



A Regional Organisation of Councils

Members ~ Namoi Catchment Management Authority
Narrabri Shire Council
Gunnedah Shire Council
Liverpool Plains Shire Council
Tamworth Regional Council
Uralla Shire Council
Walcha Council

NAMOI COUNCILS
PO Box 555 TAMWORTH NSW 2340
T 02 6767 5267
F 02 6767 5499
M 0467 616066
[E:namoicouncils@tamworth.nsw.gov.au](mailto:namoicouncils@tamworth.nsw.gov.au)
ABN: 35 540 425
772

Dr Peter J Boxall AO
Chairperson
Independent Pricing & Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

ipart@ipart.nsw.gov.au

Dear Dr Boxall

Local Land Services Board of Chairs Proposal **Review of Funding Framework - Local Land Services NSW**

Namoi Councils is a Regional Organisation of Councils located within the Namoi and Peel River Catchments of the North West Slopes and Plains and New England Regions of northern New South Wales.

Membership of Namoi Councils comprises Narrabri Shire Council, Gunnedah Shire Council, Liverpool Plains Shire Council, Tamworth Regional Council, Uralla Shire Council, Walcha Council and the Namoi Catchment Management Authority.

Namoi Councils' membership is unique to the extent that it is the only regional organisation of councils in NSW that has a non-council member and a Catchment Management Authority as a member.

The primary aim of Namoi Councils is to:

- (i) effectively advocate on agreed regional positions and priorities;
- (ii) resource the capacity of the region to plan for and resource economic growth and diversification;
- (iii) work together to increase the sustainability and effectiveness of local government in the region; and
- (iv) facilitate and foster cooperation, information exchange and resource sharing.

Local Government and Community infrastructure, mining, exploration and energy, water supply, economic development and diversity and local governance are principal priorities of Namoi Councils.

The Mission of Namoi Councils is to be recognised as the '**Voice of the Region**' locally and nationally as the peak Namoi Regional Body that effectively advocates on agreed regional positions and priorities, focuses and fosters cooperation, information and resource sharing and improves the image of the Namoi Region and Local Government.

The Board of Namoi Councils, comprising the Mayors of member Councils, has requested that a number of issues of great concern to each member Council in relation to proposals for the funding of the new Local Land Services model when introduced as from 1 January 2014 be brought to your attention and a response be provided in relation to the issues raised.

Namoi Councils is aware that notwithstanding the NSW Independent Pricing and Regulatory Tribunal (IPART) published its Draft Report titled "*Review of funding framework for Local Land Services NSW*" in September 2013, with a closing date for submissions of 15 October 2013; many NSW Councils were not aware of the existence of the Report which is borne out by the fact that only three Councils and Local Government NSW made submissions.

Namoi Councils is of the view that there has been a serious lack of consultation with a major stakeholder, being NSW Councils, and that the Draft Report titled "*Review of funding framework for Local Land Services NSW*" should have been sent to every NSW Council inviting comment by the 15 October 2013.

Namoi Councils is greatly concerned that the Local Land Services (LLS) Board of Chairs has unilaterally endorsed the approach outlined by IPART in the Report which attempts to design a transparent and repeatable process for recovering reasonable costs from parties who create the need and benefit from the LLS services provided.

This is particularly concerning to Namoi Councils' members when IPART recommendation (7) is taken into account which states that government funding be available to the LLS as a funding mechanism where – **as the funder of last resort** - it is inefficient or inappropriate to target actual service recipients or beneficiaries with a fee or levy.

Given that the Local Land Services combines the former Livestock Health and Pest and Catchment Management Authorities together with some advisory services of the Department of Primary Industries, the concept of having the State and Federal Governments being the funder of last resort is a blatant act of cost shifting and an abrogation of responsibility.

This is especially so when this positioning of government funding as a last resort is coupled with the IPART Recommendation 17 which recommends expansion of the LLS rating base by reducing area of rateable land from 10ha down to 2ha.

Namoi Councils is aware that the Department of Primary Industries provided advice on the Department's website that Local Land Services will be funded via direct budget contributions from the NSW Government, ratepayer funds and a continuation of natural resource grant funding via the State Government and Australian Government.

Furthermore, the Minister for Primary Industries was reported in The Land Newspaper edition of 22 August 2013 that on page 13 of the Draft Report "*The Minister (for Primary Industries) has advised that over the coming 4 years, LLS boards will have access to \$22*

million of recurrent NSW Government funding and the proceeds of an efficiency dividend of \$20 million to fund agricultural advisory services.”

