

## **ADMINISTRATIVE FUNDING FOR MINOR PARTIES**

**Organisation:** Shooters and Fishers Party  
**Name:** Mr Charles Pitt  
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31 July 2012

Mr Jai Rowell MP  
Chair  
Joint Standing Committee on Electoral Matters  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Rowell,

**Re: Joint Standing Committee on Electoral Matters: Administrative funding of minor parties**

Enclosed is a Submission regarding the inquiry into the *Electoral Funding and Election Funding Expenditure and Disclosure Act 1981* in relation the funding of minor parties.

The Submission is prepared jointly by Mr Robert (Bob) Shaw Secretary/Treasurer and myself on behalf the Shooters and Fishers Party.

Our comments and observations are that of the Party's auditor and Secretary/Treasurer, to communicate clearly to both the government and to the New South Wales Parliament the deleterious financial impact of the changes to the Electoral Funding , Expenditure and Disclosure Act, 1981, for the Party to operate in its current form and the scale of the administration required under the new Legislation.

There is current an inherent inequity and uncertainty regarding the continuation of the Party if the full extent of the administrative requirements were to put in place immediately, without adequate funding.

Yours sincerely,  
**C M PITT & CO**



Chartered Accountants

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**Submission regarding the inquiry into the *Electoral Funding and Election Funding Expenditure and Disclosure Act 1981* in relation to administrative funding of minor parties.**

**Preamble:**

I, Charles Matcham Pitt, as the auditor of the Shooters and Fishers Party, with Robert Shaw Secretary/Treasurer make this submission on behalf of the Shooters and Fishers Party.

The Shooters Party was formed in 1992 when the then New South Wales Liberal Government proposed laws preventing citizens from owning firearms for personal protection. The Party's policies have widened and in 2010 the name of the Party was changed to cover the interests of recreational fishers, it now being known as the Shooters and Fishers Party.

The Party has two members elected to the New South Wales Legislative Council. They are Robert Brown (2006) and Robert Borsak (replacing the Late Roy Smith in 2010).

The Party has strong regional and urban support.

The administration costs have, until recently, been small as the organisation relies on volunteers, regional branches and like-minded clubs and associations supporting recreational use of firearms. It is fair to say the Party has been frugal, limiting expenditure, and focusing on the political agenda of representing members and the funding of the next election. The Party's "administration premises" are spread among the office holders' residences. The premises of certain clubs and associations provide storage space for election material, up until the recent changes to the relevant legislation.

**Summary of Changes**

Changes to the *Election Funding, Expenditure and Disclosure Act* are aimed at changing the reporting requirements for Political Parties.

The following is a summary of the main changes taken from the NSW government website that most affect the Shooters and Fishers Party:

## “PROHIBITION ON POLITICAL DONATIONS, SUBSCRIPTIONS AND LOANS

- Political parties, candidates, groups of candidates, elected members and third party campaigners are prohibited from accepting political donations from a corporation **or other entity**.
- **Individuals are prohibited** from making a political donation **on behalf of** a corporation or **other entity**.
- Corporations and other entities are prohibited from making a political donation to an individual for the purpose of that individual making a political donation.
- Payment of an annual or other subscription to a political party by an industrial organisation or **other entity** is prohibited.
- A reportable loan (other than a loan from a financial institution) received from an entity is prohibited.

## WHO CAN MAKE A POLITICAL DONATION?

Only an individual who is enrolled for Federal, State or local government elections can make a political donation.

## EXTENDED DEFINITION OF ELECTORAL EXPENDITURE AND ELECTORAL COMMUNICATION EXPENDITURE

**Electoral expenditure** (and electoral communication expenditure) includes expenditure incurred by an entity or other person (not being a registered party, elected member, group or candidate) if the expenditure has the dominant purpose of promoting or opposing a political party or the election of a candidate or candidates or influencing the voting at an election.

## EXPENDITURE CAPS

The applicable expenditure cap for a State election campaign now includes the aggregation of electoral communication expenditure by the political party and an affiliated organisation of that political party.

## WHAT IS AN AFFILIATED ORGANISATION?

An affiliated organisation is a body or other organisation, whether incorporated or unincorporated, that is authorised under the rules of that political party to appoint delegates to the governing body of that political party or to participate in pre-selection of candidates for that political party (or both).

## WHAT IS A POLITICAL DONATION?

A political donation includes (but is not limited to) a gift made to or for the benefit of a political party, candidate, group of candidates, elected member or third party campaigner and may be monetary or non-monetary (gift in kind).

#### WHEN DO THESE LAWS COME INTO FORCE?

The new laws operate for State and Local Government elections and elected members in NSW.

These laws came into force on 9 March 2012.

The laws apply to the Local Government elections to be held in September 2012.

#### WHO DO THE LAWS AFFECT?

The laws affect all political parties (registered and non-registered), candidates, groups of candidates, elected members and third party campaigners in NSW as well as individuals, corporations and other entities.

#### DO THESE LAWS APPLY TO POLITICAL DONATIONS FOR FEDERAL ELECTIONS?

No, these laws only apply to NSW State and local government elections, elected members in the NSW Parliament and local government councillors and mayors."

### **The Reporting Structure**

I am of the view that the Shooters and Fishers Party 's current administration model cannot continue.

The party's current voluntary structure services a large membership, with many branches geographically spread throughout the state. The party also services over 100 hunting, shooting and fishing clubs, many remotely located all over the state. The current structure was not designed to adequately service the ever increasing work load created by the legislative changes of the last two years.

The Party has to consider a new model of administration, likened to professional service providers and not to dissimilar to a larger structure of a not-for-profit organisation. It is likely it will be a scaled down version of other larger political parties.

