

# Review of the NCOSS role on ClubGRANTS Local Committees: Full Report



Report to the Office of Responsible Gambling  
July 2021

## About NCOSS

The NSW Council of Social Service (NCOSS) is the peak body for the social services sector in NSW. With over 400 members and a wider network of organisations and individuals who share our values, we advocate to alleviate poverty and disadvantage in NSW.

NCOSS was founded in 1934 during the Great Depression when unemployment rose to 28% and extreme poverty was rampant. With few government programs available, assistance was provided through a limited number of overstretched religious charities. A small group was motivated to improve the lives of those suffering and so the NSW Council of Social Services was formed, to coordinate relief efforts and maximise benefit for those in need. Our core vision remains unchanged: a NSW free from poverty and disadvantage.

To achieve this vision, we work to:

- Amplify the experience of people affected by poverty and disadvantage
- Support a diverse, collaborative and innovative community sector
- Form constructive partnerships to influence change
- Ensure a strong, effective and sustainable organisation.

Over 880,000 people are living below the poverty line in NSW and this number is growing. As communities struggle to meet the cost of living, many people are being left behind. Natural disasters as well as the COVID-19 pandemic have exacerbated the already growing number of vulnerable communities.

As the peak body for the social services sector, NCOSS is uniquely placed to work together with our members, government, business and other stakeholders to strive for a more equitable and inclusive society. We provide a platform for sharing information and resources, developing agreed positions, progressing joint work and seeking greater transparency and delivery on commitments from government.

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## Section 1 Background information & overview

### 1.1 Pokies in NSW: A brief overview

Gaming machines – better known as poker machines or pokies – were first introduced in 1956 in two locations: Las Vegas and NSW. Today, NSW has the largest number of pokies in Australia and accounts for around 30% of pokies globally, outside casinos.

In 2019, more than \$22 million a day<sup>1</sup> was lost through the state's 91,382<sup>2</sup> pokies, making NSW the world's gambling capital on a per capita basis.<sup>3</sup> Clubs account for 68,692 of these poker machines, the rest (22,690) are in hotels. These figures do not include the 1,500 pokies operated by The Star casino in Sydney.

According to Liquor & Gaming NSW (L&GNSW) data, in the two six month periods that roughly correlates with the 2019-20 financial year, pokies in pubs and clubs contributed \$1.74 billion to NSW Government revenues<sup>4</sup> and realised net profits totalling more than \$5.6 billion.<sup>5</sup> The NSW Government has forecast that pokies will bring in \$1.9 billion in 2020-21.<sup>6</sup>

### 1.2 What is ClubGRANTS?

ClubGRANTS is a small grants scheme, first established under the *Liquor and Registered Clubs (Community Partnerships) Act 1998* as the Community Development and Support Expenditure scheme (CDSE), replacing the community welfare expenditure arrangements that were in place under the *Registered Clubs Act 1976*.

The scheme allows Clubs to claim a dollar-for-dollar tax rebate on pokies profits over \$1 million when they make grants to eligible community projects. The total rebate that Clubs may claim is capped at 1.85% of those profits over \$1 million. Pokies profits under \$1 million are not taxed.<sup>7</sup>

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<sup>1</sup> L&GNSW publishes profit, tax and ranking data for Clubs and hotels twice a year at <https://www.liquorandgaming.nsw.gov.au/resources/gaming-machine-data>. For Clubs, this is 1 July to 30 November and 1 December to 30 June. For hotels, it's 1 January to 30 June and 1 July to 31 December. These figures are taken from L&GNSW's reports for Clubs and hotels that roughly correlate to the 2019 calendar year. That is, 1 December 2018 to 31 May 2019 and 1 June 2019 to 30 November 2019 for Clubs and January to June and July to December reports for hotels.

<sup>2</sup> Figures are taken from the reports described in footnote (1) above.

<sup>3</sup> See *The Sydney Morning Herald* <https://www.smh.com.au/national/nsw/what-are-gambling-cards-and-how-would-they-stop-money-laundering-in-the-pokies-capital-of-australia-20210209-p570s8.html>, 10 February 2021.

<sup>4</sup> Figures are taken from the reports described in (1) above.

<sup>5</sup> See <https://www.liquorandgaming.nsw.gov.au/resources/gaming-machine-data> for the relevant reporting periods.

<sup>6</sup> NSW Government (2020) *Budget Statement 2020-2021* (Budget Paper No. 1), pp 4 - 13

<sup>7</sup> See s17(4) of the *Gaming Machine Tax Act 2001*.

Up until legislative changes in 2011 – which rebadged the scheme as ClubGRANTS – there were two categories of expenditure:

- Category (CAT) 1, for projects comprising community welfare and social services, community development, community health services, and employment assistance activities, that are aimed at improving the lives of people who are on low incomes or who are disadvantaged.<sup>8</sup> Clubs must allocate at least 0.75% of profits over \$1 million to CAT 1 projects.
- Category (CAT) 2, for other community development support projects that are not eligible for CAT 1 funding, and which are funded from the difference (up to 1.1% of profits over \$1 million).

Changes to the governing legislation in 2011 also created a third category (CAT 3 grants) for larger infrastructure projects. Clubs claim a further 0.4% rebate for contributing to the CAT 3 fund.

ClubGRANTS is a NSW Government scheme, administered by L&GNSW (CAT 1 and CAT 2) and Office of Responsible Gambling (CAT 3) – which both form part of the Customer Services Department – and the scheme operates under Ministerial Guidelines. This may not be well understood, as our March 2021 scan of Club websites showed that a number believed it was created by ClubsNSW, the industry’s representative body.

### **1.3 What is the scope of the ClubGRANTS scheme?**

Participation in the ClubGRANTS scheme is voluntary for Clubs though, again, this may not be well understood. Our March 2021 scan of Clubs’ websites suggest that a number of Clubs believe that they are under a statutory obligation to participate. One, for example, states they are required under legislation to invest 2.25% of total gaming machine revenue back into the community projects.

There is no publicly available information about the number of Clubs that participate in the scheme, or who they are. However, twice a year the regulator publishes a list of Clubs ranked by net profit and, in the period 1 December 2019 to 31 May 2019, there were 1,075 that operate poker machines. This has dropped to 1,046 in the most recent published reporting period (1 June 2020 to 30 November 2020).<sup>9</sup>

It is also not clear how much the scheme is worth.

A list of 67 LGAS where Local Committees are required, published by L&GNSW, indicates that total CAT 1 grants made were around \$24.5M for each of the 2016-2017 and 2017-2018

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<sup>8</sup> See clause 2.1 and clauses 2.1.1 to 2.1.4 of the August 2020 ClubGRANTS Guidelines.

<sup>9</sup> See <https://www.liquorandgaming.nsw.gov.au/resources/gaming-machine-data> for the relevant reporting periods.

gaming machine tax years (GMTYs).<sup>10</sup> See Section 3.3 for information about Local Committees and what they do.

In the 2017-2018 GMTY (the most recent available when this analysis was undertaken):

- The largest total pool of CAT 1 grant funding – \$2.6 million – was distributed in the Fairfield LGA, followed closely by \$2.4 million in Canterbury/Bankstown.
- In a further three LGAs, CAT 1 grants of more than \$1 million were made.
- In over half the LGAs where Local Committees are required (ie: those where total CAT 1 grant funding is \$30,000 or more) the CAT 1 funding pool was between \$100,000 and \$400,000.
- Based on the LGAs required to have Local Committees, five Clubs located in Greater Western Sydney and the Central Coast accounted for 37% (\$9.1 million) of CAT 1 grants made across the state, and the top 15 account for 64% (\$15.7 million).

The L&GNSW list, mentioned above, also included 42 LGAs which are not required to have a Local Committee. As a result, the total CAT 1 grant funding in these LGAs is not known (but should not exceed \$1.2 million, as LGAs with \$30,000 or more in CAT 1 grant funding must have a Local Committee under the ClubGRANTS Guidelines). Assuming the \$24.5 million CAT 1 expenditure represents 0.75% of the 1.85% that Clubs may be claim for CAT 1 and CAT 2 grants, the ClubGRANTS scheme, overall, is worth more \$60 million a year.

However, this is just an estimate because it is open to Clubs to put more into the CAT 1 pool than the base 0.75% requirement, and less into CAT 2.

ClubsNSW's website states the scheme provides more than \$100 million in cash each year to a variety of worthy causes. This may include CAT 3 expenditure. It may also include grants that meet the eligibility criteria for CAT 1 or CAT 2 grants, but exceed the rebates Clubs may claim.

These sums are small when compared with the profits NSW Clubs make from pokies.

Despite COVID-19, in the six months 1 December 2019 to 31 May 2020 these were \$1.2 billion in pokies profits, while for the 12 months 1 June 2019 to 31 May 2020 – the L&GNSW reporting periods that roughly correlate with the GMTY<sup>11</sup> – they were \$3.27 billion. By comparison, net profit in previous 12 months (from 1 June 2018 to 31 May 2019, and pre-COVID) was \$3.97 billion.<sup>12</sup>

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<sup>10</sup> See <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/clubgrants/clubgrants-categories>. NB: This has recently been updated with 2018-19 and 2019-20 GMTY (which commence 1 September and end 31 August).

<sup>11</sup> The GMTY runs 1 September to 31 August each year. It's not clear why L&GNSW bases its 6-monthly reports for Clubs on the periods 1 July to 30 November and 1 December to 30 June each year, rather than the GMTY.

<sup>12</sup> See the L&GNSW website at <https://www.liquorandgaming.nsw.gov.au/resources/gaming-machine-data>.

### **What do pokies profits look like on an LGA-by-LGA basis?**

Assuming the \$2.6 million CAT 1 grants claimed for the Fairfield LGA in 2018 represents the minimum 0.75% which ClubGRANTS Clubs must direct to CAT 1 projects, that year pokies delivered \$350 million in profits to local Clubs that participate in ClubGRANTS.

In the same way, if the \$2.4 million CAT 1 grants claimed for the Canterbury-Bankstown LGA in 2018 represents the minimum 0.75% which Clubs must direct to CAT 1 projects, pokies delivered \$320 million in profits to local ClubGRANTS Clubs.

In the Mid-Western Regional Council – the LGA with the lowest CAT 1 grant pool that exceeds the \$30,000 threshold requirement for a Local Committee (that is, \$33,720) – pokies delivered \$4.5 million in profits to local ClubGRANTS Clubs.

## **1.4 What is NCOSS' role in ClubGRANTS & why are we undertaking this project?**

NCOSS has had a role in the ClubGRANTS scheme from its very beginning. Our agreement to participate secured the Opposition and Cross Bench support required to pass the enabling legislation in the Legislative Council.<sup>13</sup> NCOSS was also involved in developing the Guidelines set up to govern the scheme and we were designated a core member of Local Committees, along with Clubs, local councils, the Department of Communities and Justice (DCJ) and Aboriginal Controlled Community Organisations (ACCOs).

However, NCOSS was never resourced to perform the role. Over time, as changes to contracting and funding arrangements narrowed the scope of activities NCOSS could spend NSW Government funding on, we were not able to keep sight of it.

In 2019, NCOSS approached the Department of Customer Services concerned that NCOSS apparently had a role in the ClubGRANTS scheme, but we had no real understanding about what we were required to do, or visibility over what was being done, in our name, on the ground. As NCOSS was not resourced to support any involvement in the scheme, and for other reasons summarised below, we flagged our intention to withdraw.

### **Why did NCOSS seek to withdraw from involvement in ClubGRANTS?**

NCOSS approached L&GNSW in the Department of Customer Services, with concerns that included:

- We had no visibility over what seemed a highly devolved process. We did not know which LGAs were required to have Local Committees under the Guidelines, whether or not we were represented on them, or if organisations said to be the 'NCOSS rep' were even NCOSS members.

<sup>13</sup> See <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardResult.aspx#/docid/HANSARD-1820781676-14789>.

- There appeared to be a lack of transparency, consistency and accountability in the operation of the scheme, not in keeping with community expectations for the management of public money.
- NCOSS members had long raised concerns that many Clubs disregard Local Committee advice, view grant funding as ‘their money’ to spend as they see fit and, in some instances, do not comply with basic requirements of the Guidelines.
- It is important to our members that NCOSS is only associated with programs that align with NCOSS’ vision, as the peak body representing the social services sector in NSW, for a NSW free from poverty and disadvantage. ClubGRANTS funding comes from losses on pokies. People who regularly lose money playing the pokies are more likely to be on low income and/or from a disadvantaged demographic, and more likely to have a problem with harmful levels of gambling.<sup>14</sup> This raises ethical considerations for NCOSS.
- NCOSS has never been explicitly resourced for its role in relation to the scheme.

Towards the end of 2019-20, NCOSS secured funding from the Office of Responsible Gambling to review our role on ClubGRANTS Local Committees, with a view to supporting the performance of our functions. The terms of reference (ToR) require us to:

- Establish the systems and processes that would be required to support our ongoing involvement in the scheme, including a nomination and selection process for vacancies (ToR 1) and a register of NCOSS members on Local Committees (ToR 2). This is intended to ensure there is NCOSS representation on Local Committees.
- Work with stakeholders to improve governance, transparency and accountability of ClubGRANTS processes to ensure good practice and compliance with the Guidelines (ToR 3).
- Develop a rigorous and transparent process for identifying local priorities for funding in areas that are not required, under the Guidelines to have Local Committees<sup>15</sup> (ToR 4).
- Provide insights on what is working well and what can be improved with the processes NCOSS is involved with (ToR 5).
- Consider the key roles of Local Committees established under the Guidelines to ensure NCOSS representation contributes to these expectations being met (ToR 6).

ORG’s full brief is included at Appendix A.

## 1.5 How did we undertake this project?

The project consisted of two main parts:

- Part 1 involved discrete, practical tasks aimed at developing the processes that would be required to support the administration of our role, covered by ToR 1, 2, and 4.

<sup>14</sup> See, for example, the NCOSS submission on the Gaming Machines (Gambling Harm Minimisation) Bill 2020.

<sup>15</sup> Local Committees are not required in local government areas where the total CAT 1 funding pool is less than \$30,000. See clause 6.1 of the August 2020 Club GRANTS Guidelines.

- Part 2 involved dealing with more wide ranging issues related to the overarching governance framework for the ClubGRANTS scheme, so NCOSS' representation on Local Committees ensured good practice and compliance with the Guidelines. This work responds to ToR 3, 5 and 6.

Part 1 was relatively straight forward. Our aim was to develop processes that were sufficiently robust, but proportionate to the scope of the task. That is, a locally managed small grants scheme.

Establishing a register of members presented more of a challenge especially as, initially, we were unable to obtain accurate information from L&GNSW or ClubsNSW about where Local Committees were required.

Part 2 required significant research, consultation and analysis. To provide insights on what was working and what could be done better in the processes we're involved with; identify improvements to governance, transparency, and accountability; and consider how NCOSS' representation on Local Committees contributes to meeting the expectations created by the Guidelines for these Committees, we first needed to unpack:

- The broader context, including what the ClubGRANTS scheme is intended to achieve.
- The role the Guidelines establish for NCOSS and/or our members representing us.
- How the scheme operates on the ground, to understand (among other things) how our representation on Local Committees contributes to outcomes, including for the intended beneficiaries and overall compliance with the requirements of the Guidelines.

We started by looking at the eligibility criteria for CAT 1 and analysing the key roles of Local Committees and other functions for Local Committees – and NCOSS in particular – established by the Guidelines. We then undertook research and desktop analysis of publicly available information on the scheme to inform our understanding of how it was actually working, and consulted widely, including with our members who represent us on Local Committees; members who are grant applicants and/or recipients; local council and Department of Communities and Justice (DCJ) representatives on Local Committees; ClubsNSW and L&GNSW. This included, among other things, testing the findings from our research and desktop analysis.

## 1.6 What were the outputs?

### *Development of systems, processes and resources to support NCOSS involvement in the scheme and effective administration*

In keeping with the requirements of the Terms of Reference – including ToR 1, 2 and 4 – NCOSS has developed a nomination and selection process for NCOSS representatives on Local Committees, a register of Local Committees and NCOSS member representatives, and a

rigorous, transparent process for determining local priorities in areas that are not required to have a Local Committee. These outputs are outlined in Section 2.

In developing these resources, it became clear we would need to be adequately resourced to properly administer our role. This is especially the case if NCOSS is expected to ensure that there is NCOSS representation on any given Local Committee.

*Observations and findings on the operation of the scheme and its impact on the role of Local Committees and NCOSS, including what is/isn't working, and improving governance, transparency, and accountability (ToR 3, 5 and 6)*

Our work in considering the NCOSS role on Local Committees – ToR 3, 5 and 6 – has revealed significant flaws in the ClubGRANTS' processes that involve us or our member representatives, and which appear to have been designed in the interests of the Clubs industry, rather than in the public interest.

For example, Clubs are not entitled to a ClubGRANTS tax rebate if they don't comply with the requirements of the Guidelines. Local Committees have the statutory role of reporting non-compliance to L&GNSW, but this not reflected in the 'key roles' of Local Committees in the ClubGRANTS Guidelines.

This flaw was highlighted in the 2013 NSW Audit Office's performance audit of the management of the ClubGRANTS scheme. It is not clear why the NSW Government has failed to address this issue.

These issues are explored in Section 3.

## **1.7 How is the rest of this report structured?**

### **Section 2: Administrative systems & supports**

This section reports on the tangible deliverables for this project. These include the development of a member register, a nomination and selection process for NCOSS representatives on Local Committees, and a robust method for advising local community priorities in areas that are not required to have a Local Committee.

### **Section 3: Observations, insights & recommendations**

This section details our consideration of the role established for NCOSS under Guidelines (including the key roles of Local Committees) and our consultations with stakeholders, our research and analysis of publicly available information. It provides insights on what is working well and what could be improved in the processes we are involved with, including governance, transparency and accountability, and considers whether NCOSS representation on Local Committees would ensure the expectations set out in the Guideline's key roles for Local Committees were met.

This section also sets out the options we considered, what the NCOSS Board determined and our recommendations.

**Appendix A:** Sets out the Office of Responsible Gambling's brief in full.

**Appendix B:** Contains the Guidelines issued in August 2020.

**Appendix C:** Lists organisations we've consulted in the process.

## Section 2 Administrative systems & supports

When NCOSS approached L&GNSW in 2019, one of our concerns was that we had no visibility over our role in ClubGRANTS – including who was supposed to be representing us on Local Committees – and we did not have administrative systems and processes in place to achieve this. At the time, we did not even know if the said ‘NCOSS reps’ were even NCOSS members.

Part of the funding we received from ORG was to develop a robust nomination and selection process for NCOSS representatives on Local Committees (ToR 1), establish a register of Local Committees and NCOSS representatives (ToR 2) and develop a robust process for advising Clubs in areas not required to have Local Committees about local funding priorities for CAT 1 grants (ToR 4).

