



Summary: Councillor expenses and allowances: equitable treatment and enhanced integrity

Councillor expenses and claims for reimbursement often attract public attention. Councils are largely publicly funded, so their systems for managing expenditure are subject to scrutiny. The integrity and transparency of those systems are critical for maintaining public confidence in local government.

The Local Government Inspectorate has identified instances of councillors making false claims or inadequately supported claims for expense reimbursement during prior investigations.

The *Local Government Act 2020* contains limited guidance about the kind of resources that should be available to support councillors, and in defining what is an appropriate expense. This places an onus on councils to ensure that expenses policies, which govern the reimbursement of out-of-pocket expenses to councillors, meet community expectations.

In June 2020, Local Government Victoria published a draft Council Expenses Policy to support councils in their requirement to adopt an expenses policy by 1 September 2020.

Scope of the examination

This 2019–20 review of councillor support was comprised of:

- surveys of councillors and governance staff
- an audit of several councils to assess compliance with legislation and identify best practice.

Our review assessed what support is provided to councillors, levels of satisfaction with this support and what improvements could be made. We also examined what kinds of expenses are being claimed and how expenses policies worked in practice.

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
- a toolkit of resources and facilities such as a mobile phone, computer, stationery, taxi vouchers, and council office space
- reimbursement of out-of-pocket expenses incurred during their role, such as information technology costs, meals, travel, training, and childcare.

Councillors can choose to receive their entire entitled allowance, part of it or no allowance. At the time of our review, the allowance was set by the Minister for Local Government, with councils divided into three categories based on their income and population. Each of the three categories had a lower and upper range of allowance for councillors and an upper range for the mayoral allowance. However, Melbourne City Council's and Geelong City Council's allowances were fixed separately.

Under the Act, councillor and mayoral allowances are now determined by the Victorian Independent Remuneration Tribunal.¹ On 7 March 2022, the tribunal's decision, which took effect from 18 December 2021, set out a base allowance for each council member dependent upon their role (councillor, mayor, or deputy mayor) and the council allowance category assigned to their council (categories 1–4).

Councils are only required to reimburse councillors for genuine out-of-pocket expenses reasonably incurred and reasonably necessary to perform their role.

¹ [Victorian Independent Remuneration Tribunal, Allowance payable to Mayors, Deputy Mayors and Councillors \(Victoria\) Determination No. 01/2022](#)

At the time of our review, the Local Government (Planning and Reporting) Regulations 2014 (2014 Regulations) stipulated that travel expenses, car mileage, childcare, information and communication technology, and conference and training expenses were reimbursable.

This has since changed, with the Local Government (Planning and Reporting) Regulations 2020 (2020 Regulations) now stating that travel expenses, professional development expenses, and expenses to support the performance of the role can be reimbursed.

The tribunal now sets a remote area travel allowance equal to \$44 per day, up to a maximum of \$5,500 per year for each councillor. The eligibility criteria for this allowance are set out in the 7 March 2022 determination.

Councils have scope to establish the criteria for reimbursable out-of-pocket expenses and the procedures by which they will be reimbursed in their Council Expenses Policy.

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

- specify the procedures for applying for reimbursement and in reimbursing expenses
- apply to both councillors and delegated committee members
- comply with any reimbursement requirements in the Regulations
- include reimbursement of childcare costs and costs for carers in a care relationship.²

Methods and key findings from the review

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.

We also asked for expenses data for the 2017-18 financial year, and a list of resources provided to councillors, such as vehicles, office space or mobile phone plans. We received responses from governance staff at 76 councils.

All mayors and councillors were sent a survey in August 2019 seeking their opinions on councillor allowances, resources, and expense reimbursement. We received responses from 187 councillors and 39 mayors, nearly 40 per cent of those contacted.

Audit of selected councils

We conducted a separate audit exercise in relation to councillor expenses at seven councils in late 2019 and early 2020 to ascertain whether:

- documented policies and procedures were followed
- significant deviation from policy and practice existed
- practices met public expectations
- any significant risks existed.

The exercise included an audit of up to six months’ worth of councillor expenses reimbursement documents and discussions with council staff about the expenses processes.

Allowance and toolkit

Overview

The Inspectorate sought to ascertain whether councillors are being adequately supported by way of the “toolkit” of resources and facilities made available to them. A minimum toolkit of resources was set out in a 2008 Victorian government guidance document.

