

Management report to Council

Agenda item 6.6

Precinct Development Program 2017-21 Review

Council

Presenter: Andrew Wear, Director Economic Development and International**15 December 2020****Purpose and background**

1. The purpose of the report is to inform Council on the findings from the review of the 2017-21 Precinct Development Program (PDP).
2. At its June 2020 meeting, Council noted management's intention to undertake a review of the current PDP to allow for Council consideration prior to the current program ending on 30 June 2021.
3. Since 1999, Council has assisted trader groups by providing annual financial support to recognised associations representing businesses in consumer relevant precincts across Melbourne.
4. The PDP was last reviewed in 2016, when Council endorsed the current PDP. It has had a yearly budget allocation of \$625,000.

Key issues

5. The review of the PDP was undertaken by SGS Economics & Planning (SGS) and comprised three stages: surveys; a desktop audit of similar program models; and analysis and future model proposal. A copy of the review is contained in Attachment 2.
6. The review found that the PDP is well received and is seen to add significant value to local business communities. Precinct associations encourage cooperation and strengthen relationships between businesses in the catchment and between business and local government. They do this primarily through precinct events and various websites and advertising campaigns.
7. However, the review identified a number of issues requiring attention. In particular, the PDP's strategic direction is not clearly articulated and precinct associations are under-resourced, with an over-reliance on volunteer hours.
8. SGS proposes that the scope of a future PDP should be defined to focus on: building precinct capacity for business development; fostering better alignment between landlords and business; generating ownership and involvement from local residents; and harmonising local action with City-wide action.
9. The review recommends that the new PDP should reward robust membership and enable more efficient association administration. Management will consider the review and will provide further advice on refreshed PDP guidelines and new funding model as part of budget deliberations.
10. Additionally in recognition of the unique challenges associated with COVID-19, SGS proposes an immediate one-off payment to existing precinct associations in the current financial year for COVID-19 business support initiatives.

Recommendation from management

11. That Council:
 - 11.1. Notes the findings from the review of the City of Melbourne Precinct Development Program 2017-21 as contained in Attachment 2.
 - 11.2. Requests management provide a one-off payment of \$100,000 to each of the nine existing precinct associations for COVID-19 business support initiatives, subject to an agreed implementation plan with associated milestones.

Attachments:

1. Supporting Attachment (Page 2 of 63)
2. Precinct Development Program 2017-21 Review Full Report SGS Economics & Planning (Page 3 of 63)

Supporting Attachment

Legal

1. Associations funded through the New PDP will enter into an annual funding agreement with Council requiring an acquittal of all funds allocated as nominated through the application process.

Finance

2. Management is working on the most appropriate way of funding this initiative.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a general; or material conflict of interest in relation to the matter of the report.'

Health and Safety

4. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.'

Stakeholder consultation

5. External and internal stakeholder consultation was undertaken as part of this review. All currently recognised precinct associations were engaged as part of the consultation process. A survey calling for feedback into a future precinct model in the 6 July 2020 edition of the *Business in Melbourne* newsletter was distributed to over 10,000 subscribers. Previous Councillors and Council management were also provided the opportunity to contribute to the review. The feedback from the stakeholder consultation informed the review. Consultation with Councillors was conducted in September 2020.

Relation to Council policy

6. The 2017 – 21 Council Plan Goal 4 has as a four-year priority for a prosperous city including providing enhanced support to small business and that Melbourne's businesses are supported despite disruption caused by major projects.
7. This priority is achieved by:
8. Supporting the City's businesses through the development of robust, representative retail trader associations which draw on the diversity of our local economy.
9. Enhancing Melbourne's reputation by positioning the retail precincts as distinctive destinations for shopping, dining and leisure experience and driving visitation to these precincts.
10. Encouraging retail businesses within the municipality to become precinct association members, thereby receiving proactive communication from the representative precinct associations on how to capitalise on City business initiatives, events and marketing campaigns.

Environmental sustainability

11. Whilst there is no significant impact on environmental sustainability, precincts are encouraged to undertake maintain a low impact on environmental sustainability when undertaking activities such as events and other initiatives



PRECINCT DEVELOPMENT PROGRAM REVIEW

FINAL REPORT
NOVEMBER 2020

Prepared for
City of Melbourne

Independent
insight.



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TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
<hr/>	
1. INTRODUCTION	1
<hr/>	
1.1 Program history	1
1.2 Program features	2
1.3 Purpose & scope of this review	7
1.4 Review method	7
2. PROGRAM INVESTMENT LOGIC AND SCOPE	9
<hr/>	
2.1 Program rationale	9
2.2 Case studies and best practice review	12
2.3 Discussion	15
2.4 Recommendations	16
3. PROGRAM EFFECTIVENESS	17
<hr/>	
3.1 A warranted, but difficult to evaluate, program	17
3.2 Appraisal against core strategies	18
3.3 Discussion	19
3.4 Recommendations	20
4. PROGRAM EFFICIENCY	21
<hr/>	
4.1 Current arrangements for prudential supervision	21
4.2 Discussion	22
4.3 Recommendations	23
APPENDIX 1 – PRECINCT PROFILES	24
<hr/>	
APPENDIX 2 – STAKEHOLDER ENGAGEMENT	29
<hr/>	
APPENDIX 3 – CASE STUDIES	30
<hr/>	
Auckland Council	47
Wellington City Council	47
Christchurch City Council	49
APPENDIX 4 – KEY REFERENCES	50
<hr/>	
<hr/>	
LIST OF FIGURES	
<hr/>	
FIGURE 1: CITY OF MELBOURNE – ORGANISATIONAL STRUCTURE	3
FIGURE 2: PRECINCT ASSOCIATION GEOGRAPHIC CATCHMENTS	5

FIGURE 3: ASSOCIATION MEMBERSHIP BY INDUSTRY	6
FIGURE 4: INVESTMENT LOGIC MAP	10
FIGURE 5: BUSINESS ASSOCIATION SUCCESS FACTORS	14
FIGURE 6 NEW CO-OPERATIVE MODEL FOR PRECINCT REVITALISATION	15
FIGURE 7: CITY OF SYDNEY GRANTS AND SPONSORSHIPS PROGRAM	30
FIGURE 8: CITY OF SYDNEY GRANT MAKING PRINCIPLES	31
FIGURE 9: BUSINESS ASSOCIATION MODEL	36
FIGURE 10: BUSINESS ASSOCIATION SUCCESS FACTORS	38
FIGURE 11: CITY OF ADELAIDE PRECINCT GROUPS	39
FIGURE 12: LBPI INITIATIVE	41
FIGURE 13: LBPI PROCESS – BRISBANE CITY COUNCIL	42
FIGURE 14: CITY OF PERTH GRANTS AND SPONSORSHIPS	44
FIGURE 15: PROGRAM OVERVIEW – BUSINESS SUPPORT AND ECONOMIC DEVELOPMENT	45
FIGURE 16 A BUSINESS IMPROVEMENT DISTRICT PROGRAMME IN WELLINGTON	48

LIST OF TABLES

TABLE 1: EXPENDITURE ITEMS AS AN AVERAGE % OF TOTAL SPEND	4
TABLE 2: CASE STUDY ASSESSMENT	13
TABLE 3 POTENTIAL PERFORMANCE INDICATORS FOR PRECINCT DEVELOPMENT PROGRAM	18
TABLE 4 NOMINAL EFFECTIVENESS OF THE PRECINCT DEVELOPMENT PROGRAM	19
TABLE 5: 3 TYPES OF BUSINESS SUPPORT GRANT	32
TABLE 6: PROMOTE PROJECT – PLACE AND INDUSTRY GRANTS PERFORMANCE MEASURES	33
TABLE 7: CITY OF SYDNEY’S PRECINCTS – CHAMBERS AND ASSOCIATIONS	34
TABLE 8: CONTRIBUTION OPTIONS	37
TABLE 9: LBPI PROCESS – BRISBANE CITY COUNCIL	41
TABLE 10: OVERVIEW OF ACTIVITIES FUNDED BY GRANT TYPE	45

EXECUTIVE SUMMARY

Review of the Precinct Development Program

The City of Melbourne Precinct Development Program (PDP) supports local businesses by facilitating the development and growth of geographically based business associations.

These associations encourage cooperation and strengthen relationships between businesses in the catchment and between business and local government. They do this primarily through events that generate increased awareness of their precincts and various websites and advertising campaigns designed to attract customers to these areas.

Council invests around \$625,000 a year in the program, distributed in the form of administrative and project grants. Participating associations share in this pool of resources based on their membership numbers.

The City of Melbourne commissioned SGS to provide Council with independent, strategic and authoritative advice as to how the PDP can be refined to add more value to local business precincts in future years.

Review method

SGS conducted the review by:

- Interrogating the rationale for the Program using an investment logic mapping process
- Analysing Program data held by Council
- Comparing the Program with similar initiatives undertaken by other Australian and New Zealand capital cities
- Conducting a literature search on best practice in such programs
- Consulting – via a workshop – with a range of Council officers who have current or potential dealings with the Program, and, as noted,
- Considering insights provided by Councillors who took up the opportunity to input.

Major findings

A provisional Investment Logic Map prepared for this review by SGS affirms that the Program represents, in principle, a worthwhile deployment of Council resources. It holds the promise of delivering major benefits in terms of improved services for local residents and workers, place amenity, business incubation and a vibrant visitor economy.

A strong case can be made for greater landlord engagement in PDP. There is an evident and longstanding disconnect between the expectations of landlords and the capacities of businesses that could make an important difference to product/service mix in the precincts. While there is a risk of agenda bias – with landlords potentially inclined to shift association discussions towards asset focussed concerns – for example, rates – rather than the needs of precincts to maintain competitiveness, this is outweighed by the greater risk of persistent and damaging vacancies if landlords are not constructively engaged.

Some peer jurisdictions in Australasia have preferred to apply a levy funded rather than grant funded models of precinct marketing. There are significant advantages in the levy approach, particularly in the sheer weight of resources that can be generated to support innovative precinct initiatives. Nevertheless, there is insufficient evidence for a radical change in the funding base for the City of Melbourne's PDP, at least now while its fundamental objectives and key performance indicators remain loosely defined.

In adjusting the Program for its next cycle, it is important that each association has access to sufficient resources to support an adequate administrative resource. 'Adequacy' in this context means the capacity for strategic planning as well as attending to activity planning and prudential reporting obligations.

Generally speaking, the Precinct Development Program has a well-documented administrative infrastructure for the good custody of grants made available by Council. However, the efficiency of the Program would be improved through stronger reporting and administrative requirements directed by the City of Melbourne. Obligations for publication of pro-forma reports on income and spending would both enhance the robustness of associations and boost attractiveness to potential future members and partners.

Stakeholder feedback

SGS engaged with the Lord Mayor, five Councillors and Council's tourism and events department on the strengths of the current program and areas for improvement. There was consensus that the program is a valuable and effective grassroots engagement vehicle for Council. The main concerns of those interviewed included:

- The program's lack of strategic direction
- Lack of transparency in how Council dollars are spent by associations
- The under-resourcing of precinct associations and an over-reliance on volunteer hours
- The need for greater support from Council as precincts go about their decision making, and
- Supporting associations to understand and adhere to good governance principles.

Interviewees understood the scale of the challenge ahead in terms of COVID recovery and emphasised the need to work hand in hand with the precinct associations. Councillors highlighted that a successful recovery will require broader leadership from Council and closer engagement with the business sector moving forward.

Recommendations

We recommend that:

1. The purpose, objectives, scope and key performance indicators of the Precinct Development Program be documented using an ILM framework as outlined in this report
2. The scope of the Program be defined to include 4 strategies pertaining to: building precinct capacity for business development, fostering better alignment between landlords and business, generating ownership and involvement from local residents and harmonising local action with City wide action.
3. During the course of the next iteration of the Program, Council investigate more structural reforms including the possibilities of a move towards a tax based funding model and creation of new brokerage agencies to work with the precincts.
4. The funding formula for the Precinct Development Program be revised to ensure that all participating associations have access to at least a 0.6 EFT executive officer whose duties would include strategic as well as tactical direction of the precincts in question
5. The funding formula be further revised to compensate for the static level of Council investment over recent years and to provide an incentive for Precinct associations to build a robust membership base
6. The program 'contract' with associations include an obligation to prepare 5 year strategic visions and plans as well as annual activity plans, with a view to identifying and harnessing broader retail, societal and urban trends to the benefit of the precincts
7. Council provide additional in kind support to improve the strategic planning capacities of the associations, including exploring alternative models of precinct organisation as canvassed in Section 2 of this report, by making Council planning and marketing staff available in appropriate forums and training sessions

8. The scope of eligible membership for program funding purposes be expanded to include non owner-occupier landlords as canvased in Section 2 of this report, and
9. Council revisit and tighten the reporting obligations placed on funded Precinct Associations, including a requirement to make a pro-forma financial and activity report freely available to any interested party.

Program 2021-25

Details of how the Program might be operated over the 2021-25 period, were the above recommendations to be adopted, are set out in the following table.

	Current program	Proposed 21-25 program	Rationale for proposed change
Eligible membership	<p>Funding is available for recognised and incorporated associations representing particular geographic precincts in the City</p> <p>Funding is driven by the number of the paid up members in the association</p> <p>Associations must levy a minimum membership fee of \$50 per annum</p> <p>For members to be counted into the funding formula they must operate retail and/or hospitality businesses within the geographic area in question</p> <p>Landlords who are not business operators in the precinct are not counted into the funding formula</p>	<p>Retain current arrangements but expand eligible membership to include:</p> <ul style="list-style-type: none"> • Owners of business premises in the precinct (though they would be confined to associate memberships without voting rights for the Precinct Board) • Other organisations with a bona fide interest in the Precinct such as educational institutions and commercial (business to business) enterprises (though, again, they would be confined to associate memberships) 	<p>The Program Review found that as key investors in the Precincts, property owners should be engaged in plans for business development in these areas.</p> <p>Safeguards would be put in place to make sure these interests do not ‘take over’ the agenda of the Precincts and redirect their focus to other matters such as rates.</p>
Formula governing funding available for	<p>\$250 per registered member for administrative support</p>	<p>Precincts must have a minimum of 25 members to be eligible for administrative support funding</p> <p>All precincts would receive a flat administrative grant of \$30,000 per annum</p>	<p>The Review found that a number of Precinct Associations do not have the wherewithal to do effective strategic planning. While they can generate an activity list, they typically have been unable to generate a longer term vision and plan for their Precincts. This represents a</p>

