



5 June 2020

Committee Secretary  
Department of the Senate Parliament House  
PO Box 6100  
Canberra ACT 2600

Dear Senator Gallagher,

***Submission to the Select Committee on COVID-19***

Thank you for the opportunity to provide input to the inquiry into the Australian Government's response to the COVID-19 pandemic.

The Australian Local Government Association (ALGA) is the voice of Local Government in Australia, representing 537 councils across the nation. In structure, ALGA is a federation of State and Territory Local Government Associations. The comments provided here should be read in conjunction with any separate comments received from State and Territory Associations, as well as individual councils.

Local Governments ensure that local communities function effectively and are provided with the basic services and facilities that Australians expect to find in suburbs, towns and rural/remote areas.

The response by the Federal Government in relation to COVID-19, while welcome, has had significant impacts on councils and the range of support offered by the Federal Government has not addressed these impacts.

The exclusion of councils from some support initiatives indicates a lack of understanding of the diverse range of services councils provide for their communities. Local Government services include:

- community services, such as child care, aged care and accommodation, community care and welfare services;
- infrastructure and property services, including local roads, bridges, footpaths, drainage, waste collection and management;
- provision of recreation facilities, such as parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks;
- health services such as water and food inspection, immunisation services, toilet facilities, noise control and meat inspection and animal control;
- building services, including inspections, licensing, certification and enforcement
- planning and development approval;
- administration of facilities, such as airports and aerodromes, ports and marinas, cemeteries, parking facilities and street parking;
- cultural facilities and services, such as libraries, art galleries and museums
- water and sewerage services; and
- other services, such as abattoirs, sale-yards and group purchasing schemes.

Most of these services have been impacted in some way due to the COVID-19 pandemic response. Facilities such as libraries, recreational facilities, theatres, museums, caravan parks and childcare services have been closed or are suffering extreme reduction in patronage, impacting directly on the fee for service revenue streams of councils and leading to thousands of redundancies in councils across Australia. The closure of offices and many small businesses in metropolitan areas effectively terminated the substantial parking revenue for many inner-city councils which was used to support a wide range of non-commercial services which employed large numbers of staff. With councils unable to access Job Keeper, retaining staff has not been possible.

Services such as childcare, aged care, welfare services and community care have been under extreme pressure. With the initial release of the childcare assistance program excluding councils, many were forced to close or reduce capacity. This type of oversight has caused confusion and frustration in local communities and has impacted severely on the families of essential workers where alternative family support services were not available locally.

The challenges faced by some councils are compounded by the ongoing stresses resulting from the Black Summer bushfires and prolonged drought and with many ratepayers accessing council financial hardship provisions these councils face dramatically increased costs while revenue through fees, charges and rates has sharply declined. The cost and revenue impacts are rapidly escalating causing the financial viability of some councils to be seriously eroded.

Councils across Australia are committed to playing their part in the national response to COVID-19 pandemic. In the face of closed community facilities and falling revenue from user charges, councils are doing everything possible to protect people's health, provide support and deliver services needed to keep communities safe. However, without financial support from the Commonwealth and State Governments, the capacity for local governments to continue to provide these essential services will be compromised

Please contact Adrian Beresford-Wylie on 02 6122 9400 if you would like to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Beresford-Wylie', written in a cursive style.

Adrian Beresford-Wylie  
Chief Executive



AUSTRALIAN  
**LOCAL GOVERNMENT**  
ASSOCIATION

# **Submission to the Select Committee on COVID-19**

---

**5<sup>th</sup> June 2020**

## Response to Terms of Reference

### 1. The Australian Government's response to the COVID-19 Pandemic

ALGA believes that the Australian Government has responded with appropriate speed to address and minimise the impact of COVID-19. The steps taken have been necessary and have ensured minimal outbreaks.

Since mid-March the Australian Government and National Cabinet (established on 13 March) have implemented a range of initiatives to address the pandemic which have implications to Local Government. On 13 March the Federal Government announced all non-essential gatherings of more than 500 people were to be suspended. On 26 March, stage 2 restrictions came into effect with enhanced social distancing measures and restrictions on non-essential indoor and outdoor gatherings.

