



Central Greenough – Police Quarters and Lockup constructed 1872

**MAINTENANCE BUSINESS CASE  
FOR PUBLIC PLACES MANAGED  
BY THE NATIONAL TRUST**



NATIONAL TRUST OF AUSTRALIA (WA)

*“A building demolished is an asset destroyed, whereas a building that is conserved and maintained continues its useful life.”*

*Joslyn Green  
National Trust for Historic Preservation (1993)*

*“Heritage is not simply about the past; it is vitally about the present and future. ... Heritage involves continual creation and transformation. ... Heritage atrophies in the absence of public involvement and public support. ... We must recognise that objects and places are not in themselves important, ... (they) are important because of the meanings and uses that people attach to them.”*

*R Palmer  
Council of Europe (2009)*

## **Document Purpose and Summary**

As requested by the Minister in 2009, the National Trust of Australia (WA) has examined the issue of maintenance funding for heritage places under National Trust stewardship. The intent of this document is to alert the Minister and the State Government of a problem where the situation will get worse over time if action is not taken. This document provides an overview of the business case for a planned strategy of maintenance investment for heritage places. Endorsement of the philosophy presented will allow the final formulation of the formal Business Case based on current whole of Government and Treasury procedures.

The National Trust recognises an effective heritage outcome must be based on a public – corporate - private partnership. The proposals presented by the National Trust will move towards a positive and sustainable heritage maintenance formulation. The emphasis of this paper is on the core heritage assets managed by National Trust on behalf of government and the community. A planned and progressive maintenance investment in these core heritage places, will demonstrate to Western Australians the Government's commitment and leadership in maintaining the community amenity values of State heritage places.

The structure of the report begins with an analysis of the National Trust approach to heritage management and the particular needs of heritage places. After a discussion of generic advantages of an investment in the maintenance of heritage places, the particular advantages of utilising the National Trust as the delivery means for that investment are analysed. A sustainable investment strategy for core heritage assets is presented.

The business case from this analysis is that an investment in maintenance at National Trust heritage places makes sense because:

- There is a community expectation that if a place is significant enough to keep, then it should be well cared for and government is seen as the most appropriate funding source;
- Maintenance and the retention of original fabric represents heritage “best practice”;
- Investment in maintenance has a high flow on effect in the local and state economy;
- Maintenance investment reduces the risk of more costly structural and major repairs to publicly owned state heritage places;
- Timely maintenance protects the public asset in line with government asset management policy, goals and agency outcomes; and
- An investment in maintenance delivers both short term and permanent social, economic and environmental outcomes to communities.

Hon John Cowdell AM  
Chairman of Council  
National Trust of Australia (WA)



Specialist leadwork and wrought iron guttering, Old Observatory, West Perth

Fretting brickwork and mortar loss, Old Observatory, West Perth



Boundary walls, Central Greenough

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# National Trust of Australia (WA) Maintenance Business Case

## PART I - ORGANISATIONAL SUMMARY

### 1. Introduction

#### 1.1 Mandate

After considerable examination and study both within the National Trust and across government, the role of the National Trust of Australia (WA) has been confirmed by Cabinet, as an independent statutory organisation providing heritage services to the government and the community.

This decision recognises the National Trust has a unique, specialised and differentiated role within Western Australia and, as such, its activities are complementary to other agencies (lands, planning, works and arts) that have dealings with heritage issues.

*The current status of the National Trust of Australia (WA) has been endorsed by Cabinet as a statutory body for the delivery of heritage services through whole of government appropriations<sup>i</sup>*

Based on the experience and expertise gained during its first 50 years, the National Trust has refined the concept of public-private-corporate partnership to deliver a comprehensive approach to the management of heritage places. This approach is based on balancing the priorities, sometimes divergent, of the business, conservation and interpretation of a place to develop a sustainable management plan.

Within a state-wide portfolio of places under National Trust stewardship, the collective benefit of management plans so developed is to enhance the heritage values of these places and to promote access for community benefit and enjoyment. The purpose of the portfolio is to provide venues for ongoing community education and learning opportunities about our shared heritage.

