

City Wide Business Model

ITEM 4.2 02/06/2020

The Committee

2019/00615

Public

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EXECUTIVE SUMMARY:

The purpose of this report is to provide recommendations to Council regarding the implementation of a City-Wide Business Model (CWBM) with respect to its potential governance structure.

The *City-Wide Business Models Feasibility Study* was completed in October 2019 and evaluated alternative funding and governance models that aim to accelerate economic growth in the City. The study investigated and analysed several successful models operating in jurisdictions within Australia and overseas.

Significant consultation on CWBM options has occurred with the City Precinct Mainstreet Associations, Adelaide Business Collective, broader business community, State Government agencies, Industry Associations and City of Adelaide partners to inform these recommendations.

The proposed governance structure to implement a CWBM as a subsidiary of Council under Section 42 of the *Local Government Act 1999 (SA)*. It is considered this option is best placed to support Adelaide's CBD and North Adelaide specific business needs, opportunities and activities moving forward.

It is proposed to investigate whether the creation of the Section 42 subsidiary could occur through an amendment to the Charter of the Rundle Mall Management Authority by expanding its Objects, Purpose, Powers, Functions and Duties.

The rationale for the introduction of a CWBM is to accelerate economic growth of the City of Adelaide through attracting investment and supporting the growth of business, residents, visitors, events, festivals and students, in collaboration with key State Government agencies and through implementation of a comprehensive, city wide marketing and growth strategy.

Operating as a subsidiary of Council will enable it to respond with agility to changes in the commercial environment and redirect resources as needed, while aligning with Council's Strategic Plan and direction.

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The following recommendation will be presented to Council on 9 June 2020 for consideration

That Council:

1. Approves the implementation of a City-Wide Business Model through the use of a subsidiary of Council under Section 42 of the *Local Government Act 1999*.
 2. Approves investigating an amendment to the Charter of the Rundle Mall Management Authority to expand its Objects, Purpose, Powers, Functions and Duties to broaden its existing scope to enable delivery of city-wide economic development outcomes as a subsidiary of Council under Section 42 of the *Local Government Act 1999*.
 3. Notes that a draft Charter for the subsidiary under Section 42 of the *Local Government Act 1999* will be presented to Council for its endorsement and submission to the Minister for Transport, Infrastructure and Local Government for approval.
 4. Notes the Indicative Implementation Timeline for the establishment of a subsidiary under Section 42 of the *Local Government Act 1999* to deliver city wide economic outcomes.
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IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016 - 2020 Strategic Plan	<p>Strategic Alignment - Smart</p> <p>By June 2018, work with key stakeholders in mainstreets and districts to develop business plans that will provide greater participation at the local level and appropriate governance models, as well as work on projects such as an O'Connell Street enhancement program.</p> <p>The City of Adelaide 2020-2024 Strategic Plan 'Strong Economies' outcome – Implement a City-Wide Business Model.</p>
Policy	Not as a result of this report
Consultation	Preliminary consultation on the 'City Wide Business Model' framework has occurred with Precinct Groups, business representative groups, City of Adelaide partners, industry associations, State Government and City of Adelaide subsidiaries.
Resource	The implementation of a new city-wide business model will be managed within existing resources.
Risk / Legal / Legislative	The Charter for the proposed subsidiary will be prepared for endorsement of Council and submitted to the Minister for Transport, Infrastructure and Local Government in accordance with the <i>Local Government Act (SA) 1999</i> .
Opportunities	Improved alignment with the business sector that represents nearly 80% of rate revenue with a dedicated subsidiary governed by a skills-based board. Reinforcing the City of Adelaide as a small business friendly city and a great place to do business that encourages investment.
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	The proposed subsidiary would operate under Section 42 of the <i>Local Government Act 1999 (SA)</i> until such time as Council resolves for the subsidiary to be wound up.
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Ongoing costs for operation and delivery of programs by the proposed subsidiary would be funded through the annual Integrated Business Plan and Budget process.
Other Funding Sources	The proposed subsidiary would have the ability to generate secondary revenue above and beyond its funding requirements and would seek opportunities to partner with other agencies and the private sector.

