

**Submission  
No 104**

## **INQUIRY INTO LOCAL GOVERNMENT FUNDING AND SERVICES**

**Name:** Victorian Electoral Commission

**Date Received:** 28 June 2024



[Redacted]

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Georgie Purcell MLC  
Chair, Legislative Council Economy and Infrastructure Committee  
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By email to [eic.council@parliament.vic.gov.au](mailto:eic.council@parliament.vic.gov.au)

Dear Chair

**Submission to the inquiry into local government funding and services**

Thank you for the opportunity to make a submission to the Legislative Council Economy and Infrastructure Committee's (the **Committee**) inquiry into local government funding and services. I am pleased to enclose a submission on behalf of the Victorian Electoral Commission (**VEC**).

The VEC has a long-standing partnership with Victoria's local government sector, having responsibility to conduct elections, by-elections, countbacks ward boundary reviews and support electoral structure reviews.

I am alert to the cost burden that electoral activities place on councils and my office is committed to seeking efficiencies and savings to reduce this burden. The VEC applies a marginal cost recovery approach and absorbs all other costs. Despite best efforts, the VEC is not immune to inflationary pressures and costs continue to rise for elections at all levels of government.

This submission outlines the VEC's cost recovery approach for the delivery of electoral services and the changing cost pressures faced by the VEC and, in turn, councils. If it would assist the Committee's inquiry, I am happy to speak to this submission and answer any questions you may have about the VEC's local government electoral activities.

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Yours sincerely

[Redacted signature]

Sven Bluemmel  
Electoral Commissioner

Encl.

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# Victorian Electoral Commission - Submission to the inquiry into local government funding and services

## 1. Introduction

The Victorian Electoral Commission (**VEC**) is responsible for providing electoral services to Victoria's local government sector and values its longstanding partnerships with the sector and each of the State's 79 local councils.

Victorian communities rightly expect high quality electoral services to enable their local representation. The VEC acknowledges that elections, and other electoral activities, are becoming increasingly complex and more expensive for all levels of government and that these costs can be a considerable burden to councils.

The VEC is alert to the broader cost pressures faced by councils and seeks to absorb or minimise costs where it can. The VEC employs a marginal cost recovery approach and typically absorbs 25% of the full cost of elections and a variable proportion of costs for other electoral activities. Revenue collected from the payment of VEC invoices by local councils is not retained by the VEC; payments are deposited into the State Government's consolidated fund.

This submission provides information about the VEC's costing approach for delivery of local government electoral services and how costs have changed over time.

## 2. About the VEC

The VEC is an independent agency established by the *Electoral Act 2002 (Vic)*. The VEC administers state elections, local council elections, and certain statutory and fee-for-service elections and polls.

The VEC also maintains the register of electors, promotes public awareness and understanding of electoral issues, supports the Electoral Boundaries Commission (for state redivisions) and electoral representation advisory panels (for local government electoral structure reviews), and administers Victoria's political funding and donations disclosure laws.

## 3. The VEC's local government activities

As required by the *Local Government Act 2020 (Vic)* (**LG Act**), the VEC's local government portfolio includes the following electoral activities:

- general elections every 4 years, with the next elections in October 2024
- by-elections to fill vacancies in single-councillor wards
- countbacks to fill vacancies in multi-councillor wards and unsubdivided councils, and
- ward boundary reviews, where the internal boundaries of local councils are required to be adjusted to maintain fair and equitable representation.

In addition, the VEC provides administrative and technical support to electoral representation advisory panels appointed by the Minister for Local Government to conduct electoral structure reviews under section 16 of the LG Act.

## 4. Marginal cost recovery approach

The VEC adopts a marginal cost recovery approach for its local government activities. This means that only expenses relating exclusively to a local government electoral activity are invoiced to the relevant council.

Marginal costs include payroll, equipment and materials, mail processing and postage, local or council-specific advertising, any election-specific rent, utilities, building insurances, and specific information technology and telephony hardware, as well as other sundry costs.

