, it will be available for public access from the NSW Government's OpenGov NSW website, www.opengov.nsw.gov.au

Yours sincerely

Leon Walker
Chief Executive Officer
Property NSW

Encl: Property NSW Annual Report 2021–2022

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1. Charter

Property NSW (PNSW) has been assigned the NSW Government mandate to continually improve the management of the NSW Government's owned and leased real property portfolio, specifically generic property.

PNSW is established and operates under the principal legislation of the *Property NSW Act 2006* (the Act).

2. Aims and objectives

Under section 10 of the Act, the principal objectives of PNSW in exercising its functions are:

- to improve operational efficiencies in the use of government agency properties, particularly generic properties such as offices, warehouses, depots and car parks;
- to manage properties of government agencies in a way that supports the service delivery functions of those agencies;
- to provide advice and support within government on property matters; and
- to operate at least as efficiently as any comparable business, consistent with the principles of ecologically sustainable development and social responsibility for the community (including the indigenous community).

PNSW has specific statutory functions set out in section 11 of the Act:

- holding, managing, maintaining, acquiring or disposing of property for the government and government agencies;
- undertaking, managing, coordinating or participating in the development of government agency property;
- arranging, where appropriate, for the sharing of facilities and premises by government agencies to reduce operational expenses;
- providing property services for its own or government agency properties, including property management, maintenance and improvements;
- providing advice to the Minister in relation to government agency property, in particular:
 - whether the properties are being efficiently utilised; and
 - other matters relating to government agency properties, as the Minister directs.

3. Access

Property NSW

Location: 4 Parramatta Square, 12 Darcy Street, Parramatta NSW 2150

Post: Locked Bag 5022, Parramatta NSW 2124

Phone: 1300 305 695

Email: pdnsw.projects@dpie.nsw.gov.au

Web: <https://www.dpie.nsw.gov.au/housing-and-property/divisions/property-and-development-nsw>

PNSW's business hours are 9.00am - 5.00pm Monday to Friday, excluding NSW public holidays.

