

ADDITIONAL ITEM

11 December 2013
To the Ordinary Council Meeting

Director's Report
Councillor

2.2 Mayoral Minute - Review of Funding Framework for Local Land Services

TRIM REFERENCE: F2004/08177 - D04753502

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Council has recently received correspondence from Local Government NSW (in a "form letter" to all NSW councils) regarding a number of key recommendations by the Local Land Services Board of Chairs (LLS BoC) to the IPART "Draft Report of Funding Framework for Local Land Services (LLS)".

IPART has been asked by the NSW Government to conduct a review into the development of a rating framework and complementary service pricing system for Local Land Services NSW. IPART is required to develop an efficient and transparent cost recovery framework, including the proportion to be funded by Government, for Local Land Services Boards to set fees for the different services provided.

Local Government NSW has advised that it objects to a number of the key recommendations and strongly objects to the above proposals. Local Government NSW has advised that it will be raising its objections in a submission to IPART on the LLS BoC's response and strongly encourages councils to also raise their objections.

The implications of implementing the recommendations of the LLS BoC could be significant to Council not only in the need to allocate resources and adjust systems to be able to collect LLS rates but also in potentially having to pay these rates for properties that meet the criteria.

Submissions to the IPART on the LLS BoC's submission are due on 20 December 2013 and IPART are expected to present a final report to the NSW Government early in 2014. A copy of the letter from Local Government NSW and the LLS BoC's submission to IPART is attached.

I formally move:

- 1 ***That Council make a submission to IPART strongly objecting to the proposal by the Local Land Services (LLS) Board of Chairs' which will:***
 - a ***require Council to collect or pay LLS rates in respect of land holdings less than 2Ha in area;***
 - b ***make Council land holdings subject to LLS rates.***
- 2 ***That a copy of the Council submission be forwarded to the Premier, Minister for Lands and Local Members of Parliament for Wyong, The Entrance and Swansea.***
- 3 ***That a copy of the Council submission also be forwarded to the President of Local Government NSW.***

ATTACHMENTS

**2.2 Mayoral Minute - Review of Funding Framework for Local Land Services
(contd)**

- | | | |
|----------|--|-----------|
| 1 | Attachment 1 to Mayoral Minute 11th December 2013 - Local Land Services Board of Chairs' Response to IPART Draft Report Review of Funding Framework for Local Land Services | D04753312 |
| 2 | Attachment 2 to Mayoral Minute 11th December 2013 - Local Land Services Board of Chairs Response to IPART Draft Report Review of funding framework for Local Land Services NSW | D04753360 |

DRAFT



Our ref: R13/0002 Out - 22168

6 December 2013

Dear Mayors and General Managers

Re: Local Land Services Board of Chairs' Response to IPART Draft Report Review of Funding Framework for Local Land Services (LLS).

I write to bring to your attention a disturbing development relating to Local Land Services.

Local Government NSW (LGNSW) objects to a number of the key recommendations made in the LLS Board of Chairs' response which was released for comment this week.

LGNSW strongly objects to a proposal by the LLS Board of Chairs that councils be required to collect or pay LLS rates in respect of land below 2 hectares. LGNSW also objects to the proposal to make council land holdings subject to LLS rates.

LGNSW will be raising our objections in a submission to IPART on the LLS Board of Chairs' response and strongly encourages councils to do the same. Submissions close 20 December 2013

We would also appreciate receiving copies of council submissions.

A copy of the LLS Board of Chairs response is attached. The response along with the IPART draft report and previous submissions, including that made by LGNSW, are available from the IPART website:

[http://www.ipart.nsw.gov.au/Home/Industries/Other/Reviews/Land_Services/Review of a funding framework for Local Land Services NSW](http://www.ipart.nsw.gov.au/Home/Industries/Other/Reviews/Land_Services/Review_of_a_funding_framework_for_Local_Land_Services_NSW)

If you require further information please contact Shaun McBride, ph 9242 4000 or email shaun.mcbride@lgnsw.org.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Rhoades'.

Cr Keith Rhoades AFSM
President



**Local Land Services Board of Chairs
Response to IPART Draft Report
Review of funding framework for Local Land Services NSW
December 2013**

Introduction

Thank you for the opportunity to submit a response on behalf of the Local Land Services Board of Chairs (LLS BoC) to the draft Review of funding framework for Local Land Services NSW (the paper).