Below is a table outlining all the restrictions put in place by Federal, State and Territory Government's and highlighted (in bold) have impacted on Councils as a service provider and owner/operator of community infrastructure:

<b>National Cabinet Restrictions</b>	<b>State/Territory Restrictions</b>
Closure of <b>cafes</b> (except for take away and home delivery)	Restrictions to <b>outdoor and indoor markets</b> (excluding food markets)
Closure of <b>concert venues, theatres, arenas, auditoriums</b> and <b>stadiums</b>	Restrictions/closures on <b>residential facilities, hotels, hostels, bed and breakfasts, campsites, caravan parks</b> and <b>boarding houses</b>
Closure of amusement parks and arcades	Restrictions on <b>outdoor recreation at caravan and camping facilities</b>
Closure of <b>indoor and outdoor play centres</b>	
Closure of <b>community and recreation centres</b> (except to provide essential services such as food banks or homeless services)	
Closure of <b>health clubs, fitness centres, bathhouses</b> and <b>wellness centres</b>	
Closure of <b>social sporting-based facilities</b> and <b>swimming pools</b>	
Closure of <b>galleries, museums, libraries</b> and <b>historic sites</b>	
Closure of national institutions	

Closure of places of worship, <b>weddings</b> and <b>funerals</b>	
Closure of clubs, pubs and RSLs	
Closure of <b>playgrounds, skate parks, outside gyms, beaches</b> and <b>heavily patronised walking tracks</b>	

(note: there are 537 councils all offering a unique range of services and facilities. Depending on the council type and location, councils were impacted to a greater or lesser extent).

Facilities run by councils that closed were, in most cases, generating revenue that either covered the cost of providing the service or allowed the service to operate at a surplus that subsidised other council activities.

Facilities/services run by private entities have been eligible for support packages but Council owned and operated services and facilities are currently not eligible. As identified above, Councils deliver much more than roads, rates and rubbish. Council facilities and services which were similar or identical to those delivered by private operators were not supported and those Councils have been significantly disadvantaged by not being able to access support packages.

Not only are Councils ineligible for support packages, with closure of many facilities and services that generate revenue being closed due to restrictions, income is severely impacted for Councils. The combination of decreased revenue, being ineligible for support packages, and the requirement to deliver essential services and prevent job losses, has meant that Local Government has been inequitably impacted by restrictions being put in place by Federal, State and Territory Governments.

Collectively, councils raise more than 80% of their own revenue. Revenue comes from three main sources; taxation (rates), user charges and grants from Federal/State/Territory Governments. Local Government rates make up just 3.6% of tax raised by all levels of government. More than a quarter of total local government revenue comes from user charges. Understanding the breakdown of income provides some context as to the gravity of revenue not being received through facilities.

#### How have Councils responded/impact on councils

Councils employ over 194,000 people (a break down by State and Territory is available at **Attachment 1**). Data collected in April 2020 indicated that at least 20% of these jobs are dependant on revenue generated by council business rather than through rates and grants. With Councils unable to access JobKeeper the data revealed it was highly likely that up to **55,000 jobs would be lost in the immediate/short term**. Further local government job losses are anticipated in the 2020/21 financial year with council revenue continuing to decrease as a result social distancing and hardship policies.

Wherever possible, councils have attempted to avoid standing down or retrenching staff despite the financial impact. Where possible, councils have re-deployed staff to support new measures needing to be put in place such as increased sanitation or replacing elderly volunteers for things such as meals on wheels and welfare checks.

Councils have also re-deployed resources into supporting and communicating with communities on how to implement measures announced by the Federal Government. In some jurisdictions councils are actively engaged in enforcing measures.

Councils work as one organisation running multiple businesses. With the lifting of restrictions (which differ between jurisdictions), councils are required to understand, communicate and implement new rules for each of their business types. Re-opening facilities which range from shop fronts, to libraries, to beaches, involves different restrictions and allowances. Councils are critical by working within communities to ensure that safe facilities and services are provided, and also by supporting their communities' understanding about why measures have been put in place.

Although the steps to manage this pandemic were necessary, the lack of coordination between the three tiers of Government has led to unintended consequences. With Local Government not being treated as a full partner, there have been missed opportunities and unnecessary challenges.

The major areas that have significantly reduced Councils' ability to deliver services include, childcare, regional aviation, aged care, and inability to access JobKeeper.

#### *Councils excluded from JobKeeper Support*

The COVID-19 related financial issues facing councils are significantly compounded by the exclusion of Councils from the JobKeeper support.

The Australian Government has decided that Local Government is not able to access JobKeeper. The expectation has been that State/Territory Governments should step into support Councils. This has not been the case across all States and Territories.

Councils play an important role in the national economy. In 2017-18, Councils spent \$38 Billion<sup>1</sup> providing services and infrastructure to Australians. The sector directly employs 194,000<sup>2</sup> people and indirectly supports many more jobs. In rural and regional areas, local government is one of the largest employers. Sixty-eight percent of council employees are fulltime, 16% are part-time and 16% are casual.

