

FACT SHEET

Funding Local Land Services NSW

Based on the *Review of the Funding Framework for Local Land Services NSW - Final Report*
February 2015

In April 2013, the NSW Government asked IPART to develop a cost recovery framework and complementary pricing system for use by Local Land Services (LLS).

IPART has released its Final Report on funding LLS. The report is available on our website at www.ipart.nsw.gov.au

Background

In 2014 the NSW Government established a new entity, LLS, to provide services to landholders. LLS started operation from January 2014. There are 11 regional LLS boards drawing together functions from 3 previous bodies - Livestock Health and Pest Authorities (LHPA), Catchment Management Authorities and parts of the Department of Primary Industries. The LLS boards deliver a variety of services including:

- ▼ advice on production for farm businesses
- ▼ biosecurity including plant and animal health
- ▼ plant and animal pest control
- ▼ natural resource management, and
- ▼ emergency response.

LLS supplies these services in response to either regulatory requirements or demand from stakeholders.

The NSW Government asked IPART to recommend how the costs of these services should be recovered, and to advise on an efficient rating base and fee collection mechanism.

IPART's recommendations

Our recommendations take into account cost recovery frameworks adopted by other jurisdictions providing similar services.

The key features of the recommendations are:

Framework

- ▼ The final cost recovery framework is targeted at recovering costs from those parties responsible for LLS undertaking an activity.
- ▼ LLS boards should follow a hierarchy when determining who should fund a service.
 - At the top of the hierarchy are those causing an adverse impact (eg, degrading the environment) or creating a risk (eg, harbouring feral animals on their property). This could include land managed by public agencies.
 - Second on the hierarchy are landholders benefitting from a LLS service where it is either not practicable to charge those who have caused an issue (impactor) and/or created a risk or where the LLS activity is not in response to a risk or adverse impact (eg, providing agricultural advice).
 - As a last resort, the cost of service should be borne by taxpayers. That is, where it is not feasible, efficient or cost effective to charge either an impactor or beneficiary.
- ▼ An impactor or a beneficiary may be either a private party or a government agency (such as a public land management agency). The hierarchy does not distinguish between them.

- ▼ LLS boards engage in both regulatory and non-regulatory activities. Regulatory activities relate to the monitoring and enforcement of legislative requirements imposed on land owners and occupiers eg, conducting inspections or eradicating pests. Non-regulatory activities provide additional services often driven by demand from stakeholders eg, providing programs and advisory services as well as selling products.
- ▼ It is most likely that impactors will pay for LLS regulatory activities and beneficiaries will pay for non-regulatory activities.

Rating Base

- ▼ For LLS boards setting non-livestock related and general rates, we recommend:
 - land area should be used as the rate base, and
 - only the Western region should retain the option to use notional carrying capacity or land area as the basis for charging its general rate.
- ▼ Where practicable, LLS should directly charge an individual landholder a fee-for-service. This best links the cost of providing a service with those who are creating risk or benefiting from LLS action. Circumstances will arise where it is difficult to establish a link to an individual or where a fee-for-service may create a disincentive to comply. In these circumstances a broad based rate should be charged to a wider group of landholders.
- ▼ Where a broad based rate is applicable, a decision is required on the rating base. The rating base should link to the adverse impact caused or the benefit received by land holders.
- ▼ Notional stock carrying capacity can only be used as a rating base for rates that target the livestock industry. Notional stock carrying capacity has a long history as a rating base and is best understood by parties owning large landholdings. Land area is the appropriate rating base for activities that are unrelated to the number of livestock.

- ▼ Strong arguments were made in submissions and at our public seminars that the biosecurity risks posed and the benefits received by small landholdings were being ignored with a minimum rateable land area of 10ha or greater. On this basis, we recommended that the minimum rateable land area be reduced to 2ha by 1 July 2016, with LLS boards having the discretion to set a higher minimum where justified eg, the Western LLS.
 - We note that this is the only recommendation the NSW Government has not adopted.¹
- ▼ Specific purpose rates provide transparency for ratepayers by linking the rate charged with the activity undertaken. These should continue. For the same reason, additional specific purpose rates may be justified for any new activity undertaken by LLS boards.

Intensive Industry Rates

- ▼ In recognition of the special circumstances that apply to intensive industries we recommend that intensive industries be charged an intensive rate.
- ▼ An intensive industry rate is intended to cover the same risks for a specific activity that arise from a non-intensive enterprise but which are magnified by the level of intensity of production.
- ▼ We have also recommended the application of intensive industry rates to cover poultry and horticulture to recognise the cost imposed on LLS by intensive industries.²
- ▼ Intensive industries are able to operate on land holdings that are significantly smaller than the minimum rateable land area. That is why we have recommended that the minimum rateable land area constraint be removed for intensive industry rates.

¹ Correspondence from Minister for Primary Industries, Katrina Hodgkinson MP, 30 September 2014.

² Piggeries and feedlots were considered under the LHPA rating system, poultry and agriculture were not.

Exemptions

- ▼ Landholders may take action that reduces or eliminates the need for LLS action (service). A rate exemption (partial or full) may then be warranted.
- ▼ Industry or landholder groups with a common purpose (eg, countering a specific pest) should be able to negotiate with the LLS for a group exemption based on a formal agreement committing to specific actions.
- ▼ Restricting the option of adopting notional stock carrying capacity as the general rating base to the Western LLS board.
- ▼ Clarifying that exemptions may be partial or full and proposing that broad acre cropping enterprises with few livestock receive a partial exemption from the livestock related rate.
- ▼ Recognising the existing obligations of local authorities to maintain public lands and the limitations on their ability to recover costs incurred on behalf of other public landholders.

Fee collection mechanism

- ▼ In general, service fees should be collected by LLS for the activities it undertakes. Collection by local council of the Hunter flood mitigation levy should continue as the rating base is identical to that used by local government for its general rates.
- ▼ LLS should have the ability to engage a local council to collect specific rates on its behalf, for a fee. Local government should not be forced to collect LLS rates.

Audit methodology

- ▼ To avoid duplication, auditing of compliance by LLS boards with the framework should be combined with statutory audits of strategic plans. This should be complemented by LLS boards issuing an annual statement of compliance with their annual report.

What has changed since the Draft Report?

Since the draft report, we have made the following changes in response to stakeholder comments:

- ▼ Strengthening the link between the strategic planning process and the funding framework.
- ▼ Adopting one hierarchy to apply to both regulatory and non-regulatory activities.
- ▼ Highlighting the role of special rates and adopting common criteria for their introduction.
- ▼ Deleting the proposal that consideration be given to reducing the minimum rateable land area to below 2ha.