#### 1.2 Vision

It is the vision of the National Trust of Australia (WA) to remain the pre-eminent independent organisation promoting the conservation and interpretation of Western Australia's unique cultural heritage (natural, Indigenous and historic) and educating the community about the use of this cultural heritage for the long-term social, economic and environmental benefit of the community.<sup>ii</sup>

#### 1.3 Mission

The National Trust of Australia (WA) will conserve and interpret Western Australia's heritage (natural, Indigenous and historic) for present and future generations.<sup>iii</sup>

## **2. Operating Principles**

### **2.1 The National Trust primarily works for others not itself**

As a statutory “trust”, the National Trust and its governing Council recognise its unique “heritage leadership” role and the need for the government and the community to have confidence in this leadership. The National Trust seeks to establish strategic partnerships with others and provide leadership whilst maintaining the highest standards. Whilst the National Trust has a membership base, its influence extends through all layers of government and the community. This requires a strong knowledge base of cultural heritage issues underwritten by a solid philosophical foundation. The National Trust acts not for itself but as a “trust” for both government and the community.

### **2.2 The National Trust is primarily a custodian of heritage places.**

The National Trust has both the responsibility and accountability to manage the many heritage places and objects under its control for present and future generations. This special and unique role sets the National Trust apart from other organisations. The National Trust, the heritage places it manages and their heritage values must be maintained in a holistic and sustainable way with the highest degree of professional integrity and to best practice standards. This is a major challenge as the resources available to develop and implement management plans (conservation, interpretation and business components) are severely restricted. At present, there is no State government investment in maintenance against an agreed benchmark for core heritage assets.

### **2.3 The National Trust is managed with volunteers but not by volunteers**

As a charitable organisation, the National Trust values members and volunteers; however, it realizes that it cannot delegate accountability. The National Trust is a professional organisation with a professional staff and therefore must be accountable for all decisions. The volunteer governing Council understands and accepts that it must act with integrity and conform to the highest principles of corporate governance. Equally the Administration accepts its professional responsibilities and undertakes all programs in a transparent and accountable manner.

### **2.4 Heritage Places provide opportunities**

The National Trust of Australia (WA) management philosophy is that heritage places provide opportunities. Within the context of the Schedule to the National Trust of Australia (WA) Act, heritage places act as educational tools to engage the community about the use of cultural heritage (historic, natural and Indigenous) for the long-term social, economic and environmental benefit of the community.

As icons within the community, National Trust heritage places enhance both individual and collective community amenities to be utilised, enjoyed and protected. National Trust heritage places provide local opportunities, particularly in regional areas, for direct and indirect economic stimulus. These opportunities extend from direct employment as wardens, purchase of services, supplies and materials for property operations, and community skills enhancement and training through volunteers.

As part of its focus of increasing internal revenue generation, the National Trust is expanding its business and lease opportunities in local communities through associated activities. These currently include cafés, tea rooms, gift shops, local trails, camping and recreational services. Local entrepreneurs benefit from a supportive business relationship and the National Trust benefits from increased rental income to cover operational expenditures.

Indirect investment through development of a sense of place includes nation-wide publicity and promotion (electronic and print), provision of venues for community and regional activities, events and festivals, and extended visitor stays with flow on benefits to community businesses.

**Research Report Extract – Our Money Crop**

*Beauty is indeed, our money crop, and that beauty, as amenity resources is much more than parks, coastal areas, mountains or wildlife. Beauty includes old stone barns, rusty cotton gins, coastal blackwater rivers, thriving small towns ... and beauty depends on the context of the rural communities where it is found*

*Source: Enhancing Rural Economies through Amenity Resources,  
"Beauty – The South's Money Crop"*

### 3. Positioning

#### 3.1 The Sustainable Public Option

The National Trust is unique in Western Australia as the only statutory body supporting a holistic (or integrated) approach to heritage that has both the mandate and operational experience to deliver management of heritage places, community education and learning and active community programs for conservation.

The operations of the National Trust can best be described as a sustainable public option which retains the unique public-private-corporate partnership, the original inspiration of the National Trust, acting as a "trust" for both government and for the community.

Under this Sustainable Public option, the past decade has seen:

- An increase in the number of places managed by the National Trust on behalf of the community of Western Australia (now some **57** properties in **38** Local Government Areas;<sup>iv</sup>
- An increase in the diversity of heritage properties and interpretation into industrial heritage, multicultural heritage, Aboriginal heritage, historic towns and major cultural landscapes;
- Continuing transfers of heritage places from Government departments and agencies underlying the role as a "trust" for Government enabling other agencies to focus on core tasks
- Growth in voluntary partnering appeals contributing private funds to heritage conservation at no cost to Government (over \$2 million annually)<sup>v</sup>

- An increase in the number of Aboriginal foundations and sustainable employment initiatives established through National Trust facilitation and operations with current investment of over \$1 million per annum<sup>vi</sup>;
- Continuing increase in direct and indirect economic development and employment and supporting infrastructure in metro and regional areas; and
- Continued growth of major partnerships with industry for community benefit including land transfers.