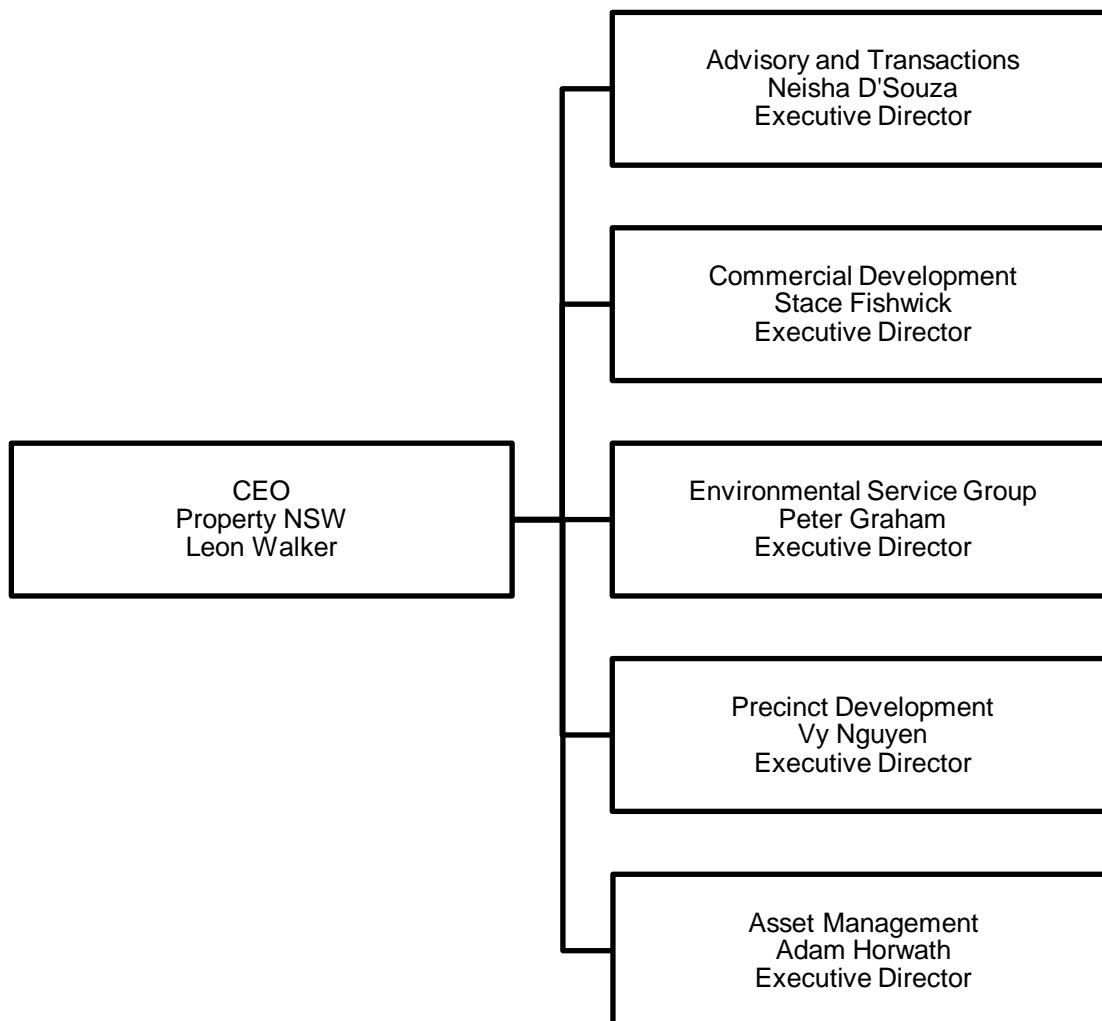
4. Management and structure

In December 2021, PNSW consolidated into the Department of Planning and Environment's (Department) Homes, Property & Development (HPD) group following machinery government changes in the 2022 calendar year.

PNSW is led by a Chief Executive Officer (CEO), who reports to the Minister, both directly and via the Secretary of the Department.

The CEO of PNSW is also the Deputy Secretary for the HPD group. HPD includes several housing and property related government entities, the majority of which have their own CEOs.

The diagram below depicts the PNSW Executive team and functional responsibilities as at 30 June 2022:



NB: After financial year end: the Commercial Development and Asset Management teams were merged to form Commercial Development & Management; and, HPD's Strategy & Analytics team was transferred into PNSW, reporting to Neisha D'Souza.

The table below depicts changes in PNSW's Executive team between 1 July 2021 and 30 June 2022.

Position	Incumbent	Duration
Chief Executive Officer	Michael Wright B.A, B.Comm	14 Dec 2020 – 30 Mar 2022
	Leon Walker BBusB&F, GradDipProp, GradCertMgmt, GradDip App.Fin, GAICD	31 Mar 2022 – 30 Jun 2022

5. Summary review of operations

PNSW delivers large-scale and complex real estate and environmental projects to achieve the maximum benefits for the community, contributing to a strong and liveable NSW.

PNSW's focus is on the strategic review, adaptive reuse, acquisition, divestment, enhanced utilisation of the NSW Government's real property assets, precinct masterplanning and development, and workplace design, delivery and management. PNSW's assets comprise of office buildings, significant heritage properties, non-commercial assets and land holdings, many of which have been vested to PNSW by other government agencies.

PNSW's breadth of work delivers outcomes including the better use of government owned land and property, creating exceptional places for people to live, work and play, improving our environment and driving the NSW Government toward net zero emissions.

Work is also underway with our government partners to embrace the future ways of working supporting the NSW Government to become an employer of choice with hybrid working, supported by quality, flexible, connected and inclusive workplaces.

PNSW's achievements over the 12 months to 30 June 2022 have included:

Adaptive reuse of Government assets and progress including the sale of the former Berrima Correctional Centre to enable its adaptive reuse as a destination hotel to bring jobs and economic stimulus to the Southern Highlands and the transfer of Brewarrina Correctional Centre to Traditional Owners and council for community use and beneficial economic outcomes.

Significant milestones reached on priority precincts including:

- The vision for Macquarie Street East Precinct released and planning progressed on the first stage of works to the Registrar General's Building after securing \$119.3 million over three years in the 2021/2022 NSW Budget.
- Progress on restoration, conservation and activation of the National Heritage Listed Parramatta North Precinct including adaptive reuse of three heritage buildings to establish the Western Sydney Startup Hub utilising \$53.8 million secured from the 2021/2022 NSW Budget.
- Activation of the Coffs Jetty Foreshore with construction of a new community building on the Jetty foreshore commencing and a draft masterplan released to the community for feedback during an extensive community consultation program.

Recycling ~\$285 million of surplus government owned property assets: The divestment of ~\$285 million of surplus NSW Government owned assets, including Longs Lane Terraces in The Rocks and the Trustee & Guardian building in Sydney's CBD.

NSW Government office portfolio management activities included:

- Maintaining office space utilisation within the PNSW managed commercial office portfolio (regional, metro and CBD office), achieving an average utilisation rate of 12.4 square metres per full time employee (FTE), ahead on the target benchmark.
- Completing 193 leasing transactions totaling 164,000 square metres (for context, equivalent in area to roughly 11 cricket grounds or 2 landmark CBD buildings) with a total financial commitment of \$401 million. 70% of these transactions were in NSW regional locations. In excess of 90 per cent of these new leases were struck at or below market gross effective rental benchmarks.
- Delivering new regional workplace hubs in Dubbo and Coffs Harbour.
- Completion of \$30.5 million capital works focusing on work health and safety and code compliance.
- Completion of new NSW Government Hubs:
 - 6 Parramatta Square, Parramatta: opened in October 2021, occupied by the Department of Communities and Justice and Greater Cities Commission (43,800 square metres with 2,750 workpoints).
 - 52 Martin Place, Sydney: completed in May 2022, occupied by NSW Treasury (6,500 square metres with 830 workpoints).
 - Armidale Teachers College, Armidale: completed in November 2021, occupied by the Department of Regional NSW (600 square metres with 60 workpoints).
 - 7 Harvest Street, Macquarie Park (Levels 7 and 8): completed in December 2021, occupied by Transport for NSW (8,560 square metres with 597 workpoints).
- Launch of the NSW Government Accessible Office Design Framework and Guidelines.
- Opening of the second whole of government touchdown workplace at 6 Parramatta Square.
- Upgraded the 231 Elizabeth Street, Sydney touchdown space.
- Progression toward the Asset Management framework compliance with requirements stipulate in NSW Treasury's Asset Management Policy (TPP19-07).
- Commencement of 'Asset Resilience' works to address condition and compliance of PNSW owned assets utilising \$20 million in capital and \$6.2 million in operating expenditure granted in the 2021/2022 NSW Budget.
- Provision of support services, including project management of critical works responding to the floods in Northern NSW.
- Procurement of a new, fully integrated property, facilities and leasing model that will shape PNSW's service delivery and operations into the future.

