

COUNCIL MEETING

Tuesday 29 November 2022

Held in the Council Chambers, Shire Offices (Livestreamed)

Commenced at 6.05pm

Council:
Cr Jo Armstrong (Mayor)
Cr Gwenda Allgood
Cr Rob Armstrong
Cr Peter Beales
Cr Henry Burridge
Cr Bob Sanders
Cr Bill Waterston



A recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the Council Meeting.

The recording is being streamed live via Facebook, to improve transparency between council and the community and give more people the opportunity to view what decisions are being made. You do not require a Facebook account to watch the live broadcast, simply enter www.facebook.com/araratruralcitycouncil into your address bar.

Recordings of Council Meetings (excluding closed sessions) are made available on Council's website.



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PRESENT:

Cr Jo Armstrong (Mayor), Cr Gwenda Allgood, Cr Rob Armstrong, Cr Henry Burridge, Cr Bob Sanders, Cr Bill Waterston,

Mr Tim Harrison, Chief Executive Officer and Josie Frawley, Executive Assistant.

SECTION 1 - PROCEDURAL MATTERS

1.1 LIVE STREAMING

Council is keen to engage with members of the community and live streams the formal Council Meetings to make them accessible. The stream is available to view on Council's Facebook page from 6pm and on Council's website following the Council Meeting.

1.2 TRADITIONAL ACKNOWLEDGEMENT/OPENING PRAYER/COUNCILLORS PLEDGE

Traditional acknowledgement- CR BURRIDDGE

We acknowledge the traditional owners of the land on which we meet today, and pay our respects to their elders, past, present and emerging.

Opening Prayer- CR ALLGOOD

Almighty God, we humbly ask you to help us, as elected Councillors of the Ararat Rural City Council. Guide our deliberations. Prosper what is your will for us, to your honour and glory and for the welfare and benefit of the people whom we serve in the Ararat Rural City.

Councillors Pledge- CR SANDERS

We will faithfully and impartially carry out and exercise the functions, powers, authorities and discretions invested in us under the *Local Government Act 2020* and any other Act to the best of our skill and judgement.

1.3 APOLOGIES

There were no apologies.

1.4 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Council Meetings held on 25 October 2022 and 08 November 2022 be confirmed.

MOVED CR SANDERS SECONDED CR BURRIDGE

That the Minutes of the Council Meetings held on 25 October 2022 and 08 November 2022 be confirmed.

CARRIED 4741/22



1.5 DECLARATION OF CONFLICT OF INTEREST

A Councillor who has a conflict of interest in a matter being considered at a *Council meeting* at which he or she:

- is present must disclose that conflict of interest by explaining the nature of the conflict of interest to those present at the *Council meeting* immediately before the matter is considered; or
- 2 intends to be present must disclose that conflict of interest by providing to the *Chief Executive Officer* before the *Council meeting* commences a written notice:
 - (a) advising of the conflict of interest;
 - (b) explaining the nature of the conflict of interest; and
 - (c) detailing, if the nature of the conflict of interest involves a Councillor's relationship with or a gift from another person, the:
 - name of the other person;
 - nature of the relationship with that other person or the date of receipt, value and type of gift received from the other person; and
 - nature of that other person's interest in the matter,

and then immediately before the matter is considered at the meeting announcing to those present that he or she has a conflict of interest and that a written notice has been given to the *Chief Executive Officer* under this sub-Rule.

The Councillor must, in either event, leave the *Council meeting* immediately after giving the explanation or making the announcement (as the case may be) and not return to the meeting until after the matter has been disposed of.

Cr Allgood advised that she had a conflict of interest to declare in relation to Item 3.2.



SECTION 2 – PUBLIC PARTICIPATION

2.1 PETITIONS AND JOINT LETTERS

- 1 Unless *Council* determines to consider it as an item of urgent business, no motion (other than a motion to receive the same) may be made on any petition, joint letter, memorial or other like application until the next *Council meeting* after that at which it has been presented.
- 2 It is incumbent on every Councillor presenting a petition or joint letter to acquaint himself or herself with the contents of that petition or joint letter, and to ascertain that it does not contain language disrespectful to *Council*.
- 3 Every Councillor presenting a petition or joint letter to *Council* must:
 - write or otherwise record his or her name at the beginning of the petition or joint letter; and
 - confine himself or herself to a statement of the persons from whom it comes, the number of signatories to it, the material matters expressed in it and the text of the prayer or request.
- 4 Every petition or joint letter presented to *Council* must be in *writing* (other than pencil), typing or printing, contain the request of the petitioners or signatories and be signed by at least 12 people.
- 5 Every petition or joint letter must be signed by the persons whose names are appended to it by their names or marks, and, except in cases of incapacity or sickness, by no one else and the address of every petitioner or signatory must be clearly stated.
- 6 Any signature appearing on a page which does not bear the text of the whole of the petition or request may not be considered by *Council*.
- 7 Every page of a petition or joint letter must be a single page of paper and not be posted, stapled, pinned or otherwise affixed or attached to any piece of paper other than another page of the petition or joint letter.
- 8 If a petition, joint letter, memorial or other like application relates to an operational matter, Council must refer it to the Chief Executive Officer for consideration.

There were no Petitions or Joint Letters received.



SECTION 3 - REPORTS REQUIRING COUNCIL DECISION

3.1 REVIEW OF COMMUNITY SUPPORT GRANT SCHEME AND SPONSORSHIP OF EVENTS

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER

DEPARTMENT: CEO'S OFFICE

REFERENCE: 7510

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

EXECUTIVE SUMMARY

The Victorian Auditor General's Office (VAGO) tabled a report to the Victorian Parliament on 11 May 2022 into *Fraud Control Over Local Government Grants*. The report provided nine recommendations to all Victorian Councils to improve management of Council grant programs. These recommendations fell into two categories: improving fraud control and improving guidance and training.

It was recommended at the 25 June 2022 Council Meeting that Council review its current processes, policy, and practice to reflect the recommended practices outlined in the VAGO report and present this to the September 2022 Council Meeting.

This report outlines the proposed changes that will be implemented into the Community Grants Scheme process, to ensure Ararat Rural City Council are compliant with current best practice.

DISCUSSION

The VAGO report was based on an audit of Council grant programs at six Victorian Councils. The audits raised issues around current practices in management of conflict of interest, assessment of applications against established criteria, documenting decisions, acquittal of funds and evaluation of grant outcomes. It was believed that the practices observed increased the risk of fraud and did not provide adequate transparency around the process.

VAGO made nine recommendations to assist Victorian Councils improve current practices. The first six relate directly to improving fraud controls and the latter three to improving guidance and training. There was an additional recommendation directed specifically at one of the audited Councils. This was recommendation seven and has been deleted from this report as it does not apply to the general recommendations provided by VAGO to Councils.

Council has previously reviewed its approach to community grants, adopting a revised model at the 15 December 2020 Council meeting. This was following recommendations arising from the Victorian Local Government Inspectorate inquiry, *Protecting Integrity: Yarriambiak Shire Council Report.* This revision made a number of changes very similar to some of those outlined in the recommendations of the VAGO report. It is important for Council to ensure compliance with current best practice and the existing community grants process needs to be reviewed to ensure that this occurs.

The revised model adopted at the 15 December 2020 Council Meeting is as follows:



Community Support Grant Scheme

Requests for Community Support Grant Scheme funding are made through the approved form and assessed in the timeframes provided below. All Community Support Grant Scheme grants are funded on a 1:2 basis, where every dollar provided by the applicant organisation will be matched by two from Council.

Applicants under the Community Event strand are advised within three weeks of receipt of the application and applicants under the Community Infrastructure and Project Funding strands are advised within four weeks of the close of applications.

The decision makers in relation to all Community Support Grant Scheme applications will be a community panel. This is based on current best practice advice from the Local Government Directorate. Members of the community panel will be recruited via an Expression of Interest process.

Type of grant	Maximum funding amount	Timeframe
Community Event	\$5,000	Rolling funding model
Community Infrastructure	\$5,000	Four funding rounds per year
Project Funding	\$3,000	Four funding rounds per year

Proposed changes:

VAGO Recommendation	Current process	Proposed change
 1. improve their conflict-of-interest processes by: requiring staff and councillors to declare conflicts of interest for each grant application 	Community panel members verbally declare any conflict of interests they have, prior to the meeting commencing There isn't currently a formal	A Conflict of Interest form will be created and circulated to the community panel prior to the meeting The Conflict of Interest forms
they assess or approve documenting how the council manages declared conflicts of interest	documenting process surrounding these declarations	will then be kept with the application forms
 2. Develop eligibility and assessment criteria for all their grant programs and: assess and document each application against them communicate assessment outcomes and reasons to unsuccessful applicants 	There is currently eligibility criteria in place for the grants program, this will continue to determine the outcome of applicants success Letters of success/unsuccess are sent to applicants, however, the unsuccessful letters aren't specific as to why the applicant wasn't granted funds	Letters of unsuccess will continue to be sent to applicants, however, they will now include reasoning as to why they weren't granted funds and how they could have better met the eligibility criteria
3. Exclude councillors from assessing and making recommendations on grant applications	Councillors are not currently involved in any aspect of the Community Grants decision making process	Councillors will continue to remain uninvolved in the decision-making process surrounding Community Grants
4. Verify that all grant recipients use grant funds for their intended purpose	There is currently no acquittal process in place	An acquittal form will be created that successful grant applicants will be required to complete at the completion of their project/event



5.	Recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value	Council currently encourages community groups to apply for applicable competitive grants. Assisting with the grant writing process when needed. The community grants panel ensure that the funds are dispersed fairly amongst the community groups that apply, ensuring that the same community group isn't receiving funds each round, regardless of meeting the eligibility criteria.	Council will continue to assist community groups in their search for funding (through both Council and external funding bodies), as well as dispersing funds evenly to as many community groups as possible throughout the process.
6.	Document all funding decisions in a consistent and structured way within a centralised system to ensure their decision making is transparent, including by recording: • the names of individuals involved in assessing or approving grant applications • if applicants met the eligibility criteria • how assessors and approvers scored applicants against the assessment criteria • what assessors and approvers considered to determine funding amounts • reasons why any funding decisions do not align with assessments	Currently all applications and outcomes are stored in a central folder online.	A template will be created for each application to outline who was involved in the process, whether the applicant met the eligibility criteria and any additional notes that the panel would like included. This form will then be attached to each application and stored online
7.	Develop their own overarching grant policy that details: • when and why the council uses grants to achieve its strategy • how the council will administer grant programs across their life cycle • the risk-based approach the council uses to determine if it will evaluate each grant program	Council currently has a Community Support Grants guidelines document in place that outlines the process	The Community Support Grants guidelines document will be reviewed in March 2023, as well as the current application form



 staff and councillors' roles in managing grants relevant council policies and procedures, including policies and procedures for declaring conflicts of interest 		
8. Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks	Community Grant risks are not currently included in these plans	Grant-related fraud will be included in Councils risk management plans moving forward. The officer responsible for administrating the grants will work with the Governance & Risk Lead to implement these risks into Council plans. The Council Officer currently in charge of administrating the grants will take responsibility for managing the risks identified in the plan.
 9. Develop mandatory training for staff and councillors that covers: declaring and managing conflicts of interest fraud risks specific to grant programs the council's relevant policies and procedures (see Section 2.4). 	Councillors currently undergo training that covers the declaration of conflict of interests Councillors are provided with copies of all relevant policies and procedures via Microsoft Teams	The current training will continue to remain mandatory for Councillors.

It is recommended that the proposed changes to the Community Support Grant Scheme be adopted in order to clarify this process and ensure best practice.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

6 Strong and Effective Governance

Budget Implications

There are no budget implications in implementing this item.

Policy/Relevant Law

Review of the community grants program based on the VAGO recommendations relates to a number of requirements of the Local Government Act 2020 including, community accountability, financial management and service performance.

Sustainability Implications

None identified.



Risk Assessment

There is significant reputational, fraud and integrity risk to Council in failure to adequately address the recommendation of the VAGO report.

Innovation and Continuous Improvement

Reviewing the current Council grants program provides an opportunity to ensure processes are moving towards current best practice.

Stakeholder Collaboration and Community Engagement

Once the new community grants process has been adopted and implemented by Council feedback from grant applicants will be sought from successful and unsuccessful applicants and non-applicant community organisations on the use and effectiveness of the process.

RECCOMMENDATION

That Council endorse the revised approach to managing the Community Support Grants Scheme funding model.

MOVED CR BEALES SECONDED CR SANDERS

That Council endorse the revised approach to managing the Community Support Grants Scheme funding model.

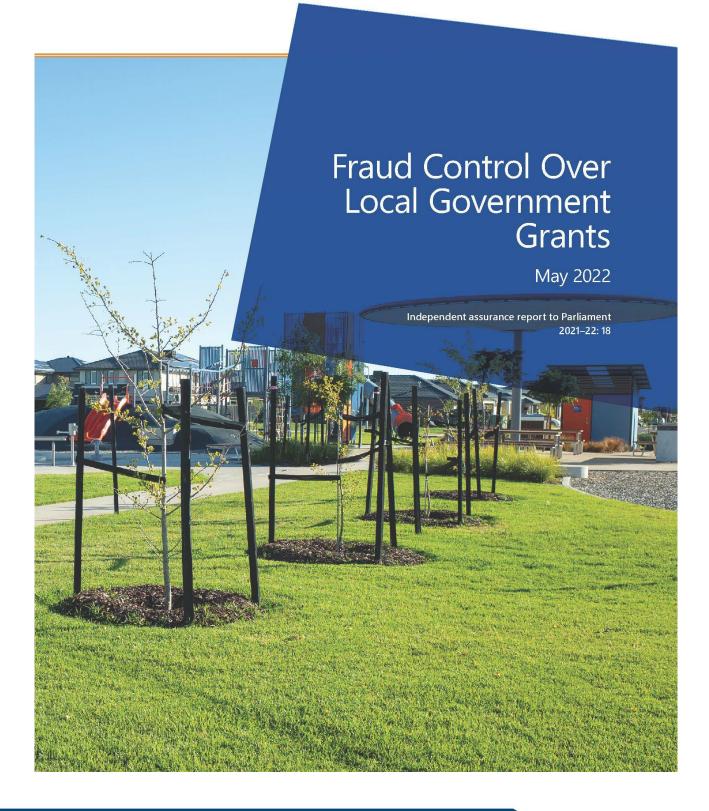
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ATTACHMENTS

The Victorian Auditor General's Office report *Fraud Control Over Local Government Grants* is provided at Attachment 3.1







29 NOVEMBER 2022 COUNCIL MEETING MINUTES



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Fraud Control Over Local Government Grants

Independent reasonable assurance report to Parliament

Ordered to be published

VICTORIAN GOVERNMENT PRINTER May 2022

PP 316, Session 2018-22





The Hon Nazih Elasmar MLC President Legislative Council Parliament House Melbourne The Hon Colin Brooks MP Speaker Legislative Assembly Parliament House Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Fraud Control Over Local Government Grants*.

Yours faithfully

Dave Barry

Acting Auditor-General

11 May 2022

The Victorian Auditor-General's Office acknowledges the Wurundjeri Woi Wurrung People as the traditional custodians of the land on which our office is located. We pay our respects to their Elders past and present.

Fraud Control Over Local Government Grants | Victorian Auditor-General's Report



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 $\textit{Fraud Control Over Local Government Grants} \hspace{0.1cm} | \hspace{0.1cm} \textbf{Victorian Auditor-General's Report}$



Audit snapshot

Are fraud controls over local government grants well-designed and operating as intended?

Why this audit is important

In 2020–21, Victorian councils distributed more than \$45 million in grants to individuals, businesses and community groups.

It is important that councils have effective controls for their grant programs to prevent fraud and give their communities confidence that public money is spent as intended.

Who and what we examined

We examined Hume City Council, Knox City Council, Loddon Shire Council, Southern Grampians Shire Council, Warrnambool City Council and West Wimmera Shire Council. We looked at a selection of their grant programs from the last 5 years to see if their fraud controls are well-designed and consistently applied.

What we concluded

Councils' fraud controls for their grant programs are not always well-designed and operating as intended. In some cases, they are missing.

Councils are not consistently identifying conflicts of interest, assessing applications against criteria, documenting their decisions, checking how funds are used or evaluating their grant programs' outcomes.

This unnecessarily increases the risk of fraud and makes it harder for the audited councils to show that their grant programs are transparent, equitable and benefit the community.

What we recommended

We made 9 recommendations to all Victorian councils about strengthening their fraud controls and improving their guidance and training for grant-related fraud.

We also made one recommendation to Loddon Shire Council about reviewing its community planning grant process.

Key facts



46 Victorian councils spent more than

\$45m on grants in 2020–21*

\$

5/6 audited councils do not have

an overarching grant policy



50%

of audited councils do not deliver fraud training for their councillors even though councillors approve grants

Note: *33 of 79 councils did not report their total grant spending in their 2020–21 annual reports. Source: VAGO, based on information from councils.

^{1 |} Fraud Control Over Local Government Grants | Victorian Auditor-General's Report



What we found and recommend

We consulted with the audited councils and considered their views when reaching our conclusions. The councils' full responses are in Appendix A. We have included a summary of each audited council's performance in Appendix D.

Unless otherwise indicated, any individuals referred to in this report by name or position are not the subject of adverse comment or opinion.

Importance of fraud controls

None of the audited councils have consistently applied fraud controls across all their grant programs. We found that these inconsistencies have unnecessarily exposed councils to a higher risk of fraud.

Figure A shows an example from Loddon Shire Council (Loddon) of how a lack of fraud controls over the life cycle of a grant program increased the risk of fraud.

^{2 |} Fraud Control Over Local Government Grants | Victorian Auditor-General's Report



Under Loddon's community planning grant program, a councillor applied for \$150,000 on behalf of a community asset committee in 2019. The grant was to upgrade a kitchen at a council facility to commercial standards.

The councillor chaired a community asset committee that manages a council facility on behalf of the council. The councillor, on behalf of the committee, estimated that the kitchen upgrade would cost \$233,000 and requested \$150,000 to complete the project.

The council staff member who assessed the application estimated that it would cost \$20,000 to complete the project. Loddon advised us that it sought quotes during project planning, but the staff member who assessed the application did not attach or reference them.

The councillors, including the councillor that made the application, approved \$20,000 for the project. But Loddon did not:

- · exclude the councillor from the decision-making process
- review or comment on why the applicant requested \$150,000 when the assessors estimated that \$20,000 was an appropriate amount
- note that the requested amount was excessive in its report to the councillors.

Loddon's community planning grant program requires applicants to inform the local ward councillor of their application before they submit it. Otherwise, the council will consider it ineligible.