Firstly, the LLS BoC endorses the approach that IPART has outlined in the paper, and its attempt to design a transparent and repeatable process for recovering reasonable costs from the parties who create the need and benefit from the services that LLS provides.

Secondly, the LLS BoC supports the 5 step cost framework identified by IPART as a sound and logical process.

Thirdly, the LLS BoC supports the notion of a base rate and special purpose rates being levied against those who are risk creators and/or beneficiaries of services that LLS provides (either itself or through contractual arrangements) to manage those risks.

While understanding IPART's logic around not using sliding scales or grouping people too loosely around risk creation and benefit, the LLS BoC also recognises that the system must be easy to administer and reduce high transactional costs.

This short submission offers some general comments, key principles and recommendations from the LLS BoC perspective as the primary implementer of the rating framework into the future.

Overview and general comments

The LLS BoC considers that one of the key factors in developing a rating framework is that LLS will be accountable for multiple income streams based on investor preferences. LLS will receive funding from:

- A rate based levy for services that have a private, collective or quasi public benefit in rural, semi rural and possibly urban settings (determined through processes outlined in this paper).
- The NSW Government for NRM, biosecurity, food security and community resilience public outcomes in rural, semi rural and urban settings.
- The Australian Government for NRM, biosecurity and food security priorities.

- The private sector to assist them to meet their statutory obligations and “social licence to operate” responsibilities in relation to the above.

The NSW and Australian Government’s should continue to fund services and on ground works that have a mostly public benefit and assist to meet government priorities.

LLS needs the capacity to impose a legislated fee to enable service capacity to meet purely private needs in the short term, where legitimate market failure exists.

LLS must have the capacity to integrate the funds it receives from rates with multiple income streams to deliver its broad suite of services. In future, LLS may be able to use its rate funds to leverage additional funding from government, industry or local organisations for special purpose projects.

The LLS BoC recognises the need to be transparent and accountable to investors however, continued siloing of the investment streams will prevent LLS from reaching its full potential. The LLS BoC request that the rating framework does not seek to cement principals that will inhibit LLS from maximising the effectiveness of multiple investor income streams.

Key issues and recommendations

The LLS BoC supports a broad based rating framework where all risk creators and or benefactors share the cost of mitigating the biosecurity risk on an equitable basis. A basis that is consistent with sending appropriate market signals, lessens “free rider” effects, and reduces friction over artificial boundaries.

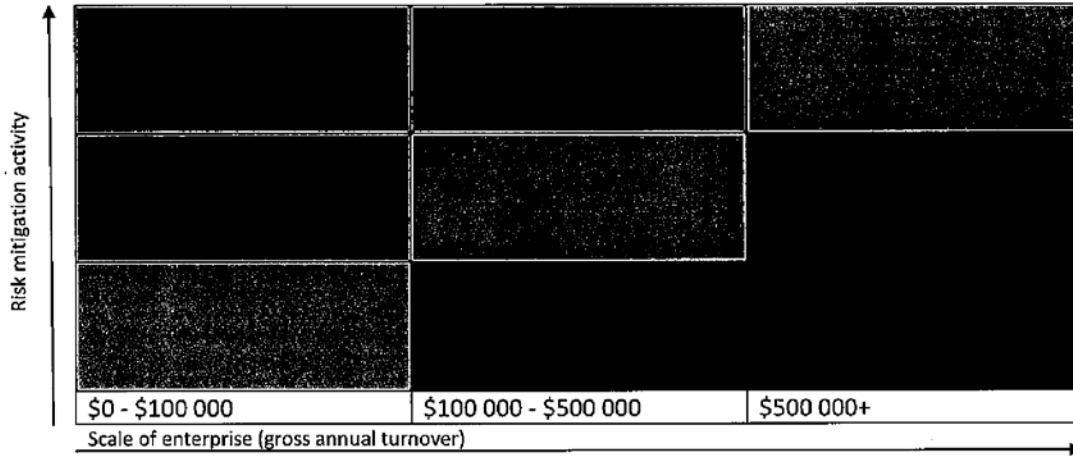
The LLS BoC has identified five key issues on which it would like to make recommendations. These recommendations are, with the exceptions of recommendations 1 and 2, largely consistent with IPART’s proposed approach as indicated in the paper.