The COVID-19 pandemic is posing a dramatic challenge for councils across Australia in terms of sustaining capacity. Impacts on council revenue and the ability of councils to retain their workforce will have a major impact on local communities and their economies. Individual councils will do their best to support their communities and keep jobs but in the absence of support from other levels of government tens of thousands of jobs are at risk.

Local Government staff are on the front line, doing jobs that directly engage with the public in delivering services and providing infrastructure. Local Government delivers services directly to the local community. ALGA's estimate, based on feedback from its member state and territory local government associations, is that nationally, up to 55,000 council jobs are at risk.

---

<sup>1</sup> Australian Bureau of Statistics (2019) Catalogue: 5512.0 - Government Finance Statistics, Australia, 2017-18

<sup>2</sup> Australian Bureau of Statistics (2019) Employment and Earnings, Public Sector, Australia 2018-19

## *Childcare*

Local Government childcare centres are a clear example of the unintended consequences of the Federal Government decision to exclude local government from support measures established in response to the pandemic. On [2 April 2020](#), the Government announced the new Early Childhood Education and Care Relief Package whereby weekly payments would be made directly to early childhood education and care services in lieu of the Child Care Subsidy and the Additional Child Care Subsidy, to help them keep their doors open and employees in their jobs. The Relief Package aimed to support child care sector revenue through a combination of:

- Business Continuity Payments based on 50 per cent of fee revenue during a reference period;
- JobKeeper Payments, with JobKeeper estimated to account for around one third of fee revenue/costs—noting this would vary depending on employee arrangements;
- Supplementary payments where they are experiencing greater demand than during the reference period or, in certain circumstances, where they are ineligible for JobKeeper; and
- The cash flow boost for employers initiative whereby eligible businesses and not-for-profit (NFP) organisations will receive between \$20,000 to \$100,000 by lodging their activity statements up to the month or quarter of September 2020.

Local government child care centres were not eligible for the JobKeeper Payment or the cash flow boost and to date we are unaware that any council child care service has been able to access supplementary payments.

The Federal Government's childcare package excludes subsidies for Local Government Early Childhood Education and Care (ECEC) centres. More than 500 ECEC facilities across Australia are run by Councils. When the Prime Minister announced that no fees were required to be paid to access childcare services, the survival of many facilities run by Councils was placed in doubt. Some State and Territory Governments have provided support for council funded childcare services but this is not consistent across the country.

ALGA raised with the Federal Government the significant impacts to the provision of council-run childcare services and the Federal Government advised Councils to apply for the Early Childhood Education and Care Relief package for exceptional circumstances supplementary payments. Unfortunately, many Councils do not meet the criteria such as a demonstration of 30% increase of students to access the exceptional circumstances payments.

The Federal Government also reduced the Childcare Subsidy to 50% of its usual rate in anticipation that patronage of ECEC would reduce with parents working from home. This was further exacerbated with the Childcare Subsidy assessment of the number of children attending being based on a single fortnight. This is not representative of standard capacity requirements, which has resulted in subsidies being significantly lower and not representative of the actual attendance rate.

Along with the decreased funding, costs for delivering ECEC have increased. Facilities have been required to implement more frequent cleaning, provide additional staffing hours to manage drop off procedures and install hand cleaning stations. The cost of delivering ECEC services will continue to increase if there are additional requirements imposed to manage the possible spread of COVID-19 as restrictions are relaxed.

The lack of consultation with councils on the decisions on childcare services left councils unprepared and unable to respond to the influx of inquiries from parents using the service (Councils learned about the free childcare decision at the same time as the general community). With no consultation or warning of the announcement, the childcare sector was faced with great uncertainty and stress in trying to determine the impact on the community and provision of ECEC. Providing earlier advice would have helped Councils in assessing the impact on service delivery and allowed them to plan going forward.

Councils disproportionately cater for vulnerable children, including those from low income families and those with a disability, compared with privately operated services. Rural childcare centres in particular have faced unique issues. In rural communities, councils are often the only providers of ECEC services because of the lack of attraction for private investment. With the impact of reduced funding and unable to collect fees, Councils have been unable to maintain services at previous levels and standards. With declining services, workforce participation may suffer and families may need to move away from the regions.

If a similar situation to the pandemic is to occur in the future, it is essential that the Federal Government consider the impacts of excluding Local Government run services in their childcare funding program.

Case studies on the impact of announcements in relation to council owned childcare are set out in **Attachment 2**.