BACKGROUND

1. At its meeting on 24 July 2018, Council resolved:

“Administration brings to a future workshop a report on opportunities to better support our Mainstreet Precinct Group, the report should include financial modelling, resourcing support, and any form of other support we can include.”

City of Adelaide Precinct Groups

2. The City of Adelaide's Precinct Group Support Program was established in 1994 to provide a place-based approach to economic development in the City.
3. Each of the current Precinct Groups operating in the City of Adelaide (CoA) is an Incorporated Association under the *Associations Incorporation Act 1985* (SA). They are all not-for-profit groups, legally separated from their members.
4. Each organisation is led by volunteer committee members representing businesses in their area, and in some cases, residents, with seven operating year-round and Chinatown Adelaide SA Inc operating annually and staging Chinese New Year celebrations.
5. Seven precinct organisations (excluding Chinatown Adelaide SA Inc) receive funding (\$25,000 per year) from the City of Adelaide via a non-competitive funding program along with \$8,000 for Christmas support. Additional funding is provided to Precincts through the competitive Mainstreet Advancement Grant process. There is a presumption that the Precinct Groups will raise sufficient additional funds to create initiatives to support the local community via other grant funding opportunities and membership.

Drivers for a City-Wide Business Model

6. A number of external drivers have been identified as impacting the economic outcomes for city businesses:
 - 6.1. Static State population growth
 - 6.2. Increased retail competition from global companies
 - 6.3. Increased retail competition from online sources
 - 6.4. Changing legislative environment with deregulation of shopping hours
 - 6.5. Increased investment and competition from suburban shopping centres
 - 6.6. Natural disasters (eg bushfires) and climate change (eg increase in number of extreme heat days)
 - 6.7. The public health response to COVID-19 (eg social distancing and restrictions on interstate and international travel).
7. In May 2019, Amanda Grocock and Associates (AGA) was engaged by the City of Adelaide (CoA) to undertake an analysis and investigation of alternative governance and funding models for city mainstreets.
8. The *City-Wide Business Models Feasibility Study* (Link 1 view [here](#)) was completed in October 2019 and evaluated alternative governance and funding models that aim to accelerate economic growth in the City. The study included reviewing various models used by other states and countries, including but not limited to, WellingtonNZ, Brisbane Marketing Authority and Golden Triangle Business Improvement District (BID). The feasibility study reviewed the experiences of these models and other jurisdictions and considered the potential for their application in the City of Adelaide.
9. A Committee Workshop on the findings of the feasibility study was presented on 7 November 2019.

Stakeholder Engagement

10. As part of the development of the feasibility study, consultation was undertaken with Precinct Group Chairs, Precinct Committee representatives and the Chief Executive Officers of allied attraction organisations (eg Adelaide Convention Bureau, Festivals Adelaide and Renew Adelaide) to seek their insights and perspectives on the current Precinct Group model and understand their aspirations for a potential City-Wide Business Model.
11. The consultation process identified a number of shortcomings with the city's existing Precinct Model. These include:
 - 11.1. The large number of precincts and their inconsistency in size results in a duplication of costs and resourcing, an inequitable funding model (eg larger precincts such as North Adelaide Precinct Association received comparatively less funding) and a dilution of potential impact.
 - 11.2. Inadequate funding and a reliance on volunteers are limiting the ability to deliver a unified approach that effectively leverages high spending visitors.