<p>executive officer</p>	<p>Precincts must have at least 25 members</p> <p>Funding caps out at 100 members</p>	<p>provided they commit to contracting a certifiable administrative resource equivalent to 0.6 of an equivalent full-time planning/marketing/administrative role. The Precincts would be expected to make up the difference between the \$30,000 grant and the annual cost of a 0.6 eft administrative resource from their own sources.</p>	<p>serious dampener on the effectiveness of the Program.</p> <p>Access to a suitable administrative resource is essential to overcome this hurdle. Consultation during the review indicated that 0.6 eft would be adequate.</p>																		
<p>Formula governing funding available for marketing activities</p>	<p>\$500 per member for marketing activities</p> <p>Precincts must have at least 25 members</p> <p>Funding caps out at 100 members</p>	<p>Increase the annual marketing grant to \$600 per member</p> <p>Remove the funding cap in Year 3 and Year 4 by introducing a stepped bonus schedule as follows:</p> <table border="1" data-bbox="526 660 973 974"> <thead> <tr> <th>Membership</th> <th>Bonus</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Under 100</td> <td>-</td> <td>Membership x \$600</td> </tr> <tr> <td>100-149</td> <td>-</td> <td>\$60k</td> </tr> <tr> <td>150</td> <td>\$10k</td> <td>\$60k + \$10k = \$70k</td> </tr> <tr> <td>200</td> <td>\$20k</td> <td>\$60k + \$20k = \$80k</td> </tr> <tr> <td>300+</td> <td>\$30k</td> <td>\$60 k + \$30k = \$90k</td> </tr> </tbody> </table>	Membership	Bonus	Total	Under 100	-	Membership x \$600	100-149	-	\$60k	150	\$10k	\$60k + \$10k = \$70k	200	\$20k	\$60k + \$20k = \$80k	300+	\$30k	\$60 k + \$30k = \$90k	<p>An increase to the unit marketing grant from \$500 to \$600 per member is warranted given that the Program has operated with static funding for several years.</p> <p>An imperative for the new Precinct program is that it provides strong incentives to build a robust membership which can support a more ambitious marketing agenda. The stepped bonus arrangements fulfill this requirement.</p>
Membership	Bonus	Total																			
Under 100	-	Membership x \$600																			
100-149	-	\$60k																			
150	\$10k	\$60k + \$10k = \$70k																			
200	\$20k	\$60k + \$20k = \$80k																			
300+	\$30k	\$60 k + \$30k = \$90k																			
<p>Performance requirements of associations</p>	<p>Precincts are expected to provide an activity plan for the funding year.</p>	<p>Precincts must prepare, to Council's satisfaction:</p> <ul style="list-style-type: none"> • An annually updated 3 year Strategic Plan setting out the vision for the Precinct, an analysis of its competitive environment and points of difference, the principal moves to advance realisation of the Precinct's potential over the planning period and specific Key Performance Indicators to be reached over that period. • An annual Business Plan identifying discrete marketing and business development initiatives to be delivered in the current funding year, including on-line promotion, physical events and team building amongst Precinct members 	<p>It is vital that Associations think and act strategically when deploying the resources made available by Council. The obligation to create an annually updated 3 year Strategic Plan will focus attention on the core competitive strengths of each Precinct. It will encourage business development initiatives that will have long term transformative impacts.</p>																		
<p>Reporting obligations of associations</p>	<p>Precincts must hold documentation of legal incorporation and appropriate management arrangements</p> <p>Precincts must submit financial statements for the previous financial year as</p>	<p>Retain current arrangements and further require that the Precincts publish an annual proforma report documenting:</p> <ul style="list-style-type: none"> • Governance arrangements • Outcomes from the year's activities versus the KPIs in the Precinct's strategic plan • Financial transactions in delivering on these KPIs 	<p>The Review noted the need for greater transparency and accountability in the Program.</p>																		

	<p>per the requirements of the Associations Incorporation Reform Act 2012</p> <p>Precincts must maintain a current register of members</p>		
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1. INTRODUCTION

This section traces the history of the Precinct Development Program and sets out the purpose and scope of this review.

1.1 Program history

Program history and major milestones

Origins

The Precinct Development Program has taken a few guises since inception. The formal precursor to the program that is currently in place was approved in July 1999 and implemented in September 1999. The stated aim of the program was initially to provide financial support for marketing of small business, focused on the central business district areas within the City of Melbourne. Originally named the Precinct Enhancement Program, this ran for three years. Some of the current precinct associations were founded in this period, including the Chinatown Precinct Association, Collins Street Precinct Group, Greek Precinct Association and the Yarra Business Association. Under this program, a total of 15 precincts received funding.

The 'Precinct Marketing Program'

Following this three-year period, a new model was established in March 2002. This edition of the Program continued until June 2007 and was renamed the Precinct Marketing Program. The same 15 precinct associations were provided annual grants of \$20,000, with \$5,000 paid per quarter. A report was to be prepared with the details of activities undertaken each quarter, and this was assessed and approved by the Marketing and Business Development units and the Major Events Committee of Council. A minimum of 50 members was required for an association to access funding but, unlike the current program, there was no specified minimum member financial contribution.

Participating associations were: Hardware Precinct, West End Association, Bourke Hill Precinct, Carlton Business Association, Yarra Tourism, Collins Street Precinct, Greek Precinct, Little Collins St Precinct, Chinatown, Flinders Quarter, St Kilda Road, LLB Precinct from Queen St, Market Precinct, Swanston Street and Magnificent Seven City Arcades.

Under this format, not all associations applied for funding and engagement was limited. Reporting requirements were also followed less rigorously, with non-submission a frequent occurrence. The modern program has, as a result, included more rigorous thresholds to build more robust associations.

The total budget of the program in this period was much lower, at around \$300,000 per year.

The 'District Precinct Program'

The model changed once again from this point, under a new 'District Precinct Program' banner. This broadly looked to include greater operational and strategic support beyond the initial marketing focus of the plan. From July 2007 through to June 2010, the model ran in this updated format.

The change looked to increase participation from a broader range of trader groups, more closely co-ordinate traders with commercial development and an increase the professionalism of associations.

Quarterly funding remained at the same \$20,000 level for each association. However, a one-off grant of \$10,000 for marketing projects that support relevant City of Melbourne plans was made available. This new model still required 50 members as a minimum but introduced a required contribution of \$50 (pa) per member.

This was done to increase the credibility of the program and investment and engagement from members. At the time, there was also a greater focus on identifying community growth priorities and resultant business opportunities for associations.

Associations were required to submit an audited annual financial statement, with receipts for expenditure items greater than \$500.

Current model

The program took its current name in July 2011. Program adjustments at this time included introduction of a minimum funding provision to cover administrative and promotion support.

Total funding for the Program was increased to \$590,000. The number of funded associations decreased to 7.

In 2013, this program was reviewed again, resulting in a further increase in funding. The total Program spend was set at \$625,000 including \$200,000 in direct funding to the precincts and \$300,000 for targeted marketing campaigns. A further \$130,000 was offered to associations for administration and \$55,000 in operational support.

This update changed the funding formula to its current format, with \$250 made available per registered member for administrative support and \$500 per eligible member for marketing activities. The current minimum requirement of 25 members and the funding cap at 100 members was also set at this time.

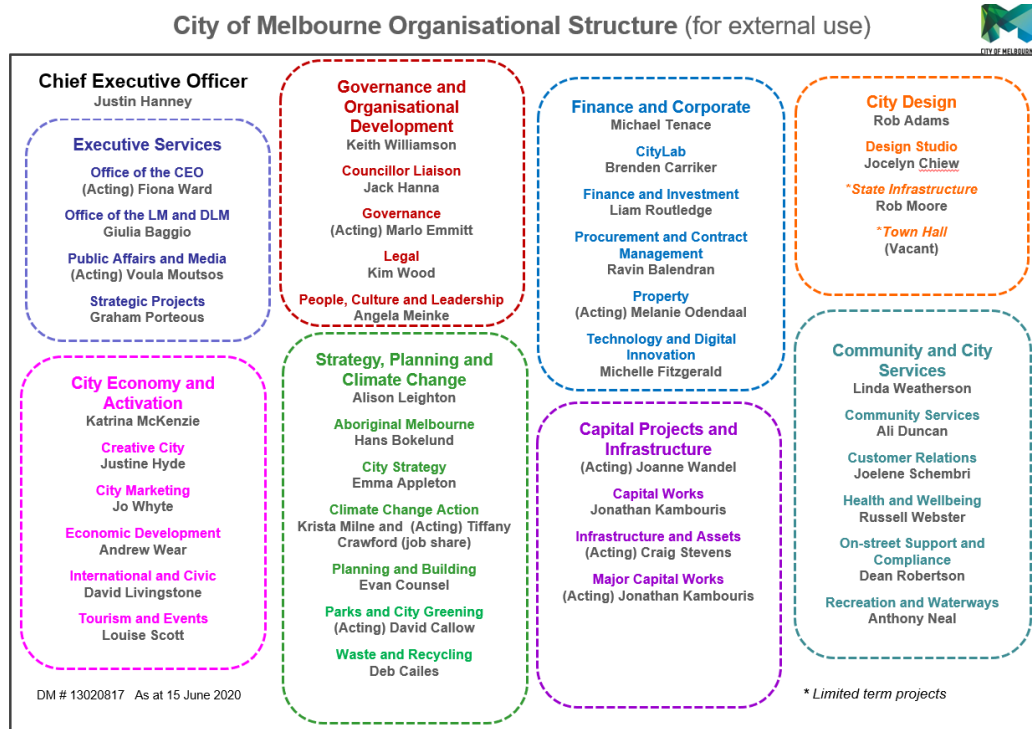
The 2013 review looked to address issues with duplication of services, lack of clarity in objectives and requirements for associations and the low level of support from stakeholders. Some saw the program as an unnecessary addition of administration and a costly way to fund marketing activities

1.2 Program features

Precinct Development Program within the City of Melbourne

The Precinct Development Program sits within the Economic Development team of Council. This, in turn, is located within a wider City Economy and Activation Unit, which is one of 8 business units that make up the organisation (see Figure 1).

FIGURE 1: CITY OF MELBOURNE – ORGANISATIONAL STRUCTURE



Source: City of Melbourne, 2020.

The overall cost of the program varies given membership numbers but is still around \$625,000, distributed as outlined above.

The program is overseen by a City Economy Senior Coordinator, who is the sole Council resource tasked with managing the operational aspects of the Program. Other departments may spend some limited time on marketing and other requirements.

It has been estimated that the City Economy Senior Coordinator applies anywhere between 70 per cent to 85 per cent of available time on management, support and communications in relation to the Program. Many of these are City of Melbourne meetings, where communication from precinct associations is passed on by the City Economy Senior Coordinator to other parts of the organisation.

This knowledge is valuable and informs different aspects of City of Melbourne policy and operations. Arguably, the provision of reliable grass roots intelligence to Council is a key collateral benefit of the program.

Main features summary

Purpose

The Precinct Development Program looks to support local businesses within the City of Melbourne by facilitating the development and growth of geographically based associations.

These associations cover a catchment loosely based on prime retail and hospitality strips or suburb boundaries. Associations are made up of paying members with a (typically) voluntary board responsible for management and oversight.

Administration duties are covered on a voluntary basis by selected members, with some associations employing executive officers. As noted, the City of Melbourne provides

supplementary funding based on membership numbers, with larger associations attracting a greater pool of funding.

Associations exist to encourage cooperation and strengthen relationships between businesses in the catchment and between business and local government. The intention is to ensure local government support and strategic planning is well aligned to local needs of business.

Business associations in most cases provide significant marketing and events support for their membership. This includes hosting events that bring increased visitation and awareness to the precinct and operating various websites and advertising campaigns to attract visitors to the area.

Annual resource allocation and allocation rules

Most revenue for precinct associations is derived from funding provided by the City of Melbourne rather than membership income. Funding is calculated on a per member basis and capped at an annual total of \$75,000 per association. There are currently 9 associations, and at present 4 of these have hit the funding cap.

Membership must be paid annually at a minimum rate of \$50 to be recognised under the Council’s Precinct Development Program.

Types of activities funded

Associations tend to apply most of their funding to events, publications and other marketing activities and administration costs.

Events vary in type and expense. They range from fully funded festivals to smaller networking events, pop-ups and smaller seed funding investments in private events not organised by the association. The average allocation of total expenditure across all associations is shown Table 1.

TABLE 1: EXPENDITURE ITEMS AS AN AVERAGE % OF TOTAL SPEND

Expenditure item	Average % of total spend
Administration	36.9%
Publications	3.0%
Marketing	31.5%
Network events	7.3%
Festival, popups, and activations	14.3%
Seed funding (events or otherwise)	2.2%
Placemaking	2.8%
Other	2.1%

Source: City of Melbourne 2018, *Chinatown Precinct Association and Greek Precinct Association are not included.

Reporting and accountability obligations

Activities which can be directly funded under the Precinct Development Program include administration and business development and marketing.

Administrative funding is allocated to assist with the employment of an executive officer or coordinator to deliver services to members, cover other active communication with members and any membership development administrative activities.

Administrative funding is based on a structure of \$250 per member (with a minimum of 25 members), and up to \$25,000 maximum for those with over 100 members.

Business development and marketing funding is benchmarked at \$500 per member up to a maximum of \$50,000. This includes participating in existing City of Melbourne business development activities, events or campaigns, and the hosting standalone events that can be business to business or business to public. Activities such as advertising through newsletters, brochures, traditional media and social media are also included.

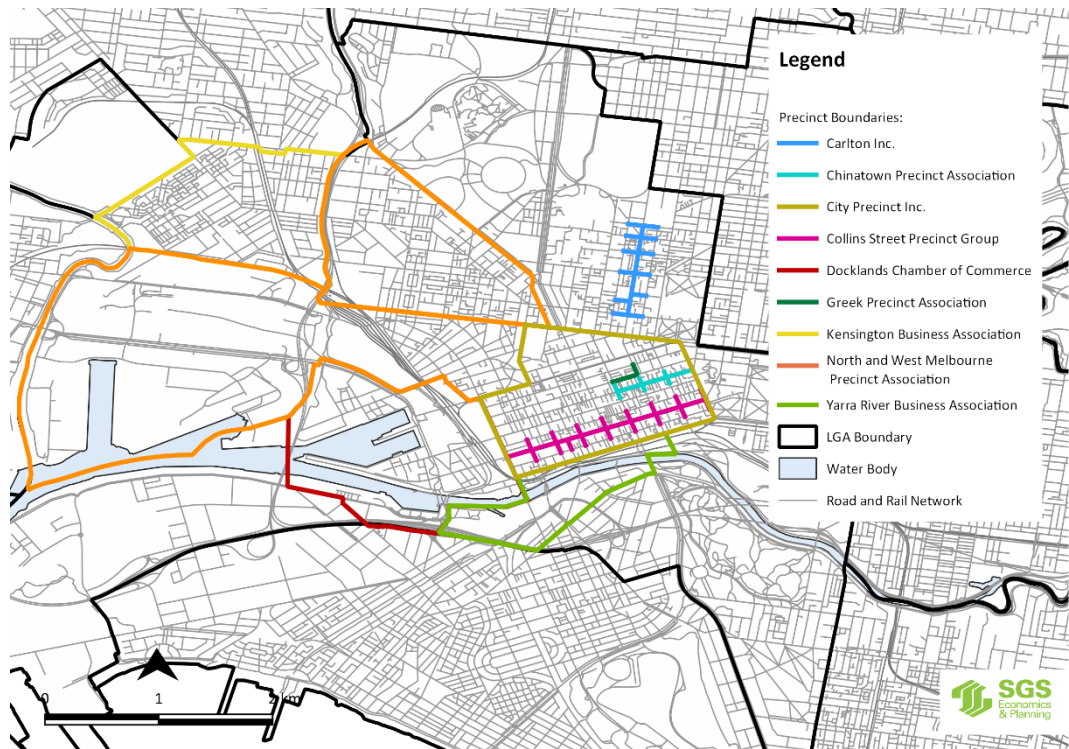
Proposed spending by associations on marketing under the Program must provide information to the City of Melbourne on the target audience, how the activity will benefit association members, the number of visitors expected and how the activity aligns with the broader City of Melbourne economic development strategy.

All precinct associations are required to attend governance training relating to requirements in the Association Incorporation Reform Act 2012. Section 4 of this report provides further discussion of administrative aspects of the Program.

Precinct Summaries

Figure 2 maps the geographic catchments for each Precinct Association.

FIGURE 2: PRECINCT ASSOCIATION GEOGRAPHIC CATCHMENTS



Source: City of Melbourne, SGS Economics and Planning 2020.