### **Sieving and codification of Receipts**

There is a prohibition on donations from corporations or other entities, loans from entities other than financial institutions. Also, only individuals who are enrolled on an electoral roll can donate to the Party.

There is ceiling on the sum that can be received, \$5,000 for the registered party and \$2,000 for the benefit of the elected member. All donations over \$1,000 to be listed itemised and later reported to the Election Funding Authority.

This means that all receipts of donations, subscriptions and other sources of revenue need to be scrutinised and vetted as being acceptable under the new provisions of the Act. This administrative role is ongoing and not limited to the period of the election campaign. It

requires a level of skill and responsibility of an experienced professional familiar with the intricacies of the Act.

Some revenue may not be straightforward in its origins and would require particular scrutiny e.g. where an individual is a party supporter but not on the electoral roll for various reasons including NZ citizenship.

A new administrative system needs to be put into place to ensure that ongoing administrative controls identify and prevent inadvertent breaches of the legislation. Such a management system would include new application forms to be applied to all existing and prospective members including a signed declaration that the individual is not giving a donation on behalf of “an industrial organisation or other entity”.

### **Codification of Expenditure**

The form for a claim for payment from the Administration Fund prior to the changes requires the Party Agent to categorise his administration expenditure into the designations below:

- Part A: Administration and management
- Part B: Conferences, seminars, meetings or similar functions,
- Part C: Providing the public with information
- Part D: Providing the information to members /supporter
- Part E :Audit of the financial accounts
- Part F: Remuneration of staff related to A-E
- Part G:Equipment or vehicles related to A-E
- Part H: office accommodation related to F and G
- Part I interest on loans

This degree of detail necessitates the keeping of comprehensive records, tailored to the reporting requirements of the Election Funding Authority with minimal benefit to the Party other than to qualify for funding.

Any increased reporting would require a permanent office and fulltime staff, rather like an accounts payable section of a large organisation. It is adding a layer of complexity to the existing system, requiring an expansion of existing facilities and record-keeping services currently in place.

Proposed changes will increase this administrative burden further but it is uncertain to what degree.

The existing ad hoc office structure of the party cannot continue.

It is envisaged that the party has to have in place infrastructure and personnel including:

1. Permanent premises with offices and secure storage.
2. A telecommunication system and network of computers (VPN).
3. Specialised membership database for tracking memberships (updates to membership details)
4. An executive officer
5. An enhanced accounting role
6. A branch-coordinator
7. A media liaison officer
8. A fundraising and membership officer

Further, what must also be considered is that the current system of administrative funding, based on expenditure reimbursement unfairly discriminates against smaller parties with limited cash resources and no accumulated funds. It is not uncommon for the Shooters and Fishers Party to finalise its four (4) year electoral period and the campaign, indebted to office holders and candidates.

Also, the current arrangements compound the problem by necessitating the party expend its administration expenses in advance over a calendar year, auditing expenditure, submit it and then wait for review and subsequent reimbursement. In the current term, it can and does take up to 18 months from the time the first administration dollar is spent, until it is reimbursed. This cash flow drag on a small party is inequitable, when one considers that the compliance requirements are increasing significantly.

This level of expenditure and compliance is well beyond the capability of smaller political parties, it is so onerous as to be a barrier to entry and therefore democratic expression. It is one thing to cap election funding and expenditure, it is entirely another to choke the administration effort so as to prevent growth of smaller parties. In the race for ideas and votes the Party is preoccupied with rigorous and costly compliance requirements. Breaches will occur that are both politically and financially damaging.

The Shooters and Fishers Party was created to give expression to its constituents politically, not spend its members resources in ever increasing compliance costs and bureaucracy. The current level of Administration Funding is completely inadequate.

## **Conclusion**

Currently, many of these activities are carried out by unpaid volunteers. Storage is on private premises or branch offices.

To establish a formal structure as proposed would appear to necessitate a significantly larger expenditure than the current one. Without detailed costing based on actual tenders the expenditure is difficult to calculate, but a charity of a similar size in our experience

spends around \$500 000 per year at a minimum. As well as the increased operating costs, purchase of equipment and office fit-out of rented premises would be required and this could well exceed \$100 000.

It is clear that a flat administrative grant of \$80,000 p.a. per member for a larger political party or grouping such as the government or the opposition generates significant cash up to and including the cap. However these parties are well established and have established systems, existing professional staff and economies of scale, that are not available to minor parties. In order for the political playing field be levelled, special consideration must be given to minor parties, to equitably aid in them meeting their now ever increasingly onerous legal responsibilities.

The Party cannot fund from internal sources or from existing government generated Administration funding (currently set at \$80,000 p.a. per elected member CPI adjusted annually) the level of compliance required by the law. We submit the following recommendations that would be considered the minimum for proper compliance;

Recommendation 1.

That the government increase its administration funding for smaller parties with 4 or less members in the parliament (both houses).

Recommendation 2.

That funding for smaller parties take into account the significant cash flow and working capital implications for smaller parties with four (4) or less members, by continuing to pay administration funding by way of reimbursement, but allow advance payment of the funding on the 1<sup>st</sup> of January each year, with subsequent reconciliation and audit.

Recommendation 3.

That funding be increased for parties with four (4) or less members in the parliament to an amount of at least \$500,000 p.a.

Recommendation 4.

That a one time capital grant of \$100,000 be paid to the Party to establish a new office infrastructure, to enable it to meet the current and future needs of administration and to enable timely compliance by the Party.

Charles M Pitt  
Chartered Accountant

Robert Shaw  
Secretary/Treasurer  
Shooters and Fishers Party