- 11.3. A lack of connection to a whole City vision and council initiatives.
12. Key aspirations for a new model identified by stakeholders include an opportunity to:
- 12.1. Deliver city-wide growth with long term city goals
 - 12.2. Increase communication, collaboration and consistency of initiatives, and engagement with businesses and building owners
 - 12.3. Consolidate precinct areas
 - 12.4. Create a central body to eliminate conflicts of interest and clearly demonstrate a return on investment for the City of Adelaide
 - 12.5. Heighten customer experiences through marketing and activation
 - 12.6. Improve flexibility in responding to a changing economic climate and increase economic outcomes for businesses.
13. CoA staff met with Precinct Groups on 27 November 2019 to discuss concerns (such as funding implications and the potential change of role for Precincts under a CWBM) arising from the feasibility study. A further briefing on the CWBM approach was presented to Precinct Groups as part of the Lord Mayor's Precinct Forum on 19 February 2020.
14. Additional meetings occurred with the Property Council of Australia SA and its Mainstreets and Retail Committee (7 November and 5 December 2019 respectively), Rundle Mall Management Authority Board (18 November 2019) to provide an update on the progress of the CWBM.
15. An online workshop, *City Wide Business Model – An opportunity to have your say* was held on 4 May 2020. The workshop was attended by 41 individuals representing the business community across a range of sectors, including Precinct Groups and members of the Adelaide Business Collective. Additional participants included Council Members, the Hon Rachel Sanderson MP Member for Adelaide, and CoA staff.
16. Discussions during the forum clearly indicated a desire for the City of Adelaide to progress quickly with implementation of a CWBM. Following the workshop, participants and those unable to attend were invited to participate in the survey *Perceptions of the City-wide Business Model* (Link 2 view [here](#)). The survey attracted fifty-two (52) respondents, including owners/managers of city-based businesses (69%) and landlord/property owners (19%).
17. Eighty percent (80%) of respondents indicated support for the CWBM. Qualitative responses indicated a preference for the CWBM to have local representation at board/committee level.
18. Participants were asked to rank the most important functions of a CWBM. The top four functions included destination marketing to increase customer traffic (97%), business growth initiatives (76%), provide a unified and independent business voice (62%) and investment attraction – attract new businesses to the city (54%).

DISCUSSION

19. The City of Adelaide 2020-2024 Strategic Plan 'Strong Economies' outcome includes the key action – Implement a City-Wide Business Model.

Purpose and Functions

20. The rationale for the introduction of a CWBM is to accelerate economic growth of the City of Adelaide through attracting investment and supporting businesses, residents, visitors, events and festivals and students, in collaboration with key State Government agencies and through implementation of a comprehensive, city wide marketing and growth strategy.
21. Creation of a focussed entity would provide opportunities to maximise efficiencies and improve City outcomes through:
- 21.1. Leveraging the city brand
 - 21.2. Consolidation of existing activities across multiple areas
 - 21.3. Reducing duplication in services and filling gaps in administration of the current Precinct Group model
 - 21.4. Pooling resources for a city-wide long-term approach to economic development
 - 21.5. Being more agile and able to respond to and actively engage with commercial opportunities and changes in economic climate in a timely manner
 - 21.6. Creating and more effectively leveraging a range of existing strategic partnerships and target new ones

- 21.7. Attracting additional funding through alternative revenue streams (eg State Government, commercial partners and sponsorships)
- 21.8. Increasing collaboration (rather than competition) between City Precincts and other jurisdictions.
- 22. The key functions covered by the proposed entity would include economic development, investment attraction, business and visitor growth, and city-wide marketing.

Governance Model – Preferred Option

- 23. With a key objective of providing a more efficient and effective model for whole of city (including North Adelaide) business initiatives, the following alternative governance models have been considered:
 - 23.1. Council to retain full administrative control of a new model, engaging with stakeholders as and when required.
 - 23.2. Section 41 Committee – established under the auspices of the *Local Government Act (SA)* (the Act) which determines how funds will be spent.
 - 23.3. Section 42 Subsidiary – a body corporate established by Council under the Act which provides a specific service or services.
 - 23.4. Incorporated Precinct Group – Council could participate in the formation of an incorporated association, pursuant to the *Associations Incorporation Act 1985*.
- 24. Both the Rundle Mall Management Authority (RMMA) and the Adelaide Central Market Authority (ACMA) are subsidiaries of the City of Adelaide pursuant to Section 42 of the Act.
- 25. A Section 42 subsidiary is the preferred option for the City of Adelaide as:
 - 25.1. It allows for Council to retain the ability to align the objectives of the subsidiary with its strategic objectives.
 - 25.2. Stakeholder engagement undertaken by the subsidiary is separate from any Council engagement processes;
 - 25.3. Professional skills can be engaged to support execution at both board and administrative levels.
- 26. The proposed subsidiary would be responsible for preparing a Strategic Plan and Annual Business Plans, consistent with Council's objectives. Both Plans would be required to be approved by Council. The proposed subsidiary would also be responsible to prepare and submit an Annual Report to Council.
- 27. Approval of the Minister responsible for the Act is required to create and establish a subsidiary and to wind up a subsidiary. A copy of the proposed charter for the subsidiary must accompany an application to the Minister to establish a subsidiary.

