

Councillor expenses and allowances: equitable treatment and enhanced integrity



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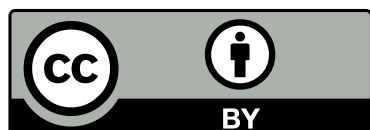
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Foreword

Dr John Lynch PSM, *Acting Chief Municipal Inspector*



Councillor expenses and claims for reimbursement often attract public attention. Because councils are publicly funded, their systems for managing expenditure are subject to particular scrutiny. The integrity and transparency of those systems are critical for maintaining public confidence in the important work of local government.

Councillor expenses have been the subject of numerous Local Government Inspectorate investigations. These have identified many instances of councillors making false, or inadequately supported, claims for expense reimbursement. It is important for the local government sector to work continuously to improve the transparency of processes surrounding expense reimbursement and to create greater accountability for councillors making expenses claims.

Our review of councillor support involved two main aspects: surveys of councillors and governance staff on the level of support councillors receive, and an audit of several councils to assess compliance with legislation and identify best practice for the benefit of the whole sector. There was an encouraging level of engagement from councils in both aspects of the review, with more than 90% of governance staff providing information and more than 40% of contacted councillors responding to our surveys.

The Local Government Act 2020 contains limited direct guidance as to the kind of resources and facilities which should be made available to support councillors, and in defining the types of expenses which may be considered appropriate. This places a particular onus on councils to ensure that expenses policies, which provide for the reimbursement of out-of-pocket expenses, meet community expectations.

This review is timely: we have new local government legislation and new opportunities for the State Government and the sector to develop materials to assist councils with navigating the new legislative environment. This review carefully considers a range of issues associated with councillor expenses and provides guidance and insight into the development and application of expenses policies.

1 Scope of the examination

The Inspectorate is the dedicated integrity agency for local government in Victoria. The Chief Municipal Inspector has powers as set out in the Local Government Act 2020 (Act) to enable the Inspectorate to examine, investigate and prosecute any matter relating to a Council's operations and any breaches of the Act.

An Inspectorate project reviewing support provided to elected councillors has built a picture of the varied approaches to councillor resources and expense reimbursement procedures across the state. The project assessed what support is provided to councillors, levels of satisfaction with this support and what improvements could be made in relation to support/resources.

The project also examined what kinds of expenses are being claimed and how expenses policies are working in practice with a view to recommending improvements to the expenses process to better meet community expectations.

Section 39 of the Act, which came into operation on 6 April 2020, provides the framework for the payment of an allowance to councillors and mayors. Section 40 governs the reimbursement of councillor expenses and section 41 requires the adoption and maintenance of a Council Expenses Policy. Sections 40 and 41 commenced on 1 May 2020.

In tandem with the new Act, Local Government Victoria (LGV) published in June 2020 a draft Council Expenses Policy to support councils in their requirement to adopt an expenses policy compliant with the new Act by 1 September 2020.¹

After two surveys of council governance staff and councillors, the data identified patterns with the management of expenses and allowances, variations between mayors and councillors, and other areas of interest.

The Inspectorate encountered some difficulties in comparing and aggregating the data from the first councillor support survey. This was mainly due to differences between councils in their interpretation of the expense categories and their approaches to reporting on expenses.

1 <https://engage.vic.gov.au/local-government-act-2020/council-expenses-policy>

2 Overview of councillor support and expenses policy

Sections 39 to 42 of the Act provide the framework for councillor support and entitlements, which includes, but is not limited to:

- an optional allowance;²
- a toolkit of resources and facilities such as a mobile phone, computer, stationery, taxi vouchers, and council office space;³ and
- reimbursement of out-of-pocket expenses incurred in the course of their role, such as information technology costs, meals, travel, training, and childcare.⁴

Councillors have the discretion to elect to receive the entire allowance to which they are entitled, part of the allowance, or no allowance.⁵ The allowance is currently set by the Minister for Local Government,⁶ with councils divided into three categories based on their income and population.⁷ Each of the three categories has a lower and upper range of allowance for councillors and an upper range for the mayoral allowance. The exception is Melbourne City Council, whose allowances are separately fixed.⁸ Previously, the allowances for Geelong City Council were also separately determined under section 13(3) of the *City of Greater Geelong Act 1993* (repealed on 6 April 2020). Under the Act, the allowance will now be determined by the Victorian Independent Remuneration Tribunal.⁹

Councils are only required to reimburse councillors for out-of-pocket expenses which are bona fide, have been reasonably incurred in performing their role, and are reasonably necessary for the performance of their role.¹⁰ The Act does not specify the kinds of expenses which meet these criteria, other than requiring that councillors be reimbursed for child care costs and carer's costs where they are reasonably required for the councillor to perform their role.

The *Local Government (Planning and Reporting) Regulations 2014* (the 2014 Regulations) provide some further insight into the kinds of expense categories that are readily recognised as reimbursable, being travel expenses, car mileage, information and communication technology expenses, and conference and training expenses.¹¹ Otherwise, councils have scope to establish the criteria for reimbursable out-of-pocket expenses, together with the procedures by which they will be reimbursed, in their Council Expenses Policy.

The Act requires that councils must make available to councillors the resources and facilities reasonably necessary to enable them to effectively perform their role.¹² The Act is not prescriptive in terms of what kinds of resources and facilities must be provided. Again, councils have the flexibility to address what resources and facilities will be provided, together with guidance on their correct usage, in their internal policies.

At the time of the survey and council audits, the majority of councils addressed councillor allowances, resources and facilities together with expense reimbursement in their Councillor Reimbursement Policy.¹³ Under the Act, every council was required to adopt a Council Expenses Policy to govern the procedures to be followed in reimbursing out-of-pocket expenses by 1 September 2020.¹⁴

To be compliant with the new Act, a council's expenses policy must:

- apply to both councillors and members of delegated committees;
- comply with any requirements prescribed by the regulations in relation to the reimbursement of expenses;
- include reimbursement of childcare costs; and
- provide for reimbursement of expenses incurred by councillors who are carers in a care relationship within the meaning of section 4 of the *Carers Recognition Act 2012*.¹⁵

Up until the new policy is adopted, the existing Councillor Reimbursement Policy continues to operate.¹⁶

² Section 39 of the *Local Government Act 2020*

³ Section 42 of the *Local Government Act 2020*

⁴ Sections 40 and 41 of the *Local Government Act 2020*

⁵ Section 74A of the *Local Government Act 1989* (repealed) and section 39(5) of the *Local Government Act 2020*

⁶ Sections 73A and 73B of the *Local Government Act 1989* (repealed); section 39(6) of the *Local Government Act 2020*

⁷ Victoria Government Gazette, No. S 564 Monday 23 December 2019

⁸ Section 26A(3) of the *City of Melbourne Act 2001* (repealed), section 13(3) of the *City of Greater Geelong Act 1993* (repealed). See Victoria Government Gazette, No. S 459 Wednesday 13 November 2019

⁹ Section 39 of the *Local Government Act 2020*

¹⁰ Section 40(1) of the *Local Government Act 2020*

¹¹ Section 14(2)(db) of the *Local Government (Planning and Reporting) Regulations 2014*

¹² Section 42 of the *Local Government Act 2020*

¹³ Section 75B of the *Local Government Act 1989* (repealed); section 39(6) of the *Local Government Act 2020*

¹⁴ Section 41(3) of the *Local Government Act 2020*

¹⁵ Section 41(2) of the *Local Government Act 2020*

¹⁶ Section 41(4) of the *Local Government Act 2020*

3 Methods and key findings from the review

3.1 Survey on councillor support

In July 2019, council governance staff at all 79 councils were sent a survey requesting information on the level of support provided to councillors for items such as information technology, travel costs, training and childcare (Appendix 1).

This included providing expenses data for the 2017/18 financial year, confirming the types of resources provided to councillors such as vehicles and office space, and providing data on technology including mobile phone plans. The Inspectorate received responses from governance staff at 76 councils.

The following month, all mayors and councillors were sent a survey seeking their opinions on matters of councillor allowances, resources and facilities, and expense reimbursement (Appendix 2). Responses were received from 187 councillors and 39 mayors, representing nearly 40% of those contacted.

Apart from requesting input on their allowance and level of support from council, the anonymous survey also gained some interesting insights into the councillor role with questions on the percentage of time spent on tasks such as reading meeting agendas and administrative work, time dedicated to the role and current employment status.

The survey results showed that councillors are largely content with the resources and facilities provided to them but there were comparatively greater levels of discontent with the allowance they receive. Many councillors and mayors have employment, business and/or family/carer responsibilities, which is reflected in the greatest reported challenge being balancing the role of councillor with work and family/home commitments.