### 2.1 Development of a robust nomination & selection process for NCOSS Local Committee representatives (ToR 1)

Under ToR 1 for the project, NCOSS was required to develop a robust nomination and selection process, aimed at supporting participation by NCOSS representatives on Local Committees and allow us to have oversight over those arrangements.

In developing this process, we looked for models that were simple to administer but, consistent with good governance practice, provided a reasonable opportunity for healthy renewal of NCOSS representatives while ensuring appropriate levels of continuity.

In carrying out this task, we took account a number of issues:

- There are a number of long-standing arrangements in place, including in south-western Sydney where our member, Sector Connect, is the Local Committee convenor. Where the parties are happy with these arrangements, there seems little point in disturbing them. However, there needs to be mechanism to reconsider these arrangements, if serious issues arise.
- One of the issues that could arise is real or perceived conflicts of interest, and these need to be managed. As a result, no NCOSS member could be (or continue to be) an NCOSS representative on a Local Committee if their organisation is a CAT 1 grant applicant.
- Most – if not all – of our members are financially stretched and it may be difficult to find one with the capacity to be our representative on a Local Committee given the resource commitment required. Additionally, they may not wish to put themselves in a position where they are unable to apply for a CAT 1 grant.

We, therefore, envisage:

- Where there are long-standing arrangements in place, and Local Committee members advise they would like to retain them, NCOSS will formally appoint our member organisation to the role of NCOSS representative on the Local Committee. The appointment would be subject to them remaining a member, and meeting our requirements with respect to the management of conflicts of interest.
- Where there is no NCOSS member on an established Local Committee, NCOSS will run a 'call for nominations' process.
- In circumstances where we are unable to identify a member organisation prepared to take on the role because of potential conflicts of interest, we would create a panel of local member organisations who can step into the role if required.
- Where we do not receive a suitable applicant, an NCOSS staff member would be made available. However, with a headcount of 10.8 full time equivalent staff to cover our core business (which does not include supporting the ClubGRANTS scheme), this would only be feasible with additional staff resources.

### Proposed 'call for nominations'

#### ClubGRANTS Scheme<sup>16</sup>

#### NCOSS Representative on Local Committees

*NCOSS is seeking nominations from [insert number] of members to represent us on ClubGRANTS Local Committees in [insert the names of the LGAs]*

#### Background

*What is the ClubGRANTS scheme?*

ClubGRANTS is a community grants program funded by local Clubs and administered locally. The scheme enables Clubs with poker machine profits over \$1 million to apply for a tax rebate of up to 2.25% of those profits where the funding is used to provide grants for eligible community projects.

The Scheme is established under the *Gaming Machine Tax Act 2001* which identifies three classes of expenditure (Category 1, Category 2 and Category 3). Local Committees are only required for Category 1 grants.

Under the Ministerial Guidelines for ClubGRANTS, projects eligible for Category 1 grants are those that contribute to the welfare and broader social fabric of the local community, and are aimed at improving the living standards of low income and disadvantaged people.

*What are ClubGRANTS Local Committees and who are on them?*

The Guidelines require a Local Committee be established in each local government area (LGA) where the total ClubGRANTS Category 1 funding pool is more than \$30,000 each year.

The core Local Committee membership in each LGA includes:

- Representative/s of ClubGRANTS qualifying clubs;
- Representative/s of the local council;

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<sup>16</sup> This reflects current Local Committee roles and would need to be updated for NCOSS to continue our involvement in the ClubGRANTS scheme

- Representative/s of the Department of Communities and Justice;
- Representative/s of NCOSS; and
- Representative/s of the local Aboriginal Community Controlled Organisations.

The Local Committee identifies local funding priorities, determines the amount of CAT 1 expenditure that should be spent on projects recommended by the Committee and reviews evidence that Clubs have made grants consistent with local funding priorities. Depending on the processes established by the Committee and/or Clubs that participate in the ClubGRANTS scheme, they may also assess grant applications and advise which should be funded.

For more information on responsibilities see Attachment 1, the ClubGRANTS Guidelines.

#### **What will the NCOSS representative do?**

As a Local Committee member, the NCOSS representative is responsible for representing local not-for-profit, social services organisations.

The NCOSS representatives will seek to:

- maximise the CAT 1 funding allocated to projects recommended by the Local Committee, noting that the Guidelines recommend this be at least 75% of the CAT 1 funding;
- ensure that local funding priorities identified by the Committee will maximise impact for people on low incomes or who are disadvantaged;
- to the extent possible, ensure there is a fair and transparent process for evaluating grant applications; and
- to the extent possible, ensure funded projects are consistent with the identified local funding priorities and otherwise meet the eligibility criteria.

You will also:

- Notify NCOSS if you have a conflict of interest regarding a funding application you are involved in assessing
- Notify NCOSS as soon as possible, if you are no longer able to be a Local Committee representative
- Provide a brief report to NCOSS each year regarding your participation.

Local Committees generally meet 3 to 6 times per year. Representatives are appointed for a period of three years and may reapply.

#### **Qualifications, Knowledge and Experience needed**

- You will have a good understanding of the ClubGRANTS Guidelines and principles of good governance
- You will have strong interpersonal, relationship-building and networking skills and the ability to build rapport and maintain effective working relations with a diverse range of people
- You will have a good understanding of needs of people living with disadvantage and on low incomes within your LGA
- Your organisation will be an organisational member of NCOSS (or you will be an individual member) and you will retain membership during the time you are the NCOSS representative on a Local Committee.

#### **Conflicts of interest**

To manage real or perceived conflicts of interest:

- Members are not eligible to represent NCOSS if their organisation – or any other organisation they are closely associated with – makes a CAT grant application.
- Members, and their nominated employee or employees who will represent our Member organisation on Local Committees, may not represent NCOSS on a Local Committee where they

have a personal or professional relationship with an applicant that could give rise to the perception that a decision was made that was not impartial or fair.

#### **Nomination Process**

Nominations must be in writing using the attached nomination form. Where the applicant is a Member organisation, you must nominate the employee or employees who will sit on the Local Committee.

Please be aware your name and/or the name of your organisation will be published on the NCOSS website.

If we receive more than one suitable applicant for an LGA, in the first instance, you will be asked to reach agreement about who is to be appointed (or, potentially, to share the role). Otherwise, appointments will be determined by a committee of the NCOSS Board.

#### **Administration and support**

NCOSS will provide ongoing support to our representatives on Local Committees, including guidance and advice, and raising issues with the regulator that suggest changes are required to ensure the governance framework is supporting transparency and accountability, and delivering good outcomes.

## **2.2 Register of NCOSS members on Local Committee (TOR 2)**

Under ToR 2, NCOSS was tasked with establishing a register of our member representatives on Local Committees. This was complicated by the lack of easy to find public information on areas where Local Committees were required.

We were originally advised by L&GNSW that 108 of the 128 LGAs in NSW required a Local Committee (we later found that there were only 67). Additionally, ClubsNSW was unable to provide information about Local Committees and the organisations represented on them, citing privacy limitations, as well as a lack of complete information.<sup>17</sup>

As a result, we sought this information from a range of sources, including searches of Club and Council websites, directly approaching Local Councils (as the likely convenors of any Local Committee), and speaking with our members.

NCOSS was able to identify an NCOSS representative on 19 of 67 LGAs where a Local Committee was required. As at March 2021, when this work was completed, NCOSS member representatives on Local Committees are as follows:

	<b>LGA</b>	<b>NCOSS Rep/member</b>
1.	Bathurst	Bathurst Neighbourhood Centre
2.	Blacktown	Community Resources Network
3.	Burwood	Inner West Neighbour Aid
4.	Camden	Sector Connect
5.	Campbelltown	Sector Connect

<sup>17</sup> Meeting between the ClubsNSW' Manager, Government Relations, the NCOSS CEO, and other ClubsNSW and NCOSS representatives, on 31 August 2020

	<b>LGA</b>	<b>NCOSS Rep/member</b>
6.	Canterbury Bankstown	Coolabaroo Neighbourhood Centre
7.	City of Canada Bay	Drummoyne Community Centre
8.	City of Parramatta	Western Sydney Community Forum
9.	Inner West	Rev Bill Crews
10.	Fairfield	Core Community Services
11.	Northern Beaches	Mission Australia
12.	Randwick	Inner Sydney Voice
13.	Shellharbour	Community Industry Group
14.	The Council of Hornsby Shire	Yourside
15.	The Hills Shire	Community Resource Network
16.	Wagga Wagga	The Forrest Centre
17.	Willoughby	Yourside
18.	Wingecarribee	Sector Connect
19.	Wollongong	Mission Australia

### **2.3 Develop a robust process for advising local community priorities for areas where a Local Committee is not required (Tor 4)**

Chapter 6 of the ClubGRANT Guidelines outlines the requirements relating to the establishment of, and processes for, Local Committees under the ClubGRANTS scheme. Local Committees are not required in LGAs where, in the relevant GMTY, the combined ClubGRANTS Category 1 grant pool is less than \$30,000. In these LGAs, a Local Committee may be established if Clubs and the other core Committee members agree (ie: local councils, DCJ, ACCOs and NCOSS).

If a Local Committee is not formed, the Guidelines stipulate that DCJ and NCOSS must develop a listing of local expenditure priorities in that area for the purposes of determining priorities for CAT 1 funding, and make them available to relevant Clubs, either directly or through ClubsNSW. The Guidelines state that:

When considering ClubGRANTS applications for funding, registered clubs in areas where a local committee has not been established may wish to contact [DCJ] or NCOSS or a local council for their advice on the suitability of specific application in the context of the listed social expenditure priorities or of the capabilities of the organisation proposing to undertake the activity for which funding is sought.<sup>18</sup>

There are approximately 40 LGAs in any given GMTY that have Clubs that participate in ClubGRANTS, but the total CAT 1 grant pool for the LGA is less than \$30,000. To our knowledge, no ClubsGRANTS Club in an LGA where a Local Committee is not required has approached NCOSS for advice on community needs and local priorities. There is no established procedure to support this.

<sup>18</sup> See clause 6.1 of the August 2020 ClubGRANTS Guidelines

For this reason, NCOSS has been tasked with developing a robust process for identifying local funding priorities in areas where a Local Committee is not required.

Our approach to developing a process for identifying local expenditure priorities in areas without Local Committees involved analysis of available tools (eg: interactive economic disadvantage maps developed for NCOSS by NATSEM, local council Social Plans, and Premier's Priorities) and consultations with NCOSS members in those areas.

### Proposed process

- L&GNSW will advise NCOSS and DCJ of the LGAs it anticipates will not be required to have a Local Committee in a gaming machine year by [1 October] in any GMTY.
- By [31 October], any Club intending to participate in ClubGRANTS, but which is not in an area required to have a Local Committee – or where there has been no agreement to establish a Local Committee – must notify NCOSS and DCJ of the amount of funding they had to disburse for CAT 1 and CAT 2 projects, and the amount that would go to CAT 1 projects (ie: a minimum of 0.75% of profits over \$1 million and up to a maximum 1.85% of profits over \$1 million).
- NCOSS and DCJ will consult with the local council and NCOSS with our members on local priorities, as well as using relevant resources. These would include the interactive economic disadvantage maps for NSW, developed for NCOSS by NATSEM, relevant NSW Government policy priorities and council Social Plans.
- A draft priority list would be provided to relevant Clubs for comment and then finalised by NCOSS and DCJ by the end of February.
- Local priorities would be reviewed every three years, or at the request of the local council or Clubs.

## Section 3 Observations, insights & recommendations

### 3.1 How did we approach our task?

In meeting the requirements of the brief to consider our role on Local Committees, it was first necessary to understand what the Ministerial Guidelines make us responsible for, and what we are required to do.

It was also necessary to understand how the ClubGRANTS scheme was operating on the ground, so we could gain some visibility over the contribution NCOSS members were able to make as well as whether the processes our members were involved with delivered good outcomes for the people CAT 1 grants are intended to benefit. That is, people on low incomes or who are disadvantaged. Being able to ensure maximum benefits for the community was, after all, the reason NCOSS became involved in the scheme when it was first established.<sup>19</sup>

To achieve this, NCOSS undertook research and desktop analysis, consulted with relevant stakeholders, and reviewed available information about the operation of the CAT 1 grants process. This included other reviews of the scheme, where publicly available, as well as 2013 work NCOSS undertook with its members to gain their views about the scheme in general, and the Local Committee process in particular. NCOSS has:

- Analysed the Guidelines and the requirements they imposed on us – or our nominated representative member organisations – to assess whether, and if so how, our representation in Local Committees would ensure expectations for Local Committees are met.
- Looked at publicly available information about how Local Committees operate.
- Looked at publicly available information about the outcomes for the community and, especially, the people on low incomes or who are otherwise disadvantaged.
- Looked at examples of good practice in governance, transparency, and accountability, to help us assess whether the processes we are involved with are working well or could be improved.
- Undertook a state-wide survey of members, with 71 responses received from metropolitan and rural and regional members from 58 postcodes in 35 LGAs.
- Consulted with ClubsNSW, L&GNSW, DCJ and other stakeholders involved in Local Committees to identify issues ‘on the ground’ and how governance, transparency and accountability could be improved. This included interviews with 13 Local Committee

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<sup>19</sup> In the Treasurer’s 6 May 1988 reply to the second reading debate on the Liquor and Registered Clubs Legislation (Community Partnerships) Bill in the Legislative Council, the Council was advised that that there would be a role for NCOSS “to ensure that the maximum level of benefit to local communities is provided by this portion of club expenditure.” See: <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardFull.aspx#/DateDisplay/HANSARD-1820781676-14797/HANSARD-1820781676-14789>

convenors in the 'top 15' LGAs where 60% of the total CAT 1 grants in NSW were made. The top 15 LGAs are Fairfield, Canterbury-Bankstown, Cumberland, Central Coast, Blacktown, Penrith, Georges River, Campbelltown, Wollongong, Newcastle, Northern Beaches, Liverpool, Parramatta, the Tweed and Sutherland, based on the 2017-18 GMTY, which was the most recent summary of CAT 1 grants made by LGA available at the time these interviews took place.

- Held two round tables with 50 community sector organisations – including other, specialised peak groups representing several thousand not-for-profit social services agencies – to consult on options under consideration by the NCOSS Board.

### 3.2 What are the ClubGRANTS Guidelines?

The rules that govern the ClubGRANTS scheme – the ClubGRANTS Guidelines – are issued by the Minister responsible for the *Registered Clubs Act 1976*, currently Customer Services Minister, The Hon Victor Dominello.<sup>20</sup> These Guidelines:

- Define the kinds of projects eligible for Category 1 and Category 2 funding and, for CAT 2, the organisations eligible to apply. Under the GMT Act, the Minister must do this in consultation with NCOSS and ClubsNSW
- Set up a process for managing the ClubGRANTS Fund (that is, CAT 3 grants which are centrally administered by ORG)
- Establish an accountability and reporting framework for ClubGRANTS Clubs
- Establish requirements for Local Committees and their processes, with respect to the management of CAT 1 grants. (Local Committees do not have a role in the administration of CAT 2 grants.)
- Stipulate that NCOSS and DCJ are to provide Clubs with advice on community needs in LGAs that are not required to have a Local Committee.

The most recent ClubGRANTS Guidelines came into force in August 2020, with the inclusion of temporary changes related to COVID-19, and are at Appendix B.

The ClubGRANTS Guidelines are a statutory instrument. They can be disallowed in the same way as a regulation or other statutory rule, so must be tabled in Parliament. The obligations they impose on Clubs essentially have the force of law as, under s17(3) of the GMT Act, Clubs are not entitled to tax rebates if they do not comply with the requirements of the Guidelines.

### 3.3 What are Local Committees?

The Guidelines establish Local Committees to set local community service expenditure priorities and provide advice to Clubs.

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<sup>20</sup> See the Allocation of Administration of Acts, with effect from 3 July 2020, at: <https://www.legislation.nsw.gov.au/#/view/regulation/2001/338/secministerfo/dup18>

The Guidelines state:

ClubGRANTS, a State Government initiated scheme, should have a broad consultative and advisory process based on the establishment of locally appointed committees in which qualifying clubs and key community service agencies would participate.<sup>21</sup>

They go on to provide that Local Committees must be established in any LGA where the total pool of CAT 1 funding from all ClubGRANTS Clubs<sup>22</sup> is more than \$30,000.<sup>23</sup>

The Guidelines make NCOSS (or an NCOSS member organisation representing us<sup>24</sup>) a core member of each Local Committee. We are responsible for “represent[ing] local non-profit community organisations.”<sup>25</sup> Other core members are ClubGRANTS Clubs; the local Council; the Department of Family and Community Services (FACS), now the Department of Communities and Justice Department (DCJ);<sup>26</sup> and local Aboriginal Controlled Community Organisations (ACCOs) “where appropriate.”<sup>27</sup>

They also give Local Committee members the key roles of providing advice on funding priorities and projects and monitoring Clubs’ compliance with certain obligations under the Guidelines. These key roles of Local Committees are in clause 6.3.2 of the Guidelines and included, in full, below:

#### **Clause 6.3.2 of the Guidelines: Key Roles of Local Committees**

- a) Determine the proportion of Category 1 expenditure that should be allocated in accordance with the Local Committee’s recommendations;
- b) Identify the community service priorities for Category 1 expenditure in their LGA on based on evidence provided by local government social plans and the Department of Family and Community Services [now Communities & Justice] advice on regional and whole-of-government community service priorities;
- c) Advise qualifying clubs of the local priorities for Category 1 spending;
- d) Assess applications for Category 1 expenditure received by the local committee as to whether they align with community service priorities;
- e) Inform qualifying clubs in their LGA of the outcomes of the assessment of Category 1 applications;
- f) In the case of Category 1 applications forwarded directly to a club without referral to the local committee and subsequently funded by that club, review the evidence received from clubs as to whether such applications align with the identified community service priorities and whether clubs are working in the spirit and intent of the guidelines so as to ensure that there is no duplication of funding, and that a club’s funding priorities are based on what are known needs in the community;

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<sup>21</sup> See clause 6.1 of the August 2020 ClubGRANTS Guidelines.

<sup>22</sup> In this report, ClubGRANTS Clubs refers to Clubs that participate in the ClubGRANTS scheme.

<sup>23</sup> See clause 6.1 of the August 2020 Club GRANTS Guidelines.

<sup>24</sup> The Guidelines refer to NCOSS or “major local or regional affiliate of NCOSS.” However, NCOSS has members, not affiliates.

<sup>25</sup> See clause 6.2 of the August 2020 Club GRANTS Guidelines.

