



May - 2019

Local Government - Costs of Local Government Elections

Penrith City Council Submission to IPART NSW—
Review of costs of conducting local government elections

INTRODUCTION

Penrith City Council welcome the review being undertaken by IPART and believe it is timely and relevant ahead of the 2020 Local Government elections. Largely Council officers believe in the methodology and assessments methods that are proposed in the Issues Paper.

For context, Penrith City Council has conducted its last three elections 2012, 2016, and 2018 (By Election) through the services of an Election Provider, known as the Australian Election Company.

This places Council as one of the few councils who have recent direct experience of running an election without the services of the NSWEC. Many of the comments made in our submission regarding the performance of the NSWEC do relate to the 2008 election and it is acknowledged that changes to the service provision could have, and most likely have changed over that time. Despite this in running our elections through the provision of an election provider, we have experienced a lack of cooperation from the NSWEC towards our appointed contractor.

However, the responses will demonstrate a theme that Council has experienced when determining who to run its most recent elections, in that the NSWEC has not been prepared to consider what we term a partially outsourced election. That being, allowing individual councils to use their local knowledge and resources to provide a better service and ultimately outcome to the community.

RESPONSES TO QUESTIONS

1. *Do you agree with IPART's proposed approach for this review? Are there any alternative approaches that would better meet the terms of reference, or any other issues we should consider?*

The approach appears to be largely logical and comprehensive. Council officers would suggest that IPART actively consult with the Australian Election Company who are the only other known election provider and may have valuable input to some of the issues that feedback is sought on.

Council officers have raised one issue in the paper later in our submission with respect to options that may be available regarding fine revenue.

2. *When would a council prefer to use a private provider, rather than the NSWEC, to conduct its elections?*

Penrith Council has successfully used a private provider (Australian Election Company) for 3 elections, those being 2012, 2016, and 2018 (By Election) all elections have been run successfully with, what Council officers believe has been a better voter experience, savings being achieved and results being finalised as fast or faster than the NSWEC.

Council officers believe it has made significant savings based on estimated costs of the NSWEC and while this is certainly a factor in the decisions ultimately made by our Council it wasn't the only and was not the reason Council originally looked at exploring running its own election. There is no doubt however that the ongoing cost savings, improved voter experience and successful outcome of Council's recent

elections run by The Australian Election Company have been a critical factor in Council maintaining this arrangement.

Aside from cost, one of the major reasons council has continued to enter into an arrangement with a private provider is there willingness to work closely with Council and partially outsource elements of the election so that Council can do things that it has experience and resources to achieve. It also allows Council to increase its service (at a cost) where it chooses to do so. Some of these have included:

- Being able to source a local and experienced Returning Officer that will work daily and closely with council staff to take advantage of local knowledge and enhanced local experience
- Strategic placement of advertisements in the local area to increase awareness
- Consider local issues with respect to placement of polling booths, dual booths, staffing numbers and issue of ballot papers based on this (in 2008 these issues were significant, effecting voter experience and prompted Council to look at a private provider in 2012)
- The ability to have counts conducted quickly and be able to have high transfer of information during this period
- The ability to use existing council resources and property (other than the Civic Centre) has saved Council funds using properties it owns, computers it owns and phones systems.

3. *What scope is there for private providers to offer councils:*

a. *The full range of election services currently provided by the NSWEC?*

It is difficult for private providers to offer a full service, but not impossible as shown through our experiences with the Australian Election Company. They have the resources, knowledge and technology to be able to service council elections. Council assists through its agreement with the Australian Election Company by making partial invoice payments in advance to ensure working capital. One of the other challenges of a full service though is the restrictions, cost and at times difficulty getting information with respect to rolls from the NSWEC in a format that is suitable for other providers to use.

b. *A more limited range of election services?*

It would be reasonable to assume that there is more scope for some parts of the election service to be provided by private providers, and this has been again demonstrated by the Australian Election Company who we are aware have provided partially outsourced elections i.e. providing stationary, ballot boxes, training and the sourcing of returning offices and voting places.

4. *To what extent would the range of services offered by private providers vary by a council's geographic location (i.e., metropolitan, regional or rural) or size (i.e., small, medium or large)?*

This is likely a question the Australian Election Company could answer, some factors that could be considered include the transporting of ballot papers, difficulty in staffing, and the overheads involved polling booths and advertising for example.

5. *What are the barriers to competition in the provision of election services to councils?*

Again the Australian Election Company would have some valuable feedback with respect to this issue. However, from a Council point of view one of the inequalities is the requirement for private providers to have to tender to provide elections services to Council while the NSWEC is not required to. This does not create a level playing field, and makes it virtually impossible for Council to demonstrate value for money if we elected to use the NSWEC. Council has previously asked the NSWEC to participate in our tender process however this has not occurred.

Other barriers are likely to be the significant start-up costs involved in purchasing audited count software and hardware and access to the required number of experienced staff to run returning officers and polling places. This along with the significant risk and high public interest of the task pose barriers to new entrants.

Other issues which Council has experienced over recent elections are the cost of providing the rolls and getting access to them in a format that is suitable for use for our election provider. Specifically, we have had challenges in getting election information in the right format i.e .CSV files with enrolled addresses and not postal address, to be used for postal voting purposes, in addition to getting access to look up facilities for our contractor and for an appropriate length of time

One concept that could be considered is the licensing of the count software which may reduce some barriers to entry, allowing other election companies to potentially provide a management service that meets certain parameters, without having to invest in costly audited software.

