

**Report to General Manager**Attachments:
Nil**SUBJECT:** COVID-19 Financial Impacts**AUTHOR:** Margaret Palmer, Director Corporate Services and
Jenny Gleeson, Manager Integrated Planning & Special Projects**ENDORSED BY:** Ken Gouldthorp, General Manager**EXECUTIVE SUMMARY:**

The purpose of the report is to provide the Council with a preliminary review of the financial impacts of COVID-19. The report supplements the information provided to Council at the Briefing held 20 April 2020, as part of the *2020/21 Operational Plan & Budget* preparation.

Further detailed information will be reported to the Council via the third quarter budget review and consideration of Council's *Draft 2020/21 Operational Plan & Budget*.

Council is not isolated from the considerable economic impacts of COVID-19. A number of Council facilities have been closed as result of Public Health Orders and revenues associated with a range of Council services are being impacted from the change in behaviour and work patterns associated with the response.

Council has also had to address charges applied to businesses forced to close due to Public Health Orders. On 25 March 2020, the Mayor and General Manager authorised the *Waiving Charges During Novel Coronavirus (Covid-19) Policy*. This Policy is largely consistent with principles promoted by the Joint Cabinet in respect to Tenancies.

The forecast revenue shortfall for 2019/20 is estimated to be \$6.311 million. This is further detailed in the body of the report.

FINANCIAL IMPLICATIONS:

The current estimated financial implications are detailed throughout the body of this report and will be further reported upon in the third quarter budget review and draft 2020/21 forward estimates.

RECOMMENDATION:

1. THAT the COVID-19 Financial Impacts report be received.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

Direction: 5. Our Civic Leadership

Outcome: 5.1 Council leads the strategic direction of North Sydney
5.2 Council is well governed and customer focused

BACKGROUND

The Novel Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. Council has been following the Federal and State Governments for all emerging advice. The various restrictions put in place by the Federal and State Governments has had a significant impact on Council operations.

On 25 March 2020 the *Waiving Charges During Novel Coronavirus (Covid-19) Policy* was authorised by the Mayor and General Manager. This Policy identifies support and/or waivers of lease fees or charges that Council will provide to community groups and businesses impacted by the Government response to COVID-19. Particularly those impacted by enforced closures. This was reported to Councillors via the Councillor Bulletin of 2 April 2020.

CONSULTATION REQUIREMENTS

Consultation will take place with future budgets in accordance with the prescribed arrangement for Integrated Planning and Reporting (IP&R).

SUSTAINABILITY STATEMENT

The sustainability implications are of a minor nature and did not warrant a detailed assessment.

DETAIL

Council is working to support its community, businesses and Council staff during this world-wide COVID-19 pandemic. This report outlines the actions taken to date in response to the pandemic and the associated financial impacts on the *Long Term Financial Plan 2018/19-20*. This report expands upon information presented to Councillors at the briefing held 20 April 2020 as part of the *2020/21 Operational Plan & Budget* preparation. It details the known and forecast financial impacts to Council as at mid-April 2020.

1. Impact on Income

1.1 Rates and Annual Charges

This financial year (YTD 2019/20) approximately 30% of all ratepayers have paid their rates in full by the due date of 31 August 2019, the balance paid by quarterly instalment. As at 31 March 2020, 18.7% (\$12.1 million) of Council's rates and annual charges were outstanding, with the final instalment due on 31 May 2020. It is uncertain what the impact of COVID-19 will have on the ability of ratepayers to pay their outstanding balance this financial year.

The NSW local government industry benchmark for metropolitan councils is to achieve an annual ratio of less than 5% outstanding. By comparison to the Global Financial Crisis (GFC), Council's rates and annual charges outstanding percentage for the 2008/09 financial year was 0.99% (\$340,000) and the 2009/10 financial year was 0.98% (\$350,000). The SEIFA Index rankings places North Sydney local government area amongst the top then most advantaged area, which reflects the ratepayers capacity to pay rates when they fall due.

