



**ADELAIDE AND MOUNT
LOFTY RANGES NATURAL
RESOURCES MANAGEMENT
BOARD LEVY PROPOSAL
2012/2013**

SIXTY SIXTH REPORT

OF THE

NATURAL RESOURCES COMMITTEE

**HOUSE OF ASSEMBLY
LAID ON THE TABLE**

12 June 2012

Tabled in the House of Assembly and ordered to be published on Tuesday 12 June 2012

Second Session, Fifty Second Parliament

PRESIDING MEMBER'S FOREWORD

I wish to thank all those who gave their time to assist the Committee during its consideration of the levy proposed by the Adelaide and Mount Lofty Ranges Natural Resources Management Board for 2012/13.

The Committee believes that NRM Boards overall do an excellent job and play a critical role in the management of South Australia's Natural Resources. We understand that for the Boards and their hard working staff and committed volunteers, there will never be enough funds to undertake all of the NRM projects worthy of support. However the Committee has also consistently expressed reservations about NRM Boards proposing above CPI levy increases. We believe increases above CPI should be the exception, not the rule and that increases should be well justified.

This year all of the NRM Boards apart from the SA Arid Lands and Adelaide and Mount Lofty Ranges proposed to either keep their Division 1 Levy increases to within or just above CPI. While the Arid Lands Board proposed an increase of 50%, the Committee made an exception, accepting the Board's arguments and justifications that their proposed increase was warranted.

The Committee supports the process of equalisation of Division 1 levies across local government areas pioneered by AMLR NRM. However in the current economic climate and after careful consideration Members came to the conclusion that the above CPI Division 1 levy proposal could not be supported and it would be better for levy equalisation to occur at a lower level than previously flagged by the Board. Rather than suggesting an amendment to the levy which is one option open to the Committee, Members chose instead to object to the levy thus bringing the matter of NRM and NRM levies up for debate on the floor of the House.

The A&MLR NRM Board ably administers the largest budget of all the States NRM Boards - more than \$27 million for 2011/2012. The Committee trusts that regardless of the final level of funding the AMLR Board will be able to 'cut their cloth' and continue their excellent work into 2012/2013.

I commend the Members of the Committee, Mr Geoff Brock MP, the Hon Robert Brokenshire MLC, the Hon John Dawkins MLC, Mrs Robyn Geraghty MP, Mr Lee Odenwalder MP, Mr Don Pegler MP, Mr Dan van Holst Pellekaan MP, and the Hon Gerry Kandelaars MLC for their contributions. Finally, I thank members of the Parliamentary staff for their assistance.


Hon Stephanie Key MP
Presiding Member
12 June 2012

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THE NATURAL RESOURCES COMMITTEE

The Natural Resources Committee was established pursuant to the *Parliamentary Committees Act 1991* on 3 December 2003.

Its membership for the duration of this inquiry was:

Hon Stephanie Key MP, Presiding Member
Mr Geoff Brock MP
Hon Robert Brokenshire MLC
Hon John Dawkins MLC
Mrs Robyn Geraghty MP
Mr Lee Odenwalder MP
Mr Don Pegler MP
Mr Dan van Holst Pellekaan MP
Hon Gerry Kandelaars MLC

Executive Officer

Mr Patrick Dupont

Research Officer

Mr David Trebilcock

STATUTORY OBLIGATIONS OF THE COMMITTEE

The Natural Resources Committee has the statutory obligation to examine a Region's Natural Resource Management (NRM) plans that contains a levy proposal.

Sections 80 and 81 of the *Natural Resources Management Act 2004* clearly state the circumstances under which these plans are to be forwarded to the Committee.

80—Submission of plan to Minister

- (8) If a plan provides that the whole or part of the funds required for implementation of the plan should comprise an amount to be raised under Chapter 5 (in this section referred to as a *levy proposal*) the Minister must, within 7 days after adopting the plan, refer the plan to the Natural Resources Committee of Parliament.

Once the initial NRM plan (with levy proposal) has been considered by the Committee then in subsequent years only plans in which the levy proposal is increased by an amount greater than the CPI increase is referred to the Committee. Provisions of s81(10)(b)(ii) NRM Act as follows apply:

81—Review and amendment of plans

- (10) If—
- (b) an amendment proposes—
- (i) that a levy under Chapter 5 Part 1 Division 1 or Division 2 imposed in one financial year be again imposed in the next financial year; and

- (ii) that the amount to be raised or recovered by the levy in the next financial year will be an amount that exceeds the amount raised for the last financial year adjusted to take into account increases (if any) in the CPI during the 12 months ending on 30 September in that last financial year,

the procedures set out in section 80(8) to (16) must be followed when the plan is amended.