#### *Aged and Residential Care Support*

Councils have a long history of providing community care services for people with disabilities and for older people in their communities. Council aged care and residential care support workers are at the frontline delivering essential care and support and carrying the same risk and responsibility of infection as staff in any privately run services.

On 20 March 2020, the Federal Government announced measures to support residential and aged care staff. Initially Local Government welcomed the announcement. However, after reviewing the eligibility requirements it was clear that aged and residential care staff employed by Councils were not covered by the scheme.

It is inequitable for workers to be ineligible for the retention bonus because they work for councils as opposed to private and NGO operations. Expanding the package would ensure the entire aged care workforce is recognised and rewarded equitably for the essential services they perform.

The current royal commission into aged care has highlighted deficiencies in the provision of aged care services related to a reduction in funding. Councils have experienced lack of funding which is now exacerbated further by the COVID-19 pandemic. Council run aged care facilities will also incur increased expenses due to meeting sanitation requirements.

### *Airports and Aerodromes*

Many small and remote Councils own and operate airports and aerodromes (over 200 facilities across Australia). These airports support passenger travel, medical transport, and the delivery of essential supplies and mail. The high costs of owning and running regional airports are being exacerbated by the COVID-19 pandemic with airlines now owing significant amounts to councils and with income declining due to the drastic decrease in passenger fees.

There is a need to keep airports open as critical public infrastructure for essential services. But maintaining operational compliance standards (which prevents cost savings) while incurring substantial loss of revenue places councils under greater financial strain.

Packages announced by the Federal Government for Aviation and JobKeeper do not apply to Council owned airports and aerodromes. As a result, already high costs borne by Councils have been exacerbated putting the ongoing operation of these aviation facilities in jeopardy. **Attachment 3** provides examples from Tasmania on the impact on Council owned and operated facilities.

Without the support of State, Territory and Federal Governments, essential services will not be provided to rural and remote communities if Councils are forced to close airports and aerodromes. This includes being unable to support the Flying Doctor Service.

### National Coordination and COVID Commission

National Cabinet was formed to provide a mechanism for Federal and State Governments to rapidly respond to the health issues arising from the COVID-19 pandemic. One major difference between National Cabinet and the Council of Australian Governments is the lack of membership/representation of Local Government.

Deploying a mechanism to respond rapidly in a pandemic was essential. However, by not including Local Government in the planning and design of response measures required to address the health crisis, adverse impacts have been experienced by communities and there have been many missed opportunities as outlined throughout the submission.

For 28 years ALGA has been a committed and willing representative of the Local Government sector in coordination with Australian, State and Territory Governments to make our nation as successful as possible. ALGA agrees that the priority going forward is for all governments to coordinate decision making, policies and funding to achieve the best jobs outcome for the nation as we recover from the COVID-19 pandemic and the associated economic impacts.

The challenge facing National Cabinet over the coming months is unlike any which has faced Australian governments in recent times and it will require the concerted, coordinated and complementary efforts of all three levels of government to rebuild consumer confidence, support business and recreate millions of jobs.

Councils play a critical role in facilitating, establishing, and growing local businesses and economies. Economic development has always been at the core of every successful council. Councils support economic growth through regional development policies and initiatives, strategic and land use planning, targeted investment attraction, prioritisation of local procurement, and focusing their annual investment on infrastructure that serves the community and business alike. Many councils also provide business networking opportunities, business training, mentoring, and incubator facilities and employment hubs.

The widespread network of council administrations and worksites also provides the broadest platform for governments to use in partnership with councils to implement job creation programs. From inner metropolitan councils to the furthest reaches of the country, the network has proved valuable in the delivery of over 65,000 co-funded Commonwealth projects and many thousands more in partnership with other governments.

Local Government's exclusion from the ongoing National Cabinet is therefore a missed opportunity. To deny National Cabinet this energy, expertise and implementation framework makes little sense if governments' main task now is to ensure the national economy emerges from several months of enforced inactivity more resilient and dynamic than before.

Australians expect their three levels of government to be working together, and to see evidence of that. Including Local Government in National Cabinet would demonstrate a strong unity of purpose and a combined commitment to promote and implement National Cabinet decisions across the broadest implementation platform available to government.

#### Impact of Local Government not being able to access COVID-19 stimulus packages

With Councils not qualifying for stimulus package support (except for the Local Road and Community Infrastructure package) and State and Territory packages being of varying design, an inequitable delivery of services is occurring in communities throughout Australia.

