

2020/00150
Public

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EXECUTIVE SUMMARY

The purpose of this report is to summarise the City of Adelaide's current package of measures to assist small business and residents and contextualise these with those packages offered by Federal, State and Local Governments, including Capital City Councils and the City of Prospect.

This will assist members with their deliberations about the adoption of any potential package of measures to further assist small business and residents in the context of the draft 2020-21 Business Plan and Budget, including its financial recovery principles, expenditure framework, fees and charges, and prudential borrowing limit at the Special Committee Meeting workshop scheduled for 15 June.

Should the Draft Bill *Local Government (Public Health Emergency) (Rate Relief) Amendment Bill 2020* be passed, the estimated cost to the City of Adelaide of providing rate remissions to eligible businesses is approximately \$9.7 million per quarter.

The report also identifies some potential packages of measures to further assist small business and residents. Should Council wish to explore the adoption of any of these measures, costings will be provided for consideration.

RECOMMENDATION

That Council:

1. Notes the City of Adelaide's current package of measures introduced for COVID-19 City recovery, including the \$4 million City Support package, and considers these in the context of those measures offered by Federal, State and Local Governments, including Capital City Councils and the City of Prospect.
2. Notes that, if passed, the financial impact of the Draft Bill *Local Government (Public Health Emergency) (Rate Relief) Amendment Bill 2020* is estimated at approximately \$9.7 million per quarter.
3. Notes the existing measures adopted by Council to assist small business and residents, including freezing the rate in the dollar for the past six years resulting in a loss of rate income of \$15 million and a significant benefit to ratepayers.
4. Notes that the \$9.4 million reduction in income as a result of COVID-19 provided in the Q3 revised forecast is consistent with actual income received to date.
5. Notes the decision of Council at the Special Council meeting on 22 April 2020 that the CEO report to Council outlining options on how Council can achieve a \$20m reduction in operating expenditure during the 2020/2021 financial year.
6. Considers the adoption of any potential package of measures to further assist small business and residents as part the Special Committee Meeting workshops and Council meetings scheduled in June.
7. Notes the easing of COVID-19 restrictions in South Australia from 11 May 2020 and that funds will be required to support demand driving initiatives directed by Council to encourage people to return to the City and to support local businesses throughout the Winter months and into Spring and Summer.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The City of Adelaide 2020-2024 Strategic Plan Community Outcomes: <ul style="list-style-type: none"> ▪ Thriving Communities ▪ Strong Economies.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	Not as a result of this report
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 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
19/20 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 12 May 2020, Council resolved that it:

Acknowledges the leadership of the Prospect Council and asks the Administration to prepare for consideration at the meeting of Council on June 9th a package of measures like that adopted by the neighbouring LGA to assist small business and residents that;

1. *Allows businesses employing 100 people or fewer forced to close by Federal or State Government direction to apply to have their rates waived (or refunded, if previously paid) for the duration of their full closure. Tenants of the City of Adelaide who have received rental relief will not be eligible for the rate relief while also receiving free rent.*
 2. *Extends to businesses employing 100 people or fewer, which have continued to trade and can demonstrate a decline in trade of 30% or more, a waiving of 50% of rates (or refund, if previously paid) for the duration of the decline and/or up to September 30th, 2020. Tenants of the City of Adelaide who have received rental relief will not be eligible for the rate relief while also receiving free rent.*
 3. *Waives Park Lands lease and licence fees for all amateur sporting clubs or community groups until September 30th, 2020.*
2. All levels of government across the nation have shown leadership in assisting small business and residents, and have helped our communities stay safe, healthy, and resilient during the COVID-19 crisis.
 3. Federal Government Support
 - 3.1 The Federal Government has provided an economic stimulus package of \$259 billion to date, including:
 - 3.1.1 the JobKeeper and JobSeeker payments
 - 3.1.2 boosting cashflow for employers (payroll PAYGW refund)
 - 3.1.3 temporary relief for financially distressed businesses (statutory demand threshold increased to \$20k)
 - 3.1.4 increasing the instant asset write off
 - 3.1.5 SME Guarantee Scheme (Government guarantee 50% of lenders new loans)
 - 3.1.6 Backing Business Investment (accelerated depreciation deduction of 50% from 12 March 2020)
 - 3.1.7 Partner income test for Centrelink increased from \$48,000 to \$79,000 per year
 - 3.1.8 \$110 million initiative to help exporters get their produce into overseas markets
 - 3.1.9 The HomeBuilder program offering \$25,000 grants to new home builders and renovators.
 4. State Government Support
 - 4.1 The State Government has provided an economic stimulus package of \$1 billion to date, including
 - 4.1.1 Economic and Business Growth Fund of \$350 million
 - 4.1.2 Jobs Rescue Package of \$650 million.
 - 4.2 Key components of this support include:
 - 4.2.1 \$300 million Business and Jobs Support Fund
 - 4.2.2 \$250 million Community and Jobs Fund
 - 4.2.3 Payroll Tax Relief (6-month waiver for businesses ≤\$4M/pa payroll and Deferred payment for 6 months for businesses >\$4M/pa)
 - 4.2.4 Waiver of Liquor Licence Fees for 2020/21
 - 4.2.5 Land Tax Relief for eligible residential and non-residential landlords (2019/20 up to 25% land tax relief and outstanding bills deferred for 6 months; 2020/21 relief increased to 100%)
 - 4.2.6 Relaxation of the current Job Accelerator Grant criteria
 - 4.2.7 \$5.7 million State Government support package provided to help local tourism operators and partners, with two programs offering direct financial support
 - 4.2.8 \$10,000 Emergency Cash Grants for eligible Small Businesses – (turnover ≥\$75,000/annum and total wage bills ≤\$1.5 million)