In this case, the local ward councillor and the applicant were the same person. While Loddon staff were aware of this, they did not consider how it could lead to a conflict of interest. For example, a local ward councillor could discourage other potential applicants from applying for a grant to reduce competition for their own application.

This process lacks transparency because Loddon does not require councillors to keep records of potential applicants that have approached them. Directly engaging with a potential applicant could also influence a councillor's decision to approve their application or not.

^{3 |} Fraud Control Over Local Government Grants | Victorian Auditor-General's Report



In this example	Which means
the council allowed the councillor to approve their own application without declaring or managing the conflict of interest	the councillor could be voting to approve funding for a project that may personally benefit them.
there were no assessment criteria to assess the applications	 there is no transparency on why the councillors approved the application the council cannot be sure that the councillor's application will benefit the community the most.
the council did not clearly document how it determined the grant amount	there is no transparency on why the council chose this amount.
2 of 5 councillors at Loddon, including the councillor who applied for the grant, had not completed fraud training	they might lack an understanding of how to prevent, detect and respond to fraud risks.

As this case study shows, the following controls are important to help councils reduce the risk of fraud and ensure their grant programs are transparent, fair and benefit the community:

- · declaring and managing conflicts of interest
- · assessing applications against eligibility and assessment criteria
- · not having councillors on assessment panels
- documenting funding decisions
- · acquitting spending
- evaluating their overall benefits.

Inconsistently declaring conflicts of interest

All of the audited councils require their staff to declare conflicts of interest. However, none of them have an overarching grant policy that outlines how staff and councillors should declare them for all their grant programs.

Hume City Council (Hume) has a process for relevant staff to declare conflicts of interest for one program that delivers individual grants up to \$2,000. However, it did not apply this process to another program that provided grants up to \$250,000 between 2014 and 2020.

Only Loddon and Southern Grampians Shire Council (Southern Grampians), which has only one grant program, have processes for all their staff who assess applications to declare conflicts of interest within their grant management systems.

 $^{4\ |\ \}textit{Fraud Control Over Local Government Grants}\ |\ \textit{Victorian Auditor-General's Report}$



Lack of eligibility and assessment criteria

Loddon and West Wimmera Shire Council (West Wimmera) do not use eligibility or assessment criteria to assess applications for all their grant programs. This makes it unclear how these councils decide who is eligible for their programs or why they approve some applications over others.

Two of West Wimmera's 4 grant programs do not have eligibility criteria. These programs, which provide sponsorships and donations, require applicants to approach the council directly to request funding instead of making a formal application. In 2020–21, West Wimmera spent \$51,559, or 58 per cent of the \$89,409 it spent on grants, on sponsorships and donations with no eligibility criteria.

For Loddon's community planning grant program, assessors only record brief overall comments for each application and there is no evidence that they use assessment criteria. This makes it unclear if they assess all applicants against the same standard.

Loddon also distributes unallocated funds from one of its grant programs without assessing applicants against criteria. This reduces transparency over how it selects recipients and creates a risk that it is not maximising community benefits.

Councillors assessing grant applications

Councillors at Hume and Knox City Council (Knox) sit on assessment panels for some grant programs. This is an issue because these councillors are involved in both assessing and approving grant applications. For example, at Knox, a councillor assessed a grant application and later voted to approve it.

Both councils told us they will recommend that councillors do not form part of assessment panels. Knox advised us that its newly developed overarching grant policy will address this, which it will present to councillors in mid-2022.

Not documenting funding decisions

Assessors at Hume, Knox and Loddon changed their initial recommendations without documenting any reasons in their grant management systems. From these councils' records, it is not clear why they awarded:

- · grants to some applicants who assessors did not initially recommend for funding
- a higher grant amount than assessors initially recommended.

For example, at Hume, the assessment panel chair changed an applicant's score and increased the grant amount from \$8,750 to \$10,000, but there are no records to explain this change.

At Knox, one applicant received \$20,000 in 2017 even though Knox's records show that none of the 4 assessors recommended awarding them the grant when they individually assessed applications. Knox advised us that after completing individual assessments, assessors met as an assessment panel and decided to recommend the application. However, Knox did not document reasons for changing its recommendation.

Knox advised us that it has recently changed its process to better document these types of changes. It also plans to include these notes in its grant management system.

5 | Fraud Control Over Local Government Grants | Victorian Auditor-General's Report

Assessors are council staff members who assess grant applications.

An assessment panel typically has multiple assessors and a chairperson. A panel assesses grant applications and makes recommendations to the council about which applications should receive funding.



Not communicating outcomes to applicants

Only Loddon, Warrnambool City Council (Warrnambool) and West Wimmera consistently tell unsuccessful applicants why they have rejected their applications.

The other 3 audited councils do not consistently do this, which reduces the transparency of their grant programs.

Inconsistently applying acquittal processes

Councils can check if recipients have used grant funds as intended by asking them to provide evidence of their spending, such as receipts or photos of a completed project. This is called an acquittal process.

Without an acquittal process, councils cannot be sure that recipients have met a program's conditions and used the funding to benefit the community. It also may be difficult for councils to identify any unspent funding to recover.

While all audited councils use an acquittal process in some of their grant programs, only Knox acquits all of them. Southern Grampians uses an acquittal process for the only grant program it has. In line with better practice, Knox also monitors recipients' spending throughout the funding period for its largest grant program.

Inconsistently documenting acquittal processes

In addition, only Knox could give us complete documentation to show that it acquits grants consistently. This is because the other councils do not follow a consistent process or always keep supporting documentation.

Unlike the other audited councils, West Wimmera does not have a grant management system. Instead, it stores documentation in its records management system. As this system is not designed for managing grants, the council could not confirm if the gaps we found were due to the system's poor search functionality or missing records.

Not regularly evaluating grant programs

Councils cannot make informed decisions on how to best allocate their funding if they do not regularly evaluate their grant programs. None of the audited councils have a standard practice or requirement to assess if their programs benefit the community.

For example, Loddon annually allocates \$50,000 to each of its wards for its community planning grant program. It also rotates \$500,000 a year across its wards for significant community projects. However, it has not evaluated if dividing funding between wards maximises community benefits.

We also found examples at Warrnambool where the council has paid recurring grants for over 15 years without reviewing them. However, it stopped paying 3 non-competitive recurring grants after finding out that they were not benefitting the community or lacked relevant approvals.

^{6 |} Fraud Control Over Local Government Grants | Victorian Auditor-General's Report



Recommendations about improving fraud controls

We recommend that:		Response
All Victorian councils	improve their conflict-of-interest processes by: requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve	Accepted by: Knox City Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
	documenting how the council manages declared conflicts of interest (see Section 2.1)	Partially accepted by: Hume City Council, Loddon Shire Council
	develop eligibility and assessment criteria for all their grant programs and:	Accepted by: Knox City Council, Southern Grampians Shire Council, Warrnambool City Council
	 assess and document each application against them communicate assessment outcomes and reasons to unsuccessful applicants (see Section 2.2) 	Partially accepted by: Hume City Council, Loddon Shire Council, Wes Wimmera Shire Council
	exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Accepted by: Hume City Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
		Partially accepted by: Knox City Council, Loddon Shire Council
	verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Accepted by: Hume City Council, Knox City Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
		Partially accepted by: Loddon Shire Council
	5. evaluate the benefits of:recurring grants and require recipients to seek future	Accepted by: Hume City Council, Knox City Council, Warrnambool
	 funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value (see Section 2.2) 	City Council Partially accepted by: Loddon Shire Council, Southern Grampians Shire Council, West Wimmera Shire Council
	6. document all funding decisions in a consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording: • the names of individuals involved in assessing or approving grant applications	Accepted by: Hume City Council, Knox City Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
	 if applicants met the eligibility criteria how assessors and approvers scored applicants against the assessment criteria 	Partially accepted by: Loddon Shire Council
	 what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with 	
Loddon Shìre Council	assessments (see sections 2.2 and 2.3) 7. assesses the benefits of its ward-based approach to allocating grants and how this aligns with the council's strategy (see Section 2.2).	Partially accepted by: Loddon Shire Council

 $^{7 \ | \ \}textit{Fraud Control Over Local Government Grants} \ | \ \textit{Victorian Auditor-General's Report}$



Internal guidance and training

Councils should provide guidance to staff and councillors who administer grants, including:

- an overarching grant policy
- · fraud control frameworks
- · fraud training.

Lack of overarching grant policies

Only West Wimmera has an overarching grant policy that documents how its staff and councillors should run grant programs.

This means that at other councils, staff and councillors do not have centralised guidance on which fraud controls they need to implement and when. Due to this, these councils have applied fraud controls in some grant programs but not others.

Hume, Knox and Loddon are currently developing draft overarching grant policies. They intend to adopt their policies in mid-2022.

Gaps in fraud control frameworks

All audited councils have risk management plans and fraud and corruption policies. However, councils do not prioritise grant-related fraud as a key risk. For example:

- none of the audited councils' risk management plans and fraud and corruption policies cover fraud controls for grant programs
- Loddon's fraud control framework does not clearly define roles and responsibilities for managing and reporting fraud
- of the 4 councils that have risk registers (Hume, Knox, Loddon and West Wimmera), none list grant-related fraud as a risk.

Gaps in fraud training

While all audited councils provide fraud training, none ensure that all staff and councillors involved in administering grants have completed it. In addition, only Knox, Loddon and Southern Grampians provide this training to councillors.

We assessed what the audited councils' fraud training covers and found that:

- none cover fraud risks that are specific to grants
- Southern Grampians refers to a superseded version of the Local Government Act 2020.

Without adequate training, councils are not proactively ensuring that staff and councillors understand their responsibilities in managing fraud risks.

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Recommendations about improving guidance and training

We recommend that:			Response
All Victorian councils	8.	when and why the council uses grants to achieve its strategy how the council will administer grant programs across their life cycle the risk-based approach the council uses to determine if it will evaluate each grant program staff and councillors' roles in managing grants relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4)	Accepted by: Hume City Council, Knox City Council, Loddon Shire Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
	9.	include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Accepted by: Hume City Council, Knox City Council, Loddon Shire Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council
	10	 develop mandatory training for staff and councillors that covers: declaring and managing conflicts of interest fraud risks specific to grant programs the council's relevant policies and procedures (see Section 2.4). 	Accepted by: Hume City Council, Knox City Council, Southern Grampians Shire Council, Warrnambool City Council, West Wimmera Shire Council Partially accepted by: Loddon Shire Council

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Audit context

The law requires, and communities expect, councils to deliver grant programs with integrity and accountability.

A person or entity that fraudulently gets an unjust advantage over other applicants undermines the fairness of a grant program. Fraud controls help councils prevent, detect and respond to fraud-related risks.

This chapter provides essential background information about:

- What is fraud?
- Local government grants
- Fraud and local government grants



1.1 What is fraud?

Fraud occurs when a person or entity uses dishonest or deceitful means to get an unjust advantage over another person or entity. Within the public sector, fraud can also involve corruption.

Victoria's Independent Broad-based Anti-corruption Commission Act 2011 defines corrupt conduct:

Of a public officer or public body as ...

performing their public sector role dishonestly

- knowingly or recklessly breaching public trust, or
- misusing information or material gained through their public sector role.

For any person as ...

- conduct that adversely affects the honest performance of a public officer or public body
- conduct that adversely affects the effective performance of a public officer or public body, or
- · dishonestly obtaining:
 - a licence
 - · a permit
 - approval or authority
 - an appointment to a statutory office or member of a board
 - · a financial benefit.

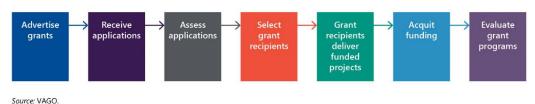
1.2 Local government grants

Councils can use grant programs to help them:

- · meet an existing community need
- · provide a service that aligns with the council's goals
- stimulate the local economy.

To do this, they distribute grants to individuals, community groups and businesses. Figure 1A shows the stages that should be involved in council grant programs.

FIGURE 1A: Stages that should be involved in council grant programs



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In 2020–21, 46 Victorian councils spent more than \$45 million on grants. The remaining 33 councils did not report their total grant spending in their annual reports. Figure 1B shows that the audited councils spent around \$4.11 million in grants in 2020–21.

FIGURE 1B: Audited councils' grant spending in 2020-21

Council	Grant spending per capita	Total grant spending
Hume	\$7.70	\$1,902,285
Knox	\$6.10	\$1,017,141
Loddon	\$75.11	\$560,756
Southern Grampians	\$9.62	\$154,640
Warrnambool	\$10.84	\$388,237
West Wimmera	\$23.47	\$89,409
Total		\$4,112,468

Source: VAGO, based on information from the audited councils, the Australian Bureau of Statistics, and the Department of Environment, Land, Water and Planning's projected population growth rates.

1.3 Fraud and local government grants

To award a grant, a council needs to transfer funding to a third party. This carries a number of fraud risks, including the risk of:

- staff or councillors selecting recipients unfairly based on personal interests
- an applicant giving staff or councillors benefits for awarding them a grant
- a recipient using funding for purposes outside the grant's objective.

Fraud controls

Victorian state departments are bound by the 2018 Better Grants by Design guide for administering grants.

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Better Grants by Design recommends	To ensure that
having processes for staff to declare conflicts of interest	conflicts are identified, managed and do not influence decision-making.
using clear and easy to understand eligibility criteria to select and assess applications	they fairly assess every application the same way.
documenting and communicating their decisions	their decision-making is transparent.
acquitting spending	 they know if grant recipients have used the funding as intended they can recover any unspent funds.

However, there is no official guidance or better-practice document for Victorian councils on what fraud controls they should use in their grant programs, such as managing conflicts of interest, using assessment criteria and documenting decision-making.

Managing conflicts of interest

In the public sector, a conflict of interest occurs when an employee has private interests that could influence, or be seen to influence, their decisions or how they perform their public duties. A conflict of interest can be actual, potential or perceived.

For example, in its 2018 investigation *Protecting Integrity: West Wimmera Shire Council examination*, the Local Government Inspectorate found that West Wimmera's communications officer engaged with prospective applicants and assisted them with their applications. As the officer was also involved in assessing applications, this created a conflict of interest.

In 2019, the Independent Broad-based Anti-corruption Commission's *Managing* corruption risks associated with conflicts of interest in the Victorian public sector report described good-practice examples of some councils managing conflicts of interest. This included having a standalone conflict-of-interest policy and maintaining registers for declarations.

However, the report found that other councils it reviewed relied on general guidance provided by Local Government Victoria or codes of conduct that did not clearly outline how staff should declare and manage conflicts of interest.

If a council does not identify or manage conflicts of interest between grant applicants and assessors, it increases the risk of fraud.

Using assessment criteria and documenting decision-making

Councils must assess grant applications against eligibility and assessment criteria and record their decision-making process to make sure their funding decisions are transparent.

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For example, the Local Government Inspectorate's 2019 *Protecting integrity: Yarriambiack Shire Council Investigation* report highlighted that the council's lack of record keeping and separation of duties in its decision-making process undermined the transparency around its community grants.

In particular, the investigation found that the council:

- did not have criteria to decide who would be on the assessment panel
- could not explain why councillors were on the assessment panel, which are operational roles within the council
- did not document why assessors approved or declined applications.

Similarly, in 2014, the Local Government Inspectorate found that councillor-discretionary funding programs at the City of Greater Geelong had limited oversight and accountability. This was because councillors could allocate funding to projects within their own wards without:

- formally advertising or publicly promoting funding programs
- · a formal process for prospective applicants to apply
- documenting how they selected projects and against what criteria
- requiring any feasibility studies or business cases for proposed projects
- · considering how the council would pay to maintain new assets.



2. Implementing fraud controls

Conclusion

Councils do not always follow processes for staff or councillors to declare conflicts of interest, use eligibility criteria to select recipients, document decision-making or evaluate the outcomes of their grant programs. This means that they are not consistently using fraud controls when delivering grants, which undermines the transparency and fairness of their programs.

Councils' guidance to staff and councillors who administer grants is insufficient.

This chapter discusses:

- · Conflicts of interest
- Distributing grants fairly
- Checking how funds are used
- Frameworks to manage fraud risks

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2.1 Conflicts of interest

If a councillor or staff member with a conflict of interest is involved in assessing or approving a grant application, they could use their position to benefit themselves or someone they know, such as a family member or friend.

Not identifying potential conflicts of interest

None of the audited councils have reviewed their grant records to detect potential fraud. Analysing grant records to see if staff or councillors have connections to past recipients can also help councils identify present conflicts of interest.

While connections do not always indicate fraudulent behaviour, councils should oversee these relationships.

Figures 2A and 2B present examples of councils approving applications made by staff or councillors without acknowledging potential conflicts of interest.

FIGURE 2A: Loddon: family members applying for grants

Loddon distributes grants to community groups for promoting local events. In 2021, a councillor's family member applied for a \$400 grant as a representative of a community group.

The family member used the councillor's account in Loddon's grant application portal to apply for the grant, which meant the application was lodged under the councillor's name. The councillor is not involved with the community group.

A Loddon staff member approved the application because it met the eligibility criteria. However, it is unclear if they knew the councillor was not involved with the community group. We found no evidence in council records that the staff member considered this.

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FIGURE 2B: Hume: staff applying for grants

In 2018, Hume ran a grant program to sponsor local events.

Applications were due in October 2018 with budgets to be finalised in June 2019. In August 2019, 10 months after applications were due, a council staff member made a late application for \$16,500 on behalf of a community group for a street festival. Hume allowed the applicant to submit a late application and approved it.

Hume was unable to locate evidence for this approval because it processed the application outside its grant management system.

Lack of policies on how staff should declare conflicts of interest

All audited councils have general requirements for staff to declare conflicts of interest when they occur. However, none have an overarching grant policy that specifically outlines how staff should declare conflicts for grants. Without this, staff may not know how to declare and manage conflicts in this context.

Figure 2C presents better-practice examples of how Hume, Loddon and Southern Grampians identify conflicts of interests.



FIGURE 2C: Hume, Loddon and Southern Grampians: declaring conflicts of interest

Hume, Loddon and Southern Grampians use different better practice approaches to identify conflicts of interest for staff assessing grants.

Hume

For its economic development grant program, Hume requires both applicants and assessors to separately declare conflicts of interest.

Hume's grant application form asks if the applicant or their family members have any relationships with a council staff member. In addition, councillors and staff involved in the program must declare any relationships with applicants.

Loddon and Southern Grampians

Southern Grampians has a mandatory field in its grant management system for assessors to declare if they have a conflict of interest for every application in its grant program. Loddon also has this field for all its staff who assess grant applications.

Hume's 2-step process for declaring conflicts of interest reduces the risk of conflicts going undetected. While this program is an example of better practice, it is unclear why Hume does not consistently apply it to all of its grant programs.

