

10 May 2019

Dr Paul Paterson  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, NSW 1240

Dear Dr Paterson

## Local Government Election Cost Review

Thank you for the opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal's review of local government election costs.

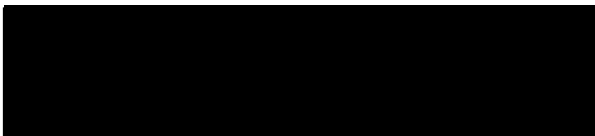
The attached submission addresses the issues on which IPART seeks comment relevant to the NSW Electoral Commission, namely:

- IPART's proposed approach to this review and any alternative approaches (Issue 1)
- Scope for private providers to provide election services (Issue 3) and whether these services vary by geographic location (Issue 4)
- Barriers to competition in the provision of electoral services (Issue 5)
- Factors leading to changes in the costs incurred by the NSW Electoral Commission, and relevant time period (Issue 6)
- Types of election services offered by the NSW Electoral Commission and options (Issue 7)
- Efficient costs of providing election services to local councils (Issue 8)
- Allocation of NSW Electoral Commission's direct and indirect costs between the State Government and councils, with relevance to the impactor pays principle (Issues 10, 11, 12 and 13)
- Election cost differences for metropolitan, regional and rural councils (Issue 14)
- Impact on recommendations on stakeholders (Issue 15).

Before detailing our response to these specific matters, we provide an overview of the current funding model. In this context, we raise significant issues with the sustainability of the model as a means to fund local government elections in 2020 and beyond. The NSW Electoral Commission proposes a new funding/cost allocation model to address the issue of sustainability and to provide a more efficient, effective and equitable allocation of costs between State Government and councils.

If you have any queries, please contact Mr Trevor Follett, Director of Finance and Chief Financial Officer.

Yours sincerely



John Schmidt  
Electoral Commissioner

**NSW Electoral Commission  
submission to the Independent  
Pricing and Regulatory Tribunal  
review of local government  
election costs**



# Contents

|   |           |
|---|-----------|
| <b>1. Executive Summary</b>   | <b>4</b>  |
| Specific concerns about the current model for councils and the community  | 4         |
| Suggested way forward   | 5         |
| <b>2. Guiding Principles</b>  | <b>6</b>  |
| <b>3. The current cost allocation model for Local Government elections and a way forward</b>  | <b>7</b>  |
| 3.1 Background information  | 7         |
| 3.2 Role of the NSW Electoral Commission in delivering Local Government Elections   | 7         |
| Election Costs and Funding  | 8         |
| <b>4. Issues with the current model</b>   | <b>10</b> |
| 4.1 Cross subsidisation results in higher costs for larger councils; larger councils choosing not to use NSW Electoral Commission would jeopardise the sustainability of the funding model. | 10        |
| 4.2 Fees charged to local councils for local government elections are increasing due to increases in underlying costs.  | 11        |
| 4.3 Challenges ensuring high level service standards are met (e.g. preventing voter interference, cybersecurity).   | 11        |
| 4.4 Local government election fees charged to local councils are higher than the fees charged in most other jurisdictions across Australia.   | 11        |
| 4.5 It is difficult to retain skilled workers on a consistent basis due to the peaks and troughs in workload between elections.   | 12        |
| 4.6 Impact of recent legislative changes.   | 12        |
| <b>5. A proposed new funding model</b>  | <b>13</b> |
| How the model would work in local government election in 2020   | 13        |
| <b>6. New funding model – a case for change</b>   | <b>18</b> |
| <b>7. Response to issues highlighted by IPART</b>   | <b>19</b> |
| 7.1 IPART’s proposed approach to this review and any alternative approaches (Issue 1)   | 19        |
| 7.2 Scope for private providers to provide election services (Issue 3) and whether these services vary by geographic location (Issue 4)   | 20        |
| 7.3 Barriers to competition in the provision of electoral services (Issue 5)  | 21        |
| 7.4 Factors leading to changes in the costs incurred by the NSW Electoral Commission, and relevant time period (Issue 6)  | 22        |

|           |  |           |
|-----------|--|-----------|
| 7.5       | Types of election services offered by the NSW Electoral Commission and options (Issue 7)   | 25        |
| 7.6       | Efficient costs of providing election services to local councils (Issue 8)   | 31        |
| 7.7       | Allocation of NSW Electoral Commission's direct and indirect costs between the State Government and councils, with relevance to the impactor pays principle (Issues 10, 11, 12 and 13) | 35        |
| 7.8       | Election cost differences for metropolitan, regional and rural councils (Issue 14)   | 37        |
| 7.9       | Impact on recommendations on stakeholders (Issue 15).  | 38        |
| <b>8.</b> | <b>ATTACHMENTS</b>   | <b>39</b> |

## 1. Executive Summary

*NSW electors are entitled to receive the same level of service and integrity at local government elections as they do at state elections.*

The NSW Electoral Commission is established by legislation and exercises both mandatory and discretionary electoral functions, delivered under discrete funding arrangements. The NSW Electoral Commission is committed to delivering the same high level of service at local government elections (a discretionary function) as it does for State parliamentary elections (a mandatory function). The Commission believes that this service commitment aligns with reasonable community expectations in New South Wales, as well as the strong accountability requirements that apply to it as a statutory entity. The costs incurred by the NSW Electoral Commission in the delivery of local government elections reflect this commitment to service and integrity.

The distinction between mandatory and discretionary functions is important in the context of analysing the costs of local government elections and assessing whether the current contestability arrangements remain appropriate. Unlike commercial providers in the elections area, the NSW Electoral Commission is required by the *Electoral Act 2017* to deliver State parliamentary elections and by the *Electoral Funding Act 2018* and *Lobbying of Government Officials Act 2011* to regulate participation in the State and local government electoral systems in New South Wales. It is also required by the *Aboriginal Land Rights Act 1983* to deliver elections for NSW Aboriginal land councils.

The NSW Electoral Commission is authorised, not required, to conduct local government elections, including by-elections, on a cost-recovery basis. It can also provide a range of election-related services to those councils that choose to run their own election or to engage a commercial provider. Although contestability was introduced in 2012, the NSW Electoral Commission currently administers approximately 95 per cent of local government elections (including by-elections) in New South Wales. The NSW Electoral Commission understands there is only one commercial provider of local government elections in NSW so the Commission, in effect, operates as the provider of last resort.

Consistent with government policy, the NSW Electoral Commission conducts local government elections on a cost-recovery basis, either by direct allocation or on a per elector basis. The NSW Electoral Commission is concerned that this funding model is not sustainable, efficient or equitable and welcomes this opportunity for review. It notes that IPART's review follows closely on other significant governance reforms in the local government sector, which have seen a new framework for all financial audits to be conducted through the NSW Audit Office and new council collaboration arrangements through joint organisations. It is timely, therefore, to consider whether there are additional ways to support local government and the communities it serves through a review of election costs.

### Specific concerns about the current model for councils and the community

Under the current model, the price charged by the NSW Electoral Commission to a council cannot capture the true costs of delivering an election – the result being (inter alia) cross-subsidisation from large to small councils, and higher prices compared to other jurisdictions. This model prevents efficient allocation of resources and results in deadweight losses.

Additionally, the current funding model is costly for the NSW Electoral Commission to administer and hinders councils' understanding of how their fees are calculated. These issues are likely to compound in future elections. The costs of conducting local government elections are growing to meet

community expectations for enhanced service delivery, improved work health and safety for the largely community-sourced election workforce, a changing global election security environment (both physical and cyber), population growth and the increasing cost of labour.

The current funding model is also a factor in relation to suboptimal elector participation in local government elections. Elector turnout at the most recent 2016/17 local government elections was 10 per cent below the turnout at the 2019 State General Election. This represents more than half a million electors (based on current enrolment) missing out on the opportunity to participate in local government democracy. A funding model that allows a single independent administrator of elections to develop state-wide public awareness campaigns for local government elections will help reduce this disparity.

Failure to reform the funding model will also mean that smaller councils may struggle to afford election services. Further, public confidence in the conduct and results of elections is undermined if the NSW Electoral Commission is unable – due to cost pressures - to conduct local government elections to the same standards as State elections. Without funding reform, recent enhancements made to improve local government elections may have to be rolled back by the Commission, potentially compromising security, accessibility and civic engagement and increasing the chances of challenged or re-run elections. Similarly, enhancements introduced at the recent State General Election may not be able to be implemented for future local government elections.

Finally, the NSW Electoral Commission may suffer reputational damage if it is unable to deliver local government election services at an affordable price for councils. The good standing of an independent electoral commission in any democracy should be a paramount concern in the design of any financial or legislative framework that applies to elections, particularly systems in which voting is compulsory.

### **Suggested way forward**

Instituting appropriate reforms will realise key Government objectives by improving efficiency, upholding equality, preserving quality and integrity, and providing certainty and assurance to stakeholders.

The NSW Electoral Commission, with reference to the robust independent analysis it is making available to IPART, is proposing a new model of funding (cost allocation) which would see the State Government fund the core costs of the NSW Electoral Commission and councils continuing to pay only for the direct costs of their election.

This funding model would ensure a fair and consistent electoral process is conducted across all councils in NSW, and is a model that is consistent with other jurisdictions in Australia. This new model would require funding (currently estimated at \$14.8 million) from Government for the conduct of the 2020 ordinary local government elections.

The NSW Electoral Commission acknowledges that such a change to the funding model could challenge the role of contestability in the provision of local government electoral services. The NSW Electoral Commission is concerned, however, that further market, or electoral service segmentation may lead to higher prices, cross-subsidisation, complexity and a lack of transparency and accountability in the conduct, and costing, of local government elections. This, in turn, could impose even higher social and economic costs on some councils and make the provision of standard electoral services in many regional and rural areas uneconomic, which would leave affected councils with little choice in how to conduct their elections. Such an outcome would have significant negative impacts on local government democracy and governance.

If contestability is to be maintained or extended, as a result of this review, careful consideration needs to be given to the role of an independent regulator (such as the Office of Local Government), which needs to be expressly funded and resourced to ensure appropriate standards of service and integrity measures are met by all election service providers, be they the Commission, private service providers or councils.

## 2. Guiding Principles

A number of guiding principles, as articulated in our Service Commitments Charter for local government elections in 2016/17 and our Strategic Plan, underpin this submission to IPART. These principles are as follows:

### Guiding Principles

#### **The NSW Electoral Commission is committed to provide:**

- Local government electors with the same quality of service they receive at State Elections
- All councils, regardless of geographic location, with the same level of services
- Communities with confidence in the integrity of local government elections
- Elections that are conducted impartially, effectively, efficiently and according to the law
- Councils with full disclosure on election services and the timely provision of cost estimates and timely updates on the preparation for, and progress of, the elections
- Election services that address the needs of electors and political participants
- Services and support to maximise participation of electors in elections
- Public accountability by reporting to the NSW Parliament and councils on the conduct and integrity of the elections.
- Protection to the institution of Local Government by conducting fair and impartial elections.



### 3. The current cost allocation model for Local Government elections and a way forward

#### 3.1 Background information

##### The NSW Electoral Commission

The New South Wales Electoral Commission exists to deliver trusted and independent election systems, processes, oversight and engagement that support democracy in New South Wales.

Our vision is to maintain confidence in the integrity of the democratic process and make it easy for people to understand and participate in that process.

