Livestock SA governance review and structural changes – FAQs

Why is Livestock SA changing its structure?

- The organisation has evolved considerably since its establishment in 2013, creating a unique mix of responsibilities and opportunities.
- The organisation's current structure is not fit for purpose and needs to evolve so it is properly governed, better aligned and focussed, and more accountable to producers and other stakeholders.
- Besides ensuring proper governance and legal obligations can be met, the structural change will remove duplicative effort and enable the organisation to operate more efficiently.
- Recommendations that address the major shortcomings of the current organisational structure have been provided by a leading South Australian governance lawyer and follow on from a previous independent review of the organisation in late 2021.
- The changes will transition the organisation to best practice.

What will change?

- The organisation's corporate structure will move from an Incorporated Association to a Company Limited by Guarantee and the number of standing committees will be rationalised.
- The board will have a minimum of 3 elected sheep producers and 3 elected cattle producers to ensure accountability back to the sheep and cattle industries.
- The elected directors can appoint up to 3 skills-based directors to enable greater diversity, resources and decision making if/as needed.
- The current separate Sheep Industry Fund, Cattle Industry Fund, Biosecurity Animal Health & Welfare, and Blueprint committees (sometimes called 'boards' or 'working groups') will be consolidated into a single 'Livestock Advisory Committee'. This will ensure strategy development and investment prioritisation is aligned, industry investments and policies are aligned, and significant administrative cost savings are realised.
- A 'Finance, Risk, Audit & Governance Committee' will also be established to ensure in-depth oversight of the effective financial and risk management of the organisation. This responsibility is currently performed by Livestock SA's Executive Committee.

What will changing to a Company Limited by Guarantee do?

- Changing from an Incorporated Association to a Company Limited by Guarantee strengthens the level of corporate governance and legal compliance standards for the organisation and its board.
- As a Company Limited by Guarantee, the duties of the Directors are of the highest fiduciary standards, meaning they must always act in the best interest of the company and its members, manage conflicts of interest and act with a duty of care and diligence when making decisions.
- Breaches of these Directors Duties have significant penalties for directors including personal fines, disqualifications, and in serious instances, a jail sentence. This is in comparison to breaches of Directors Duties at the Incorporation Association level which is nominal if any penalty at all.
- It is important that the organisation conforms to its legal governance responsibilities and demonstrates a higher level of transparency and accountability for members and other stakeholders, particularly as it is accountable for the management of several million dollars of socialised industry funding.

Will changing Livestock SA's corporate structure have implications for any of its current responsibilities, such as managing the Industry Funds?

- No, there are no restrictions on Livestock SA changing its corporate structure.
- On the contrary, Livestock SA has an obligation to members and other stakeholders (including government) to ensure it has a properly governed and more accountable structure.
- The roles and responsibilities the organisation currently undertakes will be unchanged – they will just be performed with greater accountability back to members and stakeholders.

How will the Industry Funds be managed?

- Essentially the same way they are now. This is the fourth year Livestock SA has managed the industry funds. Improvements have been made over this time, and this is just another step that will deliver further efficiencies, better governance, and greater accountability to producers.
- Livestock SA is accountable for the funding recommendations made to the Minister, contracting the third-party service providers delivering the projects that the Minister approves, and reconciling all expenditure. People with the skills needed to provide the best advice on industry fund investment will still perform that function.
- Livestock SA manages the industry funds as a service to the industries it represents. The small percentage of the total funds that Livestock SA receives to perform this and its other core functions are aligned with the Regulations that prescribe what the funds can be used for and must be approved by the Minister for Primary Industries and Regions.

Doesn't the government require Livestock SA to have independent industry fund committees?

- No. The government does not require Livestock SA to have any specific committee structures.
- The government recognises Livestock SA as the entity that represents the state's sheep and beef cattle producers and holds the organisation accountable for any advice provided to government on expenditure from the Sheep and Cattle Industry Funds. This is consistent with the arrangements for most other agricultural industries in South Australia that have a Primary Industry Fund.

How can I be confident the industry funds will continue to be spent in the best interests of producers and the industry?

