

REVIEW OF LOCAL LAND SERVICES BOARDS AND COMMITTEES

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Acknowledgement of Country

The author acknowledges the Traditional Custodians of the land and pays respect to Elders past, present and future. The author also recognises the unique, diverse and enduring cultures of Aboriginal peoples and communities in NSW.

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Executive summary

Local Land Services (LLS) works with customers, stakeholders and investors to achieve outcomes in biosecurity and sustainable land, natural resource and cultural heritage management through a unique model focused on capacity building, brokering relationships and partnerships, sharing knowledge and connecting other agency initiatives.

It is recognised as a high performing organisation which is regionally relevant, provides tailored services to meet local needs, attracts a high level of trust and is able to achieve on ground outcomes without coercion.

Review of future challenges and opportunities suggests that these attributes will become even more important in the future.

The structure of LLS is relatively complex, reflecting its local service mandate and funding base. Key features include:

- LLS is a statutory corporation which is a NSW Government agency
- It has a state level governing board (the LLS Board)
- It has 11 local boards, each with the status of a NSW Government agency
- It has a CEO who is the head of the LLS staff agency
- The Minister has the power to direct
- Funding comes predominantly from a NSW core Treasury grant, landholder rates, Australian Government programs (currently Natural Heritage Trust) and fee for service (largely project funding)

The focus of this review was the nature of the board and committee structures and how they operate. It was not a performance review or a review of the *Local Land Services Act*.

Appropriateness of existing LLS Board and Committee structures to meeting current and future needs.

LLS is a functional and well regarded organisation whose board and committee structures appear to have supported effective governance and organisational performance. The Board and Committee structures are capable of meeting current needs of the organisation and the people they serve but the model would benefit from improvements to best equip it for the future. Some of these would require legislative amendments.

Opportunities which could be addressed include:

- Simplifying and redefining the status and governance responsibilities of local boards and the LLS Board. Currently each of the 12 boards and the CEO have separate and distinct responsibilities, with the local boards each being designated as a NSW Government agency. While integration appears to be happening in practice, the underpinning arrangements appear to add cost and complexity and create confusion.
- Redefining the desired focus of local and state boards and committees and aligning the balance of skills, knowledge and experience of board members to the desired focus. This could include greater strategic focus to capitalise on future opportunities and complement

greater emphasis on community engagement, collaboration, co-design and delegation at local level.

- Considering a system wide review of committees to promote the value of time-bound committee structures and alternative approaches to consultation, while recognising that a level of formality and accountability can increase community engagement.
- Considering lower cost alternatives to the current structures which retain the benefits of the current model.

Appropriateness of costs of existing structures for the functions they perform

Costs of the existing structures comprise board member remuneration, direct costs associated with board meetings and direct costs of board support including contracted providers to support board recruitment, elections and board professional development.

Indirect costs include staff support for appointment and election processes, staff time arising from compliance requirements and board support functions beyond those which would be undertaken in the absence of boards.

The current remuneration determination appears not to reflect the reduced scope of governance responsibilities of local boards that has evolved over time. The determination also categorises the LLS Board as an advisory board which is not consistent with its statutory role. It would be appropriate to review remuneration.

There is an opportunity to use virtual meetings where practical to minimise costs of travel and venue hire.

Costs are largely a consequence of the regional model established by the Act. Apart from the above aspects, costs are considered appropriate for the functions they currently perform.

There are opportunities to reduce costs associated with compliance if the status of local boards is redefined, or total direct and indirect costs if there are more significant changes to the model.

Efficiency and effectiveness of processes for appointing and electing members

The process for appointing members appears efficient. Consideration could be given to allowing reappointments (within statutory limitations on number of terms) subject to performance review, without declaring vacancies and readvertising.

The effectiveness of the process for appointing members could be improved by the use of formal skills matrices (and potentially amendment to the prescribed criteria to better reflect the difference in function between local and LLS Boards) to better align required skills to the respective functions of LLS and local boards.

Election processes have been comprehensively reviewed after each election with a view to improving efficiency. Opportunities to improve efficiency are constrained by the requirement for voters to be ratepayers and the associated complexities and costs of establishing eligibility.

Consideration could be given to amending the *Local Land Services Regulation 2014* to allow for election packs to be sent out with rate notices, particularly if this can be done in conjunction with moving to an online/self service model. Amendments could also be considered to adopt a risk based

approach to processes designed to preserve the integrity of the electoral process and to provide flexibility to to adopt new technologies as they become available.

Low voter participation has been identified as a concern, prompting consideration of alternative options for ratepayer participation. There are options that retain direct ratepayer representation that could be considered in combination with other opportunities for improvement.

Removing the opportunity for direct representation would be a significant change requiring further analysis and more detailed consideration. Consultation with ratepayers and the relationship between ratepayer representation and support for rates are important considerations for any option involving change to current processes.

Appropriateness of representation of women, Aboriginal people and consistency with 'local' ethos

There has been considerable progress towards appropriate representation of women and aboriginal people but there are some challenges inherent in the current LLS Board structure.

Representation of women and Aboriginal people on local boards reflects population averages and is above the 6% target in the Regional NSW Aboriginal Employment Strategy. The composition of the LLS Board is well below benchmarks with 25% women and no members declaring themselves as Aboriginal. This reflects the makeup of chairs of local boards.

With the exception of 2 members, all board members are resident in the region in which their board operates.

It could be helpful for consultation to be undertaken with existing minority members to determine whether any aspects of the current governance and operational arrangements are acting as a disincentive. The 3 year review of the Aboriginal Engagement Strategy could provide an opportunity for further consideration and co-design of strategies to improve Aboriginal representation.

Board and operational practices (such as mentoring and Board member selection processes) have been effective in achieving progress to improve representation of women and Aboriginal people and, if continued, may achieve further progress without altering the model. This could be accelerated by directing the LLS Board to develop and implement through the local boards a formal mentoring and capacity building program with specific targets and annual reporting on progress.

On the other hand, consideration could be given to whether other models could lead to better outcomes without loss of the "local ethos" which is effectively realised by the current arrangements.

Any changes needed to clarify the role, responsibilities and obligations of members of Boards and Committees

Consultation suggests that there is generally good understanding of the role, responsibilities and obligations of Board and Committee members, at least at the level of the LLS Board.

The charter requires a formal review of Board performance every 5 years. It would be useful for this review to be undertaken as soon as practicable, preferably before terms of current directors expire. This review could explore how well the role, responsibilities and obligations are understood and undertaken.

As noted above, there are opportunities to simplify and clarify board and committee status and consequently the task of explaining roles, responsibilities and obligations.

Risks

Six categories of risk to LLS strategic objectives have been identified and have been considered in evaluation of options. These are:

- Strategic – impact on future opportunities
- Operational – impact on service delivery
- Financial – impact on support for rating, cost of options
- Performance – impact on quality of governance, ‘local ethos’ and state priorities
- Reputational – impact on stakeholder support
- Implementation – impact on continuity and transition to any new model

Options

5 options have been developed, informed by opportunities for improvement identified in this report and risk analysis.

Options are:

1. Status Quo
2. Options that retain the existing board and committee structures with improvements
 - 2A Implement a package of initiatives.
 - 2B Regional rationalisation combined with a package of initiatives.
3. Options that reconfigure board structures
 - 3A Integrated governance – single state level board comprising chairs of regional subcommittees.
 - 3B Governance separate from representation – single skills based board required to consult with regional subcommittees represented on a state level forum.
 - 3C One board with regional representatives.

The results of the preliminary evaluation are summarised in the following table.

Table i Preliminary evaluation of options

Test	Preliminary evaluation					
	Status quo	2A	2B	3A	3B	3C
Does it enhance or at least preserve the unique strengths of LLS?	Yes	Yes	Partly	Yes	Partly	Limited
Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Yes	Yes	Yes	Yes	Yes	Yes
Is the cost of implementing outweighed by the benefit (not just financial)?	Maybe	Likely	Maybe	Likely	Maybe	Unlikely
Strategic risk	Low	Low	Low	Low	Low	High
Operational risk	Low	Low	Medium	Low	Medium	Medium
Financial risk	High	Low	Medium	Low	Medium	Medium
Performance risk	Medium	Low	Medium	Medium	Medium	Medium
Reputational risk	Medium	Low	Medium	Medium	Medium	High
Implementation risk	Low	Medium	Medium	Medium	High	High

Key:

Green – low risk. Likely to have negative impact which could be managed, neutral or positive impact.

Yellow – medium risk. Requires further consideration and analysis of feasibility, effectiveness and/or cost of actions to mitigate risk.

Red – high risk. Requires further consideration and analysis of feasibility, effectiveness and/or cost of actions to mitigate risk. Significant residual risk possible or likely.

Terms of Reference

Consistent with the NSW Government's review of all Boards and Committees as well as a number of critical events and decisions over the next 12 months that will determine membership of Local Land Services (LLS) Boards and Committees for the next four years, the Minister for Agriculture, Minister for Regional New South Wales and Minister for Western New South Wales, the Hon. Tara Moriarty, has requested the Secretary of the Department of Regional NSW to appoint an independent person or persons to conduct a high level review.

The review will:

- Assess existing LLS Board and Committee structures to ensure that they are appropriate to meet the current and future needs of the organisation and the people they serve.
- Identify the costs of the existing structures and determine whether they are appropriate for the functions they perform.
- Examine the process for appointing and electing members to determine whether these processes are efficient and effective.
- Assess whether any changes need to be made to ensure appropriate representation of women, Aboriginal people and that the membership appropriately reflects the 'local' ethos of LLS.
- Determine whether any changes are needed to clarify the role, responsibilities and obligations of members of Boards and Committees.
- In providing options for the Minister, consider any risks that need to be considered such as the changeover of 8 current Board Chairs in early 2024.
- Provide options for the Minister's consideration.

The review is to be completed by 31 August 2023.

Background

Local Land Services was established following the passage of the Local Land Services Act (LLS Act) in 2013. Board and Committee structures were set out in the 2013 Act and have operated within that framework since inception, with some clarifications occurring through 2017 amendments to the Act.

This review has been undertaken within the context of the LLS Act and is limited to LLS Boards and Committees. It has been guided by the following assumptions:

- The LLS Act, its objects, the division of the State into regions and the assignment of regional and state level functions will remain – this is not a review of the Act.
- There will be a continuing role for boards and/or committees in some form.
- There will continue to be engagement with local communities and landholders to identify, prioritise and deliver services relevant to local needs.

As requested, the review has been conducted at a high level and has been based on a desktop assessment and limited consultation. Observations and themes have been primarily informed by:

- Documents supplied by LLS and provided on request.
- Publicly available documents accessed on line.

- Consultation with the independent chair and members of the LLS Board and the LLS Chief Executive Officer (see appendix 1).

Consideration has focused on the nature of the board and committee structures and associated legislative and policy requirements. The review has not been approached as an audit or a performance review of LLS or its Boards and Committees.

This report has been designed to:

- Collate factual information,
- Record observations and identify themes arising from them
- Outline and comment on possible options arising from these observations and themes.

The nature and time frame for this review preclude definitive conclusions. Observations and themes should be further tested and options will require further consideration, consultation and investigation.

The assistance of LLS staff with provision of information, consultation arrangements and response to requests is gratefully acknowledged.

Overview of LLS

What is LLS?

Local Land Services works with customers, stakeholders and investors to:

- provide resources, incentives, training, information and advice to build the capacity of customers and stakeholders
- provide assurance by working to protect NSW from invasive animal and plant species, and livestock and plant diseases that may damage landscapes and production
- manage natural resources by working with communities to better manage our water, land, soil, vegetation, biodiversity and cultural heritage. This includes managing travelling stock reserves and areas of significance to Aboriginal communities
- broker relationships by being a bridging organisation, connecting people, organisations, funding and information and facilitating productive collaborations and partnerships.
- share knowledge by providing a hub for the latest scientific and other forms of knowledge about fully functioning and productive landscapes in NSW
- work with other agencies to achieve whole of government results for the landscapes and people of NSW¹.

LLS is a unique organisation in its design, function and governance.

Its functions and design were influenced by those of its predecessors – the Catchment Management Authorities, Livestock Health and Pest Authorities and NSW Department of Primary Industries extension services.

Its board and committee structures incorporate aspects of a democratic representative model and best practice corporate governance. The structures also reflect its significant reliance on rate based funding as well as a NSW Treasury cluster grant, fee for service and Australian Government National Heritage Trust funding.

Funding is derived from a variety of sources.

For FY23 revenue was broken up as follows:

44% NSW Treasury funded

19% rates

5% other – Travelling Stock Reserve (TSR) permits, Hunter Catchment Contribution (HCC), interest

9% National Landcare Program (to be replaced by the Australian Government National Heritage Trust program – funding for 23/24 not confirmed)

22% fee for service eg river rehabilitation, reconnecting river country, environmental trust programs.

Total expenditure was \$263m. In FY23, revenue and expenditure reflected a special allocation for Foot and Mouth disease preparedness.

Projected revenue from rates for calendar year 23 is \$56m and projected expenditure for FY24 is \$189m.

The LLS Act establishes a governing board (called “the LLS Board” in the Act but sometimes referred to as the “State Board”) comprising the chairs of 11 local boards and an independent chair who is a

¹ Local Land Services Annual Report 2021-2022

statutory officer (not a public servant) and whose contract of employment is governed by specific provisions of the *Government Sector Employment Act 2013*, including in relation to remuneration.

The CEO is not appointed by the Board and is the leader of the staff agency, given LLS itself is not able to employ staff. The CEO is responsible for the day-to-day management of the affairs of LLS, subject to the policies and directions of the Board.