Environmental and sustainability achievements including:

- Ongoing remediation work at 7-11 Nelson Parade, Hunters Hill, forecast for completion in late-2022.
- Compulsory acquisition of the former Truegain waste oil processing site at Rutherford and commencement of the first stage of remediation works.
- Preparation for the remediation of residential land at the former Waratah Gasworks site in Waratah.

-
- Reduction of PNSW's carbon emissions by half over the past six years, significantly exceeding the NSW Government's Net Zero Plan Stage 1 target of reducing carbon emissions by 35% below 2005 levels by 2030.
 - Industry-leading performance in the NABERS benchmarking scheme, delivering outstanding building energy, water, waste and indoor environment performance across PNSW's commercial office portfolio comprising 22 government-owned buildings in metropolitan and regional NSW (PNSW's portfolio ranked fourth in NABERS Energy (5.4 stars) and fourth in NABERS Water (5.2 stars) in the NABERS Sustainable Portfolios Index 2022).
 - Receipt of Climate Active Carbon Neutral certification, becoming the first government agency in Australia to receive a 5-Star Green Star Performance rating across its portfolio.
 - Energy efficient projects currently underway include: installation of battery electric storage systems at 16 sites; installation of solar PV systems, including solar carports; establishing organic waste collection systems and working with tenants to promote good waste practices; and, making better use of internet of things (IoT) technology and remote monitoring of buildings to achieve more efficient, comfortable and healthy workplaces.

6. Economic or other factors

Sydney CBD and Metropolitan Markets (Leasing)

The impact of COVID-19 and the fallout from prolonged government restrictions and lockdowns is still being felt across commercial office markets in 2022. Occupiers are still cautious about their future requirements as they weigh up the implications of increased workforce flexibility and the move to remote working. Nevertheless, demand for office space (net absorption) is expected to be positive but moderate near term. Employment growth remains healthy, and the recovery will be aided by more workers returning or spending greater amounts of time in the office.

Vacancy rates across Sydney's office markets appear to be at or close to peaking but remain above historic markers. Vacancy rates have risen to 10.1 per cent in the Sydney CBD and an estimated 12.2 cent in metropolitan Sydney as at June 2022. This is well above pre-pandemic levels of 3.9 per cent and 5.5 per cent respectively as at December 2019.¹

Consequently, A grade office effective rents appear to be at or close to their troughs. CBD Prime Gross Effective rents are estimated to have fallen to an average \$902/m² as at June 2022, representing a 22.4 per cent decrease since the peak of \$1,162/m² recorded in December 2019. The recovery will take time, held in check by the shift to hybrid/remote working and notable supply additions over the next 12 to 18 months.²

Regional Office Markets (Leasing)

Office vacancy rates in Newcastle and Wollongong rose during the 12 months to July 22 to 10.8 per cent and 14.7 per cent respectively. The rise in vacancies was largely due to the completion of significant buildings (supply additions) in both markets. Yet, the demand for space (net absorption) was positive despite the ongoing impact of COVID-19. Wollongong's vacancy rate is likely to increase further with the completion in late 2022 of the first stage of the Lang's Corner development (11,500 square metres), but the effect on the vacancy rate will be muted by the 5,000 square metre pre-commitment by Mercer as they relocate from Coniston.

While most established businesses are not seeking expansion space in these markets, many are looking to upgrade into higher quality office developments in the CBD as tenants take advantage of the healthy incentive offerings generally available.³

Smaller regional markets throughout regional NSW have witnessed mixed results over the last 12 to 18 months, with certain markets seeing strong tenant demand, reduced vacancies and increasing rental values, while other areas have stagnated. Examples of regional cities and towns currently witnessing strong commercial markets are Ballina, Griffith, Albury, Port Macquarie and Nowra. The driver for these markets appears to be from local start up business or companies expanding, noting that Ballina and Port Macquarie are experiencing development and population growth while Griffith and Albury are surrounded by currently strong performing agricultural sectors. Markets with high vacancy rates include Gosford,

¹ BIS Oxford Economics 2022 (July), Sydney CBD Office Property Prospects: 2022 – 2032 (incl supplementary tables)

² Property Council of Australia, Office Market Report: July 2022

³ Herron Todd White, Month in Review, P8: September 22

Tamworth, Taree and Wagga Wagga, and while these are not necessarily poor performing markets, it is likely that rental growth in these areas will be subdued in the short to medium-term.⁴

⁴ PRP Closing Statement (April 22), PDNSW Valuation program

7. Legal Change

Transfer of Property Orders

PNSW provides a range of statutory acquisitions services, which include vesting under the Property NSW Act 2006. A total of six miscellaneous properties were vested to PNSW during the year for the purposes of ongoing management or to facilitate disposal. This included four former correctional centres vested to PNSW to facilitate disposal, namely Berrima, Brewarrina, Grafton and Ivanhoe correctional centres.

