



15 June 2020

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Economics and Governance Committee  
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## **Torres Shire Council Submission – Queensland Government's Response to COVID-19**

### **Introduction**

COVID-19 has brought with it both a health and economic crisis. How Queensland responds to this crisis is critical to the future of Torres Shire Council, Queensland and Australia. With this in mind, Torres Shire Council is pleased to submit to the Queensland Government's Response to the COVID-19 Inquiry, mindful of its Terms of Reference (TOR) being:

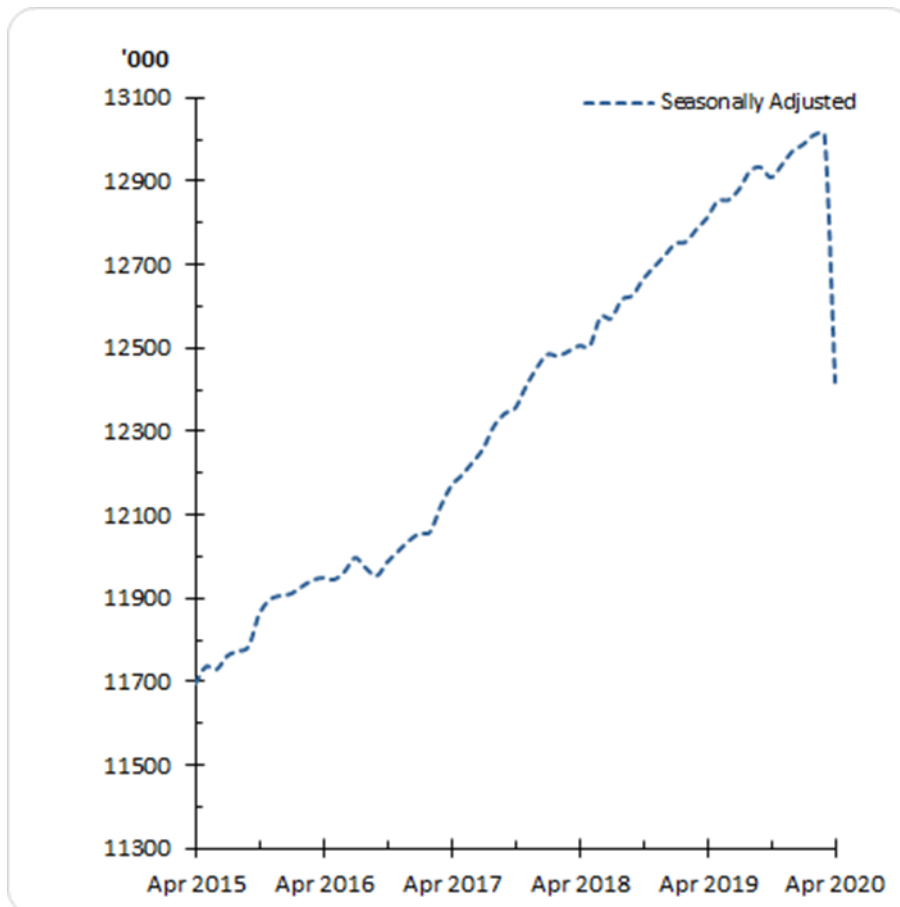
- 1. That the Economics and Governance Committee inquire into and report to the Legislative Assembly on the Queensland Government's Response to COVID-19 in relation to the economic response only; and*
- 2. That in undertaking the inquiry, the Committee should take into account the Australian Government's response to COVID-19 and its impacts on the Queensland Government's response*

Torres Shire Council (hereafter referred to as 'Council') believes that whilst all endeavours can be improved or may be better given the benefit of hindsight, steps taken by Council, the Queensland and Commonwealth Governments were as appropriate, under the circumstances as they could be. To that end, Council offers the following submission from the premise of collegial collaboration

and not as a consequence of bystander carping. Council has considered the details in the Briefing Note for the Economics and Governance Committee Inquiry into the Queensland Government's economic response to COVID-19, Queensland Treasury and Department of State Development, Manufacturing, Infrastructure and Planning in preparing its response. Council has approached drafting the submission from the perspective of recommending some immediate and some futuristic suggestions that the committee may wish to consider. Council is pleased to provide the Committee with further and better particulars, should it so request.

