



# Economics & Governance Committee

June 2020

## Queensland Government's economic response to COVID- 19



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## Executive summary

The Local Government Association of Queensland (LGAQ), the peak body for Queensland's 77 local governments, appreciates the opportunity afforded by the Economics and Governance Committee to provide a submission on the Committee's *Inquiry into the Queensland Government's economic response to COVID-19*.

Queensland's 77 councils are acutely aware of the impact COVID-19 is having on our national, state, and local communities. The LGAQ is grateful for the Premier's effort and leadership during this challenging time and her work with the National Cabinet to navigate a coordinated response to this complex public health and economic issue across all jurisdictions.

The LGAQ through this submission will seek to highlight the diverse and grassroots perspectives and insights that local governments across Queensland have and outline how COVID-19 has impacted economically on communities across Queensland and the adequacy of the Queensland Government's economic response.

The submission will also demonstrate the significant role local government can undertake, if supported, in providing economic activity and job creation opportunities across all sectors, and across the entire State. Further, local government as a significant sector in its own right with over 40,000 staff and over \$150 billion asset base has been directly impacted in terms of councils' own operations, budgets, service delivery and capacity to support their local communities and economies.

The failure, particularly of the Federal Government, to acknowledge this role, and in particular in parts of Queensland where there is market failure and councils provide many services typically provided by the private sector, has left many vulnerable and limited in their capacity to play the critical market making and job sustaining role. Likewise, for larger councils dependent on high levels of demand-driven fees and charges to support services, infrastructure and operations, or in councils with tourism dominant economies, the impact has been significant and has challenged their capacity to deliver their own capital works programs and sustain employment given the imbalance in their revenue raising capacity compared to other levels of government.

As the most decentralised state in Australia, Queensland requires a multi-layered economic response. The LGAQ in commenting on the economic response of the State Government on behalf of local government will also seek to outline the underlying vulnerability of impacted communities has varied significantly and cannot nor should be addressed with a homogenous economic response. It should also be acknowledged that COVID-19 has provided an ability to create some improvements in the broader economic ecosystem which should not be lost once the public health crisis and the economic recovery has been managed.

Finally, the LGAQ will reinforce how the broad-based macroeconomic framework contained within the LGAQ's Battleplan for local communities has enabled local government to partner with the State Government to play a much more tangible role in the direct stimulus response and economic recovery for local communities. While only one part of a broader response, the speed with which this type of framework and funded initiatives can be enabled is critical as both short- and longer-term productive investment must be seeded. Utilising the strength of a state-wide network of councils to provide scalable, relevant and rapid responses to unemployment and economic contraction will be a material factor in assessing the economic response of governments of all levels to COVID-19.

The submission makes the following recommendations for consideration of the Committee and the Queensland and Federal Governments:

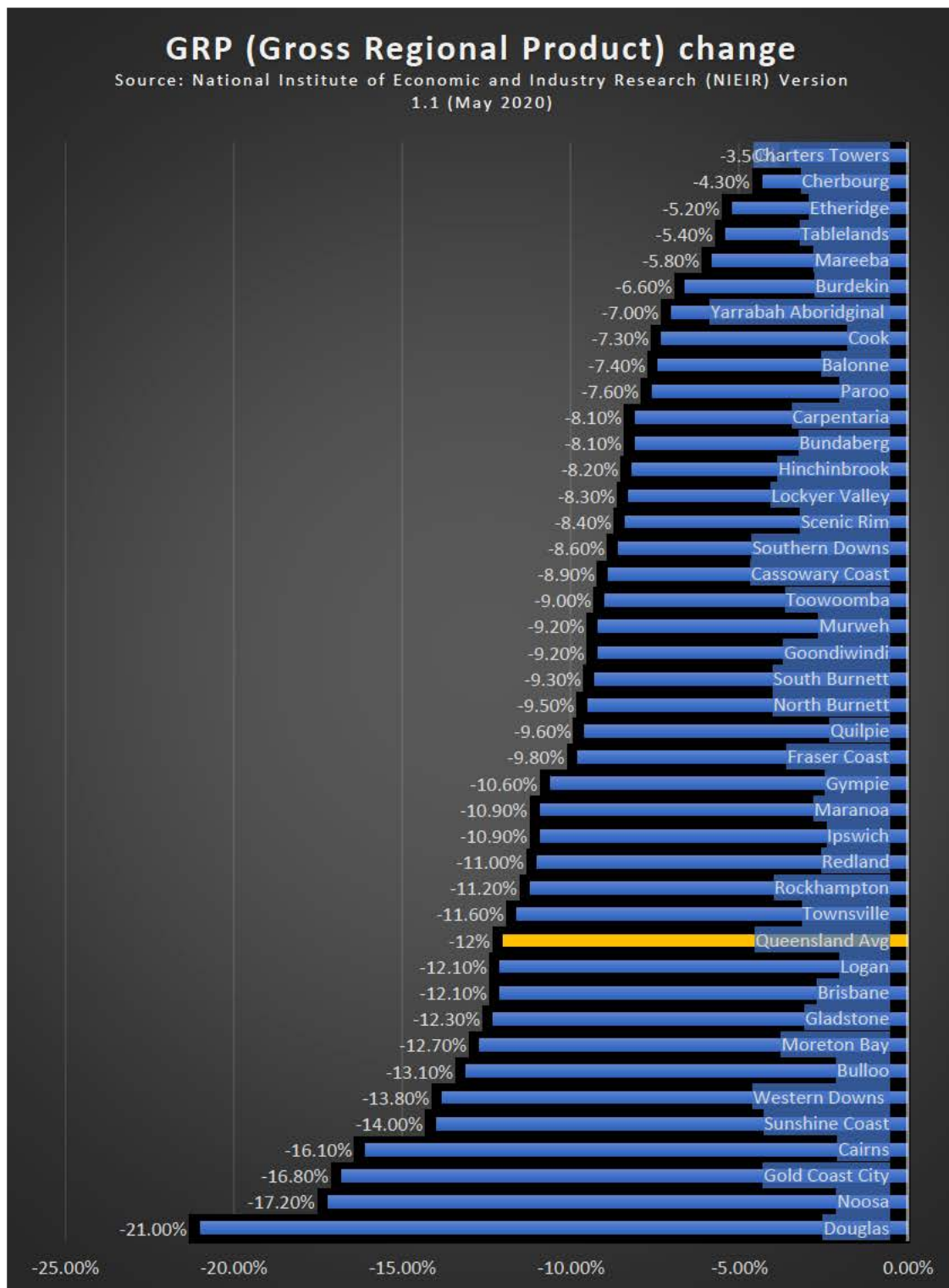
1. That clear and reliable triggers be developed for funding relief to flow through natural disaster management arrangements to communities and councils impacted by biosecurity lockdowns.
2. That close and ongoing communication with local government be maintained as a priority in relation to relaxing of regulations to ensure targeted relief.
3. That the Queensland Government support the LGAQ's call for reform of federal financial relations to provide local governments with access to a growth tax or revenue source that enables them to deliver essential public services and infrastructure.

