

8.6. COVID 19 Impact 2021

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ATTACHMENTS: Nil

PURPOSE:

The purpose of the report is to provide the Council with an update on the continuing impact of COVID-19 on the current financial year with the focus being on emerging trends forecast to 31 December 2021. It also details some of the changes made to the operations of the Council to support the North Sydney Residents.

EXECUTIVE SUMMARY:

The information contained within this paper covers the likely financial impact of the continuing COVID-19 on the 2021/22 financial year, the paper focusses on the period to 31 December 2021 as beyond this it is uncertain if the trends will hold. There is still uncertainty regarding the timing of coming out of lockdown and the timeframe when, or if, operations will return to normal.

It draws upon the information available at time of writing and provides a preliminary review of the income and expenditure trends emerging from various areas across Council. As further information becomes available it will be detailed in the Quarterly Budget Review papers.

The September Quarterly Budget Review is likely to forecast a revenue shortfall of approximately \$5.71 million to 31 December 2021. This is further detailed in the body of the report.

The main impacts have been in the closure of facilities and the impact of the shutdown on local businesses and cafes and parking revenue. Impact on major contracts is contained in separate Council report (Item 8.07).

FINANCIAL IMPLICATIONS:

The current estimated financial implications are detailed throughout the body of this report; and will be further reported upon in the September Quarterly Budget Review.

RECOMMENDATION:

1. THAT the Council note the information contained within the report.

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 have continued to impact on Council's operations, financially and operationally.

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

1. Impact on Income

1.1 Rates and Annual Charges

This financial year, approximately 27% of all ratepayers have paid their rates in full by the due date of 31 August 2021. In dollar terms, this amounted to approximately \$18 million of the \$74 million levied. The remaining 73% of ratepayers have elected to pay by quarterly instalments. At 31 August 2021 of the amount due from those ratepayers, \$3.6 million (approximately 25%) was outstanding. However, overdue notices had not yet been mailed and the response from such will inevitably bring this outstanding amount down.

While it is too early to accurately predict the impact of the current lockdown on cashflow from rates and annual charges, it is not anticipated that it will be substantial.

1.2 Stanton Library

The budgetary impact on the library is that there is no income from library room hire, printing, reservations, or overdue fees. Over the first half of 2021/22, this is likely to result in a revenue shortfall of approximately \$35,000.

1.3 Recreational Facilities

North Sydney Oval

The Council has lost scheduled first-class women's cricket fixtures that were scheduled to be played early in the 2021/22 Cricket season at North Sydney Oval including:

- Australia vs India tests and 20/20 matches; and
- opening and early rounds of the Women's Big Bash League.

The Rugby League and Rugby Union fixtures scheduled towards the end of the winter season were cancelled as the sporting associations abandoned the season.

North Sydney Oval has also lost scheduled social and corporate events that were scheduled and interrupted by COVID restrictions.

Loss of revenue over the first half of the year is likely to be approximately \$160,000.

It is predicted that major and local Cricket fixtures scheduled from January 2022 at the Oval may proceed and the Sunset Cinema season is scheduled to commence in November.

Other Recreational Facilities

The Council refunded the booking fees paid by sporting organisations for fields that they had booked but could not use due to COVID restrictions. While some sporting facilities are open, revenue from recreational facilities over the first half of the year is likely to be approximately \$75,000 lower than originally forecast.

1.4 Outdoor Dining Fees

During the current lockdown, all outdoor dining licence fees in North Sydney LGA (Local Government Area) have been waived from 1 July 2021 until the lockdown is lifted by NSW Health. Revenue from licence fees forgone for the first half of the year is estimated to be approximately \$365,000.

1.5 Commercial Property Rental

The Retail and Other Commercial Leases (COVID-19) Amendment Regulation 2021 was gazetted on 13 August 2021 and took effect from 13 July 2021 to 13 January 2022 (a period of 6 months). The Amendment Regulation 2021 re-introduced the National Code of Leasing principles in which Landlords will provide rental relief to "impacted lessee" defined as the lessee who has a turnover loss of more than 30% and qualifies for 1 or more of the following:

- 2021 COVID-19 Business Grant / Micro-business Grant; or
- 2021 JobSaver Payment.

