

Funding framework for
Local Lands Services NSW

SUBMISSION

December 2013



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Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

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19 December 2013

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

Dear Dr Boxall,

Thank you for this opportunity to respond to the Local Land Services (LLS) Board of Chairs (BoC) Submission on the funding framework for LLS NSW.

Central NSW Councils (Centroc) represents over 220,000 people covering an area of more than 70,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water.

Centroc's vision is to be recognised as vital to the sustainable future of NSW and Australia.

Its mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources.

Centroc has two objectives:

Regional Sustainability - Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their action to seek from Governments financial assistance, legislative and/or policy changes and additional resources required by the Region.

Regional Cooperation and Resource Sharing – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power.

The Centroc Board is made up of the 30 Mayors and General Managers of its member Councils who determine priority for the region. These priorities are then progressed via sponsoring Councils.

For more advice on Centroc programming and priorities, please go to our website and download our annual report at centroc.com.au/publications

Central NSW Councils represent a variety of stakeholders with considerable interest in the evolution of LLS. Our members form part of different LLSs with differing needs for Local Land Services which would lead to different funding arrangements.

Australia has a point of difference in international markets as offering reliable, safe and secure agricultural products. Every effort should be undertaken to ensure it remains competitive in this offering. This region sees a continued downgrading of support services to agriculture and has therefore welcomed the NSW Government's review of Livestock Health and Pest Authorities (LHPAs).

Having reviewed the Issues Paper, Centroc members are generally supportive of the high level thinking by IPART and the quality of advice and research provided.

It has been this region's contention that there needs to be a better understanding of the role of services of the LLS before definitive advice can be provided regarding funding frameworks, cost apportionment, issues regarding cost recovery or for that matter, structural arrangements for LLS. This is simply good strategic practice. While the region recognises that the existing arrangements with LHPAs needed restructuring, our members and their communities remain concerned that structural and funding arrangements are predating a solid understanding of what needs to be done.

It is therefore unsurprising that the LLS BoC has produced such a contentious response to the IPART submission process given that it is still developing the plan for what it is going to do. This region would argue that the "issue du jour" of bio security has hijacked the agenda as evidenced by the workshop transcripts, IPART briefing paper context ¹ and the response from the LLS BoC.

It is noted that the State Government has recently published the New South Wales Biosecurity Strategy 2013 – 2021. This document provides a high level and detailed blue print for action in the area of bio-security. It makes one recommendation of forty four regarding LLS – *2.4 ensure biosecurity is a key feature of Local Land Services.*²

It also makes a series of worthy recommendations for co-ordinated actions but does not provide advice on "who" will be doing it. No doubt there is plenty of scope for changes in the LLS role regarding biosecurity. The question for our farmers and our communities is – who is paying for all of this effort? In a world with unlimited money all manner of risks can be managed, but farmers must make daily decisions to find an appropriate balance to retain their international competitiveness.

It is noted that the existing funding framework for the tasks given to LLS is complex, involving multiple stakeholders. Take for example just the biosecurity task where the following organisations deliver services:

- Various State and Federal Government agencies involved in education, training and research;
- Various State and Federal Government in agencies delivering a broad suite of on-ground activities;
- Industry Associations undertaking research and on-ground activities;
- Local Councils and County Councils undertaking weeds management;

¹ IPART Review into the development of a funding framework for Local Land Services NSW pp1-2

² NSW Bio Security Strategy 2013-2021 recommendation 2.4

- Local Councils undertaking other environmental programming in bio-security for example in catchment management for such activities as storm water management; and
- LHPAs/CMAs now LLSs.

The transcripts from the workshops on the funding framework for LLS note that industry does not want to pay twice for activity it is already delivering in biosecurity. To actually work out what LLS will be delivering in this space in the context of the NSW Strategy and the multiple stakeholders already involved will be a challenge in itself.

