

## ***Fact sheet: A funding model for Dams Safety NSW***

The *Dams Safety Act 2015* established the new regulator, Dams Safety NSW (DSNSW), which is governed by an independent board. DSNSW is responsible for monitoring compliance of dams with new public safety standards, as detailed within the *Dams Safety Regulation 2019*.

To fulfil its legislated functions, Dams Safety NSW will perform the following regulatory activities:

- Regulatory oversight – gathering and analysing information on a specific dam or range of dams, for example through:
  - audit, to test compliance with the NSW dams safety regulatory framework
  - reviewing reports submitted by dam owners including dams safety standards reports, risk rating reports, and consequence category assessments
  - declaring new dams
  - assessment of mining authority consent applications.
- Educating and informing declared dam owners and supporting industry including responding to enquiries, developing regulatory guidelines, reports and information sheets developing resources for dam owners, webinars, newsletters and website material.
- Promoting collaboration between dam owners in terms of knowledge and expertise sharing and between regulators, in terms of best practice strategies and experience.
- Dealing with non-compliance actions, such as warnings, orders, directions, penalty notices, prosecutions and emergency situations.

### ***A levy to fund DSNSW's regulatory activities***

In broad terms, the regulatory services provided by government can be funded through either general revenue or through some form of cost recovery arrangement, where users are charged for the regulatory services provided. There is a strong case for cost recovery of regulatory activities when the funding model is designed according to best practice cost recovery principles. Cost recovery is an efficient way of funding regulatory services as it can:

- encourage economic efficiency because users take into account the cost of operating the regulatory framework in the decisions they make
- improve equity whereby the users or beneficiaries of the regulatory framework pay for it, rather than general taxpayers, who may not use or benefit from it
- ensure Dams Safety New South Wales' revenue increases in line with workload
- reduce the call on general taxation and minimise efficiency losses associated with general taxation
- instil cost consciousness in regulatory agencies through improving the transparency of regulators and making them more accountable to users of the regulatory system.

The Dams Safety Act 2015 provides for the introduction of a Dams Safety Levy to fund Dams Safety NSW's regulatory activities. The Levy is to be paid into a Dams Safety Fund.

Consistent with best practice cost recovery principles, DSNSW is proposing to recover the efficient costs of regulatory oversight activities (such as compliance audits and document review) and educating and informing dam owners through the annual levy.

The annual levy will not recover the costs to DSNSW to assess and declare new dams, assess mining authority consent applications and general policy activities. These costs will be funded from general taxation.

The annual levy payable by dam owners will vary as follows.

- Reflecting the expectation that dams with higher consequence category will require more of DSNSW’s resources, levies will vary by consequence category.
- As there are expected to be cost savings, multiple dam owners will be charged:
  - the full levy for the first dam (based on the highest consequence category dam in the portfolio)
  - a 30 per cent discount will apply to all subsequent dams.

Consequence category	Annual levy for first dam	Annual levy for subsequent
	\$ per year	\$ per year
Extreme	16 923	11 846
High A	14 992	10 494
High B	14 992	10 494
High C	14 992	10 494
Significant	9 094	6 366
Low	5 048	3 534

### ***Introduction of the levy***

The new regulatory framework for dams safety in NSW (comprising the *Dams Safety Act 2015*, *Dams Safety Regulation 2019* and associated standards) commenced on 1 November 2019. DSNSW is proposing to introduce the levy for declared dams from 1 July 2021.

### ***Review of the levy***

DSNSW will review the annual levy after two years from implementation. DSNSW are developing a system to monitor and review progress of regulatory activities through time to ensure the annual levy remains efficient and prudent. Key elements which DSNSW will monitor and review are the effectiveness of regulatory activities to achieve regulatory outcomes, the level of resourcing required to conduct activities, and potential for efficiency gains.

For detailed information on the proposed funding model please refer to the report prepared by the CIE for Dams Safety NSW: CIE, 2020, *Proposed funding model for Dams Safety NSW*.