

Responses to Questions on Notice

27 August 2024

1.1 Question on notice 1

The Hon. SCOTT FARLOW: Another question we've had raised quite often when we've had border communities, in terms of assessments that are done—largely in business cases and grant funding—is the use of cross-border residents, so to speak. If we're looking at, let's say, Albury, it is residents from Victoria and the like. When IPART is making assessments in terms of special rate variations, do you look at any of these factors at all and discount them, in terms of cross-border usage, or has that not come into the equation?

CARMEL DONNELLY: I'm happy for us to take it on notice and think if there have been times where that has come up. But, unlike some areas where we work, we're not required to look at an apportionment and say, "If this is a service provided by one council, are neighbouring councils—they may be in the ACT or they may be in Victoria—also benefiting from it, and what's the appropriateness to pay?" We may have some examples where we've had submissions looking at affordability, which we do, and whether the impact is reasonable. There may be some where we've looked at those factors, but they're not a headline in the criteria that we use. So the cross-border situation might be one that could be looked at to see if there are improvements.

Source: *Report on proceedings before Standing Committee on State Development – Inquiry into the ability of local governments to fund infrastructure and services – Uncorrected*, 30 July 2024, p 25.

1.2 IPART response

We have checked recent special variation applications submitted by councils located close to the state borders, where cross-border resident issues may have arisen. However, cross-border issues have not featured as a significant concern in these assessments. Recent special variation applications we have assessed include:

- Albury City Council received an additional special variation in 2022-23 focused on financial sustainability given the difference between the IPART rate peg, and the CPI in that year. The council's previous special variation application was in 2011-12.
- Tweed Shire Council received a special variation in 2023-24 to fund recurrent and essential expenditure such as IT systems, cyber security, insurance premiums and to improve the DA process.
- Queanbeyan-Palerang Regional Council (QPRC) received a special variation in 2023-24 to improve financial sustainability, including achieving a break-even operating result and to continue service provision and maintain infrastructure at acceptable levels.

IPART assesses special variations according to the criteria set by the Office of Local Government. The last criterion allows IPART to consider other matters it considers relevant. If cross-border issues were raised in a special variation application assessment, it would be open to the Tribunal to consider these concerns.

Cross-border issues were raised as part of our [review of the rate peg to include population growth](#) in 2021. See page 24-25 of our [Final Report](#) where we noted issues around day visitors and tourists into different local government areas.

1.3 Question on notice 2

The CHAIR: How much would it cost for IPART to assess the finances of councils?

CARMEL DONNELLY: That is something we might take on notice, but I will say it's what I have in mind in terms of, "Would you go with the South Australian model?" If you were able to focus our resources where it will have the most value for the community, for the ratepayers, for councils, then you wouldn't have us doing the same level of intensive review for 128. It would be much smaller. That would be a way of not just making sure that the resources that IPART requires for the review are delivering value but also that it's not a process that is unnecessarily onerous for councils that are not facing those sorts of challenges.

In a report that we produced in 2009, the tribunal at that time recommended an additional option to be part of the rate peg and special variation type of system, which would be at the other end. A council that is demonstrating very good financial management, meeting a number of criteria, engaging well with their community could apply for some earned autonomy and not need to be subject to the rate peg. There might be a gateway towards that earned autonomy, where IPART could focus reviews, or the councils where independent advice is needed about the whole picture for that council and its financial sustainability, rather than what we do now, which is assessing against a handful of criteria.

Source: *Report on proceedings before Standing Committee on State Development – Inquiry into the ability of local governments to fund infrastructure and services – Uncorrected*, 30 July 2024, p 27.

1.4 IPART response

The cost to IPART to assess the finances of councils would depend on the scope of the review. The larger the scope of the review, the higher the cost to complete. The key factors that will influence the overall cost to complete a review would include:

- how many councils would be reviewed
- over what time frame the reviews would need to be completed
- whether it's a desktop review, or a more in-depth forensic examination of council's operations
- whether community consultation is included as part of the review.

We understand that in the Essential Services Commission of South Australia's (ESCOSA) model of reviewing council's performance, it has established a [4-year cycle of review](#), so that the 68 councils will be reviewed once every 4 years. This results in about 17 councils being reviewed each year. The scope of the reviews relates to the appropriateness of councils' long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in the council's funding plans. Under this approach, ESCOSA has estimated that the cost of completing these reviews is around \$768,000 per year.^a

We would be able to provide a cost estimate when we have a defined scope of the review.

^a ESCOSA, *Local Government Advice – framework and approach*, August 2022, p 27.

1.5 Question on notice 3

The CHAIR: In terms of councils being able to assess their own operations, what sort of burden would it be on a council to be able to assess its own operations, if you like?

CARMEL DONNELLY: Councils obviously vary in capability because they vary in size and the resourcing that they've got available. Certainly, for any organisation—private, not for profit or public sector—it's helpful to have a cycle of review and to be thinking about whether you've got the resources allocated to the right priorities to be able to benchmark and look at whether or not you're delivering something as efficiently as you could, so that you can free up resources for other priorities. I might see if my colleagues want to add or, perhaps, take that on notice and come up with some suggestions.

But one thing that I have observed at different times is that it doesn't necessarily always need to be an independent review or a consultant brought in. I have participated, in my career, in some peer reviews between one government agency and another where there is a level of independence and, for probably the least cost possible, you basically have a secondment of somebody expert from another council who could assist. I have worked in some areas of regulation where some of the larger organisations with quite a lot of capability have mentored smaller organisations and provided that sort of assistance to help review their operations. So there are options that are open and, again, I think it isn't one size fits all. I think there'd be a number of larger councils that are quite impressive in their capability and others, particularly those in rural areas, where it can be hard to find the skills that you need readily.

Source: Report on proceedings before Standing Committee on State Development – Inquiry into the ability of local governments to fund infrastructure and services – Uncorrected, 30 July 2024, p 28.

1.6 IPART response

The burden that councils would face in assessing their own operations would depend on several factors. Councils vary in capability because they vary in size and the resourcing that they have available. Councils also have different management systems in place and depending on the sophistication of these systems, would influence how easy or difficult it would be to review its operations. The level of burden would also depend on the scope of the assessment.

Generally, the larger the council, the more likely it would have the resources and systems in place to review its operations without substantial burden.