

# Business Assistance

**ITEM 5.10** 03/11/2020

**The Committee**

Strategic Alignment - Strong Economies

VS2020/5827

Public

**Program Contact:**

Michelle English, AD Economic  
Development & Sustainability  
8203 7687

**Approving Officer:**

Ian Hill, Director Growth

## EXECUTIVE SUMMARY

This report responds to Council's request for opportunities to support small and medium businesses within the City of Adelaide through a framework for a cash reimbursement where businesses could apply for financial assistance equivalent to 50% of the commercial rates payable for quarter 2 of the 2020-21 financial year.

In acknowledging the challenges many of the city's small and medium businesses have faced arising from the COVID-19 pandemic, Council has responded with a range of assistance measures.

As at 11 October 2020, 80% of 2020-21 Quarter 1 total rates (commercial and residential) had been paid (leaving 20% unpaid). Of the 20% unpaid rates, approximately 4% (\$1.046 million) of rates were under a hardship arrangement, leaving 12% (\$4.848 million) as remaining unpaid and the ratepayer not having applied for hardship. The commercial rates component of the unpaid, non-hardship group is 71% (\$3.5 million).

Funding for additional support initiatives, such as a cash reimbursement for businesses, is currently not included in the 2020-21 Business Plan and Budget adopted by Council. If further support initiatives are to be provided, Council's direction will be required to determine how the initiative will be funded, noting the operating deficit is currently forecast to be \$39 million. In addition, a \$20 million reduction in operating expenditure is reflected in the 2020-21 budget and in the Long-Term Financial Plan, which is yet to be realised.

This report is presented to Council for noting and it is not recommended that the cash reimbursement framework is approved at this time.

.....

The following recommendation will be presented to Council on 10 November 2020 for consideration

That Council:

1. Notes the assistance valued at over \$11.2 million that has been provided to small and medium businesses within the City of Adelaide by Council in response to the COVID-19 pandemic since March 2020 and the support initiatives available for businesses from the Australian Government, especially through the 2020-21 Federal Budget.
  2. Notes the potential cash reimbursement framework, the number of businesses the cash reimbursement would apply to, the costs, sample application form, Attachment A to Item # on the Agenda for the meeting of the Council held on 10 November 2020, and the approval process as detailed in the report.
  3. Notes the approximate cost of \$3.077 million associated with the cash reimbursement initiative that would apply to approximately 4,416 small and medium businesses within the City of Adelaide if the initiative as proposed was introduced.
  4. Notes such an initiative would require additional loan funding or an adjustment to current budgeted works to progress.
  5. Notes the City of Adelaide's current forecast operating deficit is \$39 million and such an initiative, if approved, will result in an increased deficit of at least \$42.0 million. Increasing operating deficits via a cash reimbursement of rates is not a sustainable financial support instrument and is not recommended by Administration.
  6. Notes that a cash reimbursement initiative, if progressed will have a material impact on the financial position of Council.
- .....

## IMPLICATIONS AND FINANCIALS

|  |  |
|--|--|
| City of Adelaide<br>2020-2024<br>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   | Not as a result of this report   |
| Risk / Legal /<br>Legislative  | Financial impacts are material and not in line with the long-term financial management plan.   |
| Opportunities  | Not as a result of this report   |
| 20/21 Budget<br>Allocation   | Funding for this initiative is not provided within current budget provisions.  |
| Proposed 21/22<br>Budget Allocation                                    | If the initiative is supported, it will need to be funded through increased borrowings. Allowance will need to be made in the 2021-22 budget for interest and repayments against these borrowings. |
| Life of Project,<br>Service, Initiative<br>or (Expectancy of)<br>Asset | Not as a result of this report   |
| 20/21 Budget<br>Reconsideration<br>(if applicable)                     | Not as a result of this report   |
| Ongoing Costs<br>(eg maintenance<br>cost)                              | Not as a result of this report   |
| Other Funding<br>Sources   | Not as a result of this report   |

## DISCUSSION

1. Council at its meeting on 11 August 2020 resolved:

*“That Council:*

1. *Prepares the framework for a cash injection to be provided to small and medium sized businesses within the City of Adelaide, whereby businesses could apply for a cash injection that is equivalent to fifty per cent of the commercial rates payable for Q2 of the 2020-21 Financial Year on the property their business occupies.*
  2. *Pursuant to the above, Administration produces clear criteria upon which an application for which a cash rebate may be assessed, including, but not limited to:*
    - 2.1 *Size of the business*
    - 2.2 *Proof of address*
    - 2.3 *PAYG tax records*
    - 2.4 *Business Activity Statements*
  3. *Requests that the framework, the number of businesses the cash injection will apply to, the costs and the application form and process come back to council for approval at a Special Council Meeting to be held as soon as possible at a time determined by the CEO.”*
2. The following is a summary of support currently provided to small and medium businesses within the City of Adelaide:

### **Government of South Australia**

3. Further to the advice to Council on 9 June 2020 on State Government Support, the Government of South Australia has announced a further six month extension of the land tax relief scheme which supports landlords providing significant rent reductions for resident and commercial SME tenants impacted by COVID-19 restrictions.
4. The State Government is funding a \$4m Great State voucher system as part of a tourism stimulus package. The Great State vouchers provide a \$100 off per booking for accommodation with participating hotels in the city and North Adelaide for travel between 15 October to 11 December 2020 inclusive, excluding Saturday night stays. A number of hotels within the City of Adelaide have registered to participate in this program and the initiative is expected to have flow on economic benefits for a range of City businesses.
5. The arts and cultural sector in South Australia has been supported by the South Australian government with the most recent announcement of \$10.2 million to support:
  - 5.1. Collaboration and partnerships: supporting collaboration and partnerships between artists and arts organisations to create jobs and foster the evolution of arts practice in a COVID-safe environment.
  - 5.2. Theatre and festival recovery: enabling theatres and festivals to re-open by supporting the creation, development and presentation of work in a COVID-safe environment, to create jobs for artists and arts workers, and technical and production crew.
  - 5.3. Digital innovation: generating digital innovation by supporting the development and curation of new digital content, building sector skills and capability, and investing in technology and digital expertise.
  - 5.4. Mentorship: supporting strategy and business development for arts organisations through mentorships to increase their capacity.
6. Further support initiatives are anticipated to be contained within the State Government’s budget due to be handed down on 10 November 2020.

### **Australian Government**

7. Further to the advice to Council at its meetings on 9 June 2020 and 14 July 2020 on support provided to small and medium businesses by the Australian Government, the JobKeeper Payment has been adjusted and extended and will be available to eligible businesses and not-for-profits until 28 March 2021.
8. The City of Adelaide (CoA) continues to comply with the Federal Government’s National Cabinet Mandatory Code of Conduct – SME Commercial Leasing Principles During COVID-19. In accordance with the Code, for 2020-21, Council has frozen rent increases for commercial tenants, and additionally, has decided not to apply a CPI increase, at an estimated cost of \$77,000.
9. Measures in the Federal Budget will support city ratepayers and businesses, providing a much-needed economic boost to the city and community in COVID-19 recovery, through accelerated tax relief, business stimulus and concessions, and wage subsidies.

10. City businesses will benefit from the COVID-19 response and new measures including:
- 10.1.1. Structured Finance Support Fund to support continued access to funding markets for small and medium enterprises (SMEs) impacted by the pandemic
  - 10.1.2. Global Business and Talent Attraction Taskforce - \$29.8m over 2 years
  - 10.1.3. Up to \$40bn of new loans supported through the Coronavirus SME Guarantee Scheme, up to 50% of new loans to be guaranteed by the Government
  - 10.1.4. Tax free cash flow boosts between \$20,000 and \$100,000 to eligible small and medium businesses and not for profits that employ people
  - 10.1.5. Increased small business entity turnover threshold from \$10m to \$50m
  - 10.1.6. Instant asset write-off expanded for businesses <\$5bn turnover
  - 10.1.7. Temporary full expensing and loss carry-back
  - 10.1.8. \$6.9m over 2 years from 2019-20 to increase support for all businesses through the business.gov.au Contact Centre
  - 10.1.9. \$5m over 2 years for a campaign to encourage support for local businesses
  - 10.1.10. \$50m to support businesses participating in business events and trade shows.
11. Further details of support provided through the 2020-21 Federal Budget are shown at Link 1 view [here](#).

### City of Adelaide

12. To date, the CoA has provided \$11.2M in to aid in the City and North Adelaide's economic recovery.
13. A summary of support measures provided by the CoA are provided in the table below.

**Table 1**

|   |                     |
|---|---------------------|
| City Support Package  | \$4,000,000         |
| Rate relief (freezing general rate in dollar for all ratepayers and 10% special discretionary rate) | \$2,730,000         |
| Waiving of fees* (UPark, outdoor dining fees, fees & charges at 19/20 levels)                       | \$2,700,000         |
| Grants, rebates and incentives (eg Christmas and Outdoor Activation)                                | \$1,125,000         |
| Events and Festivals, Splash activations  | \$ 297,000          |
| Marketing campaigns (inc #MyAdelaide Staycation, Rundle Mall Win it All! Campaign**)                | \$ 185,000          |
| Recover and Reimagine projects  | \$ 100,000          |
| Frozen rent increases   | \$ 77,000           |
| <b>Total</b>  | <b>\$11,214,000</b> |

\*Foregone revenue through implementing capped price UPark Plus charges between April to September compared to revenue from early bird rates.