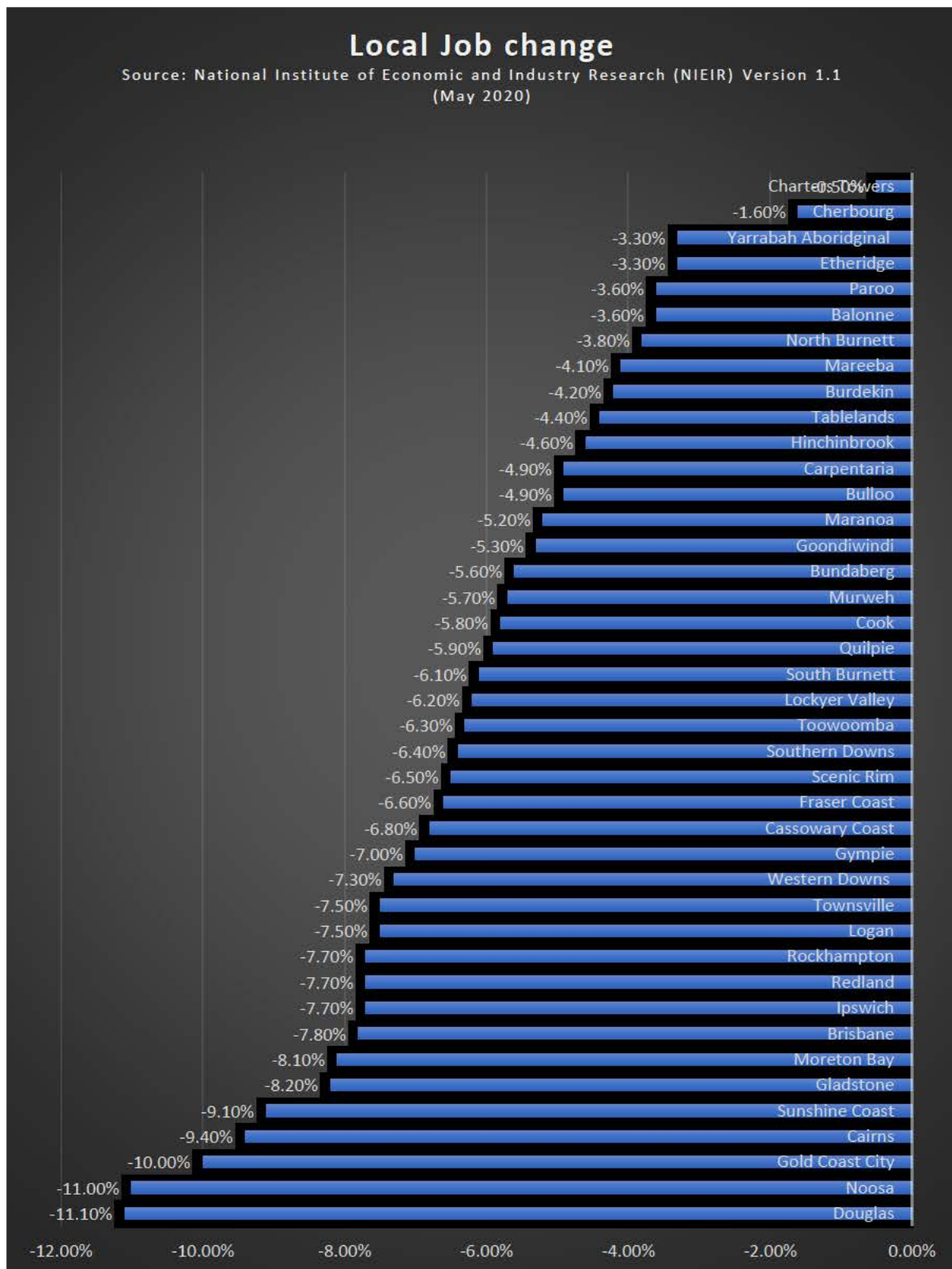
4. That the Queensland and Federal Governments respond positively to the LGAQ's call for further stimulus injections for local communities that are sustained and focused on job creation and longer-term productivity.
5. That the Queensland and Federal Governments uphold the disaster funding arrangements to compensate councils and their communities for expenses incurred because of the activation of Local Disaster Coordination Centres due to COVID-19 and other public health directives.
6. That funding be made available to support revenue loss associated with government policy intervention.
7. That the Queensland Government make representations to the Federal and other State Governments for local government to be part of the National Cabinet decision making processes in recognition of local government's critical role as a partner in economic development, a provider of essential services and to ensure that decisions impacting communities are locally relevant.