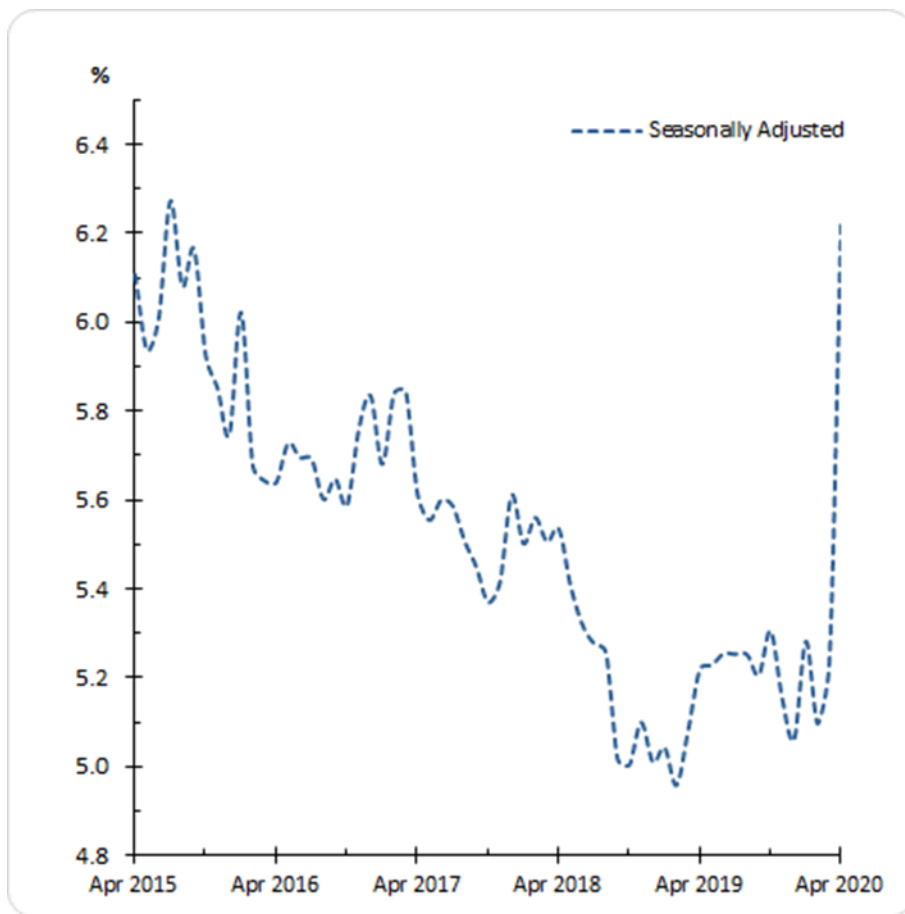
## Current Situation

Council believes the Briefing Notes' assertion that "National output to fall by around 10% over the first half of 2020, with most of this decline taking place in the June quarter (our emphasis)" is unsurprising but does not tell the whole story. It is Council's concern that the unemployment rate will be higher than suggested in the Briefing Note and will continue for longer than may currently be anticipated. As at 14<sup>th</sup> May 2020 figures, employment in Australia is as follows:



**6202.0 - Labour Force, Australia, Apr 2020 LATEST ISSUE** Released at 11:30 AM  
(CANBERRA TIME) 14/05/2020

The unemployment rate is as follows:



**6202.0 - Labour Force, Australia, Apr 2020 LATEST ISSUE** Released at 11:30 AM  
(CANBERRA TIME) 14/05/2020

Both graphs amply illustrate the sharp decline in employment and the equally sharp rise in unemployment. This is vastly different to any other period of economic crisis experienced by Australia. The declines of both the Great Depression and the Global Financial Crisis occurred over time (year to a number of years) and not in one month, as is the current situation. ABS figures published on 14<sup>th</sup> May 2020 illustrate the dramatic rise in unemployment, such that Queensland has the second highest unemployment rate in Australia:

	March 2020 %	April 2020 %
New South Wales	4.9	6.0
Victoria	5.2	6.0
Queensland	5.7	6.8
South Australia	6.3	7.2
Western Australia	5.4	6.0
Tasmania	4.9	6.2
Northern Territory	5.5	6.0
Australian Capital Territory	3.2	4.2
Australia	5.2	6.2

Given the current situation, it may be anticipated that the first quarter of 2020-2021 results could potentially be worse than previously thought, or at least this is Council's concern. Council notes the lag effect from the previous quarter; the less than rosy international economic outlook; and the fact that continuing and necessary social controls required to protect the community against COVID-19 will continue into the first quarter. In the services sector alone, the number of restaurants closing and unlikely to re-open is considerable and Council is concerned that it may well be illustrative of a broader economic malaise and a gendered wage and employment inequality, in the short term, due to the fact that women are more concentrated in this sector. The knock-on effect of these closures on Tourism, an industry central to Queensland's economic health, is well-known and stark. As noted by the Premier "Tourism was contributing \$27 billion to Queensland's economy and more than 230,000 jobs before COVID-19 hit" (<https://www.miragenews.com/queensland-tourism-boost-to-unite-and-recover-from-covid-19/>). Council supports the Queensland Government's injection of funding support to this industry and the opening up of mainland Queensland to tourism experiences. The design of funding support requires close attention moving forward. The state should not be funding previously failing enterprises. This financial support ought not be a cash cow for previously inefficient businesses; but rather it should be part of the state's fiscal armoury to engender economic recovery.

It should be noted that if the economic malaise spreads into the building and construction sector, more men than women will be affected due to gender concentration in that sector.

**Local Government Financing**

The Australian Government has not provided any specific funding support to local government as a consequence of COVID-19. The Australian Government has provided almost \$56 billion under the Financial Assistance Grant program to local government since 1974–75 (including 2019–20). The grant is provided under the *Local Government (Financial Assistance) Act 1995* (the Act).

The Financial Assistance Grant program consists of two components:

- a general purpose component, which is distributed between the states and territories according to population (i.e. on a per capita basis), and
- an identified local road component, which is distributed between the states and territories according to fixed historical shares.

Both components of the grant are untied in the hands of local government, allowing councils to spend the grants according to local priorities.

Local government grants commissions in each state and the Northern Territory recommend the distribution of the funding under the Financial Assistance Grant program to local governments in accordance with the Act and the National Principles for allocating grants.

The quantum of the grant pool changes annually in line with changes in population and the Consumer Price Index (the Act provides discretion to the Treasurer to alter this annual indexation). Council seeks that the Treasurer exercises his discretion. One reason for this is that it is infrastructure requirements, and not just population and CPI movement that should inform the distribution of these funds; and infrastructure spending will be a critical feature of a successful post-COVID economic recovery.

**Financial Assistance Grant program 2019–20**

In 2019-2020, the Australian Government provided \$2.5 billion in untied funding to local governments under the Financial Assistance Grant program. This includes \$1.3 billion which was brought forward from the 2019–20 estimate and paid to states and territories on 17 June 2019. The remaining 2019-2020 allocation to states and territories are being paid in four equal quarterly instalments scheduled for August, November, February and May.

Jurisdiction	General purpose	Local roads	Total
New South Wales	\$557 649 955	\$224 474 368	\$782 124 323
Victoria	\$450 796 391	\$159 508 759	\$610 305 150
Queensland	\$349 542 593	\$144 962 853	\$494 505 446
Western Australia	\$181 042 312	\$118 299 721	\$299 342 033
South Australia	\$121 164 092	\$42 520 003	\$163 684 095
Tasmania	\$36 893 536	\$41 000 579	\$77 894 115
Northern Territory	\$17 204 884	\$18 123 762	\$35 328 646
Australian Capital Territory	\$29 334 198	\$24 808 995	\$54 143 193
<b>Total</b>	<b>\$1 743 627 961</b>	<b>\$773 699 040</b>	<b>\$2 517 327 001</b>