- Our work includes: running elections that are characterised by accessibility, integrity and fairness
- enabling, through communication and education, the citizens of New South Wales to participate in fair and transparent electoral processes
- providing guidance to, and regulating the compliance of, political participants (including candidates, parties, donors, third-party campaigners, lobbyists and associated entities) in relation to their electoral rights, responsibilities and obligations
- supporting transparency by overseeing and publishing disclosures of political donations and expenditure and registers of political parties, candidates, agents, third-party campaigners, political lobbyists and associated entities
- advising on and advocating for improvements to legislation
- investigating possible offences and enforcing electoral laws.

The NSW Electoral Commission staff agency is headed by the NSW Electoral Commissioner, who also sits on the three-member NSW Electoral Commission.

#### 3.2 Role of the NSW Electoral Commission in delivering Local Government Elections

Ordinary local government elections are held in New South Wales on the second Saturday in September every four years. Elections are administered in accordance with the *Local Government Act 1993*. Since 2008, local government elections are conducted on a full cost recovery basis. Services for the provision of local government elections have been contestable in NSW since the 2012 ordinary elections, making it the only state or territory in Australia operating under such a system. Under the *Local Government Act*, it is the General Manager of a council who is responsible for conducting local government elections. To do so, the General Manager has two options:

- 1) run their own election; or
- 2) engage an election service provider, such as the NSW Electoral Commission (s296AA *Local Government Act 1993*) or a third party provider.

The NSW Electoral Commission administers the overwhelming majority of local government elections (including by elections) in New South Wales. Refer to the Report on the Local Government Elections from 2008 onwards for statistical information – see <https://elections.nsw.gov.au/About-us/Reports>



## Election Costs and Funding

Councils are required to meet the costs of conducting their elections. The NSW Government does not provide direct funding for local government elections, although some NSW Electoral Commission services required for local government elections, such as enrolment and non-voting services, are provided by the NSW Electoral Commission to councils at no cost. Since 2017, the NSW Electoral Commission has also been given responsibility for enforcing electoral offences under the Local Government Act at no additional cost to councils. This enforcement service must be undertaken regardless of whether or not the NSW Electoral Commission runs the election.

The NSW Electoral Commission pays the direct costs of the election and then invoices councils once the elections are completed. The councils are billed on a cost recovery basis as per Treasury Directive, with an Election Management Fee (developed by independent consultants) to cover the NSW Electoral Commission's corporate overhead.

The NSW Electoral Commission uses a 'zero based' or 'bottom-up' budget methodology for estimating the cost of conducting local government elections.

Using the 2016/17 elections as an example, this proceeds in 4 stages:

Stage 1: All Local Government Elections projects and associated activities are identified and scoped out.

Stage 2: Volume and unit costs are itemised for each project, services to be procured are identified and tasks scheduled by month to identify the financial years which are impacted.

Stage 3: Substantive testing of these budget items and their estimated costs is undertaken using the most reliable cost schedule available, that is, the most recent State General Election.

Stage 4: Costs are allocated for each project to individual councils using the applicable methodology for the activity involved in each project.

For the 2016/17 elections an additional stage was included to identify costs attributable to council amalgamations. These costs were funded by a separate state government appropriation.

The costs of NSW Electoral Commission conducting a local government election are invoiced to local councils. These costs are either:

- **Direct** – where costs are coded to a specific council and therefore invoiced directly to them i.e. polling places and staffing
- **Indirect** – where costs are invoiced back to local councils on a per elector basis e.g. ballot paper production, logistics and call centres. In addition, an Election Management Fee is charged to councils on a per elector basis to recover the NSW Electoral Commission's corporate overhead costs.

The breakdown of the allocation of costs to conduct the 2008 and 2012 local government elections is provided in Table 1 below:

**Table 1: Cost allocation of the 2008 and 2012 local government elections**

| Costs                              | 2008 | 2012 |
|------------------------------------|------|------|
|                                    | %    | %    |
| Direct                             | 65   | 61   |
| Indirect costs                     | 27   | 29   |
| Indirect – Election Management Fee | 9    | 10   |

#### **Example: 2016/2017 Local Government Elections**

The 2016/17 local government elections were an anomaly due to the NSW Government's decision to split the elections into two tranches, held in September 2016 and September 2017, respectively.

The split of the 2016 election into two tranches increased the total cost of running the elections as there were some duplicated costs across the two years. The NSW Government appropriated \$17 million for the NSW Electoral Commission costs associated with the split elections. The NSW Electoral Commission spent \$14.6 million of this appropriation over the two tranches.

Splitting the 2016 and 2017 elections has also added complexity to the estimation of the baseline cost of future local government elections.

## 4. Issues with the current model

The NSW Electoral Commission is concerned about the sustainability of the current funding model under which it is required to conduct local government elections. The key issues with the current model are summarised below:

### 4.1 Cross subsidisation results in higher costs for larger councils; larger councils choosing not to use NSW Electoral Commission would jeopardise the sustainability of the funding model.

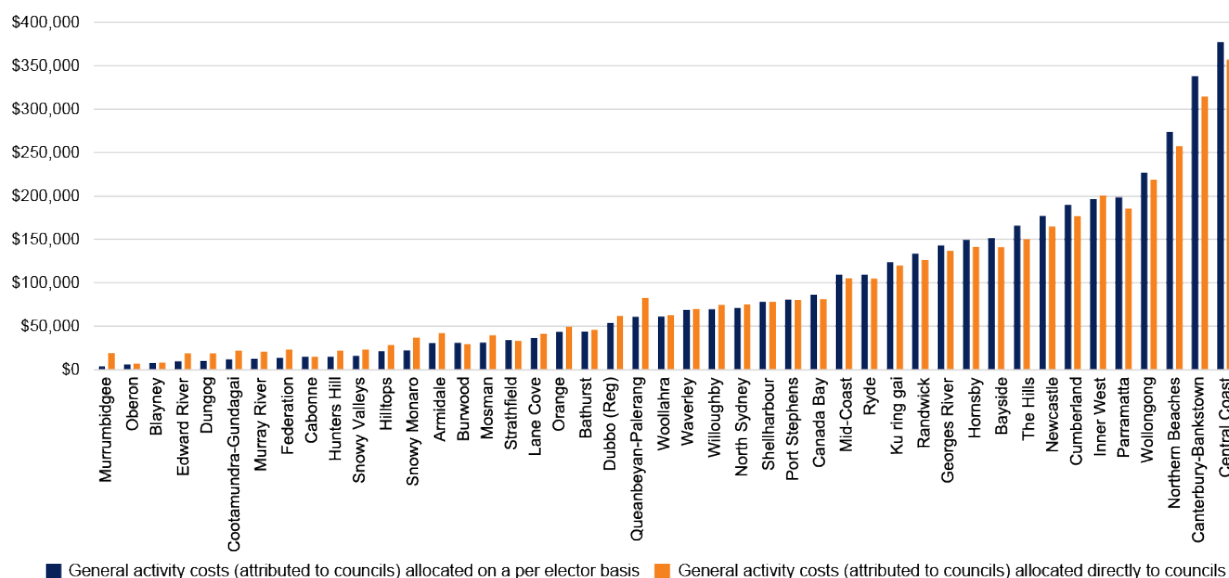
There is a large variance in the size of local councils in NSW; ranging from less than 1,000 electors to more than 250,000.

Under the current model, which includes a per elector fee, larger councils with more electors are cross-subsidising smaller councils with fewer electors. This gives rise to an inequitable situation where costs are not accurately attributed to those councils that incur the costs.

In the current situation, larger councils could potentially save costs by conducting their own elections or using a commercial provider. If this were to occur, the remaining pool of large and medium sized councils that continue to use the NSW Electoral Commission to conduct their election would experience an increase to their fees, as they continue to subsidise smaller councils.

Figure 1 below shows the councils in NSW from smallest to largest, and the differences in costs when allocated directly and on a per elector basis. The smaller councils incur significantly higher costs than would be allocated on a per elector basis, and the converse is true for larger councils.

**Figure 1: Effect of cross-subsidisation across councils – 2017 local government elections**



Source: PwC (2018) *Local Government Elections – Funding Model Review*, Final Report to the NSW Electoral Commission, 20 December

**Table 2: Effect of cross-subsidisation for selected small and large council**

|                               | Armidale (small) | Bayside (large) |
|-------------------------------|------------------|-----------------|
| <b>Number of electors</b>     | 20,376           | 100,705         |
| <b>Direct allocation</b>      | \$42,017         | \$141,244       |
| <b>Per elector allocation</b> | \$30,660         | \$151,531       |

Source: PwC (2018) *Local Government Elections – Funding Model Review*, Final Report to the NSW Electoral Commission, 20 December.

#### **4.2 Fees charged to local councils for local government elections are increasing due to increases in underlying costs.**

The costs of conducting local government elections are increasing. Staff costs have risen, postage rates have risen, and new standards and expectations for providing election security, call centres and improved data analytics have also led to cost increases.

#### **4.3 Challenges ensuring high level service standards are met (e.g. preventing voter interference, cybersecurity).**

The possibility of a large number of councils opting to deliver inexpensive elections themselves “in-house” or through commercial providers of election services raises questions about how minimum service and integrity standards should be regulated. There is presently no independent regulator of electoral services, which reflects the long history of elections only being delivered by an already independent statutory authority, subject to Parliamentary oversight. It should not matter, however, who conducts an election for local government in relation to high quality standards. The same standards should be met by all electoral services market participants. Robust and secure systems are essential to ensure confidence in an election result. The need for such oversight was clearly recognised in recommendations by the NSW Parliament’s Joint Standing Committee on Electoral Matters in its 2017 report titled *‘Preference counting in local government elections in NSW’*.

The NSW Electoral Commission notes that minimum requirements and standards include (but are not limited to): independently certified counting software; end-to-end ballot paper security; engagement of staff who are enrolled and politically neutral; safeguards for the privacy of electors and security of roll data; transparency of elections (including support for scrutineers), report on the conduct of the election, and publicly available results data; and protections to ensure the secrecy of votes, equal access to democracy (e.g. assistance to electors with a disability and whose first language is not English) and other fundamental electoral practices.

#### **4.4 Local government election fees charged to local councils are higher than the fees charged in most other jurisdictions across Australia.**

The NSW Electoral Commission’s average fee per elector (\$7.08) is higher than the average fee in South Australia (\$4.14), Western Australia (\$5.31), and Victoria (\$5.91). An important driver of lower costs in Western Australia and Victoria is state government funding to meet those electoral commissions’ indirect costs.

These indirect costs include core system development and maintenance, ongoing voter roll maintenance, and Returning Officer training costs.

#### 4.5 It is difficult to retain skilled workers on a consistent basis due to the peaks and troughs in workload between elections.

As a consequence of its existing events-based funding model, combined with a two year gap between State and local government elections, the NSW Electoral Commission struggles to retain skilled personnel. The current funding model forces the Commission to employ the required people on a contractor basis, which is extremely inefficient and expensive. This leads to large peaks and troughs in the workforce with significant time wasted re-training people ahead of elections. This is particularly relevant for positions requiring specialist skills relating to programme and project management, process analysis and testing and data analytics.

