

Better Regulation Statement

Reform of the Rural Lands Protection Board System



**NSW DEPARTMENT OF
PRIMARY INDUSTRIES**

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Reform of the Rural Lands Protection Board System Better Regulation Statement

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Information sources

R. Bull, *Review of the Rural Lands Protection Boards Rating System in NSW*, an independent report by Richard Bull to the Minister for Primary Industries, Holbrook. July 2007.

Integrated Marketing Communications, *NSW Rural Lands Protection Board System Review*, an independent report to the State Council of Rural Lands Protection Boards, St Leonards, June 2008.
<http://www.rlpb.org.au/publications/rlpb-review>

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1 Executive Summary

There are currently 47 Rural Lands Protection Boards spread across the State and established under the *Rural Lands Protection Act 1998* ('the Act'). Boards are made up of eight or nine elected directors and employed staff whose numbers can range from one to 18.

The Rural Lands Protection Board system ('the Board system') plays a fundamental role in animal health, pest animal and insect management, emergency response, and drought assistance to rural and regional landholders and communities in New South Wales ('NSW').

The Board system was critical to the Australian plague locusts campaign during spring 2004 and the current campaign in southern NSW which successfully prevented the loss of hundreds of millions of dollars in crop and pasture damage. Boards also contributed significantly to the State's response to the outbreaks of Equine Influenza in 2007, Avian Influenza at Tamworth in 1996 and 1997, and Newcastle Disease in poultry at Mangrove Mountain in 1999 and Horsley Park in 2002.

The *Rural Lands Protection Amendment Bill 2008* ('the Bill') implements recommendations from two reviews of the Board system.

The *Review of the Rural Lands Protection Boards Rating System in NSW* ('the Rates Review') was written for the Minister for Primary Industries and publicly released in July 2007.

The *NSW Rural Lands Protection Board System Review 2008* ('the System Review') was commissioned by the State Council of Rural Lands Protection Boards and released in June 2008.¹

The key drivers for major reform of the Board system, identified in the *System Review* report include²:

- Demand for more efficient service delivery in rural and regional NSW;
- Ensuring the future financial viability of the Board system; and
- The need for Boards to modernise their corporate governance practices and develop risk management and strategic planning capacity.

The objectives of the Bill, and the broader reforms proposed aim to improve the efficiency, effectiveness and financial viability of the Rural Lands Protection Board system in order to:

¹ Copies of the reports can be obtained from the Rural Lands Protection Boards, Orange, NSW or go to the website at [Welcome | Rural Lands Protection Boards \(RLPB\)](#)

² Integrated Marketing Communications, *NSW Rural Lands Protection Board System Review*, Final Report, Sydney, June 2008, pp, 5-6.

- Ensure NSW has world-class animal health surveillance, pest animal and insect management, and emergency response systems in place; and
- Improve service delivery to rural landholders.

This will be achieved through the following areas of regulatory reform:

- Rationalising the structure of the Board system;
- Improving governance in the Board system; and
- Streamlining the operation of the rating system under the Act.

Consultation was undertaken with stakeholders during the development of the *System Review* and *Rates Review* reports on which the Bill is based³. The NSW Department of Primary Industries also consulted the State Council of Rural Lands Protection Boards in the development of the Bill. In turn, throughout this period, the State Council worked with local Boards and their constituents.

The costs and benefits of different options for achieving these regulatory reforms are considered in this Better Regulation Statement ('BRS'). The potential to consider non-regulatory reform options is limited by the fact that the operating environment is a statutory one. The regulatory reforms set out in the Bill represent the best means of improving the efficiency and effectiveness of the Board system for the benefit of rural and regional communities in NSW. It should be noted that they will be accompanied by a range of non-regulatory reforms which are outlined in this BRS.

2 Need for Government Action

The Board system plays a primary role in ensuring NSW has a world-class animal health system.