- 4.2.9 \$10,000 grant funding from the South Australian Tourism Commission (SATC) to assist regional tourism organisations.

5. Local Government Support

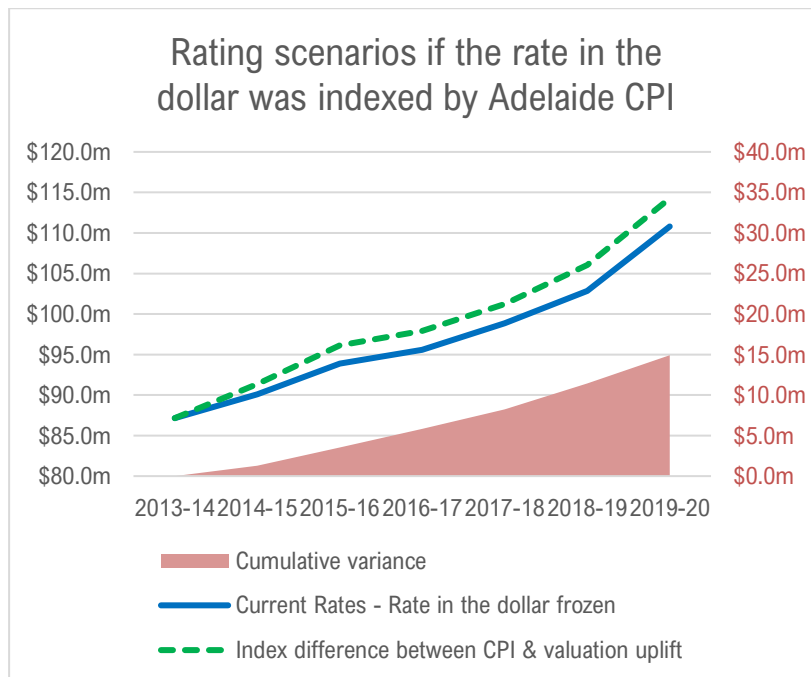
- 5.1 Not immune to the financial impacts of the pandemic, local governments have offered packages of measures consistent with their mandated roles and responsibilities, tailored for their communities, and with recovery in mind.

6. City of Adelaide Support

- 6.1 Following a Council recommendation that a package of support be developed for local residents and businesses to address the social, cultural and economic impacts of the COVID-19 pandemic, the City of Adelaide acted decisively by introducing the \$4 million City Support Package, which included these assistance measures:

- 6.1.1 100% rent free for three months for lessees of Council owned properties
- 6.1.2 100% rent free for three months for community leases of Council owned properties
- 6.1.3 100% rent free for three months for Adelaide Central Market tenants
- 6.1.4 Waiving of the separate rate for the Rundle Mall precinct for three months, (at a cost of approximately \$1 million)
- 6.1.5 A three-month waiver of all Park Land lease and licence fees for sporting clubs and community groups at a cost of approximately \$118,000 (excluding GST)
- 6.1.6 Making the city accessible by creating more flexibility regarding on street parking regulations
- 6.1.7 Support for our city communities - especially our vulnerable communities, including outreach programs
- 6.1.8 Increasing City of Adelaide's cleaning regime to ensure the city is kept as clean and hygienic as possible
- 6.1.9 Facilitating access to hardship provisions advice with our Rates Hardship approach - options include deferral of rates payment
- 6.1.10 Establishing a Small Business Task Force (SBTF) to work in collaboration with Business SA, State and Federal Government Departments and other agencies through the challenges that they are experiencing as a result of the COVID-19 restrictions. The SBTF has been:
- 6.1.10.1 Providing consistent, up-to-date information and advice to city businesses on support packages and other services available from Federal and State Governments, peak bodies and industry associations
- 6.1.10.2 Circulating weekly COVID-19 editions of the City Business Newsletter to nearly 8,000 subscribers
- 6.1.10.3 In direct contact with over 70 city businesses and Precinct Chairs and Coordinators (representing 700 businesses), and over 195 visitor economy stakeholders
- 6.1.10.4 Encouraging local businesses looking to open their doors to patrons to explore collaborative marketing opportunities, and has launched a [video series](#) featuring the real-life experiences of our local business champions,
- 6.1.11 In response to feedback from city businesses that further specialised advice is required to support them in responding to the impacts of COVID-19, and to position them to thrive in an increasingly globalised and digitally connected marketplace the SBTF is working with Business SA to identify and deliver a range of specialised support services.
- 6.2 An additional measure introduced by the City of Adelaide to support its city users and businesses is the UPark Plus initiative implemented in April 2020. Providing touch free parking at a significantly discounted price of \$8 for all day parking across all nine U-Park locations during April – June, more than 9,500 city users have signed up for this initiative.
- 6.3 Prior measures introduced by Council to assist ratepayers include:
- 6.3.1 Waiving all outdoor dining permit fees permanently, at a cost of approximately \$400,000 in the 2020-21 financial year (excluding GST and based on income received 2018-2019).

- 6.3.2 Providing ongoing rate relief to all its ratepayers over the past six years with a clear direction from Council to keep the rate in the dollar frozen. This decision has resulted in a cumulative loss of rate income of \$15 million over this same period and a significant benefit to our ratepayers.



- 6.4 The City of Adelaide's current rates hardship provisions allow all ratepayers to make an [application for rate relief](#). Support measures introduced to assist businesses and residents impacted by the COVID-19 crisis include:
- 6.4.1 Postponement of payment for the 4th quarter rates (due 1 June 2020) for three months until 31 August 2020
 - 6.4.2 Repayment arrangements (weekly, fortnightly or monthly) based on an agreed amount
 - 6.4.3 No fines or interest to be charged on any 4th quarter outstanding rates (due 1 June 2020) until 31 August 2020
 - 6.4.4 Fines and interest suspended on all outstanding historic rates until 31 August 2020
 - 6.4.5 No new debt recovery action to be instigated for any business that enters into a financial arrangement with the City of Adelaide, including any pre-existing debt.
- 6.5 The City of Adelaide's Quarter 4 rates notices sent in mid-April 2020 totalled \$25.7m (noting that some ratepayers have already paid their entire financial year rates upfront) with a due date of 1 June 2020. We have received payment for 67.74% of Quarter 4 rates to date, which compares to 72.68% for the same time last year.

	2019	2020
Q4 Rates issued	18/04/2019	21/04/2020
	(\$000)	(\$000)
Amount issued	\$25,618	\$25,742
Total Paid (as at 01/6/20)	\$18,619	\$17,438
Balance owing	\$6,999	\$8,304
Total percentage paid	72.68%	67.74%

- 6.6 The City of Adelaide has received 124 rates hardship applications for 365 assessments. This represents 1.40% of our 26,003 total assessments for 2019-2020. Of these applications, 86 have been received from commercial ratepayers.

7. Capital City Support

- 7.1 The City of Adelaide's \$4 million City Support package aligns with and in some cases exceeds the support measures introduced by the other Capital Cities across Australia, outlined in the table below. At this stage, no capital city is offering rate waivers, and all require a ratepayer seeking assistance to make a formal application under their financial hardship provisions.

Relief Measure	Adelaide	Melbourne	Sydney	Perth	Brisbane	Hobart	Darwin
Rates Financial hardship application	✓	✓	✓	✓	✓	✓	✓
Rates Waiver							
Rates Postponement	✓	✓			✓	✓	✓
Rates in the \$ frozen for 20-21	TBC	✓		✓	✓	✓	
Rates Payment Plan	✓	✓			✓		✓
Rates No fines or interest	✓	✓			✓	✓	✓
Rates No debt recovery	✓				✓		
Rent relief for Council properties	✓	✓	✓	✓	✓	✓	✓
Rent relief for Community leases	✓				✓		
Venue bookings fees waived	✓		✓		✓	✓	
Health & building compliance fees waived		✓	✓		✓		
No outdoor dining fees	✓	✓		✓	✓	✓	✓
Discounted parking initiatives	✓	✓	✓	✓	✓	✓	✓
Lease & licence fees for sporting and community clubs waived	✓				✓	✓	
SME business grants / advice	✓	✓	✓	✓		✓	✓