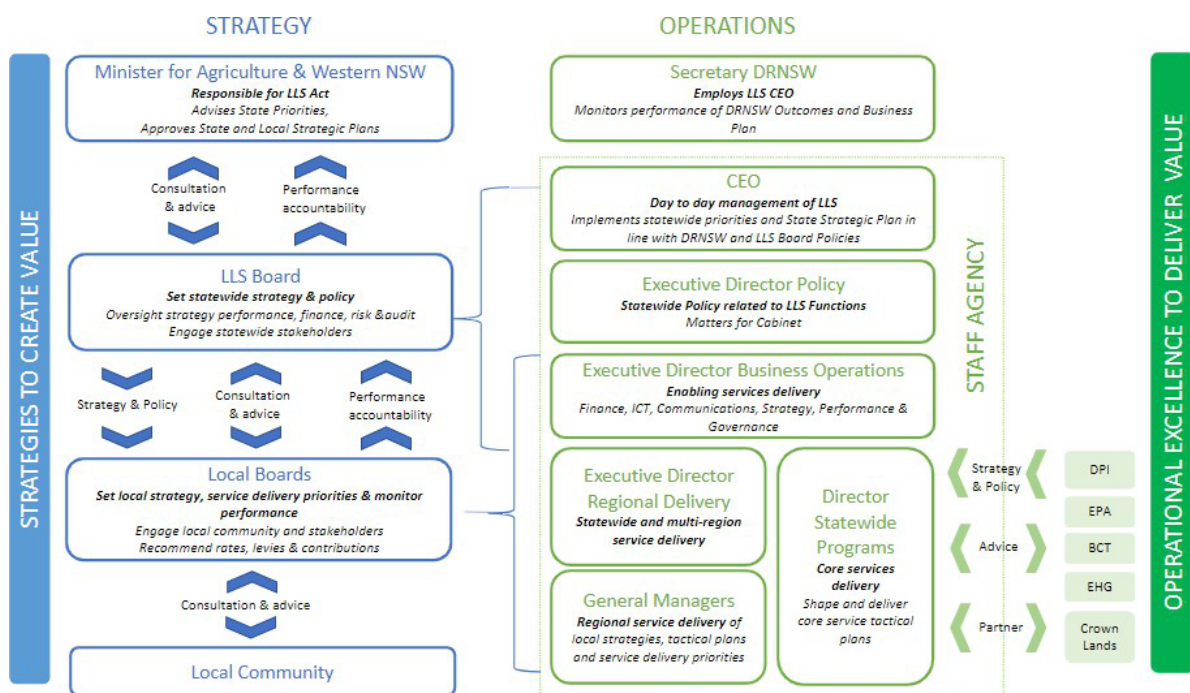
The LLS Act also establishes 11 local boards, each of which is designated a NSW Government agency, as is LLS itself. The functions of the local boards include aspects of governance (such as preparing local strategic plans and monitoring of performance of LLS in the region) and advice (such as making recommendations to the Board in relation to the making of rates, levies and contributions on rateable and other land in the region).

There has been some change to the governance structure and allocation of functions since creation of LLS in 2013. Most recently, 2017 amendments to the Act clarified the role of the CEO and LLS Board. (See Appendix 2)

The LLS Act includes specific requirements for audit, with the preferred auditor being the NSW Natural Resources Commission (NRC). Audits by the NRC and the Performance Standard for LLS (2015) have informed changes made since inception.

The division of responsibilities is illustrated in the following diagram, taken from the Local Land Services board Charter.

Figure 1 – Division of responsibilities - refer to Appendix 6 (page 73) for long description.



The LLS State Strategic Plan 2020-2030 defines the LLS vision as “vibrant communities in productive healthy landscapes” delivering against the State Outcome Indicator of “enhanced management and productivity of NSW land”.

Key legislative provisions relevant to this review are included in Appendix 3.

The objects of the Act are:

- (a) to establish a statutory corporation (to be known as Local Land Services) with responsibility for management and delivery of local land services in the social, economic and environmental interests of the State in accordance with any State priorities for local land services,
- (b) to establish a governance framework to provide for the proper and efficient management and delivery of local land services,
- (c) to establish local boards for the purpose of devolving management and planning functions to regional levels to facilitate targeted local delivery of programs and services to meet community, client and customer needs,
- (d) to require decisions taken at a regional level to take account of State priorities for local land services,
- (e) to ensure the proper management of natural resources in the social, economic and environmental interests of the State, consistently with the principles of ecologically sustainable development (described in section 6 (2) of the Protection of the Environment Administration Act 1991),
- (f) to apply sound scientific knowledge to achieve a fully functioning and productive landscape,
- (g) to encourage collaboration and shared responsibility by involving communities, industries and non-government organisations in making the best use of local knowledge and expertise in relation to the provision of local land services,
- (h) to establish mechanisms for the charging of rates, levies and contributions on landholders and fees for services,
- (i) to provide a framework for financial assistance and incentives to landholders, including, but not limited to, incentives that promote land and biodiversity conservation.

What are the strengths of the LLS model?

It is important that the current board and committee structures, or any modification which may be proposed supports or enhances the strengths of the LLS model. Consultation and information review suggests these strengths include:

- Strategy and service delivery tailored to regional needs and priorities but consistent with State policy and strategy.
- Builds trust in Government and encourages voluntary compliance with regulatory and policy objectives – environmentally sustainable, biosecure and productive land use across the State.
- Local location of expert staff delivering services and customer service focus
- Ability to scale up and adapt services to unpredictable demands of emergencies and natural disasters.
- Leveraging knowledge, creativity and partnership opportunities from regional communities.

- Regional ownership of strategy, services and outcomes – farmers, land managers and community members at the heart of decision making.
- Regional leadership which contributes to driving change to achieve regional and state-wide Government priorities.
- Co-funding by NSW Government, ratepayers, Australian Government and other partners.

1. Assess existing LLS Board and Committee structures to ensure that they are appropriate to meet the current and future needs of the organisation and the people they serve.

1.1 Background

Board and committee structures

Board and committee structures include:

The LLS Board

The Finance Risk and Audit Committee (FRAC)

11 local boards

Local community advisory groups (LCAGs), including Aboriginal local community advisory groups

Pest and Weed advisory committees (which are LCAGs in terms of the Act)

(The Act also establishes a Native Vegetation Advisory Panel which has not been considered as part of this review)

Board and committee functions

The functions of the LLS Board are:

- (a) to determine the general policies and strategic direction of Local Land Services,
- (b) to determine the policies, procedures and directions of Local Land Services in accordance with which a local board must exercise its functions,
- (c) such other functions as are conferred or imposed on it by or under this or any other Act or law.

Without limiting subsection (a), the Board is to determine the general policies and strategic direction of Local Land Services with respect to the following—

- (a) organisational governance and strategy,
- (b) risk management,
- (c) service delivery priorities,
- (d) community engagement.

In exercising functions as members of the Board, members of the Board are to be guided by the principle that the public interest in the delivery of local land services in the State as a whole takes precedence over the delivery of local land services in any region.

The functions of a local board for a region are as follows—

- (a) to prepare a local strategic plan in respect of the delivery of local land services in the region,
- (b) to monitor the performance of Local Land Services in the region, including by reference to the local strategic plan,

(c) to make recommendations to the Board in relation to the making of rates, levies and contributions on rateable and other land in the region,

(d) to collect, collate, maintain, interpret and report information with respect to its functions,

(e) to communicate, consult and engage with the community in developing plans and in respect of the delivery of programs and services by Local Land Services in the region,

(f) to develop a strategy for engagement of the Aboriginal community in the region in respect of the provision of local land services,

(g) to provide advice to the Minister,

(h) to exercise such other functions as are conferred or imposed on it by or under this or any other Act.

In addition, local community advisory groups are required under S33 of the LLS Act:

(1) Each local board is to establish one or more local community advisory groups for its region in accordance with this section.

(2) A local community advisory group is to consist of persons that the local board considers to be suitably qualified to serve on the group and to be suitably representative of the interests of the local community and stakeholders in the region.

(3) Each local board is to prepare terms of reference for the local community advisory groups for its region.

The LLS Board and local board charter provides guidance to boards on the exercise of board functions.

Current and future needs of the organisation and the people it serves

The current and future needs of the organisation and the people it serves have been derived from the LLS State Strategic Plan 2020-2030, local Strategic Plans, consultation and consideration prevailing trends²³.

LLS will need to build on its unique strengths and adapt to future strategic and operational challenges and opportunities.

LLS will need to deliver on its vision of vibrant communities in productive healthy landscapes and its state outcome indicator of enhanced management and productivity of NSW land. In order to do this, the board and committee structures will need to support the strategies developed at a State and local level to achieve strategic goals in customer focused service delivery, customer and stakeholder engagement and organisational improvement⁴.

Looking into the future, board and committee structures will need to support LLS to respond strategically to drivers such as:

- Increasing biosecurity threats

² Naughtin C, Hajkowicz S, Schleiger E, Bratanova A, Cameron A, Zamin T, Dutta A (2022) Our Future World: Global megatrends impacting the way we live over coming decades. Brisbane, Australia: CSIRO.

³ Intergenerational Report 2023 Australia's future to 2063. Australian Government

⁴ LLS State Strategic Plan 2020-2030

- Climate change impacts including the need for climate resilience and market based solutions.
- Global economic trends impacting on export markets and demands for production systems to demonstrate environmental and animal welfare credentials.
- The changing face of regional communities, including business structures, demographic and regional differences and evolving customer needs and expectations.
- Demands for a flexible workforce to meet increasing and more frequent expectations to service unpredictable events such as natural disasters and biosecurity emergencies.
- Evolving expectations of performance and accountability
- Demands for increasing efficiency and diversion of resources to “on ground” activities
- Opportunities and threats in relation to partnerships and financial security.
- Questions about the legitimacy of the rate base on the one hand, and expectations of greater levels of landholder funding on the other.
- Opportunities and threats in relation to emerging technologies (information and agricultural).
- Opportunities for LLS to be the provider of choice at a local and regional level.

One factor which should be taken into account is that LLS has matured considerably since its creation in 2013. The board and committee structures were designed in an environment of major change with the creation of a single organisation from 25 predecessor organisations. It is appropriate that the focus of change leadership is more strategic in the future, building on past successes in organisational consolidation and culture building.

Importantly, this characterisation of future needs supports the LLS regional model and reinforces the Act’s identification of those functions best undertaken at regional or state levels.

Appropriateness

The Terms of Reference require board and committee structures to be assessed on whether they are appropriate to meet current and future needs as defined above.

For the purposes of this review, “appropriateness” has been defined as:

- Supporting the performance of the organisation (enabling the “proper and efficient management and delivery of local land services”)
- Structure and function well aligned
- Cost effective.

The board and committee structures were assessed using the following approach:

- Considering how well the structures are supporting organisational performance
- Considering the alignment of particular aspects of the structures, specifically:
 - Is the status of the local and LLS Board appropriate?
 - Are the size, number and boundaries of regions appropriate?
 - Are the statutory requirements for Board membership appropriate?
 - Are committee arrangements appropriate?
- Considering whether the arrangements deliver value for money.

1.2 Observations

Do board and committee structures support organisational performance?

The second object of the LLS Act is to establish a governance framework to provide for the “proper and efficient management and delivery of local land services”. It is reasonable to consider how well the current structures perform against this object.

Consultation and documentation review⁵ identified many positive aspects of LLS’s performance achieved under the leadership of the current boards. It is reasonable to assume that these aspects are either attributable to the current structures and their performance, or that they are at least supported by the current structures. These include:

- Maintaining a positive culture and dedicated and committed workforce.
- A high level of customer satisfaction
- A good reputation for on ground delivery and regionally appropriate activities, particularly in response to biosecurity and other emergencies.
- Focus on cost effectiveness and efficiency and continuous improvement
- Sharing of financial and staff resources across regional boundaries and scalability to deal with unpredictable demand
- Developing appropriate measurable, scoreable indicators of performance
- Development of partnerships at local and State level
- Achievement of significant on-ground outcomes as documented in successive annual reports

Some aspects of LLS’s performance were raised as opportunities for improvement or appear to be inconsistent across regions or less well developed. These include:

- Highly strategic thinking and innovation
- Fully utilising the skills, experience, creativity and networks of **all** Board members and regional communities to design initiatives, build partnerships and provide a conduit for two way information flow
- Difficulty defining the “value add” from formal Board and committee structures
- Broader and deeper community recognition of LLS and the services it offers and community commitment to local strategic plan initiatives
- Clarity of purpose and expectation management.

In terms of the appropriateness of board and committee structures, consideration of these aspects prompts questions such as do the structures:

- encourage or inhibit strategic vision and innovation?

⁵ 2021 LLS State-wide Customer Focus Survey – Instinct and Reason

Future State Co-Design Workshop Pre-read - Service Delivery Model Strategy Phase 2: Future State Design 22 March 2023

People Matter NSW Public Sector Employee Survey 2022

LLS People Matter Employee Survey 2022 – Action Plan 2023-24

LLS Local strategic plans 2021-2026

LLS Enabling services review Operating Model Review Final Report Final Draft

Extracts from LLS Business Evidence Reporting Tool

- maximise opportunities for Board performance as well as conformance?⁶
- assist or impede local community members from understanding, contributing to and co-designing the functions and services offered by LLS?

There are also other objects of the Act which are reasonable tests for the performance of the existing structures.

The objects state that the purpose of establishing local boards is to devolve management and planning functions to regional levels to facilitate targeted local delivery of programs and services to meet community, client and customer needs but, at the same time, that the model has been designed to require decisions taken at a regional level to take account of State priorities for local land services.

High level review of documentation, including financial and regulatory delegations, suggests that the current structures are consistent with devolution of management and planning functions to regional levels.

There appears to be limited utilisation of delegations from LLS Board to local board which appears not to fully give effect to the object of the Act “to establish local boards for the purpose of devolving management and planning functions”.

The 2017 amendments to the LLS Act clarified the role of the LLS Board and the relationship between state and regional priorities – this is reflected in the recently updated Board Charter and recent external reviews of enabling services (complete) and customer focused service delivery (underway). While there will always be tension between local and regional priorities and decision making, the structures appear to support an appropriate balance between regional and State priorities.

The objects also reveal that the model has been designed “to encourage collaboration and shared responsibility by involving communities, industries and non-government organisations in making the best use of local knowledge and expertise in relation to the provision of local land services”.

Comments made during consultation suggest that there may be a shortfall between what is being achieved in this respect and what is potentially possible. In terms of the nature of current structures, this raises the question of whether there is a need for greater focus at a local level on these aspects.

Is the status of the local boards and LLS Board appropriate?

The Act establishes both the LLS Board and local boards as formal governing boards. Each local board (but not the LLS Board) has the status of a NSW Government agency.

In practice, and according to the allocation of functions in the Act, Local Boards are considered “inconsequential agencies” in terms of the Government Sector Finance Act. They do not have financial delegations and are exempt from financial reporting requirements. Other formal governance requirements such as establishing an independent Finance, Risk and Audit Committee are also reserved for the LLS Board. As a consequence, consultation suggested the Local Boards are seen variously as “advisory committees” or “boards which aren’t proper Boards”. This is at odds with

⁶ The widely used “Tricker model” emphasises the importance of a board focusing externally on strategy (future) and accountability (present), not just internally on monitoring and oversight (present) and policy (future). Adapted from Key Ideas and Basic Models <https://www.bobtricker.co.uk/key-ideas.html> accessed 22/8/23

the Act's description of them as boards with the status of NSW Government agencies with at least some defined governance responsibilities.

The existence of 12 independent governance structures with distinct functions and a CEO who is not appointed by the board is unusual. Resulting reporting lines are complex with local General Managers and the CEO reporting to a governing board as well as through to the Secretary of the Department of Regional Services.

Other statutory corporations generally have either a governing board for the whole organisation (for example the Environment Protection Authority) or local boards but no high level governing board (for example, local health district boards).

The governance approach has evolved from the original interpretation of the Act provisions that placed primary responsibility for governance on the local boards to a model which clearly assigns that responsibility to the LLS Board.

