

**Productivity Commission Inquiry into
the Conservation of the Historic Built Environment
Newcastle City Council Submission, 29 July 2005**

The main pressures on the conservation of historic heritage places

Summary

1. Ageing heritage building stock in public ownership has resource implications for local government - councils have competing spending priorities, restrictions in raising revenue, as well as operational responsibilities.
2. Heritage is not the sole business of local government, despite increasing responsibility for heritage as dictated by legislation and state government policy.
3. Demolition by neglect. An emerging issue for state and local government agencies alike, with a rise in the number of redundant assets in portfolios. The number of demolition applications being submitted for derelict public buildings is on the rise.
4. Redundancy/ adaptive reuse issues – finding appropriate new uses for heritage buildings raises complex conservation issues for private and public owners alike. Coordinated policy responses required.
5. Urban consolidation. In NSW this is an emerging threat to the conservation of heritage places, particularly local precincts and buildings on large curtilages.
6. Market failures. The market cannot be relied upon to protect heritage places; government controls and incentives are necessary.

1. Ageing heritage building stock

Newcastle City Council owns a large asset portfolio. A total of 124 assets are heritage listed, a total of 9 are on the State Heritage Register (see Appendix 1). Many assets are ageing, and are situated within close proximity of the coast.

Spending priorities are set by the operational and community service charter of Council. In the 2005/06 financial year, over \$2.6million is earmarked for maintenance and repair to the 124 heritage listed assets. This puts considerable strain on the operational budget of Council and limits its spending on other community services.

While Council could dispose of some of its assets as a means of increasing revenue, there are some assets it cannot sell, or raise significant income from – examples include public libraries (Newcastle Region Library, state significant), and some recreational facilities (Newcastle Ocean Baths, local significance). They fulfil a community service but fall short of generating sufficient income to offset their maintenance costs.

A related issue is the degree of intervention to adapt and upgrade heritage buildings for public use and the costs associated with it. There are significant liability issues along with BCA and disability access requirements.

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2. Heritage is not the sole business of local government

A major issue for this Inquiry is the role of local government in the conservation of the built environment. Local government is responsible for a broad range of matters; heritage management being only one element within its operational jurisdiction. While Newcastle Council accepts its role in managing the historic built environment as an important civic responsibility, it must also prioritise its ongoing spending commitments on the basis of its broad operational charter. And despite the burden of responsibility falling largely to local government, it is not reflected in the funding arrangement between the three tiers of government.

Accordingly, it is suggested that the Inquiry look at ways of improving the heritage funding structure to best reflect the burden of responsibility carried by each level of government.

One of the main issues is the devolution of responsibility for historic built heritage to local government, which has placed considerable pressure on operational budgets.

Approximately 80% of heritage in NSW is managed at the local level. Despite this, funding items of state and national significance, excluding up to 80% of heritage items listed locally from principal funding sources.

Another change has been the shifting of responsibility for minor matters of state significance to councils. Take the example of Newcastle, where there are a total of 32 items on the State Heritage Register with a further 81 listed as State items under the Council's Local Environmental Plan. There has been no funding given to Council to assist it in managing these matters.

Newcastle Council has relied on funding from the state government to undertake basic heritage surveys, but funding from the commonwealth has been more difficult to obtain. Since 1995, around \$60,000 has been provided to Council by the state for various heritage studies.¹ Other money has come from operational budgets or through small grants. As a consequence, there is work which remains, such as completing and updating the local list of heritage items.

Overall support for councils in identifying research priorities and policy innovations is fragmented and left to each council, with no assistance from the commonwealth and only minimal assistance from the state. Resources would be better utilised if commonwealth officers had greater links to regions and were located in major regional centres. This would facilitate a partnership approach to heritage conservation between the commonwealth and the councils in each region. A regional partnership based approach is more likely to generate on-ground outcomes and reduce duplication and maximise heritage management outcomes.

¹ City Wide Heritage Study 1997, \$20k, Aboriginal Heritage Study 2001, \$20k, Archaeological Management Plan 1997, \$20k. Matching dollar for dollar funding provided by Council.

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3. Demolition by neglect.

Demolition by neglect is emerging as a major issue for both the private sector and state and local agencies. The difficulty in NSW is that the relevant legislation does not provide appropriate powers to local government to enforce a minimum standard of maintenance and repair. The problem is highlighted by the fact that over 80% of heritage items are listed in local planning instruments. Even if suitable legislation was in place, compliance enforcement would still be a major difficulty as resources do not exist for enforcement, and the capacity for property owners to comply in many cases is limited.

The issue affects private and public owners alike. Newcastle Council owns a number of items which are currently the subject of community concern over perceived neglect. Council must weigh up the priorities in terms of whether it undertakes capital works to crumbling assets, apportions funds to manage roads, or provides new services for its rate payers, such as libraries and sporting fields. These issues are ultimately guided by community priorities and while not reducing Council's responsibilities to sound heritage management, they indicate the dilemma Council faces with regard to competing spending priorities.