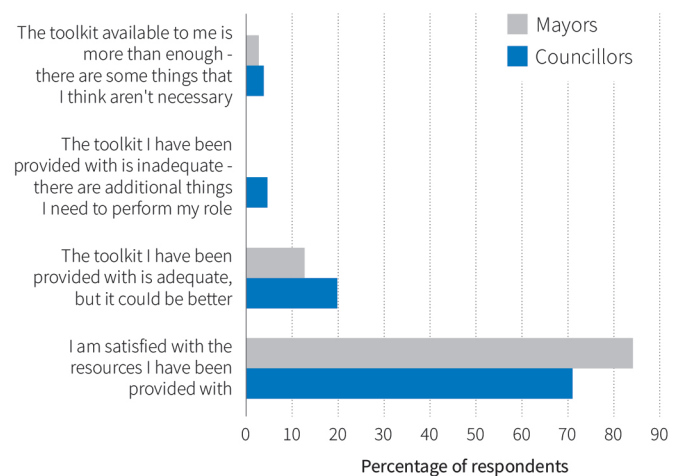
Toolkit

Our survey revealed the resources and facilities most commonly made available to councillors and mayors are a mobile phone, access to a printer at council, an iPad or tablet and office space at council.

Councils used the minimum toolkit as a starting point but adapted it to meet the needs of their councillors.

Most councillors and mayors were satisfied with the resources and facilities provided to them, at 71 per cent and 84 per cent respectively. However, some councillors and mayors thought they needed extra resources or facilities, such as administrative support.

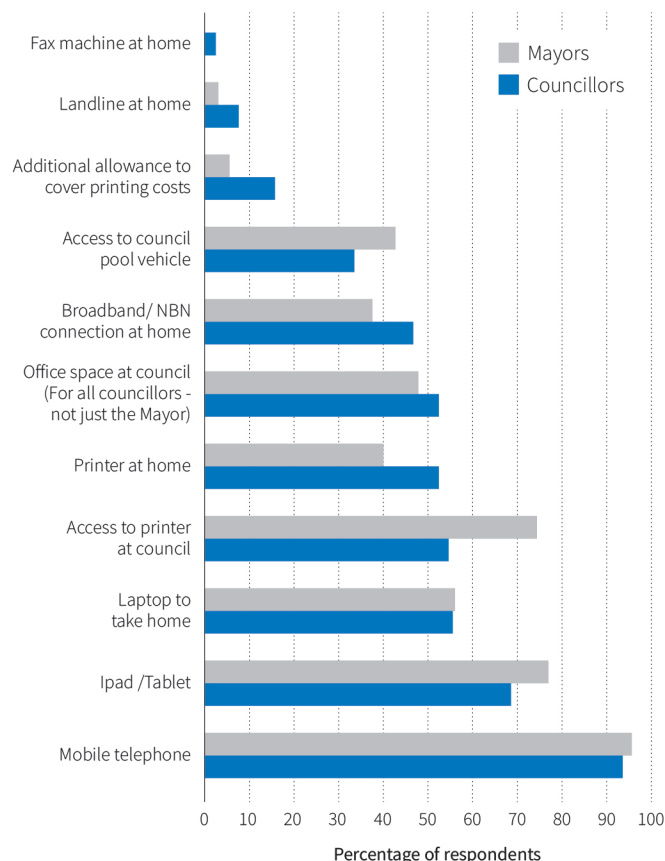
Which of the following statements best describes the toolkit provided to you?



² As defined in the Carers Recognition Act 2012

Governance staff said meeting the different needs and preferences of their councillors was often difficult. Councils also preferred providing standard equipment.

What kind of resources do you think every Councillor should be provided with?



Childcare and dependent care claims

The Inspectorate investigated allegations that, over seven years, a metropolitan councillor filled out invoices on behalf of their babysitter to support their childcare expense claims.

We concluded the councillor was not familiar with and did not adhere to council’s expenses reimbursement policy and did not understand what constituted appropriate documentation to support expense claims.

The councillor was given a warning and advised to submit only appropriate documentation in all future claims for 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 shopping instead of attending the events.