The Committee must within 28 days of receipt of a NRM plan, consider the levy proposal in that plan, as required under s80(9) the NRM Act as follows:

80—Submission of plan to Minister

- (9) The Natural Resources Committee must, after receipt of a plan under subsection (8)—
 - (a) resolve that it does not object to the levy proposal; or
 - (b) resolve to suggest amendments to the levy proposal; or
 - (c) resolve to object to the levy proposal.

Other provisions of the NRM Act detail the process to be followed should the Committee decide to proceed in accordance with s80(9)(b) or (c) but are not discussed further in this report.

ADELAIDE AND MT LOFTY NATURAL RESOURCES MANAGEMENT BOARD'S LEVY PROPOSAL

Overview of the Region

'The Adelaide and Mount Lofty Ranges Natural Resources Management Region (the Region), shown in ... [Appendix 1] supports a mosaic of bushland remnants, farming land, urban development, rolling hills and plains, diverse marine environments and more than 364 km of spectacular beaches and coastline. The region extends from the Wild Horse Plains and Kapunda to the Fleurieu Peninsula, as well as following the ridge of the Western Mount Lofty Ranges and taking in metropolitan Adelaide and the Adelaide Plains. The region extends up to 30 km into the Gulf St Vincent and includes ecosystems that are found nowhere else in the world. As the most biologically diverse region in South Australia, it is home to half of the State's species of native plants and three-quarters of its native birds. It also contains some of the State's most productive primary industries supplying local and international markets and contributing to South Australia's economic and social wellbeing.'

(Adelaide and Mount Lofty Ranges NRM Board [2012a] p1)

Population and household size were outlined in the State of the Region Report (Adelaide and Mount Lofty Ranges NRM Board [2008] p10):

'In 2001, the population of the Region was 1,130,864 persons and was comprised of 583,847 households. This represents an increase in population of 29,746 persons and an increase of 32,072 households since 1996. The average household size has decreased from 2.6 in 1996 to 2.5 in 2001. The population of the Region is projected to grow to 1,224,785 persons by 2016. This represents an average increase of 0.55% per annum, which compares to the average per annum growth rate projected for the ASD of 0.53%.'

Submissions to the Committee

The Committee received no submissions regarding Adelaide and Mount Lofty Ranges NRM Board activities or the 2012/13 levy proposal with the exception of the written submission received directly from the Board and referred to in this report. The Committee was able to access a draft copy of the Board's business plan for 2012/13 via its website in December 2011 when it was released for public consultation. This enabled Committee Members sufficient time to digest the contents of the plan well in advance of receiving the final plan. The Committee also examined the 2010/11 annual report of the Board which it received from the Minister on 28 December 2011.

Consideration of Evidence

Levy Proposal

Division 1 - \$22,000,000 – \$24,500,000 (11.4% increase, [CPI=4%])

The Adelaide and Mount Lofty Ranges NRM Board proposed a regional NRM levy quantum of \$24,500,000 in 2012/13 compared to \$22,000,000 in 2011/12, an increase of 11.4%. The average regional NRM levy under the Board's proposal for 2012/13 would be \$39 compared to \$36 in 2011/12 an increase of \$3 on average, or 8.3%. The Board stated that:

'The proposal is in line with the Board's five-year program to increase and equalise the levy, which is set out in the Board's investment plan and was considered by the Natural Resources Committee of Parliament in 2010 and again in 2011. The Committee accepted these arrangements. This is the final year of the equalisation process.'

(Adelaide and Mount Lofty Ranges NRM Board [2012b], p3)

The Board proposed in 2009 that levy rates would increase at a rate greater than the CPI in most of the council areas in order to achieve the stepped increase under the equalisation process. Under this process the average levy rate for a \$350,000 valued property would end up at \$40 in 2012/13 (see Figure 1). However, in 2011/12 the average levy rate for all councils for properties valued at \$350,000 was only \$29 (see Appendix 2). Clearly, the \$40 target was higher than that required in order to achieve equalisation between all the councils. Consequently the Natural Resources Committee rejected the latest 2012/13 proposal.

