

Increasing Funding for Business Events Adelaide

Tuesday, 22 August 2023
Council

Council Member
Councillor Li

Public

Contact Officer:
Michael Sedgman, Chief
Operating Officer

MOTION ON NOTICE

Councillor Li will move a motion and seek a seconder for the matter shown below to facilitate consideration by the Council:

'That Council direct the AEDA Board to increase Business Events Adelaide (BEA) funding from \$300K to \$450K which would include the pre-COVID amount, plus an increase that would assist in covering the increased cost of operations.

This would allow BEA to return the organization to an optimum level allowing them to increase their activities in attracting the business event market to the city of Adelaide, which delivers a high return on investment to the City.'

ADMINISTRATION COMMENT

1. At its meeting of 27 June 2023, Council adopted the 2023/24 Business Plan and Budget for the City of Adelaide (CoA). At its meeting of 28 March 2023 Council adopted budget repair and financial sustainability principles.
2. AEDA has an existing three-year funding agreement with BEA, via the Strategic Partnerships Program administered by AEDA, awarded following a rigorous and competitive assessment process. This agreement provided \$300,000 in 2022/23, and with commitment to the same in 2023/24 and 2024/25.
3. The CoA 2023/24 budget reflects an operating surplus of \$1.9m, specifically targeted to enable funding the capital program also adopted by Council. Any reduction in the surplus will have a direct impact on Council's ability to service and repay any debt required to fund the City capital program.
4. AEDA's budget cannot provide the additional funding to BEA without ceasing some other budgeted activity.
5. An additional commitment of \$150,000 in 2023/24 could be expected to also be sought by BEA in the final year of its existing funding agreement with AEDA (2024/25). Such a request would be difficult for CoA to argue against should Council agree to fund the extra \$150,000 being sought in the current 2023/24 year.
6. The options for Council in considering this motion are as follows:
 - 6.1. *Option 1* – a Q1 budget review reducing the CoA operating surplus by \$150,000. This option is not recommended as it:
 - 6.1.1. is inconsistent with the budget repair and financial sustainability principles adopted by Council;
 - 6.1.2. directly impairs Council's ability to service new debt for committed capital projects;
 - 6.1.3. creates a precedent and signals an invitation for other external organisations to seek funding for projects and initiatives outside of the annual budget process. Such a precedent and invitation

makes it hard to defend against potentially costly unbudgeted demands on limited Council resources.

- 6.2. Option 2 – requires AEDA to divert funding from activity committed in the 2023/24 Business Plan and Budget. This option is also not recommended as:
 - 6.2.1. AEDA funding for external entities is contestable and decisions are public and transparent. Reneging on commitments already made by diverting funds from other budgeted initiatives toward additional funding for one particular entity risks reputational damage to both Council and AEDA.
 - 6.2.2. it will reduce the effectiveness of AEDA's other strategic economic development initiatives already targeted for funding.
7. Amending AEDA's agreement with BEA will incur additional unbudgeted staff and external legal costs for both CoA and AEDA.
8. Business Events Adelaide made a submission on 16 June 2023 to the public consultation on the 2023/24 Business Plan and Budget, requesting total CoA funding to BEA be increased from \$300,000 to \$450,000. The CoA reply to BEA Chief Executive Officer Mr Damian Kitto said the CoA looked forward to continuing to work with BEA "through the funding already committed to Business Events Adelaide, via the contestable Strategic Partnerships Program administered by AEDA".
9. BEA assertions in that submission about the scale of return on CoA investment, and claims additional funding will enable optimal BEA effectiveness are difficult to substantiate from selected data provided to CoA.
10. Council should note BEA advised CoA that the State Government has recently increased its funding to BEA by \$1 million annually – from \$1.1 million in 2022/23, to \$2.1 million for 2023/24 and 2024/25.
11. BEA has also noted it has access to a State Government events bid fund which was recently increased from \$3.75 million to \$5 million annually.

Should the motion be carried, the following implications of this motion should be considered. Note any costs provided are estimates only – no quotes or prices have been obtained:	
Public consultation	Not applicable
External consultant advice	Not applicable
Legal advice / litigation (eg contract breach)	Not applicable
Impacts on existing projects	Either a reduction of operating surplus of \$150,000 and consequent ability to service debt committed to capital projects; or diversion of funding from other committed funds
Budget reallocation	Committing an additional unbudgeted \$150,000 in 2023/24 would require identifying currently budgeted AEDA or CoA activity to cease. The same allocation could be expected to also be sought by BEA in the final year of the existing AEDA funding agreement with BEA (2024/25)
Capital investment	A reduction of \$150,000 to the budgeted 2023/24 operating surplus would impact CoA's ability to service and reduce debt obligations.
Staff time in preparing the workshop / report requested in the motion	Not applicable
Other	Not applicable
Staff time in receiving and preparing this administration comment	To prepare this administration comment in response to the motion on notice took approximately 5.5 hours.

- END OF REPORT -