



## Lachlan Shire Council response to the IPART draft submission on election costs 19/07/2019

Lachlan Shire Council welcomes the opportunity to provide written comment on the IPART draft review on the costs of conducting local government elections. The following outlines Lachlan Shire Council's views and position on the IPART draft report.

The IPART submission is calculated on the "impactor-pays" basis. Council do not believe they are the impactor as the Local Government Act 1993 (the Act) sets the timeframe for and methodology of elections. In fact, the Local Government Act states "council has functions conferred or imposed on it by or under this Act". The Act determines what comprises the governing body of council, the role of the governing body and how the governing body is appointed i.e. via election. The Act has now removed the option for Councils to administer elections.

The swinging pendulum of cost shifting with regards to NSW local government elections has continued since 2008 when full cost recovery was implemented. In 2011 as a consequence of complaints about increased costs from councils, amendments were made to allow local councils to run their own elections. Local Government NSW (LGNSW), the peak industry association for NSW councils applauded this as they recognised that "by returning the conduction of elections to councils we will now see more council revenue spent on community infrastructure and services". The IPART draft report has now recommended a return to a variant of the full cost recovery model. In fact IPART recommends councils should pay a higher portion of NSW Electoral Commission (NSWEC) costs without any corresponding increase in service level. The Lachlan Shire Councillors were shocked and dismayed when this was conveyed to them. They expressed concerns about the ability of a drought affected community to pay more.

Lachlan Shire Council appreciated IPART's choice to also live stream the public forum as it would have been both cost and time prohibitive for a council representative to attend in person. We found some of the comments made by IPART representatives to reflect a lack of understanding:

- of the role of council both in the community and under the Act;
- of the challenges of attracting private service providers as economies of scale just don't exist in a small geographically dispersed population that is a significant distance from the state capital; and
- most importantly, who actually funds councils (ratepayer) and indeed, funds the state government (taxpayer/ratepayer).

This is evident from the following observations.

IPART representatives at the public form stated "why should the NSW tax payer fund local government elections"? It is unfortunate that too much emphasis has been placed on economic theory as evidenced in the IPART report through statements such as this; taxpayers may be considered as a funder of last resort".



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Property owners in NSW (in many cases the NSW state government is a notable exemption to this) pay general rates to council and in the majority of cases the ratepayer is also the NSW taxpayer.

IPART may consider the council to be the impactor but the ratepayer meets a significant portion of council's costs, including election costs therefore they are the NSW taxpayer, ratepayer & according to IPART, the impactor.

A significant large part of the Lachlan Shire Council is non rateable crown land. Therefore while the NSW state government is a significant land holder in our shire it does not contribute through general rates to the cost of the election or, to a large extent, the provision of any other community facilities.

The guiding principles for councils set out in the Act include planning strategically, using the integrated planning and reporting framework to deliver local community needs within the limited resources available. It is a requirement that the resourcing strategy considers long-term financial planning.

The timing of the release of the IPART draft report is of concern in terms of sustainable budgeting and long term financial planning. Council's Delivery Plan incorporating the 2019/2020 budget went out for public consultation on 23 May 2019 and the proposed additional election costs were not factored into our forecast years. The Local Government Act 1993 clause 405 (1) required Council to adopt its Operational Plan detailing its Delivery Plan activities by 30 June 2019. The IPART report was released on 25 June 2019, 5 days before council was required to adopt its Delivery Plan. This left no opportunity for council to factor increased costs into our long term forecasts.

Unexpected cost shocks hinder council's long term financial planning and its ability to deliver on its Community Strategic Plan. LGNSW has identified that cost shifting, along with rate capping continues to undermine the financial sustainability of the NSW local government sector by forcing councils like Lachlan Shire to assume responsibility for more costs, without sufficient corresponding revenue.

In September 2018, IPART determined the rate peg for the 2019/2020 year to be 2.7% with reference to the Local Government Cost Index (LGCI) to June 2018. IPART acknowledges that local government election costs are not an explicit component of the LGCI but will be reflected through the rise in CPI. Election costs would have a nominal impact on the change in the CPI therefore any CPI rise would not contribute significantly to covering the 59% average rise per elector in rural small councils (table 5.1 IPART report).

Since the rate peg was determined, Lachlan Shire council has also been faced with yet another unplanned increase of over \$80,000 for the Emergency Services Levy (ESL) for the 2019/2020 year. This will have a flow on affect for future years. This was announced on 4 May 2019 without council consultation and was not taken into consideration when IPART calculated the rates peg.



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It also left council no ability to apply for a special rates variation as this closed in February 2019. LGNSW notes that cost shifting forces councils to divert ratepayers' funds away from much-needed local infrastructure. Lachlan Shire Council, like many rural council's has limited access to alternative revenue sources therefore a reduction in services to the community is likely necessary to be able fund cost shifting with regards to increased election costs.

