



# Full Day Hansard Transcript (Legislative Council, 26 March 2013, Proof)

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Extract from NSW Legislative Council Hansard and Papers Tuesday, 26 March 2013 (Proof).

### ELECTION FUNDING, EXPENDITURE AND DISCLOSURES AMENDMENT (ADMINISTRATIVE FUNDING) BILL 2013

#### Second Reading

**Debate resumed from 25 March 2013.**

**The Hon. MICHAEL GALLACHER** (Minister for Police and Emergency Services, Minister for the Hunter, and Vice-President of the Executive Council) [11.52 a.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

**Leave granted.**

The Election Funding, Expenditure and Disclosures Amendment (Administrative Funding) Bill 2013 implements the recommendations made by the Joint Standing Committee on Electoral Matters following its inquiry into administrative funding for minor parties in New South Wales.

Part 6A of the current Act establishes an Administration Fund to be managed by the Election Funding Authority. The fund is designed to assist with the costs of managing the day-to-day activities of political parties and independent elected members—it does not cover costs associated with election campaigns.

Under the current Act, parties and independent elected members are entitled to receive a single annual payment from an Administration Fund to cover their actual administrative and operating expenses. The maximum amount that can be claimed per year is the lesser of \$80,000 per elected member or \$2 million.

Over the past four years, the Act has been amended substantially to improve transparency in relation to election campaign funding.

In 2008, amendments were passed by Parliament to increase the frequency of political donations disclosures made by parties and elected members, and to impose additional obligations on parties and elected members in relation to the management of political donations and expenditure. For example, the requirement to appoint official agents and to maintain separate campaign accounts.

In 2010, caps were imposed on the value of political donations that parties and elected members could receive from particular donors.

This series of reforms culminated in the Government's 2012 amendments to the Act banning political donations from corporations and other entities.

There is no doubt that these reforms have increased the record-keeping and compliance burden faced by parties and members to meet growing public expectations of transparency in this area.

The Administration Fund was established as part of the 2010 amendments to the Act to help offset the cost of complying with the new rules, and to make up for the loss of revenue available to parties and independent members to meet their administrative expenses as a result of caps on political donations.

Last year, the Premier, the Hon. Barry O'Farrell, made a reference to the Joint Standing Committee on Electoral Matters to inquire into and report on matters relating to the administrative funding of smaller parties.

The reference was made following concerns raised by the Select Committee on the Election Funding Bill 2011 that donations reforms may be having a disproportionate financial impact on smaller political parties.

During its inquiry, the Joint Standing Committee on Electoral Matters heard evidence from a range of stakeholders, including representatives from the smaller parties. The committee heard evidence that smaller parties could no longer rely solely on volunteers, but must employ staff with professional skills in order to meet their disclosure and administrative obligations under the Act.

The committee observed that as a result of amendments to the Act, "the minor parties may be receiving fewer donations" and "the same amendments to the Act have resulted in an increased administrative burden on minor

parties, resulting in higher administrative costs".

Overall, the committee concluded that "there has been a particular impact on minor parties with respect to the administrative costs related to complying with the Act".

The committee issued its report in November 2012. Its recommendations are primarily aimed at improving the timeliness and frequency of payments from the Administration Fund so that independent members and parties are not disadvantaged by undue delays.

It also recommends an increase in the maximum annual amounts available from the Administration Fund.

Instead of applying a flat rate of \$80,000 per endorsed member or independent member, adjusted for inflation, the committee recommends that the maximum amount of funding should be determined on a sliding scale according to the number of elected members endorsed by the party.

The committee's recommended funding formula is:

- \$200,000 for the first elected member of a party, and \$200,000 for independent elected members);
- \$150,000 for the second elected member of a party;
- \$100,000 for the third elected member of a party; and
- \$83,000 for each elected member thereafter, up to a cap of 25 elected members.

The committee suggests that these amounts should apply to the upcoming round of claims for administrative expenditure, which will relate to expenses incurred in the 2012 calendar year.

The committee also recommends that parties and independent members be reimbursed from the Administration Fund on a quarterly basis and within one month of lodging their claim for payment with the authority.

The Election Funding, Expenditure and Disclosures (Administrative Funding) Bill 2013 seeks to implement the recommendations of the committee with respect to the Administration Fund.

The department has consulted with the authority in relation to the amendments proposed by the committee. During consultation, the authority raised concerns with respect to the proposed one-month deadline for the processing and payment of administrative funding claims.

To address the authority's concerns, the bill imposes a six-week deadline on the authority with respect to the payment of claims for administrative funding.

Minor parties and independent members contribute greatly to the quality and diversity of our democracy and their long-term viability should be supported.

The Government looks forward to the views of the Joint Standing Committee on Electoral Matters on how the Act might be further improved when it reports on its review of the State's electoral legislation.

I commend the bill to the House.