Southern Grampians' approach ensures that assessors report and document any conflicts of interest consistently.

Inconsistently managing conflicts of interest

As the audited councils do not have consistent processes for staff and applicants to declare conflicts of interest, it is unclear if they are managing them well.

Figure 2D presents an example of better practice from West Wimmera. The council excludes staff and councillors that have declared a conflict of interest from the decision-making process. This way, the council does not provide some applicants with an unfair advantage over others.

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FIGURE 2D: West Wimmera: managing conflicts of interest

In May 2021, West Wimmera excluded a councillor and staff member from the decision-making process for one of its grant programs because they declared conflicts of interest.

The councillor was a life member of a group that applied for a grant. The staff member managed a council asset at a local club that also applied for the grant.

The council's records show that the councillor left the room while the rest of the council voted to approve the application. The staff member did not take part in assessing the application.

West Wimmera documented details of each conflict of interest and the outcomes in its conflict-of-interest register.

2.2 Distributing grants fairly

To make sure grant programs are fair and accessible, councils should:

- · set eligibility and assessment criteria and use them consistently
- · document their funding decisions
- not have councillors on assessment panels
- communicate outcomes to all applicants
- regularly evaluate if their grant programs are providing community benefits
- publicly advertise their grant programs.

Using eligibility and assessment criteria inconsistently

When grant programs do not have clear eligibility and assessment criteria, councils may assess applications inconsistently and the public might think the outcomes are unfair.

All of the audited councils, except Loddon and West Wimmera, had eligibility criteria for all of the grant programs we reviewed.

Lack of assessment criteria for Loddon's community planning grant program

Loddon's community planning grant program annually budgets \$50,000 for each ward to use on projects proposed by community planning groups. While council staff

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do assess applications before councillors vote to approve them, there is no evidence that they use assessment criteria. Instead, the council documents its overall comments for each application.

Figure 2E outlines an example where Loddon staff did not use assessment criteria for this program. This makes it difficult to understand why the assessors changed their recommendation.

FIGURE 2E: Loddon: assessments do not reflect recommendations

In May 2019, a local club applied for a \$16,390 grant to install a disabled toilet.

The council's assessment of this application states: 'Good project. This has been fully designed and planned and is ready to proceed. Recommend funding for full amount'.

However, Loddon's September 2019 report to its councillors did not recommend the project because it was for a specific club operation. In line with the report's recommendations, the councillors did not approve the project for funding.

The council's letter to the applicant says that it declined the project because it was better suited for another grant program.

While it was reasonable for the council to decline the project, Loddon's records do not explain why the council's initial assessment was different to its final recommendation to the councillors. Having assessment criteria would have helped Loddon document why it did not select the project.

Loddon's ward-based approach may not be delivering the best value for money for the municipality because it allocates funding based on wards. Even when the council does not approve any projects from a ward one year, the budget rolls over for the same ward to use in future years.

Loddon also provides \$500,000 per year to support its community planning framework. It funds a single project that strategically benefits the community and is intended to attract state and federal grant funding by providing a co-contribution. The council rotates the funding between wards and there is no competitive process to select projects. The council also delivers the project.

By using both of these programs to fund primarily capital projects, Loddon is not assessing these projects against competing projects that go through its annual budgeting process.

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Loddon advised us that while it manages capital bids through its annual budget process, a lack of staff has impacted its ability to develop a project pipeline to help it develop and prioritise capital projects.

Lack of eligibility criteria in ad hoc grant programs

Both Loddon and West Wimmera have ad hoc grant programs that do not use eligibility criteria or an open competitive process. Figures 2F and 2G show that these grant programs are less transparent to the public because they rely on assessors' individual discretion, rather than a formal assessment process, to select recipients.

FIGURE 2F: Loddon: grants awarded without assessment

Councillors at Loddon distribute unallocated funds from its competitive community grant program without advertising that they are available and documenting the eligibility or assessment criteria.

In 2020 and 2021, Loddon did not open additional competitive rounds to distribute more than \$16,000 of un-allocated community grant funds. This is inequitable because some community groups have access to funds while others need to show how they will use them to benefit the community through a competitive process.

For example, in March 2021, the councillors voted to pay a community group almost \$7,000 in un-allocated funds from the community grant program. The recipient did not submit an application for council staff to

In another example, a community group approached a councillor to ask for funding because it missed the community grant round. The councillor consulted a council officer to confirm that this group would have met eligibility criteria, but there was no formal application or assessment process. The councillor took this request to the council in June 2021 and the council approved the group's request for \$1,980.

If the applicant had applied through the council's community grant program, it would have had to detail what the funds would be used for and been scored against other applicants using the assessment criteria.

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FIGURE 2G: West Wimmera: lack of eligibility criteria

In 2020–21, West Wimmera gave out 57.6 per cent of all its grant funding in programs without eligibility criteria.

In 2020–21, West Wimmera delivered 4 grant programs, but only 3 had eligibility criteria. For the remaining program, applicants approached the council directly to request funding. This is because these programs are sponsorships and donations, which have a different process than grant programs. However, it is still unclear how the council selected recipients for these programs.

West Wimmera also told us that it did not have eligibility criteria because these grants are designed to give the council flexibility to respond to small funding requests that are not eligible for the council's other grant programs.

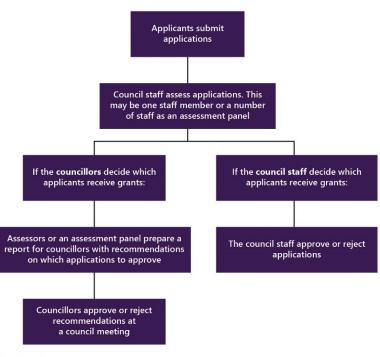
In 2020–21, West Wimmera spent \$51,559, or 57.6 per cent of its total grant spending of \$89,409, on this ad hoc funding. The funding included contributions to local businesses to start or continue operating in the council area, small payments to tourism companies and sponsorships of local events.

Not documenting funding decisions

Figure 2H outlines 2 different processes to select grant recipients depending on whether councillors or council staff approve applications.







Source: VAGO.

Hume and Loddon have no internal guidance on when grant programs should have an assessment panel. It is not clear why these councils use one assessor to assess some grants and a panel to assess others.

Figure 2I describes examples from Hume, Knox and Loddon where assessment panels initially recommended funding less than the requested amount, or not funding an applicant at all, then changed their recommendations without recording why. Before this audit, none of these councils had standard practices to document when and why the assessors changed their recommendations.

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FIGURE 21: Hume, Knox and Loddon: not documenting funding decisions

Based on their grant records, Hume, Knox and Loddon have approved more funding for recipients than what assessors initially decided. This is because these councils do not record changes in assessors' recommendations.

For example, at Knox, a single applicant received \$20,000 when none of the 4 assessors recommended awarding the grant to them when they individually assessed applications. We also found that one applicant received the full \$14,200 they requested, even though 3 of the 4 assessors recommended they receive less than \$5,000.

Knox advised us that in both instances, the assessors discussed the applications as an assessment panel after completing their individual assessments and agreed to change their recommendations. However, Knox did not document reasons for doing so. Knox told us that it has since updated its processes to record more details about assessors' decisions.

In another instance, Hume's assessment panel chair changed an applicant's score and increased the grant amount by \$1,250. Hume advised us that the assessment panel increased the amount at a second meeting but did not document why.

We also found 3 instances at Hume where councillors approved grants despite the applicants not meeting the assessment criteria.

Loddon does not always document its funding decisions in its grant management system. For example, councillors approved one application that assessors did not initially recommend funding without documenting that the assessors changed their recommendation. Loddon also did not document in its system why it awarded 2 grant applicants more than \$33,000 when they only requested \$25,000.

Councillors on assessment panels

The Local Government Inspectorate's 2019 *Protecting integrity: Yarriambiack Shire Council Investigation* report recommended the council to remove councillors from assessment processes for community grants.

At Hume and Knox, councillors sit on assessment panels for some grant programs and then approve grants they have recommended at council meetings. For example,



in August 2020, a Knox councillor assessed a grant application for \$8,891. In September, the same councillor voted to approve the application.

Hume and Knox told us that they will recommend that councillors do not form part of assessment panels in mid-2022. Both councils advised us that their new overarching grant policy will address this, which they will present to councillors after this report is released.

For some grant programs at Loddon and West Wimmera, councillors assess and approve applications in council meetings without council officers formally assessing them (see figures 2F and 2G).

Lack of transparency in communicating outcomes to applicants

Informing applicants about the outcome of their application can help to ensure that councils have valid reasons for their decisions. It also gives the applicant transparency on why the council selected other applicants.

However, only Loddon, Warrnambool and West Wimmera consistently send letters to applicants that explain why they were unsuccessful.

While Knox does inform applicants and provides reasons why they were unsuccessful, we found 3 grant applications where this did not occur. Other audited councils do not consistently tell unsuccessful applicants why they rejected their application. This can reduce the transparency of their grant programs.

Not regularly evaluating grant programs

Regularly evaluating grant programs can help councils identify programs that are not delivering community benefits and redirect the funds to worthier recipients.

None of the audited councils have a standard practice or requirement to evaluate their grant programs. While all audited councils except West Wimmera have evaluated at least one of their grant programs in the past, this has occurred on an ad hoc basis.

Figure 2J discusses how Warrnambool continued to pay recurring grants without knowing if they were achieving their intended benefits or were fit for purpose.



FIGURE 2J: Warrnambool: funding recurring grants without review

While Warrnambool has evaluated if some of its recurring grants provide community benefits, it has continued to fund some grants for up to 25 years without reviewing them.

Warrnambool has provided:

- \$5,000 each year to the coast guard to cover petrol costs since 1997
- \$15,000 each year to a surf lifesaving club for at least 15 years.

Warrnambool has not adjusted the value of these grants even though:

- the price of fuel has risen more than 166 per cent¹ in the last 20 years
- it has not reviewed what equipment and maintenance costs the council provides to the surf lifesaving club and if these costs are greater than they were 15 years ago
- · the coast guard has requested additional funds from the council.

The council stopped automatically paying the following 2 non-competitive recurring grants because it found that they were not benefitting the community or it could not find evidence from when it approved them:

- The council paid a committee of management (CoM) \$11,000 a year from 2006 to 2020 to maintain an athletics park. The athletics track has degraded and is currently not safe for schools and other community groups to use. In November 2020, council staff told the park's CoM that the council would not make any future payments. The CoM sent an invoice in late 2021, which the council has not paid.
- The council had been paying a sporting organisation \$10,000 per year since 2006 but had no evidence that it had approved the grant. In 2020–21, staff ceased the organisation's annual payments and recommended that it apply for budget funding.

 $\textit{Note: 1} \textbf{This percentage was calculated based on the nominal price increase of fuel from 1999 to 3 May 2022.}$

Gaps in advertising grant programs to potential recipients

When distributing public funds, councils should ensure that they give all potential recipients the same opportunity to apply for a grant. Councils risk not treating all potential recipients fairly if they do not do this. While there are valid reasons for not advertising grant programs, it is important that councils document these reasons for transparency.



At Loddon and West Wimmera, gaps in advertising their grant programs mean that they cannot be sure that all potential recipients can access information about the programs they are eligible for.

For example	But
Loddon advertises its grant programs on its website	it spreads information about its grant programs across different policies and webpages.
Loddon's Community Support Policy mentions that the council may consider granting sponsorships and donations	does not include information on how a potential recipient can apply.
West Wimmera advertises its formal grant programs on its website	does not advertise programs that it categorises as sponsorships or donations.

2.3 Checking how funds are used

Councils should use acquittal and monitoring processes to make sure grant recipients use funds as intended. This can help them recover leftover or misspent funding. Councils should apply acquittal processes that are proportionate to the value of the grant.

Inconsistent acquittal processes

The audited councils do not consistently check if recipients use funding as intended. Only Knox and Southern Grampians have an acquittal process for all of their grant programs. The remaining councils do not require recipients to provide evidence of how they have used funding for at least one program.

Not consistently using an acquittal process means that councils cannot:

- be sure if grant recipients have used funds as intended
- · be sure if recipients have met a grant's conditions
- · recover any unspent funds.

Figure 2K provides an example where Loddon paid a larger grant than it should have because it did not check how the recipient used the funding.



FIGURE 2K: Loddon: selling an oval mower against grant policy

Loddon runs a grant program to help major recreation reserve CoMs replace their oval mowers.

Under the program's policy:

- eligible CoMs can receive support of up to \$35,000
- CoMs must give the council proof of the net cost of the new mower, accounting for any trade-in value of the old mower.

In August 2021, a CoM requested, and the council approved, a \$35,000 grant to purchase a new mower. Under the program's policy, the group should have supplemented the grant funding with funds from the sale of its old mower.

The CoM privately sold its old mower 2 months after purchasing the new mower, despite advising the council that the old mower had no trade-in value. The CoM kept the \$7,700 it received for the old mower after it made an agreement with the school that co-owned it.

Loddon was not aware of the sale because it had not acquitted the funding. While the CoM later informed Loddon about the sale, the council has no plans to recover this funding even though it should not have paid the full cost of the new mower.

In the conditions for its largest grant program, West Wimmera outlines its right to withhold 20 per cent of funding until recipients acquit their spending. This creates a financial incentive for recipients to show how they used the funding. However, West Wimmera does not have evidence that it does this in practice.

While West Wimmera specifies this process in funding agreements, it does not formalise it in its overarching grant policy. By not doing this, the council does not require staff to consistently apply this practice across its grant programs.

Not monitoring how recipients are using funds

None of the audited councils consistently monitor how grant recipients are using funding. Instead, they rely on acquittal processes at the end of a program. Ongoing monitoring could help councils detect potential fraud at an earlier stage.

From the grant programs we sampled, only Knox has an ongoing monitoring process, which Figure 2L describes. While this is an example of better practice, it only applies this to its largest grant program.

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FIGURE 2L: Knox: monitoring process for its community partnership funding grants

Knox requires recipients of its community partnership funding grants, which support organisations that have ongoing operational costs to deliver community services and activities, to report how they have used the funding each year.

The program's 4-year funding agreements require recipients to provide Knox with an annual outcomes report for each funded activity that includes supporting documentation. This helps Knox ensure that recipients are using the funds as intended.

This monitoring has helped Knox identify areas for improvement in its performance measures. For example, an organisation reported that it would not be able to meet its original performance measures due to the coronavirus (COVID-19) pandemic. In response, Knox changed its performance measures so the organisation could still meet them and acquit its spending.

Lack of processes to recover funding

It can be difficult for councils to recover funding from recipients who have not met a program's conditions, such as not delivering a funded activity. Only Hume and Knox have clauses in their funding agreements that allow them to stop or recover payments.

Having these terms in their funding agreements has enabled Hume and Knox to recover funding. For example, in June 2021, Knox recovered around \$20,000 from a community group after a funded event could not go ahead due to COVID-19 restrictions.

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Gaps in record keeping

Councils should have a structured way to document information about their grant programs to ensure that their decision-making is transparent throughout a program's life cycle. One way that councils can do this is by using a grant management system to document:

- · how the council assessed applications, including the names of the assessors
- · any conflicts of interest with individual applicants
- · correspondence with applicants and recipients
- supporting documentation from recipients to acquit spending.

All audited councils except West Wimmera use a centralised grant management system to manage their grant processes.

However, we found that all audited councils except Knox had incomplete records, such as missing acquittal forms and receipts, for the programs we reviewed. This is because these councils administer some grant programs outside of their grant management system. For example:

Currently	But
Hume does not process all grants through its grant management system	it plans to move all grants into the system by the end of 2022.
Loddon administers all of its grants in the grant management system it implemented in 2019	some of the grant programs we reviewed from 2019 were administered outside the system in the early stages of its implementation.
Southern Grampians uses assessment panels to review applications, but only records one assessor's name per application in its grant management system	it plans to update its system to include the names of all assessors for its 2022 grant rounds.

West Wimmera uses its records management system to store documents that relate to its grant programs. However, the system's poor search functionality and lack of structure to organise documents makes it difficult for staff to find grant records. West Wimmera:

- did not record the assessors' names for 2 applications in 2017 and 2 in 2019
- could not find 2 letters of success sent to applicants in 2019
- could not provide assessment documents from 2018 when requested, but found them after some investigation.

West Wimmera is seeking funding in its next budget cycle for a grant management system that it expects will address these issues.

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2.4 Frameworks to manage fraud risks

Councils can provide staff and councillors with guidance on how to manage fraud risks by:

- implementing an overarching grant policy to make sure staff apply fraud controls throughout a grant's life cycle
- documenting fraud risks in risk registers and defining roles and responsibilities for managing these risks
- · training staff and councillors to detect and prevent fraud.

Lack of overarching grant policies

An overarching grant policy promotes consistency in how staff manage a council's grant programs. It should:

- · cover the entire life cycle of a council's programs from advertising to acquittal
- set standards to prevent and manage fraud risks
- · follow relevant legislation, policies and guidance
- · be accessible to staff who are involved in administering grants.

However, 5 of the 6 audited councils do not have an overarching grant policy.

West Wimmera is the only audited council that has an overarching policy. This policy covers some key aspects, including:

- its definition of a grant
- an explanation of how past recipients who have not acquitted spending are ineligible for future grants
- its application, assessment and accountability processes.

However, its policy lacks some key elements, such as how to acquit spending and manage conflicts of interest for grant programs.

Hume, Knox and Loddon have developed draft overarching grant policies. Hume and Knox expect to adopt their policies in mid-2022. Both councils advised us that this timing will allow them to consider our report's recommendations in their new policies.

Hume and Knox's policies include better-practice fraud controls:

The draft policy at	Outlines how it will manage grants over their life cycle, including
Hume	 excluding individuals or entities with the power to approve grants (such as councillors) from assessment panels
	 how staff and councillors should record and manage conflict of interests
	how it will evaluate each grant program.
Knox	when it should use an assessment panel
	 how staff and councillors must identify conflicts of interest
	how it will acquit spending.

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Loddon's draft policy lacks guidance on how staff should manage grants at each stage of their life cycle, including assessment, acquittal and conflict-of-interest processes. Loddon told us that this policy is a work in progress.

Documenting fraud risks

Incomplete and missing risk registers

Risk registers can help councils evaluate the impact of risks and identify actions to address them.

Hume, Knox, Loddon and West Wimmera have risk registers, but they do not list grant-related fraud as a risk. This is a missed opportunity to reduce these risks and identify areas for improvement within their fraud controls.

Both Hume and West Wimmera told us that they are currently reviewing their risk registers to include grant-related fraud as a risk. Hume expects to complete its review at the end of 2022. West Wimmera plans to include controls around declaring conflicts of interest and selecting assessment panels.

Defining roles and responsibilities

Councils should have clearly defined roles and responsibilities for managing fraud-related risks. Without doing this, they may not be prioritising these risks.