Financial Assistance Grants provided by the Federal Government to Local Government are a mechanism that ensures equal levels of services are provided to every community in Australia. The Financial Assistance Grants are a tried and tested mechanism for providing funding to communities that need them the most. Details on how and why Financial Assistant Grants operate is available at **Attachment 4**.

The Financial Assistance Grants provide the simplest, most equitable and most transparent mechanism to deliver a much-needed fiscal boost for every community. For the last eight years, the Commonwealth Government has been bringing forward two quarters of the following year's Grant funding into the current financial year. This provides a minimal cash flow benefit to councils but no real fiscal stimulus given that it is simply a short-term advance of funds not the provision of additional funding.

To achieve a desperately needed fiscal stimulus for local communities a short-term temporary advance of Financial Assistance Grants is not enough. Providing additional funds equivalent to two quarters of normal Grant allocation would provide a direct stimulus to local communities. With the current rigorous allocation methodology, this would see that communities in greatest need would receive the stimulus.

### Positive steps for the future

Given the impact on council revenue caused by the closure of many facilities, the sector has welcomed the announcement of a stimulus package with the implementation of the Local Road and Community Infrastructure Program.

The Local Road and Community Infrastructure package will provide a \$500 million economic stimulus but it represents the **only** injection of COVID-19 assistance for councils. Delivering the package through a mechanism based closely on the very successful Roads to Recovery program will allow ready-to-go projects to be undertaken quickly.

Broadening the scope of the package to include community infrastructure as well as local roads projects will allow councils to undertake projects that will employ a range of locals now unemployed due to the economic impact of the COVID-19 restrictions. Projects could include refurbishing facilities, painting grandstands, stormwater upgrades as well as road improvements.

The Local Road and Community Infrastructure program will be a much-needed stimulus to create and keep local jobs.

### Council response to the Federal Government Measures

In response to restrictions announced by the Federal Government, Councils have complied with directions to close facilities including leisure centres, swimming pools, visitor centres, galleries, museums to caravan parks and ceasing services such as landfill services.

Restrictions and closures have resulted in a decrease of revenue and with some services such as child care being suspended as they are not financially viable with the reduced number of clients. Job losses have resulted from these closures and consequential loss of revenue.

Additional impacts are being experienced from reduced revenue due to a fall in paid parking fees, parking fines, use of convention centres and halls, attendance at sporting arenas, use of entertainment centres and other rental income.

Councils across the nation have been listening to their local communities about their emerging needs and responding as best they can within their limited financial means. Fee and rate freezes, waivers on late fees and interest on overdue rates for extended periods are common across local authorities. Hardship provisions are available in all Council areas and have been implemented throughout the pandemic response (more information on hardship provisions is available at **Attachment 5**).

Many councils have implemented, or are considering implementing, specific business assistance packages. A few have been able to waive rates for badly affected businesses and provide meal vouchers for vulnerable locals to use at local cafes and restaurants.

Many council-owned libraries have continued to function, delivering books to homes, or providing a contact-free pick-up service. Telephone contact services have been commissioned in most councils to keep in contact with home-bound locals, and volunteers have put their hands up to help with shopping, meal delivery or other small tasks that ease the burdens for those stuck at home.

Councils are working hard to support their communities, however without being able to access JobKeeper and the Federal Government stimulus packages, combined with pressure to stop charging fees and provide rate relief, Councils are facing very challenging times.

## ATTACHMENT 1: JobKeeper Payment

Local government plays an important role in the national economy. The sector directly employs 194,000<sup>3</sup> people and indirectly employs many more. 68% of employees are fulltime, 16% are part-time and 16% are casual. Local Governments spent \$38 Billion in 2017/18<sup>4</sup> providing services and infrastructure to Australians. In rural and regional areas local government is one of the largest employers.

The coronavirus pandemic is posing a dramatic challenge for councils across Australia in terms of sustaining capacity. Impacts on the revenue of councils and the ability of councils to retain their workforce (and the flow-on effects for local economies) will have a major impact on local communities which councils cannot avoid. Individual councils will do their best to support their communities and keep jobs but in the absence of support from other levels of government tens of thousands of jobs are at risk.

The Australian Local Government Association's estimate, based on feedback from its member state and territory local government associations, is that around 55,000 jobs are at risk.

These are not public service jobs. Local Government staff are on the front line, doing jobs that directly engage with the public in delivering services and providing infrastructure. Local Government is serviced focused and delivers directly for the community.

The Australian Government has stated that Local Government will not be able to access JobKeeper. The expectation has been that State/Territory Government's step into support Councils.

### Local Government employees by state in 2018-19

State and Territory Associations undertook surveys of their councils to ascertain the number of Local Government employees. Below provides a summary by State and Territory.

