

# FACT SHEET

## Funding Local Land Services NSW

Based on the *Review of the Funding Framework for Local Land Services NSW - Draft Report* September 2013

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 draft report on funding local land services. The full report is available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

We are seeking comments on our draft report. You may make a submission via the IPART website or in writing to our postal address:

PO Box Q290, QVB Post Office, NSW 1230

The deadline for submissions is 15 October 2013.

### Background

The NSW Government is establishing a new entity, Local Land Services NSW (LLS) to provide services to landholders. There will be 11 regional LLS boards drawing together functions from 3 existing bodies - being Livestock Health and Pest Authorities, Catchment Management Authorities and parts of the Department of Primary Industries. The LLS boards will 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.

The organisation will operate from January 2014.

LLS will supply 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, as well as 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 draft 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, allowing feral animals to breed 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 the impactor or risk creator or there is no adverse impact or risk created (eg, 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 one managing public land). The hierarchy does not distinguish between them.
- ▼ LLS boards will 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 pay for non-regulatory activities.
- ▼ Therefore, we recommend LLS boards in setting non-livestock related rates should:
  - Use land area as the rate base, where the minimum rateable land area is set at less than 10 ha.
  - Have the option of using either land area or notional stock carrying capacity where the minimum rateable land area is 10 ha or greater.
- ▼ 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 10 ha or greater. On this basis, we are recommending the minimum rateable land area is reduced to 2 ha by no later than 2017, with LLS boards having the discretion to set a higher minimum where justified eg, the Western LLS.
- ▼ Landholders may take action that reduces or eliminates the need for an LLS service. An exemption or discount may then be warranted.

### **Rating Base**

- ▼ Where practicable, LLS should directly charge an individual landholder a fee for service. A fee-for-service best links the risk creator/beneficiary with the demand for the service. Circumstances will arise where the link to an individual is difficult to establish or 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 rate base should link to the impact caused or the benefit received.
- ▼ Notional stock carrying capacity can be linked with rates targeted at the livestock industry. It is less relevant to activities unrelated to the number of livestock. Land area is an alternative in this case. Notional stock carrying capacity, however, has a long history as a rating base and is best understood by parties owning large landholdings.

- ▼ 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.

### **Fee collection mechanism**

- ▼ In general, service fees should be collected by LLS for the activities it undertakes. Collection by local government of the Hunter flood mitigation levy should continue as the rate base is identical to that used by local government for its general 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 compliance certificate.