1.2 North Sydney Olympic Pool

Following the closure on 25 March 2020, all memberships, subscriptions and multi-pass visits have been suspended and direct-debit membership payment deductions immediately stopped. Refunds for memberships are currently being processed.

The budgeted income from fees and charges in 2019/20 was \$2.7 million. Cancelled memberships etc. from 25 March to 30 June 2020 will result in lost income of \$643,000.

1.3 Stanton Library

Items on loan will not be due for return during this period, and no late fees will be accrued. Additionally, fees from other suspended Library services are estimated at \$49,000.

1.4 North Sydney Oval

Council staff are working with venue hirers to ensure that any events at the venue comply with all Government advice regarding COVID-19. At this stage most events have been postponed, including:

- Sunset Cinema cancelled its screening program early;
- Rugby Union competitions have been postponed until early May 2020;
- NSW Rugby League competitions has been suspended until at least 31 May 2020;
- All AFL programs have been postponed until 31 May 2020; and
- Beer Footy and Food Festival hosted by The North Sydney Bears has been postponed.

The budgeted income from venue hire in 2019/20 was \$768,000 (including bar takings). Cancelled or postponed events from mid-March to 30 June 2020 would result in lost income of \$276,000. This will be partially offset from savings in casual labour expenses.

1.5 Outdoor Dining and Goods on Footpath Fees

Where a Licensee has had to temporarily close their business or change their trading practices as a result of Government regulation to manage the spread of COVID-19, Council will waive all Outdoor Dining and Goods on Footpath Licence fees for the duration of the enforced closure period, plus two months to facilitate re-establishment from when the closure period is officially relaxed. Where a Licensee has already paid in advance at the commencement of the enforced closure period, the prepaid term will be credited to the Licensee, rather than refunded. Interest charges will be waived on any existing arrears a Licensee currently has with Council. This provision is detailed in the *Waiving Charges During Novel Coronavirus (Covid-19) Policy* adopted 25 March 2020. Refer to 2.6.2. The shortfall in income is forecast to be \$225,000.

1.6 Cafes/Restaurants Occupying Council Owned Premises

All rental/lease fees associated with the tenancy agreement will be waived for the duration of the enforced closure period, plus two months for re-establishment for when the closure period is officially relaxed. The waiver also applies to those Lessee's providing take-away only services for the period of the enforced closure, however the additional two months for re-establishment does not apply. Interest charges will be waived on any existing arrears. This provision is detailed in the *Waiving Charges During Novel Coronavirus (Covid-19) Policy* adopted 25 March 2020. The shortfall in income is forecast to be \$1.049 million.

1.7 Recreational and Sporting Facilities

Property rental for community recreational All rental/lease fees by not for profit community groups occupying Council Owned Community, Recreational and Sporting facilities (including parks and reserves) will be waived for the duration of the enforced closure period, plus two months for re-establishment for when the closure period is officially relaxed. Existing arrears will at the commencement of the enforced closure be waived. This provision is detailed in the *Waiving Charges During Novel Coronavirus (Covid-19) Policy* adopted 25 March 2020. The shortfall in income is forecast to be \$93,000.

1.8 Other Small Businesses

Considered on a case-by case basis, where a Lessee has had to temporarily close their business as a result of Government regulation and is suffering financial hardship, Council may waive all rental/lease fees associated with the tenancy agreement for the duration of the government enforced closure period, plus two months for re-establishment from when the closure period is officially relaxed. Where a Lessee is still operating and the business remains open, Council may provide a rent rebate of 50%. This provision is detailed in the *Waiving Charges During Novel Coronavirus (Covid-19) Policy* adopted 25 March 2020. The financial impact of this has not been determined.

1.9 Parks and Ovals

Forecast revenue shortfall from recreation parks hire fees, other than the North Sydney Oval is \$202K.

1.10 Shop Inspections

While food shop inspections must continue to ensure the health and safety of the community, however inspection fees will be waived until State Government restrictions are lifted. While this waive was publicly announced by Council on 25 March 2020, the amendments to the *Local Government Act 1993* made on 17 April 2020 allow councils to immediately waive or reduce fees under a new COVID-19 category.