3.2 Audit of selected councils

The Inspectorate conducted a separate audit exercise at seven councils in late 2019 and early 2020 with a view to ascertaining whether:

- documented policies and procedures are being followed in practice;
- significant deviation from policy and practice exists;
- practices meet public expectations; and
- any significant risks exist.

The exercise included an audit of up to six months' worth of councillor expenses reimbursement documents together with discussions with council personnel involved in the councillor expenses processes.

The audit exercise revealed some deviations from policy in practice, such as claims being submitted outside stipulated periods and incorrect claims forms being used. Some risks such as a CEO's corporate credit card being used for councillor expenses and claiming expenses by way of petty cash were also identified. However, overall, significant deviation from policy and public expectation was not identified.

The outcomes of the audit exercises and these discussions were used to inform recommendations for an expenses policy and updated guidance on expense reimbursement procedures.

4 Allowance and toolkit

4.1 Overview

The Local Government (Councillor Remuneration Review) Panel conducted a review and provided recommendations in 2008 regarding councillor allowances, reimbursement of expenses, and provision of resources and facilities to support mayors and councillors. This culminated in a new policy published in April 2008 – ‘Recognition and Support: the Victorian Government’s Policy Statement of Local Government Mayoral and Councillor Allowances and Resources’, which included a recommended minimum ‘toolkit’ of resources and facilities for councillors.

As comprehensive guidance regarding councillor support was last issued in 2008, the Inspectorate sought to ascertain whether councillors are being adequately supported by way of the ‘toolkit’ of resources and facilities made available to them.

4.2 Toolkit

The 2008 guidance document¹⁷ recommended that a “minimum toolkit of support be provided for all Mayors and Councillors”. These included mandatory resources such as administrative support and an office and dedicated vehicle for the mayor; and a computer, mobile phone/landline, stationery, access to fax/copier, and development of councillor webpages as part of the council website.

Items that qualified for reimbursement included travel and public transport costs; phone usage and relevant call costs; internet, and childcare/family care.

Non-mandatory items or resources considered ‘as a matter for council determination’ included access to a pool car for councillors and office space and furniture.

The survey revealed the resources and facilities most commonly made available to councillors and mayors are a mobile telephone, access to a printer at council, an iPad or tablet and office space at council for councillors. Other more unique resources include administrative support for councillors, counselling, coaching and council-branded clothing. While councils have used the 2008 ‘minimum toolkit’ guidance as a starting point they have adapted it to be more contemporary and to meet the needs of their councillors.

Most councillors and mayors are satisfied with the resources and facilities provided to them, with 84% of mayors and 71% of councillors answering they are satisfied (figure 1).

However, the survey responses indicated that there are still additional resources/facilities that councillors and mayors think should be made available to them (figures 2 and 3). A common comment made by councillors was that they think they should have access to more administrative, secretarial or support staff, together with other staff to assist with tasks related to their duties such as research, answering technical questions, drafting and speech writing.

Governance staff indicated the task of meeting the different requirements and preferences of their councillors is often difficult. Councils in general would prefer to provide standardised equipment where possible but from time to time a councillor may request additional equipment. Relevant comments from the survey governance staff include:

‘In essence we work with the councillors individually to meet their needs, we have found that one size does not fit them all and they all like to work in different ways’

‘...resources differ between councillors, depending on requirements’

¹⁷ [Recognition and Support](#): the Victorian Government’s Policy Statement of Local Government Mayoral and Councillor Allowances and Resources

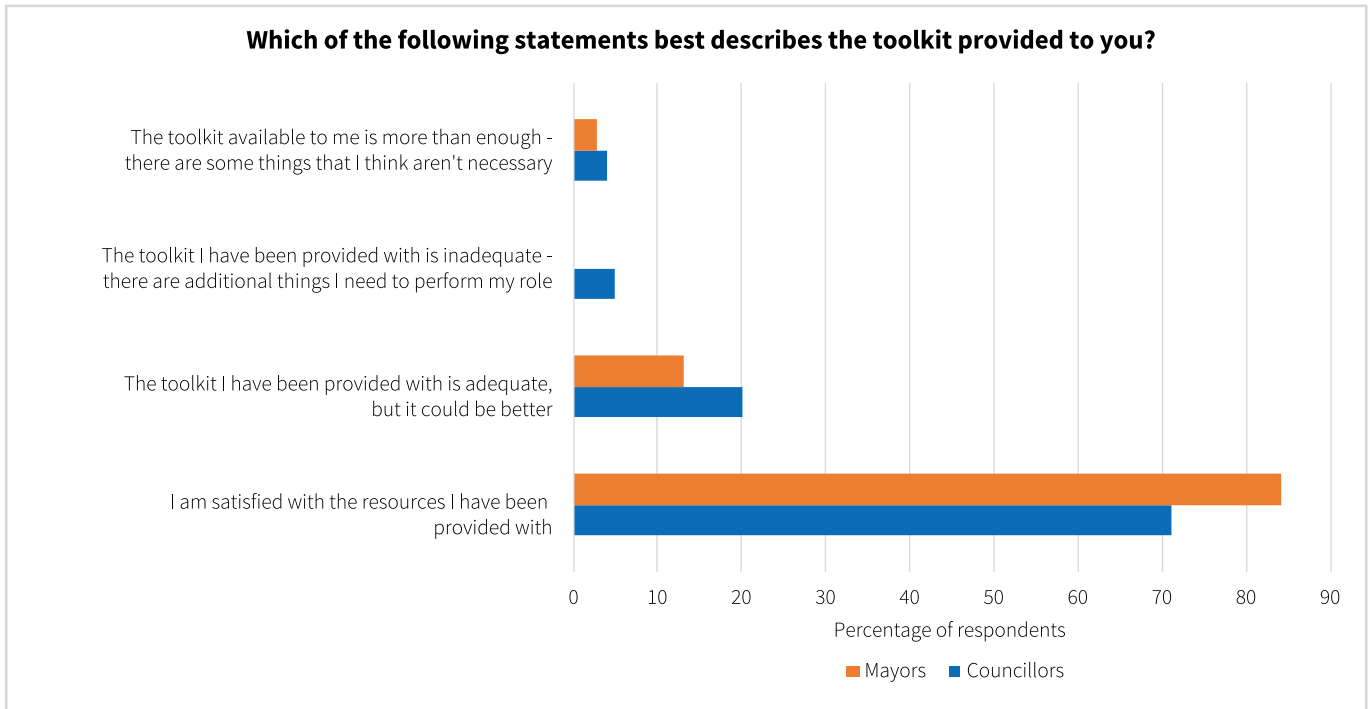


Figure 1: Responses from councillors and mayors on satisfaction with current toolkit.