Except for Loddon, all of the audited councils clearly define roles and responsibilities for managing and reporting fraud in their general fraud and corruption policies.

While all of the audited councils have policies for fraud and corruption, none of these policies cover fraud controls for grant programs.

Lack of training about grant-related fraud risks

Without training, staff and councillors involved in administering grants may not know how to prevent and detect fraud.

All audited councils deliver fraud training, but attendance records show that none have ensured that all staff have completed it.

In 2020, councillors at the audited councils approved around \$2.6 million in grants. However, only Knox, Loddon and Southern Grampians deliver fraud training to their councillors. Other councils rely on councillors to act with integrity, which is required under councillor codes of conduct.

Figure 2M is an example that shows why councils should ensure they train staff and councillors on the risks of both perceived and actual conflicts of interest.

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FIGURE 2M: Loddon: councillor-sponsored prize

A Loddon councillor sponsors a \$14,500 prize at an event that a local club runs every year. The prize is named after them and their family.

In 2021, the club applied for and received a \$1,000 grant from the council to promote the entire event.

While the councillor did not approve the grant, it can be perceived as a conflict of interest. This is because the council is providing public funding to promote an event that a councillor personally contributes to. While the event was eligible for funding, council records show that Loddon did not consider how the application could present a conflict of interest.

As of December 2021, 2 of Loddon's 5 councillors had not completed the council's fraud and corruption awareness training. While councillors do not have to complete this training under the council's fraud policy, Loddon has the authority under its Councillor Code of Conduct to ensure that councillors complete any training it sees as necessary to fulfil their role.

Gaps in training

While we found some examples of better practice, councils could improve their training so staff and councillors who administer grants understand fraud risks and how to respond to them:

All audited councils	But could improve their training by
cover conflicts of interest in their training	 covering fraud risks specific to grant programs including detailed examples of conflicts of interest.
except Loddon and Southern Grampians, have updated their training in the last 2 years	ensuring it refers to current legislation and guidance. For example, Southern Grampian's training refers to a superseded version of the <i>Local Government Act 2020</i> .
	Loddon advised us that it is currently reviewing its training content.

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APPENDIX A

Submissions and comments

We have consulted with Hume, Knox, Loddon, Southern Grampians, Warrnambool and West Wimmera, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Hume		5
Knox	40)
Loddon	4	7
Souther	n Grampians5	5
Warrnai	mbool56	3
West W	immera6	3



Our File: HCC17/649 (IN22/16060) Enquiries: Megan Kruger

Friday, 29 April 2022

Mr Andrew Greaves Auditor-General Victorian Auditor-General's Office Level 31, 35 Collins Street MELBOURNE VIC 3000

Dear Mr Greaves

RE: PERFORMANCE AUDIT FRAUD CONTROL OVER LOCAL GOVERNMENT GRANTS – HUME CITY COUNCIL SUBMISSION

1079 PASCOE VALE ROAD BROADMEADOWS VICTORIA 3047

Telephone: 03 9205 2200 Facsimile: 03 9309 0109 www.hume.vic.gov.au

Hume City Council thanks the Victorian Auditor-General's Office (VAGO) for providing the Proposed Performance Audit Report – *Fraud control over local government grants* and for offering Council the opportunity to provide comment to be included in the report.

The learning and recommendations of the audit will ensure that Council is able to deliver a best practice grants program with a focus on preventing fraud and corruption. I am pleased to submit Hume City Council's action plan to address recommendations from *Fraud control over local government grants*, as attached.

Council thanks the Audit team for their collaborative and constructive approach and for the opportunity to provide comment on the performance audit.

Yours sincerely

SHEENA FROST CHIEF EXECUTIVE OFFICER

Encl



OFFICIAL: Sensitive

Hume City Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	Improve their conflict- of-interest processes by: requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve documenting how the council manages declared conflicts of interest (see Section 2.1)	Partially agreed. Council already requires staff and Councillors to declare conflicts of interest for each grant application they access or approve. However, it is noted that this is through Conflict of Interest policies and not an overarching grants policy. The conflict of interest requirements for all grants will be included in the overarching grant policy.	June 2022
2	Develop eligibility and assessment criteria for all their grant programs and: • assess and document each application against them • communicate assessment outcomes and reasons to unsuccessful applicants (see Section 2.2)	Partially agreed. Hume City Council already has eligibility and assessment criteria for all its grants programs. However, it is noted that Council does not have an overarching grants policy which provides centralised guidance about these matters. The overarching grant policy will include the requirements, including record keeping requirements, for assessing each application and communicating outcomes.	June 2022
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Agreed. The proposed Grant-giving Policy (to be considered by Council in June 2022) states that decision makers (i.e. Councillors) are not involved in the assessment of grant programs.	June 2022

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4 Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3) 5 Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • Programs A greed. A mandatory requirement for financial acquittals will be included in the overarching grants policy. June 2022 / June 2023 A requirement to evaluate Council's grant programs will be included in the overarching grant policy. The Evaluation Framework will be developed
recurring grants and require recipients to seek future funding through existing competitive grant recurring grants and requirement to evaluate Council's grant programs will be included in the overarching grant policy. The Evaluation
on-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)

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Document all funding decisions in a consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording: • the names of individuals involved in assessing or approving grant applications • if applicants met the eligibility criteria • how assessors and approvers scored applicants against the assessment criteria • what assessors and approvers considered to determine funding amounts • reasons why any funding decisions do not align with assessments (see sections 2.2 and 2.3) Agreed. The overarching grant policy will include the requirements, including record keeping requirements, for assessing each application and communicating outcomes. Council is moving all its grant streams to SmartyGrants by the end of 2022 to assist with this recommendation.



8	Develop their own	Agreed.	June 2022
	overarching grant policy that details: when and why the council uses grants to achieve its strategy how the council will administer grant programs across their life cycle the risk-based approach the council uses to determine if it will evaluate each grant program staff and councillors' roles in managing grants relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4)	The development of an overarching grants policy has commenced. The policy is to be presented to Council for adoption in June 2022 following the publication of this Report so that all recommendations can be discussed publicly.	
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Agreed. Council's Corporate and Departmental Risk Registers are being updated in 2022. This will include consideration of a specific risk in relation to grants.	Dec 2022
10	Develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs • the council's relevant policies and procedures (see Section 2.4).	Agreed. 1. Fraud and corruption training for Councillors will be included in the Councillor training calendar. 2. Fraud risks in grant programs will be included in future fraud and conflict of interest training. 3. Fraud training will be rolled out to all staff involved in grants programs	 August 2022 June 2023 June 2022

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Response provided by the Mayor, Knox

2 May 2022

Mr. Andrew Greaves Auditor-General VAGO Level 31, 35 Collins Street MELBOURNE VIC 3000 O X your city



Dear Mr. Greaves

Proposed Performance Audit Report – Fraud Control over Local Government Grants

I refer to your correspondence of 13 April 2022 and the opportunity to comment on the proposed report of this Performance Audit.

Grants are an important and tangible way that Council can directly support its residents and community groups to achieve broader community benefit. Council is committed to ensuring best practice effective controls are in place for its many grant programs to prevent fraud and corruption, with the objective of providing its community with confidence that public funds are being spent as intended.

We have now reviewed the proposed report and its recommendations and Council has also provided an action plan that addresses the recommendations.

Council is appreciative of the opportunity to participate in and work with VAGO officers during this performance audit.

Please contact Matt Kelleher, Director City Strategy and Integrity on 9298 8102 should you have any queries on this matter.

Yours sincerely

Cr Susan Laukens

Mayor

Enquiries: Matt Kelleher, Director City Strategy and Integrity

Document ID: D22-102217

Knox City Council, ABN 24 477 480 661, 511 Burwood Highway, Wantirna South Victoria 3152, Telephone 03 9298 8000, Fax 03 9800 3096, Email knoxcc@knox.vic.gov.au, DX 18210 KNOX, knox.vic.gov.au



local government grants

Knox City Council action plan to address recommendations from Fraud control over

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No. V	VAGO recommendation	Action	Completion date
1 Ir	wago recommendation mprove their conflict- of-interest processes by: requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve documenting how the council manages declared conflicts of interest (see Section 2.1)	Action Accepts Council will finalise the Conflict of Interest Guide which: Reinforces the requirement to declare a conflict of interest in the manner prescribed by the Local Government Act 2020 and Council's Governance Rules. Nominates grant allocations as a high risk activity that requires proactive measures to be in place requiring individuals to proactively consider actual, potential or perceived conflicts of interest; and document that assessment. Requires management strategies / plans be put in place with a scale and scope commensurate to the	Completion date August 2022

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		OFFICIAL: Sensitive		
3	Develop eligibility and assessment criteria for all their grant programs and: • assess and document each application against them • communicate assessment outcomes and reasons to unsuccessful applicants (see Section 2.2)	Accepts Council will continue to develop assessment criteria for all Council grants programs. These will be documented and shared with applicants and assessors. Council will record the reasons for decisions and share these with unsuccessful applicants. Council will record the reasons for funding recommendations by grant assessment panels where the initial individual assessment differs from the final recommendation. All assessment records will be attached to each funding round in the SmartyGrants system to ensure transparency and a complete record of the funding round. Such documents may include meeting minutes and tools used by assessment spreadsheets. This approach will be addressed in Council's draft Grants Framework.	August 2022	
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Partially Accepts Council has previously resolved to defer consideration of the Grants Framework to enable consideration be given to any feedback and recommendations emanating from this audit. Council will consider this recommendation in its draft Grants Framework which will be presented for a Council decision.	August 2022	
		OFFICIAL: Sensitive		

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4 Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3) 2.3) Accepts Council will continue to ensure that all grant recipients use grant funds for their intended purpose through a consistent acquittal processes. Acquittal processes and consequences of noncompliance are covered in Council's draft Grants Framework. 5 Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants and consider their risks and value (see sections 2.2 and 2.3) Ongoing monitoring and evaluation will be done via a partnership model of grant management, feedback from applicants, assessors and other relevant stakeholders; regular review of relevant grant documents; and consideration of the funding environment.			OFFICIAL: Sensitive	
Evaluate the benefits of:	4	recipients use grant funds for their intended purpose (see Section	Council will continue to ensure that all grant recipients use grant funds for their intended purpose through a consistent acquittal processes. Acquittal processes and consequences of noncompliance are covered in Council's draft Grants	August 2022
	5	recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and	Accepts Council will continue to monitor its grant programs and evaluate benefits to the community and alignment with Council goals as recorded in our Community and Council Plans. Ongoing monitoring and evaluation will be done via a partnership model of grant management; feedback from applicants, assessors and other relevant stakeholders; regular review of relevant grant documents; and consideration	Ongoing

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	OFFICIAL: Sensitive	
Document all fundin decisions in a consis and structured way within a centralised system to ensure the decision-making is transparent, includin by recording: • the names of individuals involved in assessing or approving grapplications • if applicants the eligibilit criteria • how assessor and approves scored applicants against the assessment criteria • what assess and approves considered to determine funding amounts • reasons why funding decisions docalign with assessments (see section and 2.3)	Council will continue to utilise SmartyGrants as a centralised grant management tool. This will allow Council to continue: - recording the name of assessors; their initial assessment of assigned grants; and reasons for their assessment; - recording all details of eligibility checks. The council will record the reasons for funding recommendations by grant assessment panels where the initial individual assessment differs from the final recommendation. All assessment records will be attached to each funding round in SmartyGrants to ensure transparency and a complete record. In addition to assessment records (that are recorded in SmartyGrants), other such documents may include meeting minutes and tools used by assessment panels such as assessment spreadsheets.	August 2022
	OFFICIAL: Sensitive	



		OFFICIAL: Sensitive		
8	Develop their own overarching grant policy that details: • when and why the council uses grants to achieve its strategy • how the council will administer grant programs across their life cycle • the risk-based approach the council uses to determine if it will evaluate each grant program • staff and councillors' roles in managing grants • relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4)	Accepts As Council has advised VAGO, a draft Grants Framework Policy has been developed. Council has previously resolved to defer consideration of the Grants Framework to enable consideration be given to any feedback and recommendations resulting from this audit. Council will consider this recommendation in its draft Grants Framework.	August 2022	
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Accepts This will be incorporated in Council's Risk Management Framework and Fraud and Corruption Framework.	December 2022	
		OFFICIAL: Sensitive		

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OFFICIAL: Sensitive				
10	Develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs • the council's relevant policies and procedures (see Section 2.4).	Accepts Council will refine existing Conflict of Interest training packages and rollout out as mandatory training that addresses these points, on a cyclical basis.	December 2022	
	5000012117			

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Response provided by the Mayor, Loddon



Doc ID:DOC/22/39247

2 May 2022

Andrew Greaves Auditor-General Victoria Auditor-General's Office Level 31/35 Collins Street MELBOURNE VIC 3000

Dear Mr Greaves

Re: Loddon Shire Council Proposed Performance Audit Report Fraud control over local government grants

Municipal Offices: 41 High Street, Wedderburn, Victoria PO Box 21, Wedderburn VIC 3518

Telephone: 03 5494 1200 Facsimile: 03 5494 3003 Email: loddon@loddon.vic.gov.au ABN: 90 925 450 534 www.loddon.vic.gov.au

Loddon Shire Council welcomed the opportunity to be included in the "Fraud control over local government grants" audit recently undertaken, and the improvements that could be incorporated into our grants programs from the recommendations arising from the audit. Although I do raise concerns of some accuracy within the report, both from a contextual and factual perspective.

As a small rural Council we rely heavily on the volunteer effort of our community groups, and to support this Loddon Shire Council has various community support programs. We have recently engaged with our volunteers as part of a volunteerism strategy with the overwhelming response from volunteers being that there is too much bureaucracy. We therefore need find a balance between the recommendations of this audit alongside the willingness and capacity of our volunteers.

Our Community Support Policy is currently being drafted and there are around 15 different programs identified in that policy, ranging from financial support, non-financial support, competitive programs, and "as of right" programs determined through the annual budget process and supporting policy.

Noting the significant contribution that we provide to our volunteer community groups that provide Council with their significant volunteer effort, in 2019 Council commenced implementation of the SmartyGrants program for grants management. This program has become a valuable tool for:

- Managing grants and allocations consistently
- Providing all documentation in a single portal
- Providing a consistent approach for applications and assessment.

Acknowledging this implementation was still in progress during the audit period, we have continued, and will continue, to build on the capability of this program. This continuous improvement initiative will be complemented by the recommendations from the audit report, to improve our grants management process.



Response	provided	by the	Mayor	Loddon	continued
Response	provided	DV the	e iviayor,	Loadon-	-continuea

Council staff have assessed the 10 recommendations in the audit report and provided responses to each of them, and I look forward to monitoring progress of those actions to improve on the current process of grant management.

Should you have any queries in relation to this matter please feel free to contact Lincoln Fitzgerald, Chief Executive Officer on 03 5494 1200.

Yours faithfully,

Cr Dan Straub MAYOR



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Loddon Shire Council action plan to address recommendations from Fraud control over local government grants

No.	VAGO recommendation	Action	Completion date
1	Improve their conflict- of-interest processes by: • requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve • documenting how the council manages declared conflicts of interest (see Section 2.1)	Partially agree Current practice: There is a conflict of interest declaration process embedded in the grants management program (SmartyGrants) for staff, and this will continue to be used to identify any staff related conflicts of interests during the application and assessment process. Council reports have a standing conflict of interest declaration for the authors of reports, and the Council Governance Rules incorporate how conflict of interests are managed at Council Meetings. This is in addition to the general conflict of interest process that is in place for all other conflicts of interests that staff and Councillors must manage.	
		Action arising: Management of conflicts of interest will be incorporated into the Community Support Policy that is currently under development.	30 September 2022
		SmartyGrants will be interrogated to ascertain its capability in identifying conflicts of interest and extracting conflict of interest data through reporting.	30 June 2022

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No.	VAGO recommendation	Action	Completion da
2	Develop eligibility and assessment criteria for all their grant programs and: • assess and document each application against them • communicate assessment outcomes and reasons to unsuccessful applicants (see Section 2.2)	Partially agree: Current practice: Acknowledging there are clear eligibility criteria embedded in the community grants program and "as of right" allocations, it is also acknowledged that community planning program eligibility criteria can be strengthened. However, all eligibility criteria will be reviewed to ensure they are still valid for each program.	
	Section 2.2)	Action arising: Progressively review the eligibility criteria (which may incorporate review of certain policies) across all community support programs to assess their validity and rigour around assessment.	Full assessmen to be undertake between 1 July 2022 and 30 November 2022
		Incorporate any changes into the SmartyGrants program and operational procedures.	Following each program's assessment
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Partially agree Current practice: Acknowledging the comments in the audit report, it is not standard practice for Councillors at Loddon Shire to be involved in assessing grant applications.	
		Standard practice is assessment by staff and a report authored by staff, which is presented to the Council for consideration and decision on the allocation of competitive grants throughout the year.	
		In addition to this, there are other "as of right" allocations that the Council considers through the annual budget process and policy reviews.	