The precincts catchments are defined according to geographic boundaries which broadly follow suburb boundaries. However, four of the precincts are slightly more specific, with members required to operate their businesses on the relevant specific street. Three of these fall within the city CBD, and relate to streets which have particularly high numbers of retail and hospitality traders. The broader City Precinct Inc. captures the remainder of traders within the limits of the CBD.

The four largest associations in terms of member numbers and therefore funding are the Docklands Chamber of Commerce, Chinatown Precinct Association, Yarra River Business Association and the Collins Street Precinct Group.

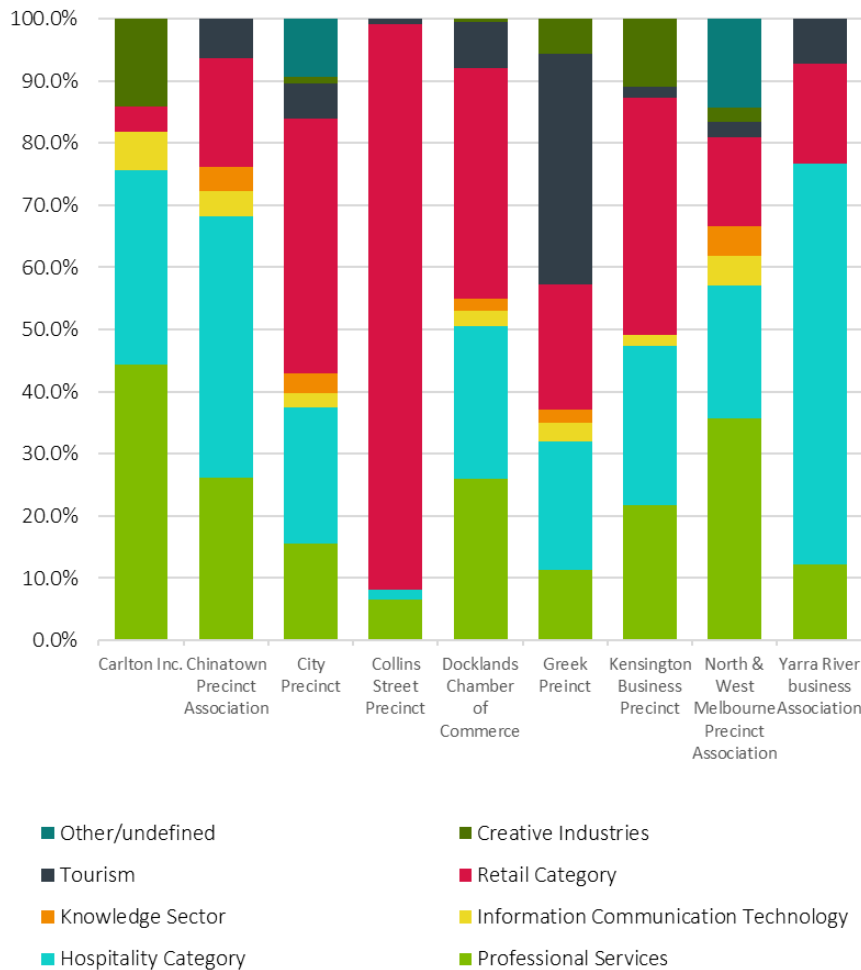
At the most recent update of 4-year reports in 2018, all these four associations had well over 100 members and had therefore reached their funding limit. Carlton Inc. too was just under the funding limit at the time of releasing reports and has likely since reached the funding limit.

This effectively means that the incentives of growing beyond this point have significantly reduced, as membership revenue is a significantly lower source of funds than City of Melbourne grants. Roughly 70 per cent of all revenue is generated by grant funding, while around 10 per cent comes from membership fees. Interestingly, the Docklands Chamber of Commerce has grown well beyond the 100-member threshold to around 200 members, suggesting that this does not completely remain a barrier to ongoing growth. In their case, membership fees make up just over 12 per cent of all revenue.

Conversely, two of the suburb-based associations, North & West Melbourne Precinct Association and Kensington Business Precinct, have much lower memberships of around 50. As a result, they receive significantly less funding and membership revenue than the other associations. This lower membership is partly due to the smaller size of traders within suburbs such as North Melbourne, West Melbourne, and Kensington.

Membership is proportionally more expensive for smaller traders, and many may feel that they are less likely to benefit from joining an association. Furthermore, these areas have higher proportions of industrial, recreational, and warehousing enterprises compared with CBD based associations. This means that the pool of possible members and is smaller, as shown in the more diverse types of traders falling within their memberships.

FIGURE 3: ASSOCIATION MEMBERSHIP BY INDUSTRY



Source: 4-year Precinct Plans, City of Melbourne, 2018

Appendix 1 provides a summary of each precinct and further information on their membership composition. Note that some information was not made available by associations in their 4-year plan.

1.3 Purpose & scope of this review

Anecdotally, the Precinct Development Program is well received and is seen to add significant value to local business communities.

Arguably, the Program is of even greater potential value now as local businesses look to deal with the COVID-19 shock and its lingering economic aftermath.

From Council's perspective, the Program is seen to provide additional value by:

- Providing a conduit to strategic information generated by Precinct associations
- Allowing Council to reach this important constituency at the 'grass roots' level with important information and key messages
- Providing Councillors and officers with opportunities to regularly liaise with the City's myriad of small businesses, and
- Creating greater public awareness of the City's diverse and vibrant Business Precincts

Nevertheless, Program administrators and participants have noted some challenges. One relates to the sufficiency of funding to support an adequate co-ordination function within the smaller associations. Another relates to balance between strategic and tactical activity in the association work programs.

Against this background, Council deemed it timely to review the Program and consider the role it might play in Council's wider economic development agenda.

The overall aim of the review – set out in this report - was to provide Council with independent, strategic and authoritative advice as to how the Program can be refined to add still more value to local business associations in future years. More specifically, the review was expected to provide:

- the guidelines framework for a new precinct program model
- recommendations for increased transparency, accountability and performance by precinct associations in the use of Council's funds, and
- recommendations as to how the program's funding structure might be adjusted to support the running of the association (via paid executive officer) to better support co-ordination with the City of Melbourne on promotional and activation initiatives.

1.4 Review method

The review was expected to be conducted on a desk top basis, leveraging the consultant's knowledge and the program information already held by the Council, including member and wider business surveys.

Additional stakeholder consultation was not anticipated at the commencement of the review. However, an opportunity was provided to Councillors to provide input via one on one interviews.

SGS conducted the review by:

- Interrogating the rationale for the Program using an investment logic mapping process
- Analysing Program data held by Council
- Comparing the Program with similar initiatives undertaken by other Australian and New Zealand capital cities
- Conducting a literature search on best practice in such programs

- Consulting – via a workshop – with a range of Council officers who have current or potential dealings with the Program, and, as noted,
- Considering insights provided by Councillors who took up the opportunity to input.

2. PROGRAM INVESTMENT LOGIC AND SCOPE

This section explores the rationale for the Precinct Development Program using an Investment Logic Mapping framework. Having clarified the implied objectives of the Program, we discuss the extent to which its design aligns with its purpose, taking into account experience in comparable Australasian cities.

2.1 Program rationale

Clarifying the objectives of the Precinct Development Program

The Precinct Development Program now has long history in the City of Melbourne and has evolved through a series of reviews (see Section 1). This would imply that the purpose of the Program is broadly understood within the City.

Nevertheless, there is no documented investment logic for the program which explicitly states the objectives and performance measures associated with this deployment of Council resources.

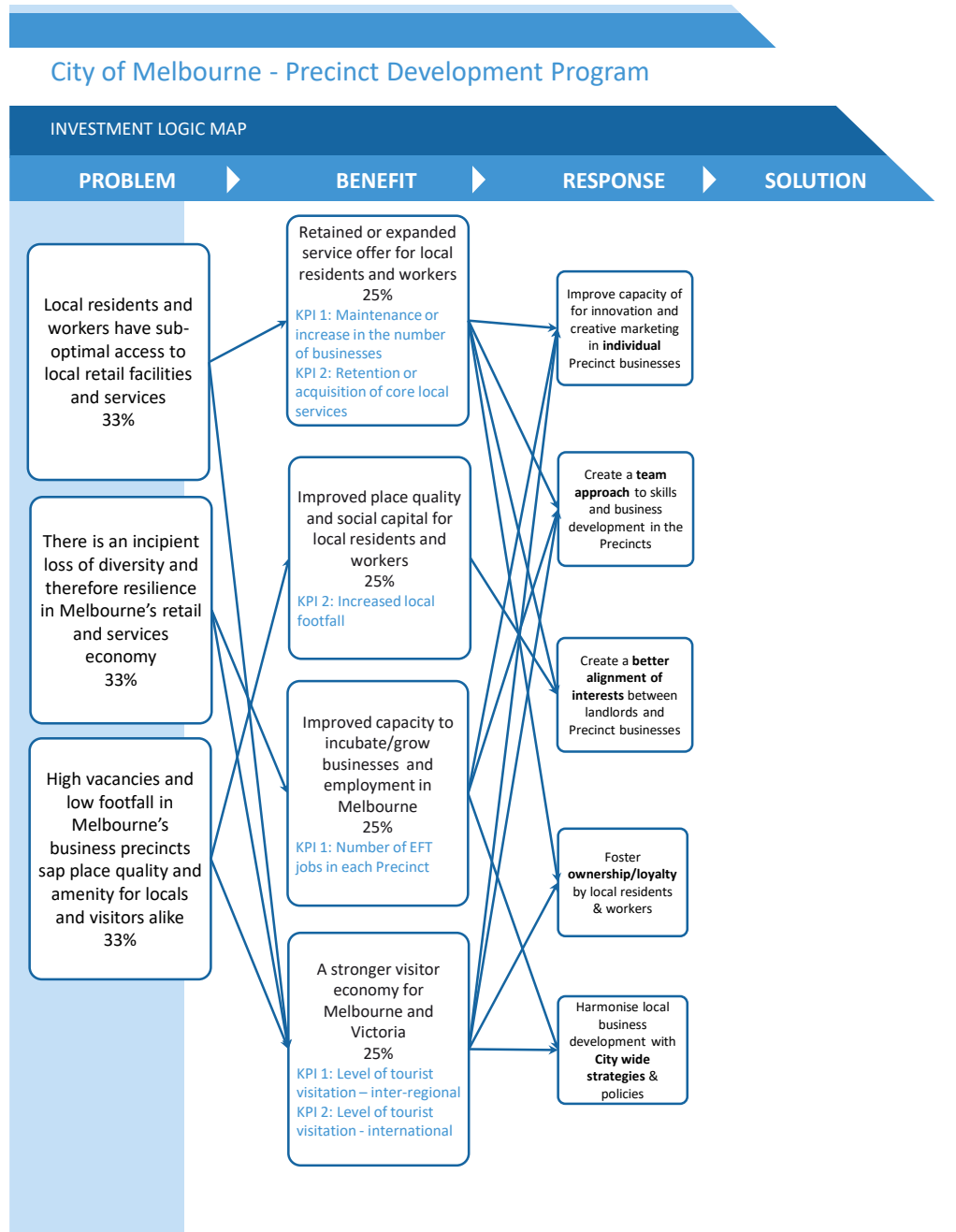
It is conventional in equivalent State Government programs to establish the ‘investment logic’ for the spending in question as part of a business case process that proceeds implementation. Preparation of an Investment Logic Map (ILM) is mandated as part of budget bids. This is to ensure that proponents are clear about what problems are being addressed by their initiative and that their formulation of a program solution offers a best value solution. The ILM process also facilitates identification of Key Performance Indicators so that the efficacy of the program in question can be tracked and evaluated over time.

Provisional ILM

Overview

To aid in this review, SGS constructed a provisional ILM for the City’s Precinct Development Program and tested it with a range of internal Council stakeholders via a workshop. The ILM emerging from this is shown at Figure 4.

FIGURE 4: INVESTMENT LOGIC MAP



Source: SGS Economics and Planning, 2020.

Problems / drivers

The ILM suggests that there are three key problems or drivers lying behind the Program.

- **Driver 1:** Local residents and workers have, or are at risk of, sub-optimal access to local retail facilities and services. The issue here is that left to their own devices, the precincts in question would lose retail momentum and market share to corporatized shopping settings (big box centres in the suburbs) and e-commerce. This would ultimately see a diminution of utility for local residents and workers.

- **Driver 2:** There is an incipient loss of diversity and therefore resilience in Melbourne’s retail and services economy. Aside from the loss of retail services for residents and workers (Driver 1), atrophying precincts in the City would erode the business ecology of central Melbourne which, in turn, would hamper the capacity of these places to incubate and grow new firms. This would have adverse consequences for job opportunities across a broad skills spectrum in Melbourne.
- **Driver 3:** High vacancies and low footfall in Melbourne’s business precincts, resulting from below par retail functioning, would detract from place quality and amenity. That is, these precinct would become less compelling for locals and tourists to visit. The cumulative impact of these trends would be a diminished offer in the cultural tourism market.

Benefits on offer

An initiative to successfully address these three problems could be expected to deliver a range of benefits for the City including:

- Better retail services for residents and local workers
- More vibrant and enjoyable precincts for residents and workers to be in, regardless of their shopping needs, thereby generating shared spaces and social capital
- A more dynamic SME economy, including improved capacity to generate new firms and jobs, and
- A stronger offer for visitors from elsewhere in Victoria, Australia and international sources.

Delivery of each of these promised benefits via the initiative is amenable to measurement via a suitable KPI as flagged in the ILM.

Responses

Perhaps of greatest importance in reviewing the Precinct Development Program is the third, ‘Response’, column in the ILM. Without specifying exactly how an initiative might address the problems and unlock the nominated benefits, this column broadly defines the kinds of strategies that can be applied. These can then be evaluated for cost effectiveness to arrive at a fundable ‘solution’.

Five distinct but related strategies could be applied to address the identified problems. These include:

1. Making individual businesses stronger by helping them improve their planning, management and marketing skills, and/or
2. Helping businesses work better in precinct ‘teams’, recognising that the potential attraction of a precinct is likely to be greater than the sum of the attractions offered by individual businesses, and/or
3. Resolving the apparent disconnect between the expectations of landlords and business operators, and/or
4. Creating greater ownership of the precincts by their host communities (whether these be worker or resident communities or combinations of both) thereby generating greater customer loyalty over the long term, and/or
5. Assisting precinct businesses to tap into the wider economic development and promotional strategies applied by the City of Melbourne, in other words, fostering a ‘team Melbourne’ approach alongside a ‘precinct team’ approach to business development.

Is the Precinct Development Program well aligned to the drivers?

The ‘best available’ solution to the nominated problems need not necessarily apply all the candidate strategies. Indeed, this is rarely the case as, oftentimes, governments have other programs already in force in respect of the nominated strategies.

Of the five responses listed above, the current Precinct Development Program appears to have the strongest focus on strategies 2, 4 and 5. Strategy 1 does not appear to be part of the Program¹, and strategy 3 is largely locked out as a matter of program design (landlords who are not owner-occupiers are excluded from eligible member counts for the purposes of the Council funding formula).

An overarching question for the review is whether the Precinct Development Program has applied the most advantageous mix of strategies.

To help answer this question, SGS compared the Precinct Development Program strategy mix with those evident in other, similar, programs across Australasia.

2.2 Case studies and best practice review

Peer programs

SGS has scanned for exemplars and inspiring case studies for how Council's Program might be developed in the future. This included researching the (pre COVID) business support activities of the Cities of Sydney, Brisbane, Adelaide, Perth, Hobart, Auckland, Wellington and Christchurch.