#### 4.6 Impact of recent legislative changes.

The NSW Government has recently made legislative changes to introduce an election countback system and a new methodology for counting votes at local government elections – the Weighted Inclusive Gregory Method (WIGM). Implementing these reforms will require the NSW Electoral Commission to incur costs relating to the development of new election software and systems. The NSW Electoral Commission proposes to commence development of the new counting software now that the 2019 State General Election has been delivered and has sought additional funding as part of the 2019/20 year budgetary process. If the existing cost recovery approach were to be applied, the cost of developing and operating these systems will need to be passed on to councils.

The detailed requirements for the new count systems were only set out in the *Local Government (General) Regulation 2005* in December 2018. Without such technology, it will be difficult for councils to determine whether they (or commercial election service providers) will have the capacity to run the 2020 elections themselves.

The development of a licensing system to enable councils or their service provider to use the NSW Electoral Commission's new count system is not an option at the present time. Licensing of just the count system to an external provider/user would also have significant impacts on the other business systems used by the NSW Electoral Commission, including managing the changes to system interfaces, data security, process re-design, operational procedures and training.

The level of state government funding which has been sought for the new count system will only support the development of a system for the use of the NSW Electoral Commission. A system that requires us to license our system on a 'fee for service' basis to other commercial election providers or councils will require:

- Substantial re-scope of the system as the design would need to support multiple "tenants". Scope changes would include: architectural design, system integration and external interfaces, cyber-security, credential management, multi-tenant database redesign, data security, infrastructure and hosting design
- Licensed system users need to be supported on an on-going basis. Support resources include business subject matter experts and technical specialists, as well as the need for a helpdesk to be established.
- Develop and setup licensing model including license agreement, service level agreements, intellectual property considerations, finance resources to manage license fees and expenditure
- Refinement of relevant NSW Electoral Commission processes and procedures to ensure they work with the redesign
- Customer system training
- Development of regulatory arrangements for local government sector users of the systems to ensure data security and privacy of data. It is noted that in its response to the Joint Standing Committee on Electoral Matters' (JSCEM) report which recommended introduction of the new

count system, the Government stated *'[to] ensure consistency across all council elections, OLG [Office of Local Government] will adapt its guidance material for councils that administer their own elections to ensure that any practice developed by the NSW Electoral Commission is also applied at council-run elections.'* (Rec. 5)

The above issues illustrate how the funding, capital and operational impact on the NSW Electoral Commission and the local government sector must be considered when assessing the viability of a licensing model for new count software.

## 5. A proposed new funding model

The NSW Electoral Commission has developed a new funding model for conducting local government elections which it believes is more efficient and cost-reflective, while managing the cost burden of elections for smaller councils to satisfy equity considerations. A full description of the proposed model as developed in consultation with PricewaterhouseCoopers (PwC), including detailing costing and possible financial impacts on local councils, has been provided separately to IPART.

Under this model, costs are assigned as either direct (or marginal costs) or core costs and allocated to councils or to the State budget accordingly:

- Direct (or marginal) costs are the costs that would not be incurred if an election was not held. These are recovered from councils on a direct allocation and per elector basis. Such costs include (but not limited to): election staffing, venues, ballot paper printing, council-specific advertising and voter information products.
- Core costs are defined as head office costs - such as staff payroll, training, election security, project management costs, drafting of election procedures and policies applicable for the sector, core IT system development and maintenance, and ongoing voter roll maintenance. Essentially, these are costs that must be incurred to ensure the NSW Electoral Commission maintains its capacity to conduct local government elections, including for all councils if necessary. In this model, it is proposed that the State budget would fund these core costs.
- The allocation of core costs to the State budget enables the NSW Electoral Commission to implement a permanent support structure, rather than sourcing additional temporary human resources in a ramp-up/ramp-down capacity, as is the current situation. Operating with a more sustainable and consistent workforce model removes the necessity for the NSW Electoral Commission to commit time and resources to training individuals who are hired on a contractor basis only.

The partial cost recovery model is the preferred option as it addresses the issues cited above, aligns with the funding model for NSW State General Election, and is similar to the model used to fund local government elections in Victoria. This model increases the simplicity and certainty of the funding arrangements for the NSW Electoral Commission without negatively impacting efficiency or equity outcomes.

### How the model would work in local government election in 2020

The NSW Electoral Commission has estimated that its costs to deliver the local government election in 2020 will be in the order of \$56 million. This represents an increase of approximately 66 per cent from the combined cost of the 2016 and 2017 local government elections (excluding the State Government contribution of \$17 million).

The projected cost increase is the result of the following factors:

- CPI and wage growth
- Roll growth
- Postal costs and call centre costs

- Cost of polling places
- New staffing levels and training to address work, health and safety (being aligned with the model used for the State General Election in March 2019)
- Greater risk controls e.g. cyber-security, testing, event readiness, Project Management
- Roll-out of new technologies such as ballot paper tracking
- Data and geospatial analytics to better inform our operations and plan our resources.

The NSW Electoral Commission's detailed estimated costs to conduct the elections for all councils in NSW under its proposed new model have been provided separately to IPART. For comparison purposes, cost estimates for a range of metropolitan, regional and rural councils under the existing model is shown below (Table 3), as well as 2016/17 costs. Costs associated with the recent regulatory changes, such as the introduction of the new Weighted Inclusive Gregory Method and a countback option to fill casual vacancies, have not been accounted for in these estimates. The NSW Electoral Commission is awaiting the outcome of submissions for budget funding in 2019/20. If we were required to apply costs associated with these submissions to individual councils on a cost recovery basis under the current funding model, however, the initial estimate of \$56 million is estimated to rise by more than \$5.8 million in 2019/20.

**Table 3: Sample of costs to conduct local government elections in 2020**

| Council               | Local Government election 2016/17<br>Cost \$ (Before Discount) | Local Government election 2020<br>Est. Cost \$ |
|-----------------------|--|--|
| <b>Metro</b>          |  |  |
| The Hills             | 732,003  | 1,215,124                                      |
| Canterbury-Bankstown  | 1,447,366  | 2,402,628                                      |
| Inner West            | 898,854  | 1,492,098                                      |
| Sydney                | 1,008,413  | 1,673,966                                      |
| Blacktown             | 1,335,343  | 2,216,669                                      |
| Parramatta            | 872,729  | 1,448,730                                      |
|                       |  |  |
| <b>Rural/Regional</b> |  |  |
| Albury                | 270,564  | 449,136  |
| Balranald             | 20,998   | 34,856   |
| Bourke                | 30,672   | 50,915   |
| Broken Hill           | 134,580  | 223,403  |
| Coffs Harbour         | 431,030  | 715,510  |
| Central Coast         | 1,599,244  | 2,654,745                                      |
| Eurobodalla           | 265,863  | 441,333  |

NB: A total discount of approximately \$1 million was granted to councils in 2016 and 2017 (majority in 2016). The discounts related (in part) to a recognition of shared Returning Office costs. For the purposes of this calculation, roll growth has been assumed as uniform across the council areas from 2016/17 to 2020.

Under the proposed new model, for the 2020 ordinary elections local councils would be invoiced approximately 23 per cent more than in the 2016/17 elections, totalling \$41.7 million, accounting for role growth and inflation. Of this amount, \$25.8 million would be invoiced directly to councils to pay for the specific costs they incur. Councils would be invoiced a further \$15.8 million on a per elector basis.

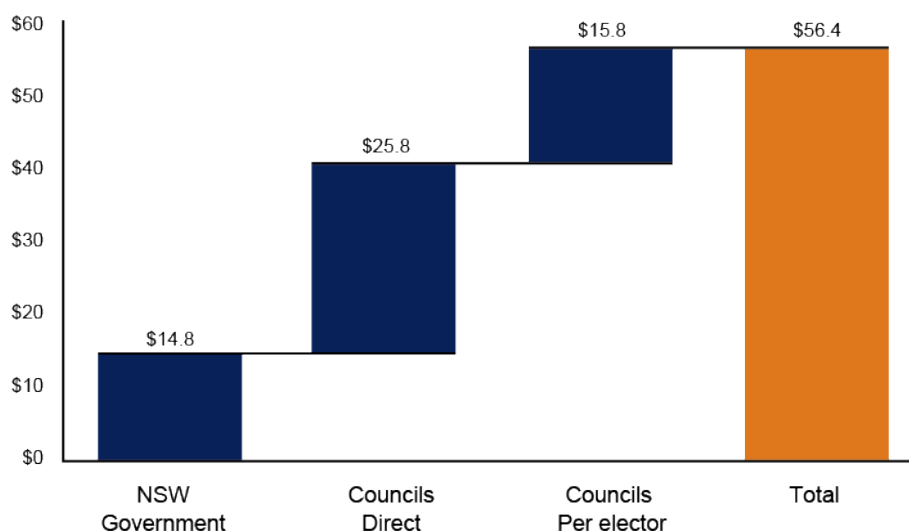


The remaining required funding, currently estimated at \$14.8 million, would need to be funded by the NSW Government.

This new funding model would result in an indicative weighted average cost per elector of \$8.21. This is less than a weighted average cost per elector of \$11.11 should the current funding model be applied in 2020. There is no difference in the range of per elector fees (that is, the difference between the maximum and minimum fee per elector) between the current and proposed models – both are estimated at around \$6.52 for the local government elections in 2020. These costs are only reflective of those costs passed onto councils.

The funding split for the 2020 local government elections under the proposed funding model is shown in Figure 2.

**Figure 2: Funding split – proposed new funding model**



Costs shown in AUD (\$), millions, as of 2020

Notes: NSW Government (26%), Councils direct (46%), Councils per elector (28%)

*Figure 3* provides a more detailed breakdown of the cost components, and the associated split between core services (funded via NSW Government appropriation) and costs invoiced to councils (directly and on a per-electoral basis).

The major cost components now charged to councils that would be replaced by NSW Government funding for the NSW Electoral Commission's core services include enrolment management, election procedures documentation, IT business systems, the election management fee, and programme costs associated with managing an election event of this size across the State.

**Figure 3: Proposed new funding model - split of funding**

| Cost components                                  | Local Government election 2020 Estimated Cost | Core Service  | Invoice to Councils |
|--|---|---------------|---------------------|
| 1 - Enrolment                                    | 942   | 942           | -                   |
| 2 - Council Liaison                              | 1,115   | 293           | 822                 |
| 3 - Data Management                              | 306   | 306           | -                   |
| 4 - Election Staffing                            | 23,397  | 254           | 23,143              |
| 5 - Financial Services                           | 1,008   | 659           | 348                 |
| 6 - Venue Procurement                            | 4,307   | 243           | 4,063               |
| 7 - Voting                                       | -   | -             | -                   |
| 8 - Counting and Results                         | 1,747   | 496           | 1,251               |
| 9 - Election Procedures Documentation            | 894   | 894           | -                   |
| 10 - Logistics                                   | 3,977   | 303           | 3,674               |
| 11 - Media, Communications & Advertising         | 2,341   | 651           | 1,689               |
| 12 - IT Infrastructure & Application Support     | 797   | 123           | 674                 |
| 13 - Call Centres                                | 1,870   | 230           | 1,639               |
| 14 - Ballot Paper Production, Allocation & Dist. | 1,574   | 9             | 1,565               |
| 15 - Nominations & How-to-Vote                   | 428   | 428           | -                   |
| 16 - Event Operations Management                 | 315   | 315           | -                   |
| 17 - IT Business Systems                         | 2,061   | 2,061         | -                   |
| 18 - HO & RW Infrastructure                      | 733   | 621           | 112                 |
| 19 - Town Hall                                   | 270   | 141           | 129                 |
| 20 - Overtime                                    | 1,021   | -             | 1,021               |
| 23 – Registration of candidates                  | 119   | 119           | -                   |
| 26 - Postal Voting                               | 1,223   | 2             | 1,221               |
| 99 - Local Government Election Programme         | 2,315   | 2,142         | 173                 |
| Sydney Town Hall (District 254)                  | 216   | -             | 216                 |
| Election Management Fee - \$0.70 per elector     | 3,561   | 3,561         | -                   |
| <b>Total</b>                                     | <b>56,537</b>                                 | <b>14,796</b> | <b>41,741</b>       |

Notes: Costs are in AUD thousands (\$'000). Costs shown are estimates for the conduct of local government election in 2020 and are shown in nominal terms.