To illustrate why there is a need to re-examine the funding architecture, the total linear kilometres of council-managed roads in Queensland is 752,627 (<https://www.data.qld.gov.au/dataset/queensland-local-government-comparative-information-report/resource/d20b3d8b-6813-4266-afaa-1436129c9f23>). The total linear kilometres of council-managed roads in NSW is 160,000 and Victorian councils are responsible for an even smaller network than New South Wales. Therefore, in 2019-2020 Queensland councils receive \$79,511.515 less than NSW for local roads but has a road network 400% greater than the size of the NSW road network. Furthermore, Queensland local governments receive 62.68% of NSW general purpose funding through the FAG scheme and 77.54% of Victoria's general purpose funding.

If ever there is a time to examine and propose structural re-design to the FAG scheme (or a new scheme altogether) so as to improve greater economic outcomes and fairness, it is now. Economic recovery cannot simply rely on the continued injection of government funding (although well targeted programs, especially infrastructure, is undoubtedly effective and is supported). It must also involve scheme re-design and fiscal reform and the Queensland and Australian Productivity Commissions have a role in this respect.

The Australian Productivity Commission 2007 study into local government's own-source revenue followed on from the Report of the House of Representatives Standing Committee on Economics,

Finance and Public Administration Inquiry into Local Government and Cost Shifting (Hawker Report) that was released in October 2003. The Hawker Report was one of a number of reports and reviews undertaken both by local government and other bodies to examine local government funding and related issues.

There are limitations on using rates and charges as a predominant source of funding because:

- Councils provide a wide range of ‘non-commercial’ infrastructure and services (e.g. sporting facilities and other community programs) where cost-recovery through user pays fees and charges is adopted but remains a challenge; and
- Changing demographics have seen the types of services provided by councils change dramatically over time. While councils still provide property services, they now also provide a wide range of human services (redistributive services). Attempting to fund these redistributive services through increased property-based taxes is not appropriate and could result in high need/low capacity to pay councils not being able to provide adequate service delivery. Increased property-based taxes have the potential to negatively impact on home ownership and the construction industry (and related industries more broadly) and this does nothing to assist our communities beset with overcrowding and deprived of their aspiration of home ownership.
- In the Torres Shire LGA:
  - There are 280.4 homeless persons per 10,000 persons compared to Queensland’s 45.6 homeless persons per 10,000 persons (ABS, Census of Population and Housing, 2016, Place of Enumeration Profile - G03 and ABS Census of Population and Housing: Estimating homelessness, 2016).
  - There are 76 fully owned and occupied private dwellings (or 8.4%) compared to Queensland’s 471,407 fully owned and occupied private dwellings (or 28.5%).
  - 71.1% of properties are rented compared to Queensland’s 34.2% (ABS, Census of Population and Housing, 2016, General Community Profile - G33).
  - Only 17 of the 316 social housing dwellings were built after 2008, and many go back to the 1970s.
  - There is a desperate need for repairs and maintenance, upgrades and new work. Post COVID-19 presents a wonderful opportunity for directed funding for economic recovery through building maintenance and repairs, thus raising housing standards from the current situation, where the dwellings are falling apart, windows

don't shut, stumps are broken or missing, they are riddled with asbestos, run down, kitchens, bathrooms and rooves are in a degraded condition – in fact, without exaggeration, these are third world living standards.

- The expectation of today's communities regarding the types of services provided by councils, especially community-based services, is both high and relatively consistent, having risen exponentially since the end of the last century. This is illustrated in high relief when examining the circumstances facing Council, detailed later in the submission.
- Redistribution of taxes should be based on the principle of horizontal equalisation to ensure that a similar level of service is provided across local government boundaries.
- Total taxation should pay for all non-commercial government services. Local government is primarily a service provider with limited taxation and revenue raising capacity under the federation, which provides that surplus federal funds should be redistributed to address the issue of vertical fiscal imbalance (VFI).
- Rates as the only form of local government taxation cannot be redistributed between councils. This means that high capacity to pay councils have a greater level of service than low capacity to pay councils.