For electoral activities involving multiple local councils, such as general elections and electoral structure and boundary review programs, marginal costs also include shared program-specific costs, including state-wide advertising and—for electoral structure and ward boundary reviews—demographic information and data modelling, and meeting fees and other expenses for members of the electoral representation advisory panels appointed by the Minister for Local Government.

The VEC does not currently recover ongoing head office payroll costs and absorbs all or part of the costs relating to recruiting and training senior election staff, electoral application and system development costs, some centralised venue costs, and depreciation.

As a result, the VEC typically absorbs 25% of the total cost of elections and a variable proportion of costs for other electoral activities.

## 5. Electoral services costs and trends

### 5.1. General elections

Of all electoral services, general elections are the largest cost to local councils. The cost structures relate to the delivery of the election, compulsory voting enforcement and referrals to court post-election. The LG Act requires for all revenue collected from compulsory voting fines to be remitted back to the relevant council.

General election costs vary considerably among local councils due to a range of factors, including the number of enrolled voters, vacancies, candidates, and vote counting method. For the 2020 local government general elections, the total marginal cost for the election program was quoted at \$31.6 million, ranging between \$85,000 and \$1.95 million per council. The average general election cost was approximately \$225,000 for regional and rural local councils and \$725,000 for metropolitan local councils.<sup>1</sup>

For the 2024 local government elections, the VEC estimates invoicing up to \$41.2 million, an increase of 30% compared with the last general election program. This increase is due to overall inflationary pressures across all third-party services, changes in enrolment and an increase in the number of wards and individual elections caused by changes to the LG Act, re-indexation of election workforce expenses against the Victorian Public Service Enterprise Agreement 2020, and the inclusion of additional general elections that were exempted from the list of council general elections in October 2020.

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<sup>1</sup> Note that 3 local councils did not have a general election in October 2020, including Casey City Council, Whittlesea City Council, and South Gippsland Shire Council.

An example of the inflationary pressure is in the cost of postage. Local government elections are conducted entirely by postal voting,<sup>2</sup> and the cost per vote includes at least 2 postal transactions. Australia Post charges for bulk mail have increased from \$1.06 per item in October 2020 to \$1.48 per item for October 2024—a 40% increase.

Generally, across all jurisdictions in Australia and all levels of government, the increasing complexity and scale of the electoral environment also means the cost of elections will continue to rise. The VEC has centralised key back-office processes and systems to achieve some cost efficiencies for the 2024 local government general elections, although these have simply reduced the size of the overall cost increase.

## 5.2. By-elections and countbacks

By-elections are held to fill extraordinary vacancies in single-councillor wards, and are a fallback for multi-councillor wards and unsubdivided councils where the pool of eligible candidates for a countback is exhausted. Countbacks are held to fill extraordinary vacancies in multi-councillor wards and unsubdivided councils, and these are performed by re-calculating votes from the most recent election.

It is significantly more expensive to fill vacancies in single-councillor wards through by-elections, than holding countbacks to fill vacancies in multi-councillor wards and unsubdivided councils. In the 2023-24 financial year, the VEC conducted 2 local government by-elections and 14 countbacks. The average by-election cost was approximately \$105,000 compared with the average cost of conducting a countback, at only \$1,000.

Importantly, by-elections require minimum levels of advertising, resourcing and infrastructure to support enrolment, voting, counting and compulsory voting enforcement. Countbacks are held using the VEC's countback application and the cost is effectively limited to statutory advertising.

Following electoral structure reviews conducted in the 2023 and 2024 calendar years to ensure electoral structures comply with the LG Act, the number of local councils entirely comprising single-councillor wards has increased from 16 in October 2020 to 46 for October 2024. Following the 2024 local government elections, this shift will mean by-elections will be required to fill extraordinary vacancies in more electorates. For example, 20 countbacks were conducted during the 2022-23 financial year to fill extraordinary vacancies and 10 of those countbacks occurred in wards or councils that will be, from October 2024, single-councillor wards. Should a similar number of vacancies arise in those wards following the October elections, this would result in additional total costs to those councils exceeding \$1 million.