After extensive review, successive Governments have recognised the economic and social advantages of providing a “trust” for both government and the community. These advantages include lower overheads arising from a compact operating structure, the use of volunteers and community giving to support heritage outcomes and access to a variety of grants and funding sources. It was these advantages that led to the reconfirmation of status of the National Trust by Cabinet.<sup>vii</sup>

### 3.2 An Aspirational Model

Notwithstanding the achievements of the National Trust in Western Australia, particularly over the past decade, alternative approaches to government investment in other jurisdictions have achieved even more significant outcomes and could be considered as a model for investment in maintenance in Western Australia.

One model for government investment in the management of heritage places in Australia is the Historic Houses Trust of New South Wales. The Historic Houses Trust is a statutory authority within the Department of Education and Communities NSW. It is one of the largest state museums in Australia and is entrusted with the care of key historic buildings and sites in New South Wales, primarily in metropolitan areas. Through this investment by the State Government, the Historic Houses Trust has been able to demonstrate an economic dividend, as well as social and environmental benefits.

In 2012, the State Government of New South Wales is to review the management of its state heritage places. The Historic Houses Trust primarily manages metropolitan heritage icons while the National Trust of New South Wales manages a more diverse range of heritage places across the State.

The development of New South Wales and Western Australia towards responsible government and economic prosperity followed quite distinct and dissimilar paths. Western Australia does not possess many of the grand iconic heritage buildings associated with the Historic Houses Trust. In the context of significance however, the portfolio of the National Trust in Western Australia presents key elements, the challenges and the diversity in the development of the State, its economy and its people.

Collectively, the core assets of the National Trust heritage portfolio represent a very solid foundation for cultural tourism and educational and learning programs. As part of the National Trust Property Review, individual places and regional groupings have been assessed against the evolving National Curriculum, the nationally endorsed (Commonwealth, States and Territories) Australian Heritage Commission historic themes and registered sites with Aboriginal heritage values.

**Research Report Extract – Government Investment**

*The New South Wales State Government allocates annual recurrent funding of \$19,230,000 and a capital allocation of \$3,000,000 for the management of 18 properties. Funds are also allocated by the State Government for maintenance to the amount of \$3,200,000 annually. For each property this represents an average investment of \$1,240,000 overall with \$180,000 being directed towards maintenance.<sup>viii</sup>*

*Source: Historic Houses Trust (NSW) Annual Report 2009-10*

The challenge therefore will be to present a business case appropriate to a Western Australian context. The business case will of necessity be based on practical realities of the unique National Trust position of advantage rather than commercial formulations. The business case will also incorporate the regional opportunities (educational, artistic and tourism) offered by a diverse portfolio of core heritage places at or along routes to major regional centres.

## PART II – UNDERSTANDING THE ASSET BASE

### 4. The National Trust Heritage Portfolio

#### 4.1 Evolution

The current asset base of the National Trust has been determined by a number of factors which make it unique within Government and statutory authorities.

These factors are:

- The National Trust became custodian for the purposes of long term conservation when there was no other legislated or statutory alternative available to the community or government for this purpose;
- The heritage places under stewardship of the National Trust remain in public ownership for the ongoing benefit of the Western Australian community;
- Almost all assets were transferred to the stewardship of the National Trust in a ruinous or dilapidated state and thereby require an ongoing plan and prioritisation for their conservation or sustained maintenance if the situation is to be ameliorated;
- The broad intent of the National Trust of Australia (WA) Act is to facilitate stewardship of heritage places for the purposes of public education and achievement of this outcome requires an ongoing investment in conservation, interpretation and the development of relevant education programs;
- Many places on transfer were not compliant with existing occupational health and safety standards and none met emerging requirements such as residual current devices (RCDs); asbestos registers and standards for public amenities;
- Places under stewardship of the National Trust are held under a wide variety of titles (freehold, conditional freehold, vesting and management orders) which constrain options associated with comprehensive portfolio management;
- Subsequent legislation (particularly the Heritage Act 1990) has provided regulatory and incentive based alternatives for the conservation and interpretation of heritage places in the private sector;
- Few of these incentives are applicable to the National Trust and there are no real incentives for government owned places;
- Subsequent legislative and administrative interpretations have eroded the intent of exemption from taxes, rates and charges by introducing “service charges”;
- The unique public-private-corporate partnering advantages of the National Trust in the management of heritage assets has been recognised by local government and some state agencies with a resulting increase in requests for stewardship of these assets by the National Trust; and
- Most heritage places under the care of the National Trust are managed on the principle they are being held in stewardship for the community of Western Australia in perpetuity and need a significantly different approach than the acquisition, renewal and disposal philosophy normally associated with commercial asset management including maintenance.