The case studies are presented in Appendix 1. They were informed by both desktop research and targeted consultation with Mainstreets Australia, City of Sydney and City of Adelaide.

In Table 2, we summarise the scope of each case study program against the five 'response' categories outlined in the ILM. In short form, these are:

1. Strengthen individual businesses
2. Build precinct capacity for business development
3. Foster better alignment between landlords and business
4. Generate ownership and involvement from local residents, and
5. Harmonise local action with City wide action.

Our review also canvassed whether the case study programs were grant or tax based. The latter rely on statutorily enforced rate surcharges or levies to fund precinct business development activities.

Strategy mix

The comparative analysis shows that two strategies – 'building precinct capacity for business development' and 'generating ownership and involvement from locals' feature in almost all programs. Application of the other three strategies tends to vary significantly across the cities in question.

In terms of harmonising local action with City wide action and broader strategic plans (strategy 5), the City of Sydney and City of Hobart provide examples of leading practice. They embed strategic objectives into the assessment criteria for grant applications.

¹ Whilst capacity building is not a direct component of the Program, all Precincts / members and the broader business community in the City of Melbourne is offered periodical opportunities to attend capacity building seminars, mentoring, and other learning opportunities related to business development via programs facilitated by Council. These have covered topics like tapping into overseas markets, new models of retailing, strategic business planning and corporate governance. They complement similar offerings from the State Government (Small Business Victoria) and those of industry associations such as VCCI.

TABLE 2: CASE STUDY ASSESSMENT

City / Municipality	Program	Funding	Strategies applied				
			Strengthen individual businesses 	Build precinct capacity for business development 	Foster better alignment between landlords and businesses 	Generate ownership and involvement from local residents and workers 	Harmonise local action with City wide vision 
Melbourne	Precinct Development Program	Grant		✓		✓	✓
Various Councils in metropolitan Melbourne	Business Association Model	Tax	✓	✓	✓	✓	
Sydney	Business support grants	Grant	✓	✓		✓	✓
	Place & industry program	Grant	✓	✓		✓	✓
Adelaide	Precincts program	Grant		✓		✓	
Adelaide (proposed)	Economic Development Agency	n/a		✓		✓	✓
Brisbane	Local Business Partnership Initiative (LBPI)	Grant	✓	✓		✓	
Hobart	Business Grants and Hello Hobart	Grant	✓	✓	✓	✓	✓
Perth	Precinct improvement grants	Grant		✓	✓	✓	✓
Auckland	Business Improvement District Programme	Tax		✓	✓		
Wellington	Business Improvement District Programme	Tax	✓	✓	✓	✓	
Christchurch	Business Improvement District Programme	Tax	✓	✓	✓	✓	

Source: SGS Economics and Planning, 2020.

Recent developments in other cities

Only City of Sydney has standardised reporting measures in place to ensure projects are both delivering value and meeting local and state government objectives for the City.

City of Brisbane has implemented a collaborative approach to improving its precincts and develops destination plans for precincts alongside the business community through an extensive engagement process. Ongoing support to implement actions is then provided.

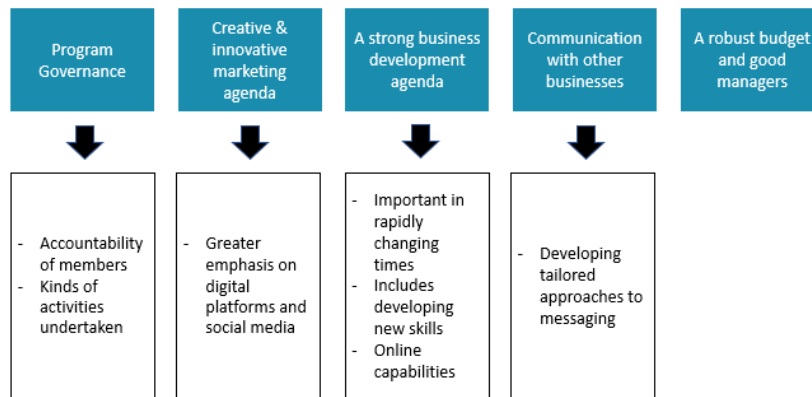
City of Sydney decommissioned its Village Business Program in 2017, replacing it with a series of competitive business support grants open to place-based business associations and chambers. Discussions with CoS officers highlighted that the Council had forfeited direct communication with its business precincts and is now investigating other platforms and communication channels to reach its 30,000 strong business community.

City of Adelaide, supported by its business community, is also in the process of replacing its precinct program – which was modelled on Melbourne’s Program - with an Economic Development Agency dedicated to precincts and main streets. This new agency will focus on investment attraction and promoting a city-wide narrative, leaving individual enterprises to focus on their own businesses.

Tax or grant based?

Tax based models were prevalent across New Zealand and in local government areas across Metropolitan Melbourne. The taxed based Business Association Model is considered best practice by Mainstreets Australia, which offered a series of key success factors for precinct based groupings of businesses (see Table 5).

FIGURE 5: BUSINESS ASSOCIATION SUCCESS FACTORS



Source: Based on Mainstreets Australia Interview, 2020.

Examining tax-based business associations highlight the benefit of having associations well-resourced, for example, the Chapel Street Precinct is operated by two full time staff. Tax-based associations are beginning to expand from marketing and promotional activities into place-based interventions and improvements. Tax based models also ensure property owners are contributing to the precinct and are invested in precinct outcomes.

Other insights from the best practice scan

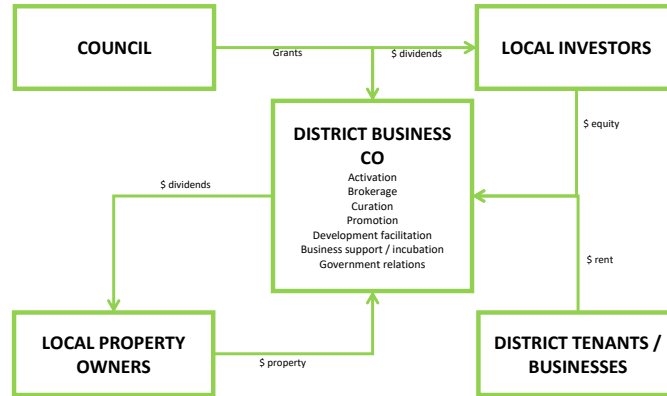
SGS’s best practice review also touched on alternative formulations of precinct business development and revitalisation, including radical models proposed in the recent literature regarding how local high streets can be re-energised as hubs of 20 minute neighbourhoods in a post pandemic economy.

Existing alternative models include Renew Newcastle and Artscape Toronto, which both seek to activate otherwise vacant or blighted shops by using risk pooling strategies (for example, a not for profit taking out head leases for on-allocation to innovative businesses looking for low cost, temporary accommodation) and arts based events and tenancies. The City of Melbourne’s own Creative Spaces program touches on these themes and, in principle, could be leveraged to improve the Precinct Development Program.

The more recent literature calls for community based, not for profit, brokerage agents to bring together local investor capital, property owners and businesses to reimagine and revitalise otherwise struggling high streets. These agents would be quasi ‘centre managers’

performing the same curation and strategic stewardship role used to good effect in coporatised, big box, centres. The key components of this idea are illustrated in the following diagram.

FIGURE 6 NEW CO-OPERATIVE MODEL FOR PRECINCT REVITALISATION



Source: SGS Economics & Planning Pty Ltd

2.3 Discussion

The lack of documentation on the investment logic for the Precinct Development Program, while not unusual, hampers monitoring and evaluation. A provisional ILM prepared for this review affirms that the Program represents, in principle, a worthwhile deployment of Council resources. It holds the promise of delivering major benefits in terms of improved services for local residents and workers, place amenity, business incubation and a vibrant visitor economy.

The Program is targeted at building a precinct team approach to business development, including an implied emphasis on fostering stronger ties with local residents and workers. More by accident than design, the Program also provides a vehicle for improved harmonisation of precinct promotional strategies and city wide policies and strategies. All of these facets could be usefully defined as part of the express purpose of the Precinct Development Program.

The Program does not currently cater for two potential strategies identified in the provisional ILM – strengthening individual businesses, and engaging landlords in precinct business development. In our view, there is no strong case for the former to be factored into Council’s program. State Government already runs a comprehensive program of small business support configured to the needs of individual enterprises as distinct from precincts.

There is a stronger case for expanding the Program to allow for greater landlord engagement in the future of the Melbourne precincts. There is an evident and longstanding disconnect between the expectations of landlords and the capacities of businesses that could make an important difference to product/service mix in the precincts. While there is a risk of agenda bias – with landlords potentially inclined to shift association discussions towards asset focussed concerns – for example, rates – rather than the needs of precincts to maintain competitiveness, this is outweighed by the greater risk of persistent and damaging vacancies if landlords are not constructively engaged.

Non owner-occupier landlords could be factored into Precinct Development Program funding counts as ‘associate members’ with voting rights but not qualified to sit on the governing boards of the business districts in question.

Mainstreet Australia put a strong case for tax based rather than grant based funding of precinct business development programs. Moreover, a number of case studies pointed to the advantages of these models in terms of the sheer weight of resources that can be generated

to support innovative precinct initiatives. Nevertheless, there is insufficient evidence for a radical change in the funding base for the City of Melbourne's Precinct Development Program, at least not now while its fundamental objectives and key performance indicators remain loosely defined.

This issue could and should be revisited upon the next iteration of the Program. At this time, some additional fundamental reforms could be considered, including the formation of not for profit agents which could play a brokerage role between community, government and precinct businesses in curating business mix and creating new sources of investment in these precincts.

2.4 Recommendations

We recommend:

1. The purpose, objectives, scope and key performance indicators of the Precinct Development Program be documented using an ILM framework as outlined in this report
2. The scope of the Program be defined to include 4 strategies pertaining to: building precinct capacity for business development, fostering better alignment between landlords and business, generating ownership and involvement from local residents and harmonising local action with City wide action.
3. During the course of the next iteration of the Program, Council investigate more structural reforms including the possibilities of a move towards a tax based funding model and creation of new brokerage agencies to work with the precincts.

3. PROGRAM EFFECTIVENESS

This section addresses the extent to which the Precinct Development Program has executed the strategies and delivered the outcomes expected of it.

3.1 A warranted, but difficult to evaluate, program

It is clear that the Precinct Development Program, or something like it, is vital to Council's vision for a dynamic, diverse and prosperous City. This is evident in the investment logic which we discuss in Section 2 and in the fact that all peer cities in Australasia operate the same or similar model for supporting precinct based business.

To back this view, generally positive feedback has been provided on the Program in Council surveys of participating businesses and other businesses in the municipality. However, we also note that the PDP has some stern critics amongst stakeholders.

The challenge in assessing the effectiveness of the Program is that there are no agreed and documented performance indicators for its operations. Administrative rigour in the application of Council resources to the Program can be appraised by applying common tests of efficiency (see Section 4), but the *outcomes* directly attributable to the investment of these resources are difficult to define let alone measure given information generated from operations.

There is a clear need to agree the role, purpose, objectives and performance indicators for the Program. The ILM shown in Section 2 provides a starting point for this. Taking this as a guide, the core strategies, benefits and performance indicators shown in Table 3 will be relevant to program monitoring and evaluation in the future.

TABLE 3 POTENTIAL PERFORMANCE INDICATORS FOR PRECINCT DEVELOPMENT PROGRAM

Outcomes sought from PDP	Indicators of outcome achievement	Strategies to be applied via the PDP			
		Create a team approach to skills and business development in the Precincts	Create a better alignment of interests between landlords and Precinct businesses	Foster ownership/loyalty by local residents & workers	Harmonise local business development with City wide strategies & policies
Retained or expanded service offer for local residents and workers	KPI 1: Maintenance or increase in the number of businesses	✓	✓	✓	
	KPI 2: Retention or acquisition of core local services	✓	✓	✓	
Improved place quality and social capital for local residents and workers	KPI 2: Increased local footfall	✓	✓	✓	✓
Improved capacity to incubate/grow businesses and employment in Melbourne	KPI 1: Number of EFT jobs in each Precinct	✓	✓		✓
A stronger visitor economy for Melbourne and Victoria	KPI 1: Level of tourist visitation – inter-regional	✓	✓	✓	✓
	KPI 2: Level of tourist visitation – international	✓	✓	✓	✓





3.2 Appraisal against core strategies

In the absence of an agreed performance evaluation framework, we have appraised the effectiveness of the Precinct Development Program qualitatively against the four strategies cited in Table 3. Our sources for this assessment include:

- Discussions with program administrators and other Council officers with an exposure to the PDP
- A review of the stakeholder surveys conducted by Council
- Discussions with Councillors, and
- Comparisons with peer programs elsewhere, as derived from the case studies.

Our assessment is summarised in the following table using a ‘traffic light’ rating. Green means that the Program is demonstrably effective, red means it is unlikely to deliver on the outcomes listed in Table 3 under current circumstances and orange signifies a middling rating, also implying significant room for improved effectiveness.

TABLE 4 NOMINAL EFFECTIVENESS OF THE PRECINCT DEVELOPMENT PROGRAM

Strategy	Rating	Commentary
Create a team approach to skills and business development in the Precincts		<p>The PDP appears to work well in those precincts with an already strong trading base and a good endowment of business management skills. However, smaller, more dispersed, Precincts appear to struggle.</p> <p>A key issue is that smaller associations cannot generate the membership to support an adequate administrative resource to undertake, and follow through with, <i>strategic</i> planning as well as tactical action planning around events and promotions. Advice from Council stakeholders is that an association would require at least a 0.6 EFT to properly manage strategic, tactical and prudential functions.</p> <p>Even for stronger associations, it is not clear what difference the PDP makes to team building within the precincts in question. There is no requirement on associations to prepare strategic (as distinct from activity) plans which take a longer-term view and conceive of the precincts as a genuine community of interest.</p>
Create a better alignment of interests between landlords and Precinct businesses		<p>Forging better partnerships between traders and non owner-occupier landlords is not part of the PDP remit. This is partly because of concerns that property owners might monopolise the agenda in association meetings and planning. Nevertheless, there is an urgent need to bridge the gap between these two parties if the precincts are to prosper in the longer term. Already, persistent vacancies in some precincts are seriously detracting from amenity and vibrancy, threatening to set up a vicious circle of decline.</p>
Foster ownership/loyalty by local residents & workers		<p>The activity programs of the associations show a strong focus on engaging core markets. It can be assumed that the traders know their local markets reasonably well and have a set of 'tried and true' events and promotions to build this relationship. However, we could find no evidence that, as a group, the associations are thinking strategically about emerging markets in their areas and how they might best adapt to these opportunities.</p>
Harmonise local business development with City wide strategies & policies		<p>Although not a 'hard wired' feature of the PDP as currently documented, the Program acts as an important communication channel between Council policy makers and the business community in City. The networks established through the Program enable Council officers and elected members to efficiently engage with key stakeholders and opinion leaders on an as required basis.</p> <p>There is scope to further leverage this asset, so that the local business community can be better tuned into overarching Council strategies for economic development. But this potential is dampened by the lack of administrative resources in some associations, as noted above.</p>

3.3 Discussion

This review provides an opportunity to clarify the purpose and objectives of the Precinct Development Program. In our view, the Program has enormous potential to contribute to Council's vision for the City, but this can only be fully tapped with clearer documentation of expected outcomes and key performance indicators. This will foster a shared understanding both within Council and across all external stakeholders regarding the social and economic return from the \$625,000 annual investment which the City of Melbourne makes in precinct business development.

Our appraisal of the effectiveness of the Program suggests that, generally speaking, it is doing a good job of developing the local customer base. We also find that it provides a valuable platform for Council and business co-design of economic development strategies for the City.