The functions of the LLS Board were included in the 2017 amendments to the Act in response to recommendations made in a review of governance undertaken by the Natural Resources Commission⁷ to address concerns about lack of clarity in the relative responsibilities of the local boards and what was then titled the "Board of Chairs". The functions are generally consistent with those of other governing boards for statutory corporations.

Key questions arising from these considerations are:

- Is it necessary for all 12 boards to have independent governance responsibilities and for each local board to have the separate status of a NSW Government agency?
- Are there other models which would remove complexity, increase value and/or reduce cost while still achieving desired outcomes?

Are the size, number and boundaries of regions appropriate?

While not directly the subject of this review, the size, number and boundaries of LLS regions are relevant to the current board and committee structures. The Act requires the appointment of one local board per region, and the appointment of each local board chair to the LLS Board.

Changes to regional boundaries and the numbers of regions are able to be made by Ministerial order offering a relatively straightforward mechanism to change the number of local boards and members of the LLS Board.

The number of regions and their boundaries were determined after a lengthy and contentious consultation process taking into account the boundaries of the Catchment Management Authorities, that were based on catchments, as well as the regions overseen by Livestock Health and Pest Authorities and agricultural industry characteristics. NSW is the only state where publicly provided biosecurity, natural resources management and agricultural advisory services are provided by a single government agency.⁸

It is relevant to consider how LLS regions compare to those in other jurisdictions. While no other jurisdictions have regional bodies with the breadth of functions of LLS, they all do have "NRM regional bodies" of some kind.

⁷ Local Land Services governance audit Final report October 2015

⁸ LLS Board and local board charter 2023

There are 54 NRM regions across Australia. The number of regions in NSW is comparable to other States – for example Queensland (12 regions), Victoria (10 regions) and South Australia (9 regions). NSW is unique in having a single statutory entity representing the 11 regions. In other jurisdictions the NRM bodies are, for example, independent not-for-profit companies (Queensland, Western Australia) or are established under Statute and can be directed by the Minister but have no statutory coordinating arrangement (see Appendix 4 for more detail).

The ongoing existence of regional bodies in every jurisdiction and ongoing funding from the Australian Government reflect general acceptance of the value of formal regional governance in delivering against NRM objectives.

The existence of regions is a fundamental aspect of the LLS and its role in delivering local land services. Consultation and document review suggests the current regional size, number and boundaries:

- Support logical localisation of operations.
- Reflect distinct geographical/cultural/industry differences.
- Are about the right size to facilitate connection to local stakeholders.
- Do not have “hard borders” with interaction occurring across porous boundaries and a tendency for natural alignment with more similar regions.
- Are of appropriate size and number to allow regional flexibility to be balanced with delivery of state wide policies and programs.
- Accommodate distinct regional differences – for example Greater Sydney and Western are “different”, Greater Sydney because of the particular biosecurity risks which exist there, Western because of its small population and absence of other service providers.
- Are not giving rise to concerns about placement of regional boundaries.

Are the statutory requirements for Board membership appropriate?

The number and type of board members are set out in the Act:

- The LLS Board is to have an independent chair and members comprising the chairs of each Local Board.
- Local boards are to have 3 elected members and 4 appointed members, with the exception of Western which is to have 4 elected and 5 appointed members. The chair is appointed by the Minister from within the members. Only ratepayers can participate in elections.

The regulation sets out:

- The required expertise, knowledge and skills of appointed members of local boards
- A requirement for the Minister to have regard to the principle that a person appointed to a local board should reside in the local board’s region
- Who is eligible for election:
 - their principal place of residence must be in the region
 - they must not have nominated for a board in another region at the same time
 - they must not have served more than the maximum term of office
 - they must not be a member of staff of LLS or under 18
 - They must not have been declared bankrupt in the previous 15 years
 - They must not have been convicted in NSW of an offence that is punishable by imprisonment for 12 months or more (or an equivalent offence in another jurisdiction).

The arrangements appear to achieve the following objectives:

- Striking a balance between accountability to the local community and the community of NSW as a whole.
- Allowing ratepayers to elect some but not all members of local Boards.
- Valuing appropriate skills on local Boards to facilitate good governance.
- Limiting the size of local boards to encourage cohesiveness and contain costs.
- Ensuring local/regional interests are represented on the LLS Board.
- Providing mechanisms to ensure State interests are appropriately considered by requiring an independent Chair who is a statutory appointment.

Taken as a whole, this appears to be a reasonable balance between recognising the principle that those who contribute funding (ratepayers) should have a say and that appointments should be skills based.

There are some limitations of the current arrangements including:

- Local Boards are relatively small⁹– the absence of any requirement for particular skills in elected members can make it difficult to ensure the Board as a whole has an appropriate skills base. This could be addressed by mechanisms such stipulating base level skills for those seeking election, or establishing director nomination committees. However, such arrangements can also add costs, act as a deterrent to nominating or make the arrangements less representative.
- Low participation rate in elections raises the question of whether other models would be more effective in addressing the principle of ratepayer accountability. Some possible options are considered under TOR 3. Any such changes would require amendments to the Act.
- There are no requirements for the skills which should be possessed by members of the LLS Board, individually or in aggregate. This could be addressed in the selection process and could be reinforced by legislative amendment if considered necessary.
- The size of the LLS Board (12 people) is relatively large which can make consensus and decision making more difficult. In the current model, changes to the size could be achieved by altering the number of regions or appointing a single chair to more than one region. Alternatives, such as moving away from a representative model, would require legislative amendment.

These limitations do not appear to have prevented the effective governance of LLS but addressing them may be worthwhile if it can be achieved without a negative impact on what is currently working effectively.

Are committee arrangements appropriate?

The LLS Board has one subcommittee, the Finance, Risk and Audit Committee (FRAC), recently reviewed and re-established to comply with the Internal Audit and Risk Management Policy for the General Government Sector, TPP 20–08. The FRAC is comprised of a chair and three independent members selected from the NSW Treasury Pre-qualification scheme for audit and risk committee members. Two of the independent members are drawn from the membership of local boards, being considered independent under the TPP. Remuneration is consistent with the NSW Treasury Prequalification scheme for audit and risk committee members. There are no FRACs in place at local board level, nor is an additional FRAC required for the LLS staff agency.

These arrangements appear appropriate and efficient.

⁹ In Australia ideal board size is generally recommended to be 8-10 members

The Act (s33) requires each local board to establish one or more LCAG for its region. Terms of reference are required and membership is to be considered by the local board to be suitably qualified and representative of the interests of the local community and stakeholders in the region.

All local Boards have weed and pest management committees in place, consistent with requirements of the NSW Invasive Species Plan 2023-2028. These are considered to be local community advisory groups consistent with S33 of the Act.

Working groups are reported to be utilised to address specific matters requiring detailed consideration and reporting back.

There is regional variation in the extent to which formal committees are utilised by local Boards and are found to be effective. In general, there appears to have been a trend to reduce the number of formal committees and replace them with task specific working groups or time bound committees to address particular needs.

Committee members are generally not remunerated (with the exception of the FRAC). It is noted members of Aboriginal CAGs in some regions are reimbursed for travel, time and traditional knowledge.

Review suggests:

- Committee arrangements are appropriate and only in place where specifically required by State policy or justified in the context of that region.
- The Act requirement is sufficiently broadly drafted to allow flexibility to adopt regionally relevant approaches.
- The trend to move towards alternative approaches to consultation which may be more effective could be further encouraged. These include working groups, meetings “on country”, “town hall meetings”, or targeted consultation for a specific operational purpose. Use of the Government “Have Your Say” platform could also be encouraged.
- On the other hand, the structure and accountability associated with a formally constituted committee or working group can make consultation more effective and motivate community members to become involved.
- A formal Ministerial direction to local Boards to review committee arrangements to determine their effectiveness and consider alternatives could be considered.

Do the structures deliver value for money?

The costs of the current structures are identified under TOR 2. In the context of this rapid high level review, it is not possible to formally evaluate the benefits arising from the structures against the costs. This section explores the nature of the benefits, and the extent to which they can be attributed to board and committee structures.

In a general sense, any board should add value to the organisation through enabling and supporting the good performance of management, and by providing access to skills, experience, networks and independence from those who run the business.

The unique strengths of LLS are set out on p15. The current board and committee structures and functions appear to support all these strengths. Those which appear to be most critical to maintaining the strengths of the model are highlighted in bold:

- **Strategy and delivery tailored to regional needs and priorities but consistent with State policy and strategy.**
- **Builds trust in Government and encourages voluntary compliance with regulatory and policy objectives – environmentally sustainable, biosecure and productive land use.**
- Local location of expert staff delivering services and customer service focus.
- Ability to scale up and adapt services to unpredictable demands of emergencies and natural disasters.
- **Access to knowledge, creativity and opportunities at a regional level.**
- **Regional ownership of strategy, services and outcomes - farmers, land managers and community members at the heart of decision making.**
- **Regional leadership which contributes to driving change to achieve regional and state-wide Government priorities.**
- **Co-funding by ratepayers, Australian Government and other partners.**

Consultation suggested the value of local boards could be described in the following terms:

- Local board members have “skin in the game” – they are motivated to make the arrangements work and the agency successful.
- They act as a two way conduit for information – the “eyes and ears” to convey service user needs to Government and champion the priorities of the organisation to achieve on-ground outcomes.
- They tap into the “community monopoly on wisdom”.
- They are available to contribute to direct action in the face of a challenge – for example directly contacting people affected by natural disasters.
- They provide a valuable knowledge bank with skills and experience unlikely to be found within a bureaucracy, and value add to local decision making.
- They challenge what is not working - review and establish if there is value or change is required.
- They provide a valuable source of advice to the Minister.

These descriptors are supported by a review of samples of Board minutes and reports which demonstrate board member participation consistent with these descriptions and the extent of time commitment by board members outside of formal meetings.

Consultation and document review also suggested that some stakeholders are not convinced of the value of a local governance board.¹⁰The extent to which local boards and the LLS Board are achieving a focus on strategic vision as a complement to the operational focus of the GM/CEO was also queried.

¹⁰ 2020 Local Land Services Election Review Nous Group December 2020.

Questions which arise from this consideration include:

- Is it possible to achieve the benefits at a lower cost?
- The board and committee structures appear to have been effective in driving the establishment of a well respected single organisation with its own identity replacing those of its legacy organisations – now that the period of significant change is complete, is there an opportunity to refine the board and committee structures to a less costly “steady state” model?
- Alternatively, are there opportunities to better leverage the LLS investment in good regional governance to become the delivery arm of choice in regional areas?

Could the functions of local boards be undertaken by different structures?

There are different types of structures that could undertake the functions of local boards. These are considered below:

- *Allocate functions to regional general managers.* Some functions, such as collecting, collating, maintaining, interpreting and reporting information, could be readily undertaken. However functions such as performance oversight, developing strategy and community engagement are either inconsistent with bureaucratic functions or are likely to require investment in alternative consultative approaches. It is likely that exclusive reliance on a “bureaucratic model” would erode community trust and result in loss of landowner ownership, leadership and access to expertise and opportunities. While this model may reduce board costs, this may be offset by costs of additional staff agency activity, particularly engagement and relationship building. Any savings need to be traded off against the loss of intangibles such as the goodwill achieved, for example, through LLS efforts to drive land management change or biosecurity outcomes under the leadership of local boards.
- *Establish advisory committees to regional general managers in place of a formal board.* This approach would require performance oversight and setting of regional direction and priorities to be undertaken by the LLS Board, with a local advisory committee undertaking other functions. Advice would be relayed through the LLS CEO. Consultation suggests that advisory committees with general functions have not been effective and that a level of accountability and formal structure is beneficial to achieving outcomes. There is also a risk that a local advisory committee exercising functions without a direct relationship with the LLS Board would erode the effective balancing of state and regional interests which appears to be in place under the current model. This approach may not reduce complexity and costs associated with servicing the committee may not be markedly reduced from the current arrangements.
- *Establish advisory committees which are subcommittees of the LLS Board.* This approach would see the current functions of local boards assigned to local bodies, each of which is a subcommittee of the LLS Board. This would enhance the current model by removing costs associated with duplication and inconsistency between status and functions. Negative aspects of this model would be a perceived loss of regional autonomy. Costs associated with remuneration and staff support are likely to be lower in this model.

1.3 Themes

The model has been successful but there are opportunities for improvement to equip LLS for the future

- LLS is a functional and well regarded organisation whose board and committee structures appear to have supported effective governance. LLS boards and committees appear to have been effective in undertaking their allotted functions, driving change and adapting to multiple opportunities to review and improve governance arrangements, particularly significant legislative amendments in 2017.
- Further attention could be paid to evaluating the contribution of boards and committees as distinct from the staff agency – lack of a formal approach to this erodes confidence in decisions on alternative approaches and risks undervaluing the contribution.
- The lack of benefits data to support evaluation of cost effectiveness is a key limitation. However, it is likely that there are lower cost options which could also achieve benefits (although these may be reduced). This is discussed further under TORs 2 and 6.
- LLS is unique in being funded through a mix of mechanisms including direct CR allocation, landholder rates, specific funding programs at a State level, Australian Government programs such as NHT and other grant programs and other partnerships and “fee for service” opportunities.
- As a consequence, it is appropriate that board and committee arrangements are aligned to the interests of those funders. In particular, the current arrangements are designed to accommodate ratepayer interests. There may be alternatives which achieve this more efficiently and effectively (see TOR 3).
- There are opportunities to better leverage the investment in good regional governance and for LLS to become the delivery arm of choice in regional areas and also to attract funding from sources such as Rural Industry Research and Development Corporations, for example in partnership with the Department of Primary Industries.
- There is a risk of “over centralisation” and any further evolution away from local input and decision making may fundamentally undermine the fundamental reason for being of LLS.
- There are opportunities for board and committee structures to better support the benefits of a local model in terms of capitalising on diversity of thought, opportunities for innovation, and strategic vision.
- The division of responsibilities between the LLS Board and local boards could be further clarified. This need not represent a downgrading of their responsibilities but rather the opportunity to refocus the local boards and the selection of their members on the functions which are most usefully undertaken at a local level.
- The status of each local board as a “state government agency” appears to be at odds with the 2017 amendments to the LLS Act (or is at least confusing) and may encourage duplication and inefficiency.
- The board and committee arrangements ideally should support a single governance framework which delivers on the expectations of key funders.
- Current regional boundaries and committee arrangements appear to be appropriate.
- There could be benefit in directing local boards to undertake a specific review of committees.