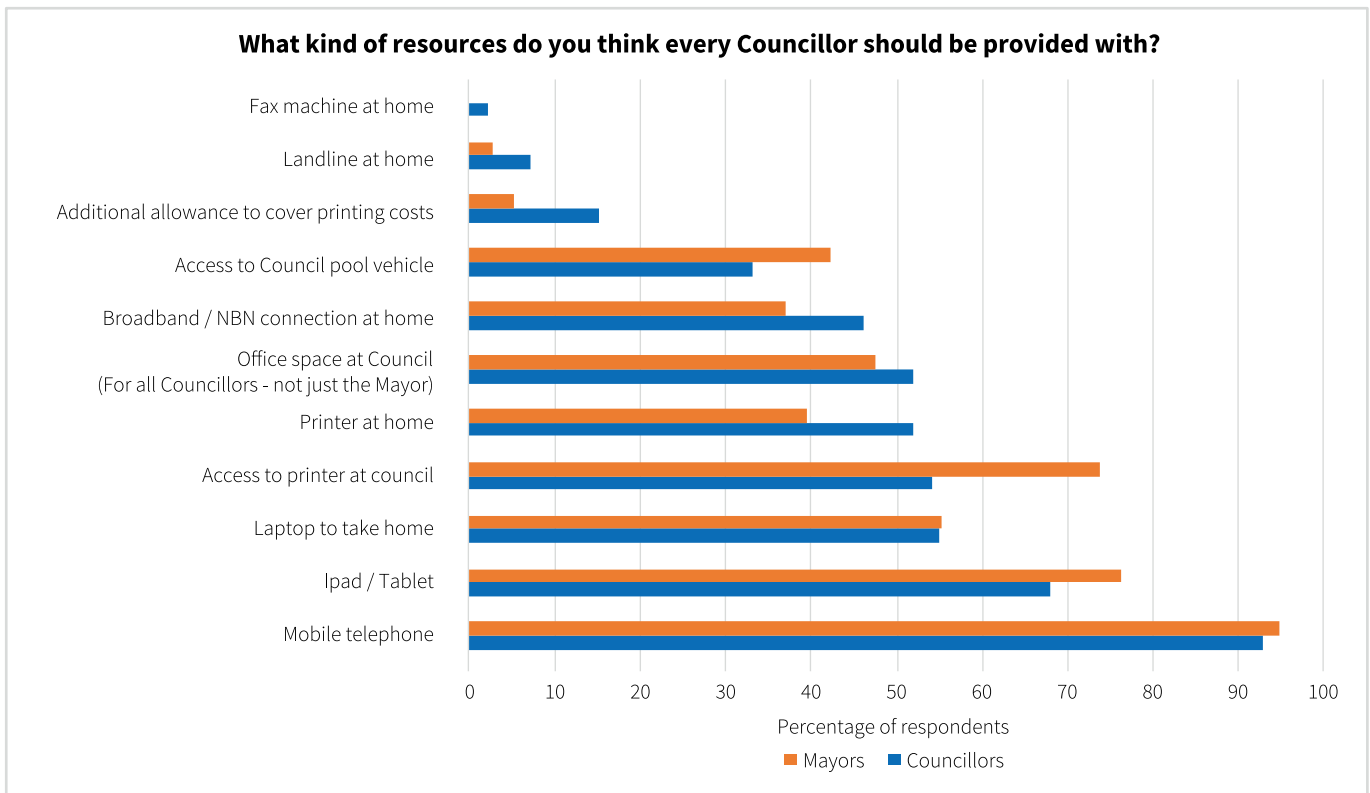


Figure 2: Responses from councillor and mayors on resource requirements.

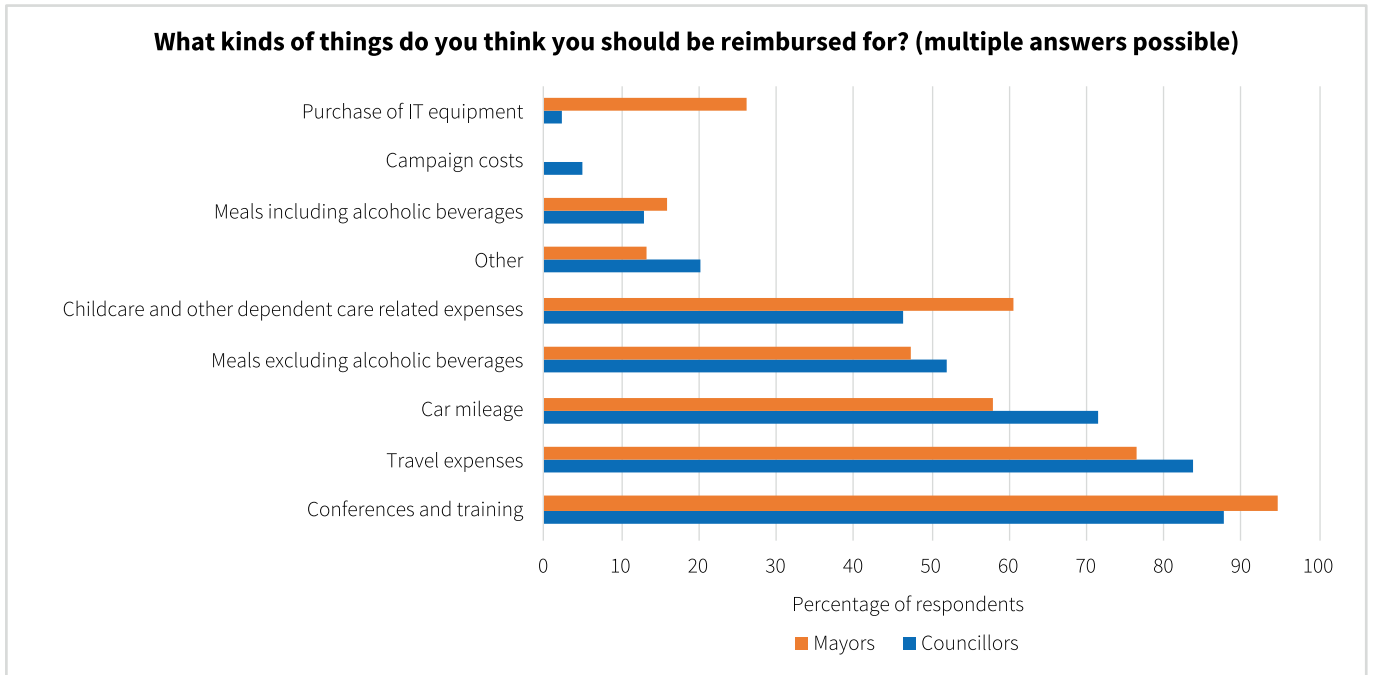


Figure 3: Councillors generally agreed that conferences and training, travel expenses and petrol claims related to their role should be reimbursed by council.

Childcare and dependent care claims

Councillors are expected to be aware of and comply with the conditions imposed on claims for childcare and dependent care in council expenses policies.

The Inspectorate investigated allegations that, over a seven-year period, a councillor at a metropolitan council filled out invoices on behalf of their babysitter in support of the councillor's childcare expense claims. Many of these claims were alleged to be fraudulent.

Based on the available information, the Inspectorate concluded the councillor was not familiar with and/or did not adhere to council's expenses reimbursement policy and did not have a good understanding of what constitutes appropriate documentation.

The councillor was given a warning and advised to submit only appropriate documentation in all future claims for reimbursement, which should include invoices or receipts signed or otherwise approved by the service provider.

This demonstrates the importance for councils to clearly stipulate in resources/expenses policies what is adequate supporting evidence for expenses reimbursement claims, including what evidence is sufficient for care claims.

It also illustrates the importance of training councillors on the resources/expenses policy to ensure they understand what they are entitled to and the requirements for obtaining reimbursement.

Non-legitimate travel reimbursements

An allegation was received in early 2019 that a councillor from a large shire council was regularly attending functions and training opportunities in order to claim travel reimbursement, while using the opportunity to go shopping instead of attending events.

This illustrates that councillors may be wasting council resources by electing to attend conferences, events or

seminars to obtain travel reimbursements, and also that the general public are scrutinising use of resources by councillors.

Some council policies include a requirement to report verbally or in writing to council on conferences and training they have attended. All councils should consider adopting this position in their Expenses Policy.

4.3 Allowance

Mayors and councillors receive an allowance for conducting their duties, dependent on their role, the council classification under Local Government Victoria guidelines and the decisions made by council on the specific allowance amount for each councillor. As well as the fixed allowance for the role of mayor and councillor, all Victorian councils provide reimbursement for expenses incurred as part of the role.

While most councillors and mayors are receiving an allowance at or near the top of the relevant range,¹⁸ the Inspectorate’s survey revealed a high proportion of discontentment with the amount of the allowance.¹⁹ From 179 councillor responses, 59% agreed with the statement ‘I do not get paid enough’ and 27% agreed with ‘I am paid an appropriate amount’. From the 38 mayors who responded, 50% agreed with the statement ‘I am paid an appropriate amount’ and 44% agreed with the statement ‘I do not get paid enough’ (figure 4).

“Councillors don’t get paid enough. I can’t afford not to work full time and do council, if I did reduce my hours to have a better work/life balance I would be sacrificing a career outside council.”

“Cr allowance adequate. Mayoral allowance also appropriate given the effort required of the Mayor”

The survey revealed differences in how councillors and mayors characterise their allowance (figure 5). The most common response amongst mayors was their allowance is a form of salary or wages, with 37% of respondents selecting this option. For councillors, the most common response was the allowance covers the costs relating to their role, including supplementing loss of employment costs (35% of respondents). Around a quarter of both mayors and councillors said their allowance represents recognition of the contributions they make as elected representatives.