Significant judicial decisions

There were no significant judicial decisions that affected PNSW or the users of the services provided by PNSW.

8. Management and activities

Performance overview

PNSW delivered an unfavorable net loss variance of \$543.5 million in 2021-22 principally due to a one-off adjustment of \$546.9 million on the derecognition of finance sub-leases as at 30 June 2022 (unbudgeted). In 2021-22, the one-off adjustment had a net impact of zero across the total state sector, but it did produce a loss for PNSW.

Leased Portfolio Rental Costs

PNSW seeks to add value by leveraging collective bargaining-power across agencies, delivering lower and more stable rental costs for NSW Government. During the 2020-2022 financial year, PNSW exceeded the target benchmark with in excess of 90 per cent of new leases struck at or below the assessed market rent (target of ≥ 80 per cent).

Vacancy rates

PDNSW has maintained vacancy rates within its Sydney CBD and Sydney metropolitan commercial properties below benchmarks: as at 30 June 2022, the Sydney CBD portfolio vacancy rate was 5.2 per cent against the benchmark of 10.1 per cent; the Sydney metropolitan vacancy rate was 1.2 per cent against the benchmark estimate of 13.5 per cent. The aggregate vacancy within PNSW owned and leased property portfolios was 4.6 per cent as at 30 June 2022.

9. Human resources, numbers and remuneration of senior executives

Number of officers and employees by category with previous year comparison

2021-2022*	2020-2021
------------	-----------

Ongoing	99	103
Temporary	10	15
Casual	0	0
Executive	21	18
TOTAL	130	136

Note: Headcount data reported as at 30 June 2022.

Numbers and Remuneration of Senior Executives

2021-2022			
	Female	Male	Total
Band 4 Secretary	-	-	-
Band 3 Group/Deputy Secretary	0	1	1
Band 2 Executive Director	2	3	5
Band 1 Director	8	7	15
Total	10	11	21

Note: Headcount data reported as at 30 June 2022.

Average Remuneration of Senior Executives

2021-2022		
	Range (\$)	Average Remuneration (\$)
Band 4 Secretary	-	-
Band 3 Group/Deputy Secretary	-	\$410,000
Band 2 Executive Director	\$297,250 - \$323,464	\$305,601
Band 1 Director	\$213,716 - \$252,150	\$231,050

Note: 29.5% of PNSW's employee-related expenditure in 2021-22 was related to Senior Executives.

Exceptional Movements in Remuneration

There were no exceptional movements in wages, salaries or allowances in 2021-22.

10. Workforce Diversity

2022 Annual Report Content – Workforce Diversity Data

Trends in the Representation of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark	2020*	2021	2022
Women	50%	52.2%	47.8%	54.8%
Aboriginal and/or Torres Strait Islander People	3.3%	0.3%	N/A	1.8%
People whose First Language Spoken as a Child was not English	23.2%	10.6%	8.1%	10.7%
People with Disability	5.6%	0.9%	0.7%	1.2%
People with Disability Requiring Work-Related Adjustment	N/A	0.9%	N/A	0.6%

* 2020 data included Hunter & Central Coast Development Corporation, Place Management NSW and Valuation Services which have since transferred out of PNSW.

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014-17 introduced an aspirational target of Aboriginal people filling 1.8% of each salary band across the sector and cumulative representation of 3.3% of the public sector workforce.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information on this target can be found at: [Jobs for People with Disability: A plan for the NSW public sector](#).

Trends in the Distribution Index for Workforce Diversity Groups				
Workforce Diversity Group	Benchmark	2020*	2021	2022
Women	100	92	92	93
Aboriginal and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	98	N/A	N/A
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

* 2020 data included Hunter & Central Coast Development Corporation, Place Management NSW and Valuation Services which have since transferred out of PNSW.

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more

concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

11. Consultants

PNSW engages consultants for specialised work on an as-needed basis. In 2021/2022, PNSW engaged the following consultants for fees above \$50,000:

Consultant's Name	Amount of Consultancy	Title of Project	Categorised by the Nature of Consultancy	Total Number of Engagements
Grosvenor Performance Group (GPG)	\$117,467.20	PDNSW Financial Model Review	Strategic Review	1

12. Disability inclusion action plans

All Disability Inclusion Action Plans initiatives for PNSW now fall under the Department of Planning and Environment and are reported in its Annual Report.

13. Promotion

As confirmed by review of general ledger (financial) transactions in the financial year ended 30 June 2022, no overseas travel was taken by PNSW's employees.

14. Consumer response

PNSW encourages feedback from the general public via the contact us page on the Department's website, www.dpie.nsw.gov.au.

