

Livestock SA governance review and structural changes

Frequently Asked Questions - 17 May 2024

Why is Livestock SA changing its corporate structure?

- The organisation has evolved considerably since its establishment in 2013 and now delivers a wide range of services to livestock producers and the broader red meat and wool industries.
- The board has been working with a leading South Australian governance lawyer since May 2023, who has advised that Livestock SA's current structure is not fit for purpose and needs to change.
- Due to the roles Livestock SA performs, the organisation has an obligation to producers, industry stakeholders and government to be operating at industry best practice.
- The changes will not affect the work Livestock SA does, but it will ensure the organisation is properly governed, more transparent and more accountable to producers and other stakeholders.

What will change?

- Following consultation with Members from 21 February to 17 May 2024 on a proposed new constitution, which included four in person regional meetings and two online webinars, a new constitution has been finalised.
- The new constitution will change Livestock SA's corporate structure from an Incorporated Association to a Company Limited by Guarantee. This strengthens the level of corporate governance and legal compliance and reporting standards for the organisation and its board.
- Producers will continue to elect the board, which will have a minimum of 3 sheep producers and 3 cattle producers to ensure direct accountability back to the sheep and cattle industries.
- Members will vote on the adoption of a new constitution.

Will the committee structures change with a new constitution?

- No, voting on the new constitution is not voting on the committee structures. Livestock SA can change its committee structures whenever needed regardless of its corporate structure, as this is a separate process. A review of the committee structures is still being worked through within the organisation.

I have seen comments about Livestock SA committee structures. What's that about?

- Through the governance and structural review process, it was also recommended that the number of standing committees, currently 6, be rationalised to realise operational efficiencies and better alignment, and adopt best practice governance.
- A review of the committee structures is still being worked through within the organisation. Greater consultation with current committees on getting the right structures will occur in the new financial year. We are aiming to complete this process following the AGM in November 2024.
- Operationally, the role of Livestock SA's committees will not change regardless of the final structure agreed – skills-based committees will continue to make independent recommendations to the board so it can make the best decisions.

Will a new constitution alter Livestock SA's role in managing the livestock industry funds?

- No, there are no restrictions on Livestock SA changing its corporate structure and the processes won't change.

- Livestock SA has successfully managed the industry elements of the livestock industry funds (i.e. Sheep Industry Fund and Cattle Industry Fund) for four years – previously this function was managed by PIRSA and government appointed advisory groups at a higher administrative cost to industry.
- Livestock SA sub-committees – currently called the Sheep Industry Fund Board and the Cattle Industry Fund Board – make project funding recommendations to the Livestock SA Board.
- Livestock SA is responsible and accountable for the funding recommendations made to the Minister for Primary Industries, contracting the third-party service providers for projects the Minister approves, and reconciling and reporting all expenditure to government.

Will Livestock SA have greater access to or control over the industry funds under a new constitution or committee structure?

- No. The Minister for Primary Industries is responsible for the collection of industry funds and approval of any expenditure (and always has been).
- PIRSA manages the operations of the industry funds for the Minister, and the Minister reports to Parliament annually on the operation of each industry fund.
- Each industry fund can only be used for the activities that are outlined in their respective government regulations and management plans.
- Livestock SA’s role in managing the industry funds is audited by the government annually.

Has a SAGIT-type model been considered for managing the livestock industry funds?

- Yes, a trust model like in the grains industry was considered in 2019-20, but it was not considered to be the most efficient structure and it would create differing investment views within the livestock industry, which will not realise the best use of the limited industry funds available.
- A trust model was again considered as part of this governance and structural review, with the same cost and misalignment conclusions reached. Establishing this model would require considerable time and resources and involve:
 1. A broad industry-wide consultation that satisfies government requirements.
 2. New legislative arrangements to amend the existing SIF and CIF regulations and establish two new regulations – one for a new Sheep Industry Trust and one for a new Cattle Industry Trust.
 3. Amending the existing SIF and CIF management plans and establishing two new management plans – one for a Sheep Industry Trust and one for a Cattle Industry Trust.
 4. Determining which entity/ies will be responsible for setting industry strategic plans and investment priorities and put processes in place to manage the inevitable conflicting views over these priorities.
 5. Determining how the new trust entities will be accountable to sheep and cattle producers. This is currently achieved in the grains industry model by GPSA (the grains industry representative body) appointing four of the five SAGIT trustees.
 6. Determining how the current SIF and CIF reserves would be separated under new regulations, which will determine start-up capital reserve levels that may impact the ability to fund multi-year research projects.
- Based on the reported operating costs of the grains industry funds, equivalent models for the livestock industry funds would cost producers over \$300,000 more per year than the current model.
- Of the 14 funding schemes established by regulations under the *Primary Industry Funding Schemes Act 1998*, grain is the only industry with the trust model structure.