This issue also faces many owners of private properties, as well as state agencies who have difficulty in finding suitable adaptive re use options and/or finding funding sources to maintain buildings. This in turn leads to a propensity to demolish heritage items.

4. Redundancy/ adaptive reuse issues

One of the most problematic issues surrounding heritage conservation is the difficulty of finding an appropriate new use when the original use has ceased. This issue is related to demolition by neglect as it partly accounts for why buildings are left vacant for years, with no income to provide for maintenance.

An example of this issue is the Newcastle Post office, formerly owned by the Commonwealth Department of Finance. When the property was sold to a private consortium in 2000, there was no new use proposed and the securing of a new use was not made a condition of sale by the Commonwealth. For nearly 5 years, the building has been vacant, a cause of much community anguish because of its uncertain future. The building has changed hands several times since its original sale. Recently a development application for conversion to a bar and restaurant was submitted to Newcastle Council. It remains to be seen whether this is regarded as an appropriate use for the building and whether the private sector in this case will be able to effectively manage this state significant heritage building into the future.

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5. Urban consolidation

An emerging pressure for the conservation of the historic built environment is the growing trend to consolidate the footprint of cities and urban areas. It presents a dilemma for policy makers and heritage conservationists alike. There are compelling reasons for redeveloping land and producing denser communities, not the least of which is a more efficient use of resources and sustainability.

However, while there are positive efficiencies to be gained, a balance needs to be struck between retention and removal. Ideally, urban consolidation should not occur at the expense of the historic built environment. In NSW where urban consolidation has become a planning policy at local and state levels, the externalities arising from the loss of heritage items is emerging as a major issue for policy makers.

Heritage conservation and adaptive reuse have a major role to play in urban consolidation. However, greater support is required from government to provide the assessment tools to manage what appear to be conflicting policy objectives. Such tools might include guidelines like those recently issued by the NSW Heritage Office on infill development.

In Newcastle the population is expected to increase by some 90,000 people over the next twenty years, so it is reasonable to expect considerable pressure on heritage assets. The inclusion of items in statutory plans will be critical in determining what elements of the existing building stock need to be retained and what degree of change will be acceptable to communities. If other incentives are linked with regulation, such as offering development bonuses (ie transfer of bonus floor space as an incentive to keep a heritage building), relaxation of restrictive BCA issues (eg upgrading fire access) it may increase the likelihood of conservation outcomes.

6. Market failures

Heritage items are likely to receive the best protection when they are listed in statutory instruments, especially where land use provisions or zonings allow a greater intensity of development, or where the heritage values are not well understood. Data collected by Newcastle Council supports the view that listing heritage items in planning instruments, such as a Local Environmental Plan, is more likely to result in a better conservation outcome than when they are not recognised in this manner.

Data can be used to measure the rate of demolition of listed heritage items (Schedule 4, NCCLEP 2003), compared with items that are only listed as having potential heritage value.² Between July 1999 and July 2005, a total of three heritage items listed in the LEP were given consent for demolition, compared to fifteen items identified in Volume 4 of the City Wide Heritage Study, these items not being subject to listing in the LEP. The

² "Potential heritage" properties are listed in the Newcastle City Wide Heritage Study, 1997, Volume 4. These were nominated in community workshops as part of a Heritage Study for Newcastle. Although not yet the subject of thorough heritage assessment, they indicate the social esteem felt by the community for these places although not all items on this list may ultimately be heritage items. Consideration is given to these items in the assessment of development proposals but there is uncertainty from the community on what status they officially have.

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conclusion is that where heritage places are listed in a statutory plan, their status is more clearly defined. In cases where heritage value becomes apparent only at the time of intended redevelopment, the situation is problematic.

Statutory mechanisms work best when there are incentives in place to stimulate investment beyond the minimum. The cost of maintaining and/or restoring heritage places usually exceeds that which would normally apply to non-listed properties. Without incentive mechanisms restoration is often done in an inappropriate manner thereby compromising the heritage attributes of the item³. Higher levels of government investment in heritage trades training is also seen to be an essential part of the solution to this issue, if over the long term, skills are still to be retained and the cost of heritage conservation kept at an affordable level.

³ For example, in Hamilton South Heritage Conservation Area, rendering face brick walls has been seen as cheaper than mortar restoration. Council responded by offering financial incentives for joint repair and tuck pointing, under its Heritage Building Assistance Fund. The issue has now subsided.

