

# Deloitte Review of the Adelaide Economic Development Agency

Friday, 4 August 2023  
Audit and Risk Committee

Strategic Alignment - Strong Economies

Public

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## EXECUTIVE SUMMARY

An independent review of the Adelaide Economic Development Agency (AEDA) has been completed by Deloitte. The Review resulted from a 13 December 2022 Council resolution, and it responds directly to that resolution.

The Review's findings and recommendations are based on a desktop review of key AEDA, City of Adelaide and Council strategic documents; and interviews with AEDA stakeholders.

Deloitte found AEDA performs well in its service delivery areas, and that opportunity exists to improve AEDA's strategic and advisory functions; governance arrangements and controls; reporting; and communication of decision-making processes.

AEDA's Board separately requested an independent review of AEDA at its meeting of 21 Nov 2022. That review with different terms of reference to the Deloitte Review, was conducted by KPMG, and its report was noted by the 25 July 2023 AEDA Board meeting.

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## RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

- 1 Notes the Deloitte review of the Adelaide Economic Development Agency (Attachment A to Item 5.1 on the Agenda for the 4 August 2023 meeting of the Audit and Risk Committee).
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<a href="#">Strategic Alignment – Strong Economies</a>
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	The Deloitte Review was funded through the 2022/23 City of Adelaide Corporate Services budget.
Risk / Legal / Legislative	Not as a result of this report.
Opportunities	The Deloitte review recommends a number of actions to be undertaken to improve the operations and governance of the Adelaide Economic Development Agency.
23/24 Budget Allocation	Not as a result of this report.
Proposed 23/24 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
23/24 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

1. Council in its 13 December 2022 meeting resolved to conduct an independent review of the Adelaide Economic Development Agency (AEDA). A review conducted by Deloitte is now complete and presented at **Attachment A**.
2. Council's 13 December 2022 resolution (in part was) was that Council:
  - “2. *Requests the CEO coordinate an independent review of AEDA with a view to assessing the effectiveness of the Agency in relation to its objectives and make to recommendations for its future operation and any improvements including consideration of the relationship between the Agency, Council, and stakeholders. This review is to be conducted by an organisation or individual independent from the Agency with Business and Local Government knowledge and/experience. The review should include the following:*
    - 2.1 *Measure of effectiveness of AEDA in service provision to small businesses in the city of Adelaide by the Agency or Council contractors against the objects of the agency and compare this to the outcomes of the previous City of Adelaide Enterprise Adelaide unit.*
    - 2.2 *Assessment of any benefit or increased effectiveness of establishing the Agency under Section 42 subsidiary under the Local Government Act 1999 than if its decision-making had been undertaken by the City of Adelaide elected body.*
    - 2.3 *Identification of any cost and staff duplication identified in the KPMG report have been addressed and whether Council's administrative capacity has been impacted by the establishment of AEDA*
    - 2.4 *Identification any duplication of effort or opportunities to partner with the State Government in the areas of business support and economic development of the City.*
    - 2.5 *Identification any governance issues that have arisen related to the performance of the Agency, its staff, or its Board or to the responsibilities of the elected body under the Local Government Act.*
    - 2.6 *Evaluation the extent of Rundle Mall trader satisfaction with the Agency's management of the Rundle Mall Precinct.*
    - 2.7 *Providing an assessment of the return on investment of AEDA against its own performance targets.*
    - 2.8 *Consultation with key stakeholders including small business, rundle street traders and precinct groups.*
    - 2.9 *Making recommendations as to whether the agency should continue in its current form.”*
3. The Review scope reflects the 13 December 2022 Council resolution, to examine:
  - 3.1. The *effectiveness* of AEDA service provision to support small business
  - 3.2. The benefit of AEDA operating as a *subsidiary* to the City of Adelaide (CoA)
  - 3.3. *Duplication* of service provision against CoA marketing and events functions
  - 3.4. *Duplication* of service provision against State Government agency functions
  - 3.5. *Opportunities* for improved governance
  - 3.6. Rundle Mall stakeholder *satisfaction* with service provision by AEDA
  - 3.7. *Return on investment* against AEDA's performance targets.
4. Deloitte derived findings and made recommendations through review of key AEDA, CoA and Council strategic documents, and interviews conducted with AEDA stakeholders, including:
  - 4.1. CoA Council Members
  - 4.2. CoA and AEDA executives and staff
  - 4.3. Rundle Mall business owners, operators, centre managers and leasing agents
  - 4.4. Presidents of Mainstreet Precinct groups
  - 4.5. State government agency leaders
  - 4.6. Small business operators.