Subsidiary Charter

- 28. If Council approves progressing with the establishment of the proposed subsidiary under Section 42 of the Act, a draft Charter will be brought back to Council for its consideration and to seek approval for it to be submitted to the Minister in accordance with Section 1 (3) of Schedule 2 of the *Local Government Act 1999* (Ministerial approval and Gazettal).
- 29. The draft Charter will be required to address matters such as purpose, constitution of a board of management, the power, functions and duties of the proposed subsidiary, its scope of activities, as well as staffing, funding and reporting obligations.
- 30. The objects and purposes of ACMA outlined in its Charter are:
 - 30.1. To oversee the management and operation of the Market in accordance with the Charter, the Market Charter and the Council's Strategic Plan
 - 30.2. To be responsible for maintaining and enhancing the iconic standing of the Market for the benefit of all stakeholders; and
 - 30.3. To be responsible for the Market becoming internationally recognised as a vibrant, diverse and unique fresh produce market community that is commercially sustainable for traders and the Council.
- 31. In delivering on the objects and purposes, ACMA plays a key role in holding a Headlease for the Market and granting subleases, licences and other rights of occupation. The ACMA subsidiary model is quite different from the powers, functions and duties envisaged for the proposed subsidiary.
- 32. The objects and purposes of RMMA outlined in its Charter are:
 - 32.1. To position the Rundle Mall as the State's premier retail and commercial shopping precinct in order to sustain retail, business and economic viability;

- 32.2. To promote the Rundle Mall and to encourage its use by residents, visitors and the community in general; and
- 32.3. To ensure that the Authority operates within the terms of its Charter and the Council's Strategic Plan.
33. The key powers, functions and duties of RMMA in delivering on its purpose include the promotion and marketing of Rundle Mall, and expending funds raised by the separate rate declared on land within the Rundle Mall Precinct for this purpose.
34. The matters to be set out in a draft Charter for the proposed subsidiary are likely to overlap with the RMMA's Charter in terms of promotion, marketing and encouraging visitation. Consequently, there is benefit in considering whether the RMMA's Charter can be amended to incorporate the whole City, with an expanded area of responsibility including economic development, investment attraction, business and visitor growth and city-wide marketing.
35. In preparing the draft Charter, Administration will liaise with RMMA and the Office of Local Government to determine if this approach is feasible, or whether it would be preferable to create a new subsidiary under Section 42.
36. Matters for discussion with RMMA would include:
- 36.1. Alignment of Charters and opportunities to reduce duplication of effort and leverage existing resources; and
- 36.2. Mechanisms to ensure the separate rate would be expended solely for the benefit of Rundle Mall.

Board of Management

37. The Board of Management would be responsible for managing the business and other affairs of the proposed subsidiary and ensure it acts in accordance with its Charter. It is recommended that the Board consist of up to eight members, including the Chairperson and the Lord Mayor (or their delegate) as Council's representative.
38. It is recommended that Board membership be skills based, with members collectively having a range of knowledge, skills and experience across the following areas:
- 38.1. Economic development
- 38.2. Brand, marketing and public relations
- 38.3. Retail and commercial
- 38.4. Visitor economy
- 38.5. Property development
- 38.6. Business acumen
- 38.7. People leadership
- 38.8. Strategic management
- 38.9. Financial management.
39. The RMMA Charter provides for a maximum of six Board Members, with one member being a member of Council. The range of appropriate skills and experiences required for Board Membership are not set out in the Charter but are nominated by the CoA's Chief Executive Officer and the RMMA Chair following an expression of interest process.
40. Given the proposed subsidiary's strategic importance in delivering economic growth and marketing of the City and its broader purpose and function than that of the RMMA, it is likely that the existing Board Membership of the RMMA would need to change if it became the proposed subsidiary. It is anticipated that Board members of the proposed subsidiary would be appointed by Council following an expression of interest process.
41. There is value in formalising the interests of City Precincts by providing a mechanism under the Charter for the Precinct Groups to raise matters of strategic importance (eg funding, coordinated marketing, etc) with the Board on a regular basis, and to provide for a two-way flow of information between the proposed subsidiary and the Precincts.
42. The Precinct Groups are independent, not-for-profit incorporated associations, led by volunteer committee members that represent their area. If Council supports City Precincts being recognised in the Charter of the proposed subsidiary, Administration will engage with the Precinct Groups on potential options for this to occur. These options will be brought back to Council for consideration as part of a draft Charter.

