



## **IPART review – Local government election costs**

**Submission on draft report released 25 June 2019**

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## Response to the draft report

Blacktown City Council appreciates the opportunity to comment on IPART's draft report and recommendations regarding local government election costs.

We have serious concerns regarding the direction and impact of these recommendations on the industry.

We note also that Local Government NSW has provided a more detailed submission to IPART on behalf of the sector.

Council will further consider and comment on the final report from IPART in due course.

## Executive summary

- Blacktown City Council strongly supports the role of the NSW Electoral Commission (NSWEC) as the appropriate, expert and well-governed body to provide electoral services to all levels of government.
- There are clear opportunities for improvement in elements of the services provided to councils by the NSWEC in previous elections. We welcome the proposals by IPART in regard to greater transparency of services, and the efficiencies which have been identified.
- The State requires an electoral commission, and therefore should adequately resource this body to provide the required expertise and service capacity. The marginal additional standing costs (only) of the NSWEC also conducting local government elections should be met by the local government sector.
- The 62% price increase proposed by IPART in direct costs to NSWEC client councils for election services is manifestly excessive and is not in accordance with IPART's terms of reference from the Premier, to *minimise the financial burden on councils and ratepayers*. This proposal is based on a formula which appears to be partly driven by an aim to create a contestable market for election services and reduce the role of the NSWEC.
- There is presently no effective private market for election services with the capacity to provide an alternative to the NSWEC. It is not appropriate or necessary to artificially develop such a market as a means of ensuring NSWEC efficiency.
- The cost formula proposed by IPART therefore constitutes a further cost-shifting from the State to local government. In the case of Blacktown City Council, the additional costs proposed would equate to additional annual rate increase of 0.1%, to provide existing election services.
- If increased election costs do result from IPART's final recommendations, these additional costs should be met by the NSW Government until such time as effective competition has driven costs below the level of the 2016/17 elections.

## Structure of our submission

Commentary below is principally arranged by the key points in the IPART report, as summarised in its Fact Sheet released on 25 June 2019 and the Office of Local Government Circular 19-12, released on 27 June 2019.

### 1. Costs of NSW Electoral Commission services to councils

**Councils meet the “efficient” costs of contestable election services provided by the NSWEC on the following basis:**

#### 1a. The direct costs of contestable services are allocated to individual client councils

The proposed average 62% increase in direct costs to NSWEC client councils for election services is manifestly excessive. This proposal is based on a formula which appears to be partly driven by an aim to create a contestable market for election services and to reduce the role of the NSWEC.

The report states that IPART “expects any impact on ratepayers to be modest as election costs account for a small proportion of councils’ total costs”. As the body responsible for administering the NSW rating system, IPART is aware of the significant financial pressures on the local government sector and the sustainability challenges to councils of meeting increasing community needs.

Councils in NSW operate in a constrained financial environment as a result of rate-pegging, cost shifting onto local government and state and federal funding arrangements that are no longer fit for purpose.

The IPART proposal would entail many councils under existing budget pressures paying tens or hundreds of thousands of dollars extra to conduct their next elections. In the case of Blacktown City Council, the additional election costs proposed by IPART would equate to an additional annual rate increase of 0.1%, to provide existing election services.

In our view, this constitutes a further cost-shifting from the State to local government.

Our last election in 2016 cost Council approximately \$1.4m. If that cost was to increase by 62% for the next (2020) election it would be around \$2.2 million.

Council funds the cost of elections by making an annual allocation towards its Election Reserve. The higher 2020 election cost would require Council, over a 4 year period, to allocate an additional \$700,000 to this reserve, or \$175,000 annually. For Council, this would mean it would need an additional annual rate increase, over 4 years, of 0.1%. Or, as the additional cost will be borne next financial year, an additional 0.4% rate increase above the applicable rate pegging limit.

If there is such an increase in costs, the Government should direct IPART to take that into account in setting the rate cap increase.

**1b. Indirect costs of contestable services are allocated to all client councils, mostly on a per-elector basis**

Supported in principle, subject to a fair and realistic formula being applied.

The State requires an electoral commission, and therefore should adequately resource this body to provide the required expertise and service capacity. The marginal additional standing costs (only) arising through the NSWEC also conducting local government elections should be met by the local government sector.

The report should more clearly recognise that councils are not the sole 'impactor' in relation to the costs of local government elections, and include state government to a larger degree in the impactor pays analysis.

For example, the excessive length of the pre-poll voting period is a matter beyond the control of local government. This period should be reduced to one week (Saturday to Friday in the week before election day), for all local government elections whether the election is administered by the NSW Electoral Commission or by a private election services provider.

**1c. The NSW Government pays for non-contestable election services (because no mechanism exists to charge for these services), with the exception of 'enrolment' activities (e.g. the provision of a paper or electronic copy of the residential roll to councils) - these should continue to be paid for by both client and non-client councils.**

Supported.

**2. Development of a private market of election services providers**

We strongly oppose the direction of the IPART report to force the creation of a private market for election services in NSW.

Commonwealth and State Electoral Commissions are the appropriate bodies to conduct elections for all levels of government. Privatisation of elections is a principle which should be rejected.

It is very important that the conduct of local government elections is undertaken at the very highest standard. The engagement of the NSWEC is the lowest risk option; albeit at a higher cost than a private organisation may charge.

To introduce cost increases for local government at the levels proposed by IPART may force councils to seek alternative service providers. This is both impractical (as an adequate market does not exist) and risky (as the necessary governance arrangements are not in place to support it).

Discussion with those councils who have used existing private providers indicate a degree of dissatisfaction with the services received. To suggest a private provider is or should be superior in customer satisfaction to a highly experienced public body constituted specifically to conduct elections is highly questionable.

As the IPART report indicates, few Councils have taken the private option and are not expected to do so under existing circumstances. This is not just on cost but on risk grounds. To conduct a council election through a private provider transfers the full risk, should any errors be committed, from a State Electoral Commission to the Council (specifically, to its General Manager). Most councils are (in our view, rightly) unwilling to take on such a significant additional risk.

### **3. The mandatory unbundling, component pricing and offering of the NSWEC's individual local government election services, with the NSWEC providing binding quotes for each individual election service**

Supported. We welcome the measures proposed by IPART and the greater transparency of service pricing which would be delivered.

Councils paying for NSWEC services have unique local knowledge, as well as responsibility for their residents (electors).

Client councils should be provided with transparency of service level and cost, and have a significant input into the level and practicality of services provided. This includes elements such as the following:

- Location and number of polling booths
- Accessibility of booths (including Returning Officer premises)
- Level of staffing and expertise provided by NSWEC staff.

### **4. The establishment of independent regulatory oversight of the performance of all providers**

Supported.

### **5. Reducing the period before an election by which a council has to resolve to engage the NSWEC from 18 months to 9 months**

Supported in principle. Noting Blacktown City Council has already resolved to engage the NSWEC for the 2020 general election.

### **6. Provision of assistance to councils to further develop their election management capabilities through a training program delivered by OLG**

Supported in principle. Subject to the comments regarding transfer of risk under issue no. 2 above.

**7. Legislative change to ensure that a council's general manager becomes responsible for producing a valid election result if and when the council ceases to engage the NSWEC for all election services.**

Strongly opposed as a poor governance principle. The general manager of a council, as its employee, should not be responsible for the conduct of its election.