

Review of the Adelaide Economic Development Agency

Tuesday, 15 August 2023
City Finance and Governance
Committee

Strategic Alignment - Strong Economies

Public

Approving Officer:
Michael Sedgman - Chief
Operating Officer

EXECUTIVE SUMMARY

The Adelaide Economic Development Agency (AEDA) is a fully owned subsidiary of Council under Section 42 of the *Local Government Act 1999 (SA)*.

At its meeting on 21 November 2022 the AEDA Board requested the engagement of an independent, external consultant to undertake an evaluation of AEDA's performance against its Objects and Purpose included in the AEDA Charter and its Business Plan and Budget. KPMG were engaged by the City of Adelaide (CoA) on behalf of AEDA to undertake the review. It was agreed that the outcome of the review be reported to the CoA's Audit and Risk Committee and Council.

At its meeting on 13 December 2022 Council resolved to conduct an independent review of AEDA. That review was commissioned by Council and conducted by Deloitte.

At its meeting on 4 August 2023 the CoA Audit and Risk Committee received reports on the Reviews of AEDA conducted by Deloitte and KPMG.

RECOMMENDATION

The following recommendation will be presented to Council on 22 August 2023 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL:

THAT COUNCIL:

1. Notes the Review of the Adelaide Economic Development Agency undertaken by KPMG as included in Attachment A, and the Review of the Adelaide Economic Development Agency undertaken by Deloitte as included in Attachment B, to Item 4.1 on the Agenda for the meeting of the City Finance and Governance Committee held on 15 August 2023.
 2. Authorises the Chief Executive Officer to work with the AEDA Board and City of Adelaide administration to implement recommendations of KPMG and Deloitte Reviews.
 3. Notes the implementation plan to address the recommendations of the Reviews will be presented to the City Finance and Governance Committee at its October 2023 meeting.
 4. Notes that external independent advice will be sought to assist the administration in the implementation of the review recommendations with a particular focus on advice in relation to recommendations relating to develop the Economic Development Strategy and Council/Subsidiary governance recommendations as required.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Strong Economies
Policy	Clause 4.15 of the AEDA Charter (Link 1 view here) advises that AEDA will undertake an annual performance evaluation and provide a report on the outcome to Council.
Consultation	Key AEDA stakeholders were consulted during both KPMG and Deloitte Reviews.
Resource	KPMG Review funded through the 2022/23 AEDA budget. Deloitte Review funded through the 2022/23 City of Adelaide Corporate Services budget.
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Reviews recommend a number of actions to be undertaken to improve the operations and governance of the Adelaide Economic Development Agency and assist AEDA to transition from a COVID response to a strategic operation.
23/24 Budget Allocation	Not as a result of this report
Proposed 24/25 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. At its meeting on 4 August 2023 the City of Adelaide Audit and Risk Committee received reports on the Reviews of the Adelaide Economic Development Agency (AEDA) conducted by Deloitte and KPMG. The Audit and Risk Committee received these reports and resolved to recommend that Council:
 - 1.1. Note the Reviews.
 - 1.2. Note that the Audit and Risk Committee supports development of an implementation plan addressing the recommendations of both reviews showing how the recommendations will be addressed.
 - 1.3. Note that the Audit and Risk Committee supports recording implementation actions in Promapp and reporting through the Strategic Risk and Internal Audit Group.
2. AEDA is a fully owned subsidiary of Council under Section 42 of the *Local Government Act 1999 (SA)*.
3. At its meeting on 21 November 2022 the AEDA Board requested the engagement of an independent, external consultant to undertake an evaluation of AEDA's performance against its Objects and Purpose included in the AEDA Charter and its Business Plan and Budget. It was agreed that the outcome of the review be reported to the City of Adelaide's Audit and Risk Committee and Council.
4. KPMG were engaged by the City of Adelaide (CoA) on behalf of AEDA to undertake the review. The scope of work for the engagement was:
 - 4.1. A review of AEDA's achievements since its inception and delivery against the AEDA Business Plans endorsed by Council as part of its annual Business Plan and Budget process.
 - 4.2. The ability of AEDA to respond to changing economic conditions, priorities and opportunities.
 - 4.3. An examination of economic development models used by other Australian capital cities including those used in Brisbane and Wellington.
 - 4.4. An assessment of the effectiveness of the current model including the identification of strengths and opportunities for improvement; and
 - 4.5. How AEDA has communicated formally to the elected body, Audit Committee and informally to elected members regarding its operations and programs in relation to its annual business plan and programs.
5. At its meeting on 13 December 2022 Council resolved to conduct an independent review of AEDA, as follows:
 - 5.1. *Request 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:*
 - 5.1.1. *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.*
 - 5.1.2. *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.*
 - 5.1.3. *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*
 - 5.1.4. *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.*
 - 5.1.5. *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.*
 - 5.1.6. *Evaluation the extent of Rundle Mall trader satisfaction with the Agency's management of the Rundle Mall Precinct.*
 - 5.1.7. *Providing an assessment of the return on investment of AEDA against its own performance targets.*