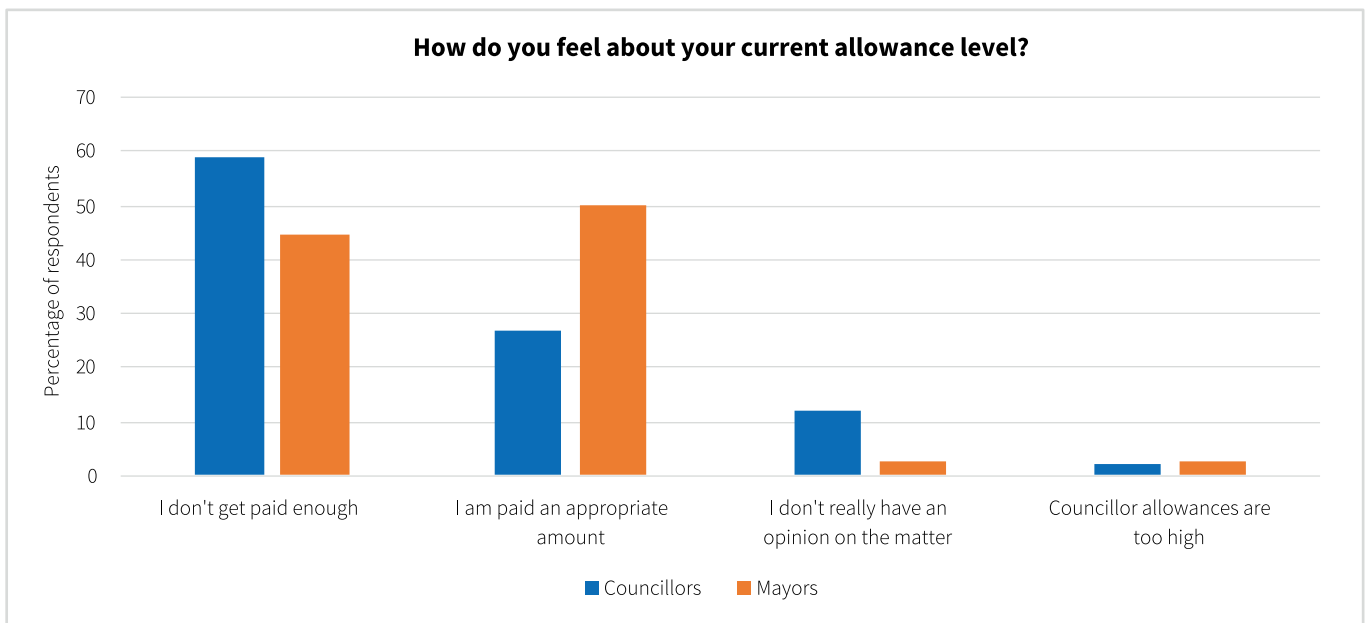


Figure 4: Councillors showed more dissatisfaction than mayors with their current allowance level.

18 This question asked ‘After the 2016 elections, at what level was your councillor/Mayoral allowance set?’ Accordingly, this does not take into account more recent changes in allowance levels

19 This question, ‘How do you feel about your current allowance level?’, was optional and not all respondents to the survey answered the question

Of the survey respondents a third of mayors dedicate more than 40 hours per week to their role and around 70% of councillors dedicate more than 16 hours per week to their role, with nearly one fifth spending more than 32 hours per week on their role (figure 6). Reflective of this, the survey showed that some councillors and mayors have had to reduce their hours at their jobs in order to perform their role.

“Working full time requires me to take leave without pay and results in a financial loss to me. Allowances should cover loss of revenue.”

Balancing work, family and their role as councillor/mayor was most commonly selected as one of the most challenging or difficult parts of their role (82% of mayors and 74% of councillors selected this as a response).²⁰ This is reinforced by the survey responses to the question regarding average hours per week committed to the role (figure 6).

“Councillor reimbursement at the moment reduces the amount of people who might put their hand up to represent the community. All other aspects of council and the roles undertaken are full time professional. It is difficult to reconcile the gap in reimbursement between councillors and employees.”

Benefit of flat rate for kilometre claims

A large shire council uses the RACV car classification system to calculate vehicle reimbursement for councillor travel. In 2011, a councillor deliberately changed the information provided in an email from an RACV engineer regarding a car’s classification with the intention of claiming a higher reimbursement rate. The councillor was subsequently charged by Victoria Police

Recommendations

- Local Government Victoria should provide updated policy guidance in the new Regulations regarding the minimum toolkit of resources and support seen as necessary to effectively perform the role of councillor and mayor.²¹
- All councils should adopt the position that private vehicle use claims are reimbursed at the Australian Taxation Office rate (currently \$0.72 per kilometre travelled, as of 1 July 2020).
- LGV should provide guidance regarding training and development courses to be completed by councillors and mayors over the course of their terms.²²
- Councils should educate councillors about the resources, facilities and support available to them during councillor induction training and should re-educate them mid-way through the councillor term.
- Councils should individually survey their councillors regarding their needs for resources, facilities, support, and skills and knowledge training during the induction process.

and found guilty of attempting to obtain property by deception, receiving a 12-month good behaviour bond and \$400 fine. Many councils have moved towards awarding a flat rate for kilometre reimbursement, regardless of vehicle or engine size. As an example, Strathbogie Shire Council amended its policy in November 2019 to remove reference to engine sizes and instead uses a flat rate based on ATO guidelines.

²⁰ Please note: survey participants were asked to select three responses to the question ‘What do you find most challenging or difficult about being Mayor/a councillor?’

²¹ *The Victorian Government’s Policy Statement on Local Government Mayoral and Councillor Allowances and Resources April 2008*. Section 42 of the *Local Government Act 2020* addresses Mayor and Councillor resources and facilities

²² Section 32 of the *Local Government Act 2020* prescribes a councillor must complete Councillor induction training within 6 months of taking office (even if they have been a councillor before)

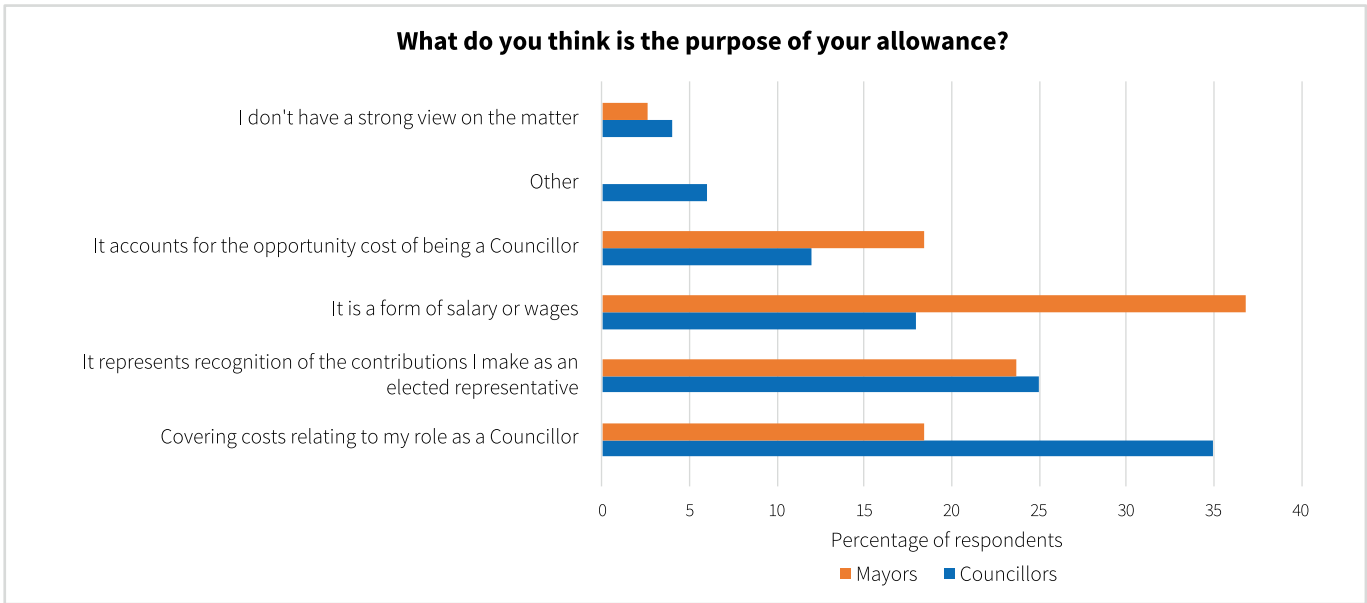


Figure 5: Varying opinions were evident when respondents were asked about the purpose of their allowance.