## 6. New funding model – a case for change

As previously noted, a failure to take this opportunity to revise the existing funding model for local government elections carries a number of risks:

- some councils may struggle to afford election services
- recent enhancements to elections at a State level may have to be rolled back for councils, potentially compromising security, accessibility and civic engagement at the local level of government
- the NSW Electoral Commission may suffer reputational damage for its inability to deliver crucial services at an affordable price, undermining community trust in the integrity of elections in NSW more generally.

Instituting appropriate reform will realise key government objectives for all service provision, including those provided by independent bodies like the NSW Electoral Commission, by improving efficiency, upholding equality, preserving quality, and providing certainty and assurance to concerned stakeholders. Any reforms should recognise the unique position of an election service provider that has:

- an ongoing statutory responsibility to deliver State elections and regulate participation in electoral systems to a high standard
- to participate in the local government elections market in a manner which cannot be exercised on a truly commercial basis if it is to meet expectations that it will provide services to the same standard as a State election
- an implied role as the provider of last resort
- a significant level of governance and oversight arising from its public sector status

There has been recent recognition that consistent standards of service delivery to and by councils may need to be supported by changes to existing contestable market arrangements. The *Local Government Amendment (Governance and Planning) Act 2016* included amendments to require the NSW Auditor-General to assume responsibility for all council annual general audits. This was, according to the second reading speech, based on an identified need to ensure that all councils' financial arrangements met a minimum standard of integrity:

*".... councils will become subject to oversight by the Auditor-General for their general audits and those of their subsidiary entities from this financial year. This is a major reform that brings New South Wales into line with most other Australian jurisdictions and New Zealand, and that will provide greater consistency and certainty across the sector. It will also ensure that reliable financial information is available that can be used to assess councils' performance and for benchmarking.*

*The Auditor-General is independent of the Government. She is accountable directly to the Parliament in relation to the exercise of her functions. The Auditor-General will be free to engage private sector auditors to assist her with her new responsibilities. The Audit Office anticipates that such contractors would be engaged after a competitive tender process. This is also similar to other jurisdictions. I am advised that the expectation of the Audit Office is that the majority of council audits will be delivered through contracted auditors who are accredited by the Auditor-General, with the Auditor-General conducting a small number in house."*

In that case, it was determined that, while it was considered that the existing contestable service delivery arrangements for audits needed reconsideration, it remained imperative that any consideration of costs also include a mechanism for ensuring that local communities can be assured the democratic process is robust.

Leveraging learnings from this and from best-practice in other jurisdictions, four funding models were developed as options. The preferred model provided to IPART ensures a fair and consistent electoral process across all councils in NSW, and is consistent with other jurisdictions in Australia. The NSW Electoral Commission is confident that it will allow enhancements made to date for State elections to be preserved for the 2020 local government elections and beyond, while providing an essential affordability guarantee to all local councils.

## 7. Response to issues highlighted by IPART

The NSW Electoral Commission has prepared a response to some of the issues raised in the Issues Paper prepared by IPART. In particular, we make comment on the following issues:

- IPART's proposed approach to this review and any alternative approaches (Issue 1)
- Scope for private providers to provide election services (Issue 3) and whether these services vary by geographic location (Issue 4)
- Barriers to competition in the provision of electoral services (Issue 5)
- Factors leading to changes in the costs incurred by the NSW Electoral Commission, and relevant time period (Issue 6)
- Types of election services offered by the NSW Electoral Commission and options (Issue 7)
- Efficient costs of providing election services to local councils (Issue 8)
- Allocation of NSW Electoral Commission's direct and indirect costs between the State Government and councils, with relevance to the impactor pays principle (Issues 10, 11, 12 and 13)
- Election cost differences for metropolitan, regional and rural councils (Issue 14)
- Impact on recommendations on stakeholders (Issue 15).

We have not provided a comment on those matters that are the responsibility of local councils.

### 7.1 IPART's proposed approach to this review and any alternative approaches (Issue 1)

The NSW Electoral Commission is broadly supportive of IPART's proposed approach to this review. We have made specific recommendations in this submission (by Issue) where we think the approach should be expanded or alternatives considered.

Although we have our preferred cost allocation model, which is informed by independent expert analysis and an inter-jurisdictional review, we look forward to working with IPART during the review. In this regard, we would argue that the cost allocation model devised by IPART will need to incorporate insights from other jurisdictions, address the issues identified with the current funding model as noted by the NSW Electoral Commission, focus on councils capacity to pay (particularly in regional and rural communities), ensure the integrity of local government elections, and continue to engage the local community and encourage active participation in local democracy.

The NSW Electoral Commission believes that local government ordinary elections are as complex as a State general election and funding should reflect this fact. This complexity is largely the result of the need to conduct multiple polls on the same Election Day, including Mayoral Elections, Councillor elections and polls/referenda. For example, in 2016 the NSW Electoral Commission conducted elections on behalf of 75 NSW councils – this consisted of 144 individual elections in 63 wards and 58

undivided council areas (i.e. 114 contested councillor elections, seven uncontested councillor elections, 17 contested mayoral elections, and referenda for six councils).

The NSW Electoral Commission delivers the same high quality election services to all councils, regardless of their size, geography or location. The community also rightly expects us to deliver to the same high standard as a State general election, and with the same protections in place to safeguard the integrity of the election process and outcome. Any revised model must accommodate these needs and provide certainty and transparency to the NSW Electoral Commission and councils on how costs will be allocated in future local government elections.

The model must also address how costs arising from recent regulatory changes - such as the introduction of a new count system for preferences (i.e. Weighted Inclusive Gregory Method - WIGM), and a countback instead of a by-election - can be charged to councils or funded by the State budget.

We would highlight that, while the focus is on the NSW Electoral Commission as the dominant provider in the market, IPART will also need to critically analyse the cost structures of any private provider(s) and local councils that conduct their own elections. The NSW Electoral Commission operates in a highly transparent manner with considerable oversight of its costs and finances relating to the conduct of local government elections. Given that taxpayers' and ratepayers' funds are expended, it is only reasonable that all providers make available full and transparent data to IPART to inform their review and recommendations.

It is noted that the Office of Local Government is the regulator of local government in NSW in relation to governance and conduct issues. There could be a significantly increased burden of oversight to ensure the transparency of elections if there was an increase number of market participants. IPART should discuss separately with the Office of Local Government whether there may be extra costs due to such an additional burden, and identify possible funding sources. These matters are not examined or costed in this submission.

## **7.2 Scope for private providers to provide election services (Issue 3) and whether these services vary by geographic location (Issue 4)**

The NSW Electoral Commission provides the same high quality services to all local councils regardless of their geographic location. We would argue that no provider, whether the NSW Electoral Commission, a council or a private provider, should be able to offer a lower standard of service. Nor should different standards of service be provided based on whether a council is located in a metropolitan and regional area.

With the exception of a limited number of core electoral services (such as electoral roll products, Failure to Vote and Penalty Notice processes and administration of the registration, disclosure and compliance regime), there is currently no limit on what election services a private provider can provide to a council.

Councils in regional and rural areas (with small and geographically dispersed populations) may never be the target market of commercial providers. The costs of administering such elections in these areas makes a decision to do so "uneconomic".

If private providers focus on a few key markets this will have significant financial implications for the NSW Electoral Commission and for regional and rural councils. Under the current funding model, the Commission distributes indirect costs of running the election across all the councils it services, resulting in cross-subsidisation from large to small councils. Should more of the larger councils go to a private provider many councils may struggle to pay for their elections given that many of the NSW Electoral Commission costs are fixed.

In addressing issues of service provision in the market, IPART needs to be mindful of the issues raised above. In any new cost allocation model, IPART needs to account for the size of market participants, geographic location and the economics of providing services to all councils.

### 7.3 Barriers to competition in the provision of electoral services (Issue 5)

The NSW Electoral Commission is the dominant provider of electoral services for local government elections in NSW. This is despite the fact that contestability for election services was introduced for the 2012 ordinary elections.

The NSW Electoral Commission's market share stands at around 95 per cent in 2016 and 2017 with 122 out of 128 councils having engaged the NSW Electoral Commission to conduct their elections (Source: NSW Electoral Commission, Reports on the 2016 and 2017 local government elections, available at <https://elections.nsw.gov.au/About-us/Reports>). We understand there is currently only one private provider in NSW.

There are natural barriers to entry in the election services market and these are well summarised by IPART in their Issues Paper, and will no doubt be further expanded in its final report to Government. The NSW Electoral Commission does not offer comment on these barriers other than noting that many such barriers are a product of the economics of the marketplace itself and an outcome of the regulatory regime to ensure the integrity and independence of the election process.

It is noted, however, that NSW is the only state to allow the private provision of election services.

In determining its final cost allocation model we would request that IPART critically evaluate those regulatory requirements that impose costs on just one market participant – the NSW Electoral Commission. We would argue that many of these requirements place the NSW Electoral Commission at a significant competitive disadvantage to other market participants and will need to be addressed to provide a level playing field for all participants in the provision of local government election services. These include:

- i. **Time limits to enter into contracts to administer elections.** Historically, pursuant to s.296 of the *Local Government Act 1993*, a council must (having resolved 18 months prior to the election to engage the NSW Electoral Commission) enter into an arrangement (i.e. contract) with the NSW Electoral Commission no later than 15 months before the election. There is no such legislated requirement for a council to do so with a private provider. The outcome of this requirement is twofold: 1) The NSW Electoral Commission needs to provide a cost estimate well before any private provider may need to do so. Councils can theoretically take the estimate from the NSW Electoral Commission and use this to shop around to other third party providers to find a cheaper alternative; and 2) Councils may shop around for a “cheaper alternative” and having found none, approach the NSW Electoral Commission at a much later date to administer their election. The NSW Electoral Commission therefore becomes a *de facto* election “provider of last resort”. It should be noted that the Government has proposed legislative changes be made to extend the deadline for councils to make a decision on the administration of their elections.
- ii. **Transparency in dealings.** The NSW Electoral Commission provides each council with comprehensive costings to inform their view on whether or not to use the NSW Electoral Commission to administer their election. In the past, the NSW Electoral Commission has been asked to provide cost estimates to councils in October (i.e. almost 2 years prior to the election) to ensure they can meet their legislated deadline. As stated above, this places the NSW Electoral Commission at a competitive disadvantage to the private providers who may be made aware of our pricing prior to issuing their own estimate to a council. This is neither transparent nor good practice and undermines the public's confidence in the integrity of local government.



