



**RenewalSA**  
people partnerships progress

Ref: 15-01-01-0009

Hon John Rau MP  
Minister for Housing and Urban Development  
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02/09/14

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Dear Minister,

### **Reform of Government Boards and Committees**

On Monday 25 August 2014 the Board of Management responsible for the Urban Renewal Authority (trading as Renewal SA) discussed in detail the Premier's letter of 8 July 2014 outlining his reform program for government boards. The Premier's letter asked the board to consider the need for an ongoing board function and further asked that we provide you as the Minister responsible for Renewal SA with information that will assist Cabinet in their decision making process in regard to this matter.

Our deliberations were enhanced by the receipt of your letter of 22 August 2014 which provided a clear direction of your priorities for board attention over 2014/15 and beyond. The board has asked me to convey their thanks to you for your letter of direction, which gives the board a clear program of deliverables against which progress can be objectively measured.

I assure you that the board has been energised by your clear direction and focus, and we are committed to delivering significant projects and activities that help build the state's economy and create jobs; facilitate investment in South Australia; develop more opportunities for people to live within 10 kilometres of the central business district; and encourage more people to visit Adelaide.

In considering the appropriate ongoing governance arrangements for Renewal SA the board assessed itself against the key criteria contained in the 2003 report prepared by John Uhrig for the Commonwealth Government titled *'Review of Corporate Governance of Statutory Authorities and Office Holders'*.

Following the consideration of Uhrig's key criteria the board believes that a statutory board of management is the most appropriate ongoing governance arrangement for Renewal SA. Table 1 below outlines the key characteristics of Renewal SA as an entity that align with Uhrig's criteria for establishing or maintaining a statutory board as a key component of the entity's governance. More details of the board's self-assessment can be found at Appendix A.



**Government of  
South Australia**

**Table 1: Assessment of Renewal SA Against Uhrig's Key Criteria**

<b>Uhrig's Key Governance Criteria for Entities</b>	<b>Renewal SA</b>
<b>Efficiency:</b> beneficial to undertake functions outside the portfolio department	Yes
<b>Independence:</b> functions require a level of separation from government to ensure objectivity	Yes
Entity performs a broad set of functions	Yes
Major activities are commercial in nature	Yes
Board brings specific skills to the delivery of priority projects and activities	Yes

In considering the Premier's reform challenge the board has identified some key enhancements to our operational arrangements that would assist the board to significantly improve its capacity to add value. These include:

- Recommend that the Chief Executive be considered for membership of the Renewal SA board – a number of existing experienced board members believe that this model works well in the private sector and that the Chief Executive's appointment would enhance the board's capacity to fulfil their role.
- Focus future board appointments on individuals with a range of appropriate or relevant commercial skills and experience that could include:
  - Commercial property and infrastructure development
  - Commercial financing
  - Commercial legal
  - Place making and urban activation; and
  - Social housing / not-for-profit housing policy.
- Request the Minister to seek a variation to the application of Treasurer's Instruction 8 to provide the board with a delegation to approve land sales and contract pre-authorisations up to \$4.4m (GST inclusive).

The board recognises that it does not operate with the same authority or freedom as a board operating within the private sector, but it believes that it can provide a significant benefit to government in developing and delivering proposals for Ministerial and Cabinet consideration that align with the strategic priorities as outlined in your letter of direction.

I would be pleased to further discuss the board's role in more detail and look forward to your consideration of the potential enhancements outlined above.

Yours sincerely



**Hon Bronwyn Pike**  
Presiding Member

## APPENDIX A

### URBAN RENEWAL AUTHORITY BOARD OF MANAGEMENT SELF ASSESSMENT

The Board of Management responsible for the Urban Renewal Authority (trading as Renewal SA) has undertaken a self-assessment to enable it to respond appropriately to the Premier's letter of 8 July 2014, which outlined his reform program for government boards. A key component of this self-assessment references the report titled '*Review of Corporate Governance of Statutory Authorities and Office Holders*' prepared by John Uhrig for the Australian Government in 2003. It is noted that corporate governance concepts have advanced since the time of this report, but key elements of Uhrig's report remain relevant in the assessment of statutory boards.

In his report Uhrig recommended that statutory authorities should only be established where there is sufficient need for:

1. Efficiency: that is, a clear purpose is required to achieve objectives and it is considered beneficial to undertake functions outside the portfolio department; or
2. Independence: when functions require a level of separation from government to ensure objectivity.

In addition Uhrig made the following key points:

3. Where statutory authorities undertake a narrow set of functions, delegation to an executive group, coupled with an appropriate framework of governance (not a board) will be the most practical and effective arrangement.
4. Statutory authorities whose major activities are commercial in nature will generally be better suited to operate under a board.
5. A board is seen as having the ability to add value to the governance arrangements of such commercial statutory authorities through the application of entrepreneurial skill, objectivity and wisdom gained through appropriate experience, including in exercising authority and judgement.

