

Strong Economies

City-Wide Business Model

To seek input from Council Members on the purpose, powers, functions, board of management and funding arrangements for the proposed subsidiary.

Economic Development and Innovation

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City-Wide Business Model Background

Council has approved 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*. A charter for the subsidiary must be prepared under Schedule 2 of the Act, and address (amongst other matters):

- Purpose of the subsidiary
- Powers, functions and duties
- Constitution of a board of management
- Funding

Council at its meeting on 9 June 2020 resolved;

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 to create a new a subsidiary of Council under Section 42 of the Local Government Act 1999.*
- 3. Requests that consultation, such as a series of round tables, will occur with the broader City of Adelaide business community and Precinct Groups in the development of the draft Charter including its Objects, Purpose, Powers, Functions and duties and broader management.*

A series of five independently facilitated virtual round tables were held in July 2020. Feedback was sought to inform the development of the charter of the proposed subsidiary. A summary of the consultation outcomes is provided in this document.

Administration has also met with the Chair and General Manager of the Rundle Mall Management Authority (RMMA) in relation to the potential to broaden its charter to deliver on city-wide economic development outcomes.

Council Member feedback to shape the draft charter is sought through this Workshop. Feedback will be used to inform a draft charter that will be presented for endorsement by Council at a meeting in September.

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City-Wide Business Model

Key Questions

KEY QUESTION

What are Council Members' views on the draft purpose, powers, functions and duties for the proposed subsidiary?

KEY QUESTION

What are Council Members' views on board composition and skill sets?

KEY QUESTION

What are Council Members' views on the proposal to fund the subsidiary?

City-Wide Business Model Implications

Implication	Comment
Policy	Not as a result of this workshop
Consultation	Ongoing consultation on the 'City-Wide Business Model' framework has occurred with Precinct Groups, business representative groups, City of Adelaide partners, industry associations, Adelaide Business Collective, StudyAdelaide, Adelaide Convention Bureau, Renew Adelaide, 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 approval by Council and submitted to the Minister for Transport, Infrastructure and Local Government in accordance with the <i>Local Government Act (SA) 1999</i> .
Implication	Not as a result of this workshop

City-Wide Business Model

Budget/Financial Implications

Implication	Comment
20/21 Budget Allocation	Not as a result of this workshop
20/21 Budget Reconsideration (if applicable)	Not as a result of this workshop
Proposed 21/22 Budget Allocation	Not as a result of this workshop
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.

Key consultation outcomes

Consultation process

A series of five independently facilitated virtual round tables were held in July 2020 to inform the development of a draft charter for the proposed subsidiary. Fifty-two senior representatives from business, property and investment, key attractors, precinct and business groups, industry associations, partners and the RMMA participated in the round tables.

In addition, a background briefing paper was provided in advance on the round tables, and an online survey was available for people that were unable to attend a virtual round table. Sixty people engaged with the information, thirty people explored the information in more detail, and nine people provided a response.

The round table consultations sought feedback on a number of themes to inform the development of the draft charter. These included its purpose and objective, functions, funding, board formation and composition, as well as how the interests of City Precincts should be incorporated.

A summary of the key consultation outcomes is provided on the next slides. A copy of the report prepared by the independent facilitator is available here [Link 1 view [here](#)], and includes a list of all round table participants.

Participant expectations

At the start of each round table, participants were asked to share their overarching expectations for the subsidiary charter.

Most participants shared a desire for the charter to enable a unified, cohesive and collaborative vision, and many talked about the need for the entity to be independent, diverse and have good representation of the needs of businesses in the city. There was also a desire for the subsidiary to be growth and innovation focussed with a strong emphasis on action.

It was clear that many participants would like to be actively involved in further fine tuning of the next stages of the city-wide businesses model, particularly how businesses are represented or interact with the subsidiary.

City-Wide Business Model

Key consultation outcomes

Purpose and Objective

Participants were asked whether they agreed with the following draft purpose and objective:

“To accelerate economic growth of the City of Adelaide through attracting investment and supporting businesses, festivals/events, as well as visitor/student growth.”

Participants generally agreed with the draft purpose and objective. Some participants suggested additional detail that could be added to the draft purpose and objective, such as ‘business engagement’, ‘cultural’, ‘creative’, ‘quality of life’, ‘sustainable’, ‘reducing costs’ and ‘collaboration’.

Overall, there was strong support to see the purpose of the subsidiary to be very succinct and focussed. To this end, the consultation report recommends consideration be given to shortening the overarching purpose to be **“To accelerate economic growth”** followed by four concise objectives that outline its intentions regarding:

- city-wide marketing
- investment attraction
- visitor economy
- business support.

Many participants identified the need for the subsidiary to work collaboratively to deliver its outcomes and it was recommended that this be recognised in the draft charter by acknowledging that the subsidiary will work collaboratively with key partners.

