

INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

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The Director
Select Committee on Electoral and Political Party Funding
Legislative Council
Parliament House, Macquarie Street
SYDNEY NSW 2000

Dear Sir/Madam

**RE: NORTH SYDNEY COUNCIL'S SUBMISSION TO THE INQUIRY INTO
ELECTORAL AND POLITICAL PARTY FUNDING**

Attached are details of North Sydney Council's submission into the above Inquiry. Council's submission addresses the key terms of reference of the Inquiry. Responses are given under the appropriate headings.

Council, at its 11 February 2008 Meeting resolved to adopt this submission.

For further enquiries regarding this submission please contact Warren Ambrose, Council's Corporate Planning and Governance Manager on 9936 8181.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Penny Holloway".

Penny Holloway
GENERAL MANAGER

NORTH SYDNEY COUNCIL'S SUBMISSION TO THE INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING

1. Details on how Council currently addresses Electoral and Political Party Funding

North Sydney Council goes beyond the legislated requirements regarding electoral and political party funding. Council has inserted additional clauses into the Code of Conduct, which all councillors are required to adhere. These are:

“Political support

- 7.3.1 Councillors should note that matters before Council involving campaign donors may give rise to a non-pecuniary conflict of interests.
- 7.3.2 Where matters are before the Council involving campaign donors that have been disclosed to the Election Funding Authority of New South Wales as declarations of political contributions received, a conflict of interest is deemed to exist. Councillors so affected must declare an interest and not participate in debate or vote on the particular matter. This will also apply to group donations of which the Councillor was a beneficiary.
- 7.3.3 Councillors must include details of campaign donations in their annual ‘Disclosures by Councillors and Designated Persons’ return, identical to those declared in their disclosure of political contributions received to the Election Funding Authority of New South Wales’.

The additional clauses above draw attention to Councillors obligations and help to minimise any potential perceived or real conflicts of interest.

It is suggested that all councils can benefit by including these or similarly worded clauses into their Codes of Conduct.

Recommendation:

Require councils to include clauses in their Code of Conduct that sets out the responsibilities of Councillors and Designated Officers to declare a conflict of interest in relation to the political contributions/donations received.

2. Consistency between State and Local Government Election funding legislation.

There are some general principles which embody how legislation of election and political parties funding. Currently there appears to be inconsistencies between legislative requirements for State and Local Government elections. It is considered that the overarching principles and controls should be equally applied irrespective of whether it is a State or a Local Government election.

Recommendation:

Apply the same legislative obligations regarding electoral and political party funding to Local and State Governments.

3. Public Funding

The Electoral Funding Authority funds, in part, State Government Elections but there are no funds available under the Local Government Act for funding in Local Government Elections.

Access to public funding should be given using a consistent, transparent and accountable process. Guidelines should enable equitable distribution that is not based on political grounds. The Electoral Funding Authority could allocate funding for each Local Government Area, on a basis population. The more funding that is made available then the less candidates will be reliant on donations from organizations who may wish to influence political decision making. Providing funding to Local Government elections will also bring more consistency between the State and Local Government in how elections are managed.

Recommendation:

Amend the Electoral Funding Act, to provide public funding to candidates and parties standing in Local Government Elections, commensurate with that granted to candidates and parties standing for State Government Elections.

4. Political Contributions/Donations – amounts

There is a proposal to introduce limits to the amount of political contributions/donations, which may be made or received. This proposal would help control large contributors/donors who currently have the potential to exercise significant influence on major political policies and the decisions.

Whilst opportunities for large contribution/donations to local government candidates are not as likely, proportionately smaller amounts of contributions/donation can still potentially influence.

It is preferable to limit the level of contributions/donations, rather than a total ban. Limiting the amount of contributions/donations provides a practical balance that will control any significant political influence and will also allow access to funds that many independent candidates may not otherwise obtain.

The limitations to donations should reflect the size of the electorate. The same rules should be made for both State and Local Governments.

Recommendation:

Set limitations to the amount of contributions/donations that can be made to a candidate or political party in both the State and Local Government jurisdictions

5. Political Contributions/Donations – sources

Specific organizations and corporations can benefit significantly by government policy or the decisions they make. State Government can be prone to be influenced by large donations. Candidates when elected can feel obligated to support policies or decisions that favour donors of large funding. This could erode the democratic process and not be in the interest of the constituent whom an elected member or party represents.

Local Government is not immune from these influences and in some aspects, are close to their constituents and may be subjected to the suspicion of being unduly influenced by large donations.

Of particular concern in the Local Government jurisdiction, is the potential for inappropriate influence by developers. Developer's ability to earn money can be very dependent on government decisions. Approval of Development Applications, or zoning can impact on the value of property and potential development. Any developer funding made to State and Local Government candidates and political parties therefore should be capped.

Recommendation:

Set limitations on the amount of contributions/donations that can be made to a candidate or political party, by any one contributor or group.

6. Political Contributions/Donation Disclosures

Disclosing political funding sources and amounts provides some accountability and transparency to the democratic process. The nature and thoroughness of the disclosures can impact significantly on the effectiveness of those disclosures.

There can be a number of factors that could impact on the effective of disclosures. These include:

*** Timing of disclosures**

All efforts should be made to make disclosures as soon as possible after a donation is made. Contributions/donations made to candidates or political parties during elections could influence voters' choice. Delays in disclosing those donations may prevent voters from obtaining that information. Early disclosure will increase transparency of the election process.

Recommendation:

Require Candidates and Political Parties to disclose donations received on a real time basis, i.e. immediately after it has been received.

*** Definition of Donations**

Currently contributions/donations equal to or above thresholds of \$1,500 for Parties, \$1,000 for Groups and \$200 for Candidates need to be disclosed. These should remain, however the thresholds need to be adjusted in accordance with CPI to reflect changing economic environment.

Recommendation:

Increase contribution/donation disclosure thresholds in line with CPI

*** Third Party Contributions**

The Electoral Funding Act requires that a person other than a political party, group or candidate, who incur expenditure of more than \$1,500 during an election period, must lodge a Disclosure with the Election Funding Authority

Whilst these contributions/donations require disclosure, greater scrutiny and emphasis should be made to ensure a clear transparent process. The indirect nature of these types of contributions may obscure the true nature of candidate and political party funding.

It is therefore suggested that greater accountability measures need to be included. Such measures could involve specific disclosure reports for third party donations/contributions.

Recommendation:

Amend the disclosure accountability requirements for third party contributions/donations to be real-time disclosures

*** Electoral Expenditure Disclosures**

Candidates, groups and political parties are required to declare all electoral expenditure.

Electoral expenditure is defined as expenditure 'for or in connection with promoting or opposing, directly or indirectly, a party or the election of a candidate or candidates for the purpose of influencing, directly or indirectly, the voting at an election' (Electoral Funding Act section 88(1)). Examples of expenditure can involve advertising, distribution of electoral material, fund raising, travel and accommodation of candidates (Electoral Funding Act section 88 (2)).

Some candidates, groups or political parties may have access to funds that were not received through contributions or donations. In these cases, expenditure may far exceed the funds received. Disclosing expenditure helps improve accountability of the election process and as such should be maintained.

The same principles should apply to disclosing expenditure, as is the case with donations/contributions because it provides some accountability to those who donated funds and it identifies the level of resources used in the election process. Furthermore, it may highlight possible non-disclosed donations. Inconsistencies between the level of declared donations and expenditure could highlight potential non-disclosed donations.

Recommendation:

Maintain Candidate, Groups and Political Parties' requirements to disclose electoral expenditure including expenditure incurred by third parties.