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Recommendations

Reorganisation of funding arrangements/ grant schemes

1. Establish an appropriately funded program for heritage conservation similar to the *Natural Heritage Trust* funded by the Commonwealth. The program would operate as the *Cultural Heritage Trust* to mobilise existing community effort under a regional structure to enhance on-ground outcomes and identify research and listing priorities on a regional basis. The program might involve the placement of Commonwealth officers in key regional areas to coordinate effort, identify funding priorities or barriers facing communities in attempting to access grant funding, and work in partnership with communities to prepare regional heritage management plans. This model would be set up along the lines of the Commonwealth's Coastcare program, consolidating the efforts of many councils in so far as identifying and listing heritage places, & identifying regional priorities. Such a scheme would reduce duplication by increasing efficiencies in resource allocation.
2. A review of the allocation of tax revenue for heritage conservation at both Commonwealth and State levels. Ideally, a proportion of revenue would be directed to local government to undertake capital works on heritage items and for preventative maintenance, apportioned according to the scale of a council's heritage responsibilities.

Reintroduce taxation incentives to stimulate private investment

3. The taxation incentive scheme for heritage conservation should be reintroduced to stimulate private investment as a minimum 20% rebate for every dollar spent on heritage restoration work. Consideration should be given to restoring this scheme, given its attractiveness to the private sector.

Research, listing and funding priorities to be set in partnership with local government

4. The Commonwealth has established its funding priorities as elements of *significant* value to the national story. While we agree that funding priorities must be established, the criteria for assessing national significance has not been developed in partnership with communities and communities now face a daunting task in assessing the places that meet the new thresholds. The responsibility for preparing nominations, based on sound research, will again fall to council and communities. Given that the significance threshold has been raised, we believe it is now incumbent on the Commonwealth to instigate the research into "the national story", coordinate the research effort and offer as much assistance as necessary to regions and councils to have the elements of national significance recognised. It should not be left to councils to find resources to achieve this.
5. Encourage consultation between the Commonwealth and councils to identify research gaps, barriers to funding, and to develop cooperative partnerships between the tiers of government on heritage matters.

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Invest in creative conservation initiatives

6. To reduce the externalities arising from urban consolidation, lateral solutions for adaptive reuse will be needed. Efforts should be consolidated across regions to identify solutions, decrease duplication and maximise resources - coordinated by state or commonwealth governments.

Establish regional networks, building on the Hunter Heritage Network model

7. Regional networks would provide training, information exchange and collaboration between regions. Such networks should be funded by the commonwealth to help councils nominate items of significance to the new National Heritage List and facilitate communication on heritage issues between the commonwealth, state and local councils.

Mandatory reporting by all tiers of Governments on heritage business

8. Encourage governments to manage heritage places within their portfolios by establishing an enforceable public reporting process, similar to the State of Environment reports in New South Wales and published in annual reports.

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Appendix 1

Supplementary information

Newcastle City has a population of around 137,000 with the Hunter Region home to over 500,000 people. As Australia's sixth largest and second oldest city outside of Sydney, Newcastle is the size of a regional town with all the amenities of a large city. With its sheltered harbour and profusion of natural resources, Newcastle has long been a preferred place for settlement. It is home to the first private coal mine in the southern hemisphere, the first iron railway in Australia, and the oldest industrial site in the country, worked by convict labor (the Convict Lumber Yard). Located within a short distance of the Hunter region and Sydney, it is also known for:

- a booming port, the largest coal export port in the world
- one of Australia's leading universities
- music & cultural centres, a regional gallery and museum
- the Hunter wine region + abundant agriculture
- NSW's second largest tourist region
- beaches and coastal national parks

Council's Investment in Heritage Conservation

- Council makes a significant contribution to the conservation and management of the historic heritage environment, & owns a significant property portfolio, 124 items are heritage listed. These items buildings, infrastructure (eg sandstone kerbing), parks, monuments and trees.

Heritage Register	Total No. of items listed
Local Environmental Plan	655
(owned by Council)	(124)
(other owners)	(531)
NSW State Heritage Register items in Newcastle LGA	37
(owned by Council)	(9)
Register of the National Estate	140
Commonwealth Heritage List	4

- Council employs one full time Heritage Officer; Salary + on-costs + operational expenditure is \$198,389 for the financial year June 04 –June 05. The functions are to assess Development Applications, administer a Heritage Building Assistance Fund (\$20,000 per annum), support the community and historical groups, provide direction and leadership, and identify potential heritage places. The role is responsible for coordinating Heritage Festival, education, promotions and identifying external funding sources.

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- The total number of Development applications processed by Council involving heritage issues was 198 for the 04-05 financial year. The total number of development applications accompanied by a Heritage Impact Statement was 120. The raw value of a heritage report is \$1000 per report.
- Expenditure on historic assets by council is not directly accounted for - it is usually a *component* of a larger project. However, in the 2005 budget year, over \$2.6 million is earmarked for expenditure as *maintenance* to heritage listed council assets.
- A Heritage Committee is established under Section 355 of the NSW Local Government Act to provide advice on matters regarding the historic built environment. The total operational budget for this Committee is \$25,000 per annum.
- Heritage Assistance Fund –financial assistance to private property owners for works. Annual total \$20K from Council’s operational budget, equates to an investment of at least four to one = \$80k each year spent on works to historic buildings in Newcastle LGA by the private sector.