Feedback Assist is a customer system owned by the Department of Customer Service allowing customers to provide feedback, compliments or complaints to NSW Government agencies. Details of feedback, including any complaints, are received through the Feedback Assist platform and are included in the Department's statistical information.

PNSW has mechanisms in place for its clients to provide feedback relating to building issues via the PNSW Customer Service Centre at: <https://jll-property.nsw.corrigo.com/Customer/Home>. The portal, known as Corrigo, allows clients to log and track maintenance requests online in real time. During the 2021/2022 financial year, approximately 2,900 work order requests were submitted in Corrigo with 53 per cent of

feedback being positive, 44 per cent being neutral and 3 per cent of the feedback being negative.

A Strategic Review of PNSW was completed in 2021/2022. Over 50 participants in 11 workshops drawn from NSW Government agencies provided feedback, predominantly in late 2020/2021. This information has been used as the basis for strategies and actions to ensure PNSW continues to meet its legislated objectives and deliver on State and Premier Outcomes. Key focus areas include the management of the whole of government office accommodation portfolio, government transactions and management of contaminated land. The government office accommodation portfolio recommendations have been prioritised for implementation with a submission having been prepared for consideration by the Government in late-2022.

15. Payment of accounts

The table below sets out PNSW's account payment performance for 2021/2022.

ACCOUNT PAYMENT PERFORMANCE 2021-22	1ST QTR	2ND QTR	3RD QTR	4TH QTR	Grand Total
ALL SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid On / Before Due Date	199,730	197,429	196,092	220,998	814,249
<30 Days Past Due Date	4,259	6,855	8,001	6,458	25,573
>30<60 Days Past Due Date	544	990	770	2,724	5,028
>60<90 Days Past Due Date	37	33	295	346	712
>90 Days Past Due Date	1,429	455	3,065	1,658	6,606
Total Value of Invoices Paid (\$'000)	205,999	205,763	208,223	232,184	852,168
% Paid on Time - By Value	97%	96%	94%	95%	96%
Number of Invoices Paid					
Paid On / Before Due Date	11,874	11,096	11,035	12,136	46,141
Paid Past Due Date	434	545	1,168	1,010	3,157
Total Number of Invoices Paid	12,308	11,641	12,203	13,146	49,298
% Paid on Time - By Number	96%	95%	90%	92%	94%
Average Days to Pay					
Payment within 30 Days	4	4	5	5	
Payment exceeding 30 Days	112	98	103	101	
Interest Paid					
Number of Payments for Interest on Overdue Invoices	0	0	0	0	
Interest Paid on Overdue Invoices	0	0	0	0	
SMALL BUSINESS SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid On / Before Due Date	142	48	3,292	3,500	6,983
<30 Days Past Due Date	0	0	0	0	0
>30<60 Days Past Due Date	0	0	0	0	0
>60<90 Days Past Due Date	0	0	0	0	0
>90 Days Past Due Date	0	0	0	0	0
Total Value of Invoices Paid (\$'000)	142	48	3,292	3,500	6,983
% Paid on Time - By Value	100%	100%	100%	100%	100%
Number of Invoices Paid					
Paid On / Before Due Date	18	23	33	59	133
Paid Past Due Date	0	0	0	0	0
Total Number of Invoices Paid	18	23	33	59	133
% Paid on Time - By Number	100%	100%	100%	100%	100%
Average Days to Pay					
Payment within 30 Days	27	24	27	12	
Payment exceeding 30 Days	33	9	42	43	
Interest Paid					
Number of Payments for Interest on Overdue Invoices	0	0	0	0	
Interest Paid on Overdue Invoices	0	0	0	0	

16. Risk management and insurance activities

Risk Management and Business Continuity

The Department supports PNSW to manage its risks.

In 2021/2022, the Department continued to implement its enterprise-wide risk management framework across its business and the Cluster entities to which it provides risk management services. The framework reflects its commitment to provide a consistent and systematic process to manage risks across the Cluster. It is consistent with international risk management standard (ISO 31000-2018) and the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector (TPP20-08). It provides the principles and tools for risk management practice and culture within the Department and Cluster.

During 2021/2022 several improvements were made to the framework. These included conducting a risk maturity assessment, the drafting of a risk appetite statement for the Department, and the commencement of a project to provide an enterprise governance, risk, and compliance system. Quarterly risk reporting to the Property NSW Audit and Risk Committee was undertaken that enabled alignment enabled with the Department's enterprise risk register.

The Department supports risk management in PNSW through a business partnering model operated from the Governance Division. Risk reviews at the entity and divisional level were conducted quarterly during the year, involving senior management participation. Ad hoc advice and support were also provided as required.

PNSW utilises the Department's Business Continuity Management (BCM) process, which is based on ISO22301:2019. The process has been rolled-out across all entities that make up the Cluster and includes a comprehensive document suite to prepare for and respond to incidents and events that impact critical business operations. BCM documentation includes 'preparation' documents, which are used to plan, coordinate and maintain the BCM process on an ongoing basis, and organisation level 'response' plans which are used to activate and guide an appropriate business continuity response when disruption occurs. In 2021/2022, PNSW utilised the BCM process as part of the Department's response to the challenges posed by the COVID-19 pandemic.