Jurisdiction	Number
New South Wales	57,200
Victoria	52,500
Queensland	43,100
South Australia	10,900
Western Australia	23,200
Tasmania	4,200
Northern Territory	2,900
ACT	N/A
Total	194,000

---

<sup>3</sup> Australian Bureau of Statistics (2019) Employment and Earnings, Public Sector, Australia 2018-19

<sup>4</sup> Australian Bureau of Statistics (2019) Catalogue: 5512.0 - Government Finance Statistics, Australia, 2017-18

Based on the results of the surveys in the various jurisdictions it is estimated that 28.25% of council staff will be stood down or lose their job. Across the nation this equates to 54,805 people.

#### State and Territory Responses

The Federal Government's expectation that State and Territory Governments would provide support to Local Government has not occurred in all cases.

State and Territory Governments have acknowledged that councils face major challenges, but their responses have been varied ranging from providing a similar package as JobKeeper to no financial assistance and further requesting Councils to take actions that would decrease their revenue.

The varied responses have also been compounded with State and Territory Governments requesting Councils to freeze rates and charges and encouraging them to borrow money to cover expenditure. Rate revenue is essentially the only income stream that can be borrowed against as in most cases Councils cannot borrow against the value of their public infrastructure. This is further complicated with the Councils limited capacity to service and repay any debt.

Without JobKeeper, ad hoc State and Territory Government support and limited capacity to borrow, job losses in Council areas are inevitable.

## **ATTACHMENT 2: Childcare Case Studies**

### Case Study: Murrindindi Shire Council (VIC)

Murrindindi Shire Council family day care services provide approximately 3500 hours of care per week for 150 families. Availability of childcare within the Shire is limited with the council providing the only flexible child care hours with out of hours care.

Operational revenue is entirely based upon an hourly administration levy imposed on families who use the service, covering both wages and resources. With the Federal Government introducing 'free childcare', the council could no longer collect the levy.

Child Care Subsidies normally provided by the Federal Government has been reduced to 50%, this is also compounded by the fact the fortnight that is being used to calculate this payment is based on a lower staffing level due to educators being on leave.

Murrindindi were advised by the Federal Government to apply for the Early Childhood Education and Care Relief package for exceptional circumstances. However, as they were not able to demonstrate an increase in attendance, the application was **denied**.

Some independent Educators have been able to apply for JobKeeper as they are considered a sole trader and receive the Child Care Subsidy, this does not cover their usual salary and pay cuts have needed to be implemented.

The central coordination unit that is responsible for ensuring all regulatory requirements are met (including safety checks, developing educational material and support to educators) is employed by the Council. With the Council being denied exceptional circumstance payments and not able to apply for JobKeeper, the council needs to allocate \$10,000 per fortnight of rate payer funds to keep the childcare facility open.

### Case Study: District Council of Karoonda East Murray (SA)

The District Council of Karoonda East Murray is one of 122 local government areas in Australia to receive money in the second round of the Drought Communities Program. The farming area in rural South Australia has not had significant rainfall in years.

The region has been struggling due to drought and receiving funding from the Federal Government through the Drought Communities Program provided some reprieve for families.

Although the Council is grateful for the funding and has acknowledged the challenges of responding so rapidly to Covid-19, they are facing challenges in continuing to run Mallee Kids Childcare.

In January to March 2020, Mallee Kids Child Care has been running at a loss with total costs being \$3,800 and incoming is \$2,911. The Council was successful in obtaining \$958 per week from the Federal Government's Community Child Care Fund.

With changes to funding arrangements for ECEC and the provision of free childcare, the centre's income reduced to \$1,243 per week with a minimum gap of \$1,700 per week.

With the continuing impact of the drought and the ECEC services no longer running at a break even point, tough decisions will need to be made soon for the facility to remain open or for reduction in the number of children that can be supported.

#### Case Study: Town of Bassendean (WA)

The Town of Bassendean operates a community based, not for profit childcare services across two locations, providing high quality care and early childhood education for children aged 0-5 years. The service is rated as exceeding the national quality standards and was recently rated in the top four providers in Australia.

With the Federal Government announcements, the Town of Bassendean will have a reduction in of 50% of their Child Care subsidy. This reduces childcare revenue from of \$83,800 to \$41,900 per annum. The two facilities have not seen a decrease in numbers, rather their enrolments have been increasing rapidly.

With the increase in attendance, the Council is hoping their application for exceptional circumstance funding will be approved. However, the submission provided in early May has yet to receive a decision.