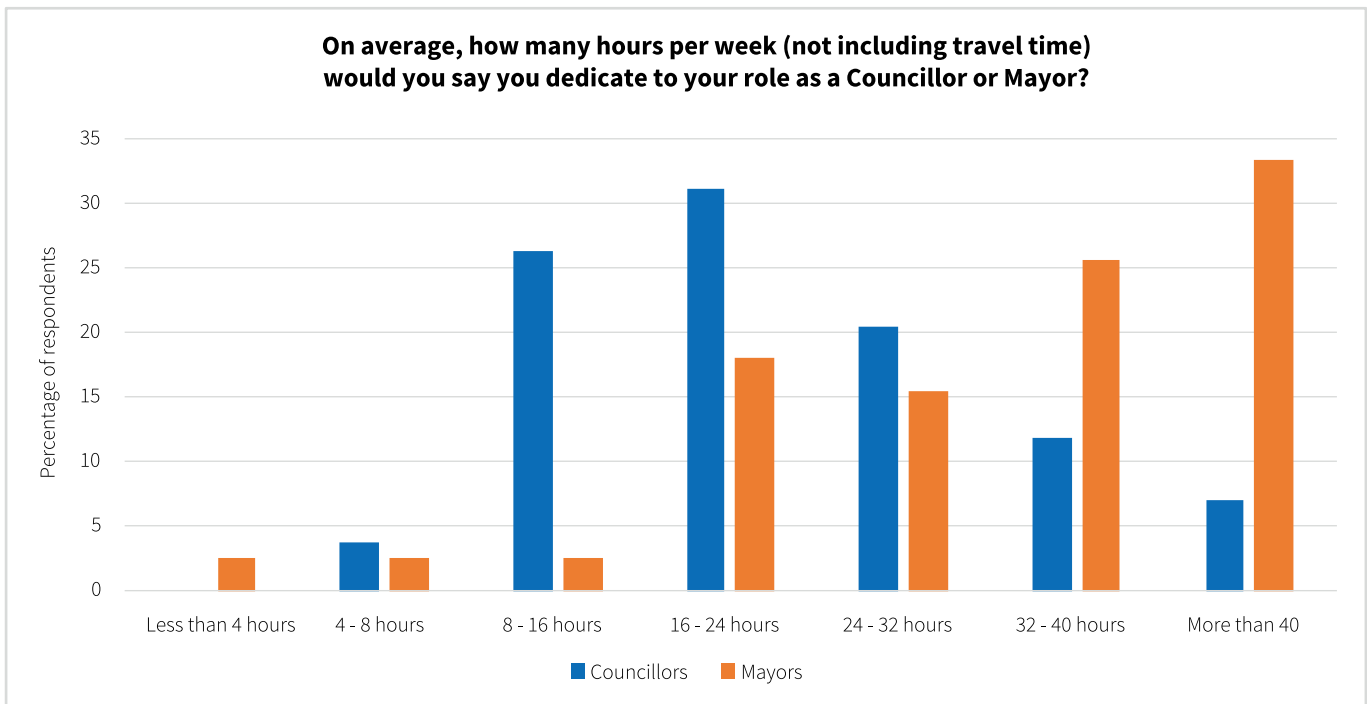


Figure 6: Councillors and mayors had fairly different views on their time commitment involved with their respective roles.

5 Councillor expenses

5.1 Overview

Councils are expected to annually report on councillor expenses publicly in order to improve transparency and integrity of the allowance system.²³

The Inspectorate examined how expenses are being reported in council annual reports to ascertain compliance with regulation 14(2)(db) of the 2014 Regulations. Regulation 14(2)(db) requires councils to annually report details of expenses, including reimbursement of expenses, paid by the council for each councillor. The expenses are to be categorised separately as travel expenses, car mileage expenses, childcare expenses, information and communication technology expenses, and conference and training expenses.

The Inspectorate also sought to identify whether the five expenses categories in the 2014 Regulations are sufficient or should be amended or expanded; and explored the reporting of councillor expenses on council websites.

5.2 Variation in council reporting

The Inspectorate found significant variation in council reporting on councillor expenses in annual reports, due in part to different interpretations of the five expenses categories in the 2014 Regulations.

The Local Government Better Practice Guide for the Report of Operations 2019-20 provides an example of how expenses are to be reported in the annual report.²⁴

Despite this, there is still variation in how expenses are reported on in annual reports.

A key area of variation is the categories of expenses. This can be attributed to the fact that there is no guidance on what the five expenses categories in the 2014 Regulations mean, leaving it open to interpretation between councils. There are also expenses legitimately incurred by councillors that do not clearly fit into the five categories such as stationery, costs associated with attendance at functions and events, and office equipment other than ICT. A review of council annual reports shows that councils are using categories additional to the five in the 2014 Regulations. The audit revealed the most common additional category reported on in annual reports is 'other', which may or may not be defined in the annual report. This is followed by items such as 'courier costs for agenda papers', 'equipment', 'materials', 'meals and networking' and 'functions'.

There is also an absence of guidance on how expenses are to be apportioned across the expense categories. An example is 'conferences and training'. Some councils include all associated costs with a conference in this category, like travel to/from and meals, whereas other councils may report on the travel and meals separately. An example of transparent reporting of expense reimbursement claims, printed in Corangamite Shire Council's 2018/19 annual report (figure 7) includes separate figures for travel and accommodation, car mileage, and conferences and training, so readers are clear on accurate costs of those categories.

From reviewing council approaches to the publication of expenses data in their annual reports for FY18-19, methods for improving transparency include:

- reporting on councillor expenses and allowances separately;
- reporting on the five expenses categories in the 2014 Regulations separately, not in a combined manner (for example, not combining travel with car mileage);
- reporting subtotals of expenses for each councillor and each expense category (in addition to reporting on the overall total councillor expenses);
- providing explanations/definitions of any additional categories used, such as 'other', 'unspecified' or 'miscellaneous' expenses categories.

While it is not a legislative requirement, including expenses data on a council website can improve transparency and integrity of expenses. An Inspectorate review of council websites in early 2020 showed that less than half of councils are publishing expenses data on their websites and less than a fifth are doing this with regularity.²⁵ However, there are Victorian councils that do report expenses regularly, such as Melbourne City Council, which publishes data on councillor expenses on a quarterly basis on their website.²⁶

²³ Section 98(2)(a) and 98(3)(d) of the *Local Government Act 2020* and Regulation 14(2)(db) of the *Local Government (Planning and Reporting) Regulations 2014*

²⁴ Local Government Better Practice Guide Report of Operations 2019-20, page 61 <https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>

²⁵ Based on Inspectorate's review of 79 council websites, January 2020

²⁶ Available at <https://www.melbourne.vic.gov.au/about-council/governance-transparency/council-information/registers-inspection/Pages/Allowances-and-expenses.aspx>

COUNCILLOR	TRAVEL: ACCOM & MEALS	CAR MILEAGE ₂	CHILDCARE	IT & COMMS ₁	CONFERENCE & TRAINING	TOTAL	ALLOWANCE
Cr Neil Trotter	\$2,495.78	\$10,743.16	\$0	\$700.36	\$1,442.09	\$15,381.39	\$ 51,667.71
Cr Jo Beard	\$772.73	\$6,302.27	\$0	\$992.66	\$558.00	\$8,625.66	\$49,836.09
Cr Lesley Brown	\$193.64	\$5,251.04	\$0	\$532.35	\$715.73	\$6,692.76	\$25,140.47
Cr Helen Durant	\$35.00	\$1839.48	\$0	\$481.69	\$415.73	\$2,771.90	\$25,140.47
Cr Ruth Gstrein	\$1,323.60	\$0	\$0	\$902.96	\$1,224.82	\$3,451.38	\$25,140.47
Cr Simon Illingworth	\$0	\$4,044.60	\$0	\$547.05	\$6,901.18	\$11,492.83	\$25,940.47 ₃
Cr Wayne Oakes	\$1624.95	\$0	\$0	\$79.08	\$1334.09	\$3,038.12	\$ 11,406.53
Cr Bev McArthur	\$0	\$0	\$0	\$278.05	\$108.00	\$386.05	\$12,541.99
Totals	\$6,445.70	\$28,180.55	\$0	\$4,514.20	\$12,699.64	\$51,840.09	\$226,814.20

1 - IT and Comms for each Councillor includes iPad and iPhone charges
 2 - The annual Mayoral light fleet charge of \$13,500 has been added to Cr Beard and Cr Trotter's mileage expenses on a pro rata basis
 3 - Cr Illingworth received an additional remote area travel allowance of \$800

Figure 7: Sample expenses reimbursement from Corangamite Shire Council. Source – 2018/19 Annual Report.