City-Wide Business Model

Key consultation outcomes

Functions

Participants were asked to prioritise functions of the proposed subsidiary under four key areas: City-Wide Marketing, Investment Attraction, Visitor Economy and Business Support. They were also asked to identify whether any other functions should be included.

A summary of the outcomes is provided below:

City-Wide Marketing

The need for a strong city-wide brand was one of the most highly prioritised functions, however some participants sought further information and clarification on how *Adelaide. Designed for Life* could be applied. It was recommended that the implementation of a strong city-wide brand be a key function of the subsidiary with strong connections to relevant partners.

Tourism marketing that promotes city experiences was also highly valued. Participants indicated Adelaide as a destination in its own right and city experiences (eg SA Museum, theatres, etc) should be further integrated into tourism marketing. Co-operative marketing opportunities with businesses was also viewed as a high priority.

The development and promotion of an annual calendar of events and retail promotions and offers were generally viewed as tactical and not relevant for inclusion in the charter, but highly valued.

Investment Attraction

A recommendation from the consultation was that the subsidiary should place a strong priority on supporting existing businesses and that this should be done hand in hand with attracting new businesses to the city and supporting entrepreneurs and start-ups. Support for existing city businesses during COVID-19 was recognised as being important. Participants also discussed the opportunity for Adelaide to attract international investment and migrants as a safe, boutique city.

Support for filling and/or activation of vacant properties was seen as less of a priority and that this would be an outcome of successfully supporting existing and attracting new businesses. There was a strong emphasis on increasing vibrancy which could occur through increasing the resident population and supporting the night economy.

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Key consultation outcomes

Functions

Visitor Economy (Leisure tourism, study, business events, major events)

The consultation feedback indicated that whilst festivals, events, business conferences and tourism experiences are a high priority and considered a critical part of the subsidiary functions, the role of the subsidiary is not to deliver these activities. Participants indicated that it was important that the charter provide for a co-ordination and promotion role (rather than delivery). The consultation highlighted the importance of strong partnerships with other organisations and for the subsidiary not to duplicate existing work, with functions, roles and responsibilities being mapped to determine relationships between the subsidiary and key stakeholders.

The importance of international students for economic growth was recognised and there is an opportunity to position Adelaide as a University city and continue to attract this sector. A highly debated topic was the visitor information centre, with discussions revolving around whether there should be a physical visitor centre or via a digital presence.

Business Support

The two key functions prioritised were the provision of market research and intelligence to assist businesses in decision making and building business capability. It was generally considered that group purchasing would not be a key function of the subsidiary, but might be an action that could support business capability.

Additional functions suggested by participants included infrastructure and placemaking, as well as advocating with a united business voice (eg for reducing on street parking charges).

Key consultation outcomes

Funding

Participants were asked whether the subsidiary should seek to generate additional revenue sources to deliver its functions. There was general consensus for the subsidiary to seek alternative revenue (eg via sponsorships, grants and partnerships), however not by charging businesses a membership fee. Participants were keen to understand the likely budget for the subsidiary as soon as possible.

Board Formation and Composition

The following range of potential skills were presented to participants and they were asked to rate their importance: Economic development, Brand, marketing and public relations, Retail and commercial visitor economy, Property development/ management, Business acumen, People leadership, Strategic management, Financial management, Legal expertise, Digital disruption and Change management. All skills were seen as valuable, with Legal expertise generally rating lower than other skills. Creativity and community engagement were suggested as an additional skill that would be useful on the board.

Participants were asked to comment on the board formation and composition. There was strong consensus that the board needs to be small (6-9 members), highly focused, with a mix of skills. There was support for gender diversity, and a balance between experience and 'fresh' thinking and faces.

City Precincts

Participants were asked to identify their preferred option for the interests of city precincts to be incorporated into the subsidiary. Options included: Precinct consultative committee (represented in the charter and formal engagement with the Board), Sub-committee of the Board, on Board through a skills selection process, or Something else. The consultation process did not identify a clear preference.

Participants highlighted limitations of the existing precinct model and expressed a desire to be involved through a co-design process to remodel the current precincts both in terms of their spatial extent and governance relationship with the new subsidiary. There was support for a model that provides a voice for grass-roots business operations across the whole city to be heard directly on the Board.

Other

Participants sought further information on a range of matters, including: timing of establishment of the subsidiary, how RMMA will be managed, as well as clarification of roles/responsibilities and relationships of the subsidiary and City of Adelaide.

Key consultation outcomes

RMMA

Administration has investigated the potential to amend the RMMA charter to expand its scope to deliver city-wide economic development outcomes and has met with the RMMA to discuss this opportunity.

The RMMA Board has indicated its support to extend its charter to deliver the subsidiary. The Board met with the Lord Mayor and Administration on 14 July 2020 and two members of the Board participated in the round table consultation process.