The need for Government action is demonstrated by the findings of two independent reviews of the Board system that have occurred since 2007. Both reviews identified increasing stakeholder dissatisfaction with the Board system. They highlighted the need for significant reforms to the entire system to ensure its financial viability, and a need to renew its relevance and purpose for rural landholders by improving service delivery.

The *Rates Review* focused on the operation of the rating system and considered alternative methods to assess rates. This review found that the majority of each Board's resources were allocated to administration and regulatory compliance costs, and ratepayers were supportive of change due to concerns with the level of rates set and the services offered. The *Rates Review* recommended a broader review of the Board system be undertaken to identify ways to streamline its administration.

The *System Review* involved a fundamental review of the efficiency and effectiveness of the Board system. The review found that the Board system, in its existing form, was financially unsustainable and poorly-equipped to cope with continuing service demands. Since 2006, the Board system has been showing

³ Integrated Marketing Communications, pp, 8, 13, 15, 17-21, 32.

decreasing financial performance, with almost half of the 47 Boards recording a deficit in the past two to three years.

The *System Review* also identified the need for the system to change in response to new biosecurity priorities at all levels of government, major demographic shifts in rural and regional NSW resulting in a more diverse range of landholders with different needs, and new technological developments in primary production and information technology.

3 Objective of Government Action

Government action is required to meet the changing needs of the State's rural community, especially in the area of animal health management.

The Bill aims to: improve the efficiency, effectiveness and financial viability of the Rural Lands Protection Board system to ensure NSW has world-class animal health surveillance, pest animal and insect management, and emergency response systems in place; and to maximise service delivery to rural and regional landholders.

The proposed reforms involve:

- Reducing the number of Boards from 47 to 14;
- Establishing a new governance framework with re-designed state-wide entities;
- Changing the way in which the members of these organisations are selected and elected;
- Making provision for directors with business, legal, or accounting expertise at the Board level;
- Introducing a code of conduct for all directors; and
- Other administrative changes.

4 Consideration of Options

As noted above, the amendments in the Act fall into **three broad areas** of regulatory reform. These are:

- Rationalising the structure of the Board system;
- Improving governance in the Board system; and
- Streamlining the operation of the rating system under the Act.

Various options were considered in each of these areas of regulatory reform during the Review processes outlined above. These options are set out below.

Rationalising the structure of the Board system:

- Taking no action;
- Rationalising the number of Boards; or
- Establishing a single entity.

Improving governance in the Board system:

- Taking no action;
- Non-regulatory action; or
- Reforming governance in the three tiers of the Board system through changes to the Act.

Streamlining the operation of the rating system under the Act:

- Taking no action;
- Calculating rates on the unimproved capital value of land; and
- Calculating rates based on land area, with different rates across zones.

5 Costs and Benefits

5.1 Methodology

This document assesses the impacts of the proposed reforms against the alternative options which have been considered. Such impacts may include direct or indirect costs or benefits and tangible and intangible impacts. Both qualitative and quantitative analysis is used.

5.2 Rationalising the Structure of the Board System

Boards are responsible for a number of animal health functions including field surveillance in NSW. They investigate suspected disease outbreaks and provide advice on herd or flock health problems such as Enzootic Bovine Leucosis in dairy herds, Johne's Disease in sheep and cattle, and footrot in sheep. They also play a significant role in emergency animal disease outbreaks in NSW. As noted above, they played a critical operational role in eradicating Equine Influenza in NSW in 2008.

Boards are responsible for managing declared pest animals (currently rabbits, wild dogs and feral pigs) and assist landholders with the control of nuisance animals such as foxes and mice. They also have a role in controlling major pest insects such as Australian plague locusts.

Boards manage many of the State's travelling stock reserves and the movement of stock on public roads. Boards administer the Transported Stock Statement system to reduce the incidence of stock theft and play a central role in livestock identification and traceability systems. They administer livestock brands and earmarks, the Property Identification Code (PIC) system, and are instrumental in the effective operation of the National Livestock Identification Scheme (NLIS) for sheep and cattle. These systems support national food safety and export quality assurance programs, and ensure access for farmers to international markets.