Councils have made considerable efforts to exploit and optimise own source revenue that is evidenced by the increase over time in rate revenue, fees and charges. However, this has not been enough for councils, including our Council, to avoid financial sustainability challenges (note the Queensland Auditor-General Reports over the past five years). This outcome is not because councils have not made themselves more efficient, quite the contrary. It has been through improvements in efficiency dividends that councils have been able to remain as the primary service delivery level of government in this State and this country.

Own source revenue has an important part to play in local government resourcing, but it is only one part of an extraordinarily complex tapestry of issues regarding local government finances. The impact on Council's revenue because of COVID-19 has been, and continues to be, a loss of approximately \$500,000 (ex GST) per month. This includes the significant contribution to Council's revenue of the Airport operations, with lesser quantum of revenue reductions across Council's quarry, swimming pool / sports complex and library operations.



A review of own source revenue-raising on its own will not address the circumstances and differences facing individual councils. It will not address the changing nature of services provided by councils and the growing demand for broad social services best funded through general tax transfers. It will not address the adequacy of the current intergovernmental transfer mechanism.

Council recommends that a comprehensive review of local government financial and fiscal constraints be undertaken involving the Queensland and Australian Productivity Commissions, such review being open to public submissions. It is further proposed that National Cabinet (proven to be so successful during COVID-19) involving the Australian Government, State and Territory Governments and local governments around Australia (represented through ALGA and State and Territory-based peak associations such as LGAQ) be convened to consider the review outcomes and to agree a 21<sup>st</sup> century funding model. As the Federal Government has disbanded COAG, and hence local government's participation in it; and whereas Local Government currently has no presence on National Cabinet; this tri-partite approach to National Cabinet is perhaps the only legally achievable approach to expedite action, given the lack of recognition of Local Government in the Australian constitution. To continue with a broken system is not a smart response to the new fiscal and economic challenges posed as a result of COVID-19.

### **Torres Shire is unique.**

Why is this so and why is this relevant? It is accessible all year round and has:

- The Council-owned Regional Airport linking the Torres Strait and mainland Australia, as well as internationally. Horn Island passenger movement per annum have increased significantly with 194 seats occupied every day and serviced by flights 2-3 times daily to and from Cairns per week.
- The Seaport transport with Peddells travelling up to 2 times a day (seasonal) and Sea Swift twice weekly, as well as passenger and freight movements every day from Horn and Thursday Islands and between Thursday Island and Friday Island and the 13 other islands and Cape York.
- The Regional Hospital on Thursday Island that services Torres Strait Island Regional Council (TSIRC), Northern Peninsula Area Regional Council (NPARC) and Torres Shire Council (TSC) includes:
  - Renal Dialysis Unit
  - Operating Theatre

- Birthing/Maternity service
  - Primary, Secondary and Emergency Care
  - Allied Health, Mental Health and Oral Health for the region
- The Regional Secondary College
  - Year 6 to year 12 for the Torres Strait, NPARC, TSIRC and TSC
- The Main Administrative headquarters for Federal and State Government agencies responsible for servicing the Torres Strait, including:
  - Queensland Police Service and Queensland Ambulance Service
  - Border Force - Customs
  - Courts Authority and Court
  - Probation and Parole
  - Queensland Health (Torres and Cape Hospital and Health Service)
  - Department of Housing and Public Works
  - Biosecurity and Quarantine
  - Centrelink and Medicare
  - Department of Foreign Affairs and Trade
- Australia Post
- Bank

Torres Shire is the hub of the Torres Strait region as a capital city or large provincial town is in the rest of Australia. These characteristics have been considered in Council's submission and inform Council's funding concerns moving forward. They are relevant to Council's economic position impacted by current fiscal imbalance.

### **Payment of General Rates and Funding Design**

Council raises approximately \$1M from approximately 880 rate payers to fund infrastructure and other services. A significant amount of the infrastructure in our Shire is owned by the State/Federal governments. Many of the Shire's population work for the State and Federal Governments and use Council services.

Clearly Council's rate base is significantly modest and cannot deliver enough funding to provide for these services and infrastructure. More than seventy per cent of Council's population is Torres Strait Islanders and/or Aboriginal.