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No.	VAGO recommendation	Action	Completion date
		Action arising: Develop procedures for operationalising the Community Support Policy that clearing outline the process for assessment and approval of grants.	30 September 2022
4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Partially Agree Current practice: Council has acquittal processes in place for all competitive grants. Action arising: An acquittal process will be incorporated into the Community Support Policy and procedures for competitive grants; acknowledging that some allocations are "as of right" allocations and not subject to the same requirements.	30 September 2022
5	Evaluate the benefits of: recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	Partially agree: Current practice: As documented there are a suite of competitive (non-recurring) and "as of right" (recurring) grants in current practice. The recurring grants are designed to support the significant volunteer effort of our community groups, while minimising their volunteer effort to continually request funds to operate their various functions, which if not undertaken by volunteers, would fall within Council' remit. However, it is acknowledged that evaluation is an important part of any process, and the recommendations in the report will be considered. Action arising: Progressively undertake a costbenefit analysis (which may incorporate review of certain policies) across all community support programs to assess their value to	Full assessment to be undertaken between 1 July 2022 and 30 November 2022

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No.	VAGO recommendation	Action	Completion date
6	Document all funding decisions in a	Partially agree:	
	consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording: the names of individuals involved in assessing or approving grant	Current practice: The SmartyGrants program was first implemented in 2019 and is progressively being improved to utilise all functionality. The items identified in the audit report are noted, and will be incorporated into standard practice through development of procedures for the Community Support Policy.	
	applications if applicants met the eligibility criteria how assessors and approvers scored applicants against the assessment criteria	Action arising: Incorporate into the procedures supporting the Community Support Policy, information required to be documented during the decision-making process.	31 October 2022
	what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with assessments (see sections 2.2 and 2.3)	Investigate SmartyGrants functionality to assess whether the items identified can be marked as mandatory fields in the program.	30 November 2022
7	Assesses the benefits of its ward-based approach to allocating grants and how this aligns with the council's strategy (see Section 2.2).	Partially agree: Current practice: Council has been providing a cashbacked community planning program since 2003/2004, and the program has delivered significant communityled projects over many years, which have been identified through the community planning groups developing their specific Community Plans for their town or region.	
		The \$50K annual ward allocation (with wards being based on population spread) along with the \$500K strategic fund which is rotated throughout each ward annually has	

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No.	VAGO recommendation	Action	Completion date
		not been challenged by our community to date. However, while evaluating the value of all other community support programs, the community planning program will also be evaluated. Action arising: Undertake a cost-benefit analysis of the community planning program to assess its value.	To be undertaken with all other community support programs between 1 July 2022 and 30 November 2022
8	Develop their own overarching grant policy that details: • when and why the council uses grants to achieve its strategy • how the council will administer grant programs across their life cycle • the risk-based approach the council uses to determine if it will evaluate each grant program • staff and councillors' roles in managing grants • relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4)	Agree Current practice: Council has a Community Support Policy under development, and will consider the items identified in this report in finalisation of the policy and development of procedures to support the policy. Action arising: Finalise the Community Support Policy and procedures.	30 September 2022

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OFFICIAL: Sensitive

No.	VAGO recommendation	Action	Completion date
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Agree Current practice: A fraud risk register is in place but does not address fraud related to the grants process. Action arising: The fraud risk register will be reviewed and grant related risk items identified and analysed through the Risk Management Committee.	31 October 2022
10	Develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs	Partially Agree Current practice: There is a mandatory fraud and corruption control training program in place for Councillors and staff which is required to be undertaken every two years.	
	the council's relevant policies and procedures (see Section 2.4).	Action arising: The fraud and corruption control training program will be reviewed in line with the recommendations in the audit report. It will be tailored for the various risks associated with teams within the Council.	30 September 2022
		Fraud and corruption control training will be directed to Councillors and staff for completion.	31 October 2022
		An improved process around monitoring training records for completion will be implemented, which will incorporate hard deadlines for completion and follow up of all training not completed.	31 October 2022

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Response provided by the Acting Chief Executive Officer and the Mayor, Southern Grampians



Business Centre:
Brown Street, Hamilton 3300
Telephone: (03) 5573 0444
Facsimile: (03) 5572 2910 (03) 5573 0458

Address all correspondence to: Locked Bag 685, Hamilton, Vic, 3300

council@sthgrampians.vic.gov.au www.sthgrampians.vic.gov.au

D/22/27800

2 May 2022

Mr Andrew Greaves Victorian Auditor-General's Office Level 31/35 Collins Street Melbourne VIC 3000

Dear Mr Greaves,

Proposed Performance Audit Report - Fraud control over local government grants.

Thank you for your letter dated 14 April 2022 inviting submissions and comments in relation to the recommendation contained in the Proposed Performance Audit Report Fraud control over local government grants.

Council welcomes the findings and recommendations of the report on how we can improve the governance processes associated with the distribution of vital grants to our community.

Council is committed to providing open and transparent processes and will consider each of the recommendations when reviewing its Greater Grants Policy and associated guidelines and procedures.

No.	VAGO recommendation	Action	Completion date
1	Improve their conflict-of-interest processes by:	COUNCIL ACCEPTS RECOMMENDATION	31 December 2022
	requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve	Staff are required to declare any conflicts of interest when they are assessing grants via the electronic portal – guidelines will be update to reflect this.	
	documenting how the council manages declared conflicts of interest (see Section 2.1)	Councillor Code of Conduct training will be expanded to ensure coverage relating to fraud, probity and conflict of interest during induction period and again provided mid-term.	
		Documentation regarding action taken once a declaration is made will be reviewed and strengthened to ensure appropriate record keeping is adhered to.	



Response provided by the Acting Chief Executive Officer and the Mayor, Southern Grampians—continued

Na	VAGO recommendation	Action	Completion date
No. 2	Develop eligibility and assessment criteria for all their grant programs and:	COUNCIL ACCEPTS RECOMMENDATION Council programs already have eligibility and	31 December 2022
	assess and document each application against them communicate assessment outcomes and reasons to unsuccessful applicants (see	assessment criteria, however this will be reviewed as part of the Policy and Guidelines Review.	
	Section 2.2)	Strengthening of communication will be addressed in the review of the Policy & Guidelines.	
	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	COUNCIL ACCEPTS RECOMMENDATION Councillors are currently excluded from assessing and making recommendations on grant applications, however the revised	31 December 2022
		Policy and Guidelines will review case studies from the VAGO report to identify any possible gaps in transparency.	
1	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	COUNCIL ACCEPTS RECOMMENDATION Acquittal processes are already incorporated into the Greater Grants Process however when reviewing the Policy and Guidelines, ways to make this process more	31 December 2022
5	Evaluate the benefits of: recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their	efficient will be examined. COUNCIL PARTIALLY ACCEPTS RECOMMENDATION Council distinguishes clearly between operational assistance subsidies and competitive grants supported by separate policies and funding allocations within its	31 December 2022
	risks and value (see sections 2.2 and 2.3)	adopted budget. This delineation will be further defined in the amended guidelines.	
6	Document all funding decisions in a consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording:	COUNCIL ACCEPTS RECOMMENDATION The existing grant funding software has the capacity to record this information.	31 December 2022
	the names of individuals involved in assessing or approving grant applications if applicants met the eligibility	Amended guidelines will strengthen the requirement to ensure all fields are completed as well as any additional notations regarding changes made during or	
	criteria how assessors and approvers scored applicants against the assessment criteria what assessors and approvers	after key milestones in the approval process.	
	what assesses and approved some considered to determine funding amounts reasons why any funding decisions do not align with assessments (see sections 2.2		

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Response provided by the Acting Chief Executive Officer and the Mayor, Southern Grampians—continued

their risk management and fraud and corruption plans and assign The Risk Register will be amended to	COMPANY CONTRACTOR
how the council will administer grant programs across their life cycle the risk-based approach the council uses to determine if twill evaluate each grant program staff and councillors' roles in managing grants relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4) Include grant-related fraud risks in their risk management and fraud and corruption plans and assign COUNCIL ACCEPTS RECOMMENDATION 31 December 2 31 December 2 32 December 3 33 December 3 34 December 3 34 December 3 35 December 3 35 December 3 36 December 3 36 December 3 36 December 3 37 December 3 38 December 3 38 December 3 39 December 3 39 December 3 31 December 3 32 December 3 33 December 3 34 December 3 34 December 3 35 December 3 36 December 3 36 December 3 37 December 3 38 December 3	
council uses to determine if it will evaluate each grant program • staff and councillors' roles in managing grants • relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4) 9 Include grant-related fraud risks in their risk management and fraud and corruption plans and assign The Risk Register will be amended to	
relevant council policies and procedures, including policies and procedures for declaring policies and procedures for declaring conflicts of interest (see Section 2.4) Include grant-related fraud risks in their risk management and fraud and corruption plans and assign The Risk Register will be amended to	
their risk management and fraud and corruption plans and assign The Risk Register will be amended to	
responsibility for managing these risks (see Section 2.4) incorporate the possibility of fraud and corruption as well as an assessment of residual risk.	2022
10 Develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs • the council's relevant policies and procedures (see Section 2.4). COUNCIL ACCEPTS RECOMMENDATION 31 December 2 Council is already considering a revised training program to include (amongst other things) fraud, probity and declaration of conflicts of interest for all Councillors, Executive Officers, Senior Leaders and key staff involved in "high risk" areas of council administration.	2022
t is pleasing to note Council's positive performance in a number of areas and looks forw strengthening its performance in this area. We would like to that the Audit Team for constructive and collaborative approach in undertaking this audit. Yours sincerely EVELYN ARNOLD BRUACH COLLITON MAYOR	

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Date: 29th April 2022 WARRNAMBOOL Mr. Andrew Greaves Auditor - General Victorian Auditor-General Office Level 31/35 Collins Street MELBOURNE VIC 3000 Dear Mr. Greaves RE: FRAUD CONTROL OVER LOCAL GOVERNMENT GRANTS Thank you for the opportunity provided to Warrnambool City Council to participate in the VAGO fraud control over Local Government grants review. The Council is satisfied with the outcomes from the report and does not wish to add anything further. It is pleasing to note that Council began implementing some of the findings prior to the audit commencing, particularly around reviewing the value to the community of some of its long standing grant allocations. We would like to thank the efforts of the VAGO team for their approach with Council that allowed for cooperative and constructive discussion. Should you require any further information or wish to discuss this please do not hesitate to contact me. Yours faithfully Peter Schneider **Chief Executive Officer**

> Website: www.warrnambool.vic.gov.au ABN 44 594 264 321

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Civic Centre 25 Liebig Street Warrnambool Victoria Australia PO Box 198 Warrnambool VIC 3280



Warrnambool City Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	Improve their conflict- of-interest processes by: requiring staff and councillors to declare conflicts of interest for each grant application they assess or approve documenting how the council manages declared conflicts of interest (see Section 2.1)	Agree. Warrnambool City Council has overarching conflicts of interest processes in its code of conduct for staff and Councillors. Council will develop specific processes relating to grants which will documented through the development of a grants policy and procedure.	September 2022
2	Develop eligibility and assessment criteria for all their grant programs and: • assess and document each application against them • communicate assessment outcomes and reasons to unsuccessful applicants (see Section 2.2)	Agree. Warrnambool City Council currently has eligibility and assessment criteria for all grant programs. This requirement will be formalised through the development of a grants policy and procedure.	September 2022
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Agree. Warrnambool City Council does not have Councillors assessing grant applications. This business rule will be formalised through the development of a grants policy and procedure.	September 2022

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4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Agree. Warrnambool City Council will develop a framework to actively monitor large grants (greater than \$50k) to ensure the funds are being used for their intended purpose. Grants below this threshold will be verified through an acquittal process. This business rule will be formalised through the development of a grants policy and procedure.	September 2022
5	Evaluate the benefits of: recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	Agree. Warrnambool City Council has stopped a number of noncompetitive grants and is continuing to review the remaining recurring grants. The review will include looking at value to the community provided through the grant and following this, a decision will be made to either move the grant to a competitive stream or enter into a multi-year funding agreement with requirements around monitoring and reporting outcomes along with an acquittal process.	March 2023

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overarching grant policy that details: • when and why the council uses grants to achieve its strategy • how the council will administer grant programs across their life cycle • the risk-based approach the council uses to determine if it will evaluate each grant program • staff and councillors' roles in managing grants • relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see	8	Agree. Warrnambool City Council will develop an overarching grant policy that details: • when and why the council uses grants to achieve its strategy • how the council will administer grant programs across their life cycle • the risk-based approach the council uses to determine if it will evaluate each grant program • staff and councillors' roles in managing grants	September 2022
interest (see Section 2.4) Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)		Agree. Grant related fraud risks will be added to Councils risk register and monitored on an ongoing basis.	September 2022
10 Develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs • the council's relevant policies and procedures (see Section 2.4).	10	Agree. Following the development of the grant policy and procedure, training will be provided to staff and councillors.	December 2022

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WEST WIMMERA SHIRE COUNCIL

Mr Andrew Greaves Auditor-General Victorian Auditor-General's Office Level 31/35 Collins Street MELBOURNE VIC 3000

Dear Mr Greaves,

RE: Performance Audit - Fraud Control Over Local Government Grants

Thank you for the opportunity provided to West Wimmera Shire Council to participate in the VAGO Performance Audit of Fraud Control Over Local Government Grants. West Wimmera Shire Council acknowledges and supports the review's conclusions.

West Wimmera Shire Council acknowledges the important role local governments play in supporting their local communities, particularly in small rural municipalities such as ours. We welcome the recommendations in the report as an opportunity to improves councils' processes around providing this support to the community.

I wish to thank the VAGO team for their professional and cooperative conduct over the course of this review, and we welcome your continued feedback as we work toward implementation of the recommendations.

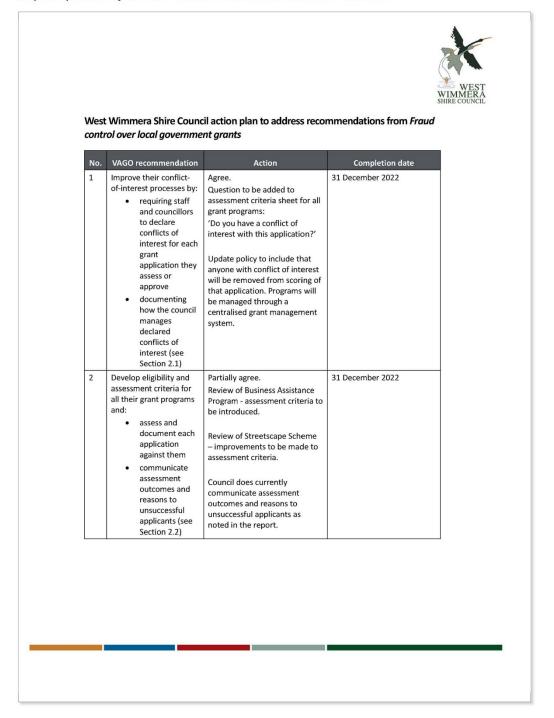
Council aims to address the recommendations of the report via the attached Action Plan. Please do not hesitate to contact Melanie Jordan, Chief Financial Officer, on 13 99 72 if you wish to further discuss this submission.

Yours sincerely

David Bezuidenhout CHIEF EXECUTIVE OFFICER

All correspondence to: WEST WIMMERA SHIRE COUNCIL: PO Box 201, Edenhope VIC 3318 Website: www.westwimmera.vic.gov.au – Email: council@westwimmera.vic.gov.au Edenhope: 49 Elizabeth Street, Edenhope VIC 3318 - Tel: 13 99 72 - Fax: 03 5585 9950 Kaniva: 25 Baker Street, Kaniva VIC 3419 - Tel: 13 99 72 - Fax: 03 5392 7750





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3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Agree. Assessment for each grant program will be conducted by officers and recommendation will be presented to Councillors	31 December 2022	
4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Agree. Ensure there is an acquittal process and payment milestones requiring substantiation, for all grant programs, sponsorships, donations and other community support.	30 June 2023	
5	Evaluate the benefits of: recurring grants and require recipients to seek future funding through existing competitive grant programs non-recurring grants (if appropriate) and consider their risks and value (see Sections 2.2 and 2.3)	Partially agree. Review of all community funding and assess suitability to be eligible for Council's grant programs, or other funding programs and controls required.	30 June 2023	

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the eligibility criteria how assessors and approvers scored applicants against the assessment criteria what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with assessments (see Sections 2.2 and 2.2)			
•	and approvers scored applicants against the assessment criteria what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with assessments	and approvers scored applicants against the assessment criteria what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with assessments (see Sections 2.2	and approvers scored applicants against the assessment criteria what assessors and approvers considered to determine funding amounts reasons why any funding decisions do not align with assessments (see Sections 2.2

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when and why the council uses grants to achieve its strategy how the council will administer grant programs and other community financial assistance. the risk-based approach the council uses to determine if it will evaluate each grant program staff and councillors' roles in managing grants relevant council policies and procedures, including policies and procedures for declaring conflicts of interest (see Section 2.4) Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4) Agree. Council will include grant-related fraud risks into the risk register and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)
fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks Council will include grant- related fraud risks into the risk register and fraud and corruption control plan, along with the assignment of

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		ive Officer, west withiner		
				WEST WIMMERA SHIRE COUNCIL
10	develop mandatory training for staff and councillors that covers: • declaring and managing conflicts of interest • fraud risks specific to grant programs • the council's relevant policies and procedures (see Section 2.4)	Agree. Council will build these requirements into its existing mandatory training program for staff and councillors.	30 June 2023	

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APPENDIX B

Acronyms, abbreviations and glossary

Acronyms	
CoM	committee of management
VAGO	Victorian Auditor-General's Office
Abbreviations	
COVID-19	coronavirus
Hume	Hume City Council
Knox	Knox City Council
Loddon	Loddon Shire Council
Southern Grampians	Southern Grampians Shire Council
Warrnambool	Warrnambool City Council
West Wimmera	West Wimmera Shire Council
Glossary	
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to express an opinion or draw a conclusion against an audit objective with a high level of assurance. We call these audit engagements. See our assurance services fact sheet for more information.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, that nothing has come to our attention to indicate there is a problem. See our assurance services fact sheet for more information.

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Scope of this audit

Objective

To determine whether fraud controls over local government grants are well-designed and operating as intended.

Who we examined	Their key responsibilities
A selection of 6 Victorian councils:	Councils can distribute public funding to
• Hume	individuals, community groups and businesses through grant programs. The law
• Knox	requires, and communities expect, councils
• Loddon	to deliver grant programs with integrity and accountability.
Southern Grampians	accountability.
 Warrnambool 	
West Wimmera.	

What we examined

We looked at a selection of their grant programs from the last 5 years to see if their fraud controls are well-designed and consistently applied.

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How we assessed performance

To form our conclusion against our objective, we used the following lines of inquiry and associated evaluation criteria:

Line of inquiry	Criteria
Councils' fraud and	Councils:
corruption controls over local government grants	 have clearly documented grant management frameworks/processes that cover the life cycle of grants and have clear accountabilities
are well-designed.	provide staff who administer grant programs with appropriate training/guidance to be aware of and address fraud and corruption risks, including conflicts of interest
	have clear and equitable eligibility criteria for their grant programs that logically relate to the purpose of the grant and are equitably communicated to potential recipients
	 have grant assessment and approval processes that are transparent, equitable, consistent and clearly communicated to potential recipients
·	5. review and evaluate grant programs to assess their outcomes and if they are equitable.
Councils' grant programs	Administration of the grant program/s was free from conflicts of interest.
are free from fraud and corruption.	No council officer/councillor received a dishonest benefit associated with the grant program/s.
T.	3. Grant recipients used grant money in compliance with grant requirements.

Our methods

As part of the audit we:

- reviewed records from a selection of grant programs across 6 audited councils
- examined councils' policies and training programs
- interviewed grant officers at each council.

We randomly selected 6 councils to achieve a spread of council types and sizes.

The selection of grant programs we looked at is listed in Figure C1. This included reviewing how councils assessed and acquitted 130 applications. We chose the largest-value grant programs and programs that had fraud risk factors, such as having no limit on the amount of funding per applicant.