## Impact on local communities

Economically, the COVID-19 pandemic has impacted different communities differently throughout Queensland. This is due to the underlying vulnerabilities of both local economies (and local councils) that do not necessarily follow regional or typical groupings and sectoral patterns. The challenge faced and the response needed can vary significantly depending on scale, location, level of debt and revenue mix. No council is immune, just as no community is immune. Indeed, even larger councils are struggling given their reliance on own source revenues and the heightened expectations of their capacity to provide relief.

The following two graphs illustrate this point.







### Impact on communities with dominant tourism industries

With the effective collapse of the tourism sector in the wake of COVID-19, communities with a reliance on tourism have been heavily impacted. For example, economic impact modelling undertaken by .id for FNQROC revealed the following high-level findings for the FNQ region or 10 local governments:

- COVID-19 caused the FNQ economy to shrink by 13%, reversing the upward trend in economic growth in the lead up to the pandemic
- Impacts are elevated due to the drop in visitation and fall in economic activity related to Cairns Airport
- Job losses in FNQ are estimated at 10,700 but many more are vulnerable
- Hospitality industry is the largest impacted industry
- Challenge for FNQ is that the bounce-back may take much longer than other locations due to travel restrictions.

The impact on the tourism sector is not only isolated to well-known coastal tourism localities. For some local communities in Outback Queensland, following sustained periods of drought and other natural disasters, these communities and tourism operators are struggling given the dependence on this revenue. The need for locally relevant restrictions that make sense in a rural, regional or remote context have remained a challenge.

### Case Study - Carpentaria Shire Council

Carpentaria Shire Council in the Gulf of Queensland have indicated their few local caravan parks are unable to sustain operations and are disadvantaged by stimulus that is swamped for population dominant areas. Their limited access to support and financial management / counselling services, similar to those experienced by the primary industry sector, or even reliable internet access have found many without the capacity to access the funding or it has been expended before they were able to apply. The LGAQ has sought to argue funding should be quarantined in some instances, particularly in terms of Outback Queensland and tourism stimulus.

### Impact on communities in biosecurity lockdown

The emergency provisions of the Biosecurity Act 2015 (Cwth) that were put in place by the Australian Government to limit the spread of COVID-19 had a profound impact on remote and Aboriginal and Torres Strait Islander communities in the state's north. The combined Federal and State process has been extraordinarily challenging for all Cape York (and other) councils with considerable, negative consequences in terms of the social, emotional and economic health of these communities.

There has been little to no recognition of the costs incurred by the 'locked down' councils and their Local Disaster Management Groups in dealing with the issues. Some councils have had to set up a small call centre to deal with applications and enquiries and to redeploy staff on a full-time basis to meet the community demand for information and support.

Even after designated communities were brought under the direction of the Chief Health Officer, council phones did not stop. Elected members are continuing to deal with the dire consequences for many local businesses because no tourists are permitted into designated communities. Even local tourism is not allowed, let alone visitation from the rest of Queensland.

First Nations councils within the biosecurity areas were required to divert many of their staffing resources to assist manage the barriers to prevent people leaving or entering their areas. Significant resources were, and are continuing to be, expended on communicating with residents to maximise their understanding of the restrictions and the reasons for them. Councils recorded losses of revenue in the council-run accommodation facilities due to access restrictions imposed on non-essential government staff and commercial suppliers, consultants and contractors.



### Case Study – Yarrabah Aboriginal Shire Council

As residents were unable to leave the community to conduct their grocery and other shopping for consumables in the nearby communities, Council was required to set up facilities for stores to be brought into the community and consequently delivered to residents. This required the redeployment of council staff and the repurposing of an existing council building. Throughout the process, Council was required to spend more than \$150,000 on extra security to maintain good order during the enforcement of the restrictions which were not welcomed by many residents.

***Recommendation 1: That clear and reliable triggers be developed for funding relief to flow through natural disaster management arrangements to communities and councils impacted by biosecurity lockdowns.***

### Impact on local government sector

While councils have sought to work proactively and co-operatively with the Queensland and Federal Governments throughout the COVID-19 pandemic, the impacts of the crisis on the local government sector cannot be under-estimated.

To gain a better understanding of how profound the impacts on the local government sector from COVID-19 have been, the LGAQ conducted a survey of member councils in late April 2020.

Significantly the submission will highlight the government or National Cabinet decisions that impacted negatively on councils' financial and workforce position, in particular:

1. Decisions not to activate Federal Disaster Recovery Funding Arrangements and State Disaster Relief Arrangements, despite a commitment from the State Government
2. Federal government decision to exclude councils from JobKeeper payments and public statements from the Prime Minister that local government support would be through State Governments; and
3. Federal Government decision to make childcare free of charge which necessitated support from the State Government via an Exceptional Circumstances Supplementary Payment to councils for childcare provision.

Financial and workforce impacts on councils can be briefly summarised as follows:

#### Financial impact

Queensland's councils are facing a challenging and uncertain period, as they respond to and recover from the impacts of COVID-19. Financial impacts on councils can be seen in several key areas:

- reduced cash positions as councils draw down on available holdings to support ongoing operations, and provide relief to businesses and households experiencing hardship
- expected deferment of a minimum of \$330 million in planned capital expenditure out of 2019-20 into future years
- enhanced likelihood that many councils will require new or increased borrowings or working capital facilities in 2020-21.

It is important to note the economic impacts of COVID-19 are not uniform across councils or the communities they represent.

A council that relies significantly on government grants and subsidies may not be as materially impacted as a council with a reliance on rates, utility charges and other own source revenues. A higher council own source revenue indicates a greater independence and capacity to influence revenue (i.e. the power to levy charges and influence revenue growth). However, a higher council own source revenue may

also increase potential revenue volatility whenever the residents and businesses are reliant on economic sectors such as tourism.