Boards also play an important role in drought management. They provide advice to landholders on animal health and nutrition, compile seasonal condition reports and make recommendations on seasonal conditions and assist with applications to the Commonwealth's Exceptional Circumstances Drought Assistance Program. They

are also involved in NSW Government responses to natural disasters such as flood and fire.

As mentioned previously, there are currently 47 Rural Lands Protection Boards established under the Act. Each Board is governed by an eight or nine person board of directors. The directors are elected by ratepayers and serve a four year term. The number of staff employed by each Board varies from one to 18 staff members. Boards are responsible to a State Council, which currently oversees Board operations.

Rural Lands Protection Boards are primarily funded from rates collected from ratepayers. A ratepayer is an individual who owns or occupies a property greater than the minimum rateable area for that Board. Minimum rateable areas currently range from four hectares in some coastal Board areas, up to 400 hectares in the west of the State. As at 31 December 2007, there were 138,710 land holdings in NSW subject to rates.

The following **options** for improving regulation that are considered are:

Option 1 - taking no action;

Option 2 - reducing the number of Boards; or

Option 3 - creating a single entity.

Each option is assessed in relation to the following **key objectives**:

- Improving the financial viability of the system and reducing administration costs;
- Ensuring the best possible standards of service to ratepayers and other stakeholders in the area of animal health surveillance; pest animal and insect management; and emergency response management; and
- Reducing compliance costs.

5.2.1 Option 1 Taking no Action

COSTS

Under the current structure some Boards will struggle to remain financially viable at a time of growing demand for their services. Although total rate revenue for the 2006 financial year was approximately \$30 million, there were significant differences in incomes across the Board network. For example, three Boards collected less than \$100,000 in rates. This is not sufficient income to cover office costs, maintain staff or to provide effective services for ratepayers. In addition, almost 50% of Boards reported a deficit in two of the last three years.

The implications of taking no action in this context are serious and include the possible financial failure of some of the less viable Boards. These Boards are located in areas of the State where services are in demand as a result of the ongoing drought.

The State Council is responsible for overseeing the operation of Boards. It provides management assistance for Boards which are underperforming and, in serious cases of Board failure, manages the appointment of administrators. Not acting to ensure the financial viability of Boards will increase management problems within the Board system and increase the administrative burden and costs on State Council in responding to these problems. This will in turn impact on the State Council's ability to perform its other functions and the overall operation of the Board system.

Under the Act the State Council must coordinate and supervise the implementation by Boards of general policies. It provides advice and assistance to Boards in developing and implementing function management plans and also monitors compliance with these plans. It is the interface between public authorities, such as the Department of Primary Industries and the Department of Environment and Climate Change, and Boards in relation to services provided by Boards on behalf of these public authorities.

The State Council is also responsible for ensuring that Boards meet the accounting obligations required under the Act and other relevant legislation. In addition, it plays an important role in training Board staff and directors in relation to their administrative and operational responsibilities.

Exercising these responsibilities and functions in relation to 47 Boards incurs significantly higher administration costs than for 14 Boards.

As noted above, the current structure of the Board system, with 47 Boards, means some Boards generate only sufficient income to cover office costs and maintain minimal staff. This compromises the system's capacity to deliver quality services. Both Reviews reported that the confidence of stakeholders, including ratepayers and rural and regional communities throughout NSW more broadly, in the current system has diminished in recent times.

Taking no action means the opportunity to improve and modernise the Board system in order to improve animal health surveillance and the other critical functions of the system will be lost.

The consequences of failing to reform the structure of the Board system include reduced quality of services and delays in obtaining services. The needs of landholders in rural and regional NSW will not be satisfactorily met. Many of these landholders are small (farming) businesses which rely on the services provided by Boards. For example, the eradication of pest insects such as locusts is of vital importance as locusts devastate crops and therefore have a significant impact on farm income. A Board system which is not performing to its full potential is not responding to such threats in the most effective way. Ensuring the financial viability of the system is critical to ensuring optimum levels of service delivery.