## 4.2 Special Needs of the Portfolio

Over the past half century, the National Trust has been entrusted stewardship responsibilities for a portfolio of properties which now includes some **200** major structures or asset entities over in excess of **100** titles in **38** local government areas across the State.<sup>ix</sup> These places are managed functionally as **57** property groupings. Some of these structures are amongst the oldest in the State with nationally significant heritage values. Many are domestic buildings of indifferent materials and construction methods and materials that have survived beyond their planned useful life. Most require specialised maintenance regimes and techniques to ensure their ongoing conservation. All are subject to conditions beyond the expectations of their original purpose be they environmental, extended use, periods of neglect or visitor numbers. Models for ongoing stewardship within public ownership cannot rely exclusively on maintenance models based on contemporary office accommodation and 20, 40 or 50 year life cycles.

The special maintenance needs of the portfolio are difficult to manage in the continuing context of a knowledge and skills shortage and funding constraints. For many years, there has been a declining pool of tradespersons with the necessary skills and understanding of heritage places willing to take the time and care and use the specialised materials and techniques necessary for maintenance and conservation work. The ongoing resources boom has now extended this knowledge and skills shortage to architects, quantity surveyors, planners, engineers and a range of related professionals needed to plan, document and contract and supervise heritage works. Relatively small contracts in remote locations for complex heritage work on problematic structures are not an attractive proposition.

Regardless of the special needs associated with a portfolio of publicly owned and managed heritage assets, normal economic drivers still apply. Investment in maintenance retains and improves the value of the capital asset. Investment in maintenance increases direct local economic dividends through the sustainment of a local skilled workforce and the local purchase of supplies and materials.

**Research Report Extract – Contribution to GDP**

*Historic preservation goods and services now may account for as much as \$40 billion or close to 1% of the entire GDP*

*Source: Forum Journal: "The Business of Preservation is Bullish and Diverse" (2004)*

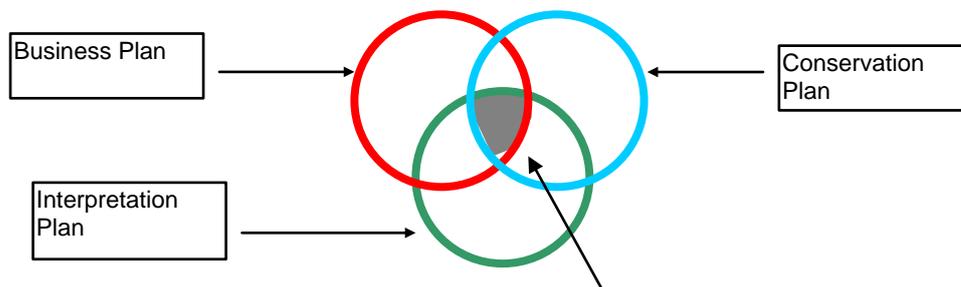
## 5. The National Trust Approach to Heritage Management

### 5.1 Maintenance Philosophy, Policy and Practice

The underlying philosophy of the management of the property assets of the National Trust is adherence to the principles of the Burra Charter<sup>x</sup> and an overall Management Plan. At its simplest, this philosophy embraces the concepts of retention of identified heritage values and, as a collateral consideration, retention of original fabric. As part of its management approach, the National Trust has commissioned Conservation Plans for individual heritage places. These Conservation Plans document the heritage values of each place and the policies that need to be followed to ensure these values are protected in the ongoing management of the place. Using the definitions and the standards contained within the Burra Charter, this should lead to a rational and sustainable maintenance regimen.

### 5.2 Management Plan Model for Trust Properties

The Conservation Plan is just one component of an overall Management Plan for a heritage place. It is the interplay and balance between the sometimes opposing, sometimes complementary factors of the Business Plan, the Interpretation Plan that together with the Conservation Plan comprises the Management Plan.



The "ideal state" is represented by the shaded area

The National Trust is unique in Western Australia as the only statutory body supporting a holistic (or integrated) approach to heritage that has both the mandate and operational experience to deliver management of heritage places, community education and learning and active community programs for conservation.