While bridging the gap in interests between traders and landlords is a major challenge in the precincts, this does not appear to be part of the Precinct Development Program's mandate. This needs to be reconsidered in our view.

In adjusting the Program for its next cycle, it is important that each association has access to sufficient resources to support an adequate administrative resource. 'Adequacy' in this context means the capacity for strategic planning as well as attending to activity planning and prudential reporting obligations.

A case can also be made to expand the marketing funding available to associations, given that the grant per signed up member has been static for several years.

Changes to the funding formula for marketing activities should embed an incentive to build a robust membership base.

3.4 Recommendations

We recommend:

4. The funding formula for the Precinct Development Program be revised to ensure that all participating associations have access to at least a 0.6 EFT executive officer whose duties would include strategic as well as tactical direction of the precincts in question
5. The funding formula be further revised to compensate for the static level of Council investment over recent years and to provide an incentive for Precinct associations to build a robust membership base
6. The program 'contract' with associations include an obligation to prepare 5-year strategic visions and plans as well as activity plans, with a view to identifying and harnessing broader retail, societal and urban trends to the benefit of the precincts
7. Council provide additional in-kind support to improve the strategic planning capacities of the associations, including canvassing alternative models of precinct organisation as canvassed in Section 2 of this report, by making Council planning and marketing staff available in appropriate forums and training sessions
8. The scope of eligible membership for program funding purposes be expanded to include non owner-occupier landlords as canvassed in Section 2 of this report

4. PROGRAM EFFICIENCY

In this section of the report, 'efficiency' relates to the extent to which Council resources provided under the Precinct Development Program are used prudently, with due care to avoiding waste and with an appropriate level of public disclosure.

4.1 Current arrangements for prudential supervision

Precinct associations funded under the Precinct Development Program are bound both by requirements imposed by the City of Melbourne and legal obligations enforced by ASIC and Consumer Affairs Victoria.

Council requirements

Overview

Council's requirements relate to eligibility of members for incorporation in the funding formula, regular reporting and representation at quarterly precinct program meetings. Failure to comply could result in removal of funding eligibility.

Funding process

The annual funding process under the Program requires associations to present:

- A prescribed application form
- Documentation of the management and legal structure of the association
- Annual financial statements prepared in accordance with the requirements of the Associations Incorporation Reform Act 2012
- Registration of membership information demonstrating a minimum of 25 individual financial members paying at least \$50 per annum.

Council also requests information on the fee structure for members and the association's membership development plan.

Membership eligibility

Associations must provide evidence of membership with a key requirement that the business has a physical location within the precinct of interest as defined by the trader group. Members may be retailers, hospitality businesses and service providers (professional services, financial, medical and trades). Suppliers to precinct businesses may also be members but only in conformity with particular Council criteria including that such members may not hold a position on the executive and, collectively, do not represent more than 25 per cent of the overall precinct association membership.

Not-for-profit organisations and other businesses with a legitimate interest in the promotion and support of the precinct may be permitted as eligible members for funding purposes.

Appropriately, any organisations run by the City of Melbourne may not be members.

Reporting

Associations are required to provide annual and half yearly reports to Council demonstrating the nature and quantum of local business support undertaken.

While funded associations are expected to outline their planned business support activities, there is no fixed requirement on them to prepare *strategic* plans which, for example, identify

major trends in their trading environment, define their points of difference, establish a durable brand for the precinct and map out a longer term (say 5 year plus) agenda for developing the precinct into a stronger, more resilient, trading force in the City.

Sanctions

Associations can be deemed ineligible for current or future funding if:

- the association has outstanding debts to the City
- existing members do not adhere to Council's Code of Conduct (which relate to relate to discrimination, harassment and bullying), and
- the association does not fulfill the terms under which funding was provided.

Statutory requirements

All associations have legal responsibilities under their registration with ASIC. These include setting up a registered office, declaring a place of business and nominating directors. Other requirements include creating and maintaining a business name, keeping financial records, updating ASIC on any changes to these key details and the payment of ASIC fees to keep registration current. These obligations are required in accordance with the Corporations Act 2001, which is the primary basis of corporation law in Australia.

ASIC has different obligations according to the entity type that a company is registered under. In this case, associations are registered as *Other Incorporated Entities*. Examples of entities that fall under this type include branches of overseas companies that are not incorporated in Australia, strata corporations, associations which are incorporated under a State Act and charitable and not-for-profit institutions including sporting and recreational clubs, community service organisations and social organisations.

Not for profits are broadly not liable for income or company taxes administered by the Australian Taxation Office. They may also receive other tax concessions. While charities need to be endorsed by the ATO, other types of not for profits including, most likely, the business precincts in the City of Melbourne, can self-assess as to their entitlement to tax concessions. These include income tax exemption, fringe benefits tax exemptions or rebates, goods and services tax (GST) concessions, deductible gift recipient (DGR) endorsements and refunds of franking credits.

4.2 Discussion

Generally speaking, the Precinct Development Program has a well-documented administrative infrastructure for the good custody of grants made available by Council.

Nevertheless, our review highlights two areas where improvement may be possible. One concerns a potential requirement on funding recipients to develop strategic as well as tactical plans for the deployment of these resources. We outline the rationale for this in Section 3 of this report.

The second concerns public disclosure of association activities. This relates to the difference between legal obligations and obligation to the membership.

At present, all associations must complete financial statements and membership registers, but public disclosure of these is not made. While public disclosure of these records is not mandatory, it would be helpful if current and potential members could gain a better understanding of how the association operates through ready access to such information. Greater transparency in this regard may help mobilise membership and diversify the leadership pool of the associations.

There is also the question of whether governance obligations are robust enough to ensure that funds are being used appropriately. At present, there are requirements for receipts for expenses over \$500 to be presented to the City of Melbourne. Full disclosure of receipts and expenses through publicly accessible accounts would, in principle, improve confidence in the

program and, potentially, provide a better platform for partnership with other funding bodies including State Government and philanthropic groups.

We noted in this review that activity reporting was patchy across the funded associations (see Appendix 1). Left unaddressed, such practices could erode community faith in the bona fides of the Program.

Council could prescribe an annual financial and activity reporting proforma geared to streamlined data collection and full public disclosure.

4.3 Recommendations

We recommend:

9. Council revisit and tighten the reporting obligations placed on funded Precinct Associations, including a requirement to make a pro-forma financial and activity report freely available to any interested party.

APPENDIX 1 – PRECINCT PROFILES

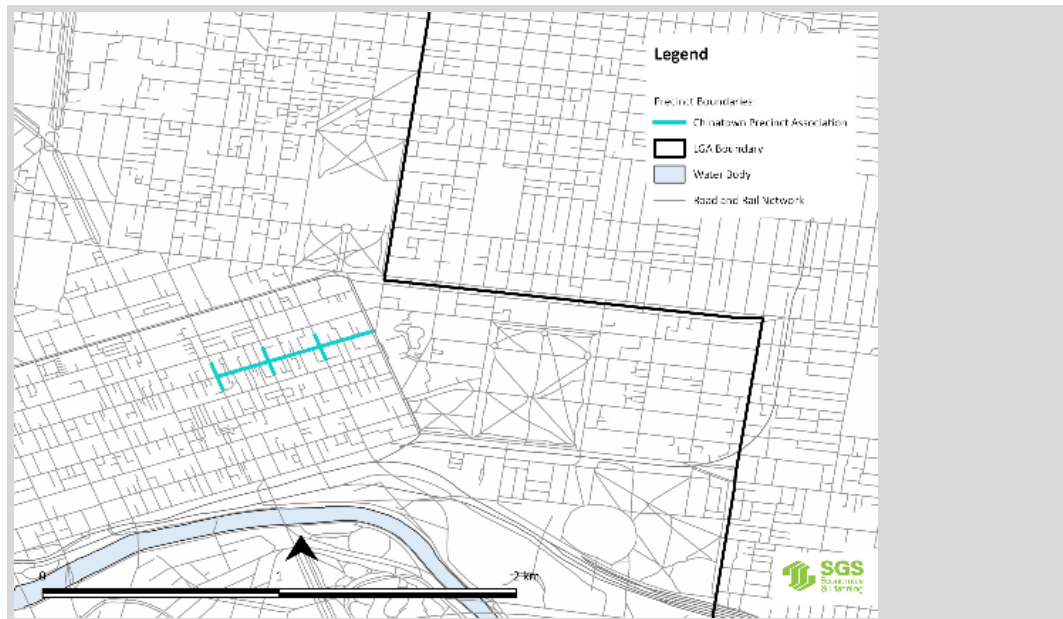
This section maps and provides an overview of each precinct association.

Carlton Inc



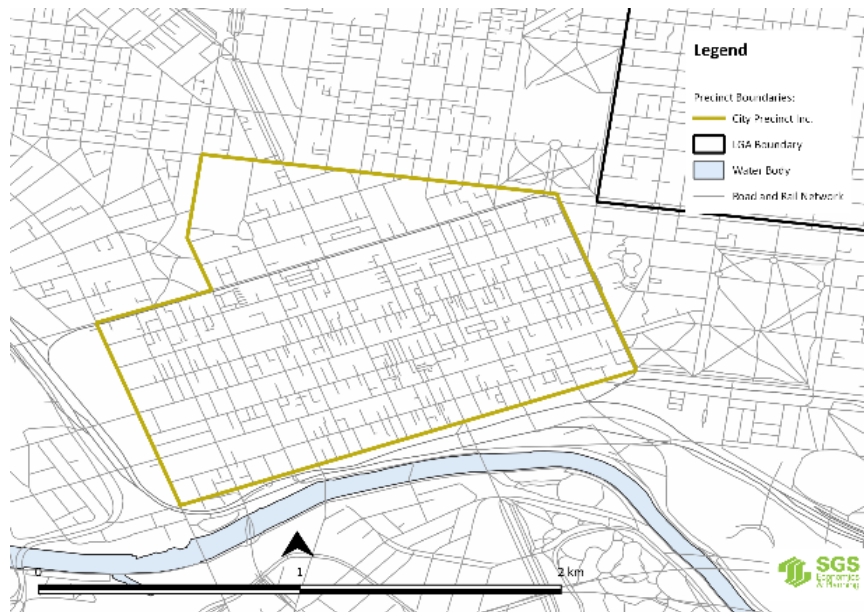
Total membership	99
Total revenue	Not available
3 Largest expenditure items (2018 plan)	Not available
3 Largest Industries (by % of members)	Not available

Chinatown Precinct Association



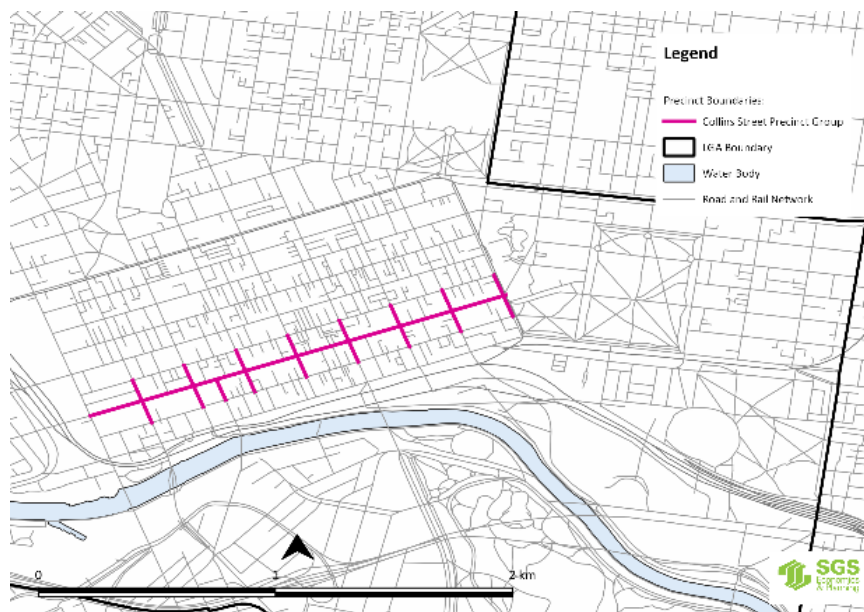
Total membership	126
Total revenue	Not available
3 Largest expenditure items (2018 plan)	Not available
3 Largest Industries (by % of members)	Hospitality (42.1%), Professional Services (26.2%), Retail (17.5%)

City Precinct



Total membership	92
Total revenue	\$77,350
3 Largest expenditure items (2018 plan)	Administration (\$26,000), Events (\$21,750), Marketing (\$17,600)
3 Largest Industries (by % of members)	Retail (41%), Hospitality (22.0%), Professional Services (15.5%)

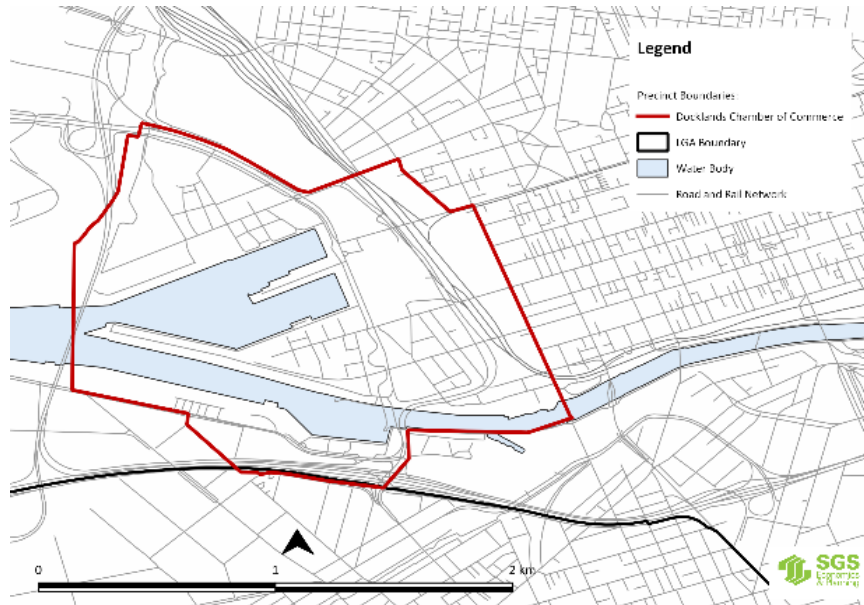
Collins Street Precinct



Total membership	123
Total revenue	\$138,000

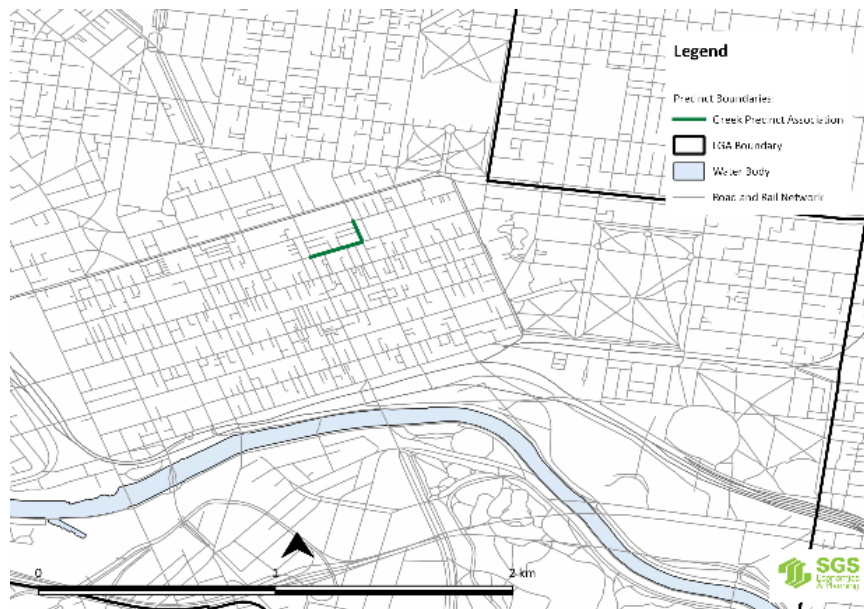
3 Largest expenditure items (2018 plan)	Marketing (\$60,000), Administration (\$52,000), Events (\$11,000)
3 Largest Industries (by % of members)	Retail (91.1%), Professional Services (6.5%), Hospitality (1.6%)