- iii. **Transparency in costings.** Under s.393AA of the *Local Government (General) Regulation 2005*, the NSW Electoral Commissioner must provide the Minister for Local Government with a written report on the conduct of the election. This report must be provided to the Minister and be displayed on our website within six months after the Election Day. There is also a requirement for the General Manager to prepare such a report if they administer their own election or engage a private provider. The Commission's reports are available on our website at <https://elections.nsw.gov.au/About-us/Reports/Election-reports>.

The NSW Electoral Commission supports the requirement to prepare and publish an election report. However, we argue that all election reports should be prepared on a similar basis and the true costs incurred by the NSW Electoral Commission, council or a private provider must be made transparent and comparable.

- iv. **Governance and oversight.** The NSW Electoral Commissioner is subject to oversight by the NSW Parliament. The Joint Standing Committee on Electoral Matters (JSCEM) conducts inquiries into the Commission's conduct of State General and Local Government elections. There is no equivalent public oversight applied to councils administering their own elections or to private providers. In addition, the NSW Electoral Commission can be called to appear before the Parliament's Budget Estimates Committee.

Given that taxpayers' and ratepayers' funds are used to meet the costs of all local government elections, the NSW Electoral Commission argues that all parties involved in the provision of election services should be subject to public scrutiny of their costs and processes/systems to ensure the integrity and transparency of those services.

The introduction of greater competition in the market (even for a limited range of services) will not, of itself, address the inefficiencies and inequities in the current system. Rather, a wholesale change is required to the funding model.

Under the current model, the price charged to councils for running local government elections does not signal the true cost of running these elections. This prevents efficient allocation of resources and results in deadweight losses. Additionally, a complex funding model is costly to administer, and prevents councils from understanding how their fees are calculated. The proposal put forward by the NSW Electoral Commission would address these issues and provide a more efficient allocation of costs between councils and the State Government.

#### **7.4 Factors leading to changes in the costs incurred by the NSW Electoral Commission, and relevant time period (Issue 6)**

The NSW Electoral Commission has provided detailed spreadsheets to IPART outlining the costs to conduct local government elections in 2008, 2012, 2016, 2017 and 2020 (top down forecast).

Table 4 outlines the cost increases, by election service, 2016/17 to 2020 (forecast).

**Table 4: Growth in costs of local government election services from 2016/17 to 2020**

|   | TOTAL costs                       | Duplicate Costs                   | Additional Costs               | CPI & Wages                    | Roll Growth                    | Estimated Cost                 |
|---|-----------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cost components   | Local Government election 2016/17 | Local Government election 2016/17 | Local Government election 2020 | Local Government election 2020 | Local Government election 2020 | Local Government election 2020 |
| 1 - Enrolment   | 1,054                             | - 240                             | -                              | 81                             | 47                             | 942                            |
| 2 - Council Liaison                                     | 1,169                             | - 255                             | 100                            | 101                            | -                              | 1,115                          |
| 3 - Data Management                                     | 79                                | -                                 | 200                            | 28                             | -                              | 306                            |
| 4 - Election Staffing                                   | 14,439                            | - 53                              | 5,660                          | 2,005                          | 1,347                          | 23,397                         |
| 5 - Financial Services                                  | 993                               | - 100                             | -                              | 89                             | 26                             | 1,008                          |
| 6 - Venue Procurement                                   | 3,038                             | -                                 | 750                            | 379                            | 140                            | 4,307                          |
| 7 - Voting  | 3                                 | - 3                               | -                              | -                              | -                              | -                              |
| 8 - Counting and Results                                | 1,504                             | -                                 | -                              | 150                            | 93                             | 1,747                          |
| 9 - Election Procedures Documentation                   | 813                               | -                                 | -                              | 81                             | -                              | 894                            |
| 10 - Logistics  | 4,089                             | - 500                             | -                              | 359                            | 30                             | 3,977                          |
| 11 - Media, Communications & Advertising                | 3,328                             | -1,200                            | -                              | 213                            | -                              | 2,341                          |
| 12 - IT Infrastructure & Application Support            | 1,135                             | - 410                             | -                              | 72                             | -                              | 797                            |
| 13 - Call Centres                                       | 919                               | - 330                             | 1,000                          | 159                            | 121                            | 1,870                          |
| 14 - Ballot Paper Production, Allocation & Distribution | 1,327                             | -                                 | -                              | 133                            | 115                            | 1,574                          |
| 15 - Nominations & How-to-Vote                          | 574                               | - 185                             | -                              | 39                             | -                              | 428                            |
| 16 - Event Operations Management                        | 587                               | - 300                             | -                              | 29                             | -                              | 315                            |
| 17 - IT Business Systems                                | 3,274                             | -1,400                            | -                              | 187                            | -                              | 2,061                          |
| 18 - HO & RW Infrastructure                             | 741                               | - 290                             | 215                            | 67                             | -                              | 733                            |
| 19 - Town Hall  | 345                               | - 100                             | -                              | 25                             | -                              | 270                            |

|  |               |               |              |              |              |               |
|--|---------------|---------------|--------------|--------------|--------------|---------------|
| 20 - Overtime  | 1,165         | - 300         | -            | 87           | 69           | 1,021         |
| 23 – Registration of candidates - Local Government Elections | 58            | -             | 50           | 11           | -            | 119           |
| 26 - Postal Voting   | 787           | -             | 250          | 104          | 83           | 1,223         |
| 99 - LOCAL GOVERNMENT ELECTION Programme                     | 2,917         | - 812         | -            | 210          | -            | 2,315         |
| Sydney Town Hall (District 254)                              | 196           | -             | -            | 20           | -            | 216           |
| Election Management Fee - \$0.70 per elector                 | 3,297         | -             | -            | -            | 264          | 3,561         |
| <b>Total</b>   | <b>47,829</b> | <b>-6,478</b> | <b>8,225</b> | <b>4,628</b> | <b>2,333</b> | <b>56,537</b> |

Notes: All costs are in thousands, AUD\$. The estimated costs of local government election in 2020 have accounted for inflation (CPI) and therefore is in nominal values.

The projected increases in NSW Electoral Commission costs from 2016/17 to 2020 are the result of a number of factors, most of which were not within our control, and include:

- **Election staffing and Work Health and Safety** – a new staffing model has been developed in line with that used during the State General Election in 2019. This provides for increased rates of pay to account for CPI, training and superannuation. The new staffing model also accounts for greater protections of worker health and safety. CPI and wage growth will add approximately \$4.6 million to the cost of the 2020 local government elections. \$2 million is contributed by wage growth, while costs in other categories have increased by ~10 per cent across the board between the 2016/17 and 2020 elections.
- **Additional costs from improvements:** As part of the NSW Electoral Commission's strategic plan, significant enhancements were made to election services, including counting hubs and security management. These enhancements resulted in the need for additional staff an increase in overall costs to deliver the election. In addition, there are unavoidable additional costs such as the increase in postage from \$0.99 to \$1.49. These additional costs for local government election services will add approximately \$8.2 million to the cost of the 2020 local government elections.
- **IT infrastructure** – Returning Office infrastructure (mobile devices, wireless networking and hardware); server infrastructure (to address cyber threats); development and testing resources; and software certification
- **Venue costs** – The costs of temporary accommodation used for pre-poll and Returning Officer offices have increased above CPI and the need to secure a new count centre (Rosehill) as we no longer have our own warehouse. In addition, the cost of voting centres on the day have increased significantly with the Department of Education forecasting a near doubling of our venue hire.
- **Roll growth** - A projected 8 per cent growth in the number of electors between 2016/2017 and 2020 will drive costs up by \$2.3 million of which \$1.3 million is attributable to the cost of hiring additional election staff.
- **Communications** – The costs to service the entire State have risen over time and these will continue to rise. The NSW Electoral Commission has to invest in appropriate communications

(website, social media and traditional media) to ensure the public are aware of a forthcoming election and ways that they can exercise their democratic right to vote.

- **Other factors:** Additional compliance functions introduced by the NSW Government requiring additional communications to candidates and other electoral participants; improved ballot paper security practices; workforce management system; a new digital strategy (including A new website), and greater investment in project management and planning.

A real concern to the NSW Electoral Commission has always been the assumption (reflected in the IPART Issues Paper and other recent analysis (p. 20)) that engaging a private sector provider will result in significant cost savings to councils. This assumption needs to be properly challenged to ensure that all the costs for councils of conducting these elections are identified. The review should interrogate both the cost of these elections as well as the standard at which they are delivered. It should also recognise the longstanding reliance on the NSW Electoral Commission absorbing the costs of some electoral services such as roll management, non-voter management and registration, and compliance action.

## 7.5 Types of election services offered by the NSW Electoral Commission and options (Issue 7)

The NSW Electoral Commission provides the same election services to councils regardless of their geographical location, size and operating budget. There are a few services (such as advertising and pre-polling venues) where the council can vary the standard service model to account for their individual communities but in the main we provide the same electoral services to councils across the State.

### a) Services

The standard set of election services offered by the NSW Electoral Commission are as follows:

| Item                   | Description   |
|------------------------|---|
| Enrolment              | <ul style="list-style-type: none"><li>• Manage non-residential roll with councils</li><li>• Create composite authorised rolls for the area or wards concerned.</li><li>• Create other electoral roll products as agreed by the NSW Electoral Commissioner in accordance with legislation</li><li>• Create street lists for the area or wards concerned</li></ul>  |
| Client Council Liaison | <ul style="list-style-type: none"><li>• Liaise with Council and/or local real estate agents to identify, locate and secure suitable premises for use as the returning office</li><li>• Liaise with Council and/or local real estate agents to identify, locate and secure suitable premises for use as pre-poll voting venues</li><li>• Liaise with Council to agree on number and location of polling places</li><li>• Liaise with Council regarding election processes, timing and requirements</li></ul> |
| Data Management        | <ul style="list-style-type: none"><li>• Create and manage databases of:<ul style="list-style-type: none"><li>○ Electors</li><li>○ Polling places</li><li>○ Returning &amp; Pre-poll offices</li></ul></li></ul>   |

|                    |   |
|--------------------|---|
|                    | <ul style="list-style-type: none"> <li>○ Declared Institution venues</li> <li>○ Polling place and Returning Office staffing</li> <li>○ Elector participation projections</li> </ul>   |
| Election Staffing  | <ul style="list-style-type: none"> <li>• Determine polling place &amp; Returning Office staffing requirements</li> <li>• Implement recruitment campaign for NSW Electoral Commission staff</li> <li>• Employ, manage and pay NSW Electoral Commission staff</li> <li>• Set up and staff NSW Electoral Commission EOI helpdesk</li> <li>• Employ Head Office Returning Officer support staff</li> <li>• Training of relevant election staff</li> <li>• Post-election NSW Electoral Commission staff evaluation</li> </ul>  |
| Financial Services | <ul style="list-style-type: none"> <li>• Payment of temporary NSW Electoral Commission election staff</li> <li>• Payment of NSW Electoral Commission election material suppliers</li> </ul>   |
| Venue Procurement  | <ul style="list-style-type: none"> <li>• Identify, secure and pay for all polling places</li> <li>• Identify, secure and pay for the Returning Office</li> <li>• Identify, secure and pay for all additional pre-poll venues</li> <li>• Identify and contact all Declared Institutions</li> <li>• Employ and pay for all Returning Office security</li> </ul> <p>The same number of polling places and to the greatest extent possible the same venues as were used for previous elections will be used.</p> <p>The Returning Officer will appoint the optimum number of staff for each polling place based on the Electoral Commissioner's polling place staffing model. There will be one (1) pre-poll venue located at the Returning Office. The Electoral Commissioner will decide whether any additional pre-poll venue(s) will be required and confirm the arrangements within a reasonable period of time after the procurement of the additional venue(s) have been finalised between the Electoral Commissioner and the landlord(s).</p> <p>Where commercial or standalone premises are used as the Returning Office, the Electoral Commissioner will employ overnight security once used ballot papers are live on the premises from election night to conclusion of the count.</p> |