Currently the two centres are operating on minimal ratios and should the number of families wanting to access the service will need to be turned away.

The Council also raised concerns that the stimulus packages announced for ECEC has created market distortion with support being available for private service providers to the detriment of Local Government operating in the same market. They believe this is contrary to the spirit of the Federal Government's national competition reform agenda.

#### Case Study: Cumberland City Council (NSW)

With the announcement by the Federal Government to not charge families for Childcare and reduce childcare subsidy to 50%, in addition to Council's not being eligible for stimulus packages or Job Keeper, Cumberland City Council has suspended childcare services.

The operational loss was not viable, and the Council made an extremely hard decision to suspend childcare services. They have expressed to families they hope to rectify this issue as soon as possible so that they can re-open.

#### Case Study: Whitehorse City Council (Vic)

Whitehorse City Council manages four childcare centres providing high quality care and early childhood education for children aged 0-6 years. The centres have an excellent reputation, accommodate 243 EFT places and support more than 400 families each year.

The centres operate in a highly competitive environment with 35 other childcare centres operating in the municipality. These centres are managed by an array of not for profit and for profit entities. Council budgets for its childcare program to be cost neutral and National Competition Policy (NCP) compliant. Utilisation of the 243 places averages between 90% to 92% across the year. Utilisation is normally at its lowest during the months of January and February but climbs steadily during March and reaches above 90% in early April where it sits for the remainder of the calendar year.

In late February 2020 childcare utilisation sat at 84% before plummeting to 12.5% by the start of April. At that point the service was losing \$24,100 per day. The introduction of the Federal government's Child Care and Education Care Relief package reduced the financial loss to \$16,000 per day.

Council was made ineligible for the federal government's Job Keeper and the exceptional circumstances Supplementary Payment (under the relief package) which placed Council and its staff at a distinct disadvantage to other service providers in the municipality. Council wrote to the Victorian State Government seeking urgent financial support but was refused and council was advised to take the matter up with the federal government. Having no other option, Council closed two of its four centres as a means of further reducing the financial loss. Eighteen short term contract and 13 casual staff who work in the four child care centres are now without work.

As it stands, Council has forecast an operating loss for its Child Care service of \$650,000 for the current quarter alone. Council is dismayed at the inequity of support for LGA managed services. With uncertainty surrounding the future of the economy, government policies and support and in turn child care demand, Council is facing tough decisions for the future of the service.

## ATTACHMENT 3: Regional Airports Case Studies

### Case Study: Flinders and King Islands (TAS)

There are three major issues related to the sustainability of the airports:

- Large Infrastructure costs in relation to upgrading the runways taxi ways and aprons.
- High operation costs to address the day to day safety and management of the airport and its Terminal (includes labour, plant and equipment required to operate and maintain the airport facilities).
- Challenging Financial Conditions: For example on Flinders, Sharp Airlines currently owes council an amount equal to 50% of its annual Passenger Takes.

In respect of the three major issues identified above, Flinders Island Council notes the following:

#### *Large Infrastructure Costs:*

Flinders Island Council notes the Long runway has deteriorated over a number of years due to Flinders Council's inability to fund the upgrade costs of such a large infrastructure project. Council lobbied the government for funding and were awarded a \$1.8million grant which represented 50% of the cost of the upgrade totalling \$3.6million. As Flinders Council did not have the ability to pay for the 50% Cash contribution as required by the grant, the Tasmanian Government offered a five-year \$1.8 million dollar loan. Unfortunately, when Council reviewed their five-year cash forecast, there was not enough cash to repay the loan, and Council then sought assistance from the Federal Government to award a 100% fully funded Grant. In January 2020, the Federal Government granted a 100% Grant of \$3.6 million.

It should be noted that Sharp Airlines is the only RPT Flinders Island has and arguably has contributed to the level of damage of the runway due to the significantly heavier Metro Liner aircraft.

Future maintenance and upgrades of the runways will need to be fully supported by the Federal and State, as it is impossible for such a small Council to outlay such large sums of money. The Long Runway upgrade has recently been completed, and therefore will have a long useful life before major repairs are required, but the short runway, though not as deteriorated may require upgrading in the next ten years at an estimated cost of \$2.2 million.

#### *High Operation Costs:*

The day to day safety and management of the airport and its terminal requires labour, plant and equipment costs to operate and maintain the airport facilities. Three FTEs, expensive safety equipment such as trucks, runway sweepers, light vehicles, lighting, maintenance of terminals and sheds, mowing of large grass areas around the runway, and general repairs to the runways are ongoing, and require cash to operate. In addition, council provides services such as fuel and assistance for the Royal Flying Doctor Service (RFDS).