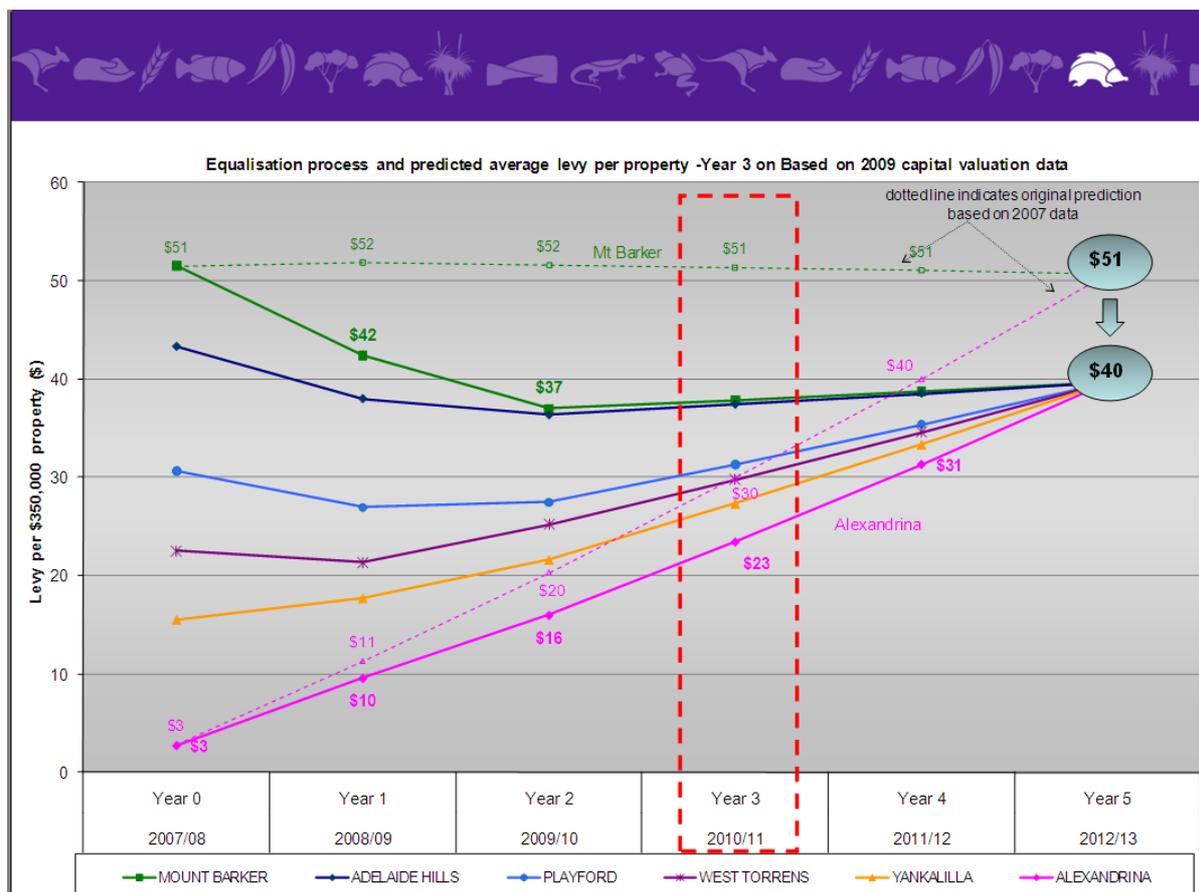


Figure 1: Equalisation process for establishing the same Division 1 levy rate for all properties irrespective of Council area (Adelaide and Mount Lofty Ranges NRM Board [2011]).

The Natural Resources Committee believes that the Adelaide and Mount Lofty Ranges NRM region will not be unduly affected by keeping its levy increases within the CPI: total income from its levy in 2012/13 would be \$22,880,000 instead of the proposed \$24,500,000. This would mean a reduction in overall funding of \$1,620,000, or 5.5% of the total estimated income of \$29,223,000. However, the Board receives by far the greatest amount of funding of all the NRM Boards in South Australia (see Figure 3) and has by far the smallest region to manage (with the exception of Kangaroo Island NRM Board which has much less funding).

Division 2 - \$1,554,000 - \$1,525,000 (1.9% decrease) (CPI = 4%)

The Division 2 water levy rate has declined slightly from 2011/12 despite the fact that the proposed levy rate per water licence by prescribed area is the same as it was in 2011/12. The most likely cause of this is reduced water consumption (the Division 2 levy is based upon consumption as well as allocation, whereas in most other NRM regions it is based on allocation).