8. The City of Prospect Support

- 8.1 The City of Prospect's COVID-19 Recovery Package includes waiving and remitting of rates for commercial businesses at an estimated cost of \$500,000 for:
- 8.1.1 Businesses forced to close or had their trade modified by Government regulation will receive a 100% remission for the current quarter, due 2 June 2020
 - 8.1.2 Businesses closed or have experienced an impact on trade for a minimum of six weeks due to COVID-19, or can demonstrate a loss of income over 60%, or are part of the Job Keeper program will receive a 50% remission for the current quarter, due 2 June 2020.
 - 8.1.3 Waiving of the Village Heart Marketing Fund separate rate for the 4th quarter 2019-2020, and the 1st quarter 2020-2021, (noting the full levy is \$19,500).
 - 8.1.4 Waiving leases and licence fees – winter seasonal hires 2019-2020
 - 8.1.5 Waiving Payinthe and Nailsworth Hall facility hire fees
 - 8.1.6 Waiving footpath trader fees for 2020-2021 and reimbursing all fees paid for the current year
 - 8.1.7 Waiving fines and interest on late payment of Council rates including residential until 31 December 2020.
- 8.2 The City of Prospect receives over 88% of its income directly from rates with 7.5% of ratepayers being non-residential. In comparison, The City of Adelaide receives just 56% of its income directly from rates and 77% of ratepayers are non-residential. The financial impact of providing rate relief to a smaller base of commercial ratepayers is more suited to the City of Prospect given most of their rate income is sourced from residential ratepayers.

Ratepayer	City of Prospect	City of Adelaide
Residential	92.50%	23.00%
Non-Residential	7.50%	77.00%

Income	City of Prospect		City of Adelaide	
	\$'m	% age	\$'m	% age
Rates	21.8	88.65%	114.4	55.51%
Other	2.8	11.35%	91.7	44.49%

- 8.3 The City of Adelaide's income from non-rates sources amounts to 44% of total income and is sourced primarily from statutory fees and charges (parking fines, expiation fees, parking fees from both on-street parking and Council's UParks and charges for the Adelaide Aquatic Centre and Golf Links) and Commercial Tenancies.
- 8.4 These income streams have all been significantly impacted as a result of COVID-19 and the restrictions that have been put in place, and limit our capacity to provide further support measures, particularly in the context of the Council request that Administration identify \$20 million in operational savings in 2020-21.
9. Draft Bill *Local Government (Public Health Emergency) (Rate Relief) Amendment Bill 2020*
- 9.1 Introduction to Parliament on 28 May 2020 of the Draft Bill *Local Government (Public Health Emergency) (Rate Relief) Amendment Bill 2020* seeks to provide an amendment to the *Local Government Act 1999*, more specifically the insertion of Section 165A Rebate of rates COVID-19 public health emergency.
- 9.2 This amendment would see council rates waived for local businesses and not for profit organisations that have been forced to close as a result of Government directives in the wake of the COVID-19 crisis.
- 9.3 The waiver of rates would apply for the period between when the restrictions commenced and ended.
- 9.4 Based on the details outlined in the Bill, the table below shows the likely businesses that have been shut or significantly impacted as a result of COVID-19, noting that the challenge comes with determining how long a particular business has been impacted, given the restrictions vary greatly.
- 9.5 The estimated cost to the City of Adelaide of providing rate remissions to the businesses outlined below is approximately \$9.7m per quarter. Evidence to support a rate waiver would be required rather than a blanket application across all businesses.

Land Use Description	Rates Generated	Estimated Months Impacted	Remission
Amusement Centre	\$88,527.10	4	\$29,509.03
Backpacker Accommodation	\$151,376.35	6	\$75,688.18
Cinema	\$100,251.33	4	\$33,417.11
Function Facility	\$447,592.91	6	\$223,796.45
Health Studio	\$638,422.25	3	\$159,605.56
Hotel w/out Accommodation	\$1,373,530.60	4	\$457,843.53
Hotel with Accommodation	\$5,152,474.66	5	\$2,146,864.44
Lodging House	\$673,066.28	5	\$280,444.28
Motel	\$349,545.33	5	\$145,643.89
Restaurant	\$2,413,443.13	4	\$804,481.04
Serviced Apartment	\$2,360,938.75	3	\$590,234.69
Shop	\$16,726,842.96	3	\$4,181,710.74
Showroom	\$715,665.19	3	\$178,916.30
Theatre	\$98,851.55	4	\$32,950.52
Training Institution	\$936,436.23	4	\$312,145.41
TOTAL:	\$32,226,964.62		\$9,653,251.17