Namoi Councils note that the Minister’s commitment to LLS funding is only for a period of four (4) years and raise the question of whether NSW Government funding will cease at that time and be passed on to LLS rate payers.

What does “*the proceeds of an efficiency dividend of \$20 million to fund agriculture advisory services*” really mean? Will it be a one off payment and if so, who will provide recurrent funding for the integrated services to be provided by the LLS as from 1 January 2014 at the end of the initial 4 year funding period.

The Draft Report, on page 11 - Table 2.1 and page 12 – clause 2.1.2, provides that State Government funding amounts for 2011/2012 will comprise LHPAs \$1.4 million and CMAs \$102 million.

These amounts, together with the recurrent DPI funding of \$5.5 million (presumably the \$22 million is the total for 4 years), is a total of \$108.9 million (69.5%) of a total expenditure of \$156.8 million (LHPAs \$49.3 million + CMAs \$102 million + DPI section \$5.5 million).

There will undoubtedly be rates and levies paid by the State Government through public land management State Agencies that are identified as the primary impactor or beneficiary of the activity. However, these potential levies will be nowhere near the current contributions that are currently community service obligations. It is becoming increasingly evident that this community service obligation will be discontinued under IPART’s proposals for a funding framework for Local Land Services.

To place this Community Service Obligation income for the new Local Lands Services as ***the funder of last resort***, and to have only a small portion of the funding guaranteed for a period of four years is tantamount to an unfunded mandate – transferring the cost from the State Government to rate and levy payers.

The IPART recommendation 7 in the Draft Report recommending that Government funding be available to the Local Land Services as a funding mechanism where a public land management agency has been identified as the primary impactor or beneficiary of the activity, or, as the funder of last resort where it is inefficient or inappropriate to target actual impactors or beneficiaries with a fee or levy is counter to the following statements and is blatant cost shifting.

Source: *The Local Land Services Stakeholder Reference Panel Update #5 of 1 March 2013 article on Myths states:*

Building Local Land Services

4 Stakeholder Reference Panel Update, 1 March 2013

Myth 4: The creation of Local Land Services is a cost cutting exercise.

The budget measures imposed on the DPI and the creation of Local Land Services are two separate issues.

Firstly, NSW Treasury has advised that it can no longer borrow money to pay the wages of public servants and requires every NSW Government agency to

find significant budget savings. The DPI was instructed to save \$30m from its recurrent budget.

Secondly, the creation of Local Land Services is in direct response to the Ryan Review which notes “there are opportunities for greater administrative efficiency and improved services to landholders from LHPAs participating with other agencies in joint compliance and advisory functions on pest animals, animal and plant biosecurity.

So while Local Land Services is neither the cause nor effect of the budget measures, one of the main drivers for Local Land Services is improving how funds are spent.

The current rates and levies paid by property owners of 10 ha and above to the Livestock Health and Pest Authorities are as follows:

General Rate	\$19.1 million
Animal Health	\$10.6 million
Special Purpose Rate (pest insect)	\$5.9 million
TOTAL	\$35.6 million

Larger property owners argue that the current rating system is inequitable because owners of properties between 2ha and 10ha create issues or benefit from the research and actions funded by their rates and levies. They believe that rating should be spread wider to reflect the reality of biosecurity risk-creators and risk-bearers. The principles of fair apportionment of rates and biosecurity costs are essential.

Source: The Local Land Services Stakeholder Reference Panel Update #5 of 1 March 2013 article on Myths states:

Myth 5: The workshops need to solve the issue of rates.

The Stakeholder Reference Panel is working through the pillars required to build Local Land Services.

Currently they have considered regional boundaries, governance structures – including Boards and voting issues, and the services required. However the rating issue is complex and requires more work and time.

The current rating system is inequitable because it does not reflect the reality of biosecurity risk-creators and risk-bearers. The principles of fair apportionment of rates and biosecurity costs are essential.

The Independent Pricing and Regulatory Tribunal will be commissioned to do a broader review of rates in 2013 and will conduct consultation as a part of that review.

While it can be argued either way; recommendation 17 of the Draft Report has opted for the minimum rateable land area to be 2 hectares from no later than 1 July 2017. This recommendation is acceptable only if firstly, existing rates are applied over the additional

rate base and not used for the purpose of raising additional rates and secondly, urban areas are excluded.