Another potential barrier for competition is that those councils who choose to engage an election provider other than NSWEC require the general manager to be responsible for the election. This places significant risk on individual General Managers as opposed to General Managers who utilise the services of the NSWEC, who don't retain that responsibility. Council officers believe that either all General Managers should be nominally responsible for elections regardless of who runs the election or conversely contractors be permitted to be appointed as the Election Manager in the same way NSWEC is.

6. *What factors might lead to changes in the costs incurred by the NSWEC, and over what time period are these changes likely to occur?*

The number of Council's using their services may impact on how the costs are distributed however this question is best addressed by the NSWEC.

7. *Is a base level of service provision to all councils appropriate? For what types of election services offered by the NSWEC might councils opt for a different level of service?*

Council officers support a base level of service being provided by the NSWEC, however the ability to be flexible and adapt that base service by working with Council's to either partial outsource or tailor elections specific to local areas is what Council has long advocated for.

For example, local councils are in the best position to determine where additional polling places might be required, where dual booths are appropriate, how many declared institutions should be utilised. Other additional services Council has provided in the past

has been additional staffing at high volume sites in emerging suburbs, providing liaison officers for each ward to deal with emerging issues on election day and selecting a returning office that Council has access too.

Council officers acknowledge that services that go above a base level provision should come at a cost to the council who requires or requests that additional level of service and that this shouldn't be spread across the quantum.

There are peculiarities to local government elections that may not apply to State and Federal elections, such as the awareness and exposure received and the inability to absentee vote, it is issues like this that Council officers believe increase in the importance of local knowledge and councils having the ability to have significant input.

8. How should we assess the efficient costs of providing election services to local councils? Do stakeholders support our use of a 'building block' approach to calculate the NSWEC's efficient costs and revenue requirement? If not, what alternative method would be appropriate?

Council officers understanding supports the comments made in the issues paper that election services are not capital intensive and it would not be accurate to use the building block approach. Often activities involved in providing elections require hiring and leasing of services and products for a defined period of time. To this end, Council officers believe that the review should consider the cost build up method, however acknowledges this may be difficult particularly in relation to finding comparable listed companies with similar characteristics. This challenge is often confronted by many private sector companies.

9. What firms or industries are comparable to the NSWEC in terms of their exposure to market risk? What percentage of debt rather than equity would an efficient provider of election services be able to sustain to finance its assets (i.e., the gearing level)?

Council staff do not have a view or comment on this question.

10. Do you agree that NSWEC's direct costs should be allocated between the State Government and councils using the impactor pays principle (i.e., those that create the need for the cost to be incurred should pay the cost)?

Council officers believe that the impactor pays principle is an appropriate mechanism for allocating direct costs.

11. Should NSWEC's indirect costs be allocated:

- a. Using the impactor pays principle*
- b. With a focus on putting NSWEC on an even footing with private providers (i.e., ensuring its indirect costs are allocated to councils where they would be incurred by an efficient competitor to the NSWEC), or*
- c. On some other basis (and if so, what)?*

Council officers believe that any mechanism that requires the NSWEC to be placed on an even footing with private providers and ensures a competitive, transparent process is likely to result in better outcomes for the community and should be thoroughly explored. Accordingly, Council officers supports option B outlined above.

12. Do you consider the allocation of NSWEC's costs to councils should be made with reference to incremental costs (lower bound), standalone costs (upper bound), or somewhere in between this range?

Council officers do not believe that allocating standalone costs to councils will have any significant impact on promoting competition. The barriers to competition extend beyond this and council officers believe that any provider who was to provide election services would unlikely to do so based on a standalone approach. Accordingly, it is considered that the allocation of costs to councils should be made largely based on lower bound incremental costs.

13. How should indirect costs (eg, centralised locations for collating ballots ready for data entry and councils' share of the costs that are common to State and local government elections) be shared between councils? For example, should they be allocated on a 'per elector', or some other basis?

A per elector cost does not accurately reflect the true cost. Council officers do support a cost recovery approach but this might be better accounted for through a per transaction count cost. That is each time a ballot paper has to be counted it incurs a cost. This would deal with councils who have mayoral elections for example.

14. Are the costs involved in conducting elections substantially different for metropolitan, regional and rural councils? If yes, what are the drivers for those differences?

The vast areas of some rural and regional councils and lower populations may increase their elector costs as the requirement to make available polling booths in close proximity to residents, advertise and transport material becomes logistically challenging and cannot be spread over the same elector base. To this end, it is understood there have been proposed changes to allow councils to consider universal posting voting, this along with advances with online voting will mitigate some of these discrepancies into the future.

Alternatively, the wages paid to returning officers and election staff who are working in large significant metropolitan councils with complex elections could impact on the costs involved along with the sheer number of staff required to support elections of their size.

15. Do you agree with our proposed approach for assessing the impact of our recommendations on stakeholders? Are there any other issues we should consider?

The approach proposed in the paper is largely supported and as pointed out, any impacts need to have strong reference to the rate pegging policy imposed on Council's. Council officers do believe that IPART should strongly consider if the building block method is appropriate. This is due to the fact that there is low capital expenditure involved in providing election services and low capital requirements.

One issue which the paper has not considered is that of fine revenue. Council would argue that there is value in investigating what the cost to administer the recovery of fine revenue is. Council has estimated that its fine revenue from its previous elections could have largely subsidised the election. While it is accepted that the NSWEC likely does not receive this income, Council believes it would be worth pursuing how these funds or at least part of these funds could be used to subsidise further elections

For any further information regarding this submission please do not hesitate to contact Adam Beggs, Governance Coordinator on [REDACTED]