Table 1 shows the prescribed water resources and the levy rate per kilolitre proposed to be charged for 2012/13 (Adelaide and Mount Lofty Ranges NRM Board [2012a] p33).

Area	Rate (\$) per kilolitre and basis
McLaren Vale Prescribed Wells Area	\$0.005/kL of water allocated & \$0.005/kL of water used
Northern Adelaide Plains Prescribed Wells Area	\$0.005/kL of water allocated & \$0.005/kL of water used
Barossa Prescribed Water Resources Area	\$0.005/kL of water allocated & \$0.005/kL of water used
Western Mount Lofty Ranges Prescribed Resources Area (water allocated for public water supply)	Fixed charge of 1.2 million

Table 1: Division 2 levy rates proposed by the A&MLR NRM Board in 2012/13

Variation from CPI (CPI =4%)

The proposed Div 1 levy quantum increase proposal is 11.4%: higher than CPI.

The proposed Div 2 levy quantum increase proposal is 8.2% less than it was in 2011/12.

The combined proposed increase in levy income is 10.8%.

A&MLR	2010-11	2011-12	2012-13	Change	2013-14 (estimate)	Change	2014-15 (estimate)	Change
Total Div 1	\$19,700,000	\$22,000,000	\$24,500,000	11.4%	\$27,000,000	10.2%	\$27,810,000	3.0%
Div 2 Water levy	\$354,000	\$354,000	\$325,000	-8.2%	\$335,000	3.1%	\$344,000	2.6%
Div 2 public water supply	\$1,200,000	\$1,200,000	\$1,200,000	0%	\$1,200,000	0%	\$1,200,000	0%
Div 1 + Div 2	\$21,254,000	\$23,554,000	\$26,025,000	10.8%	\$28,535,000	9.6%	\$29,354,000	2.9%

Social Impact Assessment

Div 1

'For people owning properties with low capital values, the option A levy [variable - based on the value of rateable land] would be a very minor impost. For people owning high value properties, the impacts would be greater, whilst for average income earners the impact would still be modest. The levy payments would be relatively high for low income earners (e.g. age pensioners) with high value properties.'

'On the basis of the analysis undertaken, the Board concludes that the regional NRM levy does not place an unreasonable family, business or social burden on property owners in the Region.'

(Adelaide and Mount Lofty Ranges NRM Board [2012a] pp 47-48)

Div 2

'The investigations have concluded that for irrigators, the water levy (at its current level) comprises a small proportion of variable and total costs. For moderate profit and/or low water using industries, the levy has a minimal impact on farm profitability. However, for marginal operations the impact on farm profitability could be significant. Lower profit margin and higher water using industries are the industries where the NRM water levy could have a noticeable impact on enterprise profitability.'

'On the basis of the analysis undertaken, the investigations concluded that the NRM water levy does not place an unreasonable family, business or social burden on property owners in the Region.'

(Adelaide and Mount Lofty Ranges NRM Board [2012a] p48)

Consultation

The Board has undertaken an extensive community consultation process on the proposed amendments to the Business Plan. The consultation period extended from 7 November 2011 to 23 December 2011 (a total of 46 days). The process included:

- Publication of proposed amendments in *The Advertiser*.
- Targeted briefing in Board newsletters and e-news.
- Mail-out to key stakeholder groups including all local governments within the Board's region inviting written comment on the proposed amendments.
- Mail-out to peak bodies including SA Farmers Federation, Conservation Council SA and the Local Government Association.
- Opportunities for providing comment via the Board's website.

(A&MLR NRM Board [2012b] p2)

State Government Funding

The State Government makes an ongoing investment in natural resources management in the Adelaide and Mount Lofty Ranges NRM Region through the State NRM Fund. The method by which funds are allocated to regional NRM Boards is based on a set of agreed principles that take into account the relative resources and funding needs of each board rather than allocations being made on historical grounds.

The Board received \$998,000 from the strategic component of the State NRM Fund in 2011/12 for regional delivery. It has not budgeted for any funding under this program in 2012/13.

(Adelaide and Mount Lofty Ranges NRM Board [2012a] pp 29-30)

Australian Government Funding Arrangements

The Australian Government's Caring for Our Country initiative commenced on 1 July 2008. The Board has a confirmed baseline funding of \$2,209,000 per year until June 2013. An amount of \$383,000 has been included for the competitive pool funding (Caring for Our Country) in 2012/13. This gives a total of \$2,592,000 in Australian Government funding for 2012/13.