With such a small rate base, Flinders generates \$2 million rate revenue, and therefore relies on additional revenue from Landing fees and Passenger Taxes which provides an additional \$400k. This represents 20% of the Rate Income.

With the decline in passenger travel since the COVID-19 outbreak, it has had a major impact on the Airlines. A decline in passenger taxes and landing charges, is a significant impact to our small council and support will be needed from State and/or Federal Government to continue the day to day operations of the airport.

*Sharp Airlines is a financially challenged airline:*

Over the last year and a half, Sharp Airlines have had issues paying its bills, and currently owes Council an amount which is approximately 50% of the annual passenger fees. As a result, Council has had to arrange payment plans to reduce its debt, and currently, Sharp Airlines has requested that Council write off the debt, based on the fall in passenger travel.

In the last month since the COVID- 19 shutdowns, Sharp Airlines has had a 30% decline in passenger travel. This not only affects the income council would normally receive form the operator, but more importantly, the history of an airline that has been struggling to pay us, is now suffering the decline in passenger numbers.

They are expecting council to help them, and yet the knock-on effect is a significant burden for a small council to manage.

Past non-payment of outstanding debt represents two Airport staff – salaries council will still have to pay. Future effects of COVID- 19 on the impact of Sharps Airline’s ability to pay council requires State intervention and assistance if the State needs airline services to continue to regional areas

**King Island** noted that they are projecting cash losses from airport operations, representing 25% of Council’s rate revenue. With depreciation added the loss is projected to be over \$1million.

Essential services will not be provided if regional and rural airports are forced to close.

#### **ATTACHMENT 4: Financial Assistance Grants**

An opportunity has been missed by the Federal Government to stimulate local economies by not providing a short-term boost to Financial Assistance Grants.

The Financial Assistance Grants for Local Government are a tried and tested mechanism for funding all councils to ensure that local communities receive an equitable level of services. The primary objective of the legislation under which the Financial Assistance Grants are provided is to improve the capacity of local governments to provide their communities with an equitable level of services.

The Grants are provided by the Federal Government through the State and Territory governments and are distributed between all councils on an allocation recommended by state grants commissions and agreed by both State and Federal Ministers.

Allocations between councils are based on stringent methodologies and reflect detailed and ongoing consultation with councils including visits, submissions and data collection. The grants process combines transparency and equity with rigour and efficiency and the primary driver in distribution is relative need.

A major strength of the grants is that the funds are untied allowing councils to use the money where it will do the most good. In addition, the untied approach minimises the administrative costs which would rapidly escalate if funds were distributed on an application and project basis.

For these reasons, the Financial Assistance Grants provide the simplest, most equitable and most transparent mechanism for delivering a much-needed fiscal boost for every community.

## **ATTACHMENT 5: Hardship Provisions**

Indications that Councils should waive/defer all rates and charges for individuals or businesses would not be appropriate. No two businesses are the same and residents face differing problems. For example, large companies such as Woolworths and Coles in comparison to a family owned café have been impacted differently due to the Covid-19 pandemic.

Councils are experienced in dealing with hardship issues having been dealing with them since the first council was established 180 years ago. Many councils have hardship policies and use templates based on state and territory hardship arrangements. Hardship arrangements have been dealt with on a case by case basis. Such arrangements include mechanisms such as rate forgiveness or delaying rate payments. However, given that property rates are the only tax local government has, and given that for many councils rates are the primary source of revenue, there has not been blanket exemptions granted for classes of persons or sectors of the economy because of the impact this would have on a council's financial viability if there was a major drop in revenue. The ability of councils to cope is determined by the volume of cases and councils generally have low provisions for bad debts.

In cases where there have been council rate rebates for low income earners these have generally been funded by the Commonwealth and the State Governments. Similarly, in the past where there have been rate rebates provided for some classes of resident or business because of drought, etc, a state government may have provided funding to councils to cover this initiative.

For older residents on pensions or fixed incomes Councils have allowed the delay in payment of all or a portion of the rates on a property until the residents are able to pay the rates or the property is sold. Relatively low interest rates have applied to delayed rates.

Hardship arrangements can also apply to water and sewerage charges where councils provide this service but that is not the case in all jurisdictions or parts of jurisdictions where state and territory governments or the private sector may be the provider.

It should be noted that councils are also limited in applying hardship arrangements to levies collected on behalf of state governments (such as emergency services levies) and there would be problems where councils collect funds through rates to meet state levies such as waste levies.