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FIGURE C1: List of grant programs we reviewed

Council	Program	2020–21 spending
Hume	Conserving our rural environment	\$424,480
	Small to medium business quick response	\$985,741
	Event sponsorship	\$20,000
Knox	Community development fund	\$436,066
	Community partnership funding grants	\$2,920,050 ¹
Loddon	Halls and recreation reserves	\$120,898
	Community grants	\$179,931
	Community planning	\$161,559
Southern Grampians	Greater grants program	\$154,640
Warrnambool	Community development fund	\$255,428
	Individual or group assistance fund	\$400
West Wimmera	Community strengthening grants	\$34,175
	Business assistance scheme	\$3,675
	Streetscape scheme ²	\$0
	Council contributions and donations ³	\$51,559

Notes: 'Funding provided over 4 years (2018 to 2022). 'West Wimmera did not receive any applications for this grant program in 2020–21. 'West Wimmera recognises these programs as sponsorships or donations that are separate from its 3 formal grant programs.

Source: VAGO, based on data provided by councils.

We also performed data analysis on grant records to identify any matches between council staff and councillor names with grant applicants. This was to identify any potential conflicts of interest that councils did not manage and inform our further inquiries. We did not, and the analysis did not intend to, find any instances of fraud.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements. We also provided a copy of the report to the Department of Premier and Cabinet.

Unless otherwise indicated, any individuals referred to in this report by name or position are not the subject of adverse comment or opinion.

Cost and time

The full cost of the audit and preparation of this report was \$725,000. The duration of the audit was 11 months from initiation to tabling.

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APPENDIX D

Performance ratings of audited councils

We found that the audited councils lack focus on preventing fraud and corruption in their grant programs. As a result, many of their control areas are weak or inconsistent. Figure D1 compares how well the audited councils have implemented fraud controls.

FIGURE D1: Summary of audited councils' performance in implementing fraud controls

Weak fraud controls
Gaps in fraud controls
Strong fraud controls

	Hume	Knox	Loddon	Southern Grampians	Warrnambool	West Wimmera
Declaring and managing conflicts of interest (Section 2.1)						
None of the audited councils except Southern Grampians have a consistent conflict-of-interest process across all of their grant programs. Southern Grampians has a process for its only grant program.		•				

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	Hume	Knox	Loddon	Southern Grampians	Warrnambool	West Wimmera
Documenting practice through policies						
(Section 2.4)						
Only West Wimmera has an overarching grant policy. Hume, Knox and Loddon have developed draft policies. In addition, councils' policies for individual grant programs do not address fraud risks, such as conflicts of interest.					•	•
Training staff and councillors						
(Section 2.4)						
None of the audited councils have ensured that staff and councillors who administer grants have completed fraud training. Councils can also improve the content of their training by including fraud risks that are specific to grant programs.	•		•	•	•	
Applying fair and reasonable eligibility criteria						
(Section 2.2)						
Loddon and West Wimmera both have grant programs without eligibility criteria.						
Assessing and approving applications						
(Section 2.2)						
None of the councils consistently follow all elements of better practice by:						
 asking assessors to declare conflicts of interest 						
using more than one assessor						
documenting decisions						
following the assessment panel's decisions.						

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	Hume	Knox	Loddon	Southern Grampians	Warrnambool	West Wimmera
Monitoring and acquitting spending						
(Section 2.3)						
Four audited councils do not have an acquittal process for some of their grant programs. Where there are acquittal processes, councils do not always apply them consistently.						
Evaluating outcomes						
(Section 2.2)						
None of the audited councils have an evaluation framework to measure if their grant programs are achieving their intended outcomes.						

Source: VAGO.

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Auditor-General's reports tabled during 2021–22

Report title

Keport title	
Integrated Transport Planning (2021–22: 01)	August 2021
Major Infrastructure Program Delivery Capability (2021–22: 02)	September 2021
Clinical Governance: Department of Health (2021–22: 03)	September 2021
Managing Conflicts of Interest in Procurement (2021–22: 04)	September 2021
Major Projects Performance (2021–22: 05)	September 2021
	October 2021
Protecting Victoria's Biodiversity (2021–22: 07)	October 2021
Management of Spending in Response to COVID-19 (2021–22: 08)	October 2021
Supplying and Using Recycled Water (2021–22: 09)	November 2021
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2020–21 (2021–22: 10)	November 2021
Results of 2020-21 Audits: Local Government (2021–22: 11)	December 2021
Council Waste Management Services (2021–22: 12)	December 2021
Business Continuity During COVID-19 (2021–22: 13)	February 2022
Effectiveness of the Navigator Program (2021–22: 14)	March 2022
Government Advertising (2021–22: 15)	April 2022
ICT Provisioning in Schools (2021–22: 16)	April 2022
Offsetting Native Vegetation Loss on Private Land (2021–22: 17)	May 2022
Fraud Control Over Local Government Grants (2021–22: 18)	May 2022

All reports are available for download in PDF and HTML format on our website www.audit.vic.gov.au

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Auditor-General's responsibilities

Our fact sheets provide you with more information about our role and our audit services:

- About VAGO
 Information about the Auditor-General and VAGO's work
- Our assurance services
 Information about the nature and levels of assurance that we provide to

 Parliament and public sector agencies through our work program

Victorian Auditor-General's Office Level 31, 35 Collins Street Melbourne Vic 3000 AUSTRALIA

Phone +61 3 8601 7000 Email enquiries@audit.vic.gov.au



Councillor Allgood declared a Conflict of Interest in Item 3.2 Telstra Innovation Partner, due to her and her husband having shares in Telstra.

Cr Allgood left the chamber at 6:09pm

3.2 TELSTRA INNOVATION PARTNER

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER

DEPARTMENT: CEO'S OFFICE

REFERENCE: 7527

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

Ararat Council have cultivated a successful relationship with Telstra as a telecommunications provider for many years, in recent times partnering with them on several successful projects exploring connectivity and Smart Cities technologies.

Looking to the future, as part of Council's vision to enhance and grow our municipality by developing innovative solutions, it is evident that this partnership with Telstra is key to working towards leading edge tech solutions in the Smart Cities space.

This partnership also makes sense due to connectivity mediums at a local level. Telstra remain the only telecommunications provider who guarantee narrowband coverage that encompasses our whole municipality in terms of connectivity, via their Telstra Pty Ltd NB-IoT low frequency networks.

The aim of this partnership is to produce outcomes that drive innovation not just for our municipality but within the areas of Smart cities, and Internet of Things technologies in the Local Government sector. The economies of scale that a partnership with Telstra would enable are great and would be aiming to solve problems where a solution is not already available on the open market.

DISCUSSION

The last three years have seen Ararat Rural City and Telstra collaborate on several key projects that have delivered excellent results to our organisation and our community. These include:

- The rollout of 4G and 5G mid-band in Ararat and the announcement that Telstra are building a new \$1.1 million mobile base station in Maroona.
- Telstra and Council collaborating on a successful joint design proposal for a Public Wi-Fi network, to deliver public WiFi in the townships of Ararat and Lake Bolac.
- Delivery and commissioning of the Ararat Public Wi-Fi network including
 - o Digital Connectivity via Telstra Air Enterprise
 - o An Open Roaming Pilot in partnership with Federation University and Aarnet
 - o An IoT Pilot that has delivered drain sensor technology, smart bin sensor technology and leading-edge camera analytics technology
- Commencement of the Rural Roads Project. Using bridge sensor technology, to enable the monitoring and measurement of bridge degradation, leading to greater accuracy in asset renewal.
- Commencement of the Ararat Spotlight Digital Twin Project, focused on shared data intelligence and community information in collaboration with Digital Twin Victoria. Deliverables for this project include



- o Delivery of a real time weather monitoring network across the Ararat municipality.
- o Development of natural disaster/early detection system and alerts for emergency response using shared data.
- o Supporting identified on-farm use cases of IoT technology working with Fed Uni program at Ararat Jobs and Technology Precinct.
- o The development of Ararat's 'Smart City' digital future, including key network and sensor technology and connectivity,

Throughout the delivery of these projects, Council has had a unique opportunity to connect with the 'right people' within Telstra and develop ongoing relationships where problem solving and solutions to specific challenges can be discussed. It is this environment where mutual new opportunities are born and working with Telstra as our ongoing innovation partner allows unique access to skills, personnel, resources and experience that an organisation Telstra's size can bring to the table.

This fact, coupled with the fact that Telstra remain the only telecommunications provider who guarantees the narrowband coverage provided for connectivity is why we are recommending this partnership is formalised going forward.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

Partnering with Telstra will open new opportunities for leading innovation around connectivity within our community and the Smart Cities space, will allow local businesses opportunities to trial new technology, and also Council around asset management and renewal activities.

This aligns with Council plan objectives:

- 2. Building Robust Local Economies
- 4. Developing and Maintaining Key Enabling Infrastructure
- 5. Enhancing Community Life

Budget Implications

Niil

Policy/Relevant Law

This agenda item relates to Council's Procurement Policy, specifically sections: 2.11.2 Exemptions from Market Engagement 2.15 Exemption from Tendering Appendix 4–Exemptions

Sustainability Implications

Nil

Risk Assessment

The Telstra network has the highest coverage within our municipality across all connectivity mediums. Utilising the Telstra network reduces the risk of IoT technology failing when it comes to a reliable connection. Utilising pre-existing vendor partnerships through our extended relationship with Telstra gives council greater confidence in selecting fit for purpose solutions that meet quality standards for IoT devices.



Innovation and Continuous Improvement

The aim of this partnership is to produce outcomes that drive innovation not just for our municipality but within the areas of connectivity, smart cities, and Internet of Things technologies. The economies of scale that a partnership with Telstra would enable are great and would be aiming to solve problems where a solution is not already available on the open market.

Stakeholder Collaboration and Community Engagement
Nil

RECOMMENDATION

That:

- 1 Council endorse Telstra Pty Ltd as Ararat Rural City Councils 'Innovation Partner' specific to the execution of council projects that require the procurement and implementation of technology including IoT technology where there is a core requirement to connect using a 3rd party network through a telecommunications provider.
- 2 Council endorse a procurement exemption that recognises Telstra Pty Ltd as a preferred supplier of internet connectivity to technology via the following mediums.
- Telstra Pty Ltd NB-IoT low frequency networks.
- 3 Council endorse an exemption on the procurement of IoT technology where the IoT hardware supplier is pre-accredited and recommended for use by Telstra Pty Ltd for use within the extended Telstra network.
- 4 Council recognise 'internet connectivity' as a Utility within councils existing procurement policy.
- 5 Council agree that the term of the proposed recommendations within this document expire at the completion of the current council term and will be subsequently revisited on expiry.

MOVED CR BEALES SECONDED CR BURRIDGE

That:

- Council endorse Telstra Pty Ltd as Ararat Rural City Councils 'Innovation Partner' specific to the execution of council projects that require the procurement and implementation of technology including IoT technology where there is a core requirement to connect using a 3rd party network through a telecommunications provider.
- 2 Council endorse a procurement exemption that recognises Telstra Pty Ltd as a preferred supplier of internet connectivity to technology via the following mediums.
- Telstra Pty Ltd NB-IoT low frequency networks.
- 3 Council endorse an exemption on the procurement of IoT technology where the IoT hardware supplier is pre-accredited and recommended for use by Telstra Pty Ltd for use within the extended Telstra network.
- 4 Council recognise 'internet connectivity' as a Utility within councils existing procurement policy.
- 5 Council agree that the term of the proposed recommendations within this document expire at the completion of the current council term and will be subsequently revisited on expiry.

CARRIED 4743/22

ATTACHMENTS

There are no attachments in relation to this item.

Cr Allgood returned to the Council Meeting at 6:13pm.



SECTION 4 – INFORMATION REPORTS

4.1 GORDON STREET RECREATION RESERVE REDEVELOPMENT – CONSTRUCTION OF SPORTS PAVILION AND INSTALLATION OF SPORTS LIGHTING

RESPONSIBLE OFFICER: CONTRACTS & PROCUREMENT OFFICER/CIVIL ENGINEER

DEPARTMENT: CEO'S DEPARTMENT

REFERENCE: 5252

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The Gordon Street Recreation Reserve Redevelopment is the most significant building project for Ararat Rural City Council in the 2022/2023 financial year. The development of the precinct is expected to stimulate the local economy, respond to local demand for new participation opportunities and improve diversity and inclusion within disadvantaged communities and underrepresented groups identified in Active Victoria.

The construction of a multi-use sports precinct centers around the development and construction of a new pavilion with AFLW changerooms, shared Cricket/Football (Soccer) changerooms, a large social space with kitchen and bar facilities, player, umpire, and public amenities, with all works to be completed by 15 June 2023.

This report provides a progress update on the project to November 2022 for Council and the community.

DISCUSSION

At the March 2022 Council meeting Council approved the AFLW and Soccer Sports Lighting purchase and installation, and at the April 2022 meeting Council approved the construction contract for the sports pavilion at the Gordon Street Recreation Reserve.

Progress is good in all areas of the redevelopment, with the project still scheduled for completion in May 2023

Construction of the new sports pavilion is continuing at the site, with continual interruptions from the weather. To date works on the slab and framing have been completed and the blockwork, storm water connections, door and window frames currently being undertaken. It is expected that the blockwork will be complete, and most of the roofing trusses will be delivered to site before Christmas.

The 35m AFLW Sports lighting poles have been delivered to site in October and the luminaires and control systems are currently being put together for installation. Again, the wet weather has been a large factor in the delay for the installation of the footing and poles at the site. The contractor is ready to commence footing works as soon as there is a string of warm weather to allow for this to occur.

In meeting with the funding milestones, the civil works on the carpark works was approved under delegation by the CEO in September 2022 and will be undertaken by Mintern Civil Pty Ltd. This month the CEO has approved the drainage and irrigation works under delegation, these works will be undertaken by Wimmera Aquatrail, and will commence in the new year

Procurement is currently being undertaken for sports ground fencing, installation of a new turf cricket pitch, field seeding works and installation of little athletics infrastructure. Tenders were called in August for the



complete scope of field works, which received one submission and was significantly over budget and negotiations with the supplier did not yield the required savings, therefore the works have been broken down into specialised areas of work.

Budget

The budget for the project is \$4,500,000 including contributions from the State and Federal governments, and Council, at the date of this report committed expenditure stands at \$4,127,262 with the project operating within the allocated budget. The remaining budget for the works to be completed is \$372,738.

The project is entering the seventh month of a twelve-month program and the various contractors, architect Davidson Architecture and Council officers are working together to ensure the vision of a superior regional sports precinct is delivered in line with community expectations.









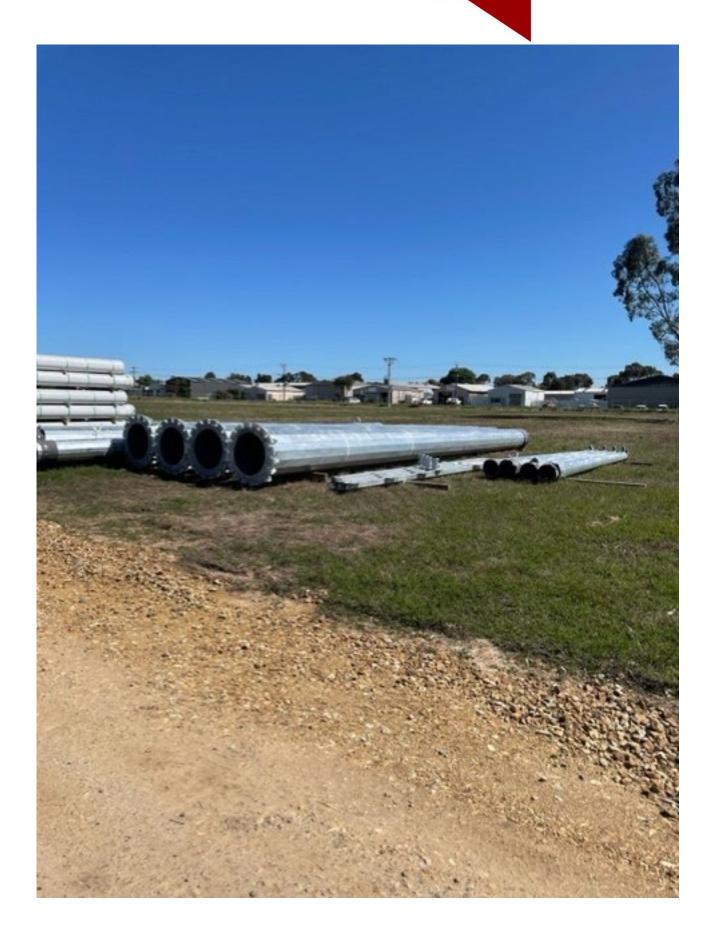














KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

- 4. Developing and Maintaining Key Enabling Infrastructure.
 - Ensure Asset development and renewal during the planning period matches that identified in Council's Asset Plan 2021-2031.
 - Deliver infrastructure outcomes that support economic growth, promote community wellbeing and safety, and align with Council's financial sustainability.

Budget Implications

Council has a revised budget of \$4,500,000 for the completion of works.

The initial budget was \$3,100,000 made up of: \$2,550,000 from the Community Sports Infrastructure Stimulus Fund, \$400,000 from Local Road, Community Infrastructure (LRCI) Phase 1 funding and a contribution from Council of \$150,000,

Following receipt of tenders for pavilion works, the revised budget was increased by \$1,400,000, allocated from LRCI Phase 3A funding.

The project will be delivered within the revised budget of \$4,500,000.

Policy/Relevant Law

- Ararat Rural City Council Procurement Policy
- Local Government Act 2020
- Victorian Building Regulations Building Permit Conditions

Sustainability Implications

- Environmental assessment has been undertaken as part of the design process.
- Sustainable products have been specified as part of the design process.

Risk Assessment

High Risk – Risks will be managed through significant project planning and management procedures and high-level contract administration, with a dedicated project manager.

Innovation and Continuous Improvement

New or alternative processes will be considered in line with the strategic direction of council's asset management plan and financial, time and quality implications to council on the expected outcomes of the project.

Stakeholder Collaboration and Community Engagement

- Internal stakeholder collaboration has occurred through the budget process.
- External stakeholder collaboration has occurred through community consultation through the design process.
- Ongoing Project Control Meetings through the life of the project with external stakeholders and the funding bodies.
- Council works directly with asset users to manage and develop new and existing assets, ensuring works are completed within the asset plan period of 2021-2031.

RECOMMENDATION

That the Gordon Street Recreation Reserve Redevelopment Project update be received.



MOVED CR ALLGOOD SECONDED CR WATERSTON

That the Gordon Street Recreation Reserve Redevelopment Project update be received.

CARRIED 4744/22

ATTACHMENTS

There are no attachments relating to this item.