Another example is the cost to farming and other rural-based businesses of animal disease outbreaks. Ensuring that Boards operate as efficiently as possible means more effective emergency disease responses, which means the potential costs to business from such outbreaks are reduced. If no action is taken the confidence of stakeholders, including ratepayers and rural and regional communities throughout NSW, in the current system is likely to continue to diminish.

BENEFITS

There would be no burden, including administrative costs, imposed on the Board system arising from having to implement the regulatory changes outlined in option 2 or option 3. The costs of implementing the changes detailed in option 2, such as transferring staff, assets and liabilities from 3 or 4 smaller Boards to one large Board, would be avoided under option 1.

Reducing the number of Boards from 47 to 14 will increase the size of the area that the new Boards will need to service. Smaller Boards with smaller operating areas increases the familiarity between Board staff and directors and the communities they service. Small, close communities mean that Board staff have easy access to local knowledge and local networks.

Maintaining the status quo means there would be no change to the way in which services are delivered throughout the State, and farmers and landholders would not have to make any adjustments to the way they currently operate.

5.2.2 Option 2 Reducing the number of Boards

The *System Review* report identified strong support amongst stakeholders for a reduction in the number of Boards. It noted that funding 47 Boards is not sustainable⁴. To ensure a financially viable system supported by ratepayers, the *System Review* report recommended that 14 new Boards be created from the existing 47.

The *System Review* also considered other models for reducing the number of Boards. It examined the creation of 13 boards based on Catchment Management Authority boundaries; the eight existing Board regional boundaries; and the NSW Farmers' Association regions. Creating 14 new Boards from the amalgamation of existing Boards was recommended as the most efficient approach because the need to re-draw boundaries and divide the assets and liabilities of the existing Boards under this option would be minimal. The *System Review* also considered the creation of a single state-wide entity. This is discussed under option 3.

COSTS

Most of the financial and administration costs of option 2 will be one-off costs associated with implementing the changes required to reduce the number of Boards from 47 to 14, which include:

- Reviewing human resource requirements, including staff structures and position descriptions;
- Transferring assets and liabilities, such as real property, motor vehicles, contracts, bank accounts etc;
- Staff redundancies; and
- Implementing new operational procedures.

⁴ Integrated Marketing Communications, p 15.

This option also creates administration costs for Government associated with amending the Act and Regulation and preparing the necessary legal documentation to establish the new Boards.

As with most local level organisations, there is a considerable degree of personal attachment to existing structural ways of operating. This will result in some negative impacts for those stakeholders who do not support changes to the Board system.

BENEFITS

Reducing the number of Boards will not affect the overall revenue base of the Board system. As such there are significant economies of scale to be achieved, in a reduction in the number of Boards from 47 to 14, at the local and State-wide level.

Significant savings will be achieved from a reduction in management costs. For example, the number of Board general managers will be reduced from 47 to 14. Even with an increase in salary, to reflect an increase in responsibilities associated with managing a larger organisation, savings in the order of \$2.5 million per annum are estimated. This alone represents 8% of the revenue from rates collected in 2006.

In addition, a reduction in the number of Boards and concomitant increases in salaries will retain and attract high quality staff into the Board system. This will have a direct benefit on the reliability and standard of services offered to ratepayers and other stakeholders.

The administration and management costs for the State Council (outlined above under option 1) will also be significantly reduced. It will be monitoring the management, performance and compliance of 14 (albeit bigger) Boards, rather than 47. For example, in the negotiation of new service delivery arrangements with the Department of Primary Industries, the State Council will only have to consult with 14 Boards. In addition, the State Council will only be required to provide training to approximately 112 Board directors, instead of approximately 370.

The reduction in management and administrative costs associated with the amalgamation of existing Boards will improve the viability of Boards under financial strain, and will make more resources available for frontline services. The ratio of administrative staff to rangers and veterinarians will decrease, reducing costs while maintaining service delivery to ratepayers.