<sup>26</sup> While the Guidelines still make reference to FACS, DCJ is used throughout this report reflecting the existing administrative arrangements.

<sup>27</sup> See clause 6.2 of the August 2020 ClubGRANTS Guidelines.

- g) If requested by any qualifying club/s, determine a priority listing of Category 1 applications received by the local committee to assist those clubs requiring additional information to determine which projects to fund;
- h) Obtain written reports from local qualifying clubs listing the Category 1 projects funded by them, together with evidence from clubs as to whether these aligned with the community service priorities identified by the local committee; and
- i) Provide each qualifying club with a certificate of attendance, signed by the local committee convenor, indicating their attendance or otherwise at local committee meetings, for forwarding with their annual return to the Authority at the end of the tax year.

Local committees are also required to:

- a) Organise local promotion of ClubGRANTS, in conjunction with state-wide and regional advertising of the Scheme by ClubsNSW;
- b) Encourage clubs to publicise and disseminate information on ClubGRANTS funded projects within the local community;
- c) Distribute standard application forms and take enquiries about ClubGRANTS; and
- d) Discuss and review on an annual basis the operation and impacts of ClubGRANTS within the LGA.

Local committees are not authorised to veto or disallow Category 1 applications for funding. Local committees are authorised to assess and provide advice as to whether applications align with the identified local community service priorities and, where requested by qualifying club/s, to develop a priority listing of those applications to assist those clubs requiring additional information in order to determine which projects to fund.

In identifying the local community service priorities for Category 1 expenditure, it is expected that local committees would identify a sufficiently broad range of local priorities to allow the funding of a wide range of local community service projects by clubs.

*Note: In the Guidelines, a "qualifying club" refers to a club that is a participant in the ClubGRANTS scheme in the area covered by the Local Committee.*

Finally, Local Committees are charged with creating "a fair, transparent and consistent process for the local management of ClubGRANTS"<sup>28</sup> and must also:

- Elect a Chair each year
- Adopt rules and procedures for meetings. These must include a requirement to meet at least once a year, in Local Government Areas where the pool of Category 1 funding from all the LGA's ClubGRANTS Clubs is less than \$50,000 (and at least twice a year when it's more than \$50,000)
- Have a process for managing conflicts of interest
- Provide all members with at least 14 days' notice of meetings
- Keep accurate records of proceedings.<sup>29</sup>

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<sup>28</sup> See clause 6.4 of the August 2020 Club GRANTS Guidelines. It should be noted, Local Committees only have a role with respect to CAT 1 expenditure.

<sup>29</sup> See clause 6.4 of the August 2020 Club GRANTS Guidelines.

### 3.4 What's wrong with the Local Committee processes established by the Guidelines?

The Guidelines provide the outward appearance of putting in place a strong consultative and oversight framework for the scheme. This was implicit in the then NSW Government's assurances to the NSW Parliament's Legislative Council in 1998, when NCOSS' agreement to participate secured the support needed for the passage of the enabling legislation.

As previously noted, the then Treasurer, who had carriage of the Bill in the Council, said there would be a role for NCOSS "to ensure that the maximum level of benefit to local communities is provided by this portion of club expenditure."<sup>30</sup> In reality, this is not the case. In fact, when unpacked, the Guidelines are clearly designed to provide Local Committee members with a very limited role.

The Guidelines – which, initially, NCOSS had a role in developing – are also convoluted and written in highly bureaucratic language. As a result, over and above their substantive flaws, they are hard to understand (and often poorly understood), and provide significant scope for being misinterpreted or wrongly applied.

#### 3.4.1 The Guidelines make Clubs the sole decision makers for CAT 1 grants

The Guidelines give Local Committee members no real say over which projects are funded. Clubs are the ClubGRANTS scheme decision makers, and are not required to follow Local Committee recommendations, or even seek Local Committee advice if an applicant approaches the Club direct:

- They require Local Committees to determine how much of the total CAT 1 pool in the LGA should be used to fund projects recommended by the Committee (clause 6.3.2(a)) and, elsewhere, the Guidelines state this should be "a minimum of 75% of Category 1 funds."<sup>31</sup> However, this so-called 75%-rule is a recommendation only and not binding on Clubs.
- They require Local Committee members to set 'local community service priorities,' while making it clear that Committees are expected to identify a broad range of local priorities to give Clubs a wide range of choices in which projects to fund (clause 6.3.2).
- They give Local Committee members a role in assessing applications, but only where those applications are received by the Local Committee and only to determine whether they line up with identified local priorities (6.3.2(d)). If Clubs receive applications direct, including ad hoc applications, they may decide to fund them

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<sup>30</sup> See the Hansard record of the then Treasurer's reply to the second reading debate on the Liquor and Registered Clubs Legislation (Community Partnerships) Bill in in the Legislative Council at: <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardFull.aspx#/DateDisplay/HANSARD-1820781676-14797/HANSARD-1820781676-14789>.

<sup>31</sup> See clause 2.1.6 of the August 2020 ClubGRANTS Guidelines.

without Local Committee input. This means other projects, that may deliver greater community benefits, may not have the opportunity to be funded.

- They require Local Committees to rank applications only when asked to do so by Clubs, to help Clubs with their decision making (6.3.2(g)).

Finally, they make it clear that:

Local committees are not authorised to veto or disallow Category 1 applications for funding. Local committees are authorised to assess and provide advice as to whether applications align with the identified local community service priorities and, where requested by qualifying club/s, to develop a priority listing of those applications to assist those clubs requiring additional information in order to determine which projects to fund.<sup>32</sup>

For some reason, this is not well understood. There is a widely held misconception that Clubs are supposed to follow Local Committee recommendations. Even the NSW Audit Office, in its 2013 performance audit of the scheme's administration, thought this was intended to be the case, while noting the Guidelines were unclear in this regard and recommending they be clarified.<sup>33</sup> However, the fact that Clubs are the sole decision makers reflects the NSW Government's stated policy position, that Clubs best know the needs of their communities.<sup>34</sup> This begs the question of why there was a need to establish Local Committees in the first place.

NCOSS – and our members – consider this to be the first and most significant flaw in the current arrangements, not least because we have considerable knowledge of the priority needs of local communities, and significant experience in determining the kinds of projects most likely to deliver for the groups CAT 1 grants are primarily intended to benefit. As previously noted, the NSW Parliament was assured that NCOSS' involvement in ClubGRANTS would ensure community benefits were maximised. We can't do this if we have no real say in outcomes.

Additionally, the Guidelines do not put in place sufficiently strong transparency and accountability measures – such as ensuring that grant decisions do not give rise to real or perceived conflicts of interest – to leave these decisions solely in the hands of Clubs. This is also discussed in Section 3.4.2 below.

#### **Clubs as ClubGRANTS decision makers: It's in the scheme's DNA**

ClubGRANTS was designed so that Clubs would be the sole decision makers for both CAT 1 and CAT 2 grants. On 24 June 1998, advising the Legislative Assembly that the Guidelines had been developed and how they would operate, the then Gaming and Racing Minister, The Hon Richard Face, MP said:

Decisions regarding community development and supporting expenditure will always remain with the clubs' boards of directors, but there are guidelines to give them a clear direction in making

<sup>32</sup> See clause 6.3.2 of the August 2020 ClubGRANTS Guidelines.

<sup>33</sup> See the 2013 NSW Auditor General's Report to Parliament, ClubGRANTS Scheme, p 24.

<sup>34</sup> See, for example, the Government's response to the 2013 Audit Office performance audit of ClubGRANTS.

their decisions by identifying broader community priorities and the needs for the areas in which their profits can be best directed.<sup>35</sup>

In the 3 August 2011 Agreement in Principle speech which – among other things, rebadged the Community Development and Support Expenditure (CDSE) scheme as ClubGRANTS – the then Minister, The Hon George Souris MP, told the Legislative Assembly:

The New South Wales Liberal-Nationals Government believes that clubs themselves are best placed to determine how this money, which is derived from club revenue, should be spent in local communities.<sup>36</sup>

This position was reflected in the 17 April 2013 response by the then regulator, the Office of Liquor, Gaming and Racing in Trade & Investment NSW, to the NSW Audit Office’s performance audit of the management of ClubGRANTS. The Department’s response made it clear that ClubGRANTS was designed to provide Clubs with “a high degree of autonomy” reflecting the NSW Government’s continued policy position that Clubs are best placed to make ClubGRANTS funding decisions.<sup>37</sup>

### 3.4.2 Local Committees’ oversight & monitoring role is highly constrained

While the Guidelines establish a monitoring and oversight role for Local Committees, it isn’t one that’s designed to be robust enough to ensure CAT 1 grants are made in accordance with the eligibility criteria or that Clubs are, otherwise, complying with the requirements of the Guidelines (and, therefore, entitled to a tax rebate under the enabling legislation).

Where Clubs directly fund projects without Local Committee input – which the Guidelines allow – Local Committees are supposed to “review the evidence received from clubs as to whether such applications align with the identified community service priorities and whether clubs are working in the spirit and intent of the guidelines so as to ensure that there is no duplication of funding, and that a club’s funding priorities are based on what are known needs in the community.”<sup>38</sup>

They also have the key role of obtaining reports from ClubGRANTS Clubs on projects funded in the previous gaming machine tax year, together with evidence these projects aligned with identified local funding priorities,<sup>39</sup> regardless of whether or not the application had been assessed by the Local Committee.

Local Committees do not have a clear remit to ensure that the projects funded by Clubs meet the key eligibility criterion of being aimed at improving the living standards of people on low income or who are disadvantaged. Most concerning, there is no mechanism in the Guidelines for Local Committees to take action where Clubs have failed to comply with the requirements of the Guidelines, despite the GMT Act prohibiting L&GNSW from allowing a

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<sup>35</sup> See Hansard, 24 June 1998, at: <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardResult.aspx#/docid/HANSARD-1323879322-18004>.

<sup>36</sup> See <https://www.parliament.nsw.gov.au/bills/Pages/bill-details.aspx?pk=498>.

<sup>37</sup> See the Government’s response to the 2013 Audit Office performance audit of ClubGRANTS (p 7 of the report).

<sup>38</sup> See clause 6.3.2(f) of the August 2020 ClubGRANTS Guidelines.

<sup>39</sup> See clause 6.3.2(h) of the August 2020 ClubGRANTS Guidelines.

rebate if L&GNSW is satisfied, based on Local Committee advice in accordance with the Guidelines, that the Club has not complied with the Guidelines.<sup>40</sup>

This is important, both because the regulator has adopted a light touch, risk-based approach to overseeing the scheme<sup>41</sup> and because, as previously noted, this significant gap in the Guidelines was highlighted by the NSW Audit Office in its 2013 performance audit of the ClubGRANTS scheme's management.

In contrast to the role Parliament clearly intended Local Committees to play, the only thing the Guidelines require Local Committees to sign off on are "certificates of attendance" under clause 6.3.2(i), for Clubs to provide to the regulator as evidence the Club has attended Local Committee meetings.

#### **The regulator's view**

It should be noted that L&GNSW does not consider that Local Committees have a role in ensuring compliance with the requirements of the Guidelines, advising us that this is their responsibility.

L&GNSW has also advised that they undertake audits and other compliance activities. We were told that in one instance, some years ago, a Club on the Central Coast was required to repay \$13,000 because they had incorrectly calculated in-kind claims.<sup>42</sup>

Clubs in NSW claim around \$24.5 million a year in CAT 1 grant rebates alone and \$62 million in combined CAT 1 and CAT 2 grants.

### **3.4.3 The Guidelines allow Clubs to make CAT 1 grant decisions that create a financial or other advantage and give rise to real or perceived conflicts of interest**

The Guidelines expressly permit Clubs to make grant decisions that create the potential for conflicts of interests (and have no provisions requiring Clubs to ensure that they do not make decisions giving rise to real or perceived conflicts of interest). By contrast, Local Committees – which are not the decision-making body – are required to have processes for dealing with potential conflicts of interests.

Apart from making Clubs the sole decision making authority for CAT 1 (and CAT 2) grants, the Guidelines:

- Do not prohibit Clubs from making CAT 1 grant decisions that directly support their businesses (such as using CAT 1 funding to provide what are effectively services to members)
- Do not prohibit Clubs from making grants that support related businesses (and clause 2.3.7 expressly allows Clubs to make CAT 1 grants to establish or improve

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<sup>40</sup> See s17(3) of the GMT Act.

<sup>41</sup> See p 7 and 12 and of the Government's response to the Audit Office's 2013 report on the management of ClubGRANTS (published in the report).

<sup>42</sup> ORG and L&GNSW response to the draft report, received by NCOSS on 3 May 2021.

“community care infrastructure,” regardless of whether it is leased to a for-profit provider)

- Allow Clubs to claim for ‘in-kind’ support as long as in-kind claims do not exceed 20% of combined CAT 1 and CAT 2 grants made. This effectively allows Clubs to minimise cash grants for CAT 1 projects, while funnelling cash to CAT 2 grants, which can include grants that cover their own operating costs.

This is not only out of keeping with contemporary community expectations for the expenditure of taxpayer dollars, but it also impedes Local Committees performing their role of establishing a fair, transparent and consistent process for the local management of ClubGRANTS.

It’s also unlikely that members of the public would think that ClubGRANTS funds should be spent on these purposes. This is especially the case when ClubGRANTS is marketed as Clubs ‘giving back’ to the community and, as Clubs are highly profitable organisations, they are well able to pay for these things out of their own pockets.

The ORG has suggested to us that these matters are not within the scope of the terms of reference for this review, because structuring grants in this way is allowable under the Guidelines.<sup>43</sup> However, that’s precisely the problem. A conflict of interest remains a conflict of interest, regardless of whether the Guidelines allow it and despite the fact that the Club is still eligible for a tax rebate. These issues are discussed further in Section 3.5.4, which includes details of how this happens on the ground and the implications.

#### **3.4.4 The Guidelines are internally inconsistent**

The Guidelines are internally inconsistent. Put another way, they place obligations on Local Committee members that Local Committee members can’t meet because of other requirements in the Guidelines.

For example, by allowing Clubs to make CAT 1 grants on an ad hoc basis, the Guidelines create a situation where other applicants, who may have projects that deliver greater community benefits, could miss out on the opportunity. This is inconsistent with obligations imposed on Local Committees to ensure a fair, transparent and consistent processes for the for the local management of CAT 1 grants.

Similarly, by making Clubs the sole decision maker, the Guidelines undermine NCOSS and our members’ ability to effectively represent the not-for-profit, community services sector in the process, or maximise the community benefit from ClubGRANTS (the role Parliament was promised we would play when the scheme was first established).

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<sup>43</sup> Comments on the draft report from ORG and L&GNSW, received 3 May 2021.

### 3.5 ClubGRANTS Local Committees in operation: How the NCOSS role plays out on the ground

While the Guidelines establish the basic requirements for the administration of CAT 1 grants, the process of assessing the NCOSS role on Local Committees required us to consider how the administration of CAT 1 grants is working ‘on the ground.’ This is partly because the scheme is highly devolved, and there is substantial scope for Local Committees to establish their own processes that exceed the minimum requirements of the Guidelines.

It was also a useful way of putting the Local Committee processes we are involved with into context, and test whether, and if so how, the issues we had highlighted with the Guidelines were playing out in the real world. This would speak to the need – or otherwise – to build greater transparency and accountability into the governance framework as a matter of urgency.

Not surprisingly, the outcome of this analysis was highly variable.

Some Local Committees clearly function well. Where that happens, NCOSS members and other stakeholders – including DCJ and council representatives – generally describe a cooperative and collaborative approach, where:

- The Committee agrees on a range of local expenditure priorities, reflecting the most important local needs
- Most (if not all) CAT 1 applications are assessed and ranked by the Committee
- Where there are differences in opinion, there are respectful discussions with the aim of achieving a consensus, underpinned by the shared purpose of wanting to deliver good outcomes for the community
- Clubs always, or almost always, fund the projects the Committee recommended with Clubs greatly valuing the expertise of the Local Committee and giving significant weight to their advice.

Where there was a high level of Local Committee member engagement in, and satisfaction with, the process we heard comments like “it runs like clockwork” and “our local Clubs are genuinely interested in doing what’s best for our community.”

We also heard that the Local Committee process can play an educative role, both by assisting Clubs to better understand local needs and also helping Clubs to see the benefits of funding projects they would not have previously considered. This includes by overcoming prejudices against certain cohorts of potential beneficiaries.

However, our analysis of publicly available information – and consultations with our members and other stakeholders about how Local Committees operate – have largely borne out our analysis of the Guidelines and, in particular, the limitations of the key roles of Local

Committees. It has also highlighted considerable compliance failures with requirements of the Guidelines.

It's worth noting that problems with the governance framework – and compliance failures – were also clearly evident in what we were told by Local Committee members who believed the process was working well.

Key themes that emerged include:

- A number of areas required to have Local Committees don't, and many (if not most) don't have the required representation
- Overall, Clubs' compliance with key requirements of the Guidelines is patchy at best, including requirements to participate in the Local Committee process and report to Local Committees
- It's not clear that Clubs are complying with key eligibility criteria to fund projects aimed at benefiting people on low incomes or living with disadvantage, and the reporting requirements in the Guidelines don't ensure sufficient transparency and accountability in this regard
- Compliance with public reporting requirements is, generally, very poor
- There's a lack of clarity about whether for-profit businesses are eligible for funding
- The Guidelines permit Clubs to make CAT 1 decisions that create clear conflicts of interests, inconsistent with good practice governance standards for the expenditure of taxpayer funding.

### 3.5.1 Gaps in Local Committee coverage and representation

Local Committees are, at least in theory, central to the administration of CAT 1 grants and, as has been noted, the Guidelines make NCOSS a core member of these committees. Clause 6.3.1 of the Guidelines states that, while Clubs are the decision-makers with respect to CAT 1 grants, they are required to participate in Local Committee processes:

Decisions about ClubGRANTS funding allocations are the responsibility of each club's board of directors. However, in all LGAs where it is required that a local committee be established, it is **compulsory** for all qualifying clubs in that LGA to participate in the local committee processes (emphasis added).

However, there are a number of LGAs where there is supposed to be a Local Committee, but none exists. We were also told that some Clubs have interpreted 'participation' as advising the convenor they will provide the Committee with a list of projects they want to fund for the Committee's confirmation that they align with the local priorities. Sometimes they merely seek a list of projects that the Committee considers align with local priorities and use that as the basis for making grant decisions.

The following is a list of LGAs required to have a Local Committee according to information published by L&GNSW,<sup>44</sup> and the LGAs that have a Local Committee where we were able to identify one. As neither L&GNSW or ClubsNSW were able to provide information about whether there is a Local Committee operating in areas required to have one, we obtained it (where we could) by making direct contact with councils and our members in the area, and by undertaking desk top research. As a result, this list may not be completely accurate. For example, it is possible that Local Committees have formed since we undertook the process – which took a number of months – or that they have since been disbanded.