4.2 COUNCIL PLAN 2021-2025 YEAR 2 ACTION PLAN UPDATE (NOVEMBER 2022)

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER

DEPARTMENT: CEO'S OFFICE

REFERENCE: 7521

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The Council Plan 2021-2025 contains actions to be undertaken during the 2022/2023 (Year 2) financial year under the strategic objectives:

- 1. Growing our place
- 2. Building robust local economies
- 3. Preserving the environment
- 4. Developing and maintaining key enabling infrastructure
- 5. Enhancing community life; and
- 6. Strong and effective governance

The Council Plan 2021-2025 Year 2 Action Plan is presented to Council and highlights the actions identified against the strategic objectives.

DISCUSSION

This report outlines the actions to be undertaken for Year 2 of the Council Plan 2021-2025 and as of 24 November 2022 Council Officer updates.

The Council Plan for 2022/2023 (Year 2) contains 60 actions, which the following table outlines:

Council Plan Objective	Action	Officer Update	Progress
1.1 Develop a new planning scheme for Ararat Rural City that is clear in its intention, supports growth and builds confidence and certainty around land use.	Complete key strategic reports and reviews.	Strategic reviews and reports are underway. Council is currently onboarding a senior strategic planner to manage the process. The environmental study is underway and will be complete in March 2023.	In progress 0-50%
	Recruit and implement community reference group.	The community reference group will be recruited and inducted by February 2023. There have been some delays due to changes in planning personnel and flooding impacts.	Not started
	Complete draft zoning review for broad public and stakeholder consultation.	This is a key element of the project. It will be completed following completion of all	In progress 0-50%



Council Plan Objective	Action	Officer Update	Progress
Council Flair Objective	Action	·	Tiogress
		strategic reports and reviews.	
	Complete the economic and social development study for the Aradale site.	The Aradale Study has been completed and will be presented to the November 2022 Council meeting.	Complete
	Develop a population growth model for ARCC based on lead measures.	A report by Value Advisory Partners and Databank Australia has been completed. It will be presented to Councill during September 2022.	Complete
1.2 Support innovative housing models that work to overcome market failure and create the capacity to increase the population of Ararat Rural City.	Sign an agreement for first tranche of housing under the Transitional Worker Housing program.	Agreement has been reached on the first tranche of 16 beds of Transitional Worker Housing with developers. A Legal agreement is yet to be finalized, but will be in place by 31/12/2022. Negotiation for construction of a further 40 beds is currently underway with another developer.	In progress 51- 99%
	Complete negotiations with potential investors around implementation of a beneficial enterprise to support affordable housing development.	A beneficial enterprise has been formed to support development of affordable housing in Ararat.	Complete
	Continue to work with Development Victoria to explore opportunities for development of state-owned land, including opportunities identified through the economic and social development strategy for Aradale.	The Aradale consultant's report has been completed and will be presented to Council at its November Council Meeting. Substantial work has been undertaken with Development Victoria for development of a crown land site for affordable housing.	Complete
	Complete construction of McLellan Street extension to provide alternate access to the Ararat East Development Zone.	Given delays in commencing works due to unseasonal wet weather the project has been contracted out. Construction work will commence once favourable weather conditional allow. Regional Development	In progress 0-50%



Council Plan Objective	Action	Officer Update	Progress
		Victoria (RDV) have extended the funding contract with Council until 30/05/2023 to facilitate the extended construction period.	
1.3 Work with other levels of government, business, and not-for-profits to develop programs to increase in-migration to Ararat Rural City to grow our population.	Extend the RDV funded Workforce Pilot Program, based on existing funding sources, until 30/06/2022 to enhance project outcomes.	Discussions with RDV have progressed well and a model for extending the Workforce Pilot program until 30/06/2023 has been developed.	In progress 51- 99%
	Develop a model to continue to support the in-migration work of the Workforce Pilot Program into 2023/2024, drawing on resources from Jobs Victoria, RDV and ARCC.	A model to extend the in-migration project beyond 30/06/2023 is being developed with key stakeholders.	In progress 0-50%
2.1 Partner with Federation University Australia to deliver the Ararat Jobs and Technology Precinct.	Work with Federation University Australia to refit the Laby Street site as a joint use location.	Refit works at the Federation University Australia location have commenced and due to be completed in mid-January 2023.	In progress 51- 99%
	Recruit an additional two PhD and one masters candidate to join the AJTP.	Recruitment of PhD and masters students is under way with three PhD and one masters student are already recruited. IBM has funded an additional PhD place bringing the total to 4 PhD and 2 masters places.	Complete
	Implement the Digital Twin Ararat project.	The digital twin project has been funded at \$2.2mill. Work has commenced on developing the project plan and implementing key outcomes.	In progress 0-50%
	Develop a Council Economic Development and Innovation Strategy.	The draft Economic Development and Innovation Strategy will be adopted for consultation at the January 2023 Council meeting.	In progress 51- 99%
	Develop and implement a model for embedding research students in local industry through internship programs.	The model will be fully developed once the AJTP becomes fully operational.	In progress 0-50%



Council Plan Objective	Action	Officer Update	Progress
2.2 Work with other levels of government, local business, and private investors to develop a business park within Ararat Rural City, focused on agricultural value adding and advanced manufacturing, potentially leveraging "behind the	Seek funding from State and Federal Governments and/or private sector partnerships, to develop an industrial park based on renewable energy and agricultural value adding.	Council was unsuccessful in obtaining an election promise in regard to development of an energy park. Council will continue to lobby for funding through the State and Federal budget processes in 2023.	In progress 0-50%
meter" power.	Continue to support the development of biomass power facility.	The Grampians Gas project continues to progress well. There is significant local agribusiness buy in and the project continues to move through engineering and financing gates.	In progress 0-50%
2.3 Engage with Grampians Tourism and local businesses to drive growth in high yield tourist outcomes.	Work with Grampians Tourism, investors and local operators to leverage outcomes of the Grampians Strategic Investment Strategy.	The Grampians Strategic Investment Plan has been completed. Potential investors are being engaged to develop projects int he ARCC footprint.	Complete
	Seek opportunities to attract a four- star accommodation option to ARCC.	Discussions with potential investors continue to be held.	Ongoing
3.1 Position Ararat Rural City Council as a prime	Fully implement four bin materials collection system for ARCC.	The four-bin model has been rolled out.	Complete
mover in driving circular economy policy in waste management, including local processing and management of	In partnership with Gaia Inviro Tech implement local organics processing capability for household materials collection.	The Gaia Enviro Tech local organics processing units are in place and operational.	Complete
recyclables, and in use of renewable energy for Council purposes.	Implement local processing of the glass materials stream and explore uses of it in civil construction.	Glass crusher is operational. High value uses for the crushed glass product are being explored. Currently the crushed glass uses are limited to lower value sand substitutes.	Complete
	Undertake a staged implementation of the energy saving initiatives identified from EcoSave's report on Council owned assets.	EcoSave's report has been completed and discussion around potential engergy saving projects will commence early in 2023.	In progress 51- 99%
3.2 Develop innovative energy solutions utilising locally produced waste.	Support the ongoing development of the Grampians Gas project.	The Grampians Gas project continues to progress well. There is significant local agri-	In progress 0-50%



Council Plan Objective	Action	Officer Update	Progress
		business buy in and the oroject continues to move through engineering and financing gates.	
	Support Pomonal Power to implement community-based energy solutions for the community.	ARCC will provide ongoing support to community power concepts.	Ongoing
3.3 Partner with local organisations and scientific experts to develop an appropriate and pragmatic local government Environment Strategy, focussed on the circular economy, emission reduction through renewable energy and management of Council assets.	Working with the Environment Working Group, develop Environment Strategy 2022-2032.	Two meetings of the Environment Working Group have been held and a review of Council's previous Environment Strategy is being undertaken.	In progress 0-50%
	Develop an implementation plan for Council's Environment Strategy. Produce an annual scorecard	A review of the previous plan has been completed and this will form the basis for the work of the Environment Working Group. This will be completed in	In progress 0-50% Not started
	outlining Council's progress on environmental outcomes.	the second quarter 2023.	
4.1 Ensure that asset development and renewal during the planning	Develop an Asset Plan 2022-2032 Implementation Plan 2022/2023.	The asset plans have been completed and adopted by Council.	Complete
period matches that identified in Council's Asset Plan 2021-2031.	Complete preliminary planning for the North-South Heavy Vehicle Route.	This is a key element of Council's State election advocacy program.	In progress 0-50%
	Complete 2022/2023 Capital Works Program.	The Council Capital Works program process and first tranches by asset class have been adopted by Council. Implementation of some projects has been impacted by storm and flood events.	In progress 0-50%
	Plan and complete the 2022/2023 Urban Drainage Upgrade program.	The urban drainage program has been adopted by Council at the August 2022 Council meeting.	In progress 0-50%
	Complete the 2022/2023 footpath and cycleway maintenance program.	Planning has commenced. The program will be completed during 2022/2023.	In progress 0-50%
4.2 Work directly with asset users to manage and develop new and existing assets.	Develop 10-year Capital Works Strategy to inform 2023/2024 Budget.	This work will be undertaken as an element of the implementation of the 2022/2023 Assets plan.	In progress 0-50%



Council Plan Objective	Action	Officer Update	Progress
	Develop a detailed two-year Capital Works Plan 2023/2024-2024/2025 to inform 2023/2024 Budget.	This work will be undertaken as an element of the implementation of the 2022/2023 Assets plan.	In progress 0-50%
	Working with Fitness Centre stakeholders refine a four-year development plan to implement key recommendations of the Ararat Fitness Centre Feasibility Study.	The Fitness Centre Feasibility Study has been completed, this includes preliminary plans and costings.	In progress 0-50%
	Complete works to basketball courts, indoor swimming pool, gymnasium floor and drainage/ventilation identified as Stage 0 of Fitness Centre works.	Basketball Court replaced, drainage and ventilation works are complete and gymnastics floor has been replaced Roofing works have been identified and the heated swimming pool will be painted in summer 2022/2023.	In progress 51- 99%
4.3 Deliver infrastructure outcomes that support economic growth, promote community wellbeing and safety, and	Deliver key outcomes from Council's Asset Plan 2022-2032 during the planning period.	Council has adopted an Asset plan 2022/2023 as an element of implementing the Asset Plan 2022-2032.	In progress 0-50%
align with Council's financial sustainability.	Complete the Ararat Free Wi-Fi Project	The Ararat Free Wi-Fi project is complete. Implementation of additional IoT opportunities is currently underway.	Complete
	Complete Stage 1 of Pomonal Tunnel Track Linkage Plan.	This project has experienced some significant challenges around planning. part of the track has been constructed.	In progress 51- 99%
	Complete Gordon Street Recreation Reserve Redevelopment.	The project is progressing with some rain delays in construction.	In progress 0-50%
	Undertake renovation and extension of the Buangor Recreation Reserve kitchen.	Due to pricing volatility this project has been placed on hold for 2022/2023	Ongoing
	Complete renovation of the Lake Bolac Complex kitchen.	Design and engagement work on this project is complete.	In progress 0-50%
5.1 Open up Council's arts and culture assets to greater community participation, ownership	Continue to support the Friends of Gum San during the first full year of operating Gum San.	The transition to management of the site by the Friends of Gum San is complete.	Complete



Council Plan Objective	Action	Officer Update	Progress
and engagement in decision-making.	Implement a Council funded Digital Literacy function at the Ararat Library.	Council funded this role in the 2022/2023 budget and it continues to be well received in the community.	Complete
5.2 Develop models of volunteering that recognise, support and	Promote the benefits and achievements of volunteers to encourage participation.	This will continue to be a focus of Council.	Ongoing
properly utilise the skills that community volunteers bring to	Undertake community research on motivations for volunteering.	This will be finalised in early 2023.	In progress 0-50%
community life.	Facilitate networks/partnerships with community groups.	Not started.	Not started
5.3 Partner with community groups, not-for-profits, and traditional	Engage with key stakeholders to redevelop Council's Access and Inclusion Policy.	A working group will be established to progress this work by 31/10/2022	In progress 0-50%
owner organisations to develop Ararat Rural City	Develop a Diversity and Inclusion Strategy.	Work will commence in November 2022	Not started
as a more inclusive and diverse community.	Commence a process of establishing respectful and productive relationships with traditional owner organisations.	This is an increasingly important goal for Council and it will become a whole of organisation priority.	Ongoing
6.1 Deliver responsible budget outcomes, linked to strategy, that deliver value, innovation and rating fairness.	Develop a 2023/2024 Council Budget that delivers public value and returns dividends to the community where appropriate.	This will be completed by 31/05/2023	In progress 0-50%
	Develop a set of underpinning financial management principles that drive Council's financial strategy.	Council adopted the underpinning financial management principles at its July 2022 Council meeting.	Complete
	Council completes a project to develop and implement a performance dashboard providing reporting to the CEO, Council and Community.	The final elements of developing the three required portals are underway.	In progress 51- 99%
6.2 Ensure appropriate risk management is applied to Council and organisational decisions. Council's internal audit function is applied to areas of perceived risk.	Undertake an annual review of Council's Business Continuity Plan and Disaster Recovery Plan	This will be completed by 31/12/2022	In progress 0-50%
	Undertake an Annual review of Council's Risk Management Policy and Framework	This will be completed by 31/05/2023	In progress 0-50%
	Respond to all issues raised through Council's Internal Audit function	Each internal audit report is responded to by management and an improvement plan put in place.	Ongoing
6.3 Continuously improve Council's community engagement process and practices in line with	Build a new Council website that provides easy navigation, promotes community engagement and access to key information	A new website is in development using Symphony9 software.	In progress 51- 99%
deliberative engagement practices, while acknowledging the need	Implement the Community Engagement Policy to support and	New models of community engagement will be developed and	Ongoing



Council Plan Objective	Action	Officer Update	Progress
for a range of different techniques to ensure effective engagement.	development Council's strategies and projects.	implemented on an ongoing basis.	

Further reports will be presented to Council in January, April and June outlining the progress of the Council Plan 2021-2025 Year 2 actions.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

- 1.1 Develop a new planning scheme for Ararat Rural City that is clear in its intention, supports growth and builds confidence and certainty around land use.
- 1.2 Support innovative housing models that work to overcome market failure and create the capacity to increase the population of Ararat Rural City.
- 1.3 Work with other levels of government, business, and not-for-for profits to develop programs to increase inmigration to Ararat Rural City to grow our population.
- 2.1 Partner with Federation University Australia to deliver the Ararat Jobs and Technology Precinct.
- 2.2 Work with other levels of government, local business, and private investors to develop a business park within Ararat Rural City, focused on agricultural value adding and advanced manufacturing, potentially leveraging "behind the meter" power.
- 2.3 Engage with Grampians Tourism and local businesses to drive growth in high yield tourist outcomes.
- 3.1 Position Ararat Rural City Council as a prime mover in driving circular economy policy in waste management, including local processing and management of recyclables, and in use of renewable energy for Council purposes.
- 3.2 Develop innovative energy solutions utilising locally produced waste.
- 3.3 Partner with local organisations and scientific experts to develop an appropriate and pragmatic local government Environment Strategy, focussed on the circular economy, emission reduction through renewable energy and management of Council assets.
- 4.1 Ensure that asset development and renewal during the planning period matches that identified in Council's Asset Plan 2021-2031.
- 4.2 Work directly with asset users to manage and develop new and existing assets.
- 4.3 Deliver infrastructure outcomes that support economic growth, promote community wellbeing and safety, and align with Council's financial sustainability.
- 5.1 Open up Council's arts and culture assets to greater community participation, ownership and engagement in decision-making. 5.2 Develop models of volunteering that recognise, support and properly utilise the skills that community volunteers bring to community life.
- 5.3 Partner with community groups, not-for-profits, and traditional owner organisations to develop Ararat Rural City as a more inclusive and diverse community.
- 6.1 Deliver responsible budget outcomes, linked to strategy, that deliver value, innovation and rating fairness.
- 6.2 Ensure appropriate risk management is applied to Council and organisational decisions. Council's internal function is applied to areas of perceived risk.
- 6.3 Continuously improve Council's community engagement process and practices in line with deliberative engagement practices, while acknowledging the need for a range of different techniques to ensure effective engagement.

Budget Implications

Initiatives and projects listed in the Council Plan Action Plan have an allocation in the 2022/2023 Budget.



Policy/Relevant Law

The Local Government Performance Reporting Framework – Governance and Management Checklist No 17 – Council Plan Reporting - Report reviewing the performance of the Council against the Council Plan including the results in relation to the strategic indicators for the first six months of the financial year.

Where Council has a report, it must also provide details of the report, where Council has no report, it must provide a reason.

Sustainability Implications

None identified for this report.

Risk Assessment

Not meeting the requirements of the Local Government Performance Reporting Framework will result in negative feedback on the Know Your Council website.

Innovation and Continuous Improvement

The list presented to Council shows the innovation and continuous improvement that Council is providing both the organisation and the community.

Stakeholder Collaboration and Community Engagement

The Chief Executive Officer along with relevant officers will continue to work to ensure that Council Plan actions meet expected milestones and timeframes where possible.

RECOMMENDATION

That the Council Plan 2021-2025 Year 2 Action Plan Update Report be received.

MOVED CR SANDERS SECONDED CR WATERTSON

That the Council Plan 2021-2025 Year 2 Action Plan Update Report be received.

CARRIED 4745/22

ATTACHMENTS

There are no attachments in relation to this item.



4.3 THE ARADALE SOLUTION – ECONOMIC & SOCIAL DEVELOPMENT STRATEGY

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER

DEPARTMENT: CEO'S OFFICE

REFERENCE: 7509

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The purpose of this report is to provide information for Councillors and the public about the process to develop the Aradale Economic and Social Development Strategy.

In August 2021, Council submitted what was ultimately a successful funding application to the Victorian Government's Investment Fast-Track Fund, with the Minister for Regional Development, the Hon Mary-Anne Thomas MP, announcing on 08 December 2021 that Ararat Rural City Council had been awarded \$500,000 to deliver the project. Ararat Rural City Council have committed a further \$125,000 to the project.

The Ararat Rural City Council invited tenders to develop the Aradale Solution - Economic and Social Development Strategy.

DISCUSSION

In May 2022, Ararat Rural City Council launched a public procurement process seeking suitably qualified planning consultants to provide a quotation that offers practical and innovative approaches to unlock the planning complexity and deliver an economic vision that will attract investment to fully activate the Aradale site.

Following the close of tenders, one (1) submission was received from Tract Consultants and was approved by Council at its meeting on 14 June 2022.

Central to this work is the delivery of a comprehensive highest and best use analysis and market-ready development prospectus that identifies feasible development and land use opportunities for the entire Aradale site. Demand for housing in Ararat has increased in recent years, in part because of the impacts of the pandemic due to lockdowns in metropolitan Melbourne, a shift in lifestyle preferences, the ability to work remotely, record low interest rates and housing stimulus.