5. Review findings fall under four headings – strategic context; the value of AEDA independence; governance and operations; and return on investment.
6. Review findings suggest AEDA performs service delivery functions well (eg. delivering services to existing clients; accessing local economic insights from stakeholders; effective partnering with external stakeholders), and found no significant duplication of State Government agency functions.
7. The Review found opportunity exists to extend AEDA’s strategic and advisory functions; improve governance arrangements and controls; improve reporting; improve services to new businesses; and communicate decision-making processes better.
8. The Review presents findings thematically and summarises the main messages from stakeholder interviews, (pages 6-26 of **Attachment A**).
9. The Review recommends 21 actions based on its findings, under themes of role clarity; governance; transparency; quantified metrics; economic strategy; and marketing and branding. Actions are recommended either for immediate, medium-, or long-term action, and are summarised below (detailed in the Review, **Attachment A**, pages 27-34).
10. Seven recommendations for **immediate action** (within 6 months):
  - 10.1. Review and enhance AEDA’s capability to provide strategic economic insights for the city.
  - 10.2. Define risk-based requirements for justifying key grant, sponsorship and campaign financing decisions (systematising risk-assessment of funding decisions).
  - 10.3. Review and simplify Executive reporting structures between AEDA and the CoA.
  - 10.4. Review effectiveness of outsourced small business service functions to support new and emerging businesses, to inform future operating and contracting models.
  - 10.5. Develop an overarching CoA Economic Development Strategy (which would underpin AEDA priorities, targets, measures and deliverables).
  - 10.6. Develop further CoA strategies to indirectly drive economic growth (eg. strategies for residential population growth, housing).
  - 10.7. Ensure CoA is acknowledged as the key funding body for large events and campaigns.
11. Ten recommendations for **medium-term action** (6 – 12 months):
  - 11.1. Diversify economic development activation activities (beyond current retail focus).
  - 11.2. Establish clear terms of reference for cross-over business units (eg. marketing, grant administration functions within CoA).
  - 11.3. Review AEDA’s Mainstreet Precincts engagement model.
  - 11.4. Ensure CoA Governance has greater oversight at initial stages of key AEDA operational processes.
  - 11.5. Implement an ongoing assurance model for AEDA, and undertake an internal audit on AEDA’s administration of grant allocation.
  - 11.6. Ensure more targeted AEDA reporting to Council (relevant and aligned to economic activities and with sufficient evidence support).
  - 11.7. Clearly define risk and mitigation strategies required by the Audit and Risk Committee.
  - 11.8. Better target strategic AEDA KPIs towards economic development outcomes.
  - 11.9. Better employ operational AEDA KPIs, measured against appropriate baselines (including more rigorous project, financial and timeline variation reporting).
  - 11.10. Review marketing and event management services panel contracts to meet both AEDA and CoA business needs.
12. Four recommendations for **long-term action** (12+ months):
  - 12.1. Ensure more active, timely engagement with traders in developing AEDA’s events and campaign program.
  - 12.2. Increase stakeholder access to baseline demographic and economic metrics (to better support their investment and commercial decisions).
  - 12.3. Maintain AEDA brand independence (to drive increased engagement and participation with external stakeholders).

- 12.4. Articulate and document AEDA and CoA marketing units respective roles, responsibilities and collaboration principles.
13. Summary recommendation 11.7 above specifically relates to the Audit and Risk Committee. The detailed Review recommendation (**Attachment A**, p.31, recommendation 3.2) notes “*current reporting is too focused on event outcomes and not necessarily on AEDA’s strategic / operational/ business risk profiles and mitigation strategies, or assurance on control processes*”.
14. Two medium-term actions (listed as 11.5 and 11.9 above) are currently being addressed – respectively, a scheduled internal audit of AEDA grants; and a process bringing “strategic projects” under the oversight of the City’s Project Management Office.
15. The Deloitte report will be presented to the City Finance and Governance Committee on 15 August 2023.
16. AEDA’s Board separately requested an independent review of AEDA at its meeting of 21 November 2022, which has been conducted in parallel with that requested by Council. With different terms of reference, it was conducted by KPMG, and its report noted by the AEDA Board meeting on 25 July 2023. KPMG’s findings and recommendations will be presented for Council firstly at the Audit and Risk Committee on 4 August 2023, and to the City Finance and Governance Committee on 15 August 2023.
17. An implementation plan addressing the recommendations of the Deloitte review will be prepared and will include how to address recommendations where CoA has been identified as the responsible agency.
18. The recommendations and management actions to address them will be recorded in the CoA Promapp system, and regularly monitored and reviewed to ensure delivery. This monitoring will be included in regular Strategic Risk and Internal Audit group update reporting to the Audit and Risk Committee.

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## DATA AND SUPPORTING INFORMATION

Nil

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## ATTACHMENTS

**Attachment A** – Deloitte review of the Adelaide Economic Development Agency

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