|                                     |  |
|-------------------------------------|--|
| Voting                              | <ul style="list-style-type: none"> <li>• Managing centralised postal vote application processing</li> <li>• Centralised processing and mailing of postal vote packs</li> <li>• Managing multi-council polling place at Sydney Town Hall</li> <li>• Managing early voting electronic mark-off</li> </ul>  |
| Counting and Results                | <ul style="list-style-type: none"> <li>• Employment, training &amp; payment of temporary NSW Electoral Commission counting staff</li> <li>• Managing publication of election results and declaration of elected candidates</li> <li>• Managing and operating counting and result processes</li> <li>• Check counting will commence on Sunday after Election Day unless agreed otherwise with Council.</li> </ul> <p>Development, testing, and certifying the count system</p> <p>The services do not include the recount of the ballot papers, should one be required.</p>   |
| Logistics                           | <p>Packing and delivery of all office and cardboard material for Returning Office and polling places</p> <p>Courier service for Returning Office and polling place equipment and other election materials</p> <p>Supply of hire furniture for Returning Office and polling places</p> <p>Warehousing services</p> <p>Mailing &amp; distribution services for election material</p>   |
| Media, Communications & Advertising | <p><b>Statutory advertising</b></p> <p>The NSW Electoral Commission is responsible for the accurate placement of a series of statutory advertising messages to support the election. These messages are:</p> <ul style="list-style-type: none"> <li>• Enrolment</li> <li>• Nominations</li> <li>• Notice of election/uncontested election</li> <li>• Results</li> </ul> <p>Advertisements must appear at least once in a paper circulating in the Council area within a prescribed timeframe. They may appear more often at Council's discretion.</p> <p>The NSW Electoral Commission will provide final text for placement by either Council or the NSW Electoral Commission by agreement.</p> <p>By agreement with Council the bills from the newspapers may go directly to Council for payment. In this case, the cost of the statutory advertisements will not be included in the services.</p> <p><b>Elector brochure</b></p> <p>The NSW Electoral Commission can provide an elector brochure option to Council. This is an optional service.</p> |

|  |   |
|--|---|
|  | <p><b>Advertising campaign</b></p> <p>The NSW Electoral Commission can undertake an advertising campaign for the election at cost. If the Council does not take up this option we strongly encourage Council to ensure that electors within the Local Government Area are made aware of the upcoming election, using whatever method it sees fit.</p> <p>Where appropriate, the NSW Electoral Commission will respond to media enquiries concerning the administration of the election.</p> |
| Call Centres                                       | Recruitment, training and payment of NSW Electoral Commission call centre staff   |
| Ballot Paper Production, Allocation & Distribution | <ul style="list-style-type: none"> <li>• Design, develop, proof and print ballot papers</li> <li>• Create candidate copies of ballot papers</li> <li>• Process and secure delivery of ballot papers to Returning Officers</li> </ul> <p>The services do not include the production of braille ballot papers, should they be required.</p>   |
| Nominations & How-to-Vote                          | <ul style="list-style-type: none"> <li>• Process candidate nominations</li> <li>• Provide candidate enquiry helpdesk</li> <li>• Registration of how-to-vote material</li> <li>• Provide Candidate Information online</li> </ul> <p>Where a Council has agreed to receive candidate nominations, Council will provide sufficient staff to be trained by the NSW Electoral Commission to receive nominations and forward them onto the NSW Electoral Commission for assessment.</p>           |
| Event Operations Management                        | <ul style="list-style-type: none"> <li>• Develop all election processes, timing, documentation, and training programs</li> <li>• Ensure all processes and documentation meet current legislative requirements</li> <li>• Develop and communicate election timelines to Council</li> </ul>   |
| Election Business Systems                          | <ul style="list-style-type: none"> <li>• Develop, test and document all business systems to be used during the course of the election</li> <li>• If used, we will develop and test Virtual Tally Room (VTR) software for use in presenting election results on election night until the declaration of the successful candidates</li> </ul>   |



|  |   |
|--|---|
| IT Infrastructure & Applications Support | <ul style="list-style-type: none"> <li>• Provision and installation of equipment in RO office</li> <li>• Provision and installation of equipment in NSW Electoral Commission elector enquiry centre</li> <li>• Where required, the provision and installation of equipment in NSW Electoral Commission Head Office</li> </ul> |
| External Reporting & Evaluation          | <ul style="list-style-type: none"> <li>• Develop post-election surveys of election stakeholders</li> <li>• Conduct surveys, undertake analysis, write and distribute post-election reports</li> </ul>   |
| Election Management                      | <ul style="list-style-type: none"> <li>• Fee to cover cost of services provided by NSW Electoral Commission Head Office staff</li> <li>• Based on cents per elector model calculated by independent accounting and audit firm PwC</li> <li>• Complaints Management</li> </ul>   |

Notwithstanding the introduction of contestability, the NSW Electoral Commission retains sole responsibility for providing certain electoral services for all councils, including those which conduct their own elections. Services we provide to all councils include:

- Enrolment advertising - The NSW Electoral Commission places state-wide advertising of the election date and the requirement that electors needed to be on the roll to vote.
- Composite rolls – Composite rolls are supplied to all councils.
- A copy of the electoral roll to candidates – A copy of the relevant electoral roll is provided to candidates upon request.
- Other enrolment related matters - A secure roll facility on the NSW Electoral Commission's website is provided to councils administering their elections, to enable Returning Officers to check enrolment details prior to hard copy rolls being provided. Confirmation of 'silent elector' details is also provided.
- Registered General Postal Voters - Each council is provided with a list of electors who are registered to automatically receive postal votes.
- List of Non-Voters - The NSW Electoral Commission scans the rolls and prepares a list of non-voters for the General Manager to certify.
- Vote counting software specifications - These were available from the NSW Electoral Commission for any council who required them for local government proportional representation vote counts.
- Maintain a compliance and enforcement regime as per the *Local Government Act 1993* and other relevant Electoral legislation – This includes Regulation of Campaign Finance, and Enforcement of Local Government election offences.

## **b) Service Standards**

The NSW Electoral Commission's services are informed and determined in accordance with our Service Commitment Charter with local councils and our broader strategic plan. These are discussed below:

### **Service Commitment Charter**

The NSW Electoral Commission enters into a formal contract with councils who choose to use our services at a local government election. As part of this contract, the NSW Electoral Commission sets out its commitment to provide impartial and quality election services as defined in our Service Commitments Charter ("Service Charter"). A copy of the Service Charter for the 2016/17 Local Government Elections has been provided to IPART.

The Service Charter is the primary accountability instrument for the NSW Electoral Commission and provides service standards for Councils, Electors, Candidates, Groups and Registered Political Parties, and the Media.

The Service Charter:

- Promotes open and timely communication and consultation between councils and the NSW Electoral Commission on election services
- Recognises the interests of people and bodies involved in the conduct of elections
- Sets out the NSW Electoral Commission's accountability in providing election services for councils and where councils' assistance is sought
- Outlines the standards for efficiency, effectiveness and co-ordination of elections for which the NSW Electoral Commission is accountable
- Promotes accountability and customer service in conducting successful elections.

The NSW Electoral Commission will provide impartial and quality election services for those councils utilising the NSW Electoral Commission's services. We understand how important proper electoral processes are to safeguarding the standing of Local Government in NSW and via the Service Charter undertake to provide:

- Consultation with councils on election services and timely provision of cost estimates
- Client Liaison Officers assigned to be the councils' single point of contact in the NSW Electoral Commission for election services the NSW Electoral Commission will provide
- Returning Officers recruited on expertise and capacity to deliver successful elections
- Well publicised information on election services for electors, candidates, groups of candidates and registered political parties
- Accurate vote counting
- Timely publication of election night and final election results
- Public accountability by reporting to the NSW Parliament and councils on the conduct of the elections.

## Strategic Plan

Services offered to local councils are informed by the purpose, vision, behaviours, goals, values, and success measures listed in the NSW Electoral Commission's Strategic Plan. In this Plan, we outline a range of success measures (or KPIs) for each and all elections including (but not limited to):

- Increased voter turnout
- Increased stakeholder satisfaction
- Increase in valid registrations, nominations and disclosures
- Improved timeliness of the count
- Improved employee engagement.

These success measures inform our service provision regardless of whether we are conducting a State or local government election.

### NSW Electoral Commission's view of the provision of electoral services

There is competition in the market for the provision of electoral services albeit a highly concentrated one. We take the view that there should be no difference in the service provided to metropolitan, regional and rural areas given that the end product is the same: the election of candidates (and Mayors in many cases) to govern a local government area for the next 4 years.

We are mindful that any attempt to artificially structure the market (see IPART Issues Paper p. 18) to promote greater competition in sections of the market may simply result in higher costs, particularly in rural and regional areas given the current funding model. The NSW Electoral Commission believes that the focus of IPART should be to ensure the efficiency of the Commission's costs (and other providers) in a largely monopoly marketplace.

### 7.6 Efficient costs of providing election services to local councils (Issue 8)

The NSW Electoral Commission's major expenditure items remain the same from election to election and include:

- Salaries for election officials
- Logistics e.g. count centres
- Information Technology
- Rent for office accommodation and polling venues
- Communication campaigns
- Ballot paper production.

The major cost items and their proportional contribution to the 2012, 2016 and 2017 cost to councils of election services provided by the NSW Electoral Commission are shown in the Table 5 below:

**Table 5: Local Government Election, Major Expenditure Items (\$m, nominal)**

| Expenditure Item                                      | 2008        |         | 2012          |         | 2016          |         | 2017          |         |
|---|-------------|---------|---------------|---------|---------------|---------|---------------|---------|
|   | \$m         | % total | \$m           | % total | \$m           | % total | \$m           | % total |
| Election official wages                               | 10.446      | 40.3    | 10.764        | 51.3    | 6.765         | 50.6    | 8.301         | 48.1    |
| Logistics   | N/A         | N/A     | 1.7           | 8.1     | 1.276         | 9.5     | 1.339         | 7.8     |
| Information Technology Support                        | 2.126       | 9       | 0.451         | 2.1     | 0.904         | 6.8     | 0.917         | 5.3     |
| Ballot paper production                               | 2.468       | 9.5     | 1.023         | 4.9     | 0.719         | 5.4     | 0.6           | 3.5     |
| Returning Officer accommodation                       | 2.069       | 8.0     | 1.543         | 7.3     | 0.661         | 4.9     | 0.899         | 5.2     |
| Vote counting and results                             | 0.757       | 2.9     | 0.850         | 4.0     | 0.576         | 4.3     | 0.708         | 4.1     |
| Polling place hire                                    | 0.742       | 2.9     | 0.759         | 3.6     | 0.479         | 3.6     | 0.730         | 4.2     |
| Communication campaign                                | 2.020       | 7.8     | 1.390         | 6.6     | 0.378         | 2.8     | 0.639         | 3.7     |
| Call Centre   | N/A         | N/A     | 0.508         | 2.4     | 0.260         | 1.9     | 0.216         | 1.3     |
| Enrolment expenses                                    | N/A         | N/A     | 0.444         | 2.1     | 0.216         | 1.6     | 0.293         | 1.7     |
| Other costs   | N/A         | N/A     | 1.602         | 7.6     | 1.138         | 8.5     | 2.613         | 15.1    |
| Election Management Fee                               | 2.296       | 8.9     | 2.338         | 11      | 1.384         | 9       | 1.914         | 10      |
| <b>Total costs (includes Election Management Fee)</b> | <b>25.9</b> |         | <b>21.034</b> |         | <b>14.756</b> |         | <b>19.169</b> |         |

NB: The NSW Electoral Commission received \$17m from the State Government for the 2016 and 2017 local government elections to cover the additional costs incurred in conducting elections in two tranches. The NSW Electoral Commission charged councils an Election Management Fee of \$1.384m in 2016, and \$1.914m in 2017.