In some instances, a Local Committee is said to be in place but, from the information available to us, it only comprises ClubGRANTS Clubs and no other core Local Committee members. In this case, we don't believe it can be said that a Local Committee exists. It is also possible that a Local Committee exists, but this is not clear from publicly available information.

Where Local Committees exist, many do not have an 'NCOSS rep' or the organisation said to be the 'NCOSS rep' is not an NCOSS member.<sup>45</sup> Additionally, we have only been able to identify two Local Committees with an ACCO representative. However, there were a couple of Committees where one person, representing Council or another Committee member, was Aboriginal or a Torres Strait Islander, and we were unable to obtain complete details of all members on all Local Committees.

<b>Is a Local Committee required, does it exist &amp; is there an NCOSS rep?</b>			
<b>LGA</b>	<b>Has an LC?</b>	<b>CAT 1 pool (2018)</b>	<b>NCOSS rep</b>
1. Albury	Yes	\$380,999	No
2. Armidale	No	\$43,113	No (no Committee)
3. Ballina	Yes	\$106,310	No
4. Balranald	No	\$55,765	No (no Committee)
5. Bathurst	Yes	\$100,897	Yes
6. Bayside Council	Yes	\$359,915	No
7. Bega	Yes	\$92,550	No
8. Berrigan	No	\$72,105	No (no Committee)
9. Blacktown	Yes	\$1,140,272	Yes
10. Broken Hill	Yes	\$74,715	No
11. Burwood	Yes	\$347,969	Yes
12. Camden	Yes	\$103,188	Yes
13. Campbelltown	Yes	\$767,972	Yes
14. Canterbury-Bankstown	Yes	\$2,473,297	Yes
15. Central Coast	Yes	\$1,361,391	No
16. Cessnock	Yes	\$89,707	No
17. City of Canada Bay	Yes	\$200,100	Yes
18. City of Lithgow	No	\$49,812	No (no Committee)
19. City of Parramatta	Yes	\$576,042	Yes

<sup>44</sup> The list for the 2017 and 2018 GMTYs was at <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/clubgrants/clubgrants-categories>. It has since been updated.

<sup>45</sup> This includes where a representative was once an NCOSS member, but membership has lapsed.

LGA	Has an LC?	CAT 1 pool (2018)	NCOSS rep
20. Clarence Valley	No	\$101,118	No (no Committee)
21. Coffs Harbour	No	\$193,496	No (no Committee)
22. City of Sydney	No	\$212,833	No (no Committee)
23. Cumberland	Yes	\$1,607,437	No
24. Dubbo	No	\$137,591	No (no Committee)
25. Eurobodalla	Yes	\$161,783	No
26. Fairfield	Yes	\$2,607,520	Yes
27. Federation	Yes	\$209,234	No
28. Georges River	Yes	\$781,486	No
29. Goulburn Mulwaree	Yes	\$102,714	No
30. Griffith	Yes	\$91,584	No
31. Hawkesbury	No	\$166,070	No (no Committee)
32. Inner West	Yes	\$392,153	Yes
33. Kempsey	No	\$68,893	No (no Committee)
34. Lake Macquarie	No	\$393,043	No (no Committee)
35. Lismore	Yes	\$62,104	No
36. Liverpool	Yes	\$584,158	No
37. Maitland	Yes	\$135,668	No
38. Mid-Coast	No	\$184,550	No (no Committee)
39. Mid-Western	No	\$33,720	No (no Committee)
40. Murray	Yes	\$338,095	No
41. Muswellbrook	No	\$49,626	No (no Committee)
42. Nambucca	No	\$34,365	No (no Committee)
43. Newcastle	No	\$622,749	No (no Committee)
44. North Sydney	Yes	\$151,426	No
45. Northern Beaches	Yes	\$616,600	Yes
46. Orange	No	\$108,964	No (no Committee)
47. Penrith	Yes	\$818,630	No
48. Port Macquarie-Hastings	No	\$296,760	No (no Committee)

In all, it appears that around 20 (30%) of the 67 LGAs required to have a Local Committee do not have one, and only 19 (40%) of the LGAs with a Local Committee have an NCOSS representative. Put another way, there is an 'NCOSS rep' on a Local Committee in only 28% of the LGAs where a Local Committee is required.

### *Why are there so many gaps in Local Committee coverage and NCOSS representation?*

In discussions with representatives of the peak industry body, ClubsNSW, we were told that Local Committees may not exist in areas where there are large distances between venues and having a Local Committee would not be practicable.<sup>46</sup> While NCOSS appreciates that this may once have posed a problem for Clubs, especially in large, remote LGAs, advances in technology should, largely, have resolved any issues related to the tyranny of distance.

<sup>46</sup> Meeting between the ClubsNSW' Manager, Government Relations, the NCOSS CEO, and other ClubsNSW and NCOSS representatives, on 31 August 2020.

In any event, this does not explain the fact that there does not appear to be a Local Committee in metropolitan areas like Newcastle or parts of Sydney.

One NCOSS member, who told us their organisation regularly applies for CAT 1 grants, described two neighbouring metropolitan LGAs, one where there is a Local Committee which they said seems to work well and where the majority of Clubs appear to actively participate while, in the adjacent LGA, there is no Local Committee and no information is ever provided to the community that grants are available.

ClubsNSW representatives also stated that, in some instances, Clubs were unable to find organisations willing to take on Local Committee role(s). This was something we also heard from council convenors of Local Committees.

As has been noted, NCOSS' involvement in the scheme has been in name only for many years and we have not been performing the role the Guidelines envisage for us. While we have not been resourced to administer our role in the scheme (something that has also been previously noted), NCOSS acknowledges that our lack of involvement has likely contributed to the low level of participation by NCOSS members on Local Committees. Having said that, NCOSS members are independent organisations and we have no control over them.

It is also worth noting that, in areas where the process is not working well at all, our members – and other stakeholders, including DCJ and local council representatives on Local Committees – variously describe:

- Clubs “not bothering to show up” to Local Committee meetings, or engage with their Local Committee at all
- No discussions about the proportion of CAT 1 funds that should be allocated to projects recommended by the Committee
- Clubs failing to meet reporting requirements to the Local Committee on CAT 1 grants made, whether or not the application was considered by the Local Committee
- Spending significant time – for which they’re not resourced – assessing applications in good faith, only to have Clubs choose other projects with no feedback on why
- Clubs taking the position that they have the right to spend ‘their money’ as they see fit, regardless of Local Committee input, rather than appreciating that the grants are forgone tax revenue and so public money
- Clubs choosing to fund ‘pet projects’ or where they have a relationship with the applicant, rather than projects that focus on areas of greatest need
- Conflicts of interest, where Clubs make grants to related bodies corporate like aged care or childcare facilities (which the Guidelines expressly allow, though only for establishing or improving “community care infrastructure... not for ongoing operations of the facility”<sup>47</sup>).

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<sup>47</sup> See clause 2.3.7 of the August 2020 ClubGRANTS Guidelines.

Some said they were reconsidering their involvement because of the flawed governance arrangements; the feeling they were putting in considerable effort, for which they were not resourced, without seeing commensurate community benefit; and concerns about gambling harm. Others had decided to walk away from the scheme entirely.

Clubs – which benefit both from being able to claim a tax break when they make grants, and from the NSW taxpayer-funded public relations benefits – are more likely to be able to recruit the required Local Committee representation if they did more to make participation on Local Committees attractive to prospective members.

### **Why the onus should be on Clubs to ensure there is a Local Committee**

Some of our members and other stakeholders have told us that they have walked away from participation on Local Committees because, after years of making the effort (including significant unfunded work in assessing applications), Clubs were ignoring Local Committee recommendations and there was no point in continuing to try to engage.

The requirement in the Guidelines for there to be a Local Committee where CAT 1 funding in the LGA exceeds the \$30,000 threshold is one of the few, serious obligations placed on Clubs. It is also the only one that puts any pressure on Clubs to use the broad discretion the Guidelines give them in a way acceptable to other stakeholders.

Put another way, if the requirement to have a Local Committee was enforced, Clubs who were prepared to deal with the Local Committee in good faith – evidenced, for example, by the grant decisions they make – would likely have fewer problems ensuring they have a Local Committee with the representation the Guidelines require. This is less likely to be the case if the Local Committee members do not feel that Clubs are listening to them.

### **3.5.2 Compliance with key requirements of the Guidelines is patchy, at best**

Our state-wide member survey, our consultations with stakeholders, as well as our interviews with the convenors of Local Committees in 13 of the top 15 LGAs<sup>48</sup> – which account for more than 60% of all CAT 1 grants made in the state – indicate Club compliance with participation and reporting obligations is patchy, at best.

As noted in Section 3.4.1, the Guidelines require Local Committees to determine how much of the CAT 1 grant pool in their LGA should go to projects recommended by the Committee; set local expenditure priorities; assess applications against those priorities (when the application is received by the Local Committee); rank applications when asked to do so by a Club; and review evidence of compliance with the requirements of the Guidelines, whether or not the grant application was assessed by the Local Committee.

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<sup>48</sup> As noted in Section 3.1, the 'top 15' LGAs are Fairfield, Canterbury-Bankstown, Cumberland, Central Coast, Blacktown, Penrith, Georges River, Campbelltown, Wollongong, Newcastle, Northern Beaches, Liverpool, Parramatta, the Tweed and Sutherland.

As was also previously noted, while Clubs are CAT 1 grant decision-makers under the Guidelines, the Guidelines require Clubs to participate in a Local Committee when the Guidelines mandate a Local Committee be in place. The Guidelines also places a number of obligations on Clubs, including reporting requirements.<sup>49</sup>

When we asked the convenors of the top 15 LGAs to step us through how the Local Committee process worked in their LGAs, and compared what they told us with the requirements of the Guidelines, we found that despite it being a key role for Local Committees to set the amount of the total CAT 1 pool that should be allocated to projects the Committee recommends, this rarely (if ever) happens in practice. In the same way, it seems the so-called 75% rule – which suggests that 75% of the total CAT 1 pool in an LGA should be allocated to projects recommended by the Committee – is routinely ignored. This contrasts with ClubsNSW advice, that the 75% rule is strictly adhered to.<sup>50</sup>

We also found that, in all cases, the convenors of these Local Committees were not aware of the size of the CAT 1 grant pool in their LGA. Understanding this is, obviously, fundamental to any discussion about the amount of CAT 1 grant money should be allocated to Committee-recommended projects.

Indeed, it seems CAT 1 expenditure by Clubs in 13 of the top 15 LGAs in NSW is being under-reported to Local Committees by between 7% and 88%, based on the total CAT 1 pool for the LGA as reported by the Local Committee convenors, and the total CAT 1 grants claimed for that LGA, published on the L&GNSW website.<sup>51</sup> It appears some Clubs are either:

- not advising their Committees of all of their “CAT 1 liability” for the relevant GMTY; or
- not participating as required – or at all – in the Committee process. This could include by failing to make the reports to the Committee, required under the Guidelines, that the Committee needs to perform two of its key roles.<sup>52</sup>

When presented with the information pointing to this under-reporting, the 13 convenors of the top 15 LGAs who we interviewed were surprised – especially those who considered that the process was working reasonably well.

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<sup>49</sup> See Chapter 4 of the August 2020 ClubGRANTS Guidelines.

<sup>50</sup> Meeting between the ClubsNSW’ Manager, Government Relations, the NCOSS CEO and other ClubsNSW and NCOSS representatives on 31 August 2020.

<sup>51</sup> This information is found on <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/clubgrants/clubgrants-categories> and is not correctly labelled. The regulator provides information about CAT 1 grants claimed (up the regulated cap for CAT 1 and CAT 2 grants) broken down by LGA for each LGA required to have a Local Committee. This provides an indicator of what might be available in the next GMTY.

<sup>52</sup> Clause 4 of the Guidelines require Clubs to provide written reports to Local Committees about the grants they make. Mirroring this, it is a key role for Local Committees to review evidence provided by Clubs that grants made by Clubs without Local Committee input align with local priorities, and a further key role that Committees obtain reports by Clubs with evidence that all CAT 1 grants – regardless of Local Committee input – complied with the Guidelines.

This shows serious flaws in the monitoring and oversight arrangements, which undermines the ability of Local Committees to perform their roles under the Guidelines, let alone their statutory role of advising the regulator when Clubs are not complying with the Guidelines. It also means Clubs may be obtaining tax rebates they are not entitled to, as compliance with the Guidelines is a threshold requirement for receiving a tax rebate.

It's worth noting that two councils in the top 15 LGAs have chosen to withdraw completely from involvement in the LGA's Local Committee, while a third have scaled back their involvement so they are little more than a post box for grant applications.

Feedback from other Local Committees told a similar story. For example, a DCJ representative on a Local Committee in a regional area said Committee members were "not informed of any overall or individual budget amounts to be allocated by the respective Clubs, and [were] not advised retrospectively of the Clubs decisions or funding amounts provided to the applicants."<sup>53</sup> In our state-wide member survey, no respondent agreed with the proposition "Local Committees provide effective oversight of Clubs' grant decisions."

The Guidelines also fail to ensure appropriate levels of transparency and accountability when it comes to whether Clubs are allocating appropriate levels of funding to CAT 1 grants.

While the legislation puts a floor on the amount of funding that must be spent on CAT 1 projects – requiring that at least 0.75% of the total 1.85% CAT 1 and CAT 2 rebates that Clubs may claim go to CAT 1 projects – there is no way for Local Committees, or the public, to have assurance that Clubs are complying with this requirement. This is especially the case, as noted above, where Committees do not have accurate information about the quantum of CAT 1 and 2 grants Club intends to claim, and how much the Club has decided to put into the CAT 1 pool.

Public reporting by Clubs is not a reliable proxy for assessing this, as Clubs may report making CAT 1 and CAT 2 grants above the maximum 1.85% they are entitled to claim and the regulator only reports on CAT 1 rebates claimed at an LGA level (not on the basis of individual Clubs).

Having said that, analysis of one Club's recently published grant report for the 2019-20 GMTY suggests that it may have underfunded CAT 1 grants by close to \$90,000, based on total CAT 1 and CAT 2 grants and assuming the total amount published is equivalent to the 1.85% of profits over \$1 million the Club is entitled to claim. This Club operates in one of the 'top 15' LGAs.

This example illustrates the need for greater transparency in reporting to Local Committees, so they can effectively perform their oversight role and provide accountability assurances.

It could also be addressed, at least in part, if there was greater transparency in L&GNSW's compliance regime. There is no information about this available on L&GNSW's website or the

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<sup>53</sup> Feedback from DCJ representatives on Local Committees received on 7 September 2020.

Department of Customer Service's Annual Report. L&GNSW has advised us that they do undertake audits as part of a compliance regime, but did not provide any real detail such as the number it undertakes, how it determines which Clubs to target, or whether it undertakes an empirical assessment of compliance with requirements of the Guidelines, like public reporting.

### **3.5.3 Are CAT 1 grants being made to projects that align with local priorities and otherwise meeting the eligibility criteria?**

As discussed in Section 3.5.2, our interviews with the convenors of the Local Committees in the 13 of the 'top 15' LGAs – and information from other sources – highlighted that Clubs are, apparently, not reporting on some (or all) of the CAT 1 grants made outside the Local Committee process. As has also been discussed, Clubs are entitled to make CAT 1 grants without Local Committee consideration of the grant application, but must then provide written reports to the Committee with evidence the grant aligned with identified local funding priorities.

From their descriptions of how their Local Committees operated, it also seems that the reports provided to the 13 Local Committees we interviewed in the 'top 15' LGAs don't necessarily provide enough information for the Committee to be able to be satisfied that grants align with identified local priorities, or otherwise meets the eligibility criteria.

Most told us they only received a list containing some combination of the name of the project; the name of the grant recipient; the amount of the grant; and/or the relevant 'category' of CAT 1 expenditure (eg: "health promotion initiatives"). NCOSS does not consider this to be consistent with the Guideline's requirement for written reports with evidence that a grant aligned with identified local priorities, and we don't consider that this level of information would allow us (or our member representatives) to assess whether the grant made was for an eligible project.

As these reports are not publicly available, we used public reporting on ClubGRANTS CAT 1 outcomes as a proxy for understanding the extent to which Clubs are complying with reporting requirements to Local Committees, and the likely impacts on our ability to perform key roles under the Guidelines and the GMT Act.

In this regard, the Guidelines require Clubs to make "every effort" to publish information about who was awarded a grant, the amount, the name of the project, whether it was CAT 1 or CAT 2, and whether the grant was cash or kind, on its website.<sup>54</sup> This requirement came into force in 2012.<sup>55</sup>

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<sup>54</sup> See clause 4.10 of the August 2020 ClubGRANTS Guidelines.

<sup>55</sup> See the 2013 report of the NSW Audit Office's performance audit on the administration of Club GRANTS, p 45 at <https://www.audit.nsw.gov.au/our-work/reports/management-of-the-clubgrants-scheme>.

The poor level of compliance with public reporting requirements is consistent with what we were told by Local Committee convenors in the 13 LGAs of the 'top 15' we interviewed and, more generally, in our consultations.

Many Clubs do not report publicly on grants made under the scheme. Of those that do, the information is often difficult to find and most often incomplete. In most cases – and even where Clubs are complying with all of the public reporting requirements mandated by the Guidelines – there is rarely sufficient information for the public to see what the grant was used for. This issue is discussed further below.

### Reporting

A March 2021 scan of the websites of the top 250 Clubs (based on the list of the most profitable, published by L&GNSW)<sup>56</sup> showed that:

- Only 51% publish the organisation name of the grant recipient
- Only 17% publish the project title
- Only 13% publish the purpose of the grant (as per priorities)
- Only 31% publish the amount provided by project
- Only 17% identified whether the grant was in cash or kind
- Only 27% published whether the grant provided was CAT 1 or CAT 2
- Only 1.5% published whether the grant followed the Local Committee recommendation (which is not a requirement of the Guidelines).

On the other hand, some Clubs have published grant information in a way that makes it easy to understand how the grant will be used. As one example, this 2018-19 CAT 1 grant report clearly indicates the purpose of each grant:

- A grant made to a charity for “early intervention education for local parents with complex needs.”
- A grant for “speech therapy at [a named] school” to a charity that provides services for children with learning disabilities and difficulties.
- A grant to help fund a charity that delivers “legal outreach support for refugees.”

A few Clubs provide even more substantial information about the programs they are supporting, so it is easy to see how they meet the CAT 1 expenditure requirements. For example, one Club published the following description of a project that received one of their CAT 1 grants in the 2019-20 GMTY:

Providing safe and secure accommodation to homeless veterans and their families, whilst also assisting in their treatment and assimilation back into society. The program provides accommodation, mental health services, drug & alcohol counselling & rehabilitation, and a range of other supports. The objective is to heal these veterans and return them to their communities.