There are options to modify the model to address opportunities for improvement – whether they retain the benefits of the current model needs to be considered

- An option is to revert to a model where the local boards are the primary governance bodies, and strategic and operational direction for State priorities is provided through the State agency structure. In effect, this was the original model, with the Board of Chairs having a largely advisory role with the independent chair having both executive and governance functions. Experience and the consequential adjustments to governance and executive leadership arrangements since the creation of LLS suggest that the original model did not adequately support the operational and governance efficiencies and alignment to Statewide policy required to successfully deliver on priorities such as biosecurity and drought response, and to support administration of state wide legislation such as the Native Vegetation Act. In particular, expectations of the dual role of the independent chair appear to have been considered unrealistic.
- An alternative option is to retain the current LLS Board structure but replace the requirement for appointment of a local board with appointment of a single regional representative – effectively a “board of one”. These representatives could have a formal status and relationship with the LLS staff agency. The downside of this model is that it would remove the opportunity for local representation of ratepayers and access to the breadth of skills and experience available on a formal board or committee. Alternative approaches to achieve the same benefits would have costs so that the model may not be more cost effective than other alternatives. On balance, this model appears to lose many of the benefits of the current board and committee arrangements without a commensurate reduction in costs.
- A more plausible model is to retain elements of the current structures but make modifications to address some of their shortcomings.
- It could be made clearer that the LLS Board is the body charged with governance of the organisation, notwithstanding the staff agency arrangement.
- Appointment of the CEO to the LLS Board could be considered as a way of managing the risk of misalignment between Board and agency.
- Standalone local boards could be replaced by subcommittees of the Board, delegated the specific responsibilities set out in the Act, as well as other responsibilities as determined by the Board from time to time.
- In this model, the responsibilities of local subcommittees could be redefined to avoid any misconception that they have control or accountability for local operations in their own right – this would be retained by the LLS Board but informed by the input of the local subcommittee or undertaken by the local subcommittee under delegation. There would also be an opportunity to include additional formal functions such as the development of local partnerships and funding opportunities.
- To avoid over centralisation and loss of local input, the Minister could issue a charter letter which sets out those matters which are expected to be delegated to a local level. Alternatively, this could be reinforced through the regulation.
- In designing such a model, care should be taken to avoid stifling innovation and voluntary activity at a local level by over emphasis on State wide consistency.
- The appointment of members of the local subcommittees could be informed more by a consideration of the specific functions of the Board rather than generic governance. For example, if the local boards are tasked with developing funding partnerships, board members could be sought with appropriate skills for this function.

- Consistent with the primary role of the LLS Board being governance, its members could be selected primarily for their relevant skills and experience to the overall governance of the organisation as well as their capacity to chair a regional subcommittee. This could include an emphasis on strategic focus.

2. Identify the costs of the existing structures and determine whether they are appropriate for the functions they perform.

2.1 What are the costs of the existing structures?

Direct costs include remuneration of board members (and the FRAC), meeting costs and direct costs of board support functions such as election and appointment processes.

Indirect costs include:

- staff support functions such as attendance at meetings by general managers and the CEO and secretariat functions such as organising meetings, preparation of board papers and organising travel
- costs associated with the state policy and statutory requirements of the election and appointment process
- compliance and other support costs associated with governance responsibilities.

It is important to recognise that some indirect costs would be incurred regardless of the existence of board structures. For example, consultative arrangements would require staff participation regardless of the model and the LLS agency is required to implement an appropriate governance framework which addresses the requirements of legislation and State policies and may need to establish formal structures in the absence of existing board and committee arrangements. The following analysis attempts to capture those indirect costs which are particular to the existing structures.

Costs associated with local board committees have not been assessed.

Estimates of direct costs

The following analysis of direct costs assumes:

- Local board meetings are held face to face 6 times per year (it is noted that number of meetings varies between regions and videoconferencing is used regularly as an alternative to face to face meetings, so this is likely to be an overestimate).
- LLS Board meetings are held 6 times per year, 4 times face to face and twice by videoconference.
- Local board chairs time is split 50/50 between responsibilities as local board chair and member of the LLS Board and their remuneration is split accordingly.
- Direct board support costs are all attributed to local boards.
- Local board average assumes all boards of equal size (in reality, Western remuneration costs are higher because the Act requires more members on that board).
- The cost of a FRAC would be born by the LLS agency whether or not the LLS Board existed so it is not included in calculations.

Table 1 Board sitting fees - annual

Local board remuneration	All regions (excl. western)	Western
Chair (\$60,000)	\$60,000	\$60,000
Member (\$20,000)	\$120,000	\$160,000
Total (including superannuation and payroll tax) (10 regions)	\$1,800,000 (\$2,087,100)	
Total (including superannuation and payroll tax) (11 regions)		\$2,000,020 (\$2,342,190)
Independent LLS chair (including superannuation and payroll tax)	\$118,830 (\$125,306)	
Grand total (11 regions plus chair – including superannuation and payroll tax)	\$2,118,830 (\$2,467,496)	

Table 2 Board meeting costs - annual (estimates)

	Cost of meals, travel (board members and staff), venue hire
Local boards	\$297,000 (\$27,000 per board)
LLS Board	\$84,000
Total	\$381,000

Table 3 Direct board support costs - annual (estimates)

Type of cost	Cost per event	Annual cost (recruitment every 2 years, elections every 4 years)
Recruitment of appointed members (including independent interview panel)	\$150,000	\$75,000
Election administration (returning officer)	\$100,000	\$25,000
Board professional development	\$25,000	\$12,500
Total		\$112,500

Table 4 Total direct costs per board (with attribution of 50% of local board chair time to the LLS Board)- annual

	Remuneration	Board meeting costs	Board support costs (shared)	Total
Local board (average)	\$182,926 (\$212,926 less \$30,000 for chair attributed to LLS board)	\$27,000	\$10,230	\$220,156 (\$2,421,716 for 11 local boards)
LLS board	\$455,306	\$84,000		\$539,306

Total annual direct costs (estimated) \$2,961,022

Estimates of indirect costs

As noted above, some indirect costs are likely to be incurred irrespective of the existence of formal boards and committee.

However some indirect costs can be considered to be directly attributable to the nature of the existing structures. These include:

- staff support for appointment and election processes and management of registers underpinning the electoral roll
- staff costs associated with duplication of compliance requirements arising from the status of local boards as individual NSW Government agencies
- board support functions beyond those likely to be associated with other consultative/engagement arrangements¹¹.

Annual costs are estimated at:

Support for appointment and election processes	\$62,500
Compliance requirements	\$75,000
Board support functions	\$925,196
Total	\$1,062,696

2.2. Observations

How is remuneration determined and is it appropriate for the functions?

Where remuneration is to be determined by the Minister, it is governed by the Classification and Remuneration Framework for NSW Government Boards and Committees developed by the Public

¹¹ A discount factor has been applied to costs of staff time associated with attendance at meetings (50%) and board support functions such as preparation of meeting papers (33%).

Service Commission. This framework currently applies to local board chairs and members, but not to the independent chair of the LLS Board.

The Minister is not required to adopt the determination and can choose to offer a lower rate of remuneration.

The determination for LLS Board remuneration appears not to have been updated to reflect the clarification of accountabilities which has evolved since the 2017 amendments to the Act, which confirmed that primary responsibility for setting policy and strategic direction lies with the LLS Board, rather than with local boards.

The remuneration determination sets remuneration of local board chairs at \$60,000 and remuneration for a member of the LLS board at \$20,000. Without correction, the resulting remuneration attributed to a typical local board of \$180,000 is disproportionately high compared to the \$118, 830 for the LLS Board. Further, the current determination categorises the LLS Board as an advisory board which is not consistent with its statutory role. It is presumed that the remuneration for local board chairs was calculated to recognise their dual role of local board chairs. Local board chairs do not receive additional remuneration as members of the LLS Board.

The independent chair is currently remunerated according to arrangements for senior executives as required by the LLS Act.

A review of the determination for members and chairs under the current arrangements is likely to suggest a reduction in remuneration reflecting the reduced scope of governance responsibilities reflected in the 2017 amendments and the recently updated LLS Board and local board charter.

An important consideration in any review of remuneration is the implication of reduced remuneration for the quality of likely applicants for positions on boards and their capacity for active participation outside board meetings.

Are other costs appropriate for the existing functions?

Direct costs associated with meeting attendance are likely to be incurred under any consultative model where there is an imperative to balance regional and State priorities. Such costs are readily reducible by use of virtual meetings where possible, which appears to be the current practice. Experience suggests that a proportion of in person meetings is necessary to build a cohesive organisational culture and good stakeholder relations.

Compared with other governance structures, there are additional costs associated with all 12 boards having independent governance responsibilities, for example costs of separate audits under the State Archives and Records Act which are required because each local Board has the status of a NSW Government agency under the LLS Act. Costs associated with board inductions and professional development are also impacted by the existing arrangements.

Costs associated with the election and appointment process are considered under TOR 3.

How do costs compare with other organisations?

Comparable data are not readily available on overall costs of governance, however remuneration information is readily accessible, for example in the register of NSW Government Boards and Committee remuneration maintained by the NSW Public Service Commission and in annual reports. Comparative data for selected NSW organisations, rural industries research and development

corporations (Australian government) and NRM bodies in other jurisdictions is provided in Appendix 5, (noting that this data does not include superannuation and payroll tax).

Appendix 5 also includes a small number of comparisons using director remuneration (net of superannuation and payroll tax) as a percentage of total expenditure, and as a percentage of operating and personnel expenditure (which corrects for “one off” expenses such as asset write downs). There are limitations on the usefulness of these comparisons given the very different responsibilities of the organisations and their boards.

Observations from comparative data suggest LLS board remuneration is in the mid range when compared “per board” (assuming attribution of local board chair costs across local and LLS Board).

Notably, the Ryan Review of Livestock Health and Pest Authorities¹² (which triggered the development of the Local Land Services model) estimated directors’ costs and costs of State Management Council accounted for 17% of expenditure. This is significantly higher than the 1% estimated from the above analysis¹³.

2.3 Themes

Remuneration should be reviewed

The current remuneration determination appears to assume the local boards have primary governance responsibility with the LLS board being considered advisory. The 2017 amendments to the Act and subsequent evolution of arrangements, including the recently updated LLS Board and local board charter, have effectively reversed this assumption. The remuneration determination does not appear to have been revisited to reflect the changes.

The remuneration determination for all board positions should be reviewed to ensure it reflects the functions currently being undertaken.

Other direct costs appear appropriate as does the current approach to using virtual meetings where practical.

Outside direct remuneration, other generic direct costs appear to reflect typical costs associated with the operation of governing boards and do not appear inappropriate for the existing functions.

The use of virtual meetings where practical to reduce costs is appropriate.

Direct costs of the election process appear appropriate. Options to improve efficiency are discussed under TOR3.

Indirect costs could be reduced by changing the design and function of board and committee structures.

Indirect costs (staff costs) will arise from any consultative arrangement. For example establishing a consultative committee or undertaking direct consultation all have associated indirect costs. Cost drivers in the current structures include:

- The size and complexity of the election and appointment process

¹² Report on the review of the NSW Livestock Health and Pest Authority (LHPA) model – Terry Ryan 2012.

¹³ Based on FY22 expenditure

- The status of local boards their independent governance responsibilities
- The number of boards requiring support.

Review of comparative data suggests some further considerations.

- On a “per board” basis the costs do not appear disproportionate when compared to other organisations.
- The most significant cost driver is the federated structure established by the Act, which underpins the regional service delivery model. It is inevitable that the existence of multiple local boards will cost more than a single board structure.
- There are aspects of the current governance structures which appear to add costs and could be considered as opportunities for review, noting that any change would require amendment to the LLS Act or a change in regional boundaries and would bring with it other risks which would need to be considered.
 - The independent status of each board.
 - The size of the state board.
 - The status of the independent chair as a statutory appointment.
- On the other hand, there are some efficiencies in the current governance structures which need to be recognised in any consideration of potential alternative models in that the chairs of the local boards become the members of the LLS board – only the independent chair is additionally appointed.

3. Examine the process for appointing and electing members to determine whether these processes are efficient and effective.

3.1 The process for appointing members

The Act requires 4 members of each local board (5 members for Western) to be appointed by the Minister. The Minister appoints one member of each local board as Chair. The Minister also appoints the independent chair of the LLS board. (Note that the LLS board is comprised of the Chairs of each local board so these members are not required to be appointed).

There are 46 appointed positions in total.

The 2017 amendments to the Act increased maximum appointment terms to 4 years allowing greater flexibility to stagger appointment terms to manage the risk of loss of corporate knowledge. 22 terms expire in 2024.

The Act also sets a maximum of 2 terms for appointment but is silent on the terms of chairs. Consequently a maximum of 3 terms is possible.

Appointed members are required to meet specific skills, in the opinion of the Minister.

- (a) leadership, strategic planning and management,
- (b) community participation, regional service delivery and working with industry, government and other partners,
- (c) audit, financial control and reporting and risk management,
- (d) primary industries or providing services to support this sector,
- (e) contemporary biosecurity programs in animal and plant health, pest and weed management,
- (f) emergency management, especially biosecurity and natural disaster emergencies,
- (g) natural resource management and biodiversity conservation,
- (h) working with Aboriginal groups and communities,
- (i) local government.

The NSW Public Service Commission sets standards for the appointment process for boards and committees. These include processes for the identification of potential candidates, the use of assessment criteria and the appointment of an assessment panel. Guidance is also provided by Government Sector Employment Act rule number 17 which defines minimum requirements for comparative assessment.

A project plan is developed for Board recruitment which includes and addresses “lessons learnt” from review of previous recruitment rounds.

Pools of eligible candidates are created, allowing unexpected vacancies to be filled without re-initiating recruitment action.

In addition to the chairs of each local board, the Minister is able to appoint to the LLS Board “other persons with relevant skills and experience” who become non-voting members of the Board. No such appointments have taken place.¹⁴

3.2 Observations

Is the process for appointing members efficient?

In the context of best practice recruitment to Government boards, the appointment process appears to be efficient.

8 member positions on the LLS Board will expire in March 2024 and their occupants will not be eligible for reappointment. Staggering the terms for new appointments from this round could be considered to improve continuity.

Consideration could be given to allowing reappointments to proceed without readvertising, subject to a satisfactory performance review.

It is noted that the Australian Government has commissioned a review of practices for for appointment to Government boards. There may be relevant conclusions from this process which could be taken into consideration.

Is the process for appointing members effective?

Consideration of comments received through consultation and document review suggests that the process for appointing members is generally effective in selecting high quality board members with appropriate skills. There is a high level of awareness of the importance of succession planning and encouraging community participation and nurturing potential applicants. There are some potential opportunities for improvement including:

- Using a skills matrix for local boards which explicitly value community diversity as well as location within the region along with the regulatory requirements.
- Explicitly recognising that the attributes of effective local board members may be quite different from those of LLS Board members. This could be assisted by using a skills matrix for the LLS Board which assists consideration of the attributes of candidates for local board chair positions in terms of their contribution to the LLS Board (in other words, which sees them selected equally as appropriate for appointment to the LLS Board in the context of other potential appointees, and as chair of the local board).
- The skills required to be considered for appointment to local boards do not include skills in workforce management scale up and down (although management is included) and information/agricultural technology which may add value in a future environment. These skills could be considered in the selection process.
- The inclusion of audit, financial control, reporting and risk management reflects the governance functions of the current local board structure. The need for these skills could be considered in the recruitment process.