5.1.8. Consultation with key stakeholders including small business, rundle street traders and precinct groups.

5.1.9. Making recommendations as to whether the agency should continue in its current form.

6. That review was commissioned by Council and conducted by Deloitte.

Review findings and recommendations

7. Key findings of the KPMG Review broadly related to:

- 7.1. The benefit and importance of the skills and experience of the AEDA Board;
- 7.2. AEDA's ability to deliver on its Charter and the recognition and trust of key stakeholders;
- 7.3. The challenge of Council processes and governance arrangements for AEDA decision-making;
- 7.4. The need for a strategic approach to the CoA's economic development.

8. These key findings resulted in 18 recommendations for the CoA and AEDA:

	KPMG Review recommendations	Suggested Responsibility	Priority level
1	Develop a City of Adelaide Economic development Policy	CoA	Strategic priority
2	Develop the AEDA Strategic Plan	AEDA	Strategic priority
3	Develop the AEDA Long Term Financial Plan	CoA	Strategic priority
4	Conduct a review of the purpose and value of the AEDA Advisory Committee	AEDA	Strategic priority
5	Revisit the original plan and approach for the new Experience Adelaide Visitor Centre	AEDA	Strategic priority
6	Conduct a review of current AEDA resourcing and requirements	AEDA	Strategic priority
7	Expand the AEDA data and insights function from one staff member to a team	AEDA	Strategic priority
8	Investigate the options and benefits of merging the City Experience team into the AEDA model	CoA	Strategic priority
9	Explore moving Mainstreets, Precincts and Place Coordinators to AEDA	CoA	Strategic priority
10	Review expand and strengthen alliances with key strategic partners	AEDA	Strategic priority
11	Investigate additional investment opportunities	AEDA	Strategic priority
12	AEDA Managing Director and/or Board Chair to be invited to present the quarterly progress report to the City Finance and Governance Committee	CoA	Quick win
13	Lord Mayor to share insights regarding AEDA Board discussions with Councillors and encourage attendance at Board meetings	CoA	Quick win
14	Identify obligations of ByADL contract and investigate options to continue or exit	AEDA	Quick win
15	Provide a detailed breakdown of budget allocation which aligns actions to progress and accountability	AEDA	Quick win
16	Reassess ambition and contractual obligations for the Wellfest program	AEDA	Quick win
17	Develop streamlined and structured approval between the Board and the City of Adelaide	AEDA	Quick win
18	Develop a brand guideline in collaboration with the City of Adelaide	AEDA	Quick win

9. The key findings of the Deloitte Review were reflected under four broad themes – Strategic context; Value of Independence; Governance and Operations; and Return on Investment.
10. These key findings resulted in 21 recommendations, under the themes of Role Clarity; Governance; Transparency; Quantified Metrics; Economic Strategy; Marketing and Branding. The recommendations were prioritised for immediate, medium, or long-term action:

	Deloitte Review recommendations	Priority level
1	Review and enhance AEDA's capability to provide strategic economic insights for the city	Immediate (within 6 months)
2	Define risk-based requirements for justifying key grant, sponsorship and campaign financing decisions (systematising risk-assessment of funding decisions)	Immediate (within 6 months)
3	Review and simplify Executive reporting structures between AEDA and the CoA	Immediate (within 6 months)
4	Review effectiveness of outsourced small business service functions to support new and emerging businesses, to inform future operating and contracting models	Immediate (within 6 months)
5	Develop an overarching CoA Economic Development Strategy (which would underpin AEDA priorities, targets, measures and deliverables)	Immediate (within 6 months)
6	Develop further CoA strategies to indirectly drive economic growth (eg. strategies for residential population growth, housing)	Immediate (within 6 months)
7	Ensure CoA is acknowledged as the key funding body for large events and campaigns.	Immediate (within 6 months)
8	Diversify economic development activation activities (beyond current retail focus)	Medium (6-12 months)
9	Establish clear terms of reference for cross-over business units (eg. marketing, grant administration functions within CoA)	Medium (6-12 months)
10	Review AEDA's Mainstreet Precincts engagement model	Medium (6-12 months)
11	Ensure CoA Governance has greater oversight at initial stages of key AEDA operational processes	Medium (6-12 months)
12	Implement an ongoing assurance model for AEDA, and undertake an internal audit on AEDA's administration of grant allocation	Medium (6-12 months)
13	Ensure more targeted AEDA reporting to Council (relevant and aligned to economic activities and with sufficient evidence support)	Medium (6-12 months)
14	Clearly define risk and mitigation strategies required by the Audit and Risk Committee	Medium (6-12 months)
15	Better target strategic AEDA KPIs towards economic development outcomes	Medium (6-12 months)
16	Better employ operational AEDA KPIs, measured against appropriate baselines (including more rigorous project, financial and timeline variation reporting)	Medium (6-12 months)
17	Review marketing and event management services panel contracts to meet both AEDA and CoA business needs.	Medium (6-12 months)
18	Ensure more active, timely engagement with traders in developing AEDA's events and campaign program	Long-term (12+ months)
19	Increase stakeholder access to baseline demographic and economic metrics (to better support their investment and commercial decisions)	Long-term (12+ months)
20	Maintain AEDA brand independence (to drive increased engagement and participation with external stakeholders)	Long-term (12+ months)
21	Articulate and document AEDA and CoA marketing units respective roles, responsibilities and collaboration principles	Long-term (12+ months)

Plans for implementation

11. Council administration is currently developing an implementation plan addressing the recommendations of both Reviews, which will record timelines and responsibility for action.
12. The implementation plan will assess how the recommendations of the two Reviews align and will inform the prioritisation timelines of directly aligned recommendations. An initial assessment of the alignment of recommendations is provided below:

KPMG recommendation	No.	Deloitte recommendation	No.	Aligned
Develop a City of Adelaide Economic Development Policy	1	Develop an overarching City of Adelaide Economic Development Strategy	5	Direct
Develop the AEDA Strategic Plan	2	Develop further CoA strategies to indirectly drive economic growth	6	Direct
Expand the AEDA data and insights function from one staff member	7	Review and enhance AEDA's capability to provide strategic economic insights for the city	1	Direct
Investigate additional investment opportunities	11	Diversify economic development activation activities	8	Direct
Provide a detailed breakdown of budget allocation which aligns actions to progress and accountability	15	Better employ operational AEDA KPIs, measured against appropriate baselines	16	Direct
Develop streamlined and structured approval between the Board and the City of Adelaide	17	Review and simplify Executive reporting structures between AEDA and the CoA	3	Direct
AEDA Managing Director and/or Board Chair to be invited to present the quarterly progress report to the City Finance and Governance Committee	12	Review and simplify Executive reporting structures between AEDA and the CoA	3	Related
Lord Mayor to share insights regarding AEDA Board discussions with Councillors and encourage attendance at Board meetings	13	Review and simplify Executive reporting structures between AEDA and the CoA	3	Related
Develop a brand guideline in collaboration with the City of Adelaide	18	Maintain AEDA brand independence	20	Related

13. The implementation plan to address the recommendations from the Reviews will be presented to the October meeting of the City Finance and Governance Committee.
14. Appropriate external independent advice will be sought to assist the administration in the implementation of the review recommendations with a particular focus on advice in relation to recommendations relating to develop the Economic Development Strategy and Council/Subsidiary governance recommendations as required.
15. The recommendations and management actions to address them will be recorded in the CoA Promapp system and regularly monitored and reviewed to ensure delivery. Monitoring will be included in regular Strategic Risk and Internal Audit group update reporting to the Audit and Risk Committee.
16. Council will be provided with updates on implementation regularly via E-News.

Review reports

17. KPMG Review is provided as **Attachment A**.
18. Deloitte Review is provided as **Attachment B**.

DATA AND SUPPORTING INFORMATION

Link 1 – Charter of the Adelaide Economic Development Agency

ATTACHMENTS

Attachment A – KPMG Review of AEDA

Attachment B – Deloitte Review of AEDA