Source: NSW Electoral Commission Local Election Reports, available at <https://elections.nsw.gov.au/About-us/Reports>

Staffing of an election is always a major expenditure item, with the largest component being polling place staff. The breakdown of the total expenditure for election official wages for the 2012, 2016 and 2017 Local Government Elections is set out below in Table 6.

**Table 6: Local Government Elections, Election Official wages**

| Category                           | 2012          |            | 2016         |            | 2017        |            |
|------------------------------------|---------------|------------|--------------|------------|-------------|------------|
|                                    | Wages (\$m)   | %          | Wages (\$m)  | %          | Wages (\$m) | %          |
| Polling Place Staff                | 4.836         | 44.9       | 2.445        | 36.1       | 3.589       | 43         |
| Returning Officer Office Staff     | 3.139         | 29.2       | 2.432        | 35.9       | 2.735       | 32.9       |
| Returning Officers                 | 1.66          | 15.4       | 1.128        | 16.7       | 1.314       | 15.8       |
| Returning Officer Support Officers | 0.407         | 3.8        | 0.371        | 5.5        | 0.273       | 3.1        |
| Support Staff and Training         | 0.722         | 6.7        | 0.389        | 5.8        | 0.404       | 4.9        |
| <b>Total</b>                       | <b>10.764</b> | <b>100</b> | <b>6.765</b> | <b>100</b> | <b>8.3</b>  | <b>100</b> |

Source: NSW Electoral Commission Local Election Reports, available at <https://elections.nsw.gov.au/About-us/Reports>

The NSW Electoral Commission is required to conduct local government elections on a cost recovery basis in accordance with *TPP01-02 "Guidelines for Pricing of User Charges"*. Costs are either allocated to specific councils or charged across all councils on a per elector basis. Approximately:

- 48 per cent of the total cost recovered from councils is recovered directly (e.g. polling places, staff and wages)
- 52 per cent recovered indirectly on a per elector basis (this includes the Election Management Fee - EMF) (e.g. security, payroll; the EMF includes the indirect costs of the NSW Electoral Commission to deliver the election and corporate overhead costs e.g. IT).

Some NSW Electoral Commission services required for all local government elections (no matter who is the election manager), such as enrolment services, have been continued to be provided since 2012 by the NSW Electoral Commission at no cost to councils.

The NSW Electoral Commission is concerned with the sustainability of the current funding model, which has resulted in the inefficient allocation of costs of providing election services to local councils. The three key concerns are:

## 1. Cross-subsidisation

Under the current model, larger councils with more electors cross-subsidise smaller councils with fewer electors due to the NSW Electoral Commission charging a common “per elector” fee. This means a) some councils (mainly metropolitan) pay more than the costs the Commission directly incurs in conducting their elections; and b) some councils (mainly regional) pay less than the costs the NSW Electoral Commission directly incurs in conducting their elections. This creates inefficiencies as the fees charged to councils do not necessarily reflect the actual costs of conducting their elections (i.e. prices are not cost-reflective).

Cross-subsidisation occurs in relation to costs allocated on a per elector basis, including the Election Management Fee, and includes (but not limited to): security, ballot paper production, allocation and distribution, returning office and count centre, Returning Office security, wages and logistics, and administration costs.

## 2. Higher fees

Local government election costs charged to councils in NSW are, on average, higher than the fees in most other jurisdictions – it is worth noting that there are no private providers in any other Australian state or territory. NSW is the only jurisdiction to have introduced contestability:

- Electoral Commission SA - \$4.14 per elector
- Western Australia Electoral Commission - \$3.59 per elector for postal; \$5.31 for in-person
- Victorian Electoral Commission - \$5.91 per elector
- NSW Electoral Commission - \$7.08 per elector (2017)
- Electoral Commission Queensland - \$7.78 per elector.

Higher fees in NSW are a product (in part) of the current funding model whereby the majority of costs are passed onto local councils. Whereas in other jurisdictions, the state government (through grants to the relevant electoral commission) fund a greater range of costs. In addition, other jurisdictions operate different methods of voting in local council elections (e.g. full postal voting; non-compulsory voting).

## 3. Recovery of capital costs

The costs associated with administering and conducting a local government election are primarily operational e.g. staffing. In this regard, any capital costs incurred by the NSW Electoral Commission to develop new IT systems or purchase capital equipment have been met by the NSW Government and not passed onto councils.

Late last year the NSW Government announced changes to introduce an election ‘countback’ system and a new count methodology for distributing preferences at local government elections. This was in response to the JSCEM Inquiry into preference counting in local government elections. The NSW Electoral Commission has sought additional Government funding in 2019/20 to develop these systems.

If the existing cost recovery approach is applied, the cost of developing and operating these new systems will result in significant additional charges to councils in 2020 onwards. The private provider would also face additional costs in developing such a system (or to use the NSW Electoral Commission’s system under licence) to ensure compliance with legislation. However, the NSW Electoral Commission would argue that these are core costs and should not be passed onto councils.

Any decision to pass on these costs in full may erode the competitiveness of the NSW Electoral Commission and make even a private provider uneconomic.

### **Comment on IPART's building block approach**

In its Issues Paper, IPART has proposed one way to deal with the current market is to allocate costs of providing services on the basis of the "building block approach" (p. 12). This involves estimating the NSW Electoral Commission's operating costs, and setting allowances for a return of capital, tax and working capital. This is an approach similar to that applied to natural monopolies that are capital intensive businesses such as public utilities.

The NSW Electoral Commission does not believe that a building block approach is applicable to an organisation such as the NSW Electoral Commission. This is because we are not a capital intensive business. Rather the majority of our cost base is operational such as staffing, venues, etc. In addition, were such an approach be applied it would prove very difficult to apportion capital expended exclusively on the local government elections from the rest of the Commission's work, including state government elections, by-elections, and commercial elections.

A new model is required to assess the efficient cost of providing election services. In developing such a model, the NSW Electoral Commission cannot be benchmarked against "comparable listed companies that share similar characteristics to the NSW Electoral Commission and face similar market risk", because there are none. The closest comparable organisations are other electoral commissions.

### **7.7 Allocation of NSW Electoral Commission's direct and indirect costs between the State Government and councils, with relevance to the impactor pays principle (Issues 10, 11, 12 and 13)**

The NSW Electoral Commission maintains that the current allocation/funding model is not sustainable, efficient, or equitable. In this regard, the current model results in high costs for large councils which do not reflect the cost incurred by NSW Electoral Commission in delivering of local government election services. The NSW Electoral Commission would oppose on principle any new allocation model that would impose additional fees on local councils, particularly those in regional and rural areas.

To address these issues with the current funding allocation model, the NSW Electoral Commission has developed a new model to guide the allocation of costs to deliver the local government elections in 2020 and beyond. This model is outlined at the start of this submission and the supporting evidence has been provided to IPART. In summary, the proposed model allocates NSW Electoral Commission costs in the following manner:

- Core costs such as (but not limited to) IT systems, project management support, voter enrolment and election procedures and policies are funded by the NSW Government.
- Direct (or marginal costs) are charged directly to councils that use our services.



This model is similar to the Victorian Electoral Commission and has the following advantages and challenges:

**Advantages:**

- Less cross-subsidisation leading to more equitable outcomes for councils
- Sustainable workforce, preventing inefficiencies of re-training certain staff for each local government election
- Improves the simplicity and certainty of the local government election funding model
- Alignment with State General Election model
- Consistent with best practice (Victorian Electoral Commission).

**Challenges:**

- Increased cost base
- Less cost recovery – more reliant on NSW Government funding.

The option of full cost recovery, as one proposal outlined in the IPART Issues Paper, by invoicing all costs directly to the councils that incurred them, is deemed impracticable as there are some councils who would struggle to cover the full costs of the local government elections. Typically these councils will host a small population in a geographically large area, which leads to a much higher cost per elector.

The full cost recovery model also does not allow for the maintenance of a stable core workforce, meaning the NSW Electoral Commission will continue to hire and train staff during election periods. This is extremely inefficient, not least from re-training individuals for each local government election, but these skilled personnel are also crucial when it comes to the successful running of State General Elections.

The proposal from the NSW Electoral Commission recommends a new funding model for conducting local government elections; one which:

- is efficient and cost-reflective
- transparently provides councils with certainty over their election-related expenses
- manages the cost burden of elections for smaller councils to ensure equity.

**Comment on IPART's proposed "impactor pays principle"**

The standard approach for IPART, particularly in monopoly or near monopoly markets, is to allocate costs according to the impactor pay principle – that is, those that create the need for the cost to be incurred should pay the cost (pp. 30-31). In the case of local government elections, local councils create the need (to hold an election) and thus they would absorb most (if not all) of the costs.

The NSW Electoral Commission maintains the "impactor pays principle" is not an efficient, effective or equitable means by which to allocate costs in local government elections. The reasons are as follows:

- The capacity of many local councils to pay full cost recovery, particularly in rural and regional areas, is questionable. Some level of NSW Government funding is required to assist these councils to conduct elections into the future. These councils may already present as uneconomic for private

(for profit businesses) and this situation would be exacerbated by the application of the impactor pays principle.

- Election services result in considerable social good, and failure meets with extreme negative externalities. By simply imposing a model from another industry on election services may undermine the marketplace and lead to many local councils simply having no viable option to conduct their election – neither the NSW Electoral Commission nor a private provider would be able to service these councils in an affordable way. Given the social good elements of election services, there is an argument that the NSW Government should continue to fund at least part of the cost of conducting local government elections. Again, the NSW Electoral Commission is proposing that the NSW Government provide funds to meet its core costs only.

The NSW Electoral Commission is not advocating for the State budget to meet the costs of local government elections in their entirety. It is fair and reasonable to expect local councils to pay at least some of the direct costs that they incur in running an election. However, any changes recommended by IPART need to be mindful of the existing funding model and the particulars on many local councils, particularly in rural and regional areas. Simply opening up the market to more competitors is not something that has worked in the past and the costs-benefit analysis of same has never been undertaken.