Page 1 of the Executive Summary contained in IPART's report states "the costing methodology is required to minimise the financial burden on councils and ratepayers". Lachlan Shire Council would welcome any opportunity to reduce election costs and would be open to using a private provider if cost savings can be demonstrated. In addition, a hybrid cost sharing model whereby council provides some services to the election provider i.e. building space may reduce costs.

Based on the 2016-2017 election costs of \$35,000, the average cost per elector (4,700 electors) for Lachlan Shire Council was \$7.45. The IPART recommended cost per elector will now be \$12.55. IPART's report acknowledges that small rural councils will bear the brunt of the highest increases on a per elector basis. It appears that any reduction in election costs for Lachlan Shire Council is unlikely and as demonstrated above there is a significant increase in the forecast per elector cost.

Yet IPART staff on the public forum stated they believed the increase in costs were small in dollar terms. If the IPART recommended cost as outlined in the draft submission is approved, then Lachlan Shire Council ratepayers face a 69% increase in election costs for absolutely no increase in service level. IPART staff may view this as small but our community is already struggling with disadvantage, high unemployment and one of the worst droughts in living memory. The following examples demonstrate what the abovementioned "small increase" could mean for the Lachlan Shire Council community.

The \$104,000 cost increase between the Emergency Service Levy increase of \$80,000 and the IPART recommended \$24,000 increase in election costs could be funded by these types of alternatives:

- Less work for local contractors with a significant flow on effect to employment and spending in the community; or
- Forgoing 1/3 of the sports & recreations grounds maintenance; or
- Slashing the budget for rural sealed roads maintenance in 2020/2021.

In order to avoid these undesirable alternatives and to continue to at least maintain the same level of service in our community, Lachlan Shire Council may have to consider a special rates variation (SRV) in the 2020/2021 budget. It is interesting to note that legislation requires Council, when making an application for a SRV, to demonstrate the need for the additional revenue, and that council engaged with and made the community aware of the proposed changes. Does the same apply to other levels of government when they engage in cost shifting?

It should be very easy for Lachlan Shire Council to demonstrate financial need based on these 2 recent unplanned and unexpected examples of cost shifting.



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Again, the outcome is that the ratepayer is forced to carry the financial or community burden through a rates rise or a reduction in service level. Using the current year budget as an example, if not for the Special Rates Variation applied for some years ago, based on the rate peg, Lachlan Shire Council's ordinary rates base would have only increased by \$171,000.

Forty-six percent (46%) of this rates increase would have been consumed by the ESL rise & the increase in election costs would have consumed another fourteen percent (14%). This leaves \$68,000 for the ratepayer to cover any other price rises and requests for additional community services. This is clearly not equitable or sustainable.

A *risk analysis* has identified that using a private provider for Lachlan Shire Council elections carries significant uncertainty. This includes:

- The difficulty of attracting a private provider;
- What is likelihood of obtaining a cheaper election outcome using a private provider in a small rural council where economies of scale may not be possible?
- How many private providers will want to service a rural council with only 4,700 electors (as per 2016 election)?

The IPART report actually acknowledges:

- the structure of NSWEC's prices for election services will have a strong effect on where private providers choose to compete to offer services; and
- providers will have an incentive to supply those councils that are least costly to serve.

The actual increase in costs is still somewhat uncertain. If the NSWEC is left with only higher-cost councils to serve, the draft IPART recommendations still require NSWEC to recover its efficient costs. This would likely increase the cost of elections to smaller rural councils like Lachlan Shire Council. Even if council uses a private provider it still needs to pay for some of NSWEC costs.

*How many private providers with experience in managing local government elections are in the market?*

The IPART report noted that contestability was introduced 7 years ago in 2012 however:

- the provision of local government election services remains a near-monopoly with NSW EC having a market share of 95%; and
- the Australian Election Company remains the one private provider mainly servicing larger metropolitan and regional councils.



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IPART acknowledges that a further potential impediment to private providers entering the market is the change to the WIGM system of counting. The NSWEC intends to develop new WIGM-compliant counting software this year.

The City of Sydney and Penrith City Council both identified the introduction of WIGM compliant counting software as a barrier to entry given its complexity and significant IT requirements. Indeed it is noted in the IPART report that this cost will also be passed onto councils.

### Conclusion

Overall, Lachlan Shire Council seeks to ensure that any burden of election cost sharing is equitable in its application across councils large and small in rural, regional and metropolitan areas. We emphasise the need to maintain a reasonable level of community services and not impose unsustainable cost increases in a community that is already burdened with drought and disadvantage. The IPART report acknowledges that small rural councils, (like Lachlan Shire), will bear the burden of increased costs on a per elector basis. Lachlan Shire Council trusts that these comments are of assistance however we remain strongly opposed to any further election cost increases or other forms of cost shifting.