Council will apply the National Code of Conduct in relation to financial support but propose to provide more rent abatement (waiver) to lessees that have significant drop in turnover of more than 50% as follows:

National Code of Conduct	Rental Waiver	Rental Deferral
Minimum requirement of the Code Turnover loss >30% to 100%	Minimum of 50% turnover loss	50% turnover loss
NSC package Turnover loss >30% to 50% >51% to 70% >71% to 99% =100% Shop closed completely	50% turnover loss 70% turnover loss 90% turnover loss 100%	50% turnover loss 30% turnover loss 10% turnover loss 0%

In circumstances where a business has completely closed and is not trading at all due to impacts of COVID-19, Council will provide a full waiver of rent for the duration of the closure providing the tenant agrees to extend their lease for the same period that the waiver is given. The total financial support package provided by Council will reduce the rental revenue from commercial properties over the first half of the year by approximately \$642,000.

This approach aims to reduce vacancy rates (thereby maximise longer term rental income) as a result of businesses going into administration or otherwise abandoning their lease.

1.6 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 first half of the year is:

- Parking meter fees - \$2,845,000;
- Parking station fees - \$575,000; and
- Parking fines (net of processing costs) - \$800,000.

2. Expenditure

COVID-19 has required the following additional expenditure or deferral of planned expenditure this will be detailed in the Q1 Budget Review.

2.1 Contracts

There has been an impact on some of our contracts due to the current COVID-19 outbreak. There have been two impacts.

1. The shutdown of the construction industry from 17 July to 31 July 2021.

2. The impact on resources within the construction industry due to further restrictions on the movement of people from the 12 LGAs of concern. With the increase in the vaccination rate this impact is reducing as time passes.

For most of NSC's smaller projects there are no financial implications. These projects do not have extensive site establishments and the smaller contractors seem prepared to absorb the costs.

2.3 Operational Changes

The Council has changed its operations, systems, and practices in response to COVID to ensure its Residents continue to receive support, services, and information in a timely manner. Central to this is delivery through NSC's digital service platforms such as phone, email, and online forms. This has ensured a high level of delivery and responsiveness to enquiries and continued to allow the Council to stay connected to its residents.

As Councillors are aware, a number of facilities have been closed and it was necessary to stand staff down. These staff have used a combination of leave entitlements and the Retention Allowance to cover their fortnightly pay. To keep the impact to a minimum there has been a recruitment freeze on non-essential staff and where skills have been transferable, staff have been redeployed to other roles across the Council. Staff arrangements and conditions are addressed in a "Splinter" Award established to deal with the specific circumstances of the Pandemic, the Local Government (COVID 19) Splinter Award.

Customer Services continues to operate with residents offered the opportunity to make an appointment where the matter cannot be dealt with in person, such as collection of Visitor Parking Permits or making a cash payment.

The Library has been closed for 3 months since commencement of the current lockdown on 28 June 2021. As a result, the library has been providing some services online such as children's story time sessions, author talks, school holiday activities and history talks. Throughout lockdown, staff have been able to continue offering the Home Library Service which is a home delivery service to vulnerable people in the community, more recently it has been providing a 'Click and Collect' service whereby members may pre-order materials and are allocated a timeslot to collect their orders.

Community support resources continue to be provided with services such as meals on wheel, linen services, food bank donations. The provision of youth services continuing on-line.

There has been a need for additional maintenance of sports fields and parks, in terms of rubbish collection and general maintenance, to ensure healthy and attractive parks are maintained. This has been important as parks and sporting fields have been the focus for outside fitness activities for our residents. Also, with the new rules allowing picnics, this will put added pressure on outdoor spaces. To ensure this work is done in a COVID safe way, work

teams have been meeting at various places and cross mixing of teams stopped. In addition, car-pooling has ceased, and additional vehicles secured.

To allow for an extension of hours of activities by people, the sporting field lighting has been extended to 9pm to support outside recreational activities.

Numerous on-line events have been hosted across a wide variety of genres aimed at engaging with a cross section of residents.

The current waiver of outdoor license fees continues until 30 January 2022 (the end of the school holidays). In support of this pop-up outdoor spaces are being created in time for relaxation of the lockdown rules mid-October.

Parking enforcement in the North Sydney local government area was eased at the commencement of COVID 19 health orders to only those offences against 'red' signs, such as No Stopping, No Parking, Clearways etc, and specific complaints of illegally parked cars.

This easing was aimed at assisting residents who were trying to comply with the 'Stay at Home' requirement of the health orders and were required to continually move their vehicle, contrary in their mind, to the intent of the order.

The wellbeing of staff continues to be a high priority and to facilitate this and support the staff health and safety (social distancing), staff continue to work from home with a skeleton staff at Chambers and outside staff rotating and working in separate teams to avoid the risk COVID being passed on. The Council processes are well defined, and technology and communication solutions have matured over the last year.