## 7.8 Election cost differences for metropolitan, regional and rural councils (Issue 14)

There are real and significant cost differences for the provision of election services for councils in metropolitan, regional and rural areas – a breakdown of the costs per elector in these three areas for the 2016 and 2017 local government elections is provided at **Attachment A**. This data shows:

- The average cost per elector in metropolitan councils was \$6.52 in 2016 and \$7.06 in 2017
- The average cost per elector in regional councils was \$7.62 in 2016 and \$7.68 in 2017
- The average cost per elector in rural councils was \$8.98 in 2016 and \$10.20 in 2017.

Detailed costings for all councils since 2008 has been provided to IPART to inform their analysis and is not reprinted here.

The cost differences between metropolitan, regional and rural councils is the result of a number of factors, including (but not limited to):

- **Support costs.** The NSW Electoral Commission provides information technology, information security and subject matter expert support across election weekends. Even though we minimise these costs where possible, there are still minimum support requirements which must be provided and these will be at the same rate whether the council is rural, regional or metropolitan based.
- **Staff costs.** Rates of pay for staff who work in the returning office or in polling places is the same regardless of where an election is being held. Because of the size of electorates, regional and rural councils can have numerous polling places, each requiring paid staff.
- **Election night drop-off centres.** Because the size of regional and rural electorates can be large, expecting election materials to be delivered safely back to the returning office at a reasonable time on election night can be challenging. We therefore occasionally book separate venues within the electorate for election materials to be dropped off and stored on election night with security. Such drop-off points incur rental and staffing costs.
- **Logistics.** Naturally making multiple shipments to and from distant returning offices and polling places can be costly.

- **Travel.** Often the closest available Returning Officer (and key staff) live considerable distances from the returning office. We therefore either pay travel expenses to and from locations across the duration of the election, or accommodation costs, or a combination of both.
- **Statutory advertising.** These have to cover the entire area relevant to the election. Because rural local government areas are often very large, statutory advertisements may have to be placed in more than one publication.
- **Security.** The NSW Electoral Commission often pays for additional security measures to be installed in rural locations (returning offices), or have security guards for longer periods, or a combination of both.
- **Post-election support.** Elections are becoming more complex and we occasionally have to provide on-site support by NSW Electoral Commission staff to Returning Officers. This naturally incurs travel, accommodation and meal expenses.

It is noted that during the local government election some of the abovementioned costs are dispersed across a number of councils (cross-subsidisation). Hence, the cost to regional and rural councils isn't as significant as it could have been. However, for local by-elections these costs are borne entirely by the council whose election it is.

It is further noted that the NSW Electoral Commission has sought to actively minimise election costs through a range of efficiency improvements such as sharing Returning Officers in some rural and regional areas, ballot paper production and logistics, IT improvements, regional count centres and the like. Further information on efficiencies introduced for each local government election can be found at the NSW Electoral Commission's website at <https://elections.nsw.gov.au/About-us/Reports>

The funding model currently in place poses significant challenges for the NSW Electoral Commission and councils. As discussed, the model enables the NSW Electoral Commission to some extent to even out costs across NSW but this is not possible in a contestable model going forward.

The NSW Electoral Commission has proposed a new model for funding local government elections. This model reduces the average cost to local councils for running local government elections. This enables councils to dedicate more resources to other activities surrounding the election, such as advertising to increase voter registration, running candidate information seminars and briefing sessions, providing information to electors, providing pre-poll services to improve accessibility, hiring appropriate and accessible venues, and more. Decreasing councils' ability to dedicate resources to these crucial activities would diminish democratic engagement of the electors of NSW.

## 7.9 Impact on recommendations on stakeholders (Issue 15).

IPART's proposed approach to assess the impact of its new cost allocation model on stakeholders is appropriate albeit with one suggested amendment. The NSW Electoral Commission would argue that it is reasonable that IPART also assesses the impact of its recommendations on the main market participants and on the market itself. Of concern here is that any recommendations will likely have a disproportionate impact on metropolitan, regional and rural councils, the regulator (Office of Local Government), and on the market itself. This may have considerable implications for some councils and not others. In this regard, it is important to bear in mind that under current legislation neither the NSW Electoral Commission nor a private (for profit) provider is required to conduct an election for a particular council. If the economics of the market were to change considerably as a result of these recommendations, IPART should provide specific details of such in their report, including the implications of such for all councils and the NSW Government.

## 8. ATTACHMENTS

### A – Cost per elector 2016/17 by council classification

#### Attachment A

### Cost of Local Government elections in 2016 and 2017 by classification of councils (metropolitan, regional and rural)

#### Introduction

The NSW Electoral Commission has analysed its costs of providing election services to metropolitan, regional and rural councils in the 2016 and 2017 local government elections. The NSW Electoral Commission has assigned each council we provided election services to one of the three classifications in accordance with the Australian Classification of Local Government and OLG guidance – refer to <https://www.olg.nsw.gov.au/public/my-local-council/NSW-local-government-comparative-information/previous-comparative-reports>

### Cost of providing election services at the 2016 local government elections

The average cost per elector of the NSW Electoral Commission providing the 2016 local government elections is provided in the table below:

#### a. Metropolitan (incl. Metro Fringe)

| Council                         | Cost per elector (\$) |
|---------------------------------|-----------------------|
| Blacktown                       | 6.18                  |
| Sutherland                      | 5.94                  |
| Sydney                          | 6.97                  |
| Liverpool                       | 6.63                  |
| Camden                          | 6.33                  |
| Campbelltown                    | 5.72                  |
| Hawkesbury                      | 7.29                  |
| Wollondilly                     | 7.09                  |
| <b>Average cost per elector</b> | <b>6.52</b>           |

b. Regional

| Council                         | Cost per elector (\$) |
|---------------------------------|-----------------------|
| Albury                          | 6.78                  |
| Ballina                         | 7.01                  |
| Bega Valley                     | 8.01                  |
| Blue Mountains                  | 6.50                  |
| Broken Hill                     | 9.64                  |
| Byron                           | 7.15                  |
| Cessnock                        | 7.21                  |
| Coffs Harbour                   | 7.77                  |
| Eurobodalla                     | 8.10                  |
| Goulburn Mulwaree               | 7.46                  |
| Griffith                        | 8.68                  |
| Mid-Western                     | 8.42                  |
| Port Macquarie-Hastings         | 7.32                  |
| Richmond                        | 7.73                  |
| Shoalhaven                      | 6.61                  |
| Singleton                       | 7.50                  |
| Tamworth                        | 7.31                  |
| Tweed                           | 7.67                  |
| Wagga Wagga                     | 7.23                  |
| Wingecarribee                   | 7.14                  |
| Kiama                           | 10.13                 |
| Lismore                         | 7.06                  |
| Lithgow                         | 6.85                  |
| <b>Average cost per elector</b> | <b>7.62</b>           |

c. Rural

| Council           | Cost per elector (\$) |
|-------------------|-----------------------|
| Balranald         | 13.43                 |
| Bellingen         | 8.09                  |
| Berrigan          | 9.49                  |
| Bland             | 10.19                 |
| Bogan             | 12.53                 |
| Bourke            | 14.01                 |
| Brewarrina        | 18.07                 |
| Carrathool        | 2.22                  |
| Clarence          | 6.96                  |
| Cobar             | 9.45                  |
| Coolamon          | 2.79                  |
| Coonamble         | 9.66                  |
| Cowra             | 8.96                  |
| Forbes            | 8.19                  |
| Gilgandra         | 9.94                  |
| Glen Innes Severn | 8.19                  |
| Greater Hume      | 7.87                  |
| Liverpool Plains  | 8.58                  |
| Lockhart          | 7.69                  |
| Moree Plains      | 10.63                 |
| Muswellbrook      | 7.55                  |
| Nambucca          | 7.94                  |
| Narrabri          | 8.71                  |
| Narrandera        | 9.56                  |
| Narromine         | 8.09                  |
| Parkes            | 8.90                  |
| Temora            | 8.47                  |

|                                 |             |
|---------------------------------|-------------|
| Tenterfield                     | 10.49       |
| Upper Hunter                    | 8.57        |
| Upper Lachlan                   | 8.73        |
| Uralla                          | 8.34        |
| Walcha                          | 7.66        |
| Walgett                         | 9.17        |
| Warren                          | 6.97        |
| Warrumbungle                    | 10.08       |
| Weddin                          | 9.70        |
| Wentworth                       | 10.57       |
| Gwydir                          | 9.71        |
| Hay                             | 11.03       |
| Inverell                        | 8.05        |
| Junee                           | 8.34        |
| Kyogle                          | 7.95        |
| Lachlan                         | 7.40        |
| Leeton                          | 7.03        |
| Yass                            | 8.14        |
| <b>Average cost per elector</b> | <b>8.98</b> |

Source: NSW Electoral Commission 2016 Local Government Election Report, available at <https://elections.nsw.gov.au/About-us/Reports>



## Cost of providing election services at the 2017 local government elections

The average cost per elector of the NSW Electoral Commission providing the 2017 local government elections is provided in the table below:

### a. Metropolitan

| Council                         | Cost per elector |
|---------------------------------|------------------|
| Bayside                         | 6.32             |
| Burwood                         | 7.70             |
| North Sydney                    | 7.83             |
| Northern Beaches                | 6.17             |
| Canada Bay                      | 7.57             |
| Canterbury-Bankstown            | 6.44             |
| Parramatta                      | 6.61             |
| Cumberland                      | 6.33             |
| Randwick                        | 7.24             |
| Ryde                            | 6.17             |
| Georges River                   | 6.52             |
| Strathfield                     | 7.68             |
| Hornsby                         | 6.40             |
| The Hills                       | 6.64             |
| Hunter's Hill                   | 7.42             |
| Inner West                      | 6.88             |
| Mosman                          | 8.21             |
| Willoughby                      | 7.55             |
| Waverley                        | 6.74             |
| Ku-ring-gai                     | 6.79             |
| Lane Cove                       | 7.88             |
| Woollahra                       | 8.27             |
| <b>Average Cost per elector</b> | <b>7.06</b>      |

### b. Regional

| Council | Cost per elector (\$) |
|---------|-----------------------|
|---------|-----------------------|

|                                 |             |
|---------------------------------|-------------|
| Armidale                        | 8.31        |
| Bathurst                        | 8.04        |
| Newcastle                       | 6.41        |
| Orange                          | 8.17        |
| Central Coast                   | 6.38        |
| Port Stephens                   | 7.51        |
| Dubbo                           | 8.11        |
| Mid Coast                       | 7.25        |
| Queanbeyan-Palerang             | 7.97        |
| Shellharbour                    | 6.97        |
| Snowy Monaro                    | 10.61       |
| Wollongong                      | 6.41        |
| <b>Average cost per elector</b> | <b>7.68</b> |

c. Rural

| Council                         | Cost per elector (\$) |
|---------------------------------|-----------------------|
|                                 |                       |
| Murray River                    | 11.09                 |
| Murrumbidgee                    | 21.26                 |
| Blayney                         | 8.57                  |
| Cabonne                         | 9.36                  |
| Oberon                          | 9.57                  |
| Cootamundra-Gundagai            | 8.52                  |
| Dungog                          | 8.59                  |
| Edward River                    | 9.54                  |
| Federation                      | 8.49                  |
| Snowy Valleys                   | 7.11                  |
| Hilltops                        | 10.11                 |
| <b>Average cost per elector</b> | <b>10.20</b>          |

Source: NSW Electoral Commission 2017, Local Government Election Report, available at <https://elections.nsw.gov.au/About-us/Reports>