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CCL 25/06/2024 - SPECIAL BUSINESS RATE AUDIT OUTCOME

, "& **Attachment A:** Internal Audit Report - Special Business
Rates Expenditure

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Internal Audit Report

Special Business Rates Expenditure City of Newcastle



REPORT RECIPIENTS

To:	Vishesh Verma	Internal Audit Coordinator
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	Emily Kolatchew	Manager Legal
Date of Report	March 2024	
Audit Plan Reference	FY 23/24 Internal Audit Plan	

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INHERENT LIMITATIONS

This report has been prepared as outlined in the scope section of the executive summary. The services provided in connection with the engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board, and consequently no opinions or conclusions intended to convey assurance have been expressed.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and have not been detected. We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Newcastle, management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report.

The internal audit findings expressed in this report have been formed on the above basis.

THIRD PARTY RELIANCE

This internal audit report has been prepared on behalf of City of Newcastle in connection with our engagement to perform internal audit services. Other than our responsibility to the Audit and Risk Committee and management of City of Newcastle, neither Prosperity nor any member or employee of Prosperity undertakes responsibility arising in any way from reliance placed by a third party, including, but not limiting external auditors, on this report. Any reliance placed is that party's sole responsibility.

PROFESSIONAL STANDARDS SCHEME

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1. EXECUTIVE SUMMARY

1.1 BACKGROUND

Prosperity Audit Services was engaged to conduct an audit of Special Business Rates Expenditure for the City of Newcastle (CN) as part of the FY 23/24 Internal Audit Plan.

Special Business Rates (SBR) are collected from businesses in Newcastle City Centre / Darby Street, Hamilton, Mayfield, New Lambton, and Wallsend, and are reserved exclusively for the promotion, beautification, and development of these business precincts.

Section 495 of the Local Government Act 1993 states that “A council may make a special rate for or towards meeting the cost of any works, services, facilities, or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council’s area, other than domestic waste management services. The special rate is to be levied on such rateable land in the council’s area as, in the council’s opinion:

- a) benefits or will benefit from the works, services, facilities, or activities, or
- b) contributes or will contribute to the need for the works, services, facilities, or activities, or
- c) has or will have access to the works, services, facilities, or activities.”

As per Council’s annual financial report, special rates levied to ratepayers for the year ended 30 June 2023 amounted to \$1.367 million (2022: \$1.346 million).

Special rates collected from ratepayers are allocated in the following ways:

- a) A service arrangement directly with a Business Improvement Association (BIA); or
- b) A service arrangement with a BIA support service; or
- c) A competitive EOI process administered by CN; or
- d) Activities, work or services delivered directly by CN which meet the requirements of the Special Business Rate Expenditure Policy.

Applicants seeking funding through the competitive EOI process must comply with the eligibility criteria set by the Council and will then be scored against the assessment criteria by a panel which includes:

- Lord Mayor (or nominee)
- Executive Director Creative & Community Services (or nominee)
- Executive Manager Media, Engagement, Economy and Corporate Affairs (or nominee)
- Chair of the relevant SBR Precinct Business Improvement Association (BIA) (or nominee)
- One Councillor from the Ward that includes the relevant SBR precinct/s.

1.2 SBR STATISTICS

1.2.1 BIA PROJECTS

There are four identified precincts within the Newcastle LGA that have had BIAs established (City Centre, Hamilton, Mayfield and Wallsend). Council annually allocates \$100,000 from the collected SBRs to each BIA precinct. Recent projects have included:

- Live spots music program
- Sponsorships (West Walk and WHIP)
- Art Installations
- Community Events.

1.2.2 BIA SUPPORT SERVICE

Council has entered into an agreement with one (1) BIA support service to perform business support and secretariat services for the four (4) BIAs that operate within the City Centre/Darby Street, Hamilton, Mayfield and Wallsend business precincts.

1.2.3 CN PROJECTS

We reviewed the transactions listing for the SBR project ledger from June 2022 to August 2023, there was no projects directly administered by CN.

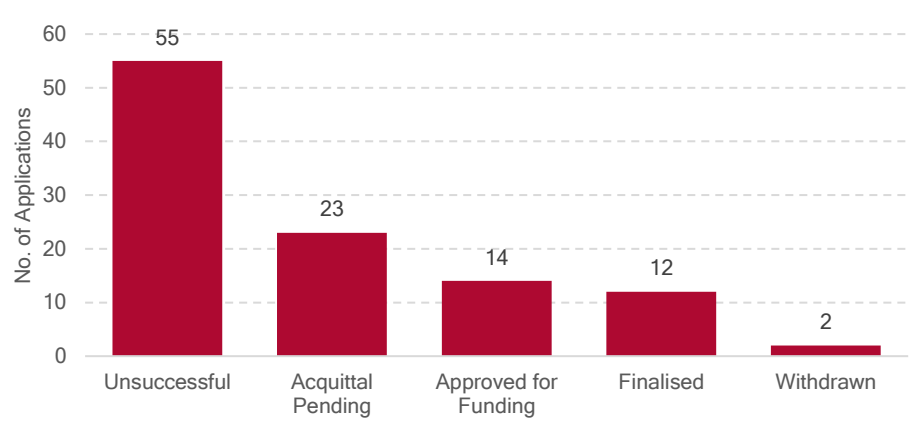
1.2.4 EOI PROJECTS

Applications Received

Council received a total of 106 applications for four EOI SBR rounds in FY 2022/23:

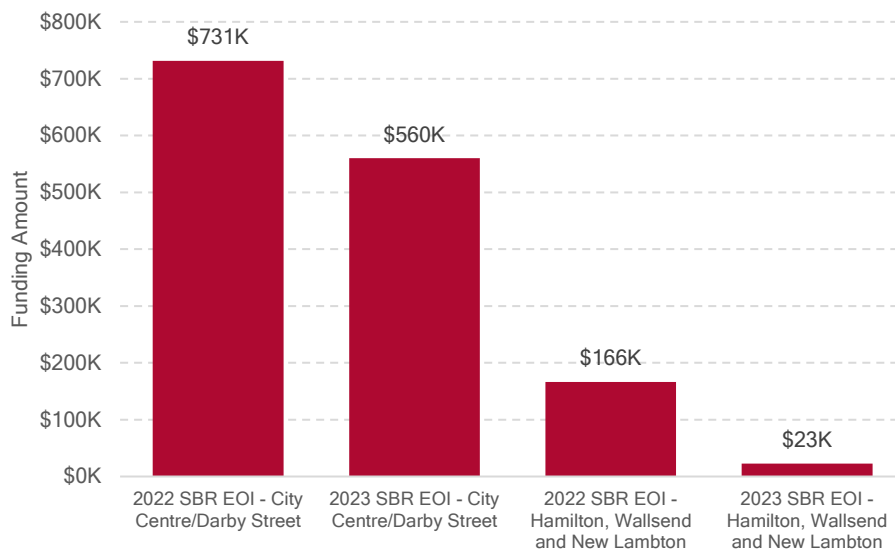
- 2022 SBR EOI - City Centre/Darby Street
- 2022 SBR EOI - Hamilton, Wallsend and New Lambton
- 2023 SBR EOI - City Centre/Darby Street
- 2023 SBR EOI - Hamilton, Wallsend and New Lambton.

There were 46% or 49 of the total applications which were approved. The status of applications is summarised below:



Amount Allocated Per Round

Council allocated \$1.48 million for all four EOI SBR rounds.



Number of Projects per Precinct

The graph below shows the total number of projects per precinct.