¹⁴ LLS Act 2013 S25(2)(c) and (d).

The power for the Minister to appoint other skilled and experienced members to the LLS Board has not been utilised, which suggests that either the Board has had an appropriate balance of skills and membership or that there is reluctance to further increase the size of the LLS Board. In considering any option for significant change to board and committee structures, it should be a priority to ensure that the option delivers skills and experience relevant to the function of the structure.

3.3 The process for electing members

The Act requires each local Board to consist of 3 elected members (apart from Western which requires 4 elected members). There have been 3 election rounds since the creation of LLS, with elections being held every 4 years. There are 34 elected members across the regions.

The LLS Regulation 2014 sets out the process for elections.

The next election is required in May 2024, being “whenever the term of office of the elected members expires”¹⁵. However the Minister may delay the election, with the elected members remaining in office, if “of the opinion that it would be impractical or inconvenient to hold a general election in time for the elected members to take office when required by clause 11”¹⁶. (There is no equivalent provision for appointed members).

Voting is voluntary and is restricted to the occupier of each holding in a particular region that consists of wholly or partly rateable land. A returning officer is required to prepare an electoral roll for each region including the occupier’s full name and postal address, which must be available for inspection for a period not less than 42 days before the ballot date. This information is held by LLS.

The returning officer (in practice, a contracted provider in previous elections although in-sourcing is currently being contemplated) must give notice of an election with the contents of the notice and the requirements for publication set out in the Regulation.

People entitled to vote may nominate a candidate (including themselves) by providing basic information including name and address and consenting to nomination. The returning officer may request additional information. The returning officer is required to check information provided to confirm it is not false, misleading or inappropriate.

Voting is only required when there are more candidates than positions. Otherwise, the returning officer is required to advise all occupiers on the electoral roll of the election and to provide a voting pack (with prescribed contents) either electronically or by post. The returning officer must also ensure computer and internet facilities are made available free of charge at local offices in order to provide each person with an opportunity to vote electronically.

¹⁵ Local Land Services Regulation 2014, Schedule 1, Clause 11

¹⁶ Local Land Services Regulation 2014, Schedule 1, Clause 12

3.4 Observations

Is the process for electing members efficient?

There has been a history of review of election processes and implementation of improvements since the inaugural election in 2014. These have included:

- internal reviews after each election resulting in changes designed to improve administrative efficiency, communications and the ratepayer experience and to reduce costs (for example, direct costs of the 2020 election process including returning officer, advertising and project manager were \$79,277 and a tentative budget of \$100,000 has been proposed for 2024.
- a review and recommendations by a committee of the then Board of Chairs (now LLS Board) which culminated in amendments to the regulation and changes implemented in the 2017 election process.
- Further amendments to the regulation to allow only one vote per occupier
- Commissioning of an external review in 2020¹⁷

A project plan was prepared for each election with a specific objective, for example in 2020 the objective was “to deliver an improved election process compared to 2017 that met the requirements of key stakeholders and guiding legislation”. The draft project plan for the 2024 election includes the high level objective “to improve the customer (voter and nominee) experience”. The 2024 draft project plan also includes concrete proposals to improve the experience of candidates and voters to address the following:

Candidates:

- Attracting diverse candidates
- Campaigning guidelines
- Candidate information sheets

Voters:

- Communicating access to voter packs
- Timing of election campaign
- Printed voter pack graphic design
- Electronic voting experience

Consideration of the history of continuous improvement and current proposals suggests:

- There has been an ongoing focus on efficiency (including cost effectiveness) and customer experience and a commitment to ongoing improvement.
- Some changes (particularly the decision to move to an “opt in” model prior to the 2017 election) may have reduced costs at the expense of voter participation.
- Costs are now modest – based on projected direct and indirect costs of the 2024 election cost per ratepayer are estimated at \$1.90. (By comparison, the NSW Electoral Commission had estimated costs per elector of \$8.78 in Local Government Elections 2016-17 and proposed \$11.54 in 2020)¹⁸.

¹⁷ Nous Group December 2020, *2020 Local Land Services Election Review*

¹⁸ Independent Pricing and Regulatory Tribunal *Further review of efficient costs of the NSW Electoral Commission’s conduct of local government elections*.

- Efforts to continue to improve efficiency and the customer experience appear to have been effective and should continue.
- Consideration could be given to whether utilising other processes, for example local government elections, or another agency such as ServiceNSW, would lower costs and improve the customer experience.
- There are limitations on how efficient a process can be within the current arrangements in the LLS Act. For example, the current arrangements limit voting to ratepayers which locks in a link to property ownership and Annual Land and Stock Returns requiring extensive data cleansing and updating to the election roll prior to each election.
- Regulation requirements which incur costs, such as maintaining and updating an election roll and making it available to the public, are consistent with the practices of state and commonwealth government electoral commissions as a safeguard against electoral fraud. However, these requirements could be reviewed using a risk based approach with a view to creating a more user friendly and lower cost process.

Is the process for electing members effective?

A process which is effective could be defined as one which:

- Delivers a diversity of candidates which is representative of the regional community from which they are drawn
- Delivers candidates with appropriate skills and experience to contribute to the board
- Meets the principle of “giving ratepayers a say”.

Within the bounds of the current legislative requirements which limit voting to ratepayers, consideration of consultation and review of documentation suggest:

- There is variation in how effectively these objectives have been met across regions, with consultation suggesting the process has been effective in some regions but less effective in others.
- The legislative requirements, that restrict participation to ratepayers and require few other “tests” to be met other than residency and standard criminality exclusions, do not provide a mechanism to achieve diversity of backgrounds from a land management, skills, experience or Board skills perspective.
- Election processes raise expectations that members will represent specific interests which can be at odds with harmonious functioning of the board in the interests of the community.
- Poor voter participation has been a key concern.

With respect to voter participation, in the most recent election (2020) 6% of potential voters participated compared with 3% in the 2017 election. The 2020 review by Nous was asked to consider reasons for low voter turnout and changes which could be made to the election process and/or governance mechanisms. The Nous recommendations included:

- o Ultimately, the principal reason for poor voter turnout is the lack of relevance to ratepayers, with:
 - o Few ratepayers having any sense of how local boards add value
 - o A lack of candidate knowledge discouraging voters
 - o Those who know LLS, speak positively, but this didn't affect their voting behaviour

Increasing communications and awareness is unlikely to make a significant difference to voter turnout, with

- o Significant investment in communications having little 'cut through'
- o More investment in communications unlikely to be the answer
- o Providing more information about the role of the local boards might not actually help

Improvements to the election process will not be the main driver of voter participation, with:

- o Only a small proportion of ratepayers having any experience of the election process, and some may have been deterred by it
- o Those who did engage with it were very frustrated by the experience
- o There are a number of ways of improving the voting process to improve the voter experience and reduce barriers.

Their report also found other organisations with wide scale voluntary election processes also struggle with voter turnout (for example, NRMA elections in 2019 had a voter turnout of a little over 2%) and identified other potential governance models which could be considered.

Voluntary voter participation is often low and has been the subject of many studies. For example, this has been investigated in South Australia for local government elections that are voluntary and have had an average turnout since 2000 of 33.7%. A review by the South Australian Electoral Commission concluded that social pressure conveyed through appropriate messaging was most likely to improve voter turnout.¹⁹

Consultation revealed a diversity of views about the election process. These varied from arguments to remove elections altogether and replace elected members with skills based appointments through to arguments that low voter turnout may not in itself be an indication of an ineffective process but more an indicator of lack of salience – potential voters don't see the need because they are happy with how things are going. Given the very low voter turnout, the process is vulnerable to criticism that it is open to manipulation and that elected members do not represent ratepayers given the small number of votes required to elect a board member.

A key weakness in the current process appears to be the requirement for ratepayers to "opt in" and request a voting pack. While steps appear to be being taken to simplify the "opt in" process, including using new privacy statements via Annual Land and Stock Returns, consideration could be given to amending the *Local Land Services Regulation 2014* to allow for election packs to be sent out with rate notices, particularly if this can be done in conjunction with moving to an online/self service model in line with the planned roll out of "MyLLS".

The regulatory requirements are very prescriptive and could be revisited to:

- Better balance managing the risk of electoral fraud with cost effectiveness and convenience for voters.
- Provide flexibility to adopt new technologies as they become available.

¹⁹ Electoral Commission South Australia, Dr Daniel Marx *Raising turnout at council elections with social pressure: evidence from a field experiment 2022*.

Are there other approaches which would be more effective?

It is important to recognise that any process for improving an election process for board members will confront the challenge of balancing inclusiveness and diversity with performance. A key point is that emphasis on diversity should not be at the expense of “demonstrated capability in terms of domain knowledge, experience and competence”²⁰.

There are other approaches which could be considered to improve effectiveness within the current model (note that these would require amendment to the LLS regulation):

- Use of geographically based subdivisions (similar to Council wards) to provide geographically diverse applicants
- Use of a screening process for candidates to manage the risk of skills/experience gaps on the board.

On the other hand:

- Additional processes have the potential to increase complexity and costs
- Limiting who can be elected may undermine the perceived value of an election process in delivering ratepayer representation
- It is not unusual or impossible for democratically elected institutions (eg local councils) to manage the tension between representation and the delivering to the interests of the community as a whole.

Other models of representation would require more substantial change and may be difficult to reconcile with the regional model which is intrinsic to LLS or to satisfy the principle of “ratepayers having a say”. Importantly, they may not reduce the costs associated with an election process. These include:

- Models which retain direct ratepayer representation including:
 - Linking broader representation to a broadened rate base if this was considered justified for other reasons.
 - Moving away from representation at a local level to representation on the LLS Board – equivalent to member voting for directors at an Annual General meeting. (This would be similar to models in place for organisations such as Meat and Livestock Australia and could be accompanied by a model of representation at the local level which is more representative of the broader community).
 - Decoupling representation from governance – designing a process where local representatives are able to participate in a state level forum which the governing board is required to consult.
- Models which do not have direct ratepayer representation including:
 - Moving to an appointment process for all local board members but including a requirement for appointees to be ratepayers and to demonstrate the support of other ratepayers. (By comparison, many member based organisations require candidates for election to the governing board to be financial members of the organisation and to be nominated by one or more other members.)

²⁰ Bourke, Juliet *Which Two Heads are Better Than One?* Australian Institute of Company Directors 2016.

- Moving to an appointment process where representative organisations and key stakeholders (eg NSW Government, NSW Farmers Association) are involved in the selection process (this is the model in place for Rural Industries Research and Development Corporations).

Many of these these options would represent a fundamental shift in approach or have implications beyond boards and committees. They may be better considered in the context of a formal review of the LLS Act.

It would be appropriate for further consideration of all options to include direct consultation with ratepayers, for example in the form of a poll.

3.4 Themes

There are opportunities to improve appointment and election processes within the current legislative framework

The process for appointing members appears efficient. Consideration could be given to allowing reappointments (within statutory limitations on number of terms) subject to performance review, without declaring vacancies and readvertising.

The effectiveness of the process for appointing members could be improved by the use of formal skills matrices (and potentially amendment to the prescribed criteria to better reflect the difference in function between local and LLS Boards) to better align required skills to the respective functions of LLS and local boards.

There are a range of initiatives which have been or are being undertaken to improve efficiency and effectiveness of appointment and election processes within the current arrangements and it is appropriate that the process of continuous review and improvement continues. These include initiatives such as better integrating the election process with internal systems and “piggy backing” on other annual processes such as submission of Annual Land and Stock Returns.

Consideration could be given to amending the *Local Land Services Regulation 2014* to allow for election packs to be sent out with rate notices, particularly if this can be done in conjunction with moving to an online/self service model. Amendments could also be considered to adopt a risk based approach to processes designed to preserve the integrity of the electoral process and to provide flexibility to to adopt new technologies as they become available.

Consideration could be given to whether utilising other processes, for example local government elections, or another agency such as ServiceNSW, would lower costs and improve the customer experience.

The effectiveness of the election process has been questionable in some regions but this does not seem to have had a demonstrable adverse effect on the operation of LLS.

Additional initiatives, such as specific programs designed to build capacity, encourage participation in the election process, and nurture good but unsuccessful election candidates, could be considered.

There are options which retain direct ratepayer representation and could be considered in combination with other opportunities for improvement

Replacing direct ratepayer representation at a regional level with representation on a State level board could be considered but is unlikely on its own to reduce costs associated with election processes, may further decrease voter participation, is inconsistent with retaining the key strengths of LLS and may impact adversely on the size or governance capability of a State level board.

An alternative option is to retain the opportunity for direct regional representation but decouple this from responsibility for governance. This could involve electing local candidates to contribute to a consultative committee at a regional level and also participate in a state level forum. There could be a legislative requirement for the relevant board to consult with the forum on matters such as State and local strategy and setting of rates. This option is unlikely to reduce costs significantly but may compliment other governance models such as a single skills based board at a State level.

Removing the opportunity for direct representation would be a significant change requiring further analysis and more detailed consideration. Consultation with ratepayers and the relationship between ratepayer representation and support for rates are important considerations for any option involving change to current processes

The nature of the rating process (based on property ownership/occupation and Annual Land and Stock Return) is a key impediment to streamlining and improving the election process. It makes sense to consider more major changes, such as alternatives to a regional election process, at the same time as considering whether the rate base and rating process is appropriate for the future.

Any option proposing change to board and committee structures should be considered in the context of how it will impact on ongoing support for rating and how it will demonstrate to ratepayers that they retain a level of influence over decision making.

4. Assess whether any changes need to be made to ensure appropriate representation of women, Aboriginal people and that the membership appropriately reflects the 'local' ethos of LLS.

4.1 Proposed benchmarks for appropriate representation

What is considered appropriate in terms of diversity can be subjective. For the purpose of considering TOR 4, the following benchmarks are proposed:

Women

Equivalent to the proportion of women in the NSW population 50.6%²¹

Aboriginal people

Equivalent to the proportion of Aboriginal and Torres Strait Islander people in the NSW population 3.4%²² or the Regional NSW Aboriginal Employment Strategy target of 6%.

Local

100% of local board members are resident in their region.

4.2 Observations

What is the current representation of women and is this appropriate?

Table 1 sets out gender data across appointed and elected members of the Local Boards and the LLS Board.

Consideration of the data suggests:

- Appointment processes have been effective in compensating for a low proportion of elected female members across the membership of local boards, with 44% of members being female when figures are combined across appointed and elected members. However this is still less than the 50.6% benchmark in the NSW population.
- Any consideration of changes to election processes should recognise that the current arrangements fall well short of achieving gender balance
- The proportion of female LLS Board members at 25% falls well short of the benchmark which would suggest that there is either:
 - inherent bias in the current structures or
 - an opportunity to better target recruitment and selection of female chairs (given the current structures require automatic appointment of local board chairs to the LLS Board).
- There are many factors which could contribute to the low number of female local board chairs, including lack of role models and reluctance to seek a chair appointment. Whatever

²¹ Australian Bureau of Statistics (ABS), 2021 census

²² ABS, 2021 census

the reason, the legislated membership of the LLS Board may make it difficult to achieve gender balance²³.