#### **Case Study - Diamantina Shire Council**

Diamantina Shire (rural tourism dependent council) - indicated that the closure of their caravan park would equate to almost \$1m in lost revenue. With a total budget of \$22 this has dire consequences for their capacity to deliver services.

#### **Case Study - Rockhampton Regional Council**

Rockhampton Regional Council (large urban coastal council) - indicated that the closure of their airport and associated Biosecurity costs would create lost revenues of almost \$8m.

#### **Case Study - Brisbane City Council**

Brisbane City Council (metropolitan service centre) - indicated that 2/3rds of their revenues were either stagnant and/or declining due to the public health lock down and reduced demand while seeking to maintain employment for their almost 8,000 employees, including all casuals.

#### **Case Study - Longreach Regional Council**

Longreach Regional Council (regional rural tourism council) - indicated that they were required to continue to provide childcare following the announcement from the Federal Government it would be free for parents but were ineligible to receive the funding for JobKeeper resulting in weekly losses of almost \$25,000 each week. It should be gratefully noted that the State Government has subsequently provided \$2 million in support until the end of July, however it is emblematic of how policy decisions should not be made without consideration of these impacts.

#### **Case Study - Blackall Tambo Regional Council**

Blackall Tambo (rural remote) indicated that due to sustained economic contraction due to drought the reduced demand for many local privately provided services i.e. petrol stations had impacted the financial viability of many local operators. While not a direct service issue for council the resulting market failure of the only fuel provider in the area leaving will mean councils must consider if they take on this service responsibility given the broader impact on the community and region.

Contrasting this were other councils who experienced limited change other than adjustments for social distancing and COVID-19.

A higher percentage of own source revenue means a higher level of potential financial exposure to the economic impact of COVID-19 through revenue reductions associated with the forced closure of businesses and services, increased unemployment and reduced social participation.

Councils with higher own-source revenues, such as, medium to large councils in coastal regions of Queensland, medium sized councils in regional Queensland and large and very large councils in the south east corner of Queensland, expect declines in rates revenue as a result of COVID-19 with the full impact not known until after rates and charges have been levied.

The quarterly rating revenue for the last quarter of FY2019-20 has not yet been realised; it is anticipated that a clearer picture of rates revenue impacts on councils for 2020-21 will be seen from 2020-21, with council forecasts informed by the last quarter of 2019-20 rates.

The impacts of the COVID-19 pandemic are evolving, making it difficult to forecast the true impact of the pandemic on council's revenue and expenditure profile.

### Workforce impact

Despite own-source revenue declines, as significant local employers, councils have sought to sustain and keep productive the more than 40,000 local government employees across the state, many of whom have been impacted directly through the closure of non-essential public facing facilities.

These local workforces are critical to broader local economic activity and community viability, and any job losses will have long term detrimental impacts, particularly in regional and rural Queensland. It has been incredibly heart-warming to see how these staff have been able to pivot during this adversity, from the production of protective equipment using 3D printers to upscaling of local volunteering efforts.

Council workforces have been disrupted by COVID-19, with more than 1,800 employees re-deployed, stood-down or identified at risk of being stood-down (or about 4.5 per cent of the local government workforce).

Councils have gone to great lengths to avoid standing staff down, including redeploying them, use of pandemic leave and other workforce management. However, initial analysis shows that more than 50 per cent of councils had still been forced to stand staff down, with South-East Queensland particularly hard hit where 70 per cent of councils had to stand staff down on full pay.

In addition to sustaining their own workforces, councils are preparing local recovery plans to ensure they make an effective contribution to stimulating economic activity and build back in a way that will deliver legacy impact, so communities emerge from this pandemic stronger and more resilient.

The ineligibility of the JobKeeper funding has significantly impacted on councils' ability to manage and support their staff. Greater consideration needs to be given to the unintended consequences of these policy decisions and the subsequent impact on the broader government eco-system as governments try to rectify the unintended consequences. Much has been passed to the State Government which should have remained a federal responsibility. The rhetoric that local governments are a 'creature of the state' ignores the imbalance in funding available to each level of government and the real needs of community as a focus for economic stimulus.

### Council responses to economic impact on local communities

Despite the own source revenue declines which have already occurred, councils have still had to ensure essential service delivery e.g. water, sewerage and rubbish collection was maintained to keep communities safe.

Councils have also sought to lessen the economic impact on their communities by adopting various economic recovery measures/incentives and/or continuing economic incentive schemes already in place. Below is a summary of such measures:

- **Fees and charges** – approaches under consideration vary across councils – e.g. increase to some fees and charges vs. put on hold an increase in fees and charges across the board for next budget vs. targeted concessions and case by case requests.
  - **Rates** – some councils considering no increase in rates, potential use of concessions and changes to timing for payments, others not looking to freeze rates across the board but rather taking a targeted approach to support areas/businesses/people that have been impacted by COVID-19.
  - **Infrastructure funding/capital works** – in addition to identification of shovel ready projects, councils are also considering longer-term infrastructure projects that aren't necessarily 'shovel
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ready' (e.g. advocacy to bring forward state infrastructure that becomes enabling infrastructure), some councils also considering increases in capital works budget and focus on engaging local contractors to deliver capital works projects.

- **Plan-making** – opportunities to streamline plan-making/planning scheme amendment processes are being considered.
- **Infrastructure charges** – some options under consideration/being implemented include delay/relaxation in following up/recovering unpaid infrastructure charges, infrastructure charge discounts for certain development built within a certain timeframe, infrastructure charges payment deferral/staging policies, development incentive policies.
- **Invoicing** – opportunities to streamline invoice payment processes (e.g. 14-day turnaround for invoice payments) are being considered/implemented in some LGAs.
- **Grants** - community grant programs being initiated in some LGAs (well received and high interest), sporting grants, housing grant programs (e.g. similar to Rockhampton Housing Construction Grant program) also being considered in some areas as well as local/small business grant programs (new and/or repurposed existing business grant programs) and 'buy local' initiatives and programs.
- **Licensing and registration** – some options being considered/implemented in councils include refunding of food licence fees, waiving of certain licence fees, waste charges relief, 6-12 month extension of existing licences and registration (and at no cost)
- **Inspection programs** – some councils refunding fees where inspection programs cancelled for the 19/20 financial year, virtual plumbing inspections being conducted in some LGAs and progressing well (potential to continue post COVID-19).

