

Management report to Council**Agenda item 6.2****Return of office workers to the central city****Council****Presenter:** Mark Cochrane-Holley, Acting Director Economic Development and International**26 July 2022****Purpose and background**

1. At its meeting of 1 March 2022, Future Melbourne Committee considered a report from management that discussed the efforts to welcome back city workers following the Victorian Government's removal of instructions to work from home and the removal of office mask mandates.
2. Future Melbourne Committee requested that management report back 'within six months on the key outcomes of the initiatives aimed at increasing the number of office workers in the CBD.'
3. Office workers make up an essential part of the central city economy, both as contributors to the knowledge and service economy and as consumers. Prior to COVID-19, approximately 234,000 workers visited the city each day.
4. Melbourne's office worker population has been dramatically impacted by the COVID-19 pandemic. According to the Property Council, in January 2022, at the height of the Omicron outbreak, office occupancy in Melbourne was at just 4 per cent of pre-COVID levels.

Key issues

3. In recent months, the return of office workers to the city has gained significant momentum. Commuter traffic (shown by pedestrian activity at the Flinders Street Station underpass during the morning peak) has been at around 50 per cent of pre-pandemic levels. The Property Council of Australia reports that Melbourne's office occupancy in June 2022 was at 49 per cent of pre-pandemic levels.
4. This recovery has been built upon significant efforts by the City of Melbourne, including:
 - 4.1. Delivery of events such as Moomba, the Firelight festival and Melbourne Knowledge week. Attendances at Firelight exceeded pre-COVID-19 numbers by more than twenty per cent, while Moomba attracted the largest crowd on record.
 - 4.2. Three iterations of the Melbourne Money hospitality rebate scheme, which saw about 850,000 claims made, generating an economic benefit of at least \$98 million to city businesses. 90 per cent of customers indicated that the program was a key factor in their decision to attend the city, including almost 55% indicating that Midweek Melbourne Money was a factor that influenced their return to the office, and more than half reported that they also engaged in other activities such as shopping or seeing a show.
 - 4.3. Other activities – such as the Shopfront Activation Program, and the successful FOMO marketing campaign – which have promoted the broad range of activations and events in Melbourne and encouraged visitation to the city.
5. While office workers have been cautiously returning, other elements of the city's recovery have been exuberant. Many parts of the city have been experiencing evening and weekend pedestrian numbers above pre-COVID-19 levels. Consumer-based economic activity in Melbourne recently reached levels that were consistently higher than before the pandemic, with retail spending in each of March, April and May 2022 exceeding 2019 levels for the same months.

New health advice

6. On 12 July 2022, the Victorian government announced new health advice for the winter period, as hospitalisations due to COVID-19 and other respiratory illnesses such as cold and flu are putting significant pressure on the healthcare system. The new advice:
 - 6.1. Strongly recommends the wearing of masks indoors and in crowded settings.

- 6.2. Requests that 'employers consider working from home arrangements that are most appropriate for their workplace and employees based on individual requirements'.
7. Consequently, Melbourne's economic recovery stands on the edge of a precipice. While there are no formal orders to work from home or to wear a mask in the workplace, further return of office workers is unlikely through the winter period.
8. To ensure that the success of Melbourne's economic recovery is not lost, it will be important that proactive and assertive efforts are made to welcome back workers to the central city immediately following the winter period. It is critical that returning office workers find a city that is vibrant, interesting and exciting. Proactive steps will need to be taken now to plan for events, activations and other initiatives.
 - 8.1. Activities such as these will require the support of the Victorian government.
 - 8.2. The City of Melbourne has an existing agreement with the Victorian government to deliver the \$200 million Melbourne City Revitalisation Fund. The current pandemic challenges provide a key imperative to accelerate delivery of the fund.

Recommendation from management

9. That Council:
 - 9.1. Notes the significant amount of work to date by the City of Melbourne to encourage the return to the office of city workers.
 - 9.2. Requests the Lord Mayor write to the Minister for Industry Support and Recovery, seeking an accelerated delivery of the Melbourne City Revitalisation Fund, to support city recovery following the winter period.
 - 9.3. Requests an update to Future Melbourne Committee in November 2022 on ongoing efforts to support the return of office-workers back to the city.

Attachments:

1. Supporting Attachment (Page 3 of 3)

Supporting Attachment

Legal

1. There are no direct legal implications arising from this report.

Finance

2. There are no financial implications arising from this report.

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 material or general 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. Management maintains close contact with key stakeholders regarding the return of office workers to the CBD.

Relation to Council policy

6. The contents of this report are consistent with both the 2021-25 Council Plan ('Economy of the Future' and its focus on economic recovery) and council's economic development strategy: *Melbourne's Thriving Economic Future 2031*.

Environmental sustainability

7. There is no significant impact on environmental sustainability arising from this report.