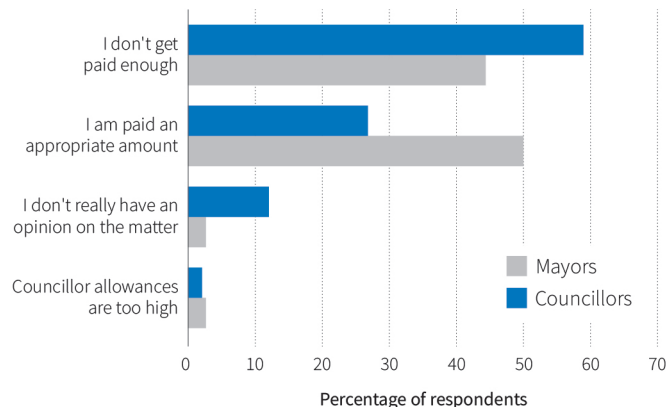
To counter the possibility of such wasteful actions, we recommended that council expenses policies include a requirement for councillors to report back to council on conferences and training they have attended.

Allowance

Mayors and councillors receive a fixed allowance for conducting their duties. At the time of our review, the allowance was set by the Minister for Local Government. The amount of the allowance was 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.

Most councillors and mayors received an allowance at or near the top of the relevant range. However, our survey revealed a high proportion of discontentment with the amount of the allowance.

How do you feel about your current allowance level?



In the survey, mayors said their allowance was a form of salary or wages while councillors said the allowance covered the costs relating to their role, including the loss of employment.

“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.”

A third of mayors said they dedicated more than 40 hours per week to their role. About 70 per cent of councillors said they dedicated more than 16 hours per week to their role and 20 per cent said they spent more than 32 hours per week on their role.

Some councillors and mayors also reduced their hours at their paid employment. Balancing work, family and their role as councillor or mayor was one of the most challenging or difficult aspects.

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 a RACV engineer regarding the car's classification intending to claim a higher reimbursement rate. The councillor was subsequently charged and found guilty of attempting to obtain property by deception.

Many councils now award a flat rate for kilometre reimbursement, instead of by reference to engine size.

Under the Act, allowances are now determined by the Victorian Independent Remuneration Tribunal. On 7 March 2022, the tribunal made a determination stipulating the new councillor, mayor and deputy mayor allowances. In making the determination, the tribunal conducted a comprehensive review of the existing allowances under the *Local Government Act 1989*. The tribunal noted the scope and complexity of a councillor's role has increased significantly in recent years. As a result, the tribunal decided to increase the allowances available to councillors, mayors and deputy mayors, with scope to adjust the values of allowances annually.

Councillor expenses

Overview

Councils must report on councillor expenses publicly in their annual reports

The Inspectorate examined how expenses were being reported to assess compliance with the 2014 Regulations. We also looked at whether councils should report councillor expenses on their websites.

Variation in council reporting

Our review of annual reports for 2018–19 found significant variation in reporting on councillor expenses, due in part to different interpretations of the five expenses categories in the 2014 Regulations.³

Annual reporting guidance was given to councils but there was no guidance on what the five expenses categories mean, and some expenses did not fit into any category.

Some suggested methods for improving transparency of reporting are:

- reporting on councillor expenses and allowances separately
- reporting on expense categories separately, not combined
- reporting subtotals of expenses for each councillor and each expense category
- providing definitions for any additional categories used, such as 'other' expenses.

It is not a requirement but including expenses data on a council website can improve transparency. Our review of council websites in early 2020 found that less than half of councils published expenses data on their websites. However, some councils, such as Melbourne City Council, report expenses regularly.

Encouraging expense claims reviews

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 conscious of their expenses.

Council expenses policy

A comprehensive expenses policy should provide for a rigorous process, value for money and efficiency to ensure councils function in line with community expectations. The policy should be reviewed at least once a year.

Council expenses policies and procedures must provide transparency and accountability, and help mitigate corruption risks. Council policies should specify:

- the types of councillor expenses council will reimburse
- the form that must be used to make a claim and what information is needed to support the claim
- what documentary evidence is needed (such as receipts or logbook entries)
- which council staff are involved in the claims process and what their roles and responsibilities are
- the date reimbursement claims must be lodged by
- how reimbursements will be given to councillors (such as electronic funds transfer).

In June 2020, LGV published a draft Council Expenses Policy which sets out:

- the criteria for the reimbursement of out-of-pocket expenses
- the requirement to reimburse carer and dependent-related expenses

³ The Local Government (Planning and Reporting) Regulations 2014 required reporting of five expense categories: travel, car mileage, childcare, information and communication technology, and conference and training expenses.