A greater focus on frontline and field services will directly improve animal health and pest and insect management systems, and will lead to more streamlined and efficient emergency response systems in NSW. This will in turn result in improved economic outcomes for rural and regional communities in NSW.

In addition, a more effectively functioning Board system will result in the availability of better information for RLPB ratepayers and landholders in rural and regional NSW generally.

The implementation of the reforms required to achieve option 2 will not be funded through the imposition of increased compliance costs on ratepayers, many of whom run small to medium-sized farming businesses.

5.2.3 Option 3 Creating a single entity

This option would involve abolishing all Boards and vesting their functions in the State Council or one or more government agencies, such as the Department of Primary Industries, Department of Lands or Department of Environment and Climate Change.

COSTS

The services provided by the system are land-based; they involve dealing with landholders throughout the State. As such an appropriate level of regionalisation is fundamental to the effective and efficient delivery of the services provided by the Board system. The *System Review* identified the benefits of retaining the Board system, including⁵:

- The capacity to quickly disperse animal health staff across the State and interstate in response to emergency situations;
- The provision of pest animal and insect services to landholders in an environment where few local or regional providers operate;
- Local knowledge and experience, including knowledge about local landholders and occupiers, hot spots for pest animals and/or locust hatchings, and established relationships with local businesses, landholders and authorities.

Given that a level of regionalisation is necessary, there can be no economies of scale achieved as a result of centralising the system. The nature of the services provided by the Board system means that centralisation of the system would also have a detrimental effect on services. This would in turn have a negative impact on the economies of rural and regional NSW.

In addition, stakeholder support for the system would be seriously diminished. While a majority of stakeholders support the need for change, complete centralisation of the system is not supported.⁶ Given the system is predominantly funded by ratepayers, this would seriously undermine its operation.

BENEFITS

Centralisation of the system would mean the abolition of all local Boards. The financial viability of those Boards which are struggling to fund their operations from rates revenues would no longer be an issue. However, for the reasons outlined above, the financial integrity of the system as a whole would not necessarily improve.

⁵ Integrated Marketing Communications, pp. 23-25.

⁶ Integrated Marketing Communications, p 47.

5.2.4 Preferred option

The preferred option is Option 2. It is noted that this option will be accompanied by various non-regulatory measures such as the centralisation of finance, payroll and administration systems. In addition a new framework for land administration and rating systems has been developed by the State Council in conjunction with existing Board managers. The Systems Review estimates that these non-regulatory changes will result in estimated savings of up to \$1.5 million per annum.⁷

5.3 Improving governance in the Board system

Continued governance problems within the Board system contribute to weaknesses in the system that are unsustainable in the long term. Governance issues include the lack of proper functioning by some of the Boards, shown by an increase in funds expended by State Council on dealing with management and governance issues. For example, in 2006 an administrator was appointed to one Board following several attempts by State Council to improve its management. In 2007, State Council intervened in three Boards to deal with financial management and reporting issues.

The system currently consists of 47 local Boards and a State Council, with a conference of all Boards held annually.

Each Board has eight or nine directors who are elected by the ratepayers in their districts for a term of four years. As mentioned above, the Boards have a broad range of functions and play an important role in providing services to rural and regional landholders.

The State Council has nine members who are elected for four year terms by voting members of their respective rural lands protection regions. The Council employs approximately 20 people, including a Chief Executive Officer.

The annual State Conference of Boards has considerable control over the Council's operations. It determines the 'primary' policies which guide the State Council in carrying out of its functions and determines the Council's annual budget. It also establishes the general policies, which Boards must implement. Policy and fiscal decisions which need to be made throughout the year are managed through a cumbersome postal vote system.

The following options for improving governance in the Board system are considered in this BRS:

Option 1 - taking no action;

Option 2 - non-regulatory action; or

Option 3 - reforming governance in the three tiers of the Board system through amendments as proposed in the Bill.

⁷ Integrated Marketing Communications, p 71.