- 1 *The Biosecurity risk that is created by intensive agriculture (including poultry and horticulture and other intensive industries), is not adequately or equitably addressed by IPART in the existing paper. This is largely due to the risk profile of intensive agriculture not being well correlated to the area of land occupied by the enterprise (i.e. on small lots).*

Recommendation:

The LLS BoC recommends a parallel rating system for intensive agriculture which would be accessed by a simple gateway question. “Is the enterprise engaged in intensive agriculture”? If YES, then a simple risk mitigation / revenue matrix would be applied based on the nature of the enterprise being conducted (as illustrated in Table 1).

TABLE 1: Potential framework for risk mitigation in intensive agricultural enterprises



Under this scenario, risk is represented on the vertical axis and recognises both the type of enterprise and the ability of the enterprise to internally mitigate risk through management practices.

The horizontal axis represents the benefit of LLS risk mitigation activity to the enterprise, based on the value of their enterprise.

The rate could potentially be set based on risk posed, using a stepped scale.

- 2 Consistent with the testimony provided by a number of bodies at the IPART Roundtable, the LLS BoC believes that many risks are created from activities conducted on small areas of land.

Recommendation:

LLS BoC recommends that all risk creators are subject to the LLS rate including land holdings below 2 ha (excluding commercial and industrial land).

While recognising IPART’s concerns surrounding both administrative efficiency and education of risk creators (which in itself is a mitigation strategy), the LLS BoC would like to propose the concept that for areas below 2 ha, Councils utilise their existing processes and databases to collect the rates. Table 2 identifies the components of the proposed rate.

During the implementation phase (i.e. first 2 years), the LLS BoC proposes that a large proportion of the rate collected by Councils for areas below 2ha would be expended on the education of the group paying the rate. Who performs this education service would be subject to negotiations between Councils and LLS.

Table 2 highlights at a simplified level the proposed components of the rates which would be collected by Councils on areas below 2 ha and which rates would be collected by LLS, consistent with IPART’s recommendations.

TABLE 2: Components and collection agents for LLS rates

Rate category	Who should pay			Potential basis of the rate
	Other land below 2Ha	Intensive agriculture below 2ha	Commercial rural landholders/primary producers over 2 ha	
Base Rate	√	√	√	Flat fee
Animal Health/Welfare		See proposal at Table 1.	√*	Land area and/or NCC
Biosecurity (Animals)			√*	Land area and/or NCC
Biosecurity (Plant)			√**	Land area
NRM/environment rate	√	√	√	Flat fee
MLA, PL, other	As per agreements inc. collection fee			
Collector	Councils	Local Land Services (by Region)		

* If they pose an animal health/ biosecurity risk

**If they pose a plant biosecurity risk

3 The removal of industry exemptions.

The LLS BoC supports the IPART recommendation to remove all industry exemptions.

The current exemptions belong to the previous legacy systems and are out of step with the creation of a four pillar LLS business.

The LLS BoC both recognise and applaud the significant and specific programs that some industries self-fund to mitigate the risks that LLS seeks to reduce. LLS will not seek to duplicate or replace these services.

Recommendations:

That all exemptions are removed.

That LLS engages in a process with key industry groups to define the LLS service offering to their industry, how they will manage their risk creation obligations and contribution to LLS.

4 *Flexibility for LLS in the implementation of the framework.*

One of the key principles behind LLS is regional flexibility to meet local customer needs.

Recommendation:

That IPART ensures that the final framework is sufficiently flexible to allow for regional variations, while recognising that the process for setting rates by the Local Boards needs to be transparent and repeatable.

5 *Nil tenure approach to rating land holders and managers.*

The current rating system is inequitable in the way it treats private and public land managers.

All land managers both pose or mitigate risk through their management practices. For landscape scale risk management activities to be implemented, all land must be subject to the action and therefore contribute to the cost of implementation.

Recommendations:

That exemptions for public landholders are removed.

That LLS engages in a process with these land managers to determine how they will manage their risk management obligation and contribution to LLS.

Next steps

LLS BoC recommends that IPART predominantly seeks to address the key questions of **who should pay and why** in their final rating framework development.

The questions of **how much people should pay** will be developed by LLS in the lead up to the implementation of the rating framework.

The LLS BoC accepts the view of IPART and legacy organisations about the difficulty of educating and rating small land holders however, this is seen as a necessary objective to achieve the broadly based rating system preferred by the LLS BoC.

More information

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