LGAQ President and Sunshine Coast Council Mayor Mark Jamieson has dismissed Federal Treasurer Josh Frydenberg's suggestion councils may be hampering the country's economic recovery by delaying major development. Councils remain committed to working with all tiers of government to support the building and construction industry and the resurgence of local economies, through COVID-19 and beyond, by maintaining high levels of service delivery, managing risks to public health and safety and facilitating appropriate development outcomes within statutory timeframes.

The LGAQ rejects any suggestion councils are standing in the way of Australia's economic recovery. The reality is that councils are on the front line working every day to keep their local economies functioning. They have been offering support to businesses and households experiencing hardship while also maintaining their own substantial workforces after being denied access to the Federal Government's JobKeeper subsidy. Queensland councils have partnered with the Queensland Government to roll out much needed economic stimulus across the state to create more jobs.

The following are some specific examples of business support measures/initiatives that have been implemented/continued by councils to date, including planning and development responses to assist local recovery:

- Sunshine Coast Council - Staged payment of Infrastructure Charges for Development Approvals announced as part of [Business support package #1 announced in late March 2020 whereby](#) the first payment can be deferred between 6-9 months and subsequent payments made every six months over 2-3 years. No interest will be applied to staged payment agreements entered into from late March until 1 July 2020. Any development where the property will remain under the applicant's ownership for the life of the staged payments will qualify. Hence, this will exclude reconfiguring lot approvals and developments that are subject to strata/community title subdivision. Payment of any existing Infrastructure Charge that is overdue can be deferred until 1 July 2020.
- Mackay Regional Council – [Stage 1 measures](#) include 50 per cent reduction in developer application fees for a six-month period between April and September 2020. Also, the existing ['Facilitating Development in the Mackay Region Policy November 2019'](#), includes a range of specific incentives that are ongoing including:
  - Dedicated point of contact
  - Accelerated assessment
  - Infrastructure charge concessions
  - Delayed payment of infrastructure charges
  - Service connection fee discounts
  - Concessions on car parking rate

- Reduction in Food License and Trade Waste fees.
- Fraser Coast Regional Council – [Infrastructure Charges Incentives Policy 2019](#) (which was initially adopted in 2014 but updated in 2019 pre-COVID-19). The objective of this policy is to provide subsidised infrastructure charges as an incentive for development within the Fraser Coast Regional Council area. Incentive 1 in this policy provides for 'Delayed payment of Reconfigure A Lot Infrastructure charges until the sale of the lots created or 2 years whichever is earlier, subject to agreement to the terms and conditions'.
- Southern Downs Regional Council – [COVID-19 Economic Recovery Package](#) - includes waiving annual licence fees for food businesses and caravan park operators, a 50% reduction in development application fees for new applications, extensions to existing applications and operational works applications fees for 2020/21.

Notwithstanding the above examples, it is important that local governments retain autonomy in planning and development decisions and local economic recovery responses to COVID-19 based on local circumstances, constraints and opportunities. For example, in relation to infrastructure charges deferral or reduction in fees and charges, there is no 'one size fits all' state-wide approach. There is already a significant funding gap for trunk infrastructure that currently exists under Queensland's capped infrastructure charging regime and unpaid infrastructure charges by developers, remain an ongoing concern for many local governments in Queensland (in some instances, totalling in the hundreds of thousands of dollars).

During COVID-19, some councils have made the decision to postpone recovery of unpaid infrastructure charges to support local industries. However, this is not without a significant impact on council budgets. The LGAQ continues to seek a commitment from the State Government to remove inequities in the infrastructure funding framework that shift the cost burden onto councils and the community, and reduce the funding gap for trunk infrastructure that currently exists under Queensland's capped infrastructure charging regime.

The following are some examples of adjustments councils have made in the waste and recycling area:

- Council waste and recycling budgets have been affected by COVID-19 with a number of councils advising that any proposed capital projects are being considered as 'nice to haves' and are either 'off the table' or under an increased 'spotlight'.
- Some councils have been advised not to consider activities (capex) beyond operational expenditure for the next 2-3 years.
- Efficiencies are being identified with a rethink of 'non-essential' activities i.e. bulky waste kerbside collections and mattress recycling.
- One council identified that they were working on their new waste strategy and that it would be back to basics and 'light on' with innovative solutions.

Many councils (including those outlined in the examples above) are also still continuing to consider further economic recovery stimulus measures that may be needed over the coming months and will be progressively implementing these initiatives to support local communities in the COVID-19 response.

## LGAQ's Battleplan for Queensland Local Communities

As illustrated in the previous section, local governments have sought to play a constructive role in the social and economic response to COVID-19. Beyond the important role that local governments have as an employer and provider of services in their communities, their scale and investment make them a very significant facilitator of local economic growth.

The LGAQ, on behalf of its members, identified several partnership initiatives for consideration by the State Government to complement their own local efforts and those sought from the Commonwealth.

This work resulted in the LGAQ's Battleplan for Queensland Local Communities, a \$608 million plan to create more than 14,000 direct jobs state-wide and countless more indirectly across the entire state. The plan leverages successful program partnerships and ranges from infrastructure building to large scale, rapid, job-creating programs to ensure it has the broadest reach and flexibility to meet local needs.



