

Review of proposed amendments to the ClubGRANTS Guidelines

Submission of the NSW Council of Social Services (NCOSS)



April 2016

About NCOSS

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely placed to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

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Introduction

The ClubGRANTS scheme is designed to enable larger registered clubs in NSW to provide funding to front-line services in their local area and ensure people living with disadvantage benefit from the contributions made by those clubs. The scheme also provides for funding by larger clubs to support infrastructure for sporting, health and community activities.

The ClubGRANTS scheme is funded by the granting of a rebate of gaming machine tax levied on registered clubs under the *Gaming Machine Tax Act 2001* ('the Act').

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 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).....(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).¹

The ClubGRANTS Guidelines require NCOSS to provide a representative, or a major local or regional affiliate of NCOSS, to sit on local ClubGRANTS committees deciding on Category 1 funding for community development and support projects. Their role is to advise on the suitability of specific applications in relation to listed social expenditure priorities and the capabilities of the organisation proposing to undertake the activity.

In Local Government Areas (LGAs) where the total ClubGRANTS Category 1 liability is less than \$30,000 and where a local committee has not been established, NCOSS, in conjunction with Family and Community Services may be required to develop a list of social expenditure priorities for that LGA, making these available to the relevant clubs either directly or through ClubsNSW, to determine priorities for Category 1 funding. Funding preference is not given to projects or services that can be readily assisted by existing Government funding programs.

NCOSS may also be contacted by registered clubs to provide advice on ClubGRANTS Category 1 funding applications where a local committee has not been established.

The responses outlined below to the proposed amendments are informed both by the role NCOSS plays in the ClubGRANTS process and as the peak body for the welfare sector in NSW.

¹ ClubGRANTS Guidelines – November 2012 p4

Overview

NCOSS acknowledges the important role registered clubs play in local communities and in supporting community sector organisations. This occurs in a variety of ways, including the ClubGRANTS Scheme.

NCOSS recognises that the ClubGRANTS scheme provides a small but useful source of additional funds for local community organisations. The process of establishing local committees and discussing local needs and priorities has, over time, developed better understanding by clubs of the work of the sector and the needs of their communities, particularly those who are the most vulnerable or marginalised. Stronger relationships have developed, leading to other initiatives outside the ClubGRANTS process that have benefitted local communities.

However, NCOSS advocates for a fairer and more just society where everyone will benefit. NCOSS supports the role of governments in addressing the causes and consequences of poverty and disadvantage. Taxation and other government revenue sources are necessary and reflect a collective contribution towards improved outcomes for individuals as well as the entire community.

NCOSS' preference is for government policies and programs to be funded from consolidated revenue. This allows state wide assessment of need and allocation to priority issues. Governments allocate resources through their budget processes and are accountable to Parliament and the electorate for the decisions made. While tax rebates are valued by the community there is a concern that they can reduce the pool of resources available for less politically popular and/or emerging issues.

Recommendations

NCOSS recommends that:

1. Amendment 2.3.7 *Capital upgrades for clubs used during emergency situations* be rejected.
2. Amendment 2.2.4 *Expenditure on community care infrastructure* be accepted
3. A review of the ClubGRANTS Scheme be instigated including an assessment of the effectiveness of, and compliance with the Guidelines.
4. Appointment of an effective and impartial oversight body for the ClubGRANTS scheme either by increasing the role of the Independent Liquor and Gaming Authority or establishing a new body.

Proposed Amendments

Amendment

2.2.4 Capital upgrades for clubs used during 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 contribute to improving the local community's response to emergency situations.

An emergency situation refers to any situation that has arisen, or may arise, that would pose an immediate and serious risk to health, safety, property or environment in that community. Related capital upgrades, for example, may include emergency power supplies, dam expansions or other necessary support measures.

Response

NCOSS categorically opposes this amendment.

To be eligible for the tax rebate under the Act, the registered clubs' gaming machine profits must be over \$1 million during a "tax year" (as defined in section 3(1) of the Act). Any organisation or company capable of this level of profit in what is only one part of its revenue stream has the capacity and would be expected to have a risk management framework in place to fund these types of capital upgrades.

In addition the clause contains no conditions or restrictions and is open to interpretation. Under the current Guidelines there appears to be no effective oversight or complaint processes to raise concerns consequently there is concern that it would be open to potential abuse.

Recommendation: Amendment 2.3.7 Capital upgrades for clubs used during emergency situations be rejected.

Amendment

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*

Response

NCOSS supports this amendment on the proviso that the funding contributes to the provision of front-line services to a club's local community whilst ensuring *"that the disadvantaged in the community are better positioned to benefit from the substantial contributions made by those clubs."*²

In addition, ideally the community care facilities will be non-profit organisations.

Recommendation: Amendment 2.2.4 Expenditure on community care infrastructure be accepted.

Additional Feedback

In 2013, the NSW Auditor-General's completed a Performance Audit, *Management of the ClubGRANTS scheme*. They noted there has been no review of the local committee process, nor has there been an assessment of whether Category 1 grants have been provided according to the Guidelines.

Their own research noted that *"in the absence of proper monitoring, there is limited assurance that category one is effectively managed."*³ Under the Guidelines, clubs are required to allocate a minimum of 75% of Category 1 funds in accordance with local committee's recommendations. Despite this, the Auditor-General found that most committees contributed between 19% - 62% with an average of 46%.

In addition the Report noted that governance arrangements were complex with room for improvement. They observed that public reporting on funded projects by clubs was minimal and varied, making it hard to assess the outcomes for local communities.

These issues align with concerns previously raised by NCOSS:

- Difficulty accessing information regarding the funds available in each LGA, as well as decisions made by clubs
- The process can involve significant time and input from the NCOSS reps (and other committee members)
- Inadequate support and resourcing for committees
- Committee recommendations do not have to be followed by clubs
- There appears to be no effective oversight body or complaints process

A review of the Scheme would increase transparency, provide an opportunity to raise concerns and strengthen the Guidelines. It would also provide an evidence-base to support the value of the scheme to local communities.

² ClubGRANTS Guidelines – November 2012 p4

³ New South Wales Auditor-General's Report performance Audit: *Management of the ClubGRANTS scheme* p26

It is also recommended that the role of the Independent Liquor and Gaming Authority be clarified in terms of providing oversight for the Scheme in order to ensure strong governance, address concerns and complaints, and enforce adherence to the Guidelines. If it is found this is not the role of the Independent Liquor and Gaming Authority, NCOSS recommends that an independent body be established to take on this function.

Recommendation: A review of the ClubGRANTS Scheme be instigated including an assessment of the effectiveness of, and compliance with the Guidelines.

Recommendation: Appointment of an effective and impartial oversight body for the ClubGRANTS scheme either by increasing the role of the Independent Liquor and Gaming Authority or establishing a new body.