All of Council's elected members are Torres Strait Islanders, as is Council's Chief Executive Officer. Council has the highest population concentration requiring infrastructure and services in our region.

Northern Peninsula Area Regional Council (NPARC) and the Torres Strait Island Regional Council (TSIRC) receive funding from the Queensland Government's Indigenous Councils Critical Infrastructure Program (ICCIP). The Indigenous Councils Critical Infrastructure Program (ICCIP) is a funding program that will deliver critical water, wastewater and solid waste infrastructure to Queensland's Indigenous councils. The ICCIP program budget totals \$120 million over four years. The aim of the ICCIP is to support Indigenous Councils to implement projects and infrastructure works relating to critical water, wastewater and solid waste assets, and provide a basis for the long-term strategic management of essential assets. Council does not receive a cent of this funding, despite the demands on our infrastructure by residents and the Queensland and Federal Governments and their employees.

NPARC and TSIRC receive funding from the State Government's Financial Aid (SGFA) scheme. Council does not.

NPARC and TSIRC receive funding from the Indigenous Economic Development Grant (IEDG). The 2018–19 Indigenous Economic Development Grant (IEDG) is an allocation-based program that contributes funding towards service positions within Councils to support permanent jobs that deliver local government services. Funding allocations are established under two tiers (\$80,000 and \$160,000) and are based on the population of the recipient council. Council does not receive this funding.

A comparison of operating Government Grants and Capital Grants distributed per person per population centres in 2018-2019 is as follows:

<b>Council</b>	<b>Operating government grants distributed per person per centre (\$)</b>	<b>Capital grants distributed per person per centre (\$)</b>
NPARC	19, 613.36	42,967.45
TSIRC	71, 932.33	152,498.27
TSC	13, 868.64	32,970.30

Council draws the Committee's attention to these statistics, not to oppose or curtail current funding to either TSIRC or NPARC – quite the contrary. Council fully supports this ongoing funding to our sister councils – it is critical that the Federal and Queensland Governments continue to do so. Rather, it is to highlight the inequity in the current funding formula. Part of the rationale for this funding model was that it was to compensate TSIRC and NPARC because of the absence of a rate base, consequent to the council amalgamations of 2008. With \$1M only being generated by Council in rates (although other source revenue, other than grants, has been achieved and maintained), and the demands made on Council, it no longer holds fair.

In our region, Council, with the greatest concentrations of population that is heavily reliant on infrastructure and other local government spending, is receiving between 10.84% - 39.49% less than much smaller concentrations of population. Equally, Council is receiving only 70.71% of NPARC's operating grants per person per centre and 19.28% of TSIRC's operating grants per person per centre.

Surely it is axiomatic to suggest that a rationalising of funding and an invigorated infrastructure effort by both State and local governments are germane to economic recovery and that any funding constraint impeding this invigoration is worthy of examination?

Council notes that it has had to fund its COVID-19 response in addition to ordinary and customary operations; and that unlike other disasters, this disaster has been declared (thus far) for many months requiring a Council response – especially in the context of the Torres Strait region, as Council is the only local government whose administration is entirely located in the Torres Strait. Quite properly and necessarily, Council has been very active in its COVID-19 response to the pandemic and this has a consequential impost on Council finances, resources and people.

As this submission was being prepared, the Queensland Government announced a \$200 million boost to the Palaszczuk Government's signature and successful Works for Queensland (W4Q) job-creation program. The funding boost was announced as part of the Queensland Economic Recovery Strategy: *Unite and recover for Queensland Jobs*, to help the State recover from COVID-19 with a focus on backing Queensland jobs.

The boost to the program is for new, upgraded or refurbished playgrounds, swimming pools, community centres, caravan parks, sport and recreation facilities, libraries, water and sewer infrastructure, and waste management facilities. Council is most grateful for this funding boost but wishes to point out that of the \$200million allocation, Council received \$1.44M in funding - \$1M as a set baseline and \$440,000 to reflect population, but not demand. It is to be noted that \$440,000 is precisely \$60,000 less than one month of lost revenue during COVID-19 from Council's businesses.

## **Budget**

Mindful of the Committee's Terms of Reference (TOR) (1) and (2) above, Council notes that the Queensland Treasurer announced on 19<sup>th</sup> May 2020 that the Queensland Government will publish a COVID-19 Fiscal and Economic Review (C19-FER) in September this year.

The Federal Government, and all other States and Territories, have suspended the budget for 2020-21 because, as the Prime Minister and Governor of the Reserve Bank have said, it is simply not sensible, or possible, to produce economic forecasts at this time.

The Queensland Government has announced the COVID-19 Fiscal and Economic Review (C19-FER) that will be produced by the Queensland Treasury to the same standards used for the annual Mid-Year Fiscal and Economic Review (MYFER). The MYFER process is one that is recognised and trusted by financial market and ratings agencies to report key fiscal and economic variables, and C19-FER will be no different. In these circumstances, the question arises as to why Local Governments should not be able to adopt a similar approach, as it faces the same difficulties in establishing a budget as the Queensland and Commonwealth governments face?

To achieve a similar approach for local governments as adopted by the Queensland and Commonwealth Governments, there would be a requirement to strengthen Regulation 34 of the Local Government Regulation 2012 and there will be a need to amend Regulation 170 of the same Regulation for the financial year 2020-2021. Meanwhile, Council continues to prepare a budget for 2020-2021, in accordance with current prescriptions.

## Planning

The Briefing Note prepared for the Economics and Governance Committee Inquiry into the Queensland Government's economic response to COVID-19 notes that: "Urgent amendments (made) to Queensland's planning legislation are now in effect to address concerns raised by a range of stakeholders, including local government and industry, in response to the COVID-19. The new provisions provide for business continuity and supply by removing planning constraints, which could be limiting the operation and delivery of essential services. The amendments also ensure that development assessment, plan-making, and other statutory timeframes under the *Planning Act 2016* and *Economic Development Act 2012* can be managed, and that the State and local governments can continue to make decisions and ensure statutory timeframes can be met even if workforces are affected or reduced". Council requests that the Committee considers the prolongation of the aforementioned planning arrangements, having regard to business continuity.

## Summit

From a broader economic viewpoint, Council supports a rationalising of taxation and other financial imposts, such that it improves transactional activity and economic prospects. Council is reminded, in this case, that the removal of stamp duty was originally considered as part of designing the Goods and Services Tax (GST). It is Council's view that any removal of stamp duty should be done in concert with reform of the GST. Equally, the income derived by local governments, and conversely the income forgone if development fees and charges/building tax are significantly altered should be addressed through general tax transfers. The point being made here is that a collaborative examination and reform of current economic and fiscal settings are required to deliver enhanced economic development, germane to the Committee's deliberations.

To that end, Council supports (and would want Local Government to be part of) a State Economic Summit, at which time such agenda items as cost shifting, rationalising of service delivery to maximise funding and investment, the removal of duplication and inefficiencies and system re-design may be considered. Post COVID-19 opportunities exist. Indeed, the necessary historic, economic, and political pre-conditions to bring about a once – in – a- generation reform exist right now. If ever the Queensland Government had the opportunity to correct a number of structural wrongs that have bedevilled previous governments, it is now.

Council firmly holds to the view that whilst there are significant threats posed by COVID-19, there are also some significant opportunities. Council recommends that this proposal for a Summit could either be progressed independent of the Inquiry, or emanate out of the Economics and Governance Committee Inquiry into the Queensland Government's economic response to COVID-19. The prospect of bringing together the Queensland Government and local governments, business, unions, universities, peak bodies and all relevant community stakeholders and associations to prepare a practical blueprint for a post-COVID-19 Queensland is not only a prudent step and politically wise; but would act as a psychological fillip to the community. During this time of isolation, it is easy to forget that there really is such a thing as society.

On behalf of Council, I submit this response to the Queensland Parliament, Economics and Governance Committee's Inquiry into the Queensland Government's Response to COVID-19 and trust that some of Council's suggestions are adopted and pursued.

Yours sincerely,



Dalassa Yorkston  
Chief Executive Officer  
**Torres Shire Council**