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<sup>56</sup> We also looked at Council websites where information was not published on the Club websites, and used web browsers to search for the information.

Others have even expanded their public reporting on ClubGRANTS expenditure to include whether the project had been recommended for funding by their Local Committees or whether the funded organisation was associated with the Club. This kind of approach is likely to enhance community confidence in the governance of the scheme.

When we discussed the poor levels of compliance with reporting requirements with ClubsNSW, we were told that it was open to Local Committee members to obtain information about projects that have been funded by logging into the ClubsNSW ClubGRANTS portal.<sup>57</sup> However, not all Local Committees use the ClubsNSW portal and, in any case, this shifts the compliance obligations from Clubs to other Local Committee members, who are not being resourced for the role they currently play.

Of course, implementing automated reporting processes is also open to Clubs, as long as the information provided is sufficient for the Local Committee to be satisfied that they have complied with the Guidelines when making CAT 1 grants.

### *Are CAT 1 grants meeting the criteria of improving the living standards of people on low incomes or who are disadvantaged?*

As well as questions over whether reporting to the public or Local Committees is adequate to demonstrate that a project aligned with identified local funding priorities, NCOSS members and other stakeholders have raised concerns that projects are being funded that may not meet the CAT 1 expenditure criteria of “improving the living standards of people on low incomes or who are disadvantaged” – even if they “contribute to the welfare and broader social fabric of the local community.”<sup>58</sup>

As one example, a number of surf lifesaving clubs regularly receive CAT 1 grants for reasons such as purchasing equipment and uniforms. Under clause 2.1.1 of the Guidelines (Community Welfare and Social Services), “volunteer emergency services, such as surf life-saving and rural fire services” may be eligible for CAT 1 grants. And, certainly, you could see how a rural fire service protecting already disadvantaged communities on the NSW South Coast during the Black Summer bushfires could qualify.

However, while this particular grant is likely to benefit the broader community, it’s not immediately clear how it is aimed at improving the lives of people who are on low incomes or who are otherwise disadvantaged.

And some of these grants are significant.

As one example, in a recent GMTY, one Club reported awarded a \$50,000 CAT 1 grant to its hospitality school. While this grant may have been for a qualifying employment assistance project under clause 2.1.4 of the Guidelines, there is insufficient information to understand

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<sup>57</sup> Meeting between the ClubsNSW’ Manager, Government Relations, the NCOSS CEO and other ClubsNSW and NCOSS representatives on 31 August 2020.

<sup>58</sup> See clause 2.1 of the August 2020 ClubGRANTS Guidelines.

how the project improved the lives of people on low incomes or who are disadvantaged. Was the grant to provide training for unemployed young people, for example? Or refugees who were looking for work? Another gave a national athletics organisation a cash CAT 1 grant exceeding \$250,000 for “health promotion initiatives,” but did not give an indication of the targeted outcomes.

A regional Club made CAT 1 grant of more than \$12,000 – substantial for the area – to its own Bowling Club, and a number of much smaller CAT 1 grants to organisations like the local orchid society, kennel club, and speleological society. There was no explanation for why these organisations received funding. It’s hard to see, on face value, how these grants fall into any one of the one of the four general priority areas for CAT 1 funding – Community Welfare and Social Services, Community Development, Community Health Services, and Employment Assistance Activities – or how they are aimed at improving the lives of people on low incomes or who are disadvantaged. (The Club did not indicate which expenditure category applied despite this being a requirement of the Guidelines.)

From what we were told during our consultations, it seems likely that the important connection between CAT 1 grants and the requirement for eligible grants to target people on low incomes or who are disadvantaged has been lost over time. Even the L&GNSW website does not make the connection between the different categories of approved CAT 1 expenditure and the requirement for the project to be aimed at improving the living standards of people living on low incomes or who are disadvantaged.<sup>59</sup>

However, this was less likely to have happened if there had been a greater degree of transparency and stronger accountability requirements in the existing governance arrangements. We also note that the apparent lack of regulatory oversight, highlighted in the 2013 Audit Office performance audit of the scheme, may have contributed to the issue.<sup>60</sup>

It’s also good practice for governance frameworks to be written in plain-English so they are easy to understand and everyone is clear about their obligations. This supports compliance and reduces the possibility for disputes. As we have previously noted, the Guidelines are convoluted and written in overly bureaucratic language which likely make them difficult for many participants, including Clubs and Local Committee members, to understand.

### ***Are for-profit businesses eligible for CAT 1 grants?***

When analysing public reporting on CAT 1 grants, we identified that, over a number of years, several Clubs in a number of Sydney LGAs have allocated CAT 1 grants to two, associated for-profit businesses for “health promotion initiatives,” “school holiday camps,” and “teaching children the importance of a healthy lifestyle.” The largest, in one recent GMTY, was a cash and kind grant totalling \$40,000. These businesses also received at least one CAT 2 grant

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<sup>59</sup> See <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/clubgrants/clubgrants-categories>.

<sup>60</sup> A key finding of the report was that management of CAT 1 expenditure could be improved by better monitoring (see for example, p 24).

(which was \$20,000, and in cash). It is not clear how these CAT 1 grants were aimed at improving the living standards of people on low incomes or who are disadvantaged (though they may have been).

Similarly, in recent GMTYs:

- A for-profit business was also awarded \$75,000 in a cash CAT 1 grant for “providing advocacy for local community services.” Again, CAT 1 grants may be made to “state-wide or regional services developing social policies and providing advocacy for local community services” under clause 2.1.2 (Community Development), but there is insufficient information available to determine whether the advocacy was for services that would improve the lives of “low income or disadvantaged people.”
- One for-profit organisation that runs a responsible gambling program receives CAT 1 cash grants from a number of ClubGRANTS Clubs, many of which are listed on its website as its members. In more than one case, Clubs making grants are listed as foundation members of the business. It’s not clear how this practice lines up with February 2012 changes to the Guidelines prohibiting provision of ClubGRANTS funding for “problem gambling counselling services,” except under a contract for those services that was in place before 10 February 2012.

There is a widespread understanding that, to be eligible for CAT 1 grants, the applicant must be a local, not-for-profit, community organisation. It seems that most ClubGRANTS related web pages – whether published by the local Council or Clubs – indicate that only local community-based organisations are eligible to apply.

The ClubGRANTS website, run by ClubsNSW, states:

To be eligible to apply [for ClubGRANTS], you must be a not-for-profit organisation and provide the following project and/or services:

- community welfare or social services,
- community development,
- community health services or employment assistance activities.

You are also eligible if you or your organisation is involved in community or professional sport.<sup>61</sup>

It goes on to list the Categories of expenditure and what they cover:

**Category 1**

You are considered eligible for Category 1 funding if your project falls under specific community welfare and social services, community development, health services and employment assistance activities, and other projects aimed at improving the living standards of low income and disadvantaged people.

**Category 2**

Funding for general community development and support activities, such as junior sport/grassroots sport or veteran welfare activities.

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<sup>61</sup> See <https://www.clubgrants.com.au/how-to-apply>.

### Category 3

Funding is available to support projects that assist communities with essential infrastructure and disaster readiness.

There are, however, no specific eligibility criteria for organisations applying for CAT 1 funding in the Guidelines, other than that the project meets the requirements for a CAT 1 grant.

Eligibility requirements for CAT 2 expenditure are, by comparison, more specific. For example, there is no prohibition against providing grants to professional sporting bodies (as long as it is not for the purposes of paying professional or semi-professional sports people, their coaches or managers),<sup>62</sup> though only not-for-profit cultural activities, or visual or performing arts programs are eligible.<sup>63</sup>

It is not clear from the ClubsNSW website whether they mean that for-profit organisations involved in community and professional sport can apply for CAT 1 grants and, if so, how they formed the view that for-profit organisations involved in community and professional sport are eligible for CAT 1 grants (but other for-profit organisations are not).

Because the Guidelines spell out the circumstances where CAT 2 grants may be made to for-profit and not-for-profit organisations, it is reasonable to assume that CAT 1 grants should be for not-for-profit organisations only.

This appears to be the NSW Government's intention, based on the description of the scheme on the L&GNSW website:

ClubGRANTS was established in 1998 to ensure registered clubs in NSW with profits over \$1 million contribute financial or in-kind support to local community services, programs, and projects.<sup>64</sup>

Again, the lack of clarity in the Guidelines is inconsistent with good practice. It also makes it difficult for NCOSS, as a core Local Committee member, to meet our obligations with respect to the processes we are involved with including helping establish a fair, transparent and consistent process for the local operation of ClubGRANTS, adequately representing local, not-for-profit organisations on Local Committees, and contributing to the oversight of the process.

Given the quantum of some of these grants, it's also worth noting that clause 4 of the Guidelines sets up acquittal requirements for grants under \$7,500 (clause 4.3.1), between \$7,500 and \$10,000 (clause 4.3.2) and over \$10,000 (clause 4.3.3). Under clause 4.3.1 and 4.3.2, organisations that have received a grant must report to Clubs and where the grant is a CAT 1 grant, the report should also go to the Local Committee. Clubs must also enter into contracts with recipients of grants on the use of the funds where a grant is over \$10,000 (regardless of whether it is CAT 1 or CAT2).

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<sup>62</sup> See clause 2.2 of the August 2020 ClubGRANTS Guidelines.

<sup>63</sup> See clause 2.2.3 of the August 2020 ClubGRANTS Guidelines.

<sup>64</sup> See <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/clubgrants/clubgrants-categories>.

However, the Guidelines are silent on whether these contracts must include a reporting requirement, and makes no provision for Local Committees to be able to review the contracts (or reports), when these contracts are for CAT 1 grants.

#### **3.5.4 Real or perceived conflict of interests in Club CAT 1 funding decisions**

As outlined in Section 3.4.3, the Guidelines specifically allow for Clubs to make grant decisions in ways that delivers them financial or other advantages.

Foundation principles for the good governance of a grants scheme – especially where that involves expenditure of taxpayer dollars – include ensuring that decision-makers do not benefit from the decision and are not influenced in their decisions by their wider interests. This cannot be said to be the case for ClubGRANTS, and the manifestly inadequate processes it establishes for the local management of the scheme by Local Committees.

Some of our members have expressed the view that ClubGRANTS serves as a taxpayer-funded public relations tool, allowing Clubs to market themselves to the community and garner grass roots support, especially from grant recipients, which they can mobilise as a lobby against proposed reforms to the scheme or more broadly, rather than being focussed on meeting the needs of vulnerable people. This in itself is a valuable benefit to Clubs, and the recognition of its value seems to be growing.

Most of our members we consulted felt that the name of the scheme needed to be changed, to reflect the fact that these grants are being funded from tax revenue forgone. One NCOSS member put it like this: “When I make a tax deductible donation to Oxfam, I don’t get to decide what it’s spent on and I don’t get the credit for it.”

#### ***Clubs can make CAT 1 grants that effectively fund services for members, their own projects or associated entities***

One of the most consistent issues we heard from our members and other stakeholders was that Clubs made grant decisions that put the funding of their own projects, or those of associated organisations, at the top of the funding list and, generally, gave them the largest grants. For example, we were told:

Generally, in all ClubGRANTS LGAs in our District, the Clubs consistently will prioritise and allocate most of their funding to their own social groups and committees. For example, clubs will allocate their funds to Christmas lunches, bus excursions and senior groups within their clubs and prioritise this spending first.

Our scan of public reporting showed this was, indeed, relatively common. As noted previously, one regional Club gave its associated bowls club more than \$12,000 – by far the largest CAT 1 grant it made in that GMTY – while another made a \$50,000 CAT 1 grant to its hospitality school (accounting for almost 15% of its total CAT 1 spend). Neither Club provided further detail on the expenditure, including who the intended beneficiaries were.

Other examples include Clubs:

- Making around \$45,000 in CAT 1 in cash grants to one of its sub-branches (accounting for 22% of the total CAT 1 cash grants it made in that GMTY).
- Giving 70% of around \$190,000 in CAT 1 cash and in-kind grants to sub-branches.
- Spending 80% of around \$1 million in CAT 1 grants on development of its junior football team.<sup>65</sup>

It's worth noting that, because of poor compliance with the Guideline's reporting requirements, it was often difficult to determine in many circumstances whether grants Clubs were making to their own projects or associated organisations were CAT 1 or CAT 2. For this reason, we have only used examples of where the Club reported the grant as being a CAT 1 grant above.

It's also worth noting that grants made for 'Christmas lunches' or 'bus excursions' could be considered eligible CAT 1 expenditure, assuming they fall into one of the allowed expenditure categories and are aimed at improving the living standards for people on low incomes or who are disadvantaged (and noting that being a 'senior' does not necessarily mean a person falls into either of those categories).

The point is that expenditure of this kind gives the appearance that, under ClubGRANTS (and the systems and processes we are involved with as members of Local Committees), Clubs can get a tax rebate for grants that:

- Are used to provide a direct service to Club members which the Club, or its members, would otherwise have had to pay for
- Subsidise the provision of services of related entities and/or their specific projects.

Clubs also get credit for 'giving back' to the community, when they make these grants.

It's hard to see how these arrangements would not constitute a conflict of interest, demonstrating the need for an overhaul of the governance framework to ensure (among other things) Local Committees can meet their responsibility of ensuring there is a fair, transparent and consistent approach to the local management of ClubGRANTS.

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<sup>65</sup> In this example, the grants were in cash and would seem to be outside what the Guidelines allow for CAT 1 expenditure. However, even if this expenditure was reported as CAT 1 in error, that would mean that almost all CAT 1 grants the Club made were in-kind. This is an example of Clubs loading CAT 1 with in-kind claims and using cash for CAT 2 grants (including those that directly benefited the Club or related entities). These issues are discussed below.

### *Clubs can use CAT 1 funds to establish and maintain their own 'community infrastructure'*

The Guidelines entitle Clubs to funnel funds into their own initiatives by expressly allowing CAT 1 grants to be made for building and maintaining (but not operating) community infrastructure.<sup>66</sup> Community infrastructure is defined to include:

- aged-care facilities;
- facilities for people with a disability;
- mental health facilities; and
- child-care facilities.

This is regardless of whether the premises is operated for profit by a third party under a lease (in which case, presumably, the Club derives income from building or maintaining the asset). We note that this is a relatively new arrangement, introduced following a 2016 review of the Guidelines, and NCOSS records show that we supported its introduction on the proviso that the services were aimed at benefiting people living with disadvantage.

### *Clubs can claim CAT 1 rebates for 'in kind' expenditure*

The Guidelines permit Clubs to make in-kind donations and then claim a CAT 1 tax rebate. In a recent GMTY, for example, one Club claimed almost a quarter of its reported CAT 1 grants (of just over \$1 million) as an in-kind donation, by providing a charity rent free accommodation in a building it purchased in around 2002. So it appears that the NSW taxpayer is, essentially, helping the Club pay for a valuable asset.

Clubs may also claim in-kind rebates for CAT 2 grants. That is, grants for community projects that are not eligible for CAT 1 or comprising the Clubs' "core activities."<sup>67</sup> These can include, for example, a bowling club maintaining its green. In kind donations are capped at 20% of combined CAT 1 and CAT 2 funding.<sup>68</sup>

Because the cap applies to combined expenditure (rather than 20% of CAT 1 and 20% of CAT 2 grants), Clubs can minimise the cash they hand out in CAT 1 grants and maximise cash grants to CAT 2 projects, including those that financially benefit them (or other organisations associated with the Club).

For example, in a recent GMTY, one Club claimed an in-kind CAT 1 donation of more than \$100,000 to a hospital for 'counselling services.' This represented more than 60% of the total CAT 1 grants claimed in that year. Additionally, more than 85% of all the CAT 1 grants the Club made that year were in-kind grants. At the same time, it made a considerable (around \$430,000) CAT 2 cash grant to a not-for-profit sports academy it owns and operates. This represented 59% of combined CAT 1 and CAT 2 cash grants it made in that year.

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<sup>66</sup> See clause 2.3.7 of the August 2020 ClubGRANTS Guidelines.

<sup>67</sup> See clause 2.2 of the August 2020 Club GRANTS Guidelines.

<sup>68</sup> See clause 2.3.3 of the August 2020 Club GRANTS Guidelines.

The total in-kind grants claimed remained under the 20% threshold for in-kind grants, based on the combined CAT 1 and CAT 2 spend.

It's not possible, from the information provided, to assess whether the in-kind grant for counselling services met the eligibility criteria for a CAT 1 grant (that is, it could well have been to provide space for free counselling to people on low incomes or who are disadvantaged). The issue, however, is that:

- The Club's sport's academy benefited, directly, from the (substantial) cash grant the Club was able to make to it
- It's likely the Club was simply making use of spare capacity and, to this end, it's also likely the direct cost associated with making the grant were negligible
- The Club received a tax benefit, regardless.

Despite being allowable under the Guidelines, when Clubs load up CAT 1 grants with in-kind donations and spends the cash in CAT 2 grants (especially on projects that directly or indirectly benefit the Club), it calls the integrity of the scheme into question. For example:

- Is this what acting in accordance with the "spirit and intent" of the Guidelines looks like?
- Is this what a Club that "best knows the needs of its community" does?

*Some Clubs are making CAT 1 grants that support the commercial business ventures of people they likely have relationships with*

As one example, a number of leagues (and other) Clubs have made CAT 1 donations to apparently related for-profit businesses for 'health promotion' or similar initiatives. These businesses are owned and operated by former footballers, one of whom played for one of the Clubs that made these grants.

As flagged in Section 3.5.3, it's not completely clear that for-profit businesses are eligible for CAT 1 grants under the Guidelines though it's inconsistent with the general understanding that these grants are for local, not-for-profit community services organisations. It is also a potential conflict of interest, especially where the proprietors are well known to the Club making the grant and/or where the grant is being used to offer a 'free service' to members or the wider community.<sup>69</sup>

One of the key role of Local Committees is to ensure that Clubs are operating within the "spirit and intent" of scheme, which is to contribute to the delivery of frontline community services and, in particular, benefit people who are disadvantaged.

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<sup>69</sup> See clause 1 of the August 2020 ClubGRANTS Guidelines.

### 3.6 None of this is new

There have been numerous reviews of the Guidelines and the scheme more broadly. At each review, the same issues are raised, but have not yet resulted in any substantive change.