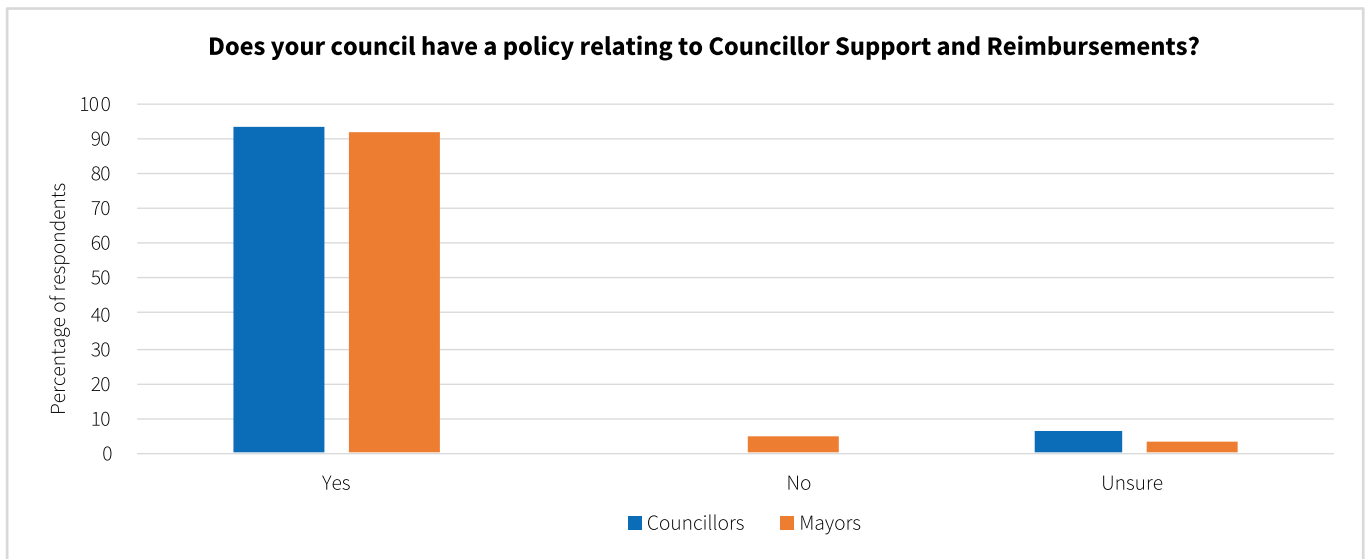


Figure 8: Responses related to policy on councillor support and reimbursements.

5.3 Encouraging expense claims reviews

The seven councils audited by the Inspectorate varied in whether they provide expense data to their councillors for review or not. To improve transparency and follow best practice in the assessing and processing of expenses claims, councils should regularly provide their councillors with expenses information for review. This allows any anomalies to be identified and encourages councillors to be more cognisant of their expenses.

The Act now requires councils to provide details of all councillor expenses reimbursements made under section 40 to the Audit and Risk Committee.²⁷ In its draft Council Expenses Policy, LGV suggested that a quarterly report be provided to council and council's Audit and Risk Committee, which includes:

- expenses incurred by councillors during the quarter;
- reimbursement claims made by councillors during the quarter; and
- reimbursements made by councillors during the quarter.²⁸

If councils do this on a quarterly basis, it would provide a simpler mechanism for independent review and monitoring of expenses.

Recommendations

- LGV should provide guidance to councils on the definitions of the five expenses categories in the 2014 Regulations and how to report on expenses that do not fall within these categories.
 - Councils should provide councillors with their expenses data for review on a quarterly basis.
 - Councils should report councillor expenses and reimbursement claims to council and council's Audit & Risk Committee on a quarterly basis.
 - Councils should publish councillor expenses data on their websites on a quarterly basis, at a minimum.
-

5.4 Council expenses policy

A comprehensive expenses policy is one of the pillars of good governance for a council. It should balance the need for rigorous process, value for money and efficiency in decision making to ensure councils continue to function in accordance with community expectations. In order to address these requirements, the policy should be reviewed at least once in each financial year.

Council expenses policies and procedures need to provide transparency and accountability of councillor expenses and help mitigate corruption risks. Council policies that promote these outcomes clearly specify:

- what types of councillor expenses council will reimburse. This must include at a minimum the categories of expenses identified in the 2014 Regulations and in the Act,²⁹ together with any other types of expenses a council considers are reasonably incurred while carrying out the duties of councillor;
- what form is to be used to make a claim for reimbursement and what information is required to be included in a claim form in support of the claim. Council business should be clearly defined and the purpose of the expense and how it relates to the duties of a councillor should be included;
- what documentary evidence is required in addition to the claim form. For example, a GST tax invoice, receipts, logbook entries or a report regarding training attended;
- council personnel involved in the claims process and what each of their roles and responsibilities are, such as who is responsible for completing the claim form and providing supporting evidence, checking the legitimacy of the claim, authorising the expense, and processing the reimbursement;
- the date for lodgement of reimbursement claims, for example, within one month of incurring the expense or by a certain day of each month;
- how reimbursements will be provided to councillors, such as on a monthly basis by electronic funds transfer.

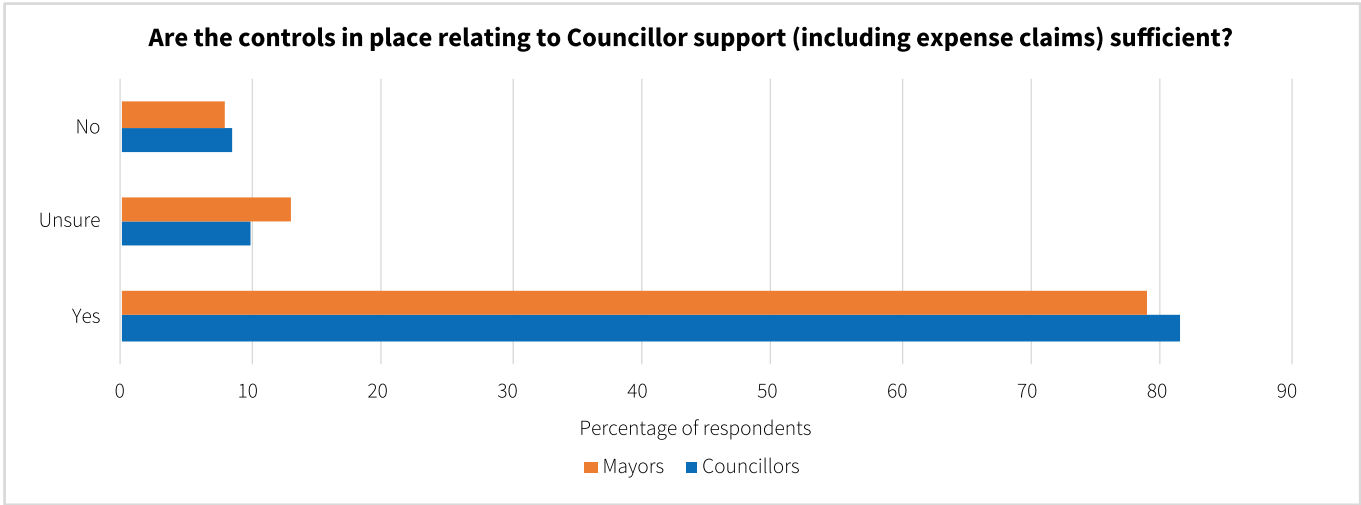


Figure 9: Responses to question about integrity controls on councillor support.

Early in 2020, Local Government Victoria sought feedback on council expenses policies and working with councils on best practice for a policy.³⁰ In June 2020, LGV published a draft Council Expenses Policy, with the aim of refining this draft policy as further feedback was received from councils.

The draft policy aims to apply sections 40 and 41 of the Act in a policy framework by setting out:

- the criteria for the reimbursement of out-of-pocket expenses;
- the requirement to reimburse carer and dependent-related expenses;
- the requirement to provide the details of expenses reimbursements to council’s Audit and Risk Committee; and
- the procedures to be followed in applying for and making reimbursements of expenses.

While the draft policy specifies that childcare and carer’s expenses are qualifying expenses as required under the Act it mainly provides broad advice on reimbursement procedures and requires councils to apply their own judgment on what should be included in their policy.

Based on feedback received by the Inspectorate through its surveys and discussions with council governance staff, councils want guidance on the content of their expenses policies, including:

- what kinds of expenses are and are not reimbursable, with questions such as whether councillor produced ward newsletters, or buying alcohol or meals for other persons should qualify for reimbursement;
- whether caps should apply to certain categories of expenses, such as attendance at conferences and training;
- whether there should be a time limit on the submission of claims for reimbursement; and
- who should approve expense reimbursement claims.

The Inspectorate’s review of council expenses policies showed variation in matters including the extent of entitlements, based on differences in the rates of reimbursement (e.g. for kilometres travelled) and whether caps are in place for certain types of expenditure, and if they are, the amount of them. The biggest variation exists in relation to professional development and training caps, while other councils have caps for items such as meals and childcare rates.