The Department became a Corporate Partner of the Business Continuity Institute (BCI) in 2021. Membership provides the opportunity for staff to become affiliate members of the BCI and access a wide range of business continuity tools and resources. Two PNSW staff members became affiliate members of the BCI in 2021/2022. Membership will help to build business continuity capability in PNSW. Awareness training to support key staff has also been held.

17. Internal audit and risk management policy attestation

Internal audit

During the reporting period, PNSW had an internal audit function in accordance with the Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08).

The internal audit function is governed by the Internal Audit Charter approved by the CEO.

The Chief Audit Executive (CAE) and internal audit function for PNSW is provided by the Department's Internal Audit Branch, Governance and Legal Group.

The internal audit function provides independent and objective review and advisory services designed to improve operations, risk management, controls and governance processes. PNSW had a risk based 2021/2022 Internal Audit Plan endorsed by the ARC following consultation with management and approval by the CEO. The CAE reported at each meeting about internal audit activities and the engagements included in the approved 2021/2022 Internal Audit Plan.

Audit and Risk Committee

PNSW has an independent Audit and Risk Committee (ARC) established under a collaborative shared ARC arrangement.

The ARC continued to meet during the reporting period to monitor, review and to provide oversight on the governance processes, risk management, control frameworks and annual financial statements for PNSW. The CAE reported at each meeting about internal audit activities and delivered the engagements included in the approved risk based 2021/2022 Internal Audit Plan. The ARC discharged its' responsibilities under the Charter and 7 (seven) times during 2021/2022.

Ethics and Integrity

The Department revised its Code of Ethics and Conduct in March 2022. The Code is web-based and provides an accessible and up to date resource for all employees to understand and comply with their integrity related obligations. The revision of the Code followed extensive consultation with employees and community stakeholders. The Code shapes the way we act and work together as an organisation, to deliver outcomes for the NSW's growing and future communities.

Significant Code of Ethics and Conduct developments in the reporting period include:

- Conflicts of interest requirements relating to the NSW Biodiversity Offset Scheme (BOS) Protocol - The Department implemented this protocol and delivered training and awareness across the Cluster. The protocol outlines the mandatory requirements to address integrity risks and establishes rules for the consistent management of BOS conflict of interests.
- Organisational compliance framework – The framework is comprised of a compliance policy, procedure, and register. It ensures departmental compliance with key legislative and regulatory obligations in the performance of its functions.
- Lobbying of government official's policy – The lobbying policy was updated in response to the ICAC's public inquiry into lobbying, access, and influence in New South Wales. The revised policy aligns with the Premier's whole of government response to lobbying reform, which accepted 27 of the ICAC's recommendations to strengthen lobbying integrity measures across the State.
- Ethics portal – The Department operates a centralised, automated declaration platform to make it easier for employees to submit their integrity related declarations and applications. Throughout 2021/2022, considerable enhancements were made to strengthen safeguards and enable a new range of reporting capabilities.

The Department continues to work in collaboration with central agencies, such as the NSW Ombudsman, the Audit Office of New South Wales, the Independent Commission Against Corruption, NSW Procurement, NSW Transport and NSW Treasury, to ensure leading practice guidance is continually revised, developed, and implemented.

18. Internal Audit and Risk Management Attestation Statement for 2021-2022 Financial Year for Property NSW

I, Leon Walker, Chief Executive Officer, Property NSW, am of the opinion that Property NSW has internal audit and risk management processes in operation that are compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements

Risk Management Framework

- | | | |
|-----|--|------------------|
| 1.1 | The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency. | Compliant |
| 1.2 | The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018 | Compliant |

Internal Audit Function

- | | | |
|-----|--|------------------|
| 2.1 | The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit | Compliant |
| 2.2 | The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for the Professional Practice for Internal | Compliant |
| 2.3 | The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'. | Compliant |

Audit and Risk Committee

- | | | |
|-----|--|------------------|
| 3.1 | The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control | Compliant |
| 3.2 | The Accountable Authority shall ensure that the Audit and Risk Committee has a Charter that is consistent with the 'model charter' | Compliant |

Membership

The independent chair and members of the ARC are:

Role	Name	Start Term Date	Finish Term Date
Independent Chair	Carol Holley	30 March 2020	29 March 2023
Independent Member	Arthur Butler	30 March 2020	29 March 2023
Independent Member	Nirmal Hansra	30 March 2020	29 March 2023

Shared Arrangements

I, Leon Walker, Chief Executive Officer, Property NSW, advise that Property NSW has entered into an approved shared arrangement comprising the following agencies:

- Property NSW
- Luna Park Reserve Trust
- Hunter and Central Coast Development Corporation
- Place Management NSW
- Sydney Olympic Park Authority
- Waste Assets Management Corporation
- Planning Ministerial Corporation
- Cemeteries and Crematoria NSW

The resources shared include the Audit and Risk Committee, the Chief Audit Executive, and the internal audit function. The shared Audit and Risk Committee is a collaborative shared Audit and Risk Committee.