10. Additional Packages of Measures to Assist Small Businesses and Residents

10.1 It is recommended that the adoption of any potential packages of measures to assist small businesses and residents is considered:

10.1.1 After the outcome of the Draft Bill *Local Government (Public Health Emergency) (Rate Relief) Amendment Bill 2020* is known. The financial impact of the Draft Bill is estimated at approximately \$9.7 million per quarter and will support small businesses in the City.

10.1.2 As part the Special Committee Meeting workshops and Council meetings scheduled over coming weeks:

10.1.2.1 The Special Committee Meeting workshop scheduled for 15 June will assist Council in its deliberations about the adoption of any potential package of measures to further assist small to medium businesses and residents in the context of the draft 2020-21 Business Plan and Budget. The workshop will focus on financial recovery principles, expenditure framework, fees and charges, and prudential borrowing limit.

10.1.2.2 On 23 June, Council will meet to approve the City of Adelaide's financial recovery principles, expenditure framework, fees and charges, and prudential borrowing limit.

10.1.2.3 On 30 June, Council will meet to approve the draft 2020-21 Business Plan and Budget, prior to public consultation in July and final adoption on 11 August 2020.

10.2 Additional assistance or packages of measures that Council could consider (based on evidence provided by the applicant where required) could include:

10.2.1 Extension of the existing \$4 million City Support package for a further 3 months (or some variation of this package).

10.2.2 Deferral or waiver of all rates for small businesses forced to close as a result of mandated Federal or State Government restrictions up until 31 August 2020.

10.2.3 A 50% deferral or waiver of all rates for small businesses that can demonstrate a reduction in trade, or loss of income of more than 50% up until 31 August 2020.

10.2.4 Provide longer term assistance and allow small businesses a period of up to two years to pay their rates, enabling businesses the opportunity to rebuild.

- 10.2.5 Section 182 (3) of the *Local Government Act (1999)* allows Council to grant other or additional postponements of rates “to assist or support a business in its area” implying that financial hardship may not be the only criteria to be eligible for assistance.
- 10.2.6 Rates may be deferred for a longer period (the number of quarters to be determined by Council), and an encumbrance attached to the property which will be released upon sale of the property at which time the outstanding rates would be recovered. During this time, interest would continue to accrue.
- 10.2.7 Reduce the special discretionary rebate, currently set at 10% to reduce the impact of an increase in rates as a result of an increased valuation. Properties that have had an alteration or an addition or is a new development site are not eligible for the rebate. The implications of applying the discretionary rate will be discussed in detail at the Special Committee Meeting workshop scheduled for 15 June.
- 10.2.8 A targeted package to support the hotel and accommodation sectors who have experienced significant loss of business and higher than normal vacancy rates through lost bookings as a result of South Australia’s strong border controls and restrictions on interstate and overseas travel as a result of COVID-19. The Hotel and Accommodation sector makes up 6.23% of all rate income generated. Annual rates raised in 2019-2020 totalled approximately \$6.9m. A rate waiver for this sector would cost approximately \$1.7m per quarter, noting that some businesses are more financially able and have the capacity to pay without any support from Council.

Land Use	Annual Rates 2019-2020	% of Total Rates	Rates (4 th Quarter)	Number of Assessments
Hotels w Accom	\$5,152,474.66	4.68%	\$1,288,118.67	31
Hotels w/o Accom	\$1,373,530.60	1.25%	\$343,382.65	72
Motels	\$349,545.33	0.32%	\$87,386.33	11
TOTAL:	\$6,875,550.59	6.23%	\$1,718,887.65	114

11. City Recovery

- 11.1 In May the City of Adelaide launched its Recover + Reimagine project which is inviting ideas from Council and the community, including businesses and residents, to help our city thrive.
- 11.2 The City of Adelaide is working closely with the State Government on initiatives related to events and city activation.
- 11.3 It is important that the City of Adelaide has sufficient funding available to support demand driving initiatives to enliven and activate City laneways, mainstreets and precincts, including the Winter Lights initiative and Splash, aimed at encouraging people to return to the City, to linger longer, and to support local businesses throughout the Winter months and into Spring and Summer.

DATA & SUPPORTING INFORMATION

Nil

ATTACHMENTS

Nil

- END OF REPORT -