

Heritage Incentives Scheme Operating Guidelines

Strategic Alignment - Our Places

Tuesday, 6 February 2024
City Planning, Development and Business Affairs Committee

Program Contact:
Associate Director Park Lands, Policy & Sustainability

Public

Approving Officer:
Iliia Houridis, Director City Shaping

EXECUTIVE SUMMARY

This report summarises a review of City of Adelaide's Heritage Incentives Scheme Operating Guidelines (Link 1 view [here](#)) dated 14 April 2020 and seeks Council approval to revise the Guidelines.

The review of the Operating Guidelines is in response to a Chief Executive Officer undertaking at the 3 October 2023 ([Link 2](#)) meeting of the City Planning, Development and Business Affairs Committee.

The report responds to a Council decision on 10 October 2023 ([Link 3](#)) that requests the Administration to explore opportunities for joint State Government and Council grant funding for State Heritage Places.

The proposed amendments to the Operating Guidelines seek to improve clarity regarding the operation of the Heritage Incentives Scheme (HIS).

RECOMMENDATION

The following recommendation will be presented to Council on 13 February 2024 for consideration

THAT THE CITY PLANNING, DEVELOPMENT AND BUSINESS AFFAIRS COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Notes the revised Heritage Incentives Scheme Operating Guidelines dated 30 January 2024 provided as Attachment A to Item 7.2 on the Agenda for the meeting of the City Planning, Development and Business Affairs Committee held on 6 February 2024.
2. Authorises the Acting Chief Executive Officer or delegate to make minor edits to finalise the revised Heritage Incentives Scheme Operating Guidelines dated 30 January 2024 provided as Attachment A to Item 7.2 on the Agenda for the meeting of the City Planning, Development and Business Affairs Committee held on 6 February 2024.
3. Authorises the Acting Chief Executive Officer or delegate to write to the Chief Executive of the Department for Environment and Water seeking a State Government funding contribution for State Heritage Places in the City of Adelaide.
4. Authorises the Lord Mayor to write to the Deputy Premier, Hon. Susan Close seeking a State Government funding contribution towards conservation of State Heritage Places in the City of Adelaide.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Places Protect, share and elevate our heritage and culturally significant places, maintaining the character while encouraging adaptive reuse, repurposing and upgrading buildings.
Policy	The Heritage Incentives Scheme (HIS) is a key delivery mechanism for the City of Adelaide Heritage Strategy 2021-2036 and Action Plan, <i>Heritage: Our Future</i> . Administration of the HIS is undertaken in accordance with the Heritage Incentives Scheme Operating Guidelines. This report proposes to revise the current Operating Guidelines dated 14 April 2020. Council is separately considering an overarching Grants Policy which would provide policy guidance for the HIS.
Consultation	Pending Council decision, the State Government Department for Environment and Water, Heritage SA, will be notified of the revised Heritage Incentive Scheme Operating Guidelines and the revised Guidelines will be published on the City of Adelaide's website.
Resource	Not as a result of this report
Risk / Legal / Legislative	Applications under the HIS program received and dated prior to a Council decision on the revised Operating Guidelines will continue to be assessed against the Heritage Incentives Scheme Operating Guidelines dated 14 April 2020, in place at the time of the application.
Opportunities	The revised Operating Guidelines clarify the allocation of incentives. City of Adelaide will continue to seek State Government contributions toward the conservation of State Heritage Places.
23/24 Budget Allocation	The 2023/24 HIS budget allocation is \$1,162,000.
Proposed 24/25 Budget Allocation	The draft 2024/25 HIS budget operating expense is \$1,162,000 indexed in line with CPI subject to prioritisation through the 2024/25 Annual Business Plan and Budget process.
Life of Project, Service, Initiative or (Expectancy of) Asset	The HIS Operating Guidelines are reviewed every five years or earlier as needed. The Chief Executive gave an undertaking at the City Planning, Development and Business Affairs Committee on 3 October 2023 to undertake a review of the current operating guidelines dated 14 April 2020.
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

Background

1. The review of the Heritage Incentives Scheme (HIS) Operating Guidelines is in response to a Chief Executive Officer undertaking at the 3 October 2023 ([Link 2](#)) meeting of the City Planning, Development and Business Affairs Committee.
2. The report responds to a Council decision on 10 October 2023 ([Link 3](#)) that requests the Administration to explore opportunities for joint State Government and Council grant funding for State Heritage Places.

The Heritage Incentives Scheme (HIS)

3. The Heritage Incentives Scheme (HIS) has been in place since 1987 and provides reimbursements for documentation and specialist conservation works to non-government owners of State and Local Heritage Places.
4. The establishment of the HIS recognises the economic, cultural and social value of Heritage Places to the City of Adelaide and South Australia.
5. An independent cost-benefit review of the HIS, by SGS Consulting in 2018, reports that the HIS:
 - 5.1. Is a vital economic asset for both the State of South Australia and Council.
 - 5.2. Delivers a \$1.68 return for every dollar invested by Council and other parties to the Scheme, including owners investing in the retention of heritage values in their buildings.
 - 5.3. Indirectly boosts gross state product by \$395 million and supports some 3,000 jobs.
 - 5.4. Plays a vital role in preserving the asset base underpinning Adelaide's significant heritage/cultural tourism value.