\*\*This campaign is funded through the Rundle Mall Differential Separate Rate.

14. Further details of the CoA's Economic Recovery Response are shown at Link 2 view [here](#).

### Business Assistance – Cash Reimbursement Framework

15. There are approximately 7,416 rate assessments in the CoA within the \$0 to \$10,000 annual rate payments range. Some businesses may receive more than one rate assessment linked to their business. If all rate assessments in this range receive the cash reimbursement this would cost approximately \$3.077 million.
16. There are approximately 5,000 businesses within CoA of which 4,416 (City of Adelaide Land Use Survey and Employment Census 2016 [the Census]) are small enterprises. The Census defines a "micro business" as one with five or fewer employees and a "small business" as one with 6 to 19 employees.
17. For the purposes of the cash reimbursement framework an assumption has been made that the provision of a cash reimbursement would apply to small and medium sized businesses of up to 20 employees, that pay up to \$10,000 in council rates per annum.
18. Is it proposed that the cash reimbursement framework would target micro and small businesses within the City of Adelaide that:

- 18.1. employ between 1 - 20 employees; and
- 18.2. occupy non-residential properties; and
- 18.3. contribute between \$0 to \$10,000 in council rates annually for the space they occupy.
- 19. Eligible businesses would be able to apply for a cash reimbursement equivalent to 50% of the second quarter 2020-21 financial year rate.
- 20. A sample application form is shown in **Attachment A**.

### **Eligibility**

- 21. For micro and small businesses to be eligible to receive a cash reimbursement from Council, the following criteria are proposed:
  - 21.1. The business must have a physical presence i.e. be a 'bricks and mortar' business located within the City of Adelaide local government area.
  - 21.2. The business must have been physically located within a non-residential premise in the City of Adelaide local government area for a period of at least six months.
  - 21.3. The business must employ between 1-20 employees.
  - 21.4. As a tenant, the business pays rates between \$0 - \$10,000.
  - 21.5. The business must not be a government entity, organisation or subsidiary.
  - 21.6. Only one assessment application per business will be accepted.
  - 21.7. Businesses that are tenants of the City of Adelaide are not eligible for the cash reimbursement.
  - 21.8. Assessments that currently receive 100% rebate under the *Local Government Act 1999 (SA)* including Churches, Mosques and Chapels, the Adelaide Zoo, community services, etc are not eligible.

### **Application process**

- 22. In applying for the cash reimbursement the business must complete an application form (either online or in hard copy) and provide the following details:
  - 22.1. Proof of address to ensure the business is located within the City of Adelaide.
  - 22.2. Proof that the business has been operating within the City of Adelaide for at least six months.
  - 22.3. Proof of employee numbers through PAYG Australian Taxation records.
  - 22.4. Bank account details for the business to enable a direct transfer to be made.
  - 22.5. Advice of rates assessment number. This can be provided via a copy of the rates notice or written proof from the landlord confirming the proportion of rates per annum that the business is responsible for.
- 23. Administration would verify the information in the application to confirm eligibility and value of the reimbursement due, prior to authorising payment.

### **Cost of cash reimbursement grant**

- 24. The approximate cost of the initiative is in the order of \$3.077 million.
- 25. Additional administrative costs will be in the order of \$203,000. This is calculated at a rate of \$46/hour to confirm eligibility and process the cash reimbursement, with an assumption of 1 hour processing time for up to 4,416 eligible applications.
- 26. Based on the proposed criteria, eligible businesses could receive up to a maximum of \$1,250, with the actual amount dependent on the applicable total annual rate for the 2020-21 financial year.

### **Promotion of the cash reimbursement grant**

- 27. The availability of the cash reimbursement grant would be promoted via CoA's digital channels and through existing email databases.
- 28. A CoA representative could also visit potential businesses to promote and provide advice in relation to the grant. The cost for this service would be in the order of \$115,000, based on \$90/hour for a temporary resource visiting approximately 28 businesses per day. It is proposed that eight temporary resources would be employed to deliver this service within a month.
- 29. Apart from the potential cost for this cash reimbursement, which is unbudgeted, Table 2 outlines the Advantages and Disadvantages of implementing a cash reimbursement initiative.

### Cash reimbursement grant – Advantages and Disadvantages

30. The table below provides a high level summary of the advantages and disadvantages of implementing the cash reimbursement framework within the CoA as an economic recovery response.