(Adelaide and Mount Lofty Ranges NRM Board [2012a] p30)

Other Funding Sources

The Board is anticipating it will receive interest of \$255,000 for 2012/13 and \$242,000 from grants and other contributions. It expects to receive \$109,000 in payroll tax reimbursement. This gives a total of \$606,000 in 'other funding' for 2012/13.

(Adelaide and Mount Lofty Ranges NRM Board [2012a] p30)

Summary of Funding Sources

Figure 2 summarises funding for the Adelaide and Mount Lofty Ranges NRM Board for 2012/13 based on information provided in the Board's business plan. The total estimated funding for 2012/13 is \$29,223,000 (though this includes the proposed 11.4% increase in the Division 1 levy). Figure 3 summarises funding sources for all of the regions.

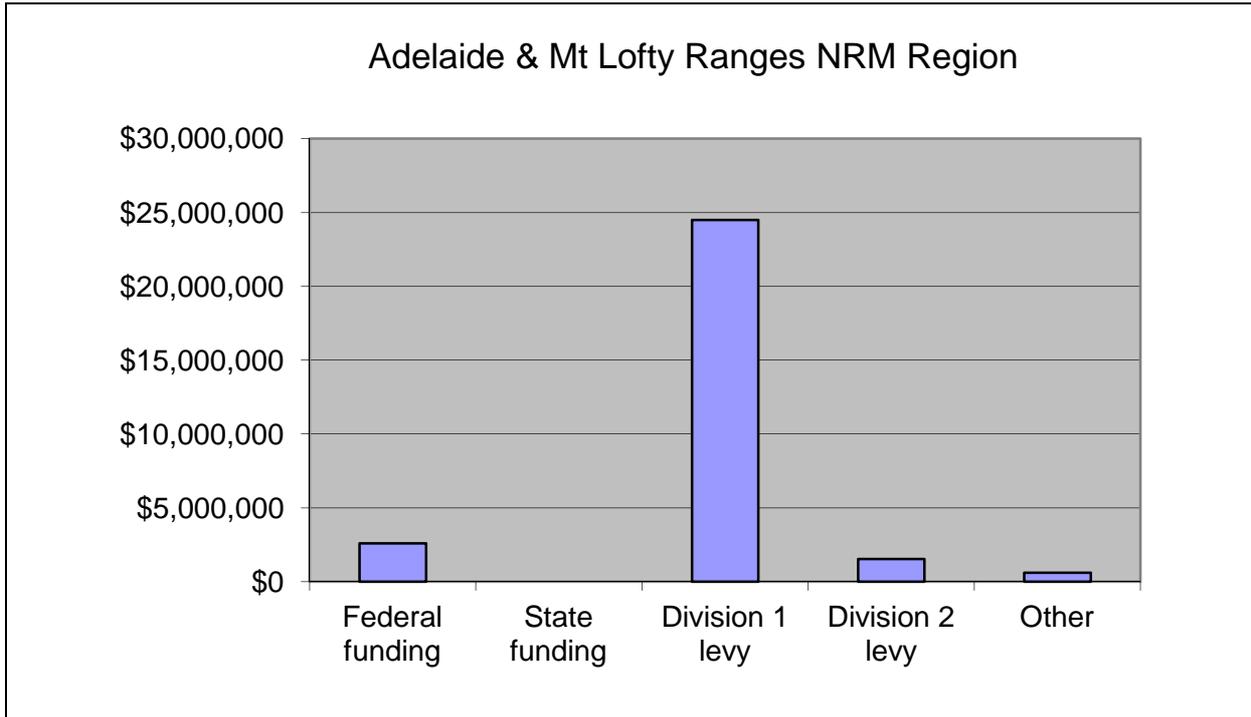


Figure 2: Estimated funding – Adelaide and Mt Lofty Ranges NRM Board – 2012/13 (Adelaide and Mount Lofty Ranges NRM Board [2012a], p30)