- Money collected through a levy arrangement, like what occurs in the Sheep and Cattle Industry Funds, can only be spent on prescribed activities, which are detailed in the SIF and CIF Regulations and can only be changed by the government.
- Livestock SA is not the Administrator of the SIF or CIF – the Minister for Primary Industries and Regions is the Administrator.
- As Administrator of all the Primary Industry Funds, the Minister collects the contributions and approves all the expenditure. The Minister, through PIRSA, also audits the expenditure.
- Livestock SA has effectively managed the SIF and CIF as a service to the livestock industries that the organisation represents for the past four years. The organisation exists to progress and protect these industries.
- Livestock SA presents audited financial statements each year at its Annual General Meeting where members can question expenditure and organisational activities.
- The Livestock SA Board will always comprise of a majority of elected sheep and cattle producers (i.e. at least 6 out of a maximum of 9 board positions). Directors in these positions will also be contributors to the industry funds and they are directly accountable to other contributors to the SIF and CIF, as they can remove them from the board.
- In delivering its fiduciary duties, which will be increased to the highest standards of accountability, the Livestock SA Board will continue to establish skills-based committees as required to enable it to make the best decisions for producers and the industries it represents. The 'Livestock Advisory Committee' will provide recommendations to the board on (amongst other things) industry funding expenditure. This is the same process as occurs now through the SIF and CIF Boards/Committees.

How will sheep and cattle funds be kept separate if there is only one Livestock Advisory Committee?

- Livestock SA currently manages the SIF and CIF monies in separate bank accounts – this will not change.
- Any funds collected through a levy arrangement can only be spent on the activities that have been prescribed for their collection. This information is detailed in separate SIF and CIF Regulations which can only be changed by the government.

Has a SAGIT-type model been considered?

- Yes, a trust model like the one that exists in the grains industry was considered as part of the discussions to move the industry management function for the SIF and CIF out of PIRSA and into Livestock SA in 2018-19. At that time, it was considered a trust model would not be the most efficient structure and would be subject to differing investment views within the same industry.
- A trust model was again considered as part of this governance and structural review process, with the same conclusions reached – it is considerably more expensive and will result in separate entities (Livestock SA, sheep trust, cattle trust) with different governing boards that will have different strategic investment priorities. This will not realise the best outcomes from the limited funds available for the industry.
- For the financial years 2020-21 and 2021-22 (government audited numbers for 2022-23 are not available yet), on average the trust model for managing one fund (the GIF) was over $50,000 more per year than the cost of managing both funds (the SIF and CIF) through Livestock SA.
- Livestock SA has not increased the amount of money it receives for managing the SIF and CIF over the four years it has performed this function, which is only 3% of total expenditure.
- Annualised inflation for South Australia was 2.8% in FY2020-21 and 6.4% in FY2021-22 and 6.9% in FY2022-23. These costs have been absorbed by Livestock SA through management efficiencies delivering a cost saving in real terms to SIF and CIF management of 16.1% over that 3-year period.
- The proposed governance and structural changes have no impact or associated costs on the current arrangements for the management of the SIF and CIF. By contrast, establishing sheep and cattle trusts will incur establishment costs, considerably higher ongoing operational costs, and considerable opportunity costs that will inevitably materialise from different governing boards in the same industry.

How will the dairy component of the Cattle Industry Fund be managed?

- Livestock SA will continue to manage the beef production contributions to the CIF and the South Australian Dairyfarmers' Association (SADA) will manage the dairy production contributions.
- Livestock SA and SADA are currently finalising an independent, publicly available process that identifies the amount of CIF contributions related to dairy production.

What will happen to the Industry Blueprints?

- Over the past 6 months, Livestock SA has been consolidating the 6 strategic documents that it currently needs to observe and manage into one strategic plan: a single 'Red Meat and Wool 2030 Blueprint' – name to be confirmed.
- This alignment and consolidation will ensure that a single livestock industry Blueprint is more focussed, addresses the most important issues, and is actionable and measurable.
- To complement the 'Red Meat and Wool 2030 Blueprint', Livestock SA will finalise an Annual Operating Plan in March each year to ensure the organisation prioritises effort and enable more effective measurement and refinement of a single strategic plan.
- It is anticipated that members of the South Australian Regional Committee of the Southern Australia Livestock Research Council (SALRC) will form part of the 'Livestock Advisory Committee'.

When would Livestock SA's corporate structure change?

- Following a period of consultation with members on the changes, an Extraordinary (Special) General Meeting will be held in June 2024 to vote on the adoption of a new constitution. If passed by members, the organisation will trade as a Company Limited by Guarantee from 1 July 2024.

What will be the board composition following the change?

- The incumbent board composition will remain the same until the FY2023-24 AGM in November 2024 when one third (1/3) of the positions under the new board composition will become vacant.

- The other two thirds (2/3) of board positions will be determined by the incumbent board to ensure corporate knowledge is retained and there is continuity in the organisation's work.
- One third of board positions will become vacant each year as directors will operate on a three-year term (for a maximum of 3 consecutive terms).
- Once the board has been formed, it will finalise the terms of reference for the Livestock Advisory Committee; and the Finance, Risk, Audit and Governance Committee.
- Governance training will be provided to new board members to ensure they understand their fiduciary responsibilities – i.e. to ensure they always act in the best interest of the company, manage conflicts of interest and act with a duty of care and diligence when making decisions.