IPART is on record stating that LLS Board will use the guidelines to set prices for services like pest control and natural resource management. IPART Chairperson, Dr Peter Boxall, is on record stating that government agencies and landholders will be treated equally in terms of cost recovery, smaller landholdings will be added to the system and rates will mostly be levied on land size.

Dr Boxall is reported to have said *“There are some activities such as control of wild dogs or other plants or that where land size is more relevant than notional stock-carrying capacity, but obviously stock carrying capacity is relevant for things like the animal health levy.”*

The Board of LLS Chairs response includes:

- Endorsement of the approach that IPART has outlined and its attempt to design a transparent and repeatable process for recovering reasonable costs from parties who create the need and benefit from the services provided.
- Support for the 5 step cost framework as a sound and logical process.
- Support for 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, directly or through contractual arrangements, to manage those risks.
- Requests that the system, to be implemented, be easy to administer and reduce high transactional costs.
- A request for the State and Federal Government funding to be continued to fund services and on ground works that have a mostly public benefit and assist to meet government priorities.
- A desire to have the capacity to utilise rate income (and other multiple income streams) to deliver its broad suite of services. There is also a request to be able to utilise rate income to leverage additional funding from government, industry or local organisations for special purpose projects.

The Local Land Services Board of Chairs has made the following five recommendations:

1. 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 – page 5 of Attachment D).
2. all risk creators are subject to the Local Land Services rate including land holdings below 2 ha, excluding commercial and industrial land.
3. all industry exemptions be removed and that Local Land Services 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 Local Land Services.
4. IPART ensure that the final framework is sufficiently flexible to allow for regional variations, while recognising that the process for setting rates by the Local Land Services Boards needs to be transparent and repeatable.
5. exemptions for public landholders are removed and that the Local Land Services engages in a process with these land managers to determine how they will manage their risk management obligation and contribution to Local Land Services.

CONCLUSION

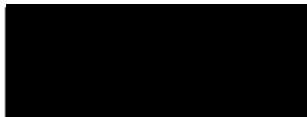
In conclusion; the policy position of Namoi Councils in relation to a number of negative impacts upon Local Government is as follows:

- Firstly, the contribution from State and Federal Governments should be first level of funding and not “***as the funder of last resort***”, where it is inefficient or inappropriate to target actual impactors or beneficiaries with a fee or levy (Recommendation 7 of the Draft Report)
- Secondly, local government should not be used as a collection agency of special purpose rates even for a fee (Recommendation 8 of the Draft Report). Local Councils will only accept responsibility for rate collection if a commission is payable representing fully cost recovery plus a margin of no less than 30%.
- Thirdly, there should be no base rate, only a minimum rate, and not that the recommended Local Land Services rates should include a fixed and variable component (recommendation 10 of the Draft Report).
- Fourthly, that the expansion of the flood mitigation levy, like the Hunter flood mitigation levy, not be made to other Local Lands Service Boards (Recommendation 14 of the Draft Report).
- Fifthly the expansion of the Local Lands Boards revenue into environmental levies on rateable properties should be opposed, even though the recommendation has a condition that it does not duplicate any rate/services provided by local government (Recommendation 16 of the Draft Report).
- Sixthly, Namoi Councils oppose the reduction of the minimum rate size from the current 10 hectares to 2 hectares by 1 July 2017 (Recommendation 17 of the Draft Report).
- Seventhly, Namoi Councils oppose the concept that all risk creators are subject to the Local Land Services rate including land holdings below 2 ha, excluding commercial and industrial land (Recommendation 2, Board of Chairs Response).
- Eighthly, Namoi Councils members oppose the concept that exemptions for public landholders are removed (Recommendation 5, Board of Chairs Response).
- Ninthly, Namoi Councils members are opposed to the expressed desire, by the Board of Chairs in their “Overview and General Comments”, to have the capacity to utilise rate income (and other multiple income streams) to deliver its broad suite of services and the request to be able to utilise rate income to leverage additional funding from government, industry or local organisations for special purpose projects.

Should you require any further information or have any questions please do not hesitate to contact me.

Your response in due course will be greatly appreciation.

Yours faithfully



Cr Col Murray
Chairperson
NAMOI COUNCILS

Contact Telephone 02 6767 5441

23 December 2013