Docklands Chamber of Commerce



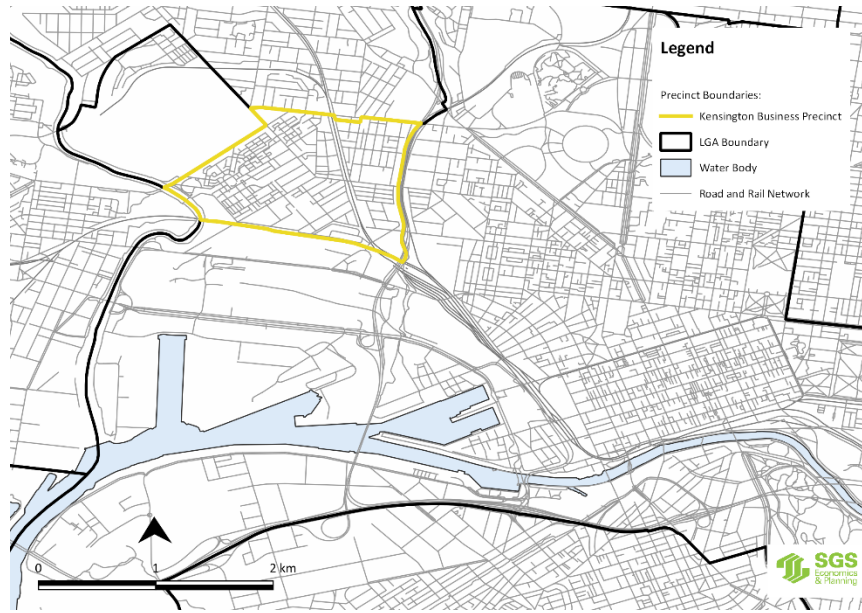
Total membership	200
Total revenue	\$108,000
3 Largest expenditure items (2018 plan)	Events (\$36,000), Administration (\$26,000), Marketing (\$24,000)
3 Largest Industries (by % of members)	Retail (37.0%), Professional Services (26.0%), Hospitality (24.5%)

Greek Precinct



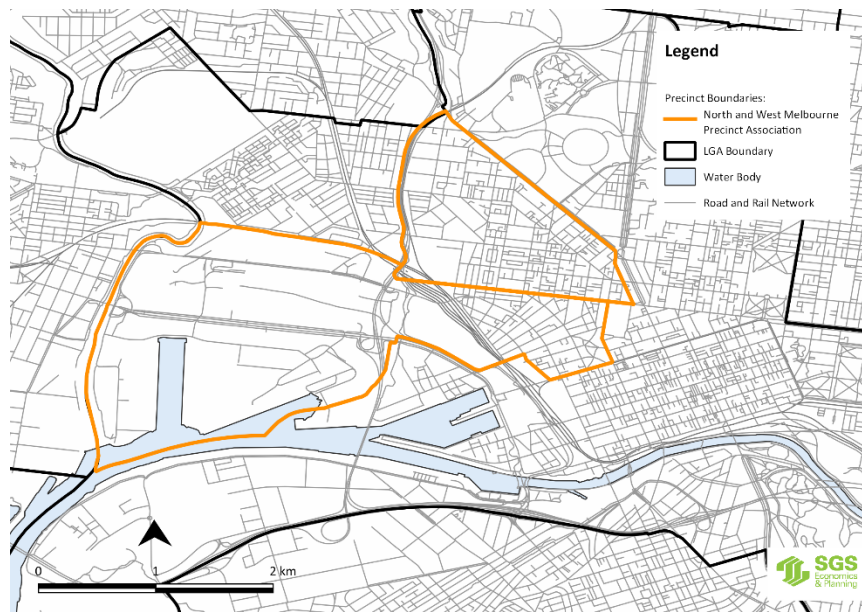
Total membership	94
Total revenue	Not available
3 Largest expenditure items (2018 plan)	Not available
3 Largest Industries (by % of members)	Tourism (37.1%), Hospitality (20.6%), Retail (20.1%)

Kensington Business Precinct



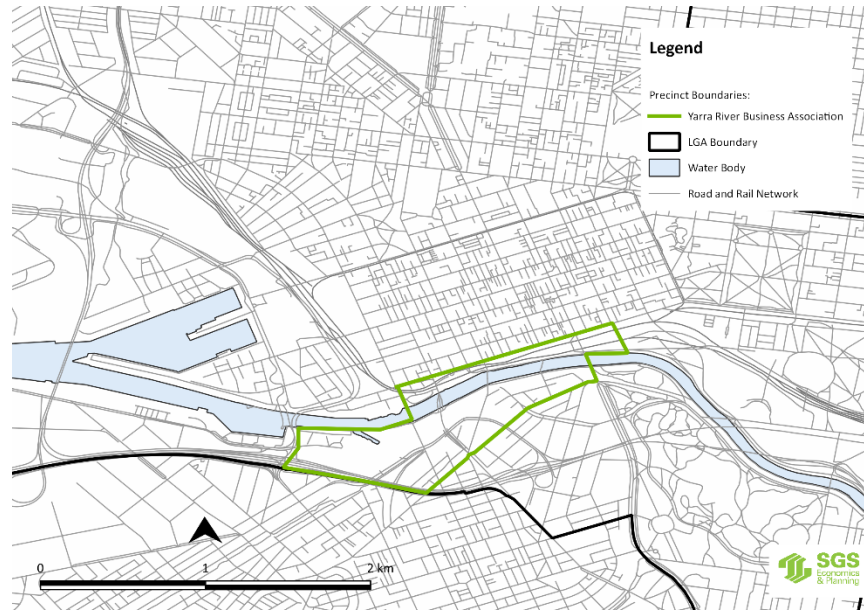
Total membership	55
Total revenue	Not available
3 Largest expenditure items (2018 plan)	Administration (\$32,400), Marketing (\$32,400), Events (\$8,100)
3 Largest Industries (by % of members)	Retail (38.2%), Hospitality (25.5%), Professional Services (21.8%)

North and West Melbourne Precinct Association



Total membership	49
Total revenue	\$39,000
3 Largest expenditure items (2018 plan)	Placemaking (\$15,000), Administration (\$12,000), Marketing (\$5,000)
3 Largest Industries (by % of members)	Professional Services (35.7%), Hospitality (21.4%), Retail (14.3%)

Yarra River Business Association



Total membership	124
Total revenue	\$107,000
3 Largest expenditure items (2018 plan)	Administration (\$50,000), Marketing (\$30,000), Events (\$20,000)
3 Largest Industries (by % of members)	Hospitality (64.5%), Retail (16.1%), Tourism (7.3%)

APPENDIX 2 – STAKEHOLDER ENGAGEMENT

Overview

In addition to the internal workshops held over the course of the project, SGS also engaged with the following Council staff and Councillors:

- Lord Mayor Sally Capp
- Cr Rohan Leppert
- Cr Phil Liu
- Cr Jackie Watts
- Cr Susan Riley
- Cr Kevin Louey
- Louise Scott (Tourism and Events)

Interviewees were asked to discuss the aspects of the program which are performing well and to provide insights on how the program might improve its contribution to the City's business community residents and workers in the future.

Overall, there was consensus that the program is a valuable and effective grassroots engagement vehicle for Council. The main concerns of those interviewed included:

- The program's lack of strategic direction
- Lack of transparency in how Council dollars are spent by associations
- The under-resourcing of precinct associations and an over-reliance on volunteer hours
- The need for greater support from Council as precincts go about their decision making, and
- Supporting associations to understand and adhere to good governance principles.

Interviewees understood the scale of the challenge ahead in terms of COVID recovery and emphasised the need to work hand in hand with the precinct associations. Councillors highlighted that a successful recovery will require broader leadership from Council and closer engagement with the business sector moving forward.

APPENDIX 3 – CASE STUDIES

This section presents key case studies from across Australia and New Zealand.

Introduction

SGS has undertaken 9 case studies to document approaches to business precinct support and determine whether other capital cities have similar programs to the Precinct Development Program (PDP). This appendix summaries the purpose, operation, and key features of each program. The following case studies are included in this Appendix:

- Sydney
- Various Councils across metropolitan Melbourne
- Brisbane
- Tasmania
- Perth
- Auckland
- Wellington
- Christchurch

In addition to desktop research, SGS consulted with Mainstreets Australia, and representatives from City of Sydney and Adelaide City Council grant funding programs to inform the case studies.

City of Sydney

Grants and Sponsorship Program structure

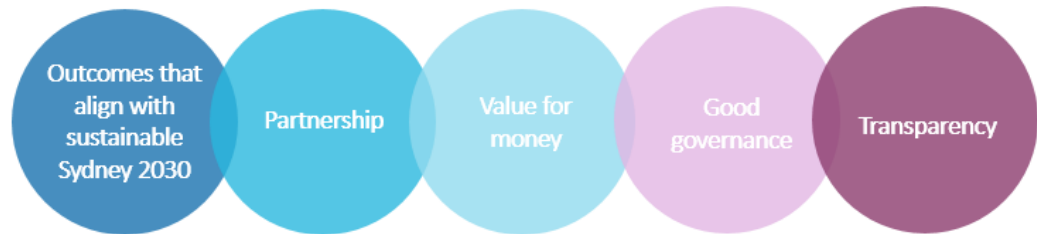
FIGURE 7: CITY OF SYDNEY GRANTS AND SPONSORSHIPS PROGRAM



Source: City of Sydney, Business Grants, 2020.

The City of Sydney has undertaken a recent review and restructure of its Grants and Sponsorship Program and now has 17 grants and sponsorships². The primary aim of this program is to strengthen Sydney's competitiveness, improve productivity and capacity, and promote business opportunities. The City of Sydney has an adopted grants and sponsorship policy, which has been in place since 2017. The policy stipulates 5 grant making principles (see Figure 8).

FIGURE 8: CITY OF SYDNEY GRANT MAKING PRINCIPLES



Source: City of Sydney, Grants and Sponsorship Policy, 2017.

The grants and sponsorship programs provide both financial and in-kind support. Applications are assessed by at least three relevant City staff members. The City of Sydney offers matched funding and is supportive of applicants that can demonstrate a commitment to the project with either cash or in kind.

The available grants and sponsorships fall within the four distinct categories of:

- Business
- Environment
- Cultural
- Community

This case study focuses on the business support grants program which replaced the Village Business Grant Program in 2017/18.

Sydney's transition from the Village Business Grant Program to the Business Support Grants Program

The Village Business Grant Program had been in operation since 2010 and provided cash funding of up to \$80,000 (ex GST) for 12 geographically based precinct industry associations and chambers.

In 2017/18 City of Sydney transitioned from the Village Business Grant program to the Place and Industry Grants Program. This followed a major review of the Village Business Grants program. There were several drivers behind the review and the decision to abandon the program. These included:

- A belief that the model was out of date and a desire to step back from the level of involvement and support work with place-based Chambers and Associations
- Ongoing challenges associated with memberships and a lack of clarity on the role and purpose of Chambers and Associations and the value proposition or problem solving they could offer to members
- Political tensions between Chambers/Associations role in advocacy and reliance on Council for funding
- The personality driven and voluntary nature of Chambers/Associations meant that executive members often experienced burnout after 1 – 2 years

² It is important to note City of Sydney's operational plan in response to the pandemic is under revision, including the allocation of funding to the business grant program. The City of Sydney has announced \$2million in additional funding for NFPs with between 1 – 19 full time staff and with an annual turnover of less than \$10 million. Applicants can apply for up to \$10,000 each.

Consultation with City of Sydney council officers highlighted that while there are advantages to the new approach such as a more competitive and transparent program, Council has in some ways forfeited that valuable direct communication channel with businesses.

City of Sydney are still searching for effective ways to engage with the business community and are looking at developing CRM systems. A dedicated businesses concierge customer service line has been established. This helps mitigate the loss of the business liaison role the Council once played through the Village Business Grants Program.

Business support grants

The business grant program has a direct mandate to ‘foster strong and sustainable local businesses by supporting initiatives that stimulate the city’s precincts and the night-time economy’. Matched support is available for businesses, property owners, not for profits, industry associations, local chambers of commerce and precinct associations.

The Business Support Grants Program is there to foster local economic development primarily by supporting projects which achieve the following:

- Promotion of local commercial and retail precincts
- Build capacity in business operations
- Strengthen local business networks, and
- Increase business offerings and programming at night
- Support the quantity and quality of live music and performance venues and programming.

Table 5 shows the three types of business support grants on offer.

TABLE 5: 3 TYPES OF BUSINESS SUPPORT GRANT

Grant	Type
Place and industry	<p>Initiatives that promote local precincts, connect businesses to opportunities and strengthen networks, grow business skills and knowledge and which support local businesses to advocate effectively.</p> <p>Matched grant of funding requested for initiatives over 1 or 2 years that promote, connect, grow, and advocate for local economies. Funding is negotiated upon consultation with multi-year funding available.</p>
Night-time diversification	Matched grant up to \$10,000 for 1 or 2 years for programming at night (6pm to 6am) to encourage increased variety of offerings in commercial precincts
Live music and performance	Matched grant up to \$20,000 for capital improvements to premises associated with live music and performance and cultural production and participation.

Source: City of Sydney, 2020.

It is important to note Business Chambers and Precinct Associations are eligible to apply to all grant funding on offer by the City of Sydney.

Place and Industry Grants

Purpose

The Place and Industry Grant is a recently introduced program which seeks to promote local neighbourhoods, connect businesses to opportunities, grow business skills and knowledge and to help businesses to effectively advocate on key issues.

Grant operation

This grant program is only available to NFPs (incorporated associations only) and local chambers of commerce and/or industry associations. City of Sydney is making efforts to reach

a wider target market by taking applications from sector-based industry associations and intermediary associations such as the Australian Fashion Council and the Sydney Gay and Lesbian Association.

The grants are administered by City of Sydney staff from the Night-time City, Cultural Strategy and City Business teams. As contract managers, staff members set contract conditions and performance measures for each approved project, and review project acquittals, which include both narrative and financial reports. Contract managers are often responsible for project managing around 16 grants each and set regular check ins with successful applicants. Successful applicants can use funding to hire a professional project manager for the duration of the project.

The level for each project is determined on the total pool of available funds. Unlike many of the other grants on offer, this program does not offer matched funding and support.

The application process is merit based and rigorous. City of Sydney requires applicants to demonstrate the opportunity, need and demand for the project as well as an applicant’s capacity, experience, and commitment. In addition, applicants must consider how they will demonstrate the success of each project. Applications are formally submitted to an assessment panel.

In 2019/20 the total draft budget for the program is \$355,000. The program received 11 eligible applications were made with a value of \$444,280. The program of recommended grants aligned with 2 of the 10 strategic directions in Sustainable Sydney 2030:

- Direction 6 – Vibrant Local Communities and Economies, and
- Direction 7 – A Cultural and Creative City.