³⁰ <https://engage.vic.gov.au/local-government-act-2020/council-expenses-policy>

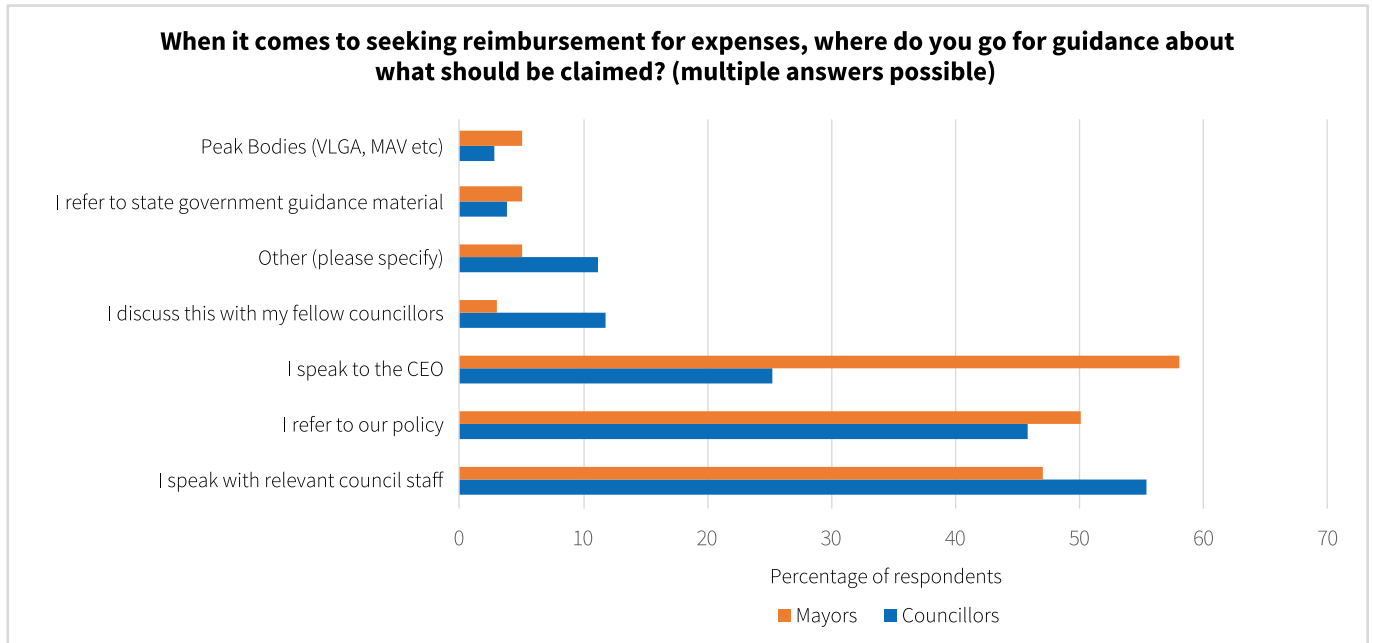


Figure 10: Councillors overwhelmingly turn to council staff for guidance on expenses claims.

A 'better practice' template policy for councillor expenses and facilities was developed by the NSW Office of Local Government in 2017.³¹ The template policy addresses areas similar to those in which council governance staff are seeking further guidance. For example, the template policy suggests councils devise caps for certain categories of expenses, specifies what types of memberships of professional bodies will be reimbursed, and states that councillors will not be reimbursed for alcoholic beverages. Victorian councils would be assisted by a similarly detailed model template for an expenses policy, which can be modified to meet their individual needs.

In addition, an accompanying model claim form and expense reimbursement procedure document would greatly assist councils. The use of such documents would encourage standardisation of entitlements across councils and quell uncertainty within councils regarding the content of their policies.

Section 41(2) of the Act requires the Council Expenses Policy to specify the expenses reimbursement procedures and LGV's draft policy provides an example of what these procedures may look like. The seven audited councils largely did not capture relevant procedures, such as how claims are processed and who is involved in the process, in their policies or in a stand-alone document. Instead, they relied upon staff to share knowledge regarding how things are done.

While there is no requirement for a standalone procedural document, it would be best practice for councils to have such a document. Strathbogie Shire Council developed an expense reimbursement procedure document to accompany their councillor expenses policy, which they amended following a review by the Victorian Auditor-General's Office in 2018-19. According to council governance staff, this procedural document has improved compliance with and understanding of the expenses policy.

³¹ Policy and guidelines available at <https://www.olg.nsw.gov.au/councils/policy-and-legislation/guidelines-and-policy-information-resources-for-councils/councillor-expenses-and-facilities/>

5.5 Council expense reimbursement claim audit – issues and risk ratings

For each of the seven councils, the Inspectorate audited a sample of expense reimbursement claims for compliance with the council's expenses policy and discussed relevant matters with council representatives.

As part of the audit exercise, the following matters were considered:

1. Councillor expenses reimbursement claim forms;
2. Councillor expenses policy;
3. Councillor expenses procedure;
4. Oversight of councillor expenses, including audits.

Council	Classification	Planning region
Hepburn	Small Shire	Central Highlands
Strathbogie	Small Shire	Hume
Campaspe	Large Shire	Loddon Mallee North
Mitchell	Large Shire	Hume
Yarra	Metropolitan	Greater Melbourne
Hobsons Bay	Metropolitan	Greater Melbourne
Bendigo	Regional	Loddon Campaspe

Figure 11: Councils audited by the Inspectorate.

What are the key issues or challenges?

- Councillor expenses policies and procedures vary greatly across councils.
- There is no uniform level of evidence required to support claims for reimbursement.
- Council oversight of expenses, including checks on legitimacy and sign-off on claims, is also varied and is a potential financial or integrity risk.

Claims not detailed in accordance with policy

The expenses policy for a regional council states that reimbursement of expenses requires details of the 'purpose of the event/function associated with the expenditure'. The Inspectorate found many examples of claims for reimbursement of car parking fees which were supported by invoices alone, with no explanation of the council-related event or function attended provided. This was not in compliance with the policy but had previously not been addressed by the council.

Improving expense claim transparency

The expenses policy for a recently audited inner metropolitan council did not require a reason in support of travel reimbursement claims (for example, for public transport, taxi travel and private vehicle use) to be included on the claim form. A claim form submitted by a councillor stated 'cabcharge' as the only detail for the claim and included a taxi invoice, with no further explanation of the purpose of travel included. Discussions with the council governance representative revealed that the claim was assessed as legitimate based on the origin, destination and time of travel, from which they deduced the councillor was attending a council meeting. If the policy explicitly required the reason for travel to be included on the claim form, it would increase the ease of confirming the legitimacy of claims and transparency.

During the audit exercise, various risks were identified, which ranged in severity from issues that could lead to fraudulent activity or the wrong amount being reimbursed (both very high risk) to claims being submitted outside of the required time period (lower risk) (see Figure 12).

While these specific issues have been pursued with the relevant council and rectified where possible, they are shown here as examples of common issues seen across councillor expense reimbursement audits.

Issues found in council audits	Risk rating ³²
Claims submitted outside of the required time period	Low
Inconsistent application of the practice of rounding of kilometres travelled to the nearest whole number for private vehicle use	Low
No evidence required in support of private vehicle use kilometres travelled	Moderate
Descriptions of the expenses incurred lack detail	Moderate
Administrative error in failing to accurately document the basis of calculating a reimbursement	Moderate
Claims for car mileage expenses for council meeting attendance do not include the locations of the meetings attended	Moderate
Policy refers to an outdated claim form	Moderate
Claims not applied for in writing, but petty cash form used instead	High
Claims not clear on how the expenses were incurred while performing duties as a councillor	High
Claim forms include space for signature of authorising officer, but do not include space for their name or position	High
CEO's corporate credit card used for purchases by the Mayor	Very high
Incorrect rate for kilometre reimbursement for private vehicle use applied	Very high

Figure 12: Risk ratings of some common issues in audited councils.

³² Risk ratings determined by Inspectorate risk criteria

Best practices observed in the course of the audit, which may assist in reducing the risks of inappropriate or fraudulent expenses claims, include:

- expense claims are authorised by more than one senior council employee with the appropriate financial delegation, thereby providing additional oversight
- instead of using phrases like ‘reasonable costs’ or ‘appropriate costs’ will be reimbursed, monetary ranges or caps for food/beverage and accommodation costs are specified
- claims for private vehicle use are required to be supported by logbook entries or records of odometer readings at the start and end of the journey, rather than just a single figure for kilometres travelled
- councillors are required to submit a written report following attendance at training and professional development courses in order to justify their attendance and to share their learnings with council
- councillors are not permitted to cover the costs of meals or refreshments for anyone other than themselves, where these items relate to the duties of councillor.