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<sup>2</sup> *Local Government Act 2020* (Vic), s 262 and *Victoria Government Gazette* No. S242 (18 May 2020).

### 5.3. Electoral structure reviews

The LG Act now prescribes narrower parameters for electoral structures than previously existed, with 3 allowable structures:

1. Single-councillor wards (default structure)
2. Multi-councillor wards
3. Unsubdivided councils.

To ensure compliance with the LG Act, 2 electoral representation advisory panels were appointed by the Minister for Local Government in 2022 to review electoral structures for the 39 councils that did not have a compliant electoral structure.

Electoral structure reviews incur significant costs, both for the VEC in administering the program and supporting electoral review advisory panels, and for local councils who are invoiced for the reviews in accordance with section 16(11) of the LG Act. The total marginal cost invoiced to councils for the electoral structure review program during 2023 and 2024 was approximately \$2 million, and the VEC absorbed a similar amount. The individual cost to local councils for their electoral structure reviews varied between \$45,000 and \$85,000, with the variation caused by different advertising requirements, different levels of demographic analysis, and the amount of community participation and consultation during each review.

As a result of the electoral structure review program during 2023 and 2024, 30 additional local councils have shifted to single-councillor ward structures, and 465 individual elections (wards or unsubdivided councils) will be conducted in October 2024 compared with 298 individual elections in October 2020.<sup>3</sup>

This increased scale contributes to increased election costs that will be an ongoing overhead to local councils to fill extraordinary vacancies following the 2024 local government elections.

Table 1 Changes to council electoral structures between 2020 and 2024 general elections

Electoral structure	2020	2024
Single-councillor	16	46
Multi-councillor	27	11
Combination	14	0
Unsubdivided	22	22
<b>Total</b>	<b>79</b>	<b>79</b>

<sup>3</sup> Note that 3 local councils did not have a general election in October 2020, including Casey City Council, Whittlesea City Council, and South Gippsland Shire Council. Note that 1 local council (Moirá Shire Council) will not have a general election in October 2024. The number of individual elections reflects the program structure, excluding elections for these local councils for the relevant program.

## 5.4. Ward boundary reviews

At the request of the Minister for Local Government, the VEC reviews internal ward boundaries of local councils when the number of voters per councillor is forecast to be outside the legislated  $\pm 10\%$  tolerance in one or more wards at the next election. This process is called a ward boundary review, and it aims for each voter to be represented equally at the election.

The ward boundaries of 10 councils were reviewed in 2024, at an average cost of \$38,600. Costs for ward boundary reviews are rising, largely due to similar inflationary pressures as election costs. Of note, the overall reduction in local newspapers in recent years has led to significantly increased advertising costs that now need to be placed in major daily papers instead.

Additionally, single-councillor ward structures are more volatile to population changes and given the increase in the number of single-councillor wards, the VEC expects at least 15 ward boundary reviews to be needed ahead of the 2028 local government general elections.

## 6. Conclusion

The independent administration of local council elections has been a feature of Victoria's democracy for more than 30 years. The electoral environment has changed dramatically over that period, including an increase in both complexity and scale. Electoral activities are also not immune to economic pressures, and the cost of delivering electoral services across all Australian jurisdictions and for all levels of government is increasing.

Similarly, the LG Act set new parameters that will increase the VEC's local government electoral activity, including more frequent by-elections and ward boundary reviews, which come at a cost to both the VEC and to local councils themselves. The VEC makes this observation without remarking on the policy itself, as it is a matter for the State Government, Parliament, and the local government sector itself to determine and shape local government as an essential tier of government in Victoria.

The VEC recognises, and indeed shares, the budget pressures that local councils face with their electoral activities. The VEC has a strong and ongoing partnership with local councils and Victoria's local government sector and has heard directly about the cost pressures that councils are under, to continue to deliver their services. The VEC is committed to continuing to deliver value for money and high-quality electoral services to local councils, and cost must never be a barrier to the community having safe, secure and trusted electoral solutions.