The plan's initiatives included:

- Jobs Recovery Package: An 8000-plus state-wide job-creating program modelled on the successful Works for Queensland initiative worth \$200 million, with \$100 million earmarked for South East Queensland.
- Green Army: A 3000-strong workforce focused on protecting and improving the environment across the state for the benefit of critical sectors such as agriculture and tourism.
- Local Government Apprenticeship and Traineeship Guarantee: Providing 800 new or displaced workers with a guaranteed pathway to gain critical experience and skills.

The LGAQ presented this plan to the Premier on 19 April 2020 for her consideration. The plan is more than a list of projects; it is the LGAQ's macroeconomic framework to help guide the Government's overarching economic response towards enabling local governments to implement local responses that can address the unique underlying vulnerability and circumstances of each local community.

## Queensland Government's economic response to date of relevance to councils and their communities

### Relaxation of legislative and regulatory requirements

The LGAQ acknowledges that the Queensland's Government's economic response to COVID-19 has been, and had to be, multi-faceted. It has extended beyond funding injections. As part of its response, the Government has relaxed a range of regulatory requirements in an attempt to soften the economic impact on local economies.

In the waste space, for example, the Department of Environment and Science (DES) has developed a proforma for local councils and industry to report any potential/emerging issue relating to environmental compliance with existing Environmental Authorities (EA's). This has been seen as a proactive way to work alongside industry and councils and address potential non-compliance matters with the intention of alleviating the need to take compliance action.

The first tranche of the State Government's legislative response to COVID-19 saw the introduction of legislative reforms in the [Public Health and Other Legislation \(Public Health Emergency\) Amendment Act 2020](#). This reform saw amendments to the *Electoral Act 1992*, the *Local Government Act 2009*, the *Local Government (Dissolution of Ipswich City Council) Act 2018*, the *Local Government Electoral Act 2011*, the *Local Government Regulation 2012* and the *Planning Act 2016*.

The second tranche of the State Governments legislative reform saw the introduction of [COVID-19 Emergency Response Bill](#) and [Appropriation \(COVID-19\) Bill](#) in April 2020 which assisted greatly in economic relief by establishing a legislative modification framework of general application across the statute book allowing legislative requirements to be modified in the following areas, if required: attendance at places or meetings, making and associated use of documents and physical presence requirements statutory timeframes; and or proceedings of courts and tribunals.

The [COVID-19 Emergency Response Bill](#) further gave legislative approval for funding relating to the COVID-19 response prior to the end of 2019-20, as opposed to using the unforeseen expenditure provisions in the *Financial Accountability Act 2009*. Local government acknowledges that the legislative and regulatory relaxation adopted through the Government's response to COVID-19 has softened the economic blow local government may have faced if statutory requirements were enforced. However, given that due to the strong containment against the spread of COVID-19, many of the statutory changes were not necessary for local government in rural and remote local government areas, further consultation with local government in this space could have been beneficial.

In relation to planning and development matters, the LGAQ has been a member of the State Government's 'Planning System Reference Group' convened by Planning Group in Queensland Treasury, and has also recently been appointed as a permanent, ongoing member of the Ministerial Construction Council chaired by the Hon. Mick de Brenni MP, Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport. Through these and other forums, the LGAQ is

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continuing to engage with the State Government regarding the proposed further regulation amendments and a range of other economic recovery responses under consideration.

The LGAQ acknowledges and appreciates the work of the Government in responding to the feedback and requests of local government so far regarding barriers and opportunities for greater flexibility in systems and processes if/when needed. For example, the expanded capability of the Titles Registry to allow for eLodgement of survey plans has been a welcome change that will result in greater efficiencies for all stakeholders involved in the plan sealing process.

In addition, the temporary changes to the Queensland planning framework (introduced in mid-March 2020 and recently extended until 31 October 2020) allow certain declared uses to operate and restock 24 hours per day, seven days a week; enable greater flexibility in statutory timeframes if/when required and provide the opportunity for any person to apply to the State Government for a temporary use licence (TUL), to alter application conditions or other operating constraints.

Whilst consultation has generally been occurring with councils prior to the issuing of TULs by the State, this has in some instances has caused some concern. For example, in instances where there have been compliance issues associated with the existing activity/use to which the TUL application relates and the State Government approves the TUL application, despite local government concerns and recommendations that the TUL application not be supported. In addition, where TUL applications have been withdrawn, councils have not necessarily been advised in all instances. It is imperative that close and ongoing communication with local government be maintained as a priority in relation to any TUL application (withdrawn or otherwise), and that the local knowledge and expertise of councils be valued (particularly given the role and responsibility for compliance and enforcement of any TUL rests with the relevant local government).

The *COVID-19 Emergency Response Act 2020* has also enabled other outstanding concerns to be addressed through further regulation amendments. For example, the Government's recent response to introduce greater flexibility in the public notification requirements under the Queensland planning framework is another welcome change in the COVID-19 response and in light of the cessation of regional newspapers. Work is underway to provide a more wholistic solution to this issue across all such legislative advertising requirements.

The LGAQ is also continuing to liaise with the Department of Housing and Public Works regarding further building/plumbing regulatory measures that are being considered using the broad powers under the *COVID-19 Emergency Response Act 2020*.

Overall, the LGAQ's assessment is that the success of these measures has been mixed. Some have been well-targeted and have seen a significant up-take, whereas others have missed the mark. Consultation with the local government sector could help ensure future regulatory measures are well-targeted.

***Recommendation 2: That close and ongoing communication with local government be maintained as a priority in relation to relaxing of regulations to ensure targeted relief.***

## Response to LGAQ's Battleplan

On 1 May 2020, the Premier wrote to the LGAQ requesting a detailed list of local government Battleplan initiatives to support Queensland's economic recovery from COVID-19. After extensive consultations with councils, the LGAQ replied to the Premier on 15 May 2020, presenting her with a preliminary list of "shovel-ready" and other projects, consistent with LGAQ's Battleplan for Queensland Local Communities to support economic recovery. These projects showed the depth and breadth of the local government reach in creating economic opportunities across all sectors and job types. No other partner can offer the level of reach, reliability, scalability, and speed in stimulating local job and growth.