- the requirement to provide the details of expenses reimbursements to council's Audit and Risk Committee
- the procedures to be followed in applying for and making reimbursements of expenses.

The draft policy mainly provides broad advice on reimbursement procedures and requires councils to apply their own judgment on what should be included in their policy.

However, councils told us through surveys and discussions that they want guidance on:

- what kinds of expenses are and are not reimbursable
- whether caps should apply to certain expenses
- whether there should be a time limit for submitting claims for reimbursement
- who should approve reimbursement claims.

A 'better practice' template policy for councillor expenses and facilities was developed by the NSW Government. Victorian councils would be helped by a similarly detailed model template for an expenses policy, which could be modified to meet their individual needs.

In addition, a model expense reimbursement procedure and claim form would help councils and encourage standardisation.

There is no requirement for a standalone procedural document but having one is best practice. Strathbogie Shire Council developed an [expense reimbursement procedure](#) to accompany their councillor expenses policy. The procedure has improved compliance with and understanding of the expenses policy.

Council expense reimbursement claim audit – issues and risk ratings

The Inspectorate conducted an audit of seven councils and checked a sample of expense reimbursement claims for compliance with the councils' expenses policies.

During the audit, we looked at the claim forms, the policy, procedure and oversight of the reimbursement process. We found that:

- councillor expenses policies and procedures varied greatly
- the level of evidence required to support claims varied greatly
- council oversight of expenses is also varied and is a potential financial or integrity risk.

Claims not detailed in accordance with policy

An expenses policy for a regional council required details of the 'purpose of the event/function associated with the expenditure' for the reimbursement of expenses. We found many claims were supported by invoices but with no explanation of the council-related event or function attended. This was in breach of the expenses policy.

Improving expense claim transparency

The expenses policy for an inner metropolitan council did not require a reason in support of travel reimbursement claims to be included with the claim. A claim form submitted by a councillor stated 'cabcharge' with no further explanation of the purpose of travel included. Council staff assessed the claim as legitimate based on the origin, destination and time of travel, from which they deduced the councillor was attending a council meeting. Requiring the reason for travel to be included with the claim would make it easier to confirm if the claim was legitimate and improve transparency.

Our audit found various risks, ranging from issues that could lead to fraudulent activity or the wrong amount being reimbursed to claims being submitted outside of the required time period. Examples of issues we found in the audit included:

- CEO's corporate credit card used for purchases by the mayor
- incorrect rate for kilometre reimbursement for private vehicle use applied
- claim not clear on how the expenses were incurred while performing duties as a councillor
- claims not applied for in writing but petty cash form used instead.

Best practices we observed which may help reduce the risk of fraudulent claims, included:

- expense claims were authorised by more than one senior council employee with the appropriate financial delegation, providing additional oversight
- monetary ranges or caps for food/beverage and accommodation costs were specified
- claims for private vehicle use had to be supported by logbook entries at the start and end of the journey
- councillors were required to submit a written report after training and professional development courses to justify their attendance and to share their learnings with council
- councillors were not permitted to cover the costs of meals or refreshments for anyone other than themselves.

Information and communications technology

Information and Communications Technology (ICT) is a key area in which value for money can be achieved. We recommend councils regularly review their phone and data plans and seek better-value plans and more cost-effective technology solutions. Councillors' use can be monitored to ensure their plans meet their usage needs and are value for money.

Councillor ICT expenses for 2017–18 showed great variation in the amount spent by councils.

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**

The difference in spend can be attributed to the variation in the ICT hardware and plans provided to councillors, together with the variation in how ICT expenses are reported. For example, we found that some councillors included councillor ICT expenses in their council ICT budget instead of counting it as a councillor expense.

Phone and data usage analysis leads to cost savings

A large shire council analysed their councillors' mobile phone and device bills for 12 months. All councillors were on the same phone/data plan but their call and data use varied greatly. The plans were changed and tailored to each councillor's usage patterns. The switch resulted in a 20 per cent saving on mobile phone and device costs.

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.
- 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.
- 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.
- 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 and Risk Committee on a quarterly basis.
- Councils should publish councillor expenses data on their websites on a quarterly basis, at a minimum.
- 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.
- 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.