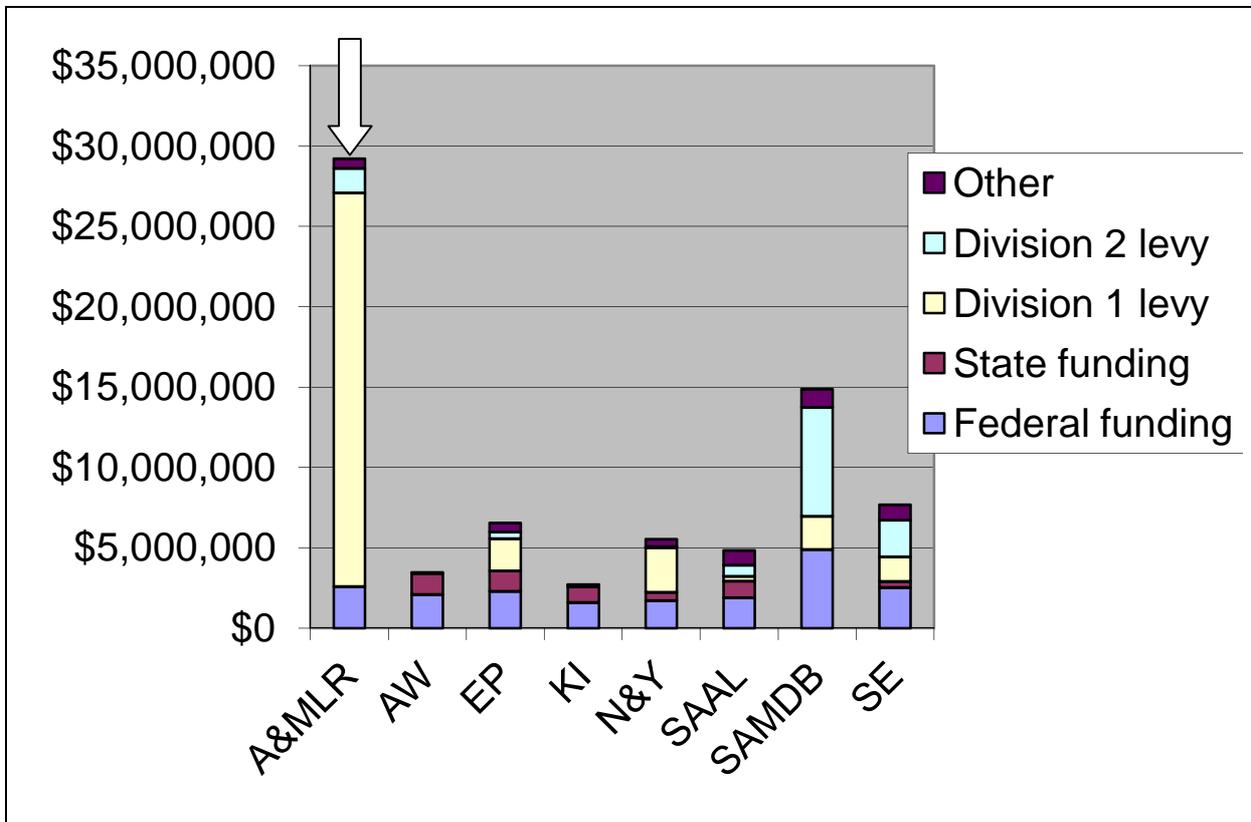


Figure 3: Comparison of funding for NRM Regions, 2012/13

Levy Proposal - Statement to the Minister

The Committee's resolution regarding the Adelaide and Mount Lofty Ranges NRM proposed levy for 2012/13 was forwarded to the Minister for Environment and Conservation on 7 May 2011.

The Natural Resources Committee has considered the levy proposal for the Adelaide and Mount Lofty Ranges Natural Resources Management Board for 2012/13.

The Committee noted that the proposed Division 1 (11.4%) and Division 2 (8.2% decrease) levy proposals resulted in an overall 10.8% increase which is greater than the 4% Consumer Price Index (CPI).

At a meeting of the Committee on Friday 4 May 2012 it was resolved to object to the Division 1 levy proposal for the Adelaide and Mount Lofty Ranges Natural Resources Management Board for 2012/13. The Committee resolved to not object to the proposed Division 2 levy which is less than CPI.