City of Sydney stipulates 9 anticipated outcomes of the place and industry grants program, including:

- An increase in later trading businesses capturing after-office-hours foot-traffic and increasing customer base
- local businesses extending their product and service offerings, diversifying revenue streams
- mutually beneficial partnerships between the creative, cultural, and retail sectors; (d) increased collaboration between businesses in local precincts
- sustainability of existing live performance venues and the establishment of new live performance venues
- increased awareness of unique local precinct offerings and experiences
- increased footfall and measurable patronage and spend in local retail precincts
- improved access to industry/sector specific information, upskilling and networking opportunities for local businesses; and
- strengthened advocacy by local chambers of commerce and precinct associations on behalf of their members.

Standard performance measures

The City of Sydney has set standard performance measures that relate to the place and industry grants. The data is required to demonstrate the impact the City’s investments are having towards achieving its economic goals.

Table 6 provides an example of the performance measures and types of evidence required for projects with an objective to promote local economies for the benefit of businesses.

TABLE 6: PROMOTE PROJECT – PLACE AND INDUSTRY GRANTS PERFORMANCE MEASURES

Project outcome	Performance measure	Types of evidence
Increased awareness of unique local precinct offerings and experiences.	Marketing and communications reach: <ul style="list-style-type: none"> ▪ Number of hashtags 	<ul style="list-style-type: none"> ▪ Media and publicity reports

Increased footfall and measurable patronage and spend in local retail precincts.	<ul style="list-style-type: none"> Website visits Page views 	<ul style="list-style-type: none"> Social media post reach and engagement (google analytics/FB analytics etc)
As above	<ul style="list-style-type: none"> Total number of attendances at programs and events 	<ul style="list-style-type: none"> Attendance figures (pedestrian counts, ticket sales, registrations)
As above	<ul style="list-style-type: none"> Money spent at programs and events Number and percentage of targeted retailers engaged in consumer events Number and percentage of local business that report increased footfall and/or turnover as a result of the project 	<ul style="list-style-type: none"> Retailer surveys

Source: City of Sydney, Standard Performance Measures, 2020.

Funded activities

Funded activities fall into the four categories of promote, connect, grow, and advocate.

- **Promote:** Assisting business precincts to promote themselves for example Paddington’s wayfinding map and digitisation.
- **Connect:** Connecting businesses to opportunities with monthly newsletters, networking events and the core operations of Business Chambers and Associations
- **Grow:** All about skills and capacity building, seminars specifically for members around industry themes
- **Advocate:** Consultation with the business community and stakeholders such as retailers to identify challenges and using findings to inform a response strategy.

Sydney’s Precinct Chambers and Associations

While Sydney’s Precinct Chambers and Associations no longer receive ongoing funding support from the Village Business Grant, most are still in operation and now compete for grant funding.

All the associations and chambers are NFPs and have a board or executive team comprised of local business owners offering voluntary hours. Membership fees range from between \$200 – 350 per annum. Signing up often includes automatic membership to the NSW Business Chamber Alliance which allows members access to a range of legal and marketing services at reduced rate.

Some Chambers and Associations have achieved broad representation from the business community with members from various professional services and major banks and organisations. Table 7 provides an overview of the active chambers and associations services provided to the business community.

TABLE 7: CITY OF SYDNEY’S PRECINCTS – CHAMBERS AND ASSOCIATIONS

Precinct & Entity	Services
CBD Sydney Chamber of Commerce: Chamber of Commerce CBD Sydney	<ul style="list-style-type: none"> Access to a range of IR, Legal and Marketing services at reduced rates Workshops to grow business enterprise 24/7 online access to Memberzone digital marketplace Critical business information on major projects
Chinatown and CBD South: Haymarket Chamber of Commerce	<ul style="list-style-type: none"> Public domain improvements Business opportunities Tourism promotion Commerce development City planning

	<ul style="list-style-type: none"> ▪ Cultural enhancement
Harris Street: Pyrmont Ultimo Chamber of Commerce	<ul style="list-style-type: none"> ▪ Business promotion ▪ Source of up to date business information ▪ Networking opportunities ▪ Hosts business promotions and festivals ▪ Input into strategic community planning ▪ Advises on relevant government registration ▪ Collects and analyses local business and community statistics.
Oxford Street: Darlinghurst Business Partnership	<ul style="list-style-type: none"> ▪ Quarterly networking nights focused on professional development ▪ Promote good news stories and innovative responses ▪ Information dissemination ▪ Alliance membership to the State Chamber ▪ Vision and strategic goals in place
Redfern Street/ Green Square and City South: South Sydney Business Chamber	<ul style="list-style-type: none"> ▪ Advocacy ▪ Mentoring ▪ Networking events ▪ Business strategy ▪ Web design templates ▪ Education and training

Source: Various, 2020.

Key lessons

- Previous model faced challenges with regards to securing members and over-reliance on individual association members
- Clearly aligned to high level policy objectives
- Grant principles and policy with standardised reporting measures
- Competitive grant process with assessment criteria
- Diverse range of grant funding streams available, including night-time diversification and live music and performance grants
- Categories of funding activities aimed at promoting, connecting, growing, and advocating
- Chambers and associations can access all of City of Sydney’s available grant funding including the three streams of business support funding
- City of Sydney no longer has that direct communication channel with businesses and is in the process of investigating alternative communication platforms.

Metropolitan Melbourne

Business Association Model

SGS interviewed Mainstreets Australia³ to understand the national landscape in terms of main street development and models of business support for precincts.

Mainstreets Australia raised the Business Association Model adopted by many LGA's across Victoria over the last 20 years as best practice. Approximately 24 Councils use this model and there are around 68 types of these programs across Victoria.

FIGURE 9: BUSINESS ASSOCIATION MODEL



Source: Chapel Street Precinct Association, 2020.

Purpose

Most interventions/initiatives by Business Associations in Victoria are primarily marketing related. Most associations also offer tailored business development programs such as visual merchandising or building a digital presence. However, some programs are starting to take initiatives to the physical realm in the form of:

- Street scape improvements
- Graffiti removal
- Security services
- Undergrounding of power lines
- Pocket parks
- Signage or seating for a laneway/alley or arcade, and

³ <https://www.mainstreetaustralia.org.au/how-we-help/>

- Free bus services

BANYULE CENTRES AND TRADER ASSOCIATIONS

Banyule has retail marketing and management schemes delivered by 11 active trader’s associations. This is a Special Rates and Charges Program delivered in partnership with local trader associations. The program was established in 2003.

The programs not only promote and market the local offer but are considered a ‘catalyst for investment and the coordination of activity’.

Banyule has access to eight Centre Managers across its 11 retail centres. Appointed managers are part time and are responsible for coordinating the associations activities and providing a key point of contact between Council and the association’s membership base.

The scheme directs \$1 million per annum into the local economy through the delivery of a range of activities across centres, including:

- Appointment of centre managers
- Advertising
- Street banners
- Trader directories
- Special events and
- Promotional campaigns
- Manage cleanliness
- Landscaping and gardens
- Various capital and maintenance works

Business Plans are developed with traders and property owners every 5 years.

Grant operation

This is a taxed based Business Association Model administered by local government. Every commercial business and/or property owner in the precinct pays a special rate or charge to the Council into a fund they manage themselves. Mainstreet Australia view this as a positive in terms of engaging members in how the funds are spent. The fund becomes an important lever for business and property owners to get action from their local Council and/or from State Government.

There is a formal legislative process in place to establish these programs and two basic systems for determining contributions, as set out in Table 8. There is a reasonable amount of flexibility when determining rates. This model is levied on the property so both the property owner and the business can contribute to the program. Should the property go vacant, the owner must make the full contribution.

TABLE 8: CONTRIBUTION OPTIONS

Option	Description
A fixed amount	A schedule of fixed amounts usually based on a 3 – 4 level contributions scheme.
A variable amount	A variable amount depending on the value of the property. The Council uses capital improved values to calculate this. For example, a large supermarket may contribute up to \$20,000 per annum.

Some variable systems place a minimum/maximum cap on the amount.

CHAPEL STREET PRECINCT ASSOCIATION (CSPA)

The Chapel Street Precinct Association (CSPA) is the largest Retail Association in Australia and has been in operation since 1999. The CSPA is an independent NFP and members-based incorporation with 2,220 members. The membership base includes representatives such as business owners, property owners and operators from commercial properties and businesses in the Chapel Street Precinct. The CSPA is operated by two full time staff and is governed by voluntary board of directors who are member elected.

Funding is primarily raised through a Special Rate, collected on commercial properties by the City of Stonington. This generated approximately \$1.4 million in 2020 and an additional \$25,000 in grant funding was raised.

The CSPA has a mission to:

“Enhance the economic prosperity within the precinct via market leading destination marketing and events”.

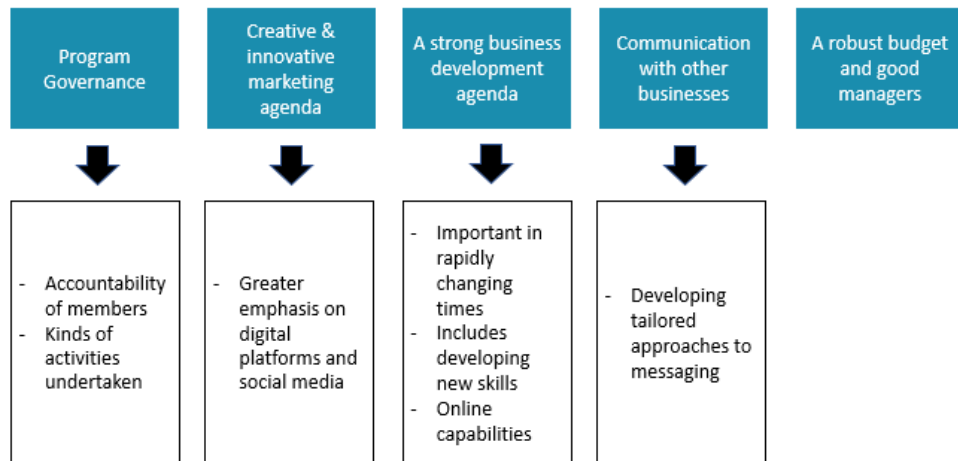
In addition to governing the direction of the precinct, CSPA also advocates on members behalf for the ‘collective benefit and prosperity of the area’. CSPA’S headline focus in 2019/20 is to:

- Increase member engagement and collaboration
- Achieve greater value for the special rate payment
- Fairer spread of special rate funds across all suburbs, business categories and day and night trade.

The CSPA produces an annual report documenting its progress against strategic objectives and inclusive of financial statements.

Mainstreets Australia offered a series of key success factors for Business Associations to succeed in their remit to promote and market main street precincts (see Figure 10).

FIGURE 10: BUSINESS ASSOCIATION SUCCESS FACTORS



Source: Based on Mainstreets Australia Interview, 2020.

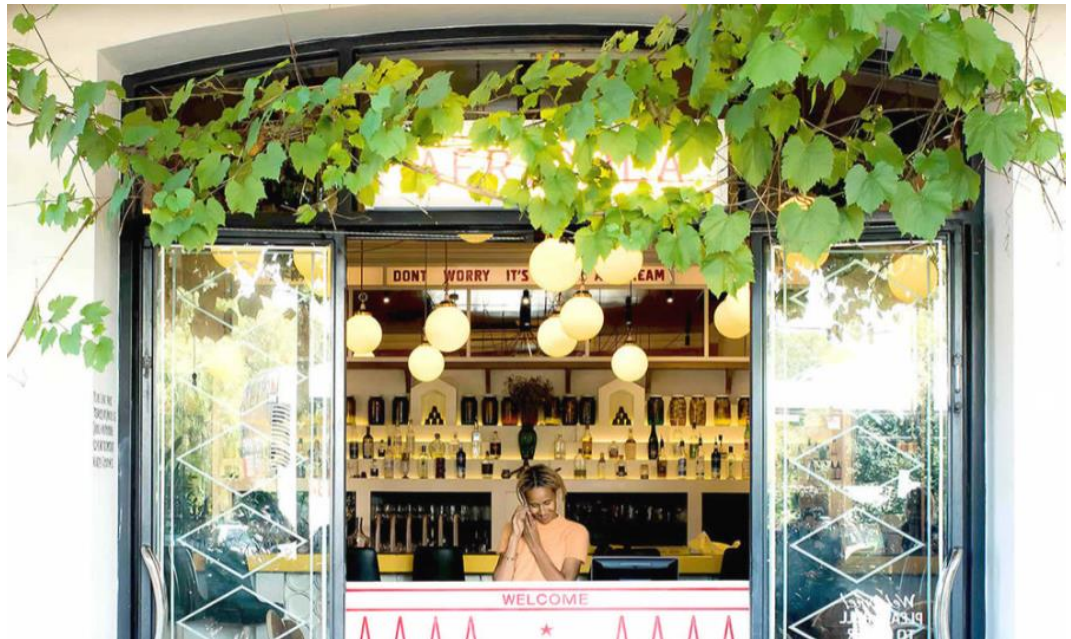
Key lessons

- Tax based system, broadly applied levy ensures large membership base and pool of funding
- Associations are well resourced
- Associations produce annual reports and document progress against strategic objectives and provide financial statements
- Achieves buy in and involvement from property owners
- Several success factors for association’s success applicable to Melbourne’s PDP program
- Association activities extend to improving the physical realm, small scale maintenance and capital works as well as landscaping etc.

City of Adelaide

Precinct Groups

FIGURE 11: CITY OF ADELAIDE PRECINCT GROUPS



Source: Eastend Adelaide, Africola, 2020.

Purpose

Funding to support activities that deliver economic outcomes in the main streets and districts. To provide a single point of contact within Council for business groups.

Program operation

To date, the City of Adelaide has funded seven precinct incorporated associations (precinct groups) across Adelaide and North Adelaide, providing \$25,000 per annum. This fund is administered by the City of Adelaide’s Business Support Unit. SGS consulted with City of Adelaide’s Place and District Consultant to inform this case study.

Council reported that precinct associations have found securing financial members an ongoing challenge. As a result, Council has moved away from focusing on member numbers and instead considers whether the association has a good network and database of businesses.

Council has also found that precinct groups often rely heavily on individual committee members to drive a precinct’s direction and outcomes. Commitment and drive displayed by precinct groups can often vary greatly depending on the capacity of the committee members.

In addition to its place-based precinct associations, Council also oversees Rundle Mall, which charges a special or additional rate to generate \$4 million per annum to deliver everything required by the mall. The Adelaide Central Market also has a lease holder agreement with store holders to generate additional funds.

Funded activities

As discussed, City of Adelaide currently provides financial assistance to seven incorporated associations across Adelaide and North Adelaide.

Associations use funding from Council to fund AGMs, networking, newsletters, and their committees. Mainstreet grants to precincts also cover initiatives such as marketing campaigns, website development and street festivals partnered with local businesses. There is some evidence that funding is directed towards involving businesses in demonstrating the outcomes of a precinct's visioning and communication exercises.

Precinct associations can also make bids for additional grant funding for marketing, upgrades, and operations.

A new model

Recently, there has been a proposal to appoint a council-funded, independent board to oversee marketing, investment, and business growth city wide. The proposed agency titled the Adelaide Economic Development Agency (AEDA) would offer an alternate model of main street management and development.

The business community has been calling for such an approach with advocacy coming from the Adelaide Business Collective⁴, This NFP represents 190 members and has a vision to *"bring businesses together to provide a coordinated approach to funding, marketing, purchasing and education"*.

Engagement with Adelaide City Council confirmed Council is moving away from the current precinct group model and considering a new Economic Development Agency model which will go up to Council for adoption in the coming weeks.