These reviews have included:

- A 2000 review, established by the then Minister, aimed at improving transparency<sup>70</sup>
- A 2005 review conducted by an independent consultant engaged by the then Department (which found the scheme was not meeting its objectives and lacked transparency and accountability)
- A 2007 IPART review of the sustainability of the clubs industry in NSW – which was completed in 2008 – and was charged with looking at the effectiveness of the CDSE
- A 2007 review of the Guidelines conducted by the then Department. Because the Department commenced a review of the Guidelines, IPART did not go on to look at the effectiveness of the scheme or respond to the issues raised in submissions it received
- A wide ranging 2010 Commonwealth Productivity Commission inquiry into gambling in Australia which considered, among other things, the scheme
- A 2013 Audit Office performance review of the administration of the scheme.
- A 2016 review of the Guidelines conducted by the Department (to which NCOSS made a submission, raising similar concerns to those flagged in previous processes).

#### Issues raised in the 2005 review of the scheme, as cited in the Audit Office's 2013 report

- CDSE guidelines are too loose and open to interpretation
- There is a lack of adherence to the guidelines
- Clubs do not consider local committee recommendations
- The scheme is an administrative burden on councils
- Some funding provided does not seem to be aimed at the disadvantaged in the community
- There has been no attempt to measure outputs and outcomes
- In many local government areas, there is considerable tension between local committees and clubs
- Clubs feel it is their money and it is their right to spend as they wish which led to clubs funding projects they preferred
- There is a lack of accountability and transparency on what activities funds are spent on and whether the community is receiving value for money
- Clubs were not informing local committees on funding available for grants
- Clubs were not contributing at least 75 per cent of their funds on local committee recommendations

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<sup>70</sup> Not all of these reviews are readily available on the public record, but have been referred to in other work that is (eg: the IPART 2008 review and the 2013 Audit Office performance audit).

- Local committee recommendations and priorities disregarded and funds given to ‘pet projects’
- Some clubs granted most of their funds to their sub-branches.

Additionally, ClubGRANTS has come into the media spotlight from time to time. This includes for reasons such as those highlighted in our review of the ClubGRANTS systems and processes we are involved with, and consideration of how governance, transparency and accountability could be improved.

In 2016, for example, a Director of a Sydney RSL Club raised concerns about hundreds and thousands of ClubGRANTS grants being made to associations with links to directors.<sup>71</sup> It was also reported that the Club said it had complied with all the rules and it’s likely they did, given (as noted above) that the rules clearly do not prevent Clubs acting in ways that give rise to conflicts of interest.

It seems that the Clubs industry has, traditionally, denied any problems, or insisted that they are limited to a small number of Clubs. In 2016, however, ClubsNSW published *Your Club’s Guide to Social Responsibility*, as a best practice guide covering a range of issues including the administration of ClubGRANTS.

In particular, these guidelines make the following points:

- Community groups reported that they didn’t always find the process for assessing and awarding ClubGRANTS and other community support to be transparent. An evidence-based approach directed by priority community needs is important as is being able to state clearly the rationale for awarding grants. This will counter perceptions that grants and sponsorships are based on club directors’ and managements’ personal knowledge of particular projects or individuals. Without community confidence in the process for assessment, the grants program will lose credibility.<sup>72</sup>
- Being accountable means the ongoing work of monitoring, evaluating and disclosing information about the activities, and positive and negative impacts of club activities or projects. Accountability is particularly important for clubs to demonstrate that members’ funds have been wisely used and processes (such as elections) are conducted fairly and honestly. It is also vital to ensure community groups and communities have confidence in the ClubGRANTS process – so they know about how decisions to fund or not fund a service were reached and they can find out about the outcomes of the funding.<sup>73</sup>

<sup>71</sup> *The Sydney Morning Herald*, 7 April 2016 at <https://www.smh.com.au/national/nsw/former-rooty-hill-director-expelled-after-raising-clubgrants-concerns-20160407-go0pg8.html>.

<sup>72</sup> See p 73 of the 2016 ClubsNSW *Your Club’s Guide to Social Responsibility*.

<sup>73</sup> See p 37 of the 2016 ClubsNSW *Your Club’s Guide to Social Responsibility*.

This would seem a good starting point for discussions on the principles underpinning a strengthened governance framework in the ClubGRANTS Guidelines and, in particular, appropriate transparency and accountability mechanisms.

### 3.7 Other issues raised by NCOSS members

#### 3.7.1 The source of the grant funding raises ethical issues for our members, but it is also all that is available

Pokies profits disproportionately come out of the pockets of people on low incomes and/or who suffer from a gambling problem. Many NCOSS members are critical of the scheme for that reason.

NSW has the highest number of pokies in Australia and 30% of the world's pokies outside of casinos. In 2019, they accrued a profit of approximately \$22 million a day in NSW.<sup>74</sup>

In fact, pokies were first introduced in 1956 in two locations – Las Vegas and Sydney. Gambling related debt problems cause significant harm to individuals and the community. Problematic gambling behaviour is linked to an increased likelihood of adverse family impacts, mental health issues, substance use, and risk of suicide.<sup>75</sup>

In 2010 the Productivity Commission Inquiry into Gambling found that the social cost of gambling to the Australian community was \$4.7 to \$8.7 billion a year, with pokies responsible for the majority of this cost.<sup>76</sup>

This has factored into decisions, made by a number of NCOSS members, to withdraw from the Local Committee process and/or applying for grants. One of our survey participants said:

I don't like that ClubGRANTS are used as a way for the gambling industry to justify the obscene amount of pokies machines that operate in NSW. The amount of money that is distributed is pitiful compared to the quantity that is profited out of people's addiction. Community organisations then waste precious resources applying for these grants, then going to ceremonies to accept small cheques so that clubs look good. Our organisation no longer applies for ClubGRANTS because we don't want to be part of the problem that is gambling in NSW.... But really it just feels like the money is spread around thinly to buy more supporters for keeping pokies machines in clubs.”

The 2016 ClubsNSW *Your Club's Guide to Social Responsibility* acknowledges that the source of ClubGRANTS revenue is a problem for many community groups, reporting that “they felt conflicted about receiving funding from organisations whose revenue largely comes from these two sources [ie: gambling and service of alcohol] and that “addressing these expectations and issues is part of maintaining a social licence to operate.”<sup>77</sup>

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<sup>74</sup> These figures are taken from L&GNSW's reports for Clubs and hotels that roughly correlate to the 2019 calendar year (<https://www.liquorandgaming.nsw.gov.au/resources/gaming-machine-data>). That is, 1 December 2018 to 31 May 2019 and 1 June 2019 to 30 November 2019 for Clubs and January to June and July to December reports for hotels.

<sup>75</sup> See the NCOSS submission on the Gaming Machines (Gambling Harm Minimisation) Bill 2020.

<sup>76</sup> See the NCOSS submission on the Gaming Machines (Gambling Harm Minimisation) Bill 2020.

<sup>77</sup> See p 41 of the 2016 ClubsNSW *Your Club's Guide to Social Responsibility*.

Others see the NCOSS role as needed, to provide an independent perspective and assure compliance.

More recently, reports of widespread use of pokies for money laundering have raised significant concerns. For example, In March 2021, *The Sydney Morning Herald* reported that the Independent Liquor and Gaming Authority's centralised monitoring system, which records the activity of every machine in 15-minute intervals, had uncovered significant "suspicious activity."<sup>78</sup>

These are also relevant considerations for the NCOSS Board going forward.

### **3.7.2 Despite its limitations, the grants fill a funding gap, and the application process is simple**

The scheme provides small amounts of funding that make a difference to small organisations, and funds initiatives that may not fit under other grant programs. Many local community organisations – including NCOSS members – have told us they rely on the scheme for survival in the absence of other income streams.

From our state-wide member survey and follow-up interviews, discussions with Local Councils and information provided by DCJ we heard:

- "Funds are helpful in addressing gaps in government funding: eg emergency brokerage for families; appliances for young people moving from homelessness to independence; landscaping for the youth refuge etc."
- "This is one of the few community development grant opportunities that is local and flexible."
- "Overall ClubGRANTS is invaluable to the community as it provides extra income to the community organisations to undertake community projects that they would otherwise not be able to afford to do."

### **3.8 Does our involvement in ClubGRANTS align with NCOSS' values & purpose?**

Our members have told us that when the scheme was first introduced, it was seen by the sector as innovative. For this first time, local communities were apparently going to be given the opportunity to have input into determining grant priorities based on local need, and had a seat at the decision-making table.

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<sup>78</sup> See *The Sydney Morning Herald* <https://www.smh.com.au/national/nsw/clubs-propose-digital-wallet-for-pokies-as-suspicious-player-activity-unveiled-20210307-p578ic.html>, 8 March 2021.

In this context, it's worth repeating that the enabling legislation would not have made it through the Legislative Council in 1998 if NCOSS had not agreed to be involved in the scheme, and if Parliament had not been assured our role would ensure community benefits from the scheme were maximised.

For many NCOSS members, however, the process that has been in place for the past 23 years has not delivered on these expectations.

Indeed, for NCOSS and our members, the constraints the Guidelines place on our ability to play a meaningful role in the local management of ClubGRANTS raises concerns that our participation may be intended to maintain public confidence in it. This was reflected in our discussions with ClubsNSW representatives, who indicated that they saw the NCOSS role on Local Committees as important, for the reason it helped to legitimise the scheme for the broader community.<sup>79</sup>

This presents a reputational risk for NCOSS, especially given the processes we are involved with do not give us any real ability to make a difference to Clubs' CAT 1 decisions – rather than being able to maximise the benefits for the most vulnerable members of the community, as was the intention – or ensure appropriate levels of transparency and accountability.

More broadly, NCOSS' purpose is to work towards a NSW free from poverty and disadvantage and this is reflected in our constitutional objectives. Pokies losses are the source of grant funding, and disproportionately come from people on low incomes and from socially disadvantaged communities. It is hard to see how NCOSS involvement in the scheme aligns with our values and purpose, when there is considerable evidence the current arrangements are short-changing people on low incomes or who are disadvantaged.

### 3.9 Options for moving forward

The NCOSS Board has carefully considered NCOSS' role on Local Committees, established by the Guidelines, and how that role plays out 'on the ground.'

The Board considered three basic options:

- Leaving things as they are (Option 1, the status quo).
- Withdrawing from the scheme, noting that there is nothing stopping our members representing the sector in their own right if the Minister amends the Guidelines accordingly (Option 2).
- Remaining a participant on the basis of changes being made the processes we are involved with, including the overarching governance framework, to ensure they

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<sup>79</sup> Meeting between the ClubsNSW' Manager, Government Relations, the NCOSS CEO, and other ClubsNSW and NCOSS representatives, on 31 August 2020.

are meeting and current community expectations for the expenditure of taxpayer money, as well as appropriate resourcing for our role (Option 3).

These options were then tested with the NCOSS membership.

Option 1 was not considered tenable. There was a considerable difference of opinion as to whether NCOSS should walk away from involvement in the scheme immediately, or stay and seek substantial improvements. On balance, NCOSS members preferred Option 3, noting that it was open to us to pull out if change could not be agreed in a timely way.

In subsequent discussions with L&GNSW and ORG, we were advised that L&GNSW intends to conduct a broader review of the Guidelines but they were unable to provide details regarding the timeframe. There was also no indication that resources would be made available for NCOSS to adequately perform its role in relation to the scheme.

Noting this, the Board has determined that NCOSS should no longer be involved in ClubGRANTS.

### 3.10 Recommendations

As a result, NCOSS recommends that the Minister for Customer Service:

- Amend the Guidelines to remove references to NCOSS.
- Consider alternative arrangements for independent, community sector representation on Local Committees.
- Amend the Guidelines to incorporate the important monitoring and oversight role envisaged for Local Committees under the GMT Act, so Local Committees can assist the regulator meet its statutory obligation to ensure tax rebates are not granted where a Club has failed to comply with the requirements of the Guidelines.
- Pending the L&GNSW review of the Guidelines, require the regulator to actively enforce the Guidelines as they stand, including ensuring that Clubs fund projects that meet the eligibility criteria for CAT 1 grants; participate in Local Committees; and meet, at minimum, their reporting obligations to the public and to Local Committees.
- Require L&GNSW to publish key information relating to Local Committees including the LGAs where a Local Committee is required, the Clubs in the LGA that are scheme participants (that is, they claim a tax rebate under the scheme), and the membership of the Local Committee.

NCOSS also recommends that, should any Club decide to withdraw from participation in what is a voluntary scheme, the Minister commit to hypothecate the 1.85% of profits over \$1 million it would have otherwise been entitled to claim, and make it available to local Councils to disburse to projects that would be eligible for CAT 1 and CAT 2 grants under the Guidelines, with input to grant decisions from local community representatives.

For a broader overhaul of the Guidelines, as part of the review L&GNSW has indicated it intends to undertake, NCOSS also puts forward the following recommendations. We believe they provide a comprehensive, but common sense and achievable, roadmap for bringing the ClubGRANTS scheme into the 21st century:

- Strengthening the role of Local Committees in CAT 1 grant decisions. At the very least, the so-called “75% rule”<sup>80</sup> should be a requirement, not a recommendation, and Clubs should be bound by the Local Committee determinations regarding the amount of CAT 1 funding that must be expended on projects the Committee recommends, where it is over and above that amount.
- Improving the management of conflicts of interest, including requiring Clubs to act in the public interest when making CAT 1 decisions, removing the ability for Clubs to claim ‘in-kind’ CAT 1 donations, and clarifying that only not-for-profit entities are eligible for CAT 1 funding.
- Ensuring that the Guidelines are streamlined, written in plain English and with internal inconsistencies removed so the roles and responsibilities of all parties are clear.
- Enforcing the requirement for specified Clubs to have a Local Committee with the required representation.
- Removing the option for CAT 1 grant allocations to bypass the Local Committee process.
- Requiring substantially more public reporting on grants made, and disclosure of key information concerning the scheme, by both Clubs and L&GNSW. In particular, public reports should ensure that it’s easy for the public to see that CAT 1 grants were made to projects aimed at improving the living standards of people on low incomes or who are disadvantaged.

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<sup>80</sup> Clause 2.1.6 of the August 2020 ClubGRANTS Guidelines recommends that Clubs allocate a minimum 75% of the funds for CAT 1 projects to projects recommended by the Local Committee.

## Appendix A: Office of Responsible Gambling's full brief

The funding allows NCOSS to support performance of its functions by:

- Documenting, assessing and supporting the Local Committee process and NCOSS representation on local committees, including establishing a nomination/selection process and register of committees and representatives
- Developing a transparent, rigorous process for identifying social expenditure priorities for areas without a local committee, liaising with current members participating in the process
- Working with L&GNSW, Clubs NSW & other stakeholders to improve governance, transparency and accountability of the ClubGRANTS process and ensure good practice and compliance with Guidelines.

The guidelines outline the roles and responsibilities of the Local Committee process. The funding provided to NCOSS will assist with establishing robust, consistent processes to enable NCOSS and its representatives meet the following requirements consistent with the guidelines:

- Ensure representation from NCOSS or an affiliate organisation attends and participates in established local committees
- If a local committee is not formed, NCOSS must develop a listing of social expenditure priorities in that area and make these available to the relevant clubs, either directly or through ClubsNSW, for the purposes of determining priorities with respect to Category 1 funding of community development and support projects.

Additionally, NCOSS will provide insight on what is working well and what can be improved with the process they are involved in.

In their consideration of local committee processes, NCOSS will also consider the key roles of committees according to the guidelines and ensure their representation contributes to these expectations being met:

The key roles of local committees are to:

- a) determine the proportion of Category 1 expenditure that should be allocated in accordance with the local committee's recommendations
- b) identify the community service priorities for Category 1 expenditure in their LGA based on evidence provided by local government social plans and the Department of Family and Community Services advice on regional and whole-of-government community service priorities
- c) advise qualifying clubs in their LGA of the identified community service priorities for Category 1 expenditure
- d) assess Category 1 applications received by the local committee as to whether they align with the identified community service priorities
- e) inform qualifying clubs in their LGA of the outcomes of the assessment of Category 1 applications
- f) in the case of Category 1 applications forwarded directly to a club without referral to the local committee and subsequently funded by that club, review the evidence received from clubs as to whether such applications align with the identified community service priorities and whether clubs are working in the spirit and intent of the guidelines so as to ensure that there is no duplication of funding, and that a club's funding priorities are based on what are known needs in the community

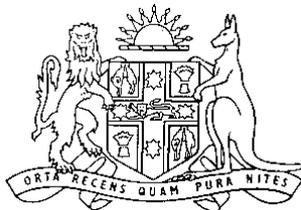
- g) if requested by any qualifying club/s, determine a priority listing of Category 1 applications received by the local committee to assist those clubs requiring additional information to determine which projects to fund
- h) obtain written reports from local qualifying clubs listing the Category 1 projects funded by them, together with evidence from clubs as to whether these aligned with the community service priorities identified by the local committee; and
- i) provide each qualifying club with a certificate of attendance, signed by the local committee convenor, indicating their attendance or otherwise at local committee meetings, for forwarding with their annual return to the Authority at the end of the tax year.

Local committees are also required to:

- a) organise local promotion of Clubgrants, in conjunction with state-wide and regional advertising of the Scheme by ClubsNSW
- b) encourage clubs to publicise and disseminate information on Clubgrants funded projects within the local community
- c) distribute standard application forms and take enquiries about Clubgrants
- d) discuss and review on an annual basis the operation and impacts of Clubgrants within the LGA.

Local committees are not authorised to veto or disallow Category 1 applications for funding. Local committees are authorised to assess and provide advice as to whether applications align with the identified local community service priorities and, where requested by qualifying club/s, to develop a priority listing of those applications to assist those clubs requiring additional information in order to determine which projects to fund. In identifying the local community service priorities for Category 1 expenditure, it is expected that local committees would identify a sufficiently broad range of local priorities to allow the funding of a wide range of local community service projects by clubs.

## Appendix B: August 2020 ClubGRANTS Guidelines



### **ClubGRANTS GUIDELINES**

*Gaming Machine Tax Act 2001*

**August 2020**

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# 1 CLUBGRANTS GUIDELINES, CHAPTER 1 - OVERVIEW

ClubGRANTS is designed to ensure that larger registered clubs in NSW contribute to the provision of front-line services to their local communities; and to ensure that the disadvantaged in the community are better positioned to benefit from the substantial contributions made by those clubs. ClubGRANTS also facilitates contributions by larger clubs towards infrastructure to support sporting, health and community activities.

The *Gaming Machine Tax Act 2001* outlines the legislative arrangements for the granting of a rebate of gaming machine tax levied on registered clubs. Under the Act, a tax rebate is made available to registered clubs of up to 1.85% of a club's gaming machine profits over \$1 million during a "tax year" (as defined in section 3(1) of the Act) provided that the Independent Liquor and Gaming Authority (the Authority) constituted under the *Gaming and Liquor Administration Act 2007* is satisfied that the required amount has been applied to expenditure on community development and support (refer to expenditure categories 1 and 2, as provided for in these guidelines).