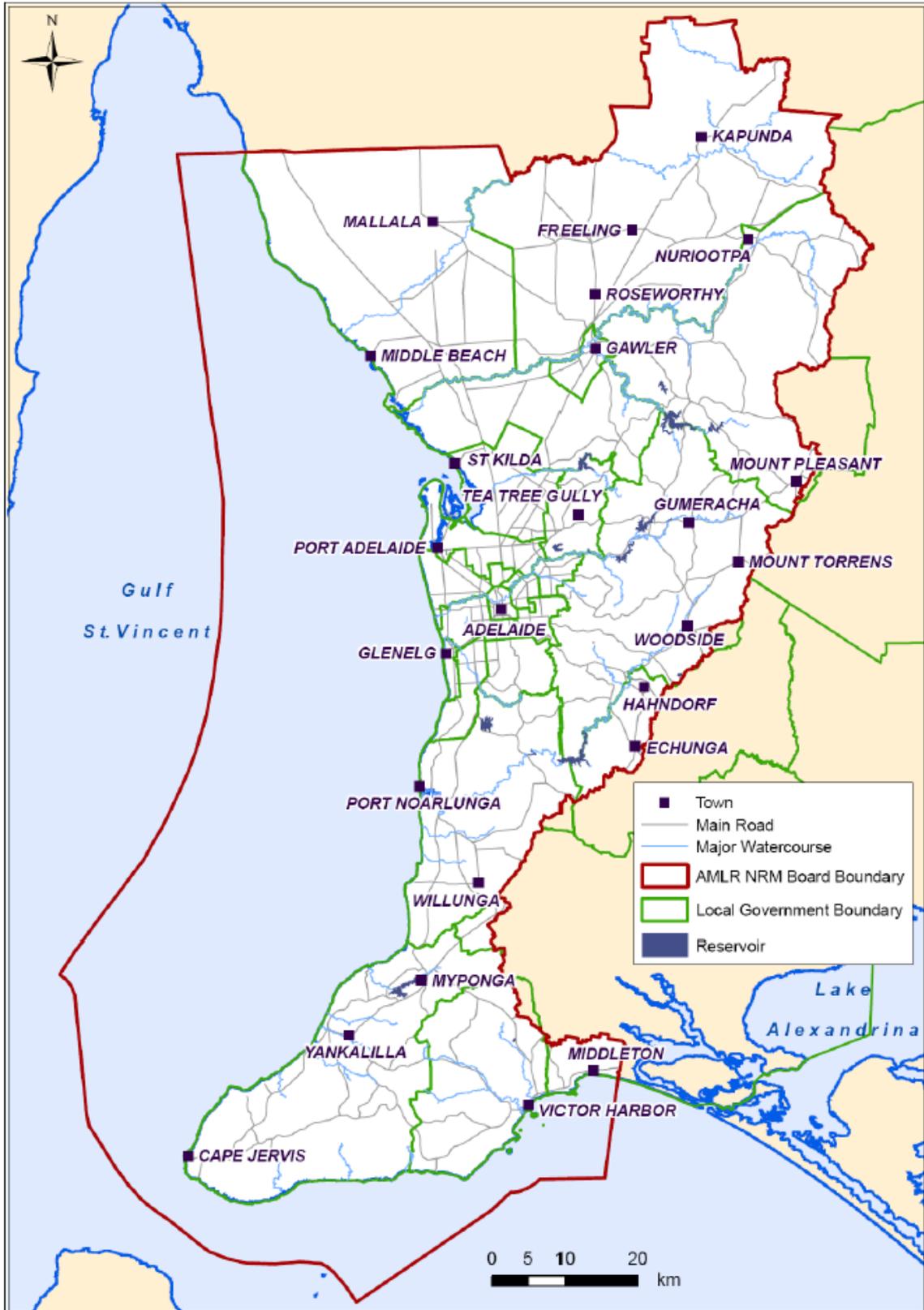
ABBREVIATIONS

CPI	Consumer Price Index
NRM Act	<i>Natural Resources Management Act 2004</i>
NRM	Natural Resources Management

REFERENCES

- Adelaide and Mount Lofty Ranges NRM Board (2008), *Creating a Sustainable Future – An Integrated Natural Resources Management Plan for Adelaide and the Mount Lofty Ranges Region – Volume A, State of the Region Report*, Government of South Australia, June 2008
- Adelaide and Mount Lofty Ranges NRM Board (2012a), *Natural Resources Management Plan for the Adelaide and Mount Lofty Ranges Natural Resources Management Region - Volume C, The Board's Investment plan, 2012/13 – 2014/15*, Government of South Australia, 4 April 2012
- Adelaide and Mount Lofty Ranges NRM Board (2012b), Submission to the Natural Resources Committee, 16 April 2011
- Adelaide and Mount Lofty Ranges NRM Board (2011), PowerPoint presentation to the Natural Resources Committee, 11 April 2011