HIS Review

6. The review of the Operating Guidelines is in response to a Chief Executive Officer undertaking at the 3 October 2023 ([Link 2](#)) meeting of the City Planning, Development and Business Affairs Committee.
7. The review was completed by Administration with specialist advice regarding cost escalation for contractors and consultants as an industry-wide issue for built environment projects.
8. The HIS review has been undertaken alongside review of other City of Adelaide grant programs and opportunities including the Sustainability Incentive Scheme and Adaptive Reuse City Housing Initiative (ARCHI).
9. Project costs for owners of heritage places have risen, in line with, or at greater rates than construction costs, with independent advice reporting average cost increases of 40% to 50% due to price escalation post-pandemic.
10. The Operating Guidelines have been assessed as largely effective with the following refinements proposed in response to cost escalation and significant increases in construction costs:
 - 10.1. Increase the maximum HIS allocation amount by 50% for all categories of conservation works to account for cost increases throughout the industry.
 - 10.2. Increase the 75% threshold for professional fee reimbursement from 'up to \$10,000' to 'up to \$15,000'.
 - 10.3. Increase the threshold value for Chief Executive Officer delegation to approve incentive payments by 50% to \$75,000 (on 27 April 2011, Council endorsed that applications under \$20,000 could be determined by the CEO under delegation. This was increased to \$50,000 in 2016).
 - 10.4. Recognise market shortages of heritage-qualified contractors, including monitoring the funding allocation and the industry's capacity for work in 2024/25 to support a review of the HIS budget if required.
11. Other proposed changes to the Operating Guidelines are summarised below:
 - 11.1. General update to the Eligibility section for better clarity.
 - 11.2. Professional Advice and Documentation are updated to cover additional types of work, e.g. adaptive reuse options and adaptive reuse studies.
 - 11.3. Higher weighting in assessment criteria for applications where conservation works are incorporated into adaptive reuse and/or sustainability outcomes.
 - 11.4. Categories of funding are reformatted into tables to improve ease of use.

- 11.5. General update to the definition of terms in the Glossary section.
 - 11.6. Applicants may be eligible for funding more than once per year noting the Scheme is structured in a way to fund professional advice before funding conservation works.
 - 11.7. Confirm that current Council employees or former employees who ceased employment less than six months before applying and who are owners of heritage places are eligible for HIS.
12. The revised HIS Operating Guidelines are provided as a tracked changes version in Attachment A.

Funding for State Heritage Places

13. At its meeting on 10 October 2023 ([Link 3](#)), Council requested Administration to explore opportunities for joint State Government and Council grant funding for State Heritage Places.
14. The City of Adelaide contains 649 State Heritage Places, which equates to approximately 27% of South Australia's State Heritage Places.
15. The State Government's state-wide Heritage Grants Program funding has committed \$250,000 per annum since 2001/02, except for 2014-2018, when it was discontinued. Owners of State Heritage Places apply competitively for State Heritage funding for amounts between \$5,000 and \$20,000 through two funding calls per annum.
16. Two State Heritage Places in the City of Adelaide were funded in 2022/23 through the state-wide program; re-roofing of the Archbishop's House (grant of \$10,000) and stormwater drainage works to Brougham Place Uniting Church (grant of \$3,447).
17. In 2022/23, over 30% of City of Adelaide HIS funding (approximately \$350,000), was allocated to State Heritage Places.
18. The matter of the State Government funding contribution for conservation of State Heritage Places in the City of Adelaide is long-standing, being referenced in Council proceedings from at least 1982.
19. Eligibility of State Heritage Places for HIS funding has varied overtime. Before 2011, owners of State Heritage Places had to demonstrate that they were refused State Government funding to be eligible for HIS funding. In 2011, Council decided:

The current eligibility provisions for State listed buildings are generally unworkable due to the infrequency of State funding rounds and low level of State funding.

At the same time Council should be concerned regarding any potential cost shifting by the State Government to Council.
20. The state-wide Heritage Grants Program is inadequate to provide conservation of important Heritage Places in the City of Adelaide and it is therefore recommended that the HIS continue to provide funding for State Heritage Places in the immediate term.
21. City of Adelaide will continue to seek a commitment from State Government for adequate funding for State Heritage Places in Adelaide and North Adelaide.

Next Steps

22. Pending Council's decision on the revised HIS Operating Guidelines, the Guidelines will be published on the City of Adelaide website and supersede the current guidelines.
 23. Applications under the HIS program received and dated prior to a Council decision on the revised Operating Guidelines will continue to be assessed against the Heritage Incentives Scheme Operating Guidelines dated 14 April 2020, in place at the time of the application.
 24. Administration will implement internal processes to regularly notify the State Government of applications made to the HIS that are State Heritage Places and the level of funding sought to seek a State Government funding contribution for those projects.
 25. Administration will write to the State Government, to begin a dialogue regarding increased funding for State Heritage Places in the City of Adelaide.
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DATA AND SUPPORTING INFORMATION

Link 1 - City of Adelaide's Heritage Incentives Scheme Operating Guidelines dated 14 April 2020

Link 2 – [City Planning, Development and Business Affairs Committee, Agenda, Tuesday, 3 October 2023](#)

Link 3 – [Council Meeting, Agenda, Tuesday, 10 October 2023](#)

ATTACHMENTS

Attachment A – Heritage Incentives Scheme Operating Guidelines

- END OF REPORT -