- There has been steady progress towards achieving gender balance – resulting in more female local board members who may seek appointment as chairs. The 2024 appointment process may be an opportunity to encourage more women to see appointment as chairs with consequent impact on the diversity of the LLS Board.

Table 1 Gender representation on LLS boards and committees.

Region	Appointed		Elected	
	Female	Male	Female	Male
LLS Chair	1			
Central Tablelands	3	1	1	2
Central West	1	3		3
Greater Sydney	3	1		3
Hunter	3	1	1	2
Murray	3	1	1	2
North Coast	1	3		3
Northern Tablelands	3	1	1	2
North West	3	1	1	2
Riverina	3	1	1	2
South East	2	2		3
Western	2	3	2	2
Subtotal	28	18	8	26
Total	46		34	
Percentage	61%	39%	24%	76%
Region	Female	Male		
Local boards only – appointed members Subtotal 45	27	18		
Local boards only – appointed members Percentage	60%	40%		
Local boards only - percentage	44%	56%		
State board only - numbers	3	9		
State board only - percentage	25%	75%		

²³ According to the 2022 Australian Institute of Company Directors gender diversity report, 35.7% of directors on ASX 200 boards are female but only 10% are chaired by women. The report speculates on the reasons for the low number of female chairs however these are unlikely to be directly relevant to LLS.

What is the current representation of Aboriginal people and is this appropriate?

Data provided through GOview²⁴ indicates 6 members of local boards, or 7.6% of local board members, self-identify as Aboriginal.

While this is more than double the population benchmark, it could be argued that this appropriately reflects the significance of ensuring Aboriginal representation as Traditional Owners, significant landowners and a repository of knowledge of relevance to the objectives of LLS.

The LLS 2020 Aboriginal Engagement Strategy includes the statewide action to “increase the number of Aboriginal members on Local Land Services Boards and advisory committees and support improvements to consistency of governance across Local Land Services Aboriginal Community Advisory Groups”

No members of the LLS Board identify as Aboriginal. As noted in the discussion about representation of women above, this is likely to reflect an inherent challenge in the current structure of the LLS Board as well as an opportunity to better target capacity building, recruitment and selection of chairs who identify as Aboriginal.

In addition, local Boards have Aboriginal community advisory groups which vary in their structure, function and level of formality. There is variation in how successful these arrangements are seen as being and a general view that they need to be adaptable to local circumstances. Current arrangements appear to allow for an appropriate level of flexibility but the extent of local adaptation does suggest that there would be benefit in a structured approach to identifying the pros and cons of different approaches from both LLS and Aboriginal community perspective.

Consultation comments suggest:

- There is considerable regional variation
- Direct engagement with members who identify as Aboriginal would be valuable to understand whether there are structural or cultural impediments to participation and/or effective contribution to boards (particularly as a chair) which could be addressed.
- There may be more sophisticated ways of delivering appropriate Aboriginal contribution to LLS decisions
- Capacity building may be a relevant strategy.

Does membership appropriately represent the “local ethos” of LLS?

The following observations are based on anecdotal information in the absence of data from any systematic analysis:

Local boards

- The requirement for 3 ratepayer elected members (4 for Western) who are resident in the area allows for ratepayer representation consistent with the principle of “ratepayers having a say” and consistent with the “local ethos”.
- In appointing a member to a local board, the Minister is required “to have regard to the principle that a person appointed as a member of a local board should, if possible, reside in

²⁴ <https://goview.nsw.gov.au/login.xhtml>

the local board's region"²⁵. All appointed members bar two reside in the region where the Board operates. The current arrangements give primacy to "localness" while providing flexibility to enable exceptions and appear to have been effective in achieving a "local ethos". Consideration could be given to strengthening the regulation to require the Minister to exercise a discretionary power not to appoint – in other words, to default to a local appointment.

- The legislative requirement for elected members to be ratepayers and for appointed members to meet specific expertise, knowledge and skills requirements have the potential to disenfranchise some members of the community who may have the capacity to make a significant contribution.
- The need for boards to govern effectively can be in tension with more diverse representation.
- Reports that there is limited recognition of the existence and function of local boards, or the desirability of membership suggest that either:
 - board membership is not the right vehicle to achieve greater diversity of local community input or
 - There is an opportunity to engage more broadly in the community to encourage more diverse election or appointment candidates or
 - There may be merit in considering other expertise, knowledge or skills requirements.
- discussion under TOR 3 is also relevant.

LLS Board

- The current model where the LLS Board is made up of chairs of local boards and an independent chair is highly consistent with a "local ethos".

4.3 Themes

There has been considerable progress towards appropriate representation of women and aboriginal people but there are some challenges inherent in the current LLS Board structure

Aspects of the current structural arrangements present challenges to achieving appropriate board member representation of women and Aboriginal people, and a broader cross section of the community. However, the structures have been designed to meet other objectives at the same time and changes may create undesired outcomes in other respects.

Board and operational practices (such as mentoring and Board member selection processes) have been effective in achieving progress to improve representation of women and Aboriginal people and, if continued, may achieve further progress without altering the model. This could be accelerated by directing the LLS Board to develop and implement through the local boards a formal mentoring and capacity building program with specific targets and annual reporting on progress.

It could also be helpful for the LLS Board to initiate consultation with existing minority members to determine whether any aspects of the current governance and operational arrangements are acting as a disincentive.

²⁵ LLS Regulation 2014 Cl 95.

The 3 year review of the Aboriginal Engagement Strategy could provide an opportunity for further consideration and co-design of strategies to improve Aboriginal representation.

Other potential models should be considered in the context of their “fit” with appropriately diverse representation

Consideration could be given to whether other models (as proposed elsewhere in this report) could lead to better outcomes without loss of the “local ethos” which is effectively realised by the current arrangements.

5. Determine whether any changes are need to clarify the role, responsibilities and obligations of members of Boards and Committees.

5.1 Roles responsibilities and obligations of Board and Committee members

The role, responsibilities and obligations of Board and Committee members are set out in the LLS Board and local board charter, which was approved by the LLS Board in February 2023.

The charter reflects and incorporates the requirements of:

- The LLS Act and Regulation
- The Ethical Framework for the Public Sector²⁶
- LLS Board member code of conduct
- NRC Performance Standard for LLS
- Department of Premier and Cabinet Guidelines for NSW Government Boards

5.2 Observations

The charter is clear, comprehensive and includes expectations for Board member induction. It is understood that induction processes are routinely implemented following rounds of appointments and elections.

Consultation suggests that there is generally good understanding of the role, responsibilities and obligations of Board and Committee members, at least at the level of the LLS Board.

The charter requires a formal review of Board performance every 5 years. It would be useful for this review to be undertaken as soon as practicable, if possible before terms of current directors expire. This review could explore how well the role, responsibilities and obligations are understood and undertaken.

5.3 Themes

A formal review of board performance could be useful to explore whether any changes are needed within the current legislative arrangements or to inform potential alternative models

While there are processes in place to make sure board members understand their role, responsibilities and obligations, and these appear to have been effective, the complexity of the model and the extent of change over the last 10 years makes this a challenging task and potentially adds cost to board support.

Ensuring a productive relationship between the LLS Board and CEO relies on goodwill rather than a structural approach (this is not necessarily a problem and appears to be working effectively).

²⁶ Government Sector Employment Act 2013

There are opportunities to simplify board and committee structures and the task of explaining roles, responsibilities and obligations

Consistent with commentary under TOR 1:

- The independent governance arrangements where each of the 12 boards and the CEO have responsibility for different aspects of governance is challenging to explain simply, particularly to stakeholders outside the organisation. This may be a contributing factor to low voter participation in board elections.
- The hybrid nature of board appointments (part representational, part skills based) also adds complexity to the model and potential for misunderstanding.
- Consultation found the local boards were frequently described as “advisory” which reflects the absence of significant financial delegations but is not strictly consistent with their title and statutory responsibility for some aspects of governance.
- Despite comprehensive information being provided to applicants for board positions, some chairs reported that local board members expectations of contributing to a “corporate board like” entity were not met, and their skills were under-utilised. Suggested solutions included assigning more responsibility to local boards or moving to a more explicitly advisory model.

6. In providing options for the Minister, consider any risks that need to be considered such as the changeover of 8 current Board Chairs in early 2024.

The following discussion:

- Proposes an approach to testing different options
- Identifies risks which ought to be considered, and how they might be mitigated
- Describes and evaluates some potential options, including how associated risks might be mitigated.

6.1 What would make a good option?

Any option, including the “do nothing” option, will have strengths and weaknesses. The point was well made during consultation and has emerged from this review that LLS is an effective organisation and has been effectively governed. There are risks and costs associated with change which need to be taken into account when considering interventions. On the other hand, there are also risks of not making change, for example, associated with lost opportunity or failure to adapt to present or future challenges. It is considered that any option should be tested against the following questions:

- 1. Does it enhance or at least preserve the unique strengths of LLS?**
- 2. Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?**
- 3. Is the cost of implementing outweighed by the benefit (not just financial)?**

6.2 Risks to LLS strategic objectives which may be associated with options

Risks to LLS strategic objectives²⁷ have been identified and categorised in Table 2.

²⁷ As set out in the Local Land Services State Strategic Plan 2020-2030 and Local strategic plans 2021-2026.

Table 2 – Risk categorisation.

LLS strategic vision: Vibrant communities in productive healthy landscapes			
State outcome indicator: Enhanced management and productivity of NSW land			
Type of risk	Risk name	Risk description	Potential risk mitigants
Strategic	Loss of future opportunities	<p>Future opportunities for funding and other partnerships will require potential funders and partners to have confidence in the governance, strategy, on ground delivery and ethos of LLS. Departures from established models may influence willingness to fund.</p> <p>Strategic thinking will be required to identify future opportunities which may differ from those in the past. Tools such as scenario planning may be required.</p>	<p>Consultation with funders and partners.</p> <p>Design of option to address likely concerns of funders/partners.</p> <p>Design of options to encourage strategic thinking.</p>
Operational	Impact on service delivery	<p>LLS operates in a volatile environment. The community expects services to respond to unpredictable challenges such as natural disasters (including floods and fires) and outbreaks of exotic disease. Recent experience and climate change predictions suggest this is an escalating risk. Significant change to board and committee arrangements has the potential to impact on service delivery by impacting staff workloads or creating change related uncertainty.</p> <p>Impacts may be negative or positive</p>	<p>Design of option to minimise negative impacts and maximise positive impacts.</p> <p>Sharing of information/engagement.</p>
Financial	Loss of support for rating	<p>Rates make up a substantial quantum and proportion of LLS revenue. The design of the LLS board structures was intended to meet the principle of “ratepayers having a say”. It appears there is already some concern about the current structures not adequately meeting this principle²⁸. Any option which is seen to further diminish this principle may cause ratepayer concern and characterisation of rates as “another state tax”. Perceptions of change (for example, a change in board title) may be as risky as actual change</p>	<p>Design of option to address the principle of “ratepayers having a say”.</p> <p>Consultation with ratepayers or their representatives to explore potential options before implementing.</p>
	Cost of options	<p>All governance structures incur direct and indirect costs. There is a risk that the costs of the structures in any option outweigh the benefits they provide.</p> <p>There may be a benefit from reducing operating costs and investing savings in operational activity.</p> <p>Costs of implementation may outweigh the benefit of change where an alternative to current arrangements is proposed.</p>	<p>Design of options to optimise operating cost and avoid large implementation costs.</p>

²⁸ Local Land Services Election Review Nous Group December 2020.

Performance	Impact on quality of governance	Current structures, policies and the approaches to recruitment/election, appointment, induction and remuneration of Board members have contributed to a sound approach to governance which has influenced the success of LLS. Changes may have a positive or negative impact on the quality of governance, for example by reducing or increasing the focus on governance and accountability or changing the diversity or quality of potential applicants for board positions.	Design options to prioritise effective governance and clarify functions and responsibilities.
	Loss of regional fit of services – “local ethos” and/or loss of alignment to State priorities	Delivering relevant and tailored services to the local community is a key success factor for LLS. The design of LLS creates an inevitable tension between drivers to achieve consistency, efficiency and alignment to State priorities and drivers to take advantage of local creativity, engagement and opportunities. The current structures appear to strike a reasonable balance between these State and regional priorities. Options have the potential to impact on one or both.	Design options to recognise the desirability of maintaining an appropriate balance between regional and state priorities.
	Undesired side effects	Potential impacts of different options may be missed or may be unpredictable ²⁹ . Unpredicted events may significantly change the nature and weighting of considerations with respect to different options.	Thorough exploration of preferred options and review in the context of emerging risks before implementation. Appropriate consultation.
Reputational	Loss of stakeholder support	The most recent customer survey ³⁰ revealed that LLS is performing very well on measures such as customer satisfaction and awareness and against relevant KPIs. Of particular note, the survey authors noted that “both LLS staff and the organisation overall are viewed positively – this is driven by high levels of trust in staff, reliability and good performance, and belief that the LLS operates with integrity. This is true of private and public land managers, and both show significant increases in perceptions since 2015.” Key attributes of LLS such as local tailoring of strategy and service delivery, local community ownership of initiatives through connection to members of governing boards at a local level and ratepayer representation are valued by LLS	Design of options which retain or enhance valued aspects of current arrangements. Consultation with key stakeholder groups including NSW Farmers Association, other state and Australian Government agencies responsible for primary industries and the environment, the Natural Resources Commission and environmental groups such as Landcare.

²⁹ For example, the activities of Hunter LLS are currently funded in part by the Hunter Catchment Contribution – a levy on rateable land collected through an arrangement with local government authorities. This is a unique arrangement which has been in place in some form since the 1950’s. Funds collected through the levy are used for many projects including the Hunter Valley Flood Mitigation Scheme.

³⁰ LLS Statewide Customer Focus Survey instinct and reason 22/09/2021.

		customers and stakeholders. There is also a long legacy of earlier models which also incorporated these features. Any actual or perceived disruption to the LLS model or service delivery may lead to loss of stakeholder support and funding.	Consultation with local communities.
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6.3 Implementation risk

The terms of a substantial proportion of current Board members expire within the next 12 months:

- Independent chair 31 December 2023.
- The terms of 7 chairs of local boards/members of the LLS Board expire in March 2024 and these members are not eligible for further term.
- The terms of 3 other chairs of local boards/members of the LLS Board expire in March 2024 but these members are eligible for reappointment, although only 2 are eligible for reappointment as local board chair/member of the LLS Board.
- The terms of 12 other appointed board member terms expire in March 2024 with all eligible for a further term (one only as chair).
- There is no mechanism to extend appointment terms.
- The terms of all 34 elected members expire on 24 May 2024 with 13 members ineligible for renomination because they have served the maximum number of terms. 12 of these would be eligible to apply for a Chair role via the ministerial appointment process.