**Table 2**

| <b>Advantages</b>  |
|--|
| <ul style="list-style-type: none"> <li>• Targets over 4,000 micro and small businesses within the CoA that employ staff.</li> <li>• The \$10,000 annual rate limit minimises the financial impact on the CoA to \$3M.</li> </ul>   |
| <b>Disadvantages</b>   |
| <ul style="list-style-type: none"> <li>• Businesses will need to prove their annual rate is less than \$10,000 per annum. Depending on an individual's lease, rates may not be specified in outgoing. This may create transaction costs for the business and the landlord to define tenants' proportion.</li> <li>• Landlords may not support the proposal for a rate reimbursement to their tenants, if they have already provided a range of support for their tenants and/or are suffering their own hardship.</li> <li>• In some cases, tenants may be on payment plans and may not have paid the full amount of the rates component in their outgoing.</li> <li>• It provides a support opportunity to all businesses paying \$0-\$10,000 in annual rates irrespective of whether they have been financially impacted by COVID-19 restrictions.</li> <li>• A number of small businesses that pay over \$10,000 per annum in rates will be ineligible.</li> <li>• The \$3M cost to deliver the cash reimbursement will deliver minimal economic output for the CoA.</li> </ul> |

31. Noting the advantages of implementing the cash reimbursement framework are outweighed by the disadvantages and the material impact such an initiative would have on the financial position of Council due to the increase in operating deficit, the implementation of this initiative is not recommended by Administration.

---

## DATA AND SUPPORTING INFORMATION

**Link 1** – What the 2020-21 Federal budget means for Adelaide

**Link 2** – City of Adelaide Economic Recovery Response

---

## ATTACHMENTS

**Attachment A** - Application Form: Cash Reimbursement Framework

---

- END OF REPORT -

# SMALL BUSINESS CASH REIMBURSEMENT

## ELIGIBILITY FOR THE SMALL BUSINESS REBATE

For small and medium businesses to receive a cash injection grant from Council, the following criteria must be met:

- The business must have a physical presence i.e. be a 'bricks and mortar' business located within the City of Adelaide local government area.
- The business must be physically located within a non-residential premise for a period of at least six months.
- The business must employ between 1-20 employees.
- As a tenant the business pays rates between \$0 - \$10,000.
- The business must not be a government entity or organisation.
- Only one assessment application per business will be accepted.
- Businesses that are tenants of the City of Adelaide are not eligible for the cash reimbursement.
- Assessments that currently receive 100% rebate under the Local Government Act 1999 (SA) including Churches, Mosques and Chapels, the Adelaide Zoo, community services etc are not eligible.

## APPLICATION PROCESS

To apply for the rate reimbursement, applicants must complete an application form (either online or in hard copy) and provide the following detail:

- Proof of address to ensure the business is located within the City of Adelaide
- Proof that the business has been operating within the City of Adelaide for at least six months
- Proof of employee numbers through PAYG Australian Taxation records
- Bank account details for a direct transfer to be made
- Advice of rates assessment number – can be provided via a copy of rates notice or proof of proportion of rates per annum that the business is responsible for is between \$0 - \$10,000.

## WHO TO CONTACT FOR ASSISTANCE?

If you have questions or require assistance with the completion of this form, then please contact us via:

**Telephone:** (08) 8203 7203

**Email:** [customer@cityofadelaide.com.au](mailto:customer@cityofadelaide.com.au)

**In-person** at our Customer Centre, 25 Pirie Street, Adelaide  
(open Monday to Friday from 8:30 am to 5:00 pm)

**By post** at The City of Adelaide, GPO Box 2252, Adelaide, SA, 5001



# SMALL BUSINESS CASH REIMBURSEMENT

PLEASE COMPLETE THE SMALL BUSINESS CASH REIMBURSEMENT APPLICATION FORM

Send your completed form, Proof of employee numbers through PAYG Australian Taxation records, proof of address, rates notice or proof of proportion of rates and proof that the business has been operating within the City of Adelaide for at least six months to:

Mail: The City of Adelaide, GPO Box 2252, Adelaide, SA, 5001

Email: customer@cityofadelaide.com.au

## SECTION 1. BUSINESS AND PAYMENT DETAILS

Business owner name

Trading name

Registered business (trading) name (if applicable)

Number of workers

ABN:



Daytime contact number

Mobile number

Email

**\*BUSINESS ADDRESS (MUST NOT BE A PO BOX)**

Unit number/Street number/Property number  
(include Lot or DP number if applicable)

Street name

Suburb

State

Postcode

### PAYMENT DETAILS

Account Name

BSB

Business account number

Business account name

Has your business been operating in the City of Adelaide for longer than 6 months?

Yes

No