

Our ref: R13/0002 Out - 22186

9 December 2013

Dr Peter J Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Boxall

LLS BOARD OF CHAIRS SUBMISSION ON FUNDING FRAMEWORK FOR LLS NSW

I write to express Local Government NSW's (LGNSW) serious concern with the Local Land Services Board of Chairs' submission to IPART Draft Report on its Review of Funding Framework for Local Land Services NSW.

The Board of Chairs' submission proposes a significantly altered funding framework that is strongly opposed by NSW Local Government.

LGNSW's concerns include:

- **The apparent reversal of the basic principle suggested by IPART that Local Land Services (LLS) should recover their cost in the first place by targeting actual risk creators and/or beneficiaries with a fee for service arrangement** - The Board of Chairs' submission appears to shift the funding model to a model that relies on general taxation tools such as a base rate and a rate for natural resource management. However, according to IPART's draft report, general taxpayer funding of LLS activities should be the last resort where it is not feasible, efficient or cost effective to charge either an impactor or beneficiary. The suggestion of a base rate, together with the suggestion of diluting the hypothecation of other revenue streams, is of particular concern as this will remove the link between funding tools/revenue streams and particular LLS activities/objectives and create general LLS fund that will lack transparency.
- **The recommended abolition of the land area threshold of 2 hectares for land that could be subject to a LLS rate for the proposed base rate and the rate for natural resource management** - LGNSW strongly opposes lowering of the threshold as it would result in an encroachment of LLS rates into urban and peri-urban residential areas, potentially including strata properties. The impact of new taxes and/or charges levied by LLS boards cannot be considered in isolation from the overall tax burden, and particularly from other taxation on land such as council rates. Councils' ability to raise additional rates (including special rate variations and special rates) is already becoming increasingly limited and crowded out by the encroachment of state land taxes. The submission also fails to provide any detail on how the urban ratepayers will be represented in the LLS Board structure of the LLS. It is imperative that LLS Boards are accountable to all ratepayers, not just with land holdings over 2 hectares.

- **The proposal that councils should collect the base rate and the rate for natural resource management for land with an area below 2 hectares** – LGNSW strongly opposes using councils to collect LLS rates on the grounds that:
 - It results in a lack of accountability for LLS boards as ratepayers are likely to perceive any LLS rate/levy collected by a council as a Local Government levy, even if the rates notice indicates that it is an LLS charge;
 - Making the LLS responsible for both expenditure and revenue collection would create in-built controls on its expenditure growth and ensure appropriate transparency in the collection of the tax;
 - There would be considerable collection costs and complexity in using 152 councils to collect LLS rates;
 - It would create complications in those instances where a Local Government Area is divided between 2 LLS regions; and
 - It would cause confusion for urban property owners.

The proposal also seems to be based on a misconception that only councils have the required property database to undertake rating. The NSW Office of State Revenue has access to the same property information and possesses revenue raising mechanisms that could be easily expanded for this purpose. This would be a more transparent mechanism for funding NSW Government imposed entities.

- **The recommendation that all exemptions for public land holders be removed** – LGNSW objects to this proposal. Local Government already applies significant resources to public land management and natural resource management. This expenditure more than offsets any perceived obligation to pay rates for LLS purposes. Further, Local Government is already subject to various NSW Government charges levies and rents for Crown lands under their management. There is no justification for Local Government's land holdings to be subject to LLS rates.

The LLS Board of Chairs' submission has been provided late, was not part of the consultation phase and seeks to fundamentally alter the model that has been under consideration. If IPART were inclined to consider or accept any of the recommendations referred to, LGNSW strongly believes that IPART would be obliged to restart the review process and undertake full consultation on the LLS Board of Chairs' proposed funding suggestions.

For further information on this issue please contact Mr Shaun McBride, Senior Strategy Manager on 9242 4072 or shaun.mcbride@lgsa.org.au

I hope LGNSW's comment are of assistance and look forward to the implementation of an adequate funding framework for Local Land Services.

Yours sincerely



Cr Keith Rhoades AFSM
President