Under the Act, a further 0.4% of a club's gaming machine profits over \$1 million during a "tax year" is paid into the ClubGRANTS Fund on behalf of the club to be used for large scale projects or services associated with sport, health or community infrastructure (refer to expenditure Category 3, as provided for in these guidelines).

The Act authorises the Minister to publish guidelines that determine what constitutes the application of profits and to define the terms for Category 1, 2 and 3 projects and services for ClubGRANTS purposes.

In these guidelines, the gaming machine tax rebate of 1.85% of gaming machine profit over \$1 million for Categories 1 and 2 is referred to as the "ClubGRANTS liability".

In the Act, a distinction is made between three classes of expenditure:

**Category 1:** Expenditure on specific community welfare and social services, community development, community health services and employment assistance activities.

**Category 2:** Expenditure on other community development and support services.

**Category 3:** Contributions by clubs to the ClubGRANTS Fund.

To qualify for the gaming machine tax rebate of 1.85%, clubs must allocate at least 0.75% of those funds over \$1 million to Category 1 purposes, with the remainder allocated to Category 2 purposes (maximum 1.1%). Excess Category 1 expenditure may be used to cover shortfalls in Category 2, but the reverse does not apply.

As a general rule, it is important that funding preference is not given to projects or services that can be readily assisted by an existing Government funding program.

## **2 CLUBGRANTS GUIDELINES, CHAPTER 2 - CATEGORY 1 & 2 EXPENDITURE**

### **2.1 CATEGORY 1 EXPENDITURE**

Eligible **Category 1 expenditure** is for projects and/or services that contribute to the welfare and broader social fabric of the local community, and are aimed at improving the living standards of low income and disadvantaged people.

#### **2.1.1 *Community welfare and social services***

- family support
- supported emergency or low cost accommodation
- counselling services
- child care and child protection
- aged, disability or youth services
- veteran welfare services
- services to victims of natural or other disasters<sup>1</sup>
- volunteer emergency services, such as surf life-saving and rural fire services.

#### **2.1.2 *Community development***

- neighbourhood centre activities
- community education programs
- youth drop-in facilities
- community transport services
- tenants' services
- state-wide or regional services developing social policies and providing advocacy for local community services.

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<sup>1</sup> Note paragraph 2.3.4 of the guidelines states "Expenditure Outside of New South Wales" - Expenditure on community development and support outside NSW is only recognised if it is made to locally based activities that are of a genuine cross-border nature or to nationally operating organisations with a presence in NSW or expenditure in accordance with 2.3.6 of the Guidelines.

### **2.1.3 Community health services**

- early childhood health
- child and family services
- community nursing
- therapy, including art therapy
- community mental health services
- health promotion initiatives
- drug and alcohol services
- palliative care/women's health/dental/ disability services
- Aboriginal and Torres Strait Islander health services
- home and community care services

Funding for buildings and equipment for in-patient care may be recognised as Category 1 expenditure in certain limited circumstances, so long as the expenditure is identified by the ClubGRANTS Local Committee to be of very considerable potential importance and value to the local community. Otherwise such grants will only be recognised as Category 2 expenditure. Funding for medical research is not eligible as Category 1 expenditure.

### **2.1.4 Employment assistance activities**

- employment placement services
- group training
- employment advocacy
- community enterprises
- local job creation schemes

### **2.1.5 Treatment of expenditure 'in kind'**

Category 1 expenditure 'in kind' provided to the community is acceptable provided that claims for such expenditure do not exceed market value, are properly documented and are eligible for Category 1 expenditure as defined in these guidelines. Expenditure 'in kind' is not acceptable if the organisation receiving the expenditure makes a comparable reciprocal 'in kind' contribution to the club. 'In kind' expenditure cannot exceed 20% of combined Category 1 and Category 2 ClubGRANTS expenditure.

However, clubs may apply to Liquor & Gaming NSW for exemptions to the 20% limit. Applications for exemptions must be accompanied by such information as may be required by Liquor & Gaming NSW.

### **2.1.6 ClubGRANTS Local Committee recommendations**

It is recommended that clubs allocate a minimum of 75% of Category 1 funds in accordance with the Local Committee's recommendations.

## **2.2 CATEGORY 2 EXPENDITURE**

Eligible Category 2 expenditure is that expenditure allocated to community development and support activities and projects not listed under Category 1 and expenditure allocated to a club's core activities (such as sport, returned servicemen's league/veteran welfare, golf course and bowling green maintenance, including for wages paid to staff to carry out the maintenance).

Category 2 expenditure can be allocated for professional sport purposes including National Rugby League with the exception of monetary payments to professional or semiprofessional sports persons and their coaches and managers.

There are a number of specific funding allocations that are disallowed under Category 2, as follows:

- professional entertainers and entertainment provided for club patrons and used for the purpose of directly promoting activities associated with the trading operations of the club;
- expenditure on a club's commercial activities or activities directly related to fulfilling its obligations under the legislative and licence requirements applying to its trading operations (for example, Occupational Health and Safety); and
- capital and related expenditure on club facilities where the project is primarily commercial in nature, or related to the upgrading or enhancement of gaming facilities, or when the facility is operated on a profit basis. However, this does not exclude funding for upgrading buildings, improving access to buildings, or upgrading communications technology or connections to utilities for club facilities, provided that the building or facility is not primarily commercial in nature, is not related to gaming and is not operated on a profit basis.

Despite the above, Category 2 funding may be allocated for establishing and/or improving a club's community care infrastructure or undertaking a capital upgrade to a club's core property or equipment in the circumstances described in paragraphs 2.2.4 and 2.3.7.

### ***2.2.1 Tourism promotion***

Category 2 expenditure on the promotion of tourism is acceptable provided that the expenditure is not specifically targeted to promoting the club.

### ***2.2.2 Treatment of expenditure 'in kind'***

Category 2 expenditure 'in kind' provided to the community is acceptable provided that claims for such expenditure do not exceed the market value, are properly documented and represent eligible expenditure as defined in these guidelines. Expenditure 'in kind' is not acceptable if the organisation receiving the expenditure makes a comparable reciprocal 'in kind' contribution to the club. As noted above, 'In kind' expenditure cannot exceed 20% of combined Category 1 and Category 2 ClubGRANTS expenditure.

### **2.2.3 Cultural activities, visual/performing arts**

Category 2 expenditure may be provided for non-profit cultural activities, or non-profit visual and performing art activities and programs.

### **2.2.4 Capital upgrades for emergency situations**

Capital expenditure on an upgrade that relates to a club's core property or equipment may be recognised as Category 2 expenditure provided that the primary purpose of the upgrade is to improve a local community's preparedness for, response to and/or recovery from an emergency. An emergency has the same meaning given by section 4 of the *State Emergency and Rescue Management Act 1989*.

Category 2 expenditure on a capital upgrade that would improve a club's capability or capacity to act as an evacuation centre is acceptable only if a Local Emergency Management Committee has endorsed the club as a potential emergency evacuation centre. These committees typically maintain a list of potential centres for each local government area as part of local emergency management plans established under the *State Emergency and Rescue Management Act 1989*.

Further, clubs must be able to demonstrate that proposed upgrades are consistent with, and do not duplicate, established emergency management arrangements and infrastructure in New South Wales. In the event of an emergency, existing arrangements in most cases provide local communities access to mobile catering, off-site commercial accommodation, backup power generators, and child friendly spaces/play equipment. This will depend on the location and type of emergency. Clubs should therefore consult their Local Emergency Management Committee before undertaking a proposed capital upgrade.

#### *Examples of eligible capital upgrades*

- Establishing backup power supplies, communications or other support capability necessary to set up a club as a potential emergency evacuation centre for a local community, where the Local Emergency Management Committee has confirmed that club's use for this purpose and the proposed upgrade is consistent with the role of an evacuation centre in an emergency.
- Expanding a dam on club property where the Local Emergency Management Committee advises that the expansion would improve the local community's capacity to respond to a bushfire.

## **2.3 EXPENDITURE GENERALLY**

### **2.3.1 Political parties/industry organisations**

Club GRANTS funds may not be provided to any registered political parties, any political candidates, any political campaigns or to any industry organisations.

### **2.3.2 Administration costs**

Category 1 or Category 2 expenditure may be provided for reasonable costs incurred in the provision of administrative support for the local committee. The maximum allowable amount of funding is limited to either \$1,000 per club or 10% of available combined Category 1 and Category 2 funds (whichever is lesser).

### **2.3.3 Problem gambling counselling projects and services<sup>2</sup>**

ClubGRANTS funds may not be provided for problem gambling counselling services except in the following circumstances:

A registered club that is party to an existing contract with a counselling service that provides problem gambling counselling services to the club's patrons may make a claim under the ClubGRANTS Scheme for funds provided to that service.

The club can make a claim under the ClubGRANTS Scheme as follows:

- Until 31 August 2013, a registered club that is party to an existing contract can claim 60% of funds provided to the problem gambling counselling service.
- From 1 September 2013 to 31 August 2014, a registered club party to an existing contract can claim 40% of funds provided to the problem gambling counselling service.
- From 1 September 2014 onwards, a registered club that is party to an existing contract can claim 20% of funds provided to the problem gambling counselling service until the contract with the problem gambling counselling service expires.

Once an existing contract between a registered club and a problem gambling counselling service expires, a rebate can no longer be claimed for funds provided to that service.

An *existing contract* in paragraph 2.3.3 means a contract that a registered club has entered into with a problem gambling counselling service before 10 February 2012.

### **2.3.4 Expenditure outside of New South Wales**

Expenditure on community development and support outside NSW is only recognised if it is made to locally based activities that are of a genuine cross-border nature or to nationally operating organisations with a presence in NSW or expenditure in accordance with 2.3.6 of the Guidelines.

### **2.3.5 Treatment of club bingo and charity house**

#### *Club Bingo*

Club Bingo is disallowable expenditure under Category 1 and Category 2, as it is conducted for the purpose of promoting a club's services.

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<sup>2</sup> This provision commenced on 10 February 2012

### *Charity Housie*

The market value of providing a venue, equipment or staff member for Charity Housie is allowable in-kind expenditure:

- under Category 1, provided the funds raised through Charity Housie are expended on activities or services covered by Category 1; or
- under Category 2, provided the funds raised through Charity Housie are expended on activities or services covered by Category 2.

Where a promoter of Charity Housie provides a club with an in-kind benefit to conduct Club Bingo, such as supplying personnel, the club must deduct the market value of this in-kind benefit from any in-kind benefit that the club provides to the charity.

For example, where a club provides a venue to conduct Charity Housie and the charity provides staff to conduct Club Bingo, the club must deduct the market value of the staff supplied from the market value of the venue provided to calculate the allowable in-kind expenditure.

### **2.3.6 Expenditure to assist victims of interstate or international natural or other disasters**

Any registered club that qualifies for the gaming machine tax rebate under section 17 of the *Gaming Machine Tax Act 2001* may make a claim through ClubGRANTS for funds provided to any interstate or international natural or other disaster relief fund but only if the following conditions are met:

- (a) The Minister has advised the club industry that expenditure provided to victims of a particular interstate or international natural or other disaster is eligible expenditure and has identified the natural or other disaster relief fund the funds should be deposited into;
- (b) The amount claimed cannot exceed 10% of a registered club's total eligible Category 1 and Category 2 ClubGRANTS expenditure;
- (c) The total amount expended must be shared equally between Category 1 and Category 2 funding; and
- (d) The expenditure is deposited into the fund within 12 months of the natural or other disaster's occurrence.

### **2.3.7 Expenditure on community care infrastructure**

Expenditure to establish and/or improve a club's community care infrastructure may be recognised as Category 1 and Category 2 expenditure.

Community care infrastructure includes:

- aged-care facilities
- facilities for people with a disability
- mental health facilities
- child-care facilities

Category 1 and Category 2 expenditure may not be allocated by a club for any expenditure associated with the ongoing operation of the club's community care infrastructure.

Despite paragraph 2.2, Category 2 expenditure may be allocated by a club to establish and/or improve a club's community care infrastructure if the facility is leased and operated by an accredited third party, whether on a not-for-profit or for profit basis.

## **3 CLUBGRANTS GUIDELINES, CHAPTER 3 - CATEGORY 3 EXPENDITURE**

**Category 3 expenditure** is the portion of a registered club's gaming machine profits over \$1 million which is paid into the ClubGRANTS Fund to the NSW Government on behalf of the club to support and develop, by way of grants, large scale projects or services associated with sport, health or community infrastructure. The amount paid into the fund on behalf of each club is 0.4% of the club's gaming machine profits over \$1 million during a gaming machine tax year.

### **3.1 CLUBGRANTS FUNDING**

ClubGRANTS funding can be provided for designing, building, upgrading, renewing, funding or acquiring land or property for projects and services that are within the categories of sport, health or community. Eligible streams for funding within the categories are determined by the Minister for each grant round and are published on the Liquor and Gaming NSW website.

Category 3 projects and services funded by ClubGRANTS cannot be funded under Category 1 or Category 2.

### **3.2 PAYMENTS FROM THE CLUBGRANTS FUND**

The Minister approves funding for projects submitted as grants from the ClubGRANTS Fund for sport, health and community infrastructure. The Minister may approve payment from the ClubGRANTS Fund for reasonable costs incurred in administering and managing the fund.

### **3.3 CLUBGRANTS GRANTS PROCESS**

The Minister delegates the operations of administering and processing grant applications to Liquor and Gaming NSW. To determine funding allocation on projects the Minister may call on:

- a) the expertise of an independent assessment panel, comprising assessors with subject matter expertise
- b) other government agencies with expertise in categories
- c) input from ClubsNSW
- d) and give consideration to projects and services which will benefit:
  - Aboriginal and Torres Strait Islander communities;

- regional and remote communities;
- disadvantaged communities; and
- culturally and linguistically diverse communities.

### **3.4 APPLICATION GUIDELINES**

The Minister approves the eligibility, criteria and application dates for grant rounds under ClubGRANTS Category 3. The Minister also approves the title of grant rounds. Should the grant round title not include the term “ClubGRANTS or Category 3”, then ClubGRANTS must be acknowledged as the source of funding in the Application Guidelines and other related material.

Liquor and Gaming NSW is to arrange for Application Guidelines to be placed on the Liquor and Gaming NSW website

### **3.5 FUND AND GRANT MANAGEMENT**

Liquor and Gaming NSW is responsible for operational management of the Fund, contract management of funded projects, acquittals and reporting.

## **4 CLUBGRANTS GUIDELINES, CHAPTER 4 - ACCOUNTABILITY & REPORTING**

### **4.1 GENERAL PRINCIPLES**

In allocating ClubGRANTS expenditure which is claimed to fall within categories 1 or 2, a club needs to:

- (a) ensure that it can satisfy the Authority that the activities funded fall within Category 1 or Category 2 as defined in the guidelines; that appropriate expenditure has been applied to Category 1 and Category 2 purposes; and that it has maintained appropriate records;
- (b) indicate whether the Category 1 activities funded by the club are in line with the local community service priorities identified by the local committee on the club's ClubGRANTS expenditure return to the Authority and report this to its local committee;
- (c) ensure that it has provided to the local committee details of any long term Category 1 funding commitments;
- (d) obtain a certificate of attendance from the local committee, and signed by the convenor of the local committee, and forward this to the Authority with the club's annual return;
- (e) follow the special provisions in section 4.5 relating to trusts and section 2.3.2 relating to benefiting organisations located outside NSW; and
- (f) satisfy the Authority that all relevant reports and statutory declarations have been sought from benefiting organisations.

### **4.2 REPORTING FORM**

Each registered club claiming a tax reduction under the ClubGRANTS expenditure must satisfy the Authority that appropriate expenditure has been applied to Category 1 and Category 2 purposes.

A standard electronic form has been developed for reporting Category 1 and Category 2 expenditure. The form must be completed by qualifying clubs and submitted to the Authority within 7 days of the end of the tax year ie by 7 September of that year.

If a club's expenditure is less than the ClubGRANTS liability, the difference must be paid to the Office of State Revenue. The shortfall will be added to the August quarter tax assessment payable by direct debit on 21 September. If the amount expended is more than 1.85%, the difference may not be accumulated and used to offset shortfalls in future years' ClubGRANTS expenditure.

Clubs must ensure that successful applicants receive their funding before 31 August in

order for that expenditure to qualify for the current tax year. This means that cheques must be cleared, or cash advanced, before 31 August. The Authority will consider any funding received after this date to be part of the next tax year's ClubGRANTS expenditure allocations. This may mean that a club will need to make up the shortfall in the current year's expenditure.

### **4.3 Temporary arrangements for 2019-2020 tax year (COVID-19 relief)**

Clubs may opt-in to claim eligible Category 1 ClubGRANTS expenditure made between 1 September and 30 November 2020 (**Extended Eligible Expenditure**) against any shortfalls in tax assessments in their 2019-2020 tax assessment (**Temporary Arrangements**).

Clubs that decide to opt-in to the Temporary Arrangements must inform Liquor & Gaming NSW that they are doing so by 30 October 2020.

For clubs that opt-in to the Temporary Arrangements, Extended Eligible Expenditure will be used to offset any shortfalls in 2019-2020 tax assessments. Once the Extended Eligible Expenditure has covered the 2019-2020 tax assessment shortfall, all remaining Extended Eligible Expenditure will be allocated to the 2020-2021 tax assessment as usual.

Clubs that opt-in to the Extended Year must ensure that successful applicants receive funding before 30 November 2020 in order for that expenditure to qualify for the 2019- 2020 tax year. This means that cheques must be cleared, or cash advanced, before 30 November 2020. The Authority will consider any funding received after this date to be part of the 2020-2021 tax year's ClubGRANTS expenditure allocations.

Clubs that have opted-in to the Temporary Arrangements must submit a return detailing their Extended Eligible Expenditure to Liquor & Gaming NSW by 14 December 2020.

The Temporary Arrangements do not apply to Category 2 expenditure.

### **4.4 OTHER CLUBGRANTS REPORTING REQUIREMENTS**

ClubGRANTS qualifying clubs are also responsible for requesting reports from organisations receiving ClubGRANTS funding from a club as to the manner in which that funding was applied.

#### ***4.4.1 Reports from benefiting organisations - expenditure up to and including \$7,500***

Clubs must request organisations receiving ClubGRANTS funds of up to and including \$7,500 to provide a report detailing the application of the ClubGRANTS funds. Where a previously funded project has not been completed within the current tax year, a progress report must be provided.

Where a benefiting organisation has received funding in line with the local committee's identification of local community service priorities, the club should request the benefiting organisation to supply a copy of a report on the project to the relevant local committee.

The type of report required depends on the level of funding. For cash amounts of less than \$500, a receipt will suffice. For in-kind funding valued at less than \$500 (such as free use of club meeting rooms), a letter of acknowledgement from the benefiting organisation or individual is required.