The costs and benefits of each of these options are considered against the **key objectives** of improving standards of governance and improving service delivery.

5.3.1 Option 1 Taking no action

COSTS

Taking no action means that the opportunity to improve the standard of governance in the system will be missed. Intervention by the State Council in the management of Boards is likely to increase. This in turn will increase expenditure on management and administration issues.

BENEFITS

This option will maintain the current situation. As such there will be no administrative costs for the State Council, Boards or the Government.

Ratepayers and other stakeholders will not have to adapt to change.

5.3.2 Option 2 Non-regulatory action

Various non-regulatory actions could be taken to improve governance within the Board system, including training and development for members of State Council and Board directors, and initiatives to improve policy development through regional forums.

COSTS

The costs of proceeding with non-regulatory action alone would mean that inherent problems in the Board system would not be addressed. The *System Review* recommended structural changes to assist with improving governance within the system to overcome issues with transparency, the need for increased Board input outside of the annual conference and consultation between State Council and Boards.⁸

A significant investment in training and development of Board and State Council staff would be necessary. However, it would be undertaken without the following structural changes to improve the governance of the system:

- Establishing a peak body (the State Management Council) with members selected on the basis of merit or expertise in the area of corporate governance, law, accounting or financial management;
- Increasing the pool from which potential directors could be drawn by reducing the number of Boards from 47 to 14;
- Providing for two directors for each Board to have expertise in the area of corporate governance, law, accounting or financial management; and
- Capping terms of appointment at two four-year terms.

⁸ Integrated Marketing Communications, pp. 25-27.

This means that improving governance at all levels and in the long term is unlikely to be achieved.

BENEFITS

This option will maintain the status quo, and members of the State Council, directors of Boards, State Council and Board staff, ratepayers and other stakeholders would not have to deal with the significant changes arising from amended legislation.

There would be minimal administrative costs to the State Council and Boards in implementing the proposed training programs.

5.3.3 Option 3 Amend as proposed in the Bill

This option involves amending the Act to improve governance standards at the state and local levels.

The State Conference will be replaced by a State Policy Council ('SPC'), while the State Council will be replaced with a new body known as the State Management Council.

The SPC will have 28 members, consisting of two delegates drawn from each of the 14 new Boards. The SPC will be responsible for selecting and appointing members of the State Management Council, and providing policy advice to the State Management Council. The SPC will also be an important forum for representatives of the local Boards to discuss local and regional issues.

The State Management Council will be made up of nine members. The majority of the members will be selected by the SPC from elected local Board directors. The selection process for the State Management Council will be based on merit, rather than regional representation. Two independent members of the State Management Council will be selected and appointed by the SPC on the basis of their expertise or experience in the area of law, business, financial management or corporate governance.

State Management Council members will be appointed for staggered four year terms. The staggering process will commence following the second four year term to allow for the establishment of the new Boards and the development of an adequate level of corporate knowledge amongst the new Directors. The maximum period a State Management Council member may serve is eight years.

The State Management Council's functions will include: overseeing the governance of the new system; implementing the strategic policy and fiscal direction of the new system; implementing general policies determined by the SPC; providing direction and advice to the local Boards; and providing secretariat services for the SPC.

At the local level, each Board will have eight directors. Six of those directors will be elected by the ratepayers of the relevant Board district. Two of the directors will be appointed on the basis of their corporate governance, legal, accounting or financial management expertise. Directors will be elected for staggered four year terms and will only be able to hold office for three consecutive four year terms, if they serve as

a member of the State Management Council. All other elected Board directors will serve a maximum of two, four year terms.

In order to encourage skilled and experienced directors to stand for election, directors will be remunerated in line with the NSW Government's standards for boards and committees.

Changes to the administration of the electoral roll are also proposed to ensure that ratepayers are automatically entitled to vote in Board elections.

COSTS

This option will involve costs to establish and run the SPC and State Management Council. Currently the system funds local Boards, the State Council and an annual conference.

The decision to adequately remunerate Directors appointed to Boards and the State Management Council may also result in increased costs.