The prominent heritage precinct of the Aradale site is concentrated on 22 hectares, leaving over 75 hectares of premium and largely unprogrammed land, with the project offering the Grampians region's largest premium mixed commercial development opportunity.

Aradale's strategic location to the east of town and within the Ararat East Development Area, means there is likely scope for Aradale to perform a housing role in the medium term as a future greenfield subdivision, leveraging and complementing the growth of the Ararat East Development Area.

There is also opportunity to consider how the site can assist in addressing rental supply challenges, provide housing for key workers, and smaller dwellings / units for smaller households and to cater to an ageing population (e.g. longer term opportunities for retirement living / aged care).



The final reports have been provided to the funding body at Regional Development Victoria for their information as well as acquittal of the grant with a complete audit opinion as required.

Any further developments to this project will be at the discretion of the State Government as the owner of the land.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

- Developing and Maintaining Key Enabling Infrastructure

 We will ensure that we plan, fund and develop new infrastructure in ways that delivers strong public value. Existing infrastructure will be managed, renewed, and maintained to ensure that it continues to serve identified public needs.
- 2 Enhancing Community Life
 We will work with the communities of Ararat Rural City to maintain social cohesion, support community activity and cultural life, and enhance safety.

Delivery of this project is a key measure of success of the Ararat Rural City Council, Council Plan 2021-2025 under the category of Developing and Maintaining Enabling Infrastructure "Aradale planning project funded and completed by 30 June 2023."

Budget Implications

Council has allocated \$625,000 in its budget. The amount comprises \$500,000 from the Regional Development Victoria Investment Fast Track Fund and Council's contribution of \$125,000. The awarded tender and associated project costs are to be achieved within this budget.

Policy/Relevant Law

- Ararat Rural City Council Procurement Policy
- Local Government Act 2020
- Planning regulations

Sustainability Implications

This project will undertake economic, social, heritage, cultural and financial assessments for works recommended at the Aradale Site.

Risk Assessment

Low Risk – Risks will be managed through project planning and management procedures and contract administration.

Innovation and Continuous Improvement

New or alternative processes will be considered in line with the strategic direction provided within the final report.

Stakeholder Collaboration and Community Engagement

Extensive Stakeholder engagement will occur as a part of the development of the Aradale Solution - Economic and Social Development Strategy. Project meetings and the provision of a stakeholder engagement plan will be delivered by the consultants as a part of the project.

RECOMMENDATION

That:

- 1 The Aradale Solution Economic & Social Development Strategy report be received; and
- 2 The Chief Executive Officer develops an advocacy plan and works with the relevant funding bodies to determine the best use of the Aradale site.



MOVED CR SANDERS SECONDED CR ALLGOOD

That:

- 1 The Aradale Solution Economic & Social Development Strategy report be received; and
- 2 The Chief Executive Officer develops an advocacy plan and works with the relevant funding bodies to determine the best use of the Aradale site.

CARRIED 4746/22

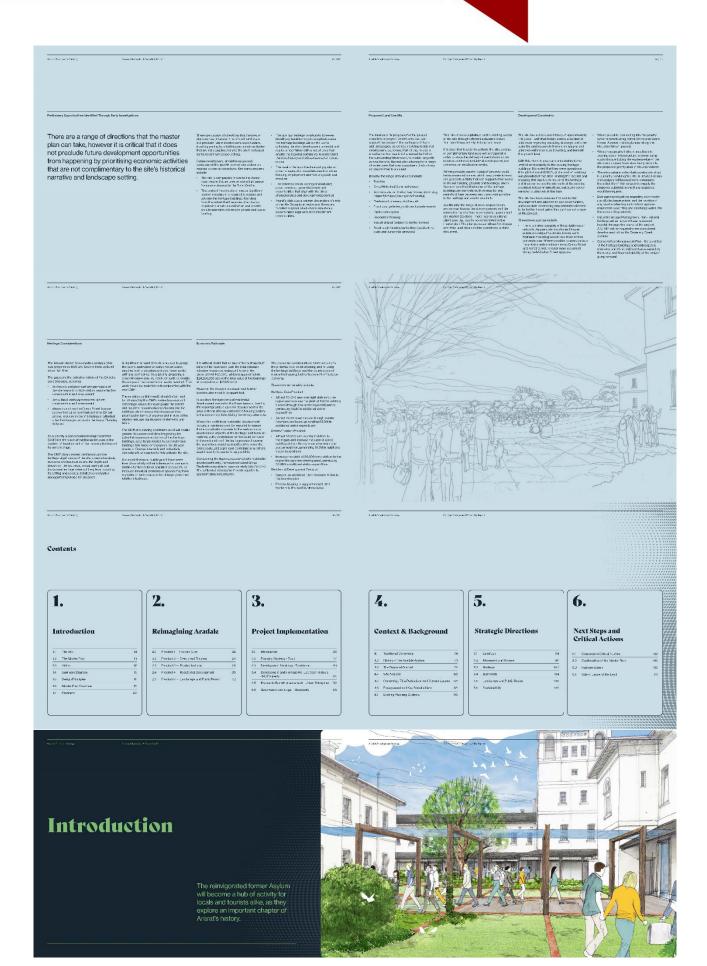
ATTACHMENTS

The Aradale Solution- Economic & Social Development masterplan is provided as Attachment 4.3















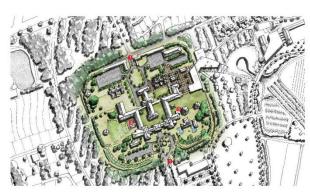
Reimagining Aradale

A range of future land uses are proposed for the former Asylum that support activities and opportunities for reinterpretation and reflection of the historic buildings and treatment of mental ill health across 130 years of

These land uses have been co-located with other allied business opportunities where possible to generate a critical mass of activity that can catalyse other forms of development in across the site.



2.1 Precinct 1 Historic Core



2.2 Precinct 2 — Events and Tourism



2.3 Precinct 3 - Productive Land





2.Vineyard

2.4 Precinct 4 - Residential Development

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2.5 Precinct 5 — Landscape and Public Realm

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Project Implementation

A site with a complex history such as Aradale is not easily masterplanned and developed. A range of detailed assessments will be required to determine the preferred path forward from an expensibility reversings. ownership, governance, town planning, servicing, heritage perspective.



3.1 Introduction

Urban Enterprise Economic Scricht Assessment, October 2022

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3.2 Planning Strategy - Tract

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3.4 Development and Heritage Re-Use Cost Analysis - M3 Property

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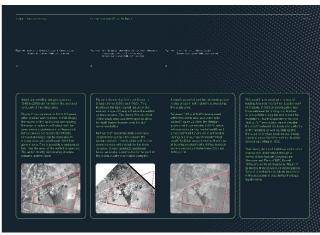


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Aradale Asylum

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4.3 The Regional Context

4.4 Site Analysis

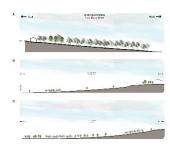
Figure 18: Fingline Concess Plan (Chief)

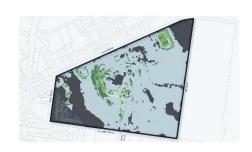


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Guiding the future use and development of the former Asylum are the following set of strategic directions to ensure the vision has been translated into a master plan level of design detail. These strategic directions will require further analysis and design to ensure they are deliverable and feasible. however these are the Strategie Directions feasible, however these are the key elements that support the vision of the future re-use of the former Aradale Asylum.





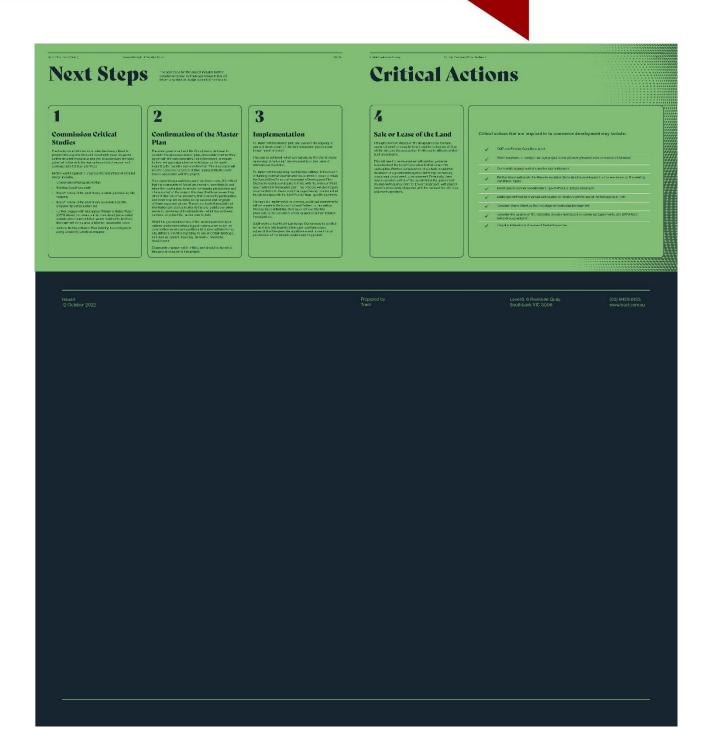
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SECTION 5- INFORMAL MEETINGS

5.1 INFORMAL MEETINGS

AUTHOR'S TITLE: CHIEF EXECUTIVE OFFICER

DEPARTMENT CEO'S OFFICE REFERENCE: 13039074

OFFICER'S DECLARATION OF INTEREST

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The Governance Rules state that if there is a meeting of Councillors that:

- is scheduled or planned for the purpose of discussing the business of *Council* or briefing Councillors;
- 2 is attended by at least one member of Council staff; and
- is not a *Council meeting*, *Delegated Committee* meeting or *Community Asset Committee* meeting, the *Chief Executive Officer* must ensure that a summary of the matters discussed at the meeting

are:

- a) tabled at the next convenient *Council meeting*; and
- b) recorded in the minutes of that *Council meeting*.

DISCUSSION

As a requirement of the Governance Rules, a summary of matters discussed at the Council Briefings held since the last Council Meeting are presented to Council and will be recorded in the minutes.

INFORMAL MEETINGS

Council Briefing held on 22 November 2022

Issues discussed at the briefing:

- MAV regional groupings
- VCAT appeal
- Council papers distribution
- Ongoing flood update
- Lake Bolac Community Information Centre
- Heavy Plant review and 3-year and 10-year replacement plans
- Significant economic development opportunities
- Helendoite Road bridge replacement
- Contracts/leases for Council Meeting
- Staffing update

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

The report supports the strategic objective of the Council Plan 2021-2025:



6.3 Continuously improve Council's community engagement process and practices in line with deliberative engagement practices, while acknowledging the need for a range of different techniques to ensure effective engagement.

Financial

There are no financial impacts for the receiving of Informal Meetings of Councillors.

Policy/Relevant Law

Reporting of Informal Meetings is in line with the requirements of the Governance Rules.

Risk Assessment

Following the requirements of the Governance Rules will ensure that Council meets its legislative requirements.

Stakeholder Collaboration and Community Engagement

A summary of matters discussed at the Council Briefings are presented for community information.

RECOMMENDATION

That the Informal Meetings of Councillors Report be received.

MOVED CR BURRIDGE SECONDED CR RMARMSTRONG

That the Informal Meetings of Councillors Report be received.

CARRIED 4747/22

ATTACHMENTS

The Summary of Council Briefings are provided as Attachment 5.1.







Date: Wednesday 22 November 2022 Commencement: 5:00 pm Location: Council Chamber, Shire Offices

Present

Councillors: Cr Jo Armstrong

Cr Rob Armstrong Cr Gwenda Allgood Cr Peter Beales Cr Henry Burridge Cr Bob Sanders Cr Bill Waterston

Officers: CEO, Dr Tim Harrison

Apologies:

Disclosure of Conflict of Interests

Disclosure of Interests are to be made immediately prior to any relevant item being discussed (Local Government Act 2020 - Section 131 and Chapter 5, Section 6 of the Governance Rules).

Absence from Room			
Item No.	Councillor	Before Discussion	During Discussion
		Yes / No	Yes / No

Matters Considered:

1	Mayor's update
2	MAV regional groupings
3	VCAT appeal
4	Council papers distribution
5	Ongoing flood event update
6	Lake Bolac Community Information Centre
7	Heavy Plant review and 3-year and 10-year replacement plans
8	Significant economic development opportunities
9	Helendoite Rd Bridge replacement
10	Contracts / leases for Council Meeting
11	Staffing update

Briefing Closed: PM

Dr Tim Harrison



SECTION 6 – NOTICES OF MOTION

A *notice of motion* must be in writing signed by a Councillor and be lodged with or sent to the *Chief Executive Officer* no later than 12.00pm (noon) and at least six (6) days prior to the Council Meeting to allow sufficient time for the *Chief Executive Officer* to include the *notice of motion* in agenda papers for a *Council meeting*.

There were no Notices of Motion received.



SECTION 7- URGENT BUSINESS

Items cannot be admitted as urgent business other than by resolution of Council and only then if it:

- 1 relates to or arises out of a matter which has arisen since distribution of the agenda; and
- 2 cannot safely or conveniently be deferred until the next *Council meeting*.

There were no Urgent Business Items received.



SECTION 8 - CLOSE SESSION (CONFIDENTIAL)

In accordance with section 66(2)(a), 3(1) *Confidential Information* (a) of the Local Government Act 2020, the following agenda items are listed for consideration in the confidential section:

- Item 8.1- Contract No. 701 Panel Supply Contract- Professional Planning Manager
- Item 8.2- Contract No. 664 Panel Supply Contract- Professional Engineering Consultancy and Reporting
- Item 8.3- Contract No. 694- Panel Supply Contract- Provision of Roadside Slashing & Spraying
- Item 8.4- Contract No 700- Roadside Weed and Pest Program
- Item 8.5- Contract No. F07/2022- Supply and Delivery of one new Waste Truck by 60 Month Lease

6:24PM CLOSURE OF COUNCIL MEETING TO THE PUBLIC

The Open Council Meeting will now be closed, but members of the public are welcome to rejoin the Council Meeting following the recommencement of the meeting.

RECOMMENDATION

That the meeting be closed to members of the public pursuant to section 66(2)(a) of the Local Government Act 2020 to consider confidential reports.

MOVED CR BEALES SECONDED CR WATERSTON

That the meeting be closed to members of the public pursuant to section 66(2)(a) of the Local Government Act 2020 to consider confidential reports.

CARRIED 4748/22

6:43PM OPEN COUNCIL MEETING RECOMMENCEMENT

RECOMMENDATION

That the Open Council Meeting recommence.

MOVED CR BEALES SECONDED CR BURRIDGE

That the Open Council Meeting recommence.

CARRIED 4754/22

Gallery invited to return to Council Chamber.

LIFTING OF CONFIDENTIALITY OF CLOSED SESSION RESOLUTIONS

RECOMMENDATION

That the:

- 1 Confidentiality of the report and decision in relation to 8.1, 8.2, 8.3 and 8.4 be lifted on adoption of the motion; and
- 2 Confidentiality of the report and decision in relation to 8.5 not be lifted on adoption of the motion.



MOVED CR SANDERS SECONDED CR BURRIDGE

That the:

- 1 Confidentiality of the report and decision in relation to 8.1, 8.2, 8.3 and 8.4 be lifted on adoption of the motion; and
- 2 Confidentiality of the report and decision in relation to 8.5 not be lifted on adoption of the motion.

CARRIED 4755/22

8.1 CONTRACT No. 701 – PANEL SUPPLY CONTRACT – PROFESSIONAL PLANNING CONSULTANCY

MOVED CR SANDERS SECONDED CR ALLGOOD

That:

- Council award Contract No. 701 for the Panel Supply Contract Professional Planning Consultancy Services to the following suppliers:
- JJ Ryan Consulting Pty Ltd
- Mecone Melbourne
- Hansen Partnership
- Niche Planning Studio
- Tomkinson
- Stantec
- SMEC
- Plan2Place Consulting

At their schedule of rate pricing.

- 2 The Chief Executive Officer Sign the Contract Deed.
- 3 The confidentiality and decision be lifted on the adoption of the motion.

CARRIED 4749/22

8.2 CONTRACT No. 664 – PANEL SUPPLY CONTRACT – PROFESSIONAL ENGINEERING CONSULTANCY AND REPORTING

MOVED CR BEALES SECONDED CR BURRIDGE

That:

- 1 Council award Contract No. 664 for the Panel Supply Contract Professional Engineering Consultancy and Reporting Services to the following suppliers:
- JJ Ryan Consulting Pty Ltd
- Engeny Australia Pty Ltd
- Eco Logical Australia
- PT Tomkinson & Associates Pty Ltd
- Stantec Australia
- Consulting Earth Scientists Pty Ltd
- Carter Group
- EPSM Consulting Engineers Pty Ltd
- CMW Geosciences (East Coast)
- SMEC Australia Pty Ltd
- Xylem Tree Care



- Ecology Australia
- Wood Research and Development
- Mitchell Brandtman
- Site Geotechnical Pty Ltd
- FMG Engineering
- Pavement Management Services Pty Ltd
- CR Ryder Consulting
- Urban Amenity Services
- J.C. Engineers
- G & P Consulting Engineers
- ACOR Consultants (Vic) Pty Ltd
- Miglic Macleod
- NGH

At their schedule of rate pricing.

- 2 The Chief Executive Officer Sign the Contract Deed.
- 3 The confidentiality and decision be lifted on the adoption of the motion.

CARRIED 4750/22

8.3 CONTRACT No. 694 – PANEL SUPPLY CONTRACT – PROVISION OF ROADSIDE SLASHING & SPRAYING – FIRE PREVENTION WORKS

MOVED CR SANDERS SECONDED CR BEALES

That:

- 1 That Council award Contract No. 694 for the Panel Supply Contract Provision of Roadside Slashing and Spraying Fire Prevention Works to the following suppliers:
- Carter Group
- UDL M Pty Ltd

At their schedule of rate pricing.

- 2 The Chief Executive Officer Sign the Contract Deed.
- 3 The confidentiality and decision be lifted on the adoption of the motion.

CARRIED 4751/22

8.4 CONTRACT No. 700 – ROADSIDE WEED AND PEST PROGRAM

MOVED CR BEALES SECONDED CR WATERSTON

That:

- 1 Council award Contract No. 700 Roadside Weed and Pest Program to Project Platypus at their tendered schedule of rates pricing.
- 2 The Chief Executive Officer Sign the Contract Deed.
- 3 The confidentiality and decision be lifted on the adoption of the motion.

CARRIED 4752/22



I HEREBY CERTIFY THAT PAGES 6190 TO 6325 INCLUDING PAGES 485 TO 501 OF THE CLOSED SESSION ARE CONFIRMED AND ARE A TRUE AND CORRECT RECORD.

MAYOR - CR JO ARMSTRONG

Meeting closed at 6:44pm.