It is noted from the FAQs page on the DPI website that the existing funding stream from what was the LHPA rating system makes the contribution to the “biosecurity” task for the LLS.³ Clearly funding from as many rate payers as possible could share the burden of what might become a substantial task for the LLS in the context of the NSW Strategy identifying a significant effort in this area. Managing the possibility of an increased resource need in this way is risk management at its most alarming and it is unsurprising the LGNSW is describing it as a ‘greedy’ new tax on properties.⁴

Regarding the BoC submission this region provides the following feedback:

1. It is understood in this region that removing the rateable land area as a determinant means that all residential properties could be included. This is to manage the “fruit tree in Ryde” issue where it would appear from the LLS BoC Submission that the monies would be used for “educational” purposes. If the real threat to biosecurity is from every domestic dwelling, raising a tax could be more appropriate and will remove the administrative burden of raising rates. A tax will also avoid the issue around identifying the risk creator when a rental apartment has 200 chickens in a cupboard in Cabramatta.

Having every one pay via a rate, what educational service will be provided and how will it work? Further, how will it be tolerated by the community? Looking at the real world application of this suggestion, significant sums of money being levied on rate payers for biosecurity education would not be tolerated. Would the administrative costs be worth the effort or would it not be better managed as a tax?

Also, it is noted that the BoC are talking about a phase in period where education would be the focus for the first two years. Is this the thin edge of the wedge for a burgeoning bureaucracy managing bio security in the domestic setting? Having suffered the amount of resource required in the Companion Animals Act, Councils would be hesitant to support registration for domestic fruit trees and chickens to manage the bio security hazard. Will there be a domestic chicken health spot check flying squad? What about all those guppies and other introduced species in fish tanks that could introduce disease or pests to our water ways? How would exemptions work? Will people have to fill in a form to get an exemption? Will it become easier to cut down the fruit trees and pluck the chickens?

While extreme, these examples illustrate the point that the funding framework is determined by the activities the entity will be undertaking and should not be determined until the LLSs have a more detailed understanding what they will be doing. If it is for broad brush community education, a tax would be more appropriate than a rate.

2. The analysis of “risk creators” undertaken in the BoC submission is seen as insufficient. There is no analysis regarding the actual risks at all. For example, where residential risk

³ http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0009/468180/Top-20-frequently-asked-questions.correction.pdf

⁴ <http://www.lgnsw.org.au/news/media-release/councils-reject-%E2%80%98greedy%E2%80%99-new-tax-properties>

creators are included with no advice regarding the materiality of the risk, the exclusion of commercial and industrial land in effect ignores some risk creators such as stock feed processors, seed cleaners, abattoirs, saleyards etc.

3. Arguably, the fruit tree in Ryde is not the issue and won't remove the significant weed and pest problems from publically owned lands, where the specific species problem varies from region to region, but the theme of introduced species on crown lands invading farming country is consistent across the state. A wicked and wickedly expensive problem. But who should pay? Is it time to have one public entity being rated by another as suggested by the BoC? If this is to be the case, what precedent does and should it set for other government entities, for example Council rates on hospitals and schools? Will weeds County Councils be able to rate National Parks and State Forests? Given for some of our members National Parks and State Forests are a very significant proportion of the acreage in the Local Government Area, this could create great change in income streams, though arguably again not affordable. Once again the LLS will need to know just how far its remit of activity is into public lands before these decisions can be made and their impacts in terms of precedent can be considered.
4. While members appreciate the merit of minimising duplication, Centroc members are not enamoured with administering rates for any other entity and this would have to come with recompense. Members are more than very concerned when the rates would be used for the purposes of education in biosecurity. This region has undertaken substantial activity regarding communication with its polity on matters around sustainability⁵ and our members feel confident in suggesting that such a rate would be very poorly tolerated in Central NSW and may not be worth the administrative burden.