BENEFITS

This option will result in stronger governance at the local and state-wide levels. This will have a direct impact on the level of resources currently expended by State Council on intervention measures including the appointment of administrators to Boards.

Better governance will be achieved by replacing the annual conference with the SPC. The SPC will optimise local Board input into the new system due to: the forum being able to meet more than once a year; the SPC being responsible for appointing the majority of members to the State Management Council; and providing policy advice to the State Management Council. As a result, communication, transparency and Board participation in decision making is expected to improve.

The proposed changes are aimed at attracting and retaining Board directors, SPC and State Management Council members with a range of skills and experience that will benefit the Board system in the long term. This will be achieved by providing a system that: appoints members to the State Management Council based on merit; appointing two of the members to the State Management Council and local Boards based on relevant skills and experience; and an adequate level of remuneration being offered.

The Boards will be better resourced which will result in improved service delivery and sustain the system in the long term.

5.3.4 Preferred option

Option 3 is the preferred option, in conjunction with option 2. The approach will deliver the greatest net benefit to rural landholders by improving Board service delivery, including in the critical area of animal health and pest management. In addition, Board activities in animal health and pest control deliver benefits to the wider community, to the Government and the State economy. Stakeholders view

the Board system as an asset to New South Wales. However, there is wide support for major changes to the system in order to improve and sustain Boards and their services in the long term.

5.4 Streamlining the operation of the rating system

Under the Act Boards are able to levy general, animal health and special purpose rates from ratepayers in their respective Board districts. Rates provide the majority of funding to the Board system, thereby enabling Boards to provide a range of services to landholders and the regional community.

As mentioned previously, a ratepayer is an individual who owns or occupies a property greater than the minimum rateable area for that district. The minimum rateable areas range from four hectares in some coastal districts, to up to 400 hectares in the west of the State. As at 31 December 2007, there were 138,710 land holdings in NSW subject to Rural Lands Protection Board rates.

The Act currently provides that rates are charged on the notional (livestock) carrying capacity of the land. The notional carrying capacity is expressed as stock units (or sheep equivalents). The rates payable on a holding are determined by the notional carrying capacity being multiplied by an amount per stock unit. Each Board is required to assess the notional carrying capacity of each individual holding every five years. In addition to these assessments, every year Boards are required to undertake additional individual assessments due to changes to a landholder's stock or other circumstances and in response to ratepayers querying their rates assessment.

The following options have been considered in streamlining the operation of the rating system. These are:

Option 1 - taking no action;

Option 2 - calculating rates based on unimproved value; or

Option 3 - calculating rates based on land area, with the ability to apply differential rates

The costs and benefits of each option is assessed in relation to the **key objectives** of providing a more equitable system for small, medium and large landholders, that is better understood by ratepayers and more easily administered by the Boards.

5.4.1 Option 1 Taking no action

COSTS

This will maintain the current rating system. Taking no action will not make the system more equitable for the majority of landholders.

Ratepayers have indicated that they find the current system confusing and there is a general lack of understanding about how rates are calculated. Particular stakeholders such as orchardists and other landowners who do not carry livestock

on their property have expressed concern about the notional carrying capacity system of determining rates.

The system will continue to be difficult to administer and costly. Costs include training staff to carry out assessments, carrying out individual assessments every five years, and as required due to changing circumstances and ratepayer queries, and maintaining the Board's rating registers.

BENEFITS

There would be minimal benefits, as the current system would be maintained.

5.4.2 Option 2 Calculating rates on unimproved capital value of land (Local Government System)

COSTS

The wide variations in land values (even within the same Board area) would result in serious inequities in the ratings system that would disadvantage small to medium landholders. Ratepayers in areas surrounding large regional centres, and lifestyle blocks along the eastern seaboard will pay much higher rates than other landholders due to land values in these regions being high.

There would be initial administrative start up costs in changing from one system to another.

BENEFITS

This is a known system of rating, and as such it would be better understood by ratepayers.