Funding

43. If Council agrees to progress with a Section 42 subsidiary as the proposed governance model, options for its funding will be brought back to Council for its consideration.

Resourcing

44. A General Manager of the proposed subsidiary would be appointed by CoA's Chief Executive Officer with the responsibility to confirm the administrative functions and required resourcing of the subsidiary and to assist with the recruitment of the subsidiary's Board in accordance with its Charter.
45. Administrative staff supporting CoA's two existing Section 42 subsidiaries (RMMA and ACMA) are employees of CoA. It is anticipated that administrative support for the proposed subsidiary will be drawn from the existing human resources within CoA's functions, including economic development, marketing and RMMA (if relevant). Savings should be achieved through identification and rationalisation of duplicate services.

Next Steps

46. Subject to Council's approval to proceed with a City-Wide Business Model in the form of a Section 42 subsidiary, Administration will undertake the following steps:
- 46.1. Review the RMMA Charter in collaboration with RMMA and the Office of Local Government to determine if it is feasible to expand its scope to deliver the desired outcomes of the proposed subsidiary.
- 46.2. Engage with Precinct Groups on potential options for recognition in the draft Charter.
- 46.3. Prepare a draft Charter for Council's consideration and to seek endorsement for it to be submitted to the Minister for Transport, Infrastructure and Local Government for gazettal.
- 46.4. Provide options to fund the proposed subsidiary for Council's consideration.
- 46.5. Table 1 below provides an Indicative Implementation Timeline for the proposed subsidiary, including engagement with Council Members and key decisions.

Table 1: Indicative Implementation Timeline

Date	Task / Decision
June 2020	<p>Committee and Council Report:</p> <ul style="list-style-type: none"> Approve the implementation of a City-Wide Business Model through the use of a subsidiary under Section 42 of the <i>Local Government Act 1999</i>. Approve investigating the Rundle Mall Management Authority and discussions with the RMMA and the Office of Local Government on the potential to expand the RMMA Charter, Objects, Purpose, Functions and Duties to become the proposed subsidiary. Engage with Precinct Groups on potential options for recognition in a draft Charter.
August 2020	<p>Council Report:</p> <ul style="list-style-type: none"> Decision on whether the proposed subsidiary is a new subsidiary or whether the RMMA Charter is amended. Draft Charter for the proposed subsidiary is presented to Council for approval. Options to fund the proposed subsidiary are presented to Council for approval. <p>Submission of Charter to Minister:</p> <ul style="list-style-type: none"> Council approved Charter for the proposed subsidiary is submitted to the Minister for Transport, Infrastructure and Local Government for approval and gazettal.
October 2020	<p>New Subsidiary created:</p> <ul style="list-style-type: none"> Ministerial approval granted and Charter of the proposed subsidiary is gazetted. <p>Recruitment of skills-based Board Members:</p> <ul style="list-style-type: none"> Commence Expression of Interest for skills-based Board Members. Chief Executive Officer to appoint General Manager of the proposed subsidiary. Administrative resources for the proposed subsidiary allocated by Council's Chief Executive Officer.
December 2020	<p>Council Report</p> <ul style="list-style-type: none"> Seek Council's endorsement of appointment of Board Members following recommendation by Council's Chief Executive Officer.
January 2021	<p>Formal commencement of the New Subsidiary</p>

DATA & SUPPORTING INFORMATION

Link 1 - City-Wide Business Models Feasibility Study

Link 2 - Perceptions of the City-Wide Business Model

ATTACHMENTS

Nil

- END OF REPORT -