### 5.3 Implementation Realities

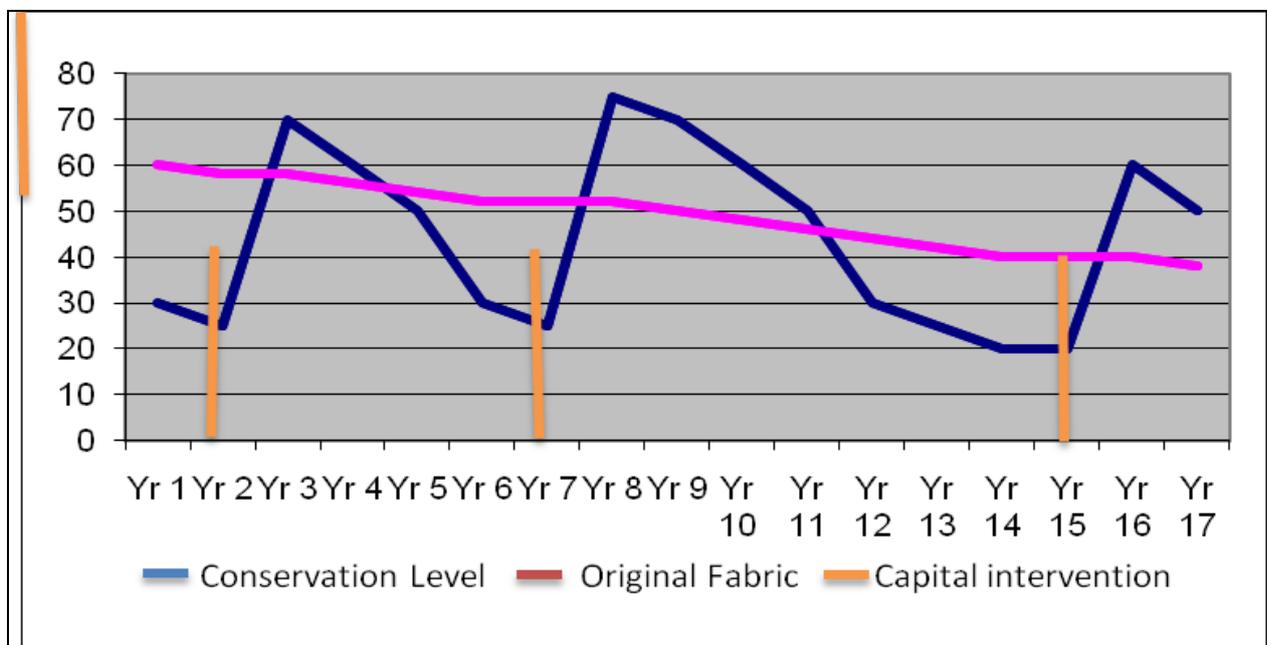
The realities of the investment into the National Trust by Government over the past 50 years have not permitted the establishment of such a regimen. Capital funding (either through appropriations, grants or bequests) while irregular and unpredictable has enabled many significant heritage assets to be stabilised by addressing the most immediate conservation needs. The long term vision of the National Trust has meant heritage places can be "held" in a stable situation while consensus and funding for future needs evolve. A case in point is Central Greenough. Without intervention by the National Trust in the late 1960s, the heritage elements of this nationally

significant historic settlement would have been lost. Although much remains to be done, it was the ability of the National Trust to sustain and promote a heritage vision for the place that ensured it remained in public ownership and a growing regional attraction.

In contrast, recurrent funding for maintenance has not been systematically provided by appropriations and the internally generated resources of the National Trust have been inadequate to meet the minimum needs of a sustained maintenance program.

The impact has been a reactive program based on emergency interventions and replacement and increasing deferral of all but essential maintenance. Across the portfolio, capital funding has seen a gradual improvement of the conservation of many heritage places (including some that otherwise would have been lost). The cost at individual places has been a series of major capital interventions followed by a gradual deterioration and loss of original fabric that, in turn, necessitates the requirement for another major capital intervention.

This maintenance dilemma can best be illustrated by the following graph. Periodic capital investments can raise the level of conservation. Without an ongoing program of planned maintenance, there is an ongoing loss of original and irreplaceable fabric. It is the loss of original fabric (the physical structure of the place) that impacts on the heritage values that public ownership is trying to maintain. Carried to the extreme situation the outcome could either be a ruin or a replica. It is this situation, with the loss of heritage values and community amenity, the maintenance plan is designed to ameliorate.



It was only in 1995 that