This option would be easier to administer than the current system as it would not require assessment of individual holdings due to the land value being already determined and available from the Valuer-General.

5.4.3 Option 3 Calculating rates based on land area, with different rates across zones

This approach involves amending the Act to introduce a new rating system which assesses rates based on land area, with Boards able to apply rates differentially across zones. This approach includes replacing the minimum and general rate with a base and environmental rate to be paid by all ratepayers. In addition, the minimum rateable area will increase to 10 hectares.

COSTS

There will be minimal costs with this option as it will provide greater equity, be better understood by ratepayers and more easily administered by Boards.

Some costs will be incurred administratively in changing from one system of assessment to another, such as undertaking an initial analysis of land within board zones.

BENEFITS

The system will be more equitable. Large and small landholders will benefit from changing the rates assessment method from carrying capacity to land area. For example, rate hikes will be avoided, particularly for large landholders with relatively poor quality land, as their rates will remain relatively constant as long as their holding area does not change. Smaller landholders, in particular the increasing number of lifestyle property owners attracted to small holdings in regional and rural areas, will benefit from the minimal rateable area increasing to 10 hectares. Introducing a base charge will remove the concept of 'minimum rates' and 'main ratepayers', which has been a source of contention for smaller landholders.

The changes will also benefit Boards by ensuring they are appropriately funded to provide quality services, especially in relation to animal health and pest management. Although it is accepted that many smaller landholders may not engage in agriculture, a minimum level of rating must be maintained to fund Board's activities in this area. For example, at some time, all landholders regardless of the size of their properties will be impacted by an emergency animal disease outbreak in their area.

The method of assessment under this option will be easier for ratepayers to understand than the method of notional carrying capacity.

It will be easier to administer as the land holding areas are already recorded on the Board's rating registers. Once an initial analysis of land within board zones has been undertaken the main activity will involve issuing rates notices, which is done under the current system.

5.4.4 Preferred option

The preferred option is Option 3. This option will deliver greater equity for the majority of landholders, regardless of holding size, provide a rating method that is better understood by ratepayers, and easier to administer over time.

6 Consultation

Consultation was undertaken with stakeholders during the development of the *System Review* and *Rates Review* reports on which the Bill is based.⁹ The NSW Department of Primary Industries has also consulted with the State Council of Rural Lands Protection Boards in the development of the Bill. In turn, throughout this period, the State Council has worked with local Boards and their constituents.

The System Review team convened public meetings and focus groups, and accepted written submissions. A total of 67 submissions were received, including

⁹ Integrated Marketing Communications, pp, 8, 13, 15, 17-21, 32.

from external stakeholders, Board directors, staff and ratepayers. More than 80 per cent of the submissions supported changes to the current system.

Many ratepayers expressed the view that the Board system had become cumbersome and is not effectively responding to the changing needs of landholders. In summary, retention of the system was advocated with change to the structure and governance of the system to ensure its long term viability.

Key stakeholders, including directors and ratepayers and organisational stakeholders such as NSW Farmers' Association, Animal Health Australia, Catchment Management Authority representatives, the Department of Lands, were also consulted during the Review process. The NSW Farmers Association and Animal Health Australia also advocated for change to the current system.

The final *System Review* report has been made publicly available with a copy being placed on the Rural Lands Protection Board website.¹⁰

The *Rates Review* included extensive consultation that included 27 meetings across the State attended by Board directors, staff and ratepayers. A total of 137 written submissions were received. A workshop on the proposed changes was also presented at the Board's annual conference. The conference supported replacing the notional carrying capacity method of assessing rates. Overall, stakeholders supported a change towards a more equitable and simplified ratings system.

7 Preferred Option

The preferred option for each area of regulatory reform is dealt with above.

8 Evaluation and Review

It is proposed that the new Board system be reviewed in five years to determine whether the policy objectives remain valid and whether the new system has been effective in delivering them.

¹⁰ See website <http://www.rlpb.org.au/publications/rlpb-review>