Delay to the process of reappointing/electing members could have a significant negative effect on the governance of LLS if it results in the LLS Board ceasing to exist and the local boards with insufficient members to form a quorum. This would be in addition to the impacts of a high level of turnover on continuity and effectiveness of boards.

On the other hand, there is an opportunity to capitalise on the reappointment/election processes to implement change.

Experience suggests implementing an option requiring legislative amendment and creation of alternative governance structures would be challenging to achieve prior to the expiry of appointed member terms.

Potential risk mitigants include:

- Limiting consideration of options to those not requiring amendments to the Act or
- If legislative change is contemplated, utilising approaches commensurate with the amount of change proposed. These could include:
 - Design/adoption of an option which will minimise disruption to planned processes
 - Utilising the Ministerial discretion to delay elections “if inconvenient”³¹ pending consultation and development of options. In combination with the fact that each local board has two members whose terms expire in February 2026, this would enable local boards to retain a quorum and a chair to be appointed. This would flow through to

³¹ LLS Regulation 2014 Cl12

appointments to the LLS Board. The reduced size of the local boards and inevitable temporary feel of the LLS Board would limit effectiveness and ideally should only be seen as a stop gap arrangement

- Proceeding with the scheduled appointment and election process pending consultation on options but foreshadow the prospect of change, for example through shorter appointment terms
- Formal consultation on one or more options.
- If legislative amendment is proposed before existing terms of some members expire (February 2026), consider using the power of the Minister to terminate ongoing member terms³² or appoint an administrator(s)³³.
- Obtaining legal advice on whether there are other approaches possible.

³² LLS Act 2013 Schedule 2 Cl6(2)

³³ LLS Act 2013 S198 and S199

7. Options for consideration.

The following options have been informed by:

- Opportunities for improvement identified in this report
- The preceding analysis of risks which could be mitigated by good design.

Each option is described and has undergone preliminary evaluation against the three test questions and risks detailed above.

The options are not necessarily mutually exclusive – for example initiatives identified in Option 2A could be implemented in combination with other options.

Options 2A and 3A appear to be most effective in addressing opportunities for improvement while managing risks based on preliminary evaluation. A comprehensive assessment of costs and benefits and appropriate consultation would be required to further develop and evaluate any preferred option.

7.1 Status quo

This option continues current arrangements, including proceeding with Board appointments and elections prior to expiry of current terms. It relies on the ongoing review, improvement and evolution of governance arrangements driven by the current boards and committee structures with new members appointed.

Test	Comment
1. Does it enhance or at least preserve the unique strengths of LLS?	Preserves and has potential to support enhancement through a process of continuous review and improvement.
2. Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Enables current and future improvement initiatives to the extent that they will be driven by the current/future boards and committees
3. Is the cost of implementing outweighed by the benefit (not just financial)?	Zero additional cost, benefits limited.
4. Strategic risk	Appointment of new members could realise strategic opportunities
5. Operational risk	No change. Opportunity foregone to reduce indirect costs.
6. Financial risk	No immediate change. Opportunity foregone to reduce costs.
7. Performance risk	No immediate change. Opportunity foregone to simplify governance.
8. Reputational risk	No change. Potential for costs associated with current structures to become a concern with stakeholders if seen as diverting resources from front line services.
9. Implementation risk	Not applicable.

7.2 Options that retain the existing board and committee framework with modifications

These options do not require amendments to the LLS Act.

Option 2A – operating improvements

This option relies on a package of initiatives to address opportunities for improvement, utilising existing legislative mechanisms or non legislative approaches. The appointment and election processes would proceed at the expiry of current terms.

Option 2B – regional rationalisation with operational improvements

This option includes the reduction in the number of regions and members of the LLS Board, as well as the package of initiatives.

Proposed package of initiatives

- Review remuneration of all board positions taking into account current functions, delegations and accountabilities.
- Develop skills matrices for local and State Boards to ensure that appointments to the State Board achieve an appropriate spread of skills, knowledge and experience and that local Board appointments take into account residential location within the region, community diversity and other appropriate skills as well as the regulatory requirements. (This could be reinforced with amendments to the regulation).
- Explore the possibility of allowing appointment terms to be extended without members having to reapply, subject to satisfactory performance review.
- Issue Ministerial direction to the Chair of the LLS Board to:
 - Review state and local committee arrangement to determine their effectiveness and consider alternatives.
 - Explore and implement options to reduce costs of board and committees.
 - Develop and implement, through the local boards, a formal mentoring and capacity building program with specific targets and annual reporting on progress.
 - Undertake or arrange for direct engagement with members who identify as Aboriginal to understand whether there are structural or cultural impediments to participation and/or effective contribution to boards (particularly as a chair) which could be addressed.
 - Undertake a formal review of Board performance as soon as practicable, if possible prior to the expiry of current terms of appointment. The review could explore how well the role, responsibilities and obligations of boards and their members are understood and undertaken.
 - Implement the 3 year review of the Aboriginal Engagement Strategy to provide an opportunity for further consideration and co-design of strategies to improve Aboriginal representation.
- Consider amending the *Local Land Services Regulation 2014* to allow for election packs to be sent out with rate notices, particularly if this can be done in conjunction with moving to an online/self service model.

- Consider amending the *Local Land Services Regulation 2014* to simplify the requirements designed to maintain the integrity of the election process using a risk based approach, and to provide greater flexibility to respond to opportunities arising from technology.
- Build on the investment in the existing governance arrangements and the regional footprint of LLS to improve service delivery and expand the reach of other Government agencies with a significant regional focus.

Proposed changes to regional boundaries to reduce the number of regions to 8

- Amalgamate Northern Tablelands and North West regions
- Amalgamate Riverina and Murray regions
- Amalgamate Sydney and Hunter regions.

The rationale for this option is to amalgamate those regions with the lowest number of ratepayers, (other than Western which is distinctly different to other regions for a variety of reasons). The primary design drivers for this option are to reduce costs and reduce numbers of members on the LLS Board, with the additional benefit of making appointment of additional skills based members to the LLS Board more feasible.

Boundary changes are able to be made by Ministerial order.³⁴

Option 2A	
Test	Comment
Does it enhance or at least preserve the unique strengths of LLS?	Yes
Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Yes
Is the cost of implementing outweighed by the benefit (not just financial)?	Costs and potential disruption modest, benefits likely to outweigh costs.
Strategic risk	Appointment of new members could realise strategic opportunities.
Operational risk	Minimal.
Financial risk	Savings likely from review of remuneration.
Performance risk	Likely to improve quality of governance without negative impacts
Reputational risk	Likely to have a positive impact on reputation.
Implementation risk	Changes to the election process, if pursued, may impact on timing of election processes. This could be managed by delaying elections while changes are completed.

³⁴ LLS Act S7(1)

Option 2B	
Test	Comment
Does it enhance or at least preserve the unique strengths of LLS?	Partly. Retains regions and the existing structure and function of local and LLS Boards. As noted elsewhere in this report, regions appear to be functioning well with their current size and boundaries. There may be a negative impact from consolidation.
Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Yes – designed to improve cost effectiveness and reduce size of the LLS board.
Is the cost of implementing outweighed by the benefit (not just financial)?	Costs are likely to be significant, whether or not there is operational amalgamation (more costly) or a single board oversees two continuing regions. A review by the NSW Audit Office of Council amalgamations ³⁵ found benefits did not flow for some years after amalgamation took place. While workforce concerns could be partly allayed by retaining existing operational regions, it is still likely there would be some negative impact on service delivery. Benefits may outweigh costs over time
Strategic risk	Appointment of new members could encourage greater focus on strategic opportunities
Operational risk	Actual or perceived risk of job losses may impact staff morale and service delivery.
Financial risk	Some reduction in cost due to fewer board members, however this may be offset by increased costs of travel to maintain relationships across a larger area and/or increased remuneration to compensate for broader responsibilities. A comprehensive financial analysis would be required to evaluate this risk.
Performance risk	May be a negative impact on regional priorities given the challenges of larger regions. This could be partly mitigated by retaining operational regions as they are. This might require, for example, two strategic plans for each region based on existing boundaries.
Reputational risk	May be perceived as undermining the “local ethos” of LLS.
Implementation risk	May be achievable within timeframes required for an orderly reappointment and election process. May be negative impact on the election and appointment process if stakeholder concerns triggered.

³⁵ NSW Auditor-General Performance Audit *Workforce reform in three amalgamated councils* 1 May 2019

7.3 Options that reconfigure board structures.

These options are designed to:

- Simplify board and committee structures
- Reduce ongoing costs

They are presented in order of increasing change from current arrangements and increasing risk to retaining the benefits of the current model.

Option 3A – integrated governance

- retain the LLS Board comprising regional representatives and an independent chair as the primary governance body (“accountable authority”).
- The independent chair becomes a Ministerial appointment evaluated under board and committee guidelines, in line with other similar board appointments (instead of a statutory office).
- To create one governance structure, the local boards become subcommittees of the LLS Board with a statutory existence and delegated functions, with additional functions able to be delegated by the LLS Board. As subcommittees of the LLS Board, local “boards” no longer have status as “NSW Government agencies”, simplifying compliance and reducing costs.
- Each regional representative on the LLS Board chairs a subcommittee.
- Greater flexibility of membership of local subcommittees with existing election processes retained to facilitate ratepayer input.
- LLS Board members remunerated according to board and committee guidelines.
- Local subcommittee members remunerated on a sessional basis, rate determined according to board and committee guidelines.
- Consider appointing the CEO as a member of the LLS Board.

Option 3A	
Test	Comment
Does it enhance or at least preserve the unique strengths of LLS?	Yes. Retains regions with existing boundaries and the accompanying strategic and operational infrastructure. Local input to governance retained but with greater clarity of responsibilities.
Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Yes. Creates a simpler, integrated structure at significantly lower cost.
Is the cost of implementing outweighed by the benefit (not just financial)?	Yes. Cost of implementation limited to consultation and development of legislation amendments and updating to governance documents. Benefit likely to outweigh costs.
Strategic risk	Improves capacity to consider strategic opportunities by clarifying responsibilities.

Operational risk	Can be achieved with minimal negative impact on regional operations and may reduce need for staff support.
Financial risk	Significant reduction likely in direct costs (remuneration) and indirect costs (simplification of governance). Not likely to impact on ongoing partnership funding arrangements.
Performance risk	Maintains current balance between state and regional priorities. May be negative impact on the quality of potential applicants for local board positions if they become subcommittees rather than boards and remuneration is reduced.
Reputational risk	May be perceived as loss of autonomy of local boards
Implementation risk	Likely to disrupt appointment/election timetable, but given legislative amendments would be relatively minor, this may be manageable through delaying elections to maintain a quorum. May require appointment of an administrator to be considered for the LLS Board.

Option 3B – specialised - separate representation/consultation from governance

- Replace local Boards with subcommittees of the LLS Board as outlined in option 3A.
- Current governance functions of local boards assumed by the LLS Board informed by the advice of local subcommittees.
- Appoint chairs of local subcommittees who do not sit on the LLS Board, but contribute to a state level advisory forum with independent or elected chair.
- Use redesigned election processes to allow ratepayers to be represented on local subcommittees. Other members of subcommittees to be appointed by the LLS Board.
- Appoint smaller skills based state level LLS Board where regional understanding is part of the selection matrix.
- Only LLS Board members and subcommittee chairs are Ministerial appointments.
- The LLS Board is the accountable authority and is required to consult with the state forum on key strategies and decisions such as strategic plans and rates.

Option 3B	
Test	Comment
Does it enhance or at least preserve the unique strengths of LLS?	Partly. Retains regions with existing boundaries and the accompanying strategic and operational infrastructure. Local input to governance retained but with greater clarity of responsibilities.
Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Simplifies governance by aligning structures to function – either governance or representational. The primary function of the LLS Board is governance. The primary function of the local boards and the advisory forum is to provide a conduit for local input to strategy, policy and operations. There is potential for broader input at a local level through more flexible subcommittee membership.

Is the cost of implementing outweighed by the benefit (not just financial)?	Maybe. Significant change - implementation cost may be significant in addition to the costs associated with development of a proposal and legislative amendment. There would be ongoing costs associated with all structures which may not be materially different to current costs. Benefits of reducing the size of the LLS Board, simplifying election processes and increasing focus on strategy may not outweigh the costs. Further financial analysis required.
Strategic risk	Separation of functions may enhance strategic focus of the LLS Board.
Operational risk	Disruption and staff input required to fine tune and bed down the new model may impact negatively on service delivery.
Financial risk	Ongoing costs may be reduced compared to current costs, largely as a result of decreased remuneration. Costs of implementation likely to be significant.
Performance risk	Thorough work up required to establish potential for hidden pitfalls.
Reputational risk	May be seen as loss of local influence at both local and state level.
Implementation risk	Complex – may require ongoing appointments under the current model until ready to transition unless an acceptable interim solution can be developed.

Option 3C – one board with regional representatives

- Replace local boards with a single regional representative with a formal status (in terms of the LLS Act, a board of one)
- Regional representative works in collaboration with the LLS general manager for the region to develop regionally tailored approach to community engagement, planning, priority setting and performance monitoring consistent with the current functions of local boards.
- Ratepayers engaged at a regional level
- Ratepayer representative participates in board selection process

Option 3C	
Test	Comment
Does it enhance or at least preserve the unique strengths of LLS?	Probably not. Retains regions with existing boundaries and the accompanying operational infrastructure. Provides a level of local leadership and influence, although considerably reduced compared to current arrangements. Loss of “farmers, land managers and community members at the heart of decision making.” Opportunity to tailor regional consultation may encourage community engagement and innovation and or may discourage involvement if seen as lacking structure and capacity to influence.

Does it solve a problem or materially improve efficiency, effectiveness or alignment to strategic or policy objectives?	Potential to reduce costs.
Is the cost of implementing outweighed by the benefit (not just financial)?	<p>Unlikely. Significant change - implementation cost may be significant in addition to the costs associated with development of a proposal and legislative amendment.</p> <p>Loss of formal local input and accompanying access to skills, knowledge and experience may be disproportionate to the benefits of a less costly structure.</p>
Strategic risk	Difficult to reconcile being a sole “regional representative” with being a contributor to the LLS governing board. Likely to impact negatively on strategic focus and a cohesive approach to governance.
Operational risk	Disruption and staff input required to fine tune and bed down the new model likely to impact negatively on service delivery.
Financial risk	<p>Ongoing costs may be lower depending on the responsibilities assigned to the regional representative. There is likely to be a direct relationship between costs and effectiveness – in other words, for a regional board member to operate effectively their remuneration and costs of activities at a regional level are likely to approach the costs of a formal regional structure.</p> <p>Costs of implementation likely to be significant.</p> <p>Removal of direct ratepayer representation likely to impact support for rates.</p> <p>Removal of regional governance arrangements may be of concern to funding partners such as the Australian Government.</p>
Performance risk	Thorough work up required to establish potential for hidden pitfalls.
Reputational risk	Likely to be seen as loss of local influence and loss of local input to governance may be of concern to funding partners.
Implementation risk	Complex – may require ongoing appointments under the current model until ready to transition unless an acceptable interim solution can be developed.