Leon Walker

Chief Executive Officer
Property NSW

Date: 10 August 2022

19. Digital information security policy attestation

20. Multicultural Policies and Services Program

All Multicultural Plan initiatives for PNSW now fall under the Department and will be reported in its Annual Report.

21. Work Health and Safety (WHS)

In 2021/2022 PNSW continued to take a proactive and risk-based approach to managing the safety of all employees, other workers and visitors to its properties, sites and activations.

The PNSW Health and Safety Committee (HSC) continue to meet monthly to discuss WHS issues and proactively engage with workers on WHS matters and promote WHS initiatives and resources throughout the division.

PNSW maintains a WHS Hazard and Risk Register to effectively identify and manage workplace hazards and risks.

The Department's Safety Management System provides PNSW with a broad framework of WHS resources and risk management tools which are implemented throughout the business including:

1. COVID-19

The Department supported PNSW staff with contact tracing and reporting of COVID-19 infections in the workplace. COVID-19 specific workplace inspections and preventative WHS risk management practices were administered throughout PNSW workplaces.

In December 2021 the Department announced its COVID-19 policy, requiring employees to be double vaccinated by 28 February 2022. In April 2022 the NSW Government confirmed each agency will be responsible for confirming vaccination requirements based on the risks associated with the work they do. As a result, the Department initiated a review of the policy and consultation process. The general feedback included commentary around the need for flexible work arrangements and the need to monitor the application of controls at the workplace. The Department's new policy was finalised after 2021/2022. PNSW staff have been offered flexible workplace arrangements generally entailing a hybrid workplace and regular consultation with staff on the effectiveness of COVID-19 risk management practices in the workplace through divisional meetings and the PNSW Health & Safety Committee meetings.

2. Safety Improvement Plans

During October 2021, PNSW participated in the Department's Safety Improvement Plan which was an awareness campaign aimed at improving hazard identification and risk management across the workplace. The campaign involved the release of new WHS management system documentation, team briefs and training with focus topics including aggressive stakeholders, driving and hazardous manual tasks.

3. Establishing Risk Management practices in the workplace

PNSW expanded on existing department procedures by customising a 'take 5 for safety

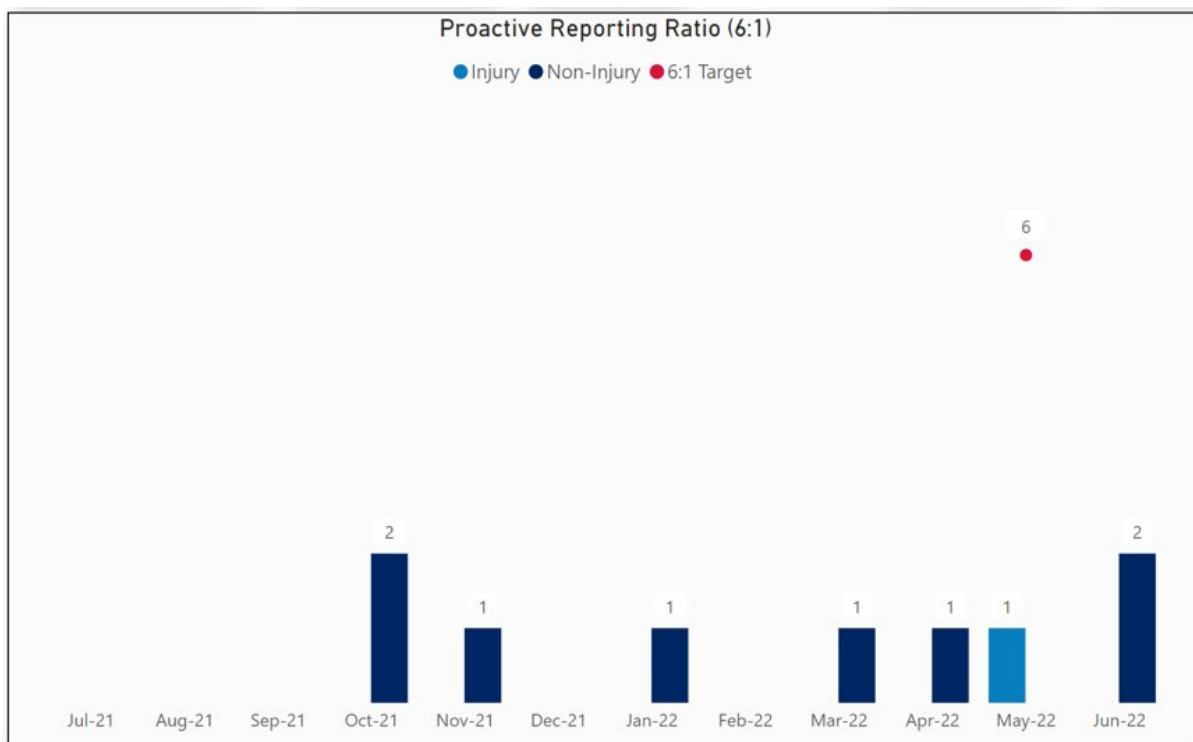
checklist' which is available for staff to use through an online portal or application. This tool is a personal risk assessment used by staff attending sites and works towards minimizing the risk of injuries or incidents at the workplace by identifying and controls hazards prior to work tasks commencing.