Recommendations

- LGV should consider a more detailed model councillor expenses policy and claim form, which councils can adopt to suit their individual circumstances.
 - Councils must publish their current Council Expenses Policy on their website.
 - Councils must train councillors on the Council Expenses Policy during their induction training and provide refresher training on the policy mid-term.
 - Councillor expenses must be authorised by council employees with the appropriate financial delegation, not the mayor.
-

5.6 Information and Communications Technology

Information and Communications Technology (ICT) is a key area in which value for money can be achieved. The Inspectorate recommends Councils regularly review their phone and data plans and seek out better value plans and more cost-effective technology solutions. ICT is also a key area in which councillor needs can be better met by monitoring use to ensure current plans are tailored towards usage needs.

The councillor ICT expenses for the 2017/18 financial year reported to the Inspectorate showed great variation in the amount spent by councils on ICT for councillors. While councils most commonly spent between \$5,000 and \$10,000 on ICT for councillors annually (37% of surveyed councils), 10% reported spending upwards of \$25,000. Table 1 shows spending on ICT for councillors across council groupings.

The difference in spend can be attributed to the variation between councils in relation to ICT hardware provided to their councillors (usually based on individual preference of councillors) and what ICT plans they use (usually based on location i.e. because of reception, and usage habits).

For example, in response to survey 1, one regional council reported that given they do not have full network coverage across their municipality, staff work individually with councillors to best meet their phone and data requirements for their local area. Several councils reported they provide broadband access only for one or two councillors where reception is poor, while another council meets the landline costs for one councillor in a mobile blackspot.

Phone and data usage analysis leads to cost savings

A large shire council analysed their councillors’ mobile phone and tablet (iPad or other device) bills for a 12-month period. All councillors were on the same plan. The review showed call expenses and data usage varied greatly across the councillors. Plans were proposed for each councillor tailored towards their usage patterns. For example, those with greater data usage were placed on unlimited plans to counter fees for excess usage.

The switch from all councillors being on the same plan to plans suited to their individual usage resulted in an approximate 20% saving on mobile phone and tablet costs.

Council classification	Councillor ICT expenses	Total councillor expenses	ICT as % of total councillor expenses	ICT expenses on a per councillor basis per year
Large Shire	\$130,953	\$1,019,982	13%	\$897
Metropolitan	\$317,175	\$1,056,553	30%	\$1,570
Regional	\$68,695	\$346,460	20%	\$1,073
Small Shire	\$61,667	\$407,125	15%	\$611
Interface	\$144,926	\$693,591	21%	\$1,628

Table 1: ICT as % of total councillor expenses.

A further explanation of the difference in councillor ICT spend is the variation in council reporting of expenses is covered in section 5.2 of this report. For example, some councils included councillor ICT expenses in their council ICT budget, instead of apportioning it as a councillor expense.

Recommendations

- Councils should regularly review their councillors' mobile phone and data plans and investigate alternatives, in order to achieve cost savings.
- Councils should engage with MAV procurement for guidance regarding their ICT contracts and should explore the possibility of moving to a TPAMS contract to see if it will achieve costs savings.
- Councils should regularly review their councillors' phone and data usage to ensure the adequacy of the plans.
- For councillors who have elected to use their own handsets and seek reimbursement, councils should regularly monitor usage to prevent inappropriate reimbursement for private use.

Council spending in 2017/18 on technology for councillors



Average spend: **\$9,994**

Full range of spending: **\$0 (six councils) to \$38,204**

Average spend on per councillor basis: **\$1,155**

37% of councils spend **\$5,001-\$10,000**

9% of councils spend **\$0** (reported figures)

10% spend over **\$25,000**

6 Conclusion

The Inspectorate's surveys showed councillors are generally satisfied with the resources and facilities provided to them. Despite this, councils would benefit from receiving current guidance on what they should reasonably be expected to provide to councillors.

The review of annual reports and discussions with councils revealed councils are categorising expenses in different ways. This is due largely to an absence of definitions of the five expenses categories in the Act or 2014 Regulations. Councils need guidance on what the categories mean and how to deal with expenses falling outside of these categories. This would improve consistency in reporting and aid comparison of councillor expenses across councils, thereby increasing transparency.

Aside from standard disclosures in their annual reports, councils are generally not making expenses information publicly available on a regular basis. Greater transparency would be achieved by implementing a sector wide practice of regular public expense reporting via council websites.

Councils should involve their councillors more in checking their own expense claims to improve accountability. Quarterly reporting of expenses reimbursements to council and council's Audit and Risk Committee would improve internal oversight.

While the audit did not reveal significant deviation from expected practices, it still showed there is room for improvement in the practices employed by councils. Variation exists between councils in the content of their expenses policies, in terms of what things are being reimbursed and levels of reimbursement. Public confidence in the process would be improved if there was greater consistency in the policies. This would be achieved by giving councils a model policy to work from and adopt to their specific needs.

The Inspectorate acknowledges the support of council staff and elected councillors who responded to the survey and the assistance of governance staff who provided documents during the Inspectorate's audit.

Appendix 1

Questions from Local Government Inspectorate's governance staff survey, July 2019

Q1 Which council are you responding for?

Q2 Including the Mayor, how many Councillors do you have?

Q3 The Victorian Government sets upper and lower levels for allowances paid to Councillors as well as the Mayor. After a General Election, Councils determine the allowance level within the applicable range. After the 2016 elections, at what level was your councillor allowance set?

Q4 After the 2016 elections, at what level was the Mayoral allowance set?

Q5 Please provide the current annual allowances in place at your council. Do not include the amount that is the equivalent of the superannuation guarantee.

Q6 How many Councillors have elected not to receive an allowance? *If all Councillors receive an allowance, you may skip this question.

Q7 The Local Government Planning and Reporting Regulations require councils to detail councillor expenses in annual reports in 5 distinct categories. The following questions will require you to input your council's spend in each category (as per the annual report) in relation to the 2017/2018 financial year. Your answers will need to be whole numbers, so please round any figures to the closest dollar and do not include a dollar sign. We recognise that some councils may report under additional categories such as "Miscellaneous" or "Other". If this applies to your council, please include the aggregate spend of any additional categories under "Other". Note: The total spend for all 6 categories should equal the total spend reported in the annual report.

Q8 We would like to understand how much was spent in previous years, but at this stage we don't need you to categorise the expenses. What was your council's total reported spend on Councillor expenses (including reimbursement of expenses) for the financial years listed below?

Q9 Section 75C of the Local Government Act (1989) requires councils to make available minimum resources and facilities to Councillors. Which items does your council provide?

Q10 We understand that some Councillors receive a separate mobile handset and telephone number for use in their role as a Councillor, whereas some prefer to use their existing personal device, choosing to seek reimbursement from council instead. At your council, how many fall into each category?

Q11 For Councillors who receive a mobile phone, what type of plan are they provided with?

Q12 In the 2017/2018 financial year, what was the cost to Council of the Mayoral vehicle? *If you did not provide the Mayor with a vehicle, enter 0.

Q13 Does your council offer a remote travel allowance?

Q14 If your council offers a remote travel allowance, in the 2017/2018 financial year how much was disbursed under the allowance? *If no allowance is offered, please leave blank.

Appendix 2


Questions from Local Government Inspectorate's councillor/mayor survey, August 2019


- Q1 How is your council classified?
- Q2 Which region is your council in?
- Q3 How long have you been a Councillor?
- Q4 On average, how many hours per week (not including travel time) would you say you dedicate to your role as a Councillor/Mayor?
- Q5 On average, how many hours per week do you spend commuting as a part of your role as a Councillor/Mayor?
- Q6 What are the most time-consuming parts of being a Councillor/Mayor?
- Q7 What do you find most challenging or difficult about being a Councillor/Mayor?
- Q8 What do you see as your most important tasks? (In no particular order).
- Q9 How would you describe your current employment status?
- Q10 How do you feel about your current allowance level?
- Q11 What do you think is the purpose of your allowance?
- Q12 All Councillors are provided with a toolkit of resources to assist them in performing their roles. This toolkit includes things like mobile phones, IT equipment and administrative support. What best describes the toolkit provided to you?
- Q13 What kind of resources do you think every Councillor should be provided with?
- Q14 Is there something that you don't have access to now that you think should be provided?
- Q15 Are there any resources or reimbursements provided to Councillors that you think are unnecessary? If so, please list below.
- Q16 Does your council have a policy relating to Councillor support and reimbursements?
- Q17 Are the controls in place relating to Councillor support (including expense claims) sufficient?
- Q18 When it comes to seeking reimbursement for expenses, where do you go for guidance about what should be claimed?
- Q19 What kinds of things do you think you should be reimbursed for?
- Q20 Is there anything else you would like to add?


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