Appendices

Appendix 1 Consultation

People consulted:

Allison Harker, Independent Chair, Local Land Services Board (LLS Board)

Ian Rogan, Chair Central Tablelands Board and member LLS Board

Grahame Marriott, Chair Northern Tablelands Board and member LLS Board

Tony Hegarty, Chair Hunter Board and member LLS Board

Barney Hyams, Chair Riverina Board and member LLS Board

Derek Schoen, Chair Murray Board and member LLS Board

Fay Steward, Chair South East Board and member LLS Board

Susan Madden, Chair Central West Board and member LLS Board

Magnus Aitken, Chair Western Board and member LLS Board

Robert Webster, Chair Greater Sydney Board and member LLS Board

Richard Clark, Chair North West Board and member LLS Board

Bob Smith, Chair North Coast Board and member LLS Board

Steve Orr, CEO LLS.

Appendix 2 History

2012	Ryan review of Livestock Health and Pest Authority model. In response, stakeholder reference panel chaired by John Keniry, Natural Resources Commission Commissioner oversaw development of model for LLS
2013	Passage of LLS Act. “The reforms centred on placing farmers at the centre of the decision-making process, to support them to grow their businesses and prepare for future challenges. LLS was designed to represent a more robust, modern and efficient model, that reduced duplication and delivered more money for front-line services”
2014	Independent Panel review into biodiversity and native vegetation
2015	NRC governance review
2016	LLS amendment bill vested responsibility relating to advice and approvals for the management of native vegetation on rural land to LLS. The Bill provided for the introduction of Part 5A of the LLS Act.
2017	LLS amendment Bill created LLS CEO – separating roles of head of LLS agency and LLS Board Chair. Clarification of functions of LLS Board
2018	Forestry Legislation Amendment Bill transferred Private Native Forestry functions to the LLS Act

Appendix 3 Key Legislative Provisions

Local Land Services Act 2013 no 51

Objects of the Act (S3)

Power to abolish, establish, amalgamate or change the name or boundaries of regions by Ministerial order (S7)

Constitution of LLS as a body corporate named Local Land Services (S8)

Status of LLS as NSW Government Agency (S9)

Control and management of LLS, including role of Chief Executive Officer (S10)

Minister's power to direct the Board (S11)

Audit requirements (S24)

Structure of LLS Board – 11 local chairs and 1 independent chair (S25)

Functions of the LLS Board (S26)

Structure of local boards (S27)

Status of local boards as NSW government agencies (S28)

Functions of local boards (S29)

Requirement to establish local community advisory groups (S33)

Power to appoint administrator of all or some functions of LLS (S198)

Power to appoint administrator of all or some functions of local boards (S199)

Requirement to undertake review of the Act (S211)

Constitution and procedure of LLS Board and local boards, including Ministers power to remove an appointed member from office without reason (Cl 6(2)) and remuneration arrangements (Cl 9) (Schedule 2)

Independent chair employment and remuneration (Schedule 2A, Cl 3)

Independent chair is a statutory office (Schedule 2A, Cl 5)

Local Land Services Regulation 2014

Required expertise, knowledge or skills for members appointed to local boards (Cl 90)

Elections for members of local boards (Schedule 1)

Appendix 4 Comparison of Natural Resource Management (NRM) regional bodies by jurisdiction

State	Victoria	Queensland	Western Australia	South Australia
Number	10	12 – “each with unique structure and with deep connections to the communities in which they operate”, each with its own board of directors	7	8 Regional Landscape Boards plus “Green Adelaide”
Board Appointment process	Chairperson and not less than 5 and not more than 8 other members appointed by the Minister after consultation with the Minister administering the Water Act 1989 and the Agricultural Industry Development Act 1990. Skills based appointments. More than half of appointees must be primary producers, service providers or researchers.	Determined by constitution of each organisation. Eg Fitzroy Basin Association is a company limited by guarantee, with a constitution which requires election of directors by members at AGM. A directors nomination committee vets potential directors to determine if they have appropriate skills and other attributes before they may be considered at the AGM.	Determined by constitution of each organisation.	Minister appoints 4, 3 elected (Minister can appoint in place of elections if preferable due to special circumstances applying in the relevant region). One member must be a local Council member and Minister must consult with peak bodies before appointing. NB SA uses eligibility for LG electoral roll rather than separate process (except in unincorporated area)
Board remuneration	Chairs \$21,980 Members \$10,990 Daily sitting fee for additional committee work \$220 for members and \$191 for chair (up to \$5,205 per annum for both) (2017) About \$150,000 per Board per year (from examination of 21/22 annual reports of	Determined by each organisation.	Determined by each organisation	Determined by Minister \$26,534 (chair) \$206 per 4 hour meeting (member)

	Corangamite and West Gippsland CMAs)			
Functions	<p>Land management for environment and productivity, weed and pest control.</p> <p>Prepare and monitor implementation of regional catchment strategy and special area plans</p> <p>Promote cooperation in management of land and water resources</p> <p>Advise the Minister on regional priorities, guidelines and matters relating to catchment management and land protection</p> <p>Promote community awareness</p> <p>Provide advice on Crown lands</p>	Set out in the constitution of each organisation but consistent with other NRM organisations.		NRM, pest and weed management, water allocation
State leadership/coordination mechanism	Victorian Catchments Forum – “an unincorporated body based on a collegiate agreement between the 10 Victorian CMAs to show case Victoria’s integrated catchment management framework”	NRM Regions Queensland – company limited by Guarantee. “We coordinate statewide programs and provide a forum for these organisations to collaborate and support each other”.	No statutory mechanism.	No statutory mechanism.
Funding from rates?	No	No but there may be membership fees contributing to revenue.		Able to set a levy.
Formal advisory arrangements	Minister may establish formal advisory committee			
Can the Minister direct?	Yes	No	No	Yes

Appendix 5 Remuneration – comparative data

Organisation	Structure	Remuneration	Other comments	Director remuneration as percentage of total expenditure (A) and personnel and operating expenditure (B) (FY22)
LLS	LLS Board comprising 11 chairs of local boards and independent chair Local boards comprising 4(5) appointed and 3(4) elected members (Western)	\$118, 830 LLS Board (chair) \$60,000 LLS Board member and local board chair \$20,000 local board member		(A)\$281m LLS Board only:0.1% LLS Board and local boards:0.8% (B)\$231m LLS Board only:0.2% LLS Board and local boards:0.9%
NSW Environment Protection Authority	CEO is a member of the Board but not entitled to vote. Skills based board.	\$162,654 (Chair) and \$40,000 (member) 7 members including chair, one of whom is the CEO	Chairperson paid “remuneration and allowances decided by the Minister, from time to time, in consultation with the Public Service Commissioner”. Pay of members is determined by the Minister	(A)\$282m 0.1% (B)\$198m 0.2%
NSW Biodiversity Conservation Trust	Skills based board. Government sector employees can be appointed but not as Chair or Deputy Chair.	\$60,000 (Chair) and \$30,000 (member) 8 members, including chair	Minister determines remuneration. The board has a governing role.	(A) \$126m 0.2% (B) \$35m 0.8%
NSW Rural Assistance Authority	Board comprises CEO and Board members with appropriate skills and who represent the interests of farmers.	\$15,318 (chair) \$10,369 (member)	Remuneration is determined by the Minister. The board has an advisory role.	(A) \$264m 0.02% (B) \$11m 0.6%

NSW Local Health District Boards	Skills based boards. appointed by the Minister. No State Board.	\$35,000 (chair) and \$20,000 (member)		
NSW local councils	Elected.	Current remuneration for non metropolitan areas varies from minimum \$9,850 for a small rural Council to a maximum of \$34,330 for a major regional city, with an additional Mayor/Chairperson fee from minimum \$10,000 to maximum \$106,960	Remuneration determined by Local Government Remuneration Tribunal annually	
Victorian Catchment Management Authorities	See Appendix 4	\$150,000 annual total (estimate)		
South Australian Regional Landscape Boards	Skills based board or with some elected members (optional)	\$26,534 (chair) \$206 per 4 hour meeting (member)	Determined by Minister	
AgriFutures (Rural Industries Research and Development Corporation)	Skills based board appointed by Minister having received the advice of a selection committee established under the Primary Industries Research and Development Act. Selection committee includes members of "representative organisations" being the National Farmers Federation and Australian Chicken Meat Federation	\$62,660 (chair) \$37,600 (member) 8 members, including managing director	Utilises industry advisory panels entitled to remuneration and expenses at daily rate of \$800 (chair) and \$720 (members)	
Grains Research and Development Corporation	Skills based board appointed by Minister having received the advice of a selection committee established under the Primary Industries Research and Development Act. Selection committee includes representatives of Grains Producers Australia Ltd and Grain Growers Ltd.	\$79,760 (chair) \$39,880 (member) 9 members, including managing director.	Utilises regional advisory panels entitled to remuneration and expenses at daily rate of \$800 (chair) and \$720 (members)	

Role and responsibilities of the Minister

LLS is subject to the control and direction of the Minister for Agriculture and Western NSW in the exercise of its functions and must keep the Minister informed of its activities.

The Minister:

- receives advice from the CEO, LLS Board and local boards
 - can direct CEO, LLS Board and local boards to provide advice on a particular issue and make decisions based on that advice.
 - is responsible for approving State and Local Strategic Plans and for receiving and reviewing annual reports related to performance against those plans.
 - directs the Natural Resources Commission to complete audits of Local Strategic Plans every 3 years; State Strategic Plan every 5 years; and functional audits every 5 years .
 - is responsible for making recommendations to Cabinet for the appointment (and termination) of appointed local board members, local board chairs and the LLS Board Chair.
-

Role and responsibilities of the Secretary

LLS is an 'executive agency related to a department'. This means that LLS is part of the public service, guided by the LLS Act and is related to the Department of Regional NSW.

The Secretary of the Department of Regional NSW (DRNSW) is responsible to the Minister for the general conduct and management of the functions and activities of DRNSW in accordance with the government's priorities, policy and legislative program.

As LLS is an Executive Agency related to DRNSW, the Secretary does not have a direct role in governing either the LLS Board or local boards.

The Secretary does, however, employ the CEO and will consult with the LLS Chair in the recruitment and performance of the CEO.

Role and responsibilities of the LLS Board

All decisions relating to the functions of LLS are to be made by or under the authority of the LLS Board⁹.

The LLS Board has the following functions¹⁰:

- to determine the general policies and strategic direction of LLS
- to determine the policies, procedures and directions of LLS in accordance with which a local board must exercise its functions
- such other functions as are conferred or imposed on it by the LLS Act or any other Act or law.

The LLS Board also determines the general policies and strategic direction of LLS for¹¹:

- organisational governance¹² and strategy
- risk management
- service delivery priorities
- community engagement.

Members of the LLS Board are to be guided by the principle that the public interest in the delivery of LLS in the state takes precedence over the delivery of LLS in any region¹³.

Further detail on the LLS Chair role can be found in Annexure A.

⁸ LLS Act 2013, s24, s44 and s54

⁹ LLS Act 2013, s10

¹⁰ LLS Act s26 (1)

¹¹ LLS Act 26 (1a)

¹² Note: LLS utilises the ISO definition (also adopted by AICD) of organisational governance as 'a system by which an organisation makes and implements decision in pursuit of its objectives'.

¹³ LLS Act s26(2)

Role and responsibilities of local boards

Local boards have been established for the purpose of devolving management and planning functions to regional levels to facilitate targeted local delivery of programs and services to meet community, client and customer needs (s.3(c)).

Local board management and planning functions are described under s.29 of the LLS Act:

- to prepare a Local Strategic Plan in respect of the delivery of LLS in the region
- to monitor the performance of LLS in the region, including by reference to the Local Strategic Plan and state priorities and programs
- to make recommendations to the LLS Board in relation to the making of rates, levies and contributions on rateable and other land in the region
- to collect, collate, maintain, interpret and report information with respect to its functions
- to communicate, consult and engage with the community in developing plans and in respect of the delivery of programs and services by LLS in the region
- to develop a strategy for engagement of the Aboriginal community in the region in respect of the provision of local land services
- to provide advice to the Minister. (Note: consistent with s32, the local board must keep the LLS Board informed of its activities)
- to exercise such other functions as are conferred or imposed on it by or under this or any other Act

A local board must exercise its functions in accordance with the policies, procedures and directions (however described) of the LLS Board.

A local board may, with the agreement of a local board from another region, exercise functions in the other region.

Further detail on the local board member and chair roles can be found in Annexures B and C.

Roles and responsibilities of the CEO

The CEO has dual accountabilities. Firstly, the CEO is responsible for the day-to-day management of the affairs of Local Land Services, subject to the policy and directions of the LLS Board.

Secondly, the CEO is head of the LLS Staff Agency under the GSE Act 2013 . As head of a Public Service agency (which is not a Department), the CEO is responsible to the Minister for the general conduct and management of the functions and activities of the agency in accordance with government sector core values.

A constructive relationship between the CEO and LLS Board is therefore central to the success of LLS. In working collaboratively with the LLS Board, the CEO:

- oversees implementation and performance of LLS Board approved strategy, policy, service delivery priorities and all other aspects of the day to day running of the LLS Staff Agency, including management of all financial and human resources
- reports to the Secretary and NSW Treasury on the performance of the LLS Staff Agency
- attends all meetings and brings well-documented recommendations and information to the LLS Board
- promotes shared values and alignment of purpose
- builds strategic partnerships with the LLS Board Chair
- acts as the central contact point for the LLS Staff Agency for the LLS Board Chair, Minister's Office and the Secretary
- liaises with government agencies, including central agencies, to provide information to enable effective oversight by the LLS Board.

¹⁴ GSE Act s28 (4)

Roles and responsibilities of General Managers

GMs are responsible to the local board for the performance of their region. This includes leading, planning and directing regional operations in line with LLS Board approved strategy, policies, service delivery priorities and the Local Strategic Plan. The GM will:

- oversee implementation and performance of local board approved strategy, LLS Board policy, local service delivery priorities and all other aspects of the day to day running of the region
- work cohesively with the local board and attend all local board meetings
- provide strategic advice and information to the local board to support implementation of locally relevant programs and advisory services
- build strategic partnerships and act as the central operational contact point for the local board chair
- be directly responsible to the Executive Director Regional Delivery for management and performance under the LLS Act and *GSE Act 2013* as part of the LLS Staff Agency.

Along, with an independent panel member, the local board chair supports the Executive Director Regional Operations (panel convenor as part of the staff agency) in recruitment of the General Manager.

The management and performance of the GM is enabled through a Performance and Development Plan developed collaboratively between the GM, local board chair and Executive Director Regional Delivery.

