

16/07/2019

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Submitted Online

### **Submission – Draft Report – Review of Costs of Conducting Local Government Elections**

I wish to provide the following points for submission with respect to the Draft Report - Review of local government election costs released on 25 June 2019.

#### Delivery of report on Terms of Reference

The Office of Local Government [Circular 19-02](#) dated 8 February 2019 on the review from the Officer stated “*The purpose of IPART’s review is to ensure a robust methodology for determining costs is applied, in order to minimise the financial burden on councils and ratepayers and to ensure local government elections are conducted efficiently and cost effectively.*”

As outlined in the Draft Report on page 1 the IPART states “*The costing is required to minimise the financial burdens on Councils and ratepayers, while also encouraging the NSWEC to provide its election services in an efficient and cost-effective way.*”

It is the view of Council that the recommendations of the Draft Report, resulting in an increase of between 8% and 306% on the election costs of previous elections to NSW Councils, and specifically the increase of 64% of costs for the Shoalhaven Local Government Election, demonstrates clearly that the report has not delivered the requested result. It is our view that such increases cannot in any terms be interpreted as a ‘minimisation’ of financial burden to Council or ratepayers.

#### ‘Impactor Pays’ funding

The Draft report outlines the impactor-pays funding model and Councils are considered in this model to be the impactors or beneficiaries.

Council is of the view that the draft report does not satisfactorily explain how Councils can be determined to be the ‘impactor’ in this process, where the entire election process, including the power to call elections and bi-elections are outside the power or influence of Councils which are brought about and controlled by the State.

## Calculations of 'Economic Costs' assigned to Councils

Council has several queries with respect to the calculations of Economic Costs and the assignment of Local Government Election Costs within the report, that it would like considered in the final report.

In relation to the calculations by Ernst Young, Council's concerns are:

- Whilst it is agreed that the approach of using incremental costs as one input to determine notional revenue requirement (NRR), more detail is needed to justify the "efficient" nature of those costs. There seems to be an "efficiency dividend" reflected in the IPART recommended costs.
- For the Election Management Fee, executive salaries and Joint Roll Agreement to be correctly included in common costs, the marginal impact needs to be better established, given that the "core business" of the NSWEC is the conduct of State elections and compliance activity.
- The building block model, including the Capital Asset Pricing Model and Weighted Average Cost of Capital (WACC), is usually applied by IPART to ongoing regulated activities, such as provision of utilities or transport services. The use of the model to determine revenue for add-on activities on a relatively long, recurring cycle seems unusual. Beyond the issues identified above regarding the nature of the costs to be included in the model and the need for a sufficient efficiency dividend to promote innovation and streamlined process, the incentive for 'gold plating' also needs to be addressed, specifically, whether the existing regulatory asset base and the proposed election systems upgrade is appropriate to, and commensurate with, the provision of the NSWEC's services to local government.

Other general queries that the Council has in relation to economic costs which are not addressed in the Draft report are:

- How will costs be monitored and adjusted should several Councils opt out of using the NSWEC and engage a competitor to conduct their elections. This would likely mean that the Councils who engage the NSWEC will be burdened with a greater proportion of the NSWEC's fixed costs.
- How would the NSWEC (and competitors) be able to efficiently cost local government elections when they will be unsure of the number of Councils who may engage their services until 6 months before the election?
- How will referendum and polls be costed?
- How will the engagement of NSWEC for non- government elections by other organisations impact on the calculation of fixed costs apportioned to Councils?
- How will Councils be expected to budget for electoral costs if the final costings and contract arrangements are only 6 months out from election?
- A deeper review of venue procurement options is needed to be considered given Councils own and maintain many community assets and halls that would likely be suitable election polling and office venues.
- The report has identified costs which would represent greater cost increases to remote communities than metropolitan communities, given these communities will be least able to attract alternative providers in the proposed competitive environment, how does the IPART recommend these inequities can be addressed?

## Unbundling of Services

The Council has a number of concerns with respect to the ‘unbundling’ of electoral services. It initially understood that the concept of ‘unbundling’ was envisaged to allow Councils to engage a number of providers for the different electoral tasks, and in some cases use its own services in lieu of other providers (e.g. For Logistics, waste management, venue procurement where the Council already provides these services in their local communities) However, since the assent of the Local Government Amendment Act 2019 on 24 June 2019, the intended flexibility seems to have reduced given that Councils are now not permitted to run their own elections and must engage an electoral provider.

If possible, Council would like the following considerations and queries with respect to the concept of unbundling addressed in the final report:

- When a Council engages an electoral provider under the new legislation, how will be the concept of ‘unbundling’ work in practice? This query is based on the expectation that an electoral services provider will not enter into an agreement where they are only providing partial electoral services on the basis that their efficiency and success may be hampered by factors outside their control?
- If ‘unbundling’ were permitted under the new legislative provisions, what considerations have been given to the additional risks and costs to Councils for project management and procurement of electoral services?
- Would a Council have to undertake a tender program to engage its own services for any of the ‘unbundled’ services?
- What regulatory oversight will be undertaken on the electoral process, and by whom? How and to whom are these costs apportioned?

## Does competition in the electoral process improve elections for Local Government in NSW?

Whilst the NSW Legislative framework provides for competition in the Local Government electoral process, Council is disappointed that the IPART draft report does not provide commentary or advice to the NSW Government about this process. The Council considers the framework allowing ‘opportunity for competition’ may be an impediment to Local Government elections for the following reasons:

- NSW is the only state to allow non-electoral commission electoral management.
- The benefit of ‘competitive’ service arrangements has not been justified.
- The costs per Elector for Local Government Elections in NSW is greater than for any other State or Territory in Australia (As confirmed by the IPART Panel at the Public Forum on 2 July 2019)
- As commercial electoral providers are not employed in Australia for Government Elections other than for Local Government Elections in NSW, what is the likelihood that providers will emerge in the market given the complexities and the challenges of the election calendar. The IPART report discusses that much may be achieved by competition, but what is the likelihood that real competition will occur? Further, what costs will be created by facilitating this model if competition does not arise?
- Despite commentary in the Draft Report that “***In the longer term, if impediments to competition are removed and competitive pressures are increased, then the degree of regulatory oversight could be reduced***”, Council is of the view that further consideration should be given to the concept that more players being introduced into a

regulatory system will decrease oversight. This should be weighed with the impact and costs to ratepayers and democracy if the oversight is not sufficient.

In summary, Council was anticipating more from the review than has been delivered by the IPART. Innovation has not been employed in the review or for the provision of election services in a more effective manner. The review did not contemplate cost effectiveness of complete Postal Voting or E-Voting as cost efficient recommendations to the government to reduce the costs to ratepayers in real terms.

The draft report has not met its aim of reduction of fees in the 'medium' term, as this is based upon the concept of introduction of competition into the market which itself is not certain. The draft report did however recalculate existing costs in a manner that has significantly increased costs for council.

The recommendations made in the Draft Report do not provide confidence to the Council that the best efforts are being made to reduce the cost of local government elections to ratepayers in NSW to nor to improve the results of future elections or democracy.

Council will be interested to see the outcomes of the final report and hopes that it will address the factors outlined above.

If you need further information about this matter, please contact Sara McMahon, Finance Corporate & Community Services Group on [REDACTED]. Please quote Council's reference 18854E (D19/239363).

Yours faithfully

[REDACTED]

**Stephen Dunshea**  
**Chief Executive Officer**