This approach uses a Section 42 agreement to establish a new agency funded by current rate dollars. The agency will have a board of management, general manager and management team charged with telling the story of Adelaide City. The agency will draw on the Business Pulse initiative established during COVID-19 to keep in regular contact with businesses and understand what is happening on the ground. In addition, the agency will work to assist businesses and encourage shopping locally. Business SA will continue to offer business support and free advisory services to businesses.

Representation by business on the board of management has been a sticking point for Council. It is expected Council will go through a formal EOI process for the positions to ensure recruits have specific skill sets relating to economic development, finance, and marketing.

According to media sources (Richards, 2019), the intended outcomes of a new fit for purpose model include:

- Increased levels of marketing
- Attracting new businesses and investment
- Increased visitation
- Informing public realm priorities
- Assisting future economic development strategies

City of Adelaide is optimistic achieving such outcomes will ensure life for businesses on the ground will be easier. This will allow business operators to focus on their business and feed

⁴ For further information see: <https://adelaidebusinesscollective.com.au/>

information up to the agency. Over time, this agency will likely be responsible for the distribution of relevant grants and sponsorships for business.

Key lessons

- Previous model faced challenges with regards to securing members and over-reliance on individual association members
- Transition from the Precinct Group approach of funding place-based associations to Economic Development Agency telling the Adelaide narrative
- Investment attraction focus
- City wide action aimed at providing an environment that allows business owners to focus on their businesses

Brisbane City Council

Local Business Partnership Initiative

FIGURE 12: LBPI INITIATIVE



Source: City of Brisbane, Nundah Village Business District Destination Plan, 2019.

Purpose

The Local Business Partnership Initiative (LBPI) is there to facilitate collaboration between Brisbane City Council and business owners and operators to ‘identify opportunities that will improve investment and create a sustainable local economy’. The initiative prioritises building the capacity of local trader groups.

The initiative is aligned to the outcomes identified in the Brisbane 2022 New World City Action Plan which sets out key economic priorities. This includes to develop and enhance Brisbane’s ‘unique’ business precincts.

Program operation

Table 9 outlines City of Brisbane’s adopted LBPI process. Council regards empowering local businesses to determine the future of the area by encouraging discussion and skills building to be a key aspect of the project.

TABLE 9: LBPI PROCESS – BRISBANE CITY COUNCIL

Phase	Description
Phase 1	Council identifies a target business precinct. Local businesses and organisations are invited to take part in an online survey to help shape the future of their precinct.

Local businesses are also invited to register for workshops to further discuss the challenges and opportunities for growth in the area.

Phase 2	Once workshop dates are confirmed, respondents who have indicated an interest in participating will be contacted by Council.
Phase 3	Ongoing collaboration and activities with participating businesses to support the area's enhancement.
Phase 4	Council will identify other local business precincts with which to collaborate and implement the Local Business Partnership Initiative.

Source: Brisbane City Council, 2020.

In practice, the LBPI process unfolds over four stages with each precinct (see Figure 13).

FIGURE 13: LBPI PROCESS – BRISBANE CITY COUNCIL

LBPI Process



Online survey sent to local businesses



LBPI workshop



Feedback on destination plan



Continued support from Brisbane City Council

Source: Brisbane City Council, 2019.

During Stage 3 destination plans are developed which articulate opportunities for the precinct as well as local business community aspirations. Stage 4 involves implementing the precinct plan with continued support from Council.

Funded activities

Drawing on the action plans available for the precincts it would appear interventions involve marketing campaigns (social media), free wi-fi, CCTV, foreign language wayfinding signage, and urban design and public art solutions to activate town centres.

Brisbane City Council also operate a Village Precinct Projects program, separate to the Local Business Partnership Initiative. This program seeks to create a city of neighbourhoods. The primary purpose is to create liveable places with vibrant neighbourhood centres for the local community and visitors to enjoy.

Key lessons

- Collaborative approach using engagement to identify opportunities for the precinct and provide ongoing support
- Prioritises capacity building of local trader groups
- Collective effort to develop a Destination Plan
- Actions from Destination plans fund a range of placed based activities and interventions such as marketing campaigns (social media), free wi-fi, CCTV, foreign language wayfinding signage, and urban design and public art solutions to activate town centres.

Tasmania

The Tasmanian Government recognises small business as a key driver and contributors to the state's future economic success and has a range of initiatives available through Business Tasmania.

Enterprise centres

Tasmania has a state-wide network of independent business advisors offering a free service to assist small businesses "make key decisions that will help their business reach its full potential". Established by the State Growth Department, the Tasmanian Government allocated \$2.6million to the program between 2017 – 20.

Key topics discussed with business owners and operators include:

- Starting or expanding a business
- Managing cash flow
- Developing a marketing strategy
- Taking a business online
- Commercialising an idea
- Exporting products
- Identifying new opportunities and networks
- Dealing with unforeseen events

Business Grants and Hello Hobart

City of Hobart offer three main types of business grants on offer: quick response grants, biannual grants, and annual grants. Examples include:

- Resilient Hobart Grants
- Creative Hobart Grants
- Community Grants
- Event Grants
- Business Grants
- Christmas Grants

Business support also comes through the City of Hobart's Hello Hobart marketing campaign which promotes retail, cafes, and restaurants by sharing people's stories. Hello Hobart also holds regular casual meet ups for business owners.

North Hobart Association

There is some evidence of traders associations at work in North Hobart. The North Hobart Association Incorporated is comprised of local business operators seeking to represent trader's interests, support community groups and promote the North Hobart Precinct. There is an annual membership fee of \$50.

The association is promoted as a platform for traders to communicate and vote on current issues affecting them through a private forum. Promotion via the website and online business directory is available and there are opportunities to participate in association activities.

Key lessons

- State-wide network of independent business advisors offering free services to small businesses
- Hello Hobart marketing campaign takes a city-wide approach
- Independent business associations active in Hobart's North

City of Perth

FIGURE 14: CITY OF PERTH GRANTS AND SPONSORSHIPS



Source: Brisbane City Council, 2019.

Rebound Grants and Sponsorships Program

City of Perth in response to COVID-19 has restructured its grants and sponsorships programs under the Rebound Grants and Sponsorships Program. The program is aligned with Council's Strategic Community Plan 2019 – 29 which has a vision for Perth which is vibrant, connected, and progressive.

The key objectives of this program are to:

- Support local business to recover, rebound and prosper
- Drive local visitation and tourism into the city in ways that are safe
- Enhance vibrancy and activation in the city, ensuring there is always something on in the city, and
- Support community, wellbeing, safety, and security and increase community connection and social cohesion.

The program is organised around the themes of Business Support and Economic Development, Arts and Culture, Events and Activation, Community Wellbeing and Precinct Improvement.

This case study will focus on the Business Support and Economic Development Grants and the Precinct Improvement Grants.

Business Support and Economic Development Grants

Purpose

As described in Figure 15 the Business Support and Economic Development Grants offer funding for small business development as well as to property owners and business operators for capital works, improvements and enhancements. In addition, the Economic Development Sponsorship is targeted at driving growth through investment attraction, international business development, sector collaboration and capacity building.

FIGURE 15: PROGRAM OVERVIEW – BUSINESS SUPPORT AND ECONOMIC DEVELOPMENT

Summary		May be suitable for you if you are a
Business Support and Economic Development		
Small Business Quick Response Grants	Grants of up to \$5,000 to assist small businesses develop, adapt and grow.	✓ Small business in the City of Perth with fewer than 20 employees or maximum annual turnover of up to \$10 million.
Business Improvement Grants	Grants to businesses to support capital works, improvements or enhancements that would benefit the broader Perth community.	✓ Property owner or business operator in the City of Perth local government area.
Economic Development Sponsorship	Funding to support projects which drive growth in a key economic sector through investment attraction, international business development, sector collaboration or capacity building.	✓ Proposing a project or initiative which would promote the economic development of a key sector in the City of Perth.

Source: City of Perth, 2020.

Program operation

The City of Perth has four categories of business support and economic development grants:

- Small Business Quick Response Grants (up to \$5,000)
- Business Improvement Grants (up to \$10,000 non-matched funding)
- Business Improvement Grants (up to \$20,000 matched funding)
- Economic Development Sponsorship (upwards of \$4,000)

These are competitive grants and grants are assessed against standard assessment criteria. Council has a minimum two-person assessment panel which can recommend part funding or no funding.

Funded activities

Table 10 provides an overview of the kinds of initiatives supported by each grant type as well as eligibility and assessment criteria.

TABLE 10: OVERVIEW OF ACTIVITIES FUNDED BY GRANT TYPE

Type	Eligible	Assessment Criteria	Initiatives	Temporary in response to COVID
Small Business Quick Response Grants	<ul style="list-style-type: none"> ▪ Property owners ▪ Business operators 	<ul style="list-style-type: none"> ▪ Community benefit ▪ Business Sustainability and eco dev ▪ Point of difference (new collaborations or innovative approach) 	<ul style="list-style-type: none"> ▪ Improve safety and security/CCTV/enhanced lighting ▪ Business marketing and professional service support 	<ul style="list-style-type: none"> ▪ General safety and hygiene ▪ Contracting services (cleaning, VM, social media, store counters, rebranding,

			<ul style="list-style-type: none"> Minor capital works (fit outs, façade and access improvements) Improved outdoor areas 	<ul style="list-style-type: none"> marketing, and promotion) Additional basic infrastructure
Business Improvement Grants	<ul style="list-style-type: none"> Business operators Property owners Commercial lease holder A legally constituted entity 	<ul style="list-style-type: none"> Assists in job retention/creation Improves streetscape/desirability Improves built form outcomes relating to a sector such as retail, F&B etc. Community benefit Strong market potential 	<ul style="list-style-type: none"> Capital works Retail/office fit outs Public interface improvements Fire/service and access upgrades Safety and amenity Accredited acoustic audits Activation of underutilised space 	n/a
Economic Development Sponsorship	See above.	<ul style="list-style-type: none"> Alignment with a key sector Prestige and significance Project Plan and other Funding sources Sponsorship benefits 	<ul style="list-style-type: none"> Skills and training Facilitate networking, thought leadership exchange between key sectors Competitive advantage through industry base clusters Long term relationships 	n/a

Source: City of Perth, Grants and Sponsorship Program, 2020.

Precinct Improvement Grants

As part of the City’s strategy for COVID-19 rebound, the City of Perth will look to collaborate with organisations on projects which provide significant community benefit. Projects must demonstrate that they improve the amenity of the precinct through targeted improvements to public land privately owned but publicly accessible land or publicly visible external areas.

This grant falls within the category of Business Improvement Grants and offers up to \$20,000 in matched funding.

Key lessons

- Comprehensive grant program that includes support for both property owners and business owners
- Assessment criteria includes items such as community benefit and point of difference
- Grants facilitate a range of activities undertaken at different scales
- Grants include provisions for activation of underutilised space
- Ambitious stream of funding through the Economic Development Sponsorship aligned with key industry sectors
- Accompanying stream of precinct improvements grants which offer matched funding and support.

New Zealand case studies

Trade & Enterprise NZ has set up a regional business partner network to match businesses with appropriate funding as well as support in their local areas⁵:

Eligible businesses can access expert advice and support in one or more of the following subject areas:

- HR & Employee Relations and Legal
- Financial and Cashflow Management
- Health and Wellness

⁵For further information see: <https://covid19.nzte.govt.nz/page/regional-business-partner-network>

- Business Continuity Planning
- Marketing Strategy
- Digital Enablement Strategy.

Auckland Council

Business Improvement District programme

Purpose

Through the Business Improvement District (BID) programme, Auckland Council is working with business districts to improve the local business environment and grow the regional economy.

Program Operation

This is a tax-based program which uses a targeted rate and other funding. This programme creates a partnership between the council and business associations, which are separate entities. There are currently 48 BIDs in Auckland, representing over 25,000 businesses with a combined capital value estimated at \$24 billion.

BIDs are responsible for their own marketing arrangements and undertake annual meetings and providing network opportunities. BIDs have strong policy operating standards which include delineation of Board and an executive committee charter.

Funded activities

The program offers financial support for a range of business development opportunities. This includes BID networking opportunities, growth pathways and sharing of resources made available.

One BID is Heart of the City⁶ funded by a combination of the Heart of the City BID targeted rate and funds invested directly into our campaigns and work programmes by the public and private sector. The Heart of the City BID targeted rate is paid by all commercial property owners in the city centre and is collected by Auckland Council along with general and other targeted rates. The Heart of the City targeted rate is currently charged at 0.00059964 per cent of rateable capital value, and in the year ending June 2017, it generated approximately \$4.3 million.

Wellington City Council

Business Improvement District (BID) Programme

Purpose

The program was established in 2013, to improve the local business environment and grow the regional economy. This program creates a partnership between the council and business associations, which are separate entities. The program is also designed to attract, retain, and grow investment and strengthen the vibrancy of the centres within the Wellington City Council area.

Program Operation

The BID Policy (2013) sets the planning framework for BIDs and includes objectives and guidelines as to how BIDS can be established as well as operated. The Policy also identifies Wellington City Councils responsibilities which include:

- Identifying a target rate for the BID programs
- Providing information to the community about BID's

⁶ For further information see: <https://www.hotcity.co.nz/about-us/how-we-operate>

- monitoring and reviewing the performance of BID's.

The Council collects a target rate from BID property owners within the BID area. This is then transferred to the BID association (which is the governing body). This acts as the legal entity which administers the BID. The BID Association is responsible for demonstrating how their rate of money is being used for BIDs in a way that is consistent with councils' objectives.

There are currently five BIDs in Wellington these include Karori BID, the Khandallah BID, the Kilbirnie BID, the Miramar BID, and the Tawa BID. These BIDS seek to maximise opportunities and create centres that are enjoyable places to live, work and stay.

The Karori Business Association has a Strategic Plan that is implemented by a professional manager this provides the BID with a framework to operate collaboratively.

FIGURE 16 A BUSINESS IMPROVEMENT DISTRICT PROGRAMME IN WELLINGTON



Source: Wellington City Council, 2013

Funded Activities

The Karori BID promotes the CBD through promotion, built form improvements and investment. Short term activities such as promoting events like the Kaori Farmers Markets have been undertaken by the BID. Long term initiatives include working with the Council to build a Resilience Plan for Karori which will work towards protecting the community in an adverse event.

The Khandallah BID has provided free Wi-Fi and installed a CCTV security system. This BID is also looking to develop the Khandallah Village amenities.

Christchurch City Council

Business Improvement District (BID) Programme

Purpose

Christchurch City Council also supports its business district through a Business Improvement District Grant Fund. The program allows businesses to apply for funding for initiatives such as:

- “Making your business district a more interesting and attractive place to be.
- Developing unique branding for your business district.
- Building a website to connect with businesses in your area and to attract people to your business area.
- Building the membership of your business association.
- Developing a strategic plan for your business association”

These programs provide businesses with a platform for collaboration, promotion and help businesses to increase the amenity in their areas. Businesses can collaborate and make a practical difference.

Program operation

The Christchurch City Council’s Business Improvement District Policy identifies the purpose, the value, roles and responsibilities, scope, formal agreements, funding and accountability and dispute resolution of the BIDs. The Christchurch Council defines a targeted rate for non-residential properties that are in the BID district. These place making activities support centres and applicants are eligible for up to \$50,000 a year of funding. The funding allows business association to improve the local business environment. To establish a new BID the community must create a new BID program. The council then has the responsibility to decide whether the BID will be right for the community. Whilst BIDs are in operation the council will have the responsibility of providing support and oversight after it has been established.

APPENDIX 4 – KEY REFERENCES

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