

24 July 2019

Local Government Election Cost Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

By email: ipart@ipart.nsw.gov.au

Dear Tribunal Members,

REVIEW OF LOCAL GOVERNMENT ELECTION COSTS

Camden Council appreciates the opportunity to make a submission in response to the Independent Pricing and Regulatory Tribunal's (IPART) draft report on the review of local government election costs.

In response to IPART's recommendations, Camden Council offers the following comments:

1. *The NSWEC's notional revenue requirement for the 2020 local government elections should be set at \$53.91 million.*

Comment:

Councils will see more than a 60% increase in costs, based on the IPART review, for the 2020 election compared to the 2016 election. In comparison, the increase from 2012 to 2016 was 24%. It is requested that any change in methodology be implemented as part of assessing the election costs for 2024 election, providing the sector with advance warning and an ability to budget for those costs over the four years leading up to the 2024 election. Full cost recovery should be provided through the rate peg supported by the appropriate movement in the Local Government Cost Index.

2. *The NSWEC's efficient level of operating expenditure for the 2020 local government elections should be set at \$49.9 million.*

Comment:

See response to 1. above.

3. *Set an allowance for a return on assets for the 2020 local government elections at \$0.43 million.*

No comment.

4. *Adopt a real post-tax WACC of 3.2% for the purposes of calculating the allowance for a return on assets, which included:*
 - *A gearing ratio of 45% and an equity beta of 0.45*
 - *Market observations (cost of debt and market risk premium), based on the February 2019 bi-annual market update.*

No comment.

5. *Calculate regulatory depreciation (or return of assets) using a straight-line depreciation method for each group of assets.*

Comment:

Agreed. This is consistent with the local government approach to depreciating assets.

6. *Set an allowance for regulatory depreciation for the 2020 local government elections at \$2.76 million.*

Comment:

Agreed. Setting an allowance for depreciation is a reasonable assumption.

7. *Set a tax allowance for the 2020 local government elections at \$0.18 million.*

Comment:

This cost should be included for comparative cost purposes with the private sector but eliminated in the final local government cost calculation. This is a cost that should be borne by the State Government.

8. *Set an allowance for a return on working capital for the 2020 local government elections at \$0.63 million.*

Comment:

See response to 7. above.

9. *NSWEC's efficient costs of managing local government elections should be allocated using the impactor-pays funding hierarchy. That is, where possible, costs should be allocated to the parties that create the need for those costs. Where it is impractical to allocate costs in this way, they should be funded by the NSW Government (i.e. taxpayers).*

Comment:

The allocation methodology is sound. The State Government should be responsible for providing and maintaining the infrastructure that supports the election process, including executive costs.

10. *Applying the impactor-pays funding hierarchy means the NSWEC should allocate to:*
- *Client councils (i.e. those councils which have engaged the NSWEC to manage their elections), the efficient cost of services it provides exclusively to those councils.*
 - *Client and non-client councils, the efficient cost of enrolment services it provides to both types of council.*
 - *NSW Government, the efficient cost of services it provides to both client and non-client councils, but it is unable to recover from non-client councils (i.e., maintaining the electoral roll, state-wide advertising, community education materials and funding disclosure).*

Comment:

See response to 9. above.

11. *The indirect costs the NSWEC allocates to client councils (and, in relation to enrolment services, client and non-client councils) should be shared amongst these councils on a per-electoral basis (i.e., the amount a council pays depends on the number of electors in its area), with the following exceptions: Shared Returning Officer costs should be allocated by the number of electors for each client council in the Shared Returning Officer grouping.*
- *Sydney Town Hall costs should be allocated by the number of ballots for each of the client councils using the Sydney Town Hall for as a polling place (both pre-polling and on election day).*
 - *Counting and results costs that are venue-specific (e.g., venue procurement costs and labour costs for a counting hub) should be allocated by the number of ballots for each client council in the venue.*
 - *Other counting and results costs (e.g., project management costs) should be allocated by the number of ballots for each client council.*
 - *Local government boundaries costs (part of enrolment services) should be allocated evenly amongst all councils (i.e., allocated by the number of client and non-client councils, rather than the number of electors within each of those councils).*
 - *Postal voting costs should be allocated by the number of ballots issued by each client council.*

Comment:

See response to 9. above.

12. *That the NSW Government implement a new market model for local government election services by undertaking the following regulatory reforms:*
- *Legislative reform to require the mandatory unbundling, component pricing and offering of the NSWEC's individual local government election services. In advance of the council elections in 2024, the NSWEC should have unbundled its costs and services, and provide councils with binding quotes for each individual election service, so that councils can decide which election services the NSWEC will provide them with.*
 - *The establishment of independent regulatory oversight of:*

- a. *The NSWEC's prices for unbundled local government election services, until genuine choice and competition emerges.*
- b. *The performance of all service providers, to ensure that all providers provide the mandatory, minimum levels of service (i.e., that they comply with the non-discretionary standards of conducting an election).*
- *Legislative change to reduce the period before an election by which a council has to resolve to engage the NSWEC from 18 months to 9 months.*
- *Provision of assistance to councils to further develop their election management capabilities through a training program delivered by the Office of Local Government.*
- *Legislative change, if required, 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.*

Comment:

Agreed in principle. The final point relating to who is responsible for a valid election result requires further consultation with the sector.

Should you require any further information, please do not hesitate to contact the undersigned on

Yours sincerely,

Charles Weber
Manager Governance and Risk