The RMMA Board suggested the following proposed purpose of the new subsidiary:

“To create, sustain and grow a community of thriving, prosperous and distinctive city villages that collectively define and enhance the City of Adelaide.”

The RMMA Board emphasised the importance for the management of Rundle Mall to be a key function of the subsidiary and that the Rundle Mall separate rate should be expended specifically for the benefit of Rundle Mall businesses.

A preference for a skills-based board (to represent stakeholders' collective interests) and multiple funding sources (e.g. rates/levies are equitably applied, Council appropriation, grants and commercial revenue) were also highlighted by the RMMA Board as important considerations.

City-Wide Business Model

Draft Charter – Proposed Purpose

To establish a subsidiary under Section 42 of the *Local Government Act 1999* (The Act) a draft charter is required to be prepared under Schedule 2 of the Act, and address (amongst other matters):

- The purpose for which the subsidiary is established
- The powers, functions and duties of the subsidiary
- The constitution of a board of management as the subsidiary's governing body
- Whether the subsidiary is intended to be partially or fully self-funding, and other relevant arrangements relating to costs and funding

The rationale for the introduction of a new subsidiary 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.

In the initial research for the City-Wide Business Model the following interim purpose statement was developed and tested through the consultation process.

“To accelerate economic growth of the City of Adelaide through attracting investment and supporting businesses, festivals/events, as well as visitor and student growth.”

The consultation process showed that there is overall agreement with the intent of the purpose statement, however feedback indicated a desire for a more succinct overarching purpose such as:

The purpose of the [insert name of subsidiary] is to accelerate economic growth of the City of Adelaide.

Further detail in relation to how this purpose will be delivered by the subsidiary can be provided in the charter under its powers, functions and duties.

Council Members' feedback on the preference for a shorter or more comprehensive purpose is sought to inform the drafting of the charter.

Draft Charter – Proposed Powers, Functions and Duties

The draft powers, functions and duties outlined below have been developed to underpin the purpose of the subsidiary and is based on feedback received to date.

The following powers, functions and duties of the *[insert name of subsidiary]* are to be exercised in the performance of the *[insert name of subsidiary]*'s purpose:

- Work collaboratively with the State Government, key stakeholders and strategic partners to deliver subsidiary functions and duties.
- Promote and market the City of Adelaide to local, interstate and international visitors and investors.
- Support the growth of existing businesses and attract new businesses and industries to move into the City of Adelaide.
- Position and promote Rundle Mall as the State's premier retail and commercial precinct.
- Attract new development that stimulates residential growth of the City of Adelaide.
- Attract and support growth of the visitor economy, including international students, events, festivals, conferences, conventions and exhibitions.
- Support city businesses by building business capability and providing market research and intelligence.
- Make submissions for and accept grants, subsidies and contributions to further the subsidiary's purpose and objects.
- Raise funds over and above those raised through general rates and the separate rate through sponsorship, advertising, fees and charges.

In addition, the following power related to RMMA is proposed to be retained to enable the Rundle Mall separate rate to be reserved for the benefit of the Mall:

- To expend funds raised through the separate rate declared by the Council on rateable land in the Rundle Mall.

Council Members' feedback on the above draft powers, functions and duties is sought to inform the drafting of the charter.

Draft Charter – Proposed Board of Management

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.

As part of the round table discussions, participants were provided with suggested skills for which Board members to collectively have a range of knowledge, skills and experience across the following areas:

- Economic development
- Brand, marketing and public relations
- Retail and commercial visitor economy
- Property development and management
- Business acumen
- People leadership
- Strategic management
- Financial management
- Legal expertise
- Digital disruption
- Change management.

The consultation process demonstrated support for a small (6-9 members), skills-based board of management, with a mix of skills. Support was shown for a board composition that includes gender diversity and a balance between experience and 'fresh' thinking and faces. There was support for all of the skills and experience listed above, however legal expertise and digital disruption scored lower. Creativity and engagement skills were suggested as an additional skill area to be considered.

A suggested mix of the skills based board might include (but not be limited to):

- Chair – a respected, commercial leader
- Council Member – a preference for the Lord Mayor
- Marketing, brand and public relations skills
- Existing business, retail and property skills
- Entrepreneur / start-up perspective
- Tourism / Attractor skills
- A precinct or a grassroots business representative*

*Note: the consultation process revealed a desire to remodel the current precincts system to be more representative.

Council Members' feedback on the board size, composition and skill selection outlined above is sought to inform the drafting of the charter.

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Draft Charter – Recognition of Precincts and City Businesses

The consultation process sought feedback on the preferred way for the interests of city precincts to be incorporated into the subsidiary. There was no clear consensus on how this should occur.