The budgeted income from inspection fees in 2019/20 was \$270,000. Waiving fees to 30 June 2020 would result in lost income of \$54,000.

Note: due to COVID-19 it is reasonable to expect some other fees may require waiving on a case-by-case basis e.g. fire safety inspection fees. Whilst it is imperative that annual fire safety statements continue to be prepared, it is acknowledged that access to individual properties may be restricted during the pandemic and completion of statements in full may not be possible.

1.11 Parking Revenue

The closure or change in operations of businesses (i.e. increase in workers working from home) has had an impact on parking revenue. As estimated shortfall for the period ended 30 June 2020:

- Parking meter fees are down \$1.77 million;
- Parking station fees are down \$473,000; and
- Parking fines are down \$678,000 (net of processing fees).

The renewal of Resident Parking Permits was extended until 30 April 2020. The financial impact of this deferral is considered minor as in response there has been an increase in uptake of online payments; however, will be costed and reported in due course.

1.12 Other Permits

As estimated shortfall for the period ended 30 June 2020:

- Hoarding Permit fees - \$373,000
- Work Zone Permit fees - \$310,000
- Plant Permit fees - \$95,000
- Storage of Building Materials on Footpath fees - \$20,000

2. Expenditure

COVID-19 has required the following additional expenditure or deferral of planned expenditure:

2.1 Advertising

As part of the regulatory changes announced on 17 April 2020, in response to the closure of some local newspapers, including the Mosman Daily that is now exclusive online and behind a paywall, and to assist councils to reduce their costs, the *Local Government (General) Regulation 2005* has been amended to remove the requirement for newspaper advertising. This

amendment is not temporary and will continue after the COVID-19 pandemic passes. Similarly, the *Environmental Planning and Assessment Amendment (Public Exhibition) Regulation 2020*, gazette on 17 April 2020, requires various notices and other documents under the *Environmental Planning and Assessment Act 1979* and the *Environmental Planning and Assessment Regulation 2000* to be published online instead of in a local newspaper.

The financial impact, and potential savings, for Council are yet to be determined. As an interim measure a half page advert has been purchased in the SMH until the end of April 2020 to advertise current DAs and consents etc. Exploration of alternatives is underway.

2.2 Work Practices

Having regard to staff health and safety (social distancing), and school closures, there has been a need to change existing work practices to facilitate working from home options for staff, as well as virtual Council meeting options, which has resulted in increased expenditure on IT related equipment and software. This will be detailed in the quarterly budget review.

Following the Councillor Briefing held 20 April 2020, Council staff are currently reviewing the Capital Works Program to priorities the works based on urgency and funding availability.

Conclusion

The estimated financial impact for current 2019/20 Financial year is \$6.311M, as detailed below:

- Outdoor dining \$225,000;
- Commercial Rent \$1.049 million;
- Community and Recreational Rent \$93,000;
- Active Recreation Parks hire fees - \$190,000;
- Passive Recreation Parks hire fees - \$12,000;
- North Sydney Oval hire fees - \$11,000;
- North Sydney Oval bar takings - \$203,000;
- Parking meter fees - \$1.77 million;
- Parking station fees - \$473,500;
- Parking fines - \$678,500 (net of infringement processing fees);
- Hoarding Permit fees - \$373,000;
- Work Zone Permit fees - \$310,000;
- Plant Permit fees - \$95,000;
- Storage of Building Materials on Footpath fees - \$20,000;
- North Sydney Oval Function Centre/Outdoor Cinema - \$62,000;
- North Sydney Olympic Pool fees - \$643,000;
- Shop Inspection Fees - \$54,000; and
- Stanton Library fees - \$49,000.

Please note that this does not include a provision for reduced Commercial Tenancy (other than cafes and restaurants) income or any increase to Rates arrears with the final quarter instalment for 2019/20.