APPENDIX 1: ADELAIDE AND MOUNT LOFTY RANGES NATURAL RESOURCES MANAGEMENT REGION MAP



APPENDIX 2: GAZETTED LEVY RATES 2011/12

NRM Region / Council area		Levy rate	Total amount recovered		Other information			
NRM Region	Council	Cents in the dollar rate	As gazetted 2 June 2011, page 1968)	Calculated rate (Tot. value x levy rate in \$s) OR levy quantum from Business Plan where fixed rate applies and where differs from gazetted total	Total value of rateable land as stated in gazettal for each Council area but adjusted where councils are within two NRM regions	Variation in amount recovered due rebates etc	Levy rate for property valued at \$350,000 (for variable rate) or flat rate per property, as applicable	Date each Council rate gazetted
Adelaide and Mount Lofty Ranges	Adelaide	0.001787	\$1,078,645	\$1,134,741	\$634,997,900	\$56,096	\$6	7-Jul-11
	Adelaide Hill	0.009229	\$781,488	\$809,815	\$8,774,680,312	\$28,494	\$32	14-Jul-11
	Alexandrina	0.0074	\$114,565	\$95,028	\$1,284,161,205	\$10,731	\$26	14-Jul-11
	Barossa	0.008682	\$357,494	\$355,253	\$4,091,836,016	\$231	\$30	14-Jul-11
	Burnside	0.00822	\$1,180,211	\$1,181,553	\$14,374,126,380	\$1,342	\$29	21-Jul-11
	Campbelltown	0.008366	\$778,408	\$788,684	\$9,427,250,000	\$10,276	\$29	7-Jul-11
	Charles Sturt	0.008212	\$1,952,595	\$1,983,517	\$24,153,886,363	\$30,922	\$29	14-Jul-11
	Gawler	0.00863	\$262,009	\$270,948	\$3,139,600,960	\$8,939	\$30	18-Aug-11
	Holdfast Bay	0.008229	\$875,698	\$887,668	\$10,787,072,550	\$11,970	\$29	7-Jul-11
	Light Regional	0.00899	\$259,920	\$266,651	\$2,966,080,930	\$6,731	\$31	14-Jul-11
	Mallala	0.008615	\$128,368	\$130,173	\$1,511,006,640	\$1,805	\$30	7-Jul-11
	Marion	0.00818	\$1,341,977	\$1,402,574	\$17,146,381,040	\$60,597	\$29	7-Jul-11
	Mitcham	0.00829	\$1,156,160	\$1,273,514	\$15,362,049,020	\$117,354	\$29	14-Jul-11
	Mount Barker	0.009469	\$89,475	\$90,259	\$953,206,007	\$784	\$33	21-Jul-11
	N,P, St P	0.00826	\$883,634	\$922,318	\$11,166,075,360	\$38,684	\$29	21-Jul-11
	Onkaparinga	0.009048	\$2,227,793	\$2,341,122	\$25,874,472,307	\$113,319	\$32	21-Jul-11
	Playford	0.00854	\$801,411	\$831,583	\$9,737,507,948	\$30,172	\$30	14-Jul-11
	Pt. Adel. Enfield	0.00785	\$1,880,814	\$1,917,633	\$24,428,439,816	\$36,819	\$27	21-Jul-11
	Prospect	0.00827533	\$399,382	\$408,773	\$4,939,662,300	\$9,391	\$29	7-Jul-11
	Salisbury	0.008275	\$1,518,302	\$1,519,576	\$18,363,451,542	\$1,274	\$29	7-Jul-11
Tea Tree Gully	0.00858	\$1,325,336	\$1,341,221	\$15,631,949,200	\$15,885	\$30	7-Jul-11	
Unley	0.008273	\$942,844	\$960,628	\$11,611,604,081	\$17,784	\$29	28-Jul-11	
Victor Harbor	0.0077	\$289,135	\$301,843	\$3,920,044,444	\$12,708	\$27	7-Jul-11	
Walkerville	0.0085	\$206,547	\$219,061	\$2,577,192,600	\$12,514	\$30	14-Jul-11	
West Torrens	0.008102	\$1,023,933	\$1,159,792	\$14,314,887,080	\$135,859	\$28	14-Jul-11	
Yankalilla	0.0081	\$143,856	\$149,503	\$1,845,716,180	\$5,647	\$28	7-Jul-11	
TOTAL/AVERAGE		0.0081462	\$22,000,000	\$22,743,432	\$259,017,338,181	\$776,327	\$29	