In the case of cash or in-kind expenditure for funding of between \$500 and \$7,500, a written report from the recipient as to the application of the funding is required.

If a report (or progress report) is not received from a benefiting organisation, no additional Category 1 funding should be considered, other than in exceptional circumstances.

#### ***4.4.2 Reports from benefiting organisations - expenditure over \$7,500***

Where an individual ClubGRANTS funding grant exceeds \$7,500, the club must require the benefiting organisation to complete a statutory declaration detailing the application of the funds at the end of the project.

Where a project has not been completed within a tax year, a statutory declaration providing a progress report must be obtained by 31 August of the current year.

Where a benefiting organisation has received funding in line with the local committee's identification of local community service priorities, the club should provide a copy of the report (statutory declaration) to the relevant local committee.

Clubs and local committees (as appropriate) must consider the report (or progress report) before further Category 1 applications from the benefiting organisation are entertained.

#### ***4.4.3 Contracts with benefiting organisations - expenditure over \$10,000***

Where an individual ClubGRANTS funding grant exceeds \$10,000, the club must enter into a formal contract with the benefiting organisation.

### **4.5 JOINT FUNDING OF PROJECTS AND POOLED FUNDING ARRANGEMENTS**

The joint funding of projects is allowable where each individual club directly forwards its own contribution to a project to the benefiting organisation, keeps a record of its own direct contribution to the project, and receives reports and returns from the benefiting organisation confirming how the club's Category 1 allocation was applied.

However, if a number of clubs' ClubGRANTS Category 1 funds are pooled and allocations made from a central fund administered, for example, through a local committee, pooled funding is not eligible ClubGRANTS Category 1 expenditure. That is to say, clubs can still provide funds directly to a project or organisation that is in receipt of funds from other clubs as part of a joint funding project. However, the collective club funds for joint projects are not to be placed under the control of a third party, external to the club, purely for the purposes of distribution of those funds by that third party. This would not include the establishment of trusts.

#### **4.6 ESTABLISHMENT OF TRUSTS**

Club directors considering the establishment of a trust as a potential benefiting organisation need to carefully consider the administrative, financial and legal implications of doing so, and should seek professional advice. Ideally, trust proposals should be supported by the local committee.

Clubs should also ensure that ClubGRANTS allocations are spread, as far as possible, across a wide variety of activities.

As outlined previously, trusts involving pooled funding arrangements will not be recognised as eligible ClubGRANTS Category 1 expenditure. Neither Liquor & Gaming NSW, nor the Authority will assume responsibility for the control or administration of any trust or trust funds.

#### **4.7 NOTIFICATION TO LOCAL COMMITTEES OF ALL CATEGORY 1 FUNDING ALLOCATIONS**

Each club must advise its local committee in writing at the beginning of each tax year of their Category 1 funding allocations made in the previous tax year.

The information to be provided by each club must include the names of the funding recipients and the amount of funding for each Category 1 project, together with advice as to whether the club's Category 1 allocations were in line with the local community priorities identified by the local committee. Clubs must provide some evidence and/or written explanation to indicate how their Category 1 projects aligned with the local community service priorities identified by the local committee.

#### **4.8 EXAMPLES OF BEST PRACTICE**

Clubs must keep reports for at least five<sup>3</sup> years in the event of later review either of the club or of the benefiting organisation by the Authority. The Authority retains the option of removing recognition for ClubGRANTS expenditure if the activity is subsequently found to be non-complying with these guidelines.

#### **4.9 SPECIAL PROVISIONS FOR EXPENDITURE ACROSS LOCAL GOVERNMENT AREA (LGA) BORDERS**

Expenditure on community development and support that involves projects or activities that involve more than one LGA is recognised for ClubGRANTS purposes.

Clubs that allocate ClubGRANTS funding to such projects and activities must be able to demonstrate that the project or activity offers a service or benefit to communities within their own LGA.

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<sup>3</sup> The requirement that registered clubs keep reports from benefiting organisations for five years instead of three commenced on 10 February 2012

#### **4.10 ADMINISTRATION COSTS INCURRED BY ORGANISATIONS PROVIDING ADMINISTRATIVE SUPPORT TO A LOCAL COMMITTEE**

Category 1 and Category 2 expenditure provided to reimburse organisations for reasonable costs incurred in the provision of administrative support for the local committee in their LGA is acceptable. The maximum allowable amount of funding is limited to either \$1,000 per club or 10% of available combined Category 1 and Category 2 funds (whichever is lesser). For ease of administration, any application for reimbursement of costs is to be made in the tax year following the year in which the costs were incurred.

In this context, administration support is taken to include the provision of goods, such as stationery and postage, the provision of services, such as staff to prepare for meetings or take minutes, or costs of local advertising of ClubGRANTS, but does not include such matters as equipment used at meetings or cost of room hire for meetings.

In order to qualify for this reimbursement, the organisation(s) providing the administrative support must apply in writing to the local committee for the relevant LGA, and provide such documentation to verify the claim as may be requested by the local committee. A statement must also be included in any media release issued by the local committee, noting that some ClubGRANTS funds have been utilised for costs to the organisation providing administrative support.

Once a local committee has determined that reimbursement is warranted, the costs should be spread equitably across all participating clubs in the LGA, and should not be funded from the Category 2 expenditure of a single club. The costs may also be allocated on a pro-rata basis if so agreed by the local committee.

#### **4.11 PUBLICISING APPROVED PROJECTS**

Clubs and benefiting organisations should make every attempt to publicise the programs, projects or services for which funding has been provided.

In addition, clubs should make every attempt to maintain on a publicly-accessible website, a list of all programs, projects or services for which funding has been provided in the current and previous gaming machine tax year. The list should be updated every six months.

The list should include, for every grant made:

- The name of the recipient
- The name of the program, project or service funded as set out in the ClubGRANTS annual return under the heading "Purpose of Recipients & Funds"
- The total amount of the grant
- Whether the expenditure was Category 1 or Category 2
- Whether the funding was in cash or in-kind

## **5 CLUBGRANTS GUIDELINES, CHAPTER 5 - CATEGORY 1 APPLICATION & FUNDING PROCESS**

### **5.1 THE APPLICATION PROCESS**

The gaming machine tax year commences on 1 September of each year. Accordingly, it is advised that applications for ClubGRANTS funding be called for no later than January of the following year.

It is customary for each local committee to set its own application closing date. Applicants should refer to the local committee list on the ClubsNSW website ([www.clubsnsw.com.au](http://www.clubsnsw.com.au)) for the relevant deadlines.

Category 1 application forms can be obtained from local committees or from the ClubsNSW website. Category 1 application methods vary between local committees and applicants are advised to refer to the ClubsNSW website for details. Advice regarding eligible Category 1 expenditure is available from the Authority.

There is no Category 2 application form.

### **5.2 ADVERTISING**

ClubsNSW will advertise in statewide and regional newspapers on an annual basis to invite Category 1 ClubGRANTS funding applications from community groups.

ClubsNSW may also advertise online, by radio or by way of other forms of print media to invite Category 1 ClubGRANTS funding applications from community groups.

Any such advertisement will carry words to the effect that ClubGRANTS is a shared State Government-Club Industry program, funded by a 1.85% gaming machine tax rebate provided by the State Government to those registered clubs with gaming machine profits in excess of \$1 million per annum.

### **5.3 EXPENDITURE APPROVALS BY CLUBS**

Clubs and local committees must process applications for ClubGRANTS funding in a timely manner, and should ensure that letters of acknowledgment are sent to applicants promptly. Formal letters of offer should be made to successful organisations along with a request for a report to be forwarded to the club at the completion of the activity.

Unsuccessful applicants should also be notified.

## **6 CLUBGRANTS GUIDELINES, CHAPTER 6 - LOCAL COMMITTEE PROCESS**

### **6.1 THE ESTABLISHMENT OF LOCAL COMMITTEES**

ClubGRANTS, a State Government initiated scheme, should have a broad consultative and advisory process based on the establishment of locally appointed committees in which qualifying clubs and key community service agencies would participate.

Therefore, ClubGRANTS local committees must be established in each local government area (LGA) where the total ClubGRANTS Category 1 liability of local qualifying clubs is in excess of \$30,000 in the tax year.

Local committees may also be established in line with these guidelines in LGAs where the total ClubGRANTS Category 1 liability is less than \$30,000, if all parties concur. If a local committee is not formed, the Department of Family and Community Services and the Council of Social Service of New South Wales (NCOSS) must develop a listing of social expenditure priorities in that area and make these available to the relevant clubs, either directly or through ClubsNSW, for the purposes of determining priorities with respect to Category 1 funding of community development and support projects.

When considering ClubGRANTS applications for funding, registered clubs in areas where a local committee has not been established may wish to contact the Department of Family and Community Services, NCOSS or a local council for their advice on the suitability of specific applications in the context of the listed social expenditure priorities, or of the capabilities of the organisation proposing to undertake the activity for which funding is sought.

### **6.2 THE MEMBERSHIP OF LOCAL COMMITTEES**

The core local committee membership in each LGA is to comprise of:

- (a) Representative/s of ClubGRANTS qualifying clubs;
- (b) Representative/s of the local council;
- (c) Representative/s of the Department of Family and Community Services;
- (d) Representative/s of NCOSS, or a major local or regional affiliate of NCOSS; and
- (e) Representative/s of the local Aboriginal community where appropriate.

The club representatives must ensure that all local committee information is forwarded to the club/s they are representing.

The respective responsibilities of local committee members are as follows:

- qualifying clubs are the ClubGRANTS funding bodies;
- local councils provide local area governance, and provide local community service planning input;
- the Department of Family and Community Services is the lead government agency providing a community service planning, co-ordination, and delivery role across the State; and
- NCOSS, or its nominated local affiliate, represents local non-profit community organisations.

A local committee may invite representatives of other government or non-government organisations to participate in meetings.

The local council representative will be responsible for convening the first meeting of the local committee. If the council is unable to undertake this task, the Department of Family and Community Services would be expected to convene the meeting. A qualifying club will normally be a member of the local committee in the LGA in which the club is located. Where a club's catchment area and activities cover more than one LGA, it may seek advice from other relevant local committees and allocate funds to organisations in those other areas. A club is at liberty to seek representation on the local committee of a neighbouring LGA, possibly via the representative of another club in that LGA, where the first club's catchment area and activities cover more than one LGA.

## **6.3 THE KEY ROLES AND RESPONSIBILITIES OF CLUBS AND LOCAL COMMITTEES**

### **6.3.1 *Mandatory provision of information by clubs***

Decisions about ClubGRANTS funding allocations are the responsibility of each club's board of directors. However, in all LGAs where it is required that a local committee be established, it is compulsory for all qualifying clubs in that LGA to participate in the local committee processes.

Clubs must advise the local committee of the URL of the webpage which contains their list of ClubGRANTS (see paragraph 4.10).

Where a club has not yet updated its website in accordance with paragraph 4.10, it is mandatory for clubs to disclose in writing to their local committee such information on their Category 1 grants, including those made in previous gaming machine tax years, should their local committee request this information. In addition, Liquor & Gaming NSW will place on its website an estimation of the funds available for the next gaming machine tax year for the relevant LGA as soon as possible after the end of each gaming machine tax year.

The information to be provided by each club must include advice on the funding recipients and amounts of funding for each Category 1 project, together with advice as to whether the club's Category 1 allocations in the previous year were in line with the local community priorities identified by the local committee. Clubs need to provide some evidence and/or written explanation to indicate how their Category 1 projects aligned with

the local community service priorities identified by the local committee.

Qualifying clubs with long-term or pre-existing Category 1 commitments to organisations must also provide information on these commitments to their local committee.

### **6.3.2 Key Roles of Local Committees**

The key roles of local committees are to:

- (a) determine the proportion of Category 1 expenditure that should be allocated in accordance with the local committee's recommendations;
- (b) identify the community service priorities for Category 1 expenditure in their LGA based on evidence provided by local government social plans and the Department of Family and Community Services advice on regional and whole-of-government community service priorities;
- (c) advise qualifying clubs in their LGA of the identified community service priorities for Category 1 expenditure;
- (d) assess Category 1 applications received by the local committee as to whether they align with the identified community service priorities;
- (e) inform qualifying clubs in their LGA of the outcomes of the assessment of Category 1 applications;
- (f) in the case of Category 1 applications forwarded directly to a club without referral to the local committee and subsequently funded by that club, review the evidence received from clubs as to whether such applications align with the identified community service priorities and whether clubs are working in the spirit and intent of the guidelines so as to ensure that there is no duplication of funding, and that a club's funding priorities are based on what are known needs in the community;
- (g) if requested by any qualifying club/s, determine a priority listing of Category 1 applications received by the local committee to assist those clubs requiring additional information to determine which projects to fund;
- (h) obtain written reports from local qualifying clubs listing the Category 1 projects funded by them, together with evidence from clubs as to whether these aligned with the community service priorities identified by the local committee; and
- (i) provide each qualifying club with a certificate of attendance, signed by the local committee convenor, indicating their attendance or otherwise at local committee meetings, for forwarding with their annual return to the Authority at the end of the tax year.

Local committees are also required to:

- (a) organise local promotion of ClubGRANTS, in conjunction with state-wide and regional advertising of the Scheme by ClubsNSW;
- (b) encourage clubs to publicise and disseminate information on ClubGRANTS funded projects within the local community;
- (c) distribute standard application forms and take enquiries about ClubGRANTS

activities; and

- (d) discuss and review on an annual basis the operation and impacts of ClubGRANTS within the LGA.

Local committees are not authorised to veto or disallow Category 1 applications for funding. Local committees are authorised to assess and provide advice as to whether applications align with the identified local community service priorities and, where requested by qualifying club/s, to develop a priority listing of those applications to assist those clubs requiring additional information in order to determine which projects to fund.

In identifying the local community service priorities for Category 1 expenditure, it is expected that local committees would identify a sufficiently broad range of local priorities to allow the funding of a wide range of local community service projects by clubs.

### **6.3.3 THE OPERATIONAL PROCEDURES OF LOCAL COMMITTEES**

Local committees must provide a fair, transparent and consistent process for managing the local operations of ClubGRANTS, and provide a forum for qualifying clubs to discuss local committee advice and thereby avoid unnecessary duplication of grants.

Every local committee must operate in accordance with the following procedures:

- (a) Annually elect one of its members to chair the local committee.
- (b) Formally adopt rules and procedures for the conduct of local committee meetings, including a rule that the committee will meet on a frequency of:
  - (i) at least once a year if the local committee operates in a local government area where the total ClubGRANTS Category 1 liability of local qualifying clubs is \$50,000 or less in the tax year.
  - (ii) at least twice a year if the local committee operates in a local government area where the total ClubGRANTS Category 1 liability of local qualifying clubs exceeds \$50,000 in the tax year.
- (c) Local committee members must declare in writing any situation where they or their organisation have any direct or indirect conflict of interest with the priorities set for the local area or with any application for funding. Any member who has declared a conflict of interest must withdraw from the meeting during the discussion of any such matter.
- (d) Ensure adequate notice (at least 14 days) of local committee meetings is given to all local committee members, including all qualifying clubs.
- (e) Keep an accurate record of proceedings of local committee meetings.
- (f) Ensure sufficient resources are made available, by agreement between the parties, for effective implementation of local committee activities and functions.
- (g) Appoint an agency or organisation to provide administrative support and to receive and collate Category 1 applications submitted to the local committee.

A local committee may determine other rules and procedures for the conduct of local committee meetings.

A local committee may, if the Chairperson thinks fit, transact any of its business at a meeting at which members (or some members) participate by telephone, teleconferencing, email or by other means.

## Appendix C: Organisations we've consulted

### One-on-one meetings or interviews

Aboriginal Child, Family and Community Care State Secretariat NSW (AbSec)

Aboriginal Health and Medical Research Council NSW (AHMRC)

Albion Park Rail Community Centre

Alliance for Gambling Reform

Bathurst Neighbourhood Centre

Board member, youth worker program, Sydney

Centre for Volunteering

City of Canterbury Bankstown

City of Newcastle

City of Parramatta

City of Sydney

Clubs NSW

Coolaburoo Neighbourhood Centre

Core Community Services

Counterpoint Community Services

Cumberland City Council

Fairfield City Council

Georges River Council

Inner West Neighbour Aid

Liquor and Gaming NSW

Liverpool City Council

Local Community Services Association

Local Government and Shires Association

Northern Beaches Council

Office of Responsible Gambling

Penrith City Council

Sector Connect

Settlement Services International

Sutherland Shire Council

Tweed Shire Council

Western Sydney Community Forum

WESTIR Ltd

Wollongong City Council

Woodville Alliance

### Round table discussions

#### **Consultation with the Forum of Non-Government Associations (February 2020):**

ACOSS, Alliance for Gambling Reform, Combined Pensioners and Superannuants Association, Community Industry Group, Community Resource Network, Domestic Violence NSW, Fams, FoodBank NSW/ACT, Homelessness NSW, Justice Connect, Local Community Services Association,

Mission Australia, Red Cross, Relationships Australia NSW, Saint Vincent De Paul Society NSW, Save the Children, Sector Connect, Shelter NSW, Tenants Union NSW, Older Women's Network, The Centre for Volunteering, The Salvation Army, WayAhead - Mental Health Association NSW, Western Sydney Community Forum, Westir, Women's Safety NSW, Youth Action.

**NSW Social Sector Peaks Consultation (February 2020):**

Association of Children's Welfare Agencies, Churches Housing, Community Housing Industry Association NSW, Community Legal Centres NSW, Domestic Violence NSW, Fams, Homelessness NSW, Inner Sydney Voice, Local Community Services Association, People with Disability Australia, Physical Disability Council of NSW, Tenants' Union of NSW, The Centre for Volunteering, Shelter NSW, Women's Safety NSW, Youth Action.

**Information was also sought from:**

Balranald Shire Council  
Bayside Council  
Bland Shire Council  
Cowra Council  
Department of Communities and Justice (Local Committee representatives)  
Edward River Council  
Federation Council  
Goulburn City Council  
Lane Cove Council  
Lismore Council  
Queanbeyan-Palerang Regional Council

**Member and sector survey**

We received 71 responses from Committee members, successful and unsuccessful applicants and people who decided not to engage with ClubGRANTS:

- Fourteen respondents (20%) were, or had been, Local Committee members.
- 71% had received ClubGRANTS funding.
- 21% had applied for, but not received, funding.
- 12% were eligible but decided not to apply.

Respondents came from across NSW:

- 58 different postcodes
- across 35 Local Government Areas. (In 4 responses the postcode or LGA was not identified).
- 13 or 37% were rural/regional LGAs.
- Four of the 5 largest grant making LGAs are represented in the responses.