Members commend to IPART the advice from the NSW Farmers submission suggesting activity in collecting rates explore IT solutions in the first instance.⁶

It is noted that under Section 495 of the Local Government Act that a Council cannot make a rate on behalf of another entity, and so Councils could only be in some way **administering** the rating process of LLS. This is important as the transparent and accountable process of a Council around making the rate and its linkages to the Integrated Planning and Reporting framework are critical to the spirit and 'black letter' law delivery of Local Government Services. It is therefore incumbent on Councils to generate any rating administrative support process that puts a lot of distance between the LLS and the Council to minimise the likelihood of its ratepayers perceiving that Council is the service provider. Arguably, any involvement in this process would generate a perception that Councils are responsible for the management of LLS activities and so would contravene Section 495.

Should the funding framework determine that a rate remains an appropriate income stream, and Councils are given this administrative task, Councils would need to generate completely separate systems for rates collection. Given this significantly reduces any cost savings, it raises the possibility of other entities providing this services including the LLS itself or The NSW Office of State Revenue which has access to the same property information and possesses revenue raising mechanisms that could be expanded for this purpose.

Notably, the Table 2 of the LLS BoC Submission is suggesting that LLS would rate intensive agriculture, commercial and rural land holders and this begs the question of "why not

⁵ Please request advice on the Centroc Square Deal project

⁶ NSW Farmers Submission on the funding framework for LLS NSW

collect the lot?” It seems very inefficient to set up a rating system for half of the task and hand the rest to another entity.

If Council is to provide this **administrative only** service for properties under 2ha excluding commercial and industrial land, some concerns raised in this region are:

1. Managing the requirements around rating information;
2. Managing the costs of rating;
3. What process will inform the making of the rate where Local Government have to set, advertise then make the rate with community input – how will the LLS do this ensuring Council is viewed as distinct from LLS?;
4. Will there be a rate cap?;
5. Comparability across LLS – who will set the rate and administer equity? How will LLS be comparable with neighbouring LLS regarding rating structure? Will there be compensation for Councils who have to manage complaints should there be community perceptions that “we are paying too much in comparison to neighbouring LGAs?”
6. How is it transparent if one organisation rates on behalf of another?
7. How are unpaid rates managed?
8. What assurances are there around the credibility of the organisation being provided support services for – Councils do not want to be linked to entities that generate significant levels of complaint from the community. Councils want an opt out clause, they do not want any administrative support services being made mandatory.
9. Given the commentary in the IPART issues paper around “exemptions” how would this work if administered by Local Government?

Having said that, there is some high level advice that the region can provide regarding the funding framework:

1. Some regional autonomy regarding rating where, for example, areas of intense agriculture would consider smaller and different rate/charge types. This needs to be considered in the context of the bigger picture of whether it is more transparent to tax, rate, levy or charge. Again the key determinant is the scope of activity.
2. Reduction of the rateable area for LLS services to 2ha is more acceptable than the current arrangements but may not be the most ideal.
3. Councils in this region are not supportive of being the collection agency for any other entity. There are a variety of reasons for this where the advice above is a start.
4. Rating public lands is a significant step to take and requires significant thought where, depending on the scope of activities, other income streams should be considered, for example a tax, given that the management of bio security is ultimately for the benefit of the national economy.

5. The activities being undertaken by the LLS should be more efficient and reduce duplication, where a salient current example is where both weeds officers (managed under the Local Government Act) and pest managers (managed by LHPA) could both visit the one farm on the one day. This rationalisation having occurred in the overall context of the LLS activities, the funding framework should then support this more efficient effort.
6. Applying a risk management approach to the activities of LLS where it should be funded to manage the real risks to bio-security is reasonable in principle but may require a significant rework of the State and Federal funding framework and the likelihood of this being achieved needs to be considered when considering the funding mix.
7. The funding framework should match the task. The task is currently not known.

For further advice in regards to this submission please contact the Executive Officer Ms Jenny Bennett on 0428 690 935 or jenny.bennett@centroc.com.au

Yours sincerely,

A handwritten signature in black ink that reads "Ken Keith". The signature is written in a cursive style with a horizontal line underneath the name.

Cr Ken Keith
Chair
Central NSW Councils (Centroc)