4. Participation in Health and Wellbeing initiatives

PNSW staff participated in the 'Being Well Together' initiatives coordinated through the Department's WHS Strategy. The strategy included initiatives that supported health and wellbeing through the transition back to the workplace such as the launch of *the Departments Safety Wellbeing Conversations Guide*, advocacy of the Employee Assistance Program service, wellbeing virtual classes and team building exercises including the STEptember challenge.

WHS incidents

Nine incidents were reported in 2021/2022. Six were near misses, two were identification of hazards and one incident required medical treatment (the medically treated injury was minor and did not result in workers compensation or lost time).



22. Budgets

Performance against budget

PNSW delivered an unfavorable net loss variance of \$543.5 million in 2021-22 mainly due to the one-off adjustment of \$546.9 million recognised on the derecognition of finance sub-leases as at 30 June 2022 (unbudgeted). In 2021/2022, the one-off adjustment had a net impact of zero across the total state sector, but it did result in a loss to PNSW.

Budget overview

PNSW has forecast a \$133.3 million surplus for the 2022/2023 financial year. The surplus is mainly due to Grant Revenue of \$149.1 million.

Capital grant funding of \$110.9 million in 2022/2023 is to be provided to PNSW for the delivery of whole of government office hubs and the Building Refurbishment Plan on the owned property portfolio.

	2020-21	2021-22	2021-22	2021-22	2022-23
	Actual	Actual	Budget	Variance	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000
Property NSW					
Expenses	382,708	416,531	461,625	(45,094)	782,491
Revenue	399,574	429,270	425,249	4,021	884,181
Other gains/(losses)	(30,283)	(543,657)	48,996	(592,653)	31,638
Net operating result - surplus / (deficit)	(13,417)	(530,918)	12,620	(543,538)	133,328

23. Additional matters for inclusion

External costs incurred in producing this report

There were no external costs (eg. fees for consultants and printing costs) incurred in producing this report.

24. Requirements arising from employment arrangements

The Department provided personnel services in 2021/2022 to PNSW.

25. Government Information (Public Access) Act 2009

Public Access to Information

Under Schedule 3 of the Government Information (Public Access) Regulation 2018, PNSW is a subsidiary agency for the purposes of the Government Information (Public Access) Act 2009. Therefore, all statistical information about access applications required to be included in an annual report regarding PNSW, in compliance with s125 of the Government Information (Public Access) Act 2009 and Clause 8 of the Government Information (Public Access) Regulation 2018, is included in the annual report for the Department.

Standing Order 52

Under Standing Order 52, the Parliament of NSW can order the production of Executive Government papers to the House. In the 2021/2022 financial year, there were no orders passed by the Legislative Council that required the PNSW to produce documents.

Privacy

Under Clause 6 of the Annual Reports (Departments) Regulation 2010, PNSW must provide a statement of its actions to comply with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIP Act). It must also provide statistical details of any reviews conducted by or on behalf of the Department, under Part 5 of the PPIP Act.

PNSW complies with the Privacy Management Plan for the Department of Planning and Environment. The Plan outlines how the Department and its cluster agencies comply with the principles of the PPIP Act and the Health Records and Information Privacy Act 2002. Officers in the Department's Information Access & Privacy unit also provide specialist privacy advice and training to departmental cluster staff.

In 2021/2022, PNSW received no applications for review under Part 5 of the PPIP Act.

26. Public Interest Disclosures

Under the *Public Interest Disclosures Act* 1994, each public authority is required to prepare an annual report on their obligations under this Act. This information for PNSW is captured in the Department's Annual Report as all Public Interest Disclosures are managed centrally by the Department.

27. Exemptions and nil reports

Reporting requirement	Reason for exemption
Disclosure of controlled entities	PNSW does not control any entities of the kind referred to in section 39 (1A) of the <i>Public Finance and Audit Act 1983</i> .
Disclosure of subsidiaries	PNSW does not control or hold shares in any subsidiaries within the meaning of the <i>Corporations Act 2001</i> (Cth.).
Funds granted to Non-Government Organisations	PNSW did not make any grants to any non-government community organisations during 2021/2022.
Agreements with Multicultural NSW	PNSW does not have any agreements with Multicultural NSW under the <i>Multicultural Act 2000</i> .
Implementation of Price Determination	PNSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Inclusion of unaudited financial statements	Not applicable.
Investment Performance	All PNSW investment powers are in accordance with Division 6.4 of the <i>Government Sector Finance Act 2018</i> . However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Liability management performance	Not applicable, as PNSW does not have a level of debt greater than \$20 million.
Land Disposal	No properties with a value greater than \$5 million were disposed of during 2021/2022 without going to public auction or tender. PNSW keeps a register of government contracts. All contracts greater than \$150,000 are released on the site: https://tenders.nsw.gov.au/ .
Research and Development	Not Applicable.

Property NSW

Annual Report 2021/2022

Financial statements for the year ended 30 June 2022