It is against these five key elements that the board has assessed itself with the outcomes outlined below.

#### SELF-ASSESSMENT AGAINST UHRIG CRITERIA

Uhrig Criteria	Board Self-Assessment
Efficiency: that is, a clear purpose is required to achieve objectives and it is considered beneficial to undertake functions outside	<ul style="list-style-type: none"> <li>• Renewal SA as a Government Business Enterprise (GBE) and a Public Non-Financial Corporation (PNFC) has the capacity to manages resources more efficiently than a portfolio department, including:               <ul style="list-style-type: none"> <li>○ Has capacity to raise capital through borrowing</li> </ul> </li> </ul>

Uhrig Criteria	Board Self-Assessment
the portfolio department	<p>outside of the general government sector and has the capacity to service debt.</p> <ul style="list-style-type: none"> <li>○ Can align the majority of human resourcing to business needs through employment contract arrangements.</li> <li>○ Can manage some industrial relations within a less restrictive framework.</li> <li>○ Can manage capital budgets outside of the general government sector.</li> <li>○ Seeks to derive a commercial return through key projects and activities.</li> <li>○ Provides a governance structure for the creation of precincts under the <i>Housing and Urban Development (Administrative Arrangements) (Urban Renewal) Act 2013</i>. This is not available to portfolio departments and is only available to entities created under the above Act.</li> </ul>
Independence: when functions require a level of separation from government to ensure objectivity.	<ul style="list-style-type: none"> <li>• Whilst Renewal SA is not totally independent of government the separation provided by its GBE and PNFC status, and its establishing legislation, provides a level of independence that enables the utilisation of external expertise to develop project proposals for Ministerial / Cabinet consideration and to ensure appropriate oversight of land sales and approved project expenditure.</li> <li>• The board could more appropriately perform these governance functions if a variation to the application of Treasurer's Instruction 8 was sought to provide the board with a delegation to approve land sales and contract pre-authorisations up to \$4.4m (GST inclusive).</li> </ul>
Narrow or broad set of functions?	<ul style="list-style-type: none"> <li>• Renewal SA performs a broad set of land based functions that are contained within a range of key governance documents that include: <ul style="list-style-type: none"> <li>○ <i>Housing and Urban Development (Administrative Arrangements) (Urban Renewal Authority) Regulations 2012</i>.</li> <li>○ Urban Renewal Authority Charter – tabled in State Parliament on 6 August 2014.</li> <li>○ <i>Housing and Urban Development (Administrative Arrangements) (Urban Renewal) Act 2013</i> (yet to be operational).</li> </ul> </li> <li>• The Minister's letter of expectations dated 22 August 2014 clearly defines a broad set of deliverables that board is responsible for delivering on.</li> </ul>
Major activities commercial in nature	<ul style="list-style-type: none"> <li>• As a GBE and a PNFC Renewal SA seeks to operate commercially.</li> <li>• Key components on Renewal SA's activities seek to</li> </ul>

Uhrig Criteria	Board Self-Assessment
	<p>derive a commercial return. These include:</p> <ul style="list-style-type: none"> <li>○ Residential and mixed-use land development projects.</li> <li>○ Greenfield, industrial and surplus government land disposal.</li> <li>○ Leasing and commercial sales activities; and</li> <li>○ Development management services, including fee for service activities.</li> </ul> <ul style="list-style-type: none"> <li>● Other key activities may not derive a commercial return, but these are delivered in a commercial manner so as to ensure best value to the taxpayer.</li> </ul>
<p>Add value ... through the application of entrepreneurial skill, objectivity and wisdom gained through appropriate experience, including in exercising authority and judgement.</p>	<ul style="list-style-type: none"> <li>● The board does not simply perform an advisory or sectoral representation function; rather it provides professional oversight to the key functions and activities of a major State Government GBE and PNFC.</li> <li>● The board brings together a range of public and private sector skills and experience that enable it to add significant value to governance of the entity and to the development of new project proposals for Ministerial / Cabinet consideration, including triple bottom line assessment.</li> <li>● This could be enhanced by: <ul style="list-style-type: none"> <li>○ Appointment of Chief Executive to the board</li> <li>○ Appointment to the board of individuals with a range of appropriate or relevant commercial skills and experience that could include: <ul style="list-style-type: none"> <li>▪ Commercial property and infrastructure development</li> <li>▪ Commercial financing</li> <li>▪ Commercial legal</li> <li>▪ Place making and urban activation; and</li> <li>▪ Social housing / not-for-profit housing policy.</li> </ul> </li> </ul> </li> </ul>

Following this self-assessment the board believes that a statutory board of management is the most appropriate ongoing governance arrangement for Renewal SA. To support this proposition the board has identified some key enhancements to its operational arrangements that would assist the board to significantly improve its capacity to add value.