Participants noted that many city businesses (over 4,000) are not located within the seven existing precincts. A desire was expressed to be involved in a co-design process to remodel the city precincts in terms of both their spatial extent and governance relationship with the new subsidiary.

There was however strong support for a governance model that provides a voice for grass-roots business operations across the whole city to be heard directly on the Board. A recommendation of the consultation process was to:

“consider a precinct consultative committee model that ensures a formal structure is in place for the voice of businesses to be heard directly on the board. Whilst the structure of this model will be determined through the codesign process... it is recommended that one position on the board is for the chairperson of this committee that represents the grass-roots business operations across the whole city.”(page 35)

It is suggested that Council consider inclusion of a precinct or a grassroots business representative on the skills-based board to enable drafting of the charter to progress.

If Council is supportive, further consultation could occur with city businesses and precincts to co-design a new precinct model that represents all city businesses (over 5,000) and confirm its governance relationship with the proposed subsidiary .

Council Members’ feedback is sought on co-designing a new precinct model that represents all city businesses and its governance relationship with the proposed subsidiary.

City-Wide Business Model

Existing Funding

Existing Funding

City of Adelaide currently collects its annual rate revenue via general rates and the Rundle Mall separate rate.

Economic development, marketing and support for events within the city are currently funded through general rates and include a combination of projects and general operations.

The 2020/21 Integrated Business Plan included funding of \$5.2M for operational activities such as City Growth, festivals and sponsorship, strategic partnerships (eg StudyAdelaide, Adelaide Convention Bureau, Festivals Adelaide, Renew Adelaide and Australia Day Council). This includes staff costs of approximately \$600k.

In addition, there is a further \$2.7M for operating costs (including staff costs) for economic development and marketing.

In 2020/21 general rates from commercial and residential properties is budgeted to contribute \$87M and \$27.6M respectively to City of Adelaide funding. Expenditure on operational activities and operating costs from budgeted general rates is in the order of ~7% of total general rates (commercial and residential properties).

Funding of approximately \$3.8M is budgeted to be received through the Rundle Mall separate rate to promote and market Rundle Mall. Note costs for 10 FTE are covered by the RMMA separate rate.

Draft Charter – Proposed Funding Options

Funding Options

Funding options to support the operation of the proposed subsidiary under the Act include:

- General rate – funds collected from all ratepayers within the city based on the properties' annual assessed value
- Separate rate – funds collected specifically for a particular benefit (e.g. Rundle Mall separate rate)

A differential rate based on the land use (e.g. residential, commercial, vacant land) or locality (e.g. Rundle Mall separate rate) could be applied under either a general rate or a separate rate.

If Council were to introduce a new separate or differential rate to fund the proposed subsidiary, then under Section 151(5) of the Act, a report and public consultation (for at least 21 days) on the proposed change would be required.

The report would be required to set out the reasons for the change, the relationship of the proposed change to CoA's overall rates structure and policies, the likely impact of the proposed change on ratepayers, as well as any issues concerning equity within the community.

The preferred (and most straightforward) option to provide funding for the proposed subsidiary would be to allocate a percentage of funding from general rates. This would include a reallocation of existing funding directed to city economic development and marketing activities to the new subsidiary.

If the RMMA's charter is to be amended to become the proposed subsidiary, then funding from the Rundle Mall separate rate could also be redirected into the proposed subsidiary. Funding from the Rundle Mall separate rate levied on property owners within the Rundle Mall Precinct would need to be dedicated specifically to the management and marketing of the Rundle Mall Precinct under the Act.

Draft Charter – Proposed Funding Options

Preferred Funding Option

Given the financial and economic impact of COVID-19 on city businesses there is little appetite to increase general rates or introduce a new separate rate to fund the operation of the proposed subsidiary at this time.

The preferred funding option would be for Council to:

- Allocate a fixed percentage of total rates to the proposed subsidiary as part of Council's annual Integrated Business Plan and Budget process for city economic development and marketing activities. This would provide a simple funding mechanism that is easily administered and provides for equity across the City and enable the proposed subsidiary to undertake long term strategic planning and multi-year initiatives with some budget certainty.
- Incorporate funding from the Rundle Mall separate rate levied on property owners within the Rundle Mall Precinct to the proposed subsidiary. This funding would need to be dedicated specifically for the management and marketing of the Rundle Mall Precinct.
- Provide the proposed subsidiary with the ability to generate additional revenue sources (e.g. via sponsorships, grants and partnerships) to deliver its functions.

As an interim measure for 2020/21, it is proposed that existing funding under the 2020/21 Integrated Business Plan and Budget for city economic development and marketing activities would be reallocated to the new subsidiary. The final amount will be subject to confirmation of functions and duties to be undertaken by the proposed subsidiary.

Council Members' feedback is sought on the above funding option for the proposed subsidiary.

City-Wide Business Model

Key Questions

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