On 19 May 2020, only two business days after receiving the list of projects from the LGAQ, the Premier announced her *Unite and Recover for Queensland Jobs* economic recovery strategy which included a \$200 million COVID Works for Queensland program which aligned with one of the LGAQ Battleplan initiatives, a Jobs Recovery program.



Constructive discussions are continuing with the Queensland Government about the remaining initiatives in the Battleplan (see recommendations below).

The LGAQ would also like to record its appreciation for the Opposition Leader's early and full support of all the initiatives contained in the LGAQ's Battleplan.

## Federal Government's economic response to date of relevance to councils

On 22 May 2020, the Federal Government announced a significant contribution to local communities to assist with their economic recovery. This followed a teleconference between the Deputy Prime Minister and presidents from all state associations including Mayor Mark Jamieson, LGAQ President, earlier in May 2020 to discuss the need for economic stimulus to flow.

Queensland councils stand to receive more than \$101 million in new money to build vital community infrastructure under the \$500 million Local Road and Community Infrastructure Program. The LGAQ is grateful that the Federal Government listened to Queensland councils and their counterparts across the country and delivering much-needed stimulus at this critical time.

The decision of the Commonwealth to bring forward \$1.3 billion in Financial Assistance Grant funding while welcome for those councils with short term cash flow it has been raised as a significant challenge as it simply brings forward funding councils rely on but leaving a budget challenge for future years.

Constructive discussions are continuing with the Federal Government to ensure extra funding flows in proportion to the Commonwealth's revenue raising powers so that the economic sustainability of councils and their communities is maintained (see recommendations below).

## Gaps in government responses – lessons and opportunities

### Intergovernmental financial reform

Councils cannot lead their communities out of the COVID-19 economic crisis without support and a partnership approach between all levels of government. In a state as decentralised as Queensland, a one-sized response will not fit all. Broader macroeconomic measures must be balanced with localised recovery efforts.

The Commonwealth is the level of government best resourced to fund the bulk of the recovery and indeed was given taxation powers during wartime for these types of national emergencies and economic rebuilding efforts. Disappointingly, the Commonwealth has rejected calls to declare COVID-19 a disaster under Disaster Recovery Funding Arrangements (DRFA) and has refused to include council staff impacted by the shutdown in its JobKeeper program. This has made councils' task of sustaining these staff, when combined with declining own-source revenues and increased demand to support vulnerable sectors locally, that much harder.

While the \$500 million Local Road and Community Infrastructure Program and the decision to bring forward \$1.3 billion in Financial Assistance Grant funding are welcome (in part), only the former represents new money. The Commonwealth's contribution overall still falls short of what communities should expect in a crisis such as this from the level of government that collects more than 80 per cent of the nation's taxation revenue. While it is acknowledged that the Federal Government have made significant support measures available there are much more targeted and productive investments that could have been made with short term rapid impact if more investment had been made directly into councils rather than through welfare and other payments, which have seen a range of unintended consequences.

Good fiscal policy in a federation involves all three levels of government working in partnership and taking on appropriate roles and responses.

The COVID-19 pandemic and the resulting economic crisis it has caused has thrown up many questions about how we operated as a society before it hit, and how we will likely operate in the aftermath.

All levels of government are reviewing their mode of operation going forward. They are looking at reforms across the board. One area that cannot be overlooked is taxation reform and local government needs to be at the table.

Australia's councils have been facing the same conundrum for more than three decades now and that is the lack of access to a growth tax to fund growth. The pandemic presents us with an opportunity to solve the long-term problem facing councils as they struggle to continue providing the services and infrastructure our communities expect - closing the vertical fiscal imbalance funding gap.

Between 1975-76 and 1985-86, in aggregate, Australian councils received firstly one then two percent of all Personal Income Tax collected in Australia, under the so-called PITS Act. Allocations grew by double digits every year, reaching as high as 14 per cent. Then in the mid-1980s Canberra broke the nexus/ hypothecation by limiting all future increases in what were then deemed Financial Assistance Grants to CPI and population increases, putting an end to funding growth in real terms.

Indeed, on two occasions even those "multipliers" were frozen for years at a time. It has been a 35-year slide into the funding abyss.

The VFI funding gap for Queensland councils has been calculated in a number of ways. The Queensland Local Government Grants Commission estimated the unmet need to be around \$780 million in 2018-19. It is worth noting that figure does not have regard to water and sewerage undertakings which are not the responsibility of councils in other states, other than Tasmania and country NSW, yet is a burden all Queensland councils must bear.

A return to a Financial Assistance Grants pool of at least 1 per cent of Commonwealth taxation revenue - the subject of continued advocacy by the LGAQ and ALGA - would add over \$2 billion to the national pool and over \$400 Million more for our member councils in Queensland. Under the Queensland Local Government Grants Commission distribution model, it would provide more per capita to those small and remote councils that need it most.

The local government sector should also receive guaranteed future indexation to avoid the situation seen in recent years where councils were expected to go without this significant population and cost-driven component. But local government also needs to see the re-opening of a federal discussion around taxation and inter-governmental fiscal relations.

The LGAQ will continue to try and close the VFI funding gap by gaining access to a growth tax or taxes. Queensland councils are prepared to enter into broader national dialogue on remaking federal financial relations in Australia to enable best use of public funds.

***Recommendation 3: That the Queensland Government support the LGAQ's call for reform of federal financial relations to provide local governments with access to a growth tax or revenue source that enables them to deliver essential public services and infrastructure.***

### Need for sustained funding and policy support in medium term

Now that the health situation has been contained, the biggest challenge is to win the battle for jobs.

There is great concern among economists, confirmed to some extent by statements by the Reserve Bank Governor, that Australia's economic recovery could be U-shaped or wave-shaped, rather than V-shaped. As the Federal Treasurer said in an address at the National Press Club on 5 May 2020, the lesson from previous crises is that the unemployment rate tends to go up on the escalator but come down by the stairs.

Local government's reach in creating economic opportunities across all sectors and job types is unmatched. Queensland councils stand ready to do their bit but rely on further stimulus injections from the Federal and Queensland Governments.

The LGAQ values the Premier's statement that the 19 May 2020 funding announcements are just the first stage in Queensland's economic reset and subsequent spot announcements have been welcomed.

The LGAQ would welcome support for our Battleplan's Green Army style initiatives that would enable councils across Queensland to engage skilled and unskilled labour to complete important landscape beautification, weed and pest management and long term cluster fencing projects that would strengthen the value and productivity of Queensland's tourism and agricultural industries. We would also welcome how we can partner with the Government to provide traineeships and apprenticeships to the many jobseekers entering the market given the broad-ranging career pathways available across the 280 occupations within local government.

Queensland councils, particularly in our regional, rural and indigenous areas, have also identified shovel-ready tourism projects that would grow and diversify Queensland's tourism product offering, encourage people to stay in communities longer when they are able to travel again, and provide art and cultural opportunities for our creative industries.

There is much more that the Federal Government can do as well, in partnership with local government. There is a longer-term need for reform of federal financial relations, as already outlined. In the short to medium term, the LGAQ is calling on the Australian Government to provide further stimulus injections in proportion to its revenue raising capabilities. This could include support for the green army style direct job creating initiatives, a boost to Financial Assistance Grants, natural disaster mitigation and betterment funding, and further support for local roads and community infrastructure. This support would provide certainty and productive investment opportunities.

***Recommendation 4: That the Queensland and Federal Governments respond positively to the LGAQ's call for further stimulus injections for local communities that are sustained and focused on job creation and longer-term productivity.***

### Automated triggers for Declared Disaster Relief

Many councils have operated and staffed their Local Disaster Coordination Centres (LDCC) since early to mid-March 2020 in direct response to COVID-19.

Due to the predicted length of time for this particular operation, some councils without a dedicated LDCC have opted to lease and equip a temporary facility to allow for their normal business to continue without being impeded.

The LGAQ has been requested to strongly advocate on behalf of councils for the State Government to seriously consider activating State Disaster Relief Arrangements (SDRA) for COVID-19 operations in an attempt to relieve some financial burden on council in providing support to the Queensland community and in particular State Government agencies in responding to the serious issue.

The importance of being operationally prepared was highlighted with the unfortunate death of a resident from Blackwater, suspected to be from coronavirus at the time. In that instance, the local disaster coordination team was able to provide a rapid response to government and non-government requests for assistance.

Without disaster activation, operational costs for LDCCs are born by councils, at a time when council budgets are already under severe strain due to COVID-19 related revenue hits. To provide just one example, Central Highlands Regional Council's operational costs as at late May have exceeded \$85,000, not including wages.

***Recommendation 5: That the Queensland and Federal Governments uphold the disaster funding arrangements to compensate councils and their communities for expenses incurred because of***

***the activation of Local Disaster Coordination Centres due to COVID-19 and other public health directives.***

### Policy responses need to be agile to avoid or mitigate unintended consequences

The management of the health response necessitated the need for Federal and State government directives on impacted economies. Where the viability of a sector is impacted specifically, government should not dictate a business to stay open and then impose viability-defining restrictions on how to operate the business. For example, if the federal government deems it necessary for child-care centres to remain open and declare they are to be free for clients, then it is entirely unacceptable to limit their contributions to only 50 per cent of the running costs of the business. If government is to direct a business to keep operating, then the full cost of remaining open should be provided to business or allow the business to charge clients for the services provided.

While the impact on local government operated centres has been much more significant (even catastrophic) than that of privately owned centres, many of the private centres who have been able to access other government sources such as Jobkeeper have also reported significant concerns with their efforts to keep their centres open due to the government enforced restrictions.

Following sustained lobbying by the LGAQ, the Queensland Government came to the rescue on the child-care centre issue, with a \$2 million commitment. As a result, regional child-care centres that were at risk of closing down will be able to stay open. Had the implications of its decision been considered and addressed by the Federal Government from the outset, however, the Queensland Government would not have been forced to step in and resolve an unintended consequence of a federal government policy and fiscal response.

There continues to be an issue where policy does not consider the wholistic needs of the policy framework or the variability of the environments in which it will operate. This is where local governments can provide powerful perspective not just for their own operations but on behalf of all sectors of their economy. Moreover, governments need to provide communities, sectors or relevant economic agents with a clear pathway of how to create this feedback loop to provide redress.

***Recommendation 6: That funding be made available to support revenue loss associated with government policy intervention.***

### Local government needs to participate in National Cabinet decision-making

The decision to remove local government from national policy decision making mechanisms such as National Cabinet means the ability has disappeared to ground truth policy with communities and ensure unintended consequences are not delivered.

Given the imbalance in revenue raising capacity within the federation, local government must be at the National Cabinet table to provide the Commonwealth in its capacity as policy maker with a broader perspective of community need.

***Recommendation 7: That the Queensland Government make representations to the Federal and other State Governments for local government to be part of the National Cabinet decision making processes in recognition of local government's critical role as a partner in economic development, a provider of essential services and to ensure that decisions impacting communities are locally relevant.***

## Conclusion

The LGAQ urges the Committee to consider the gaps in government responses to date identified by the LGAQ in this submission and recommendations put forward. Communities across Queensland believe it is partnerships across all levels of government that will ensure we emerge in the strongest position possible at the other end of the COVID-19 economic crisis.

The LGAQ recognises the partnership approach of the State Government and looks forward to working with the Government to continue to deliver a framework of responses to enable all local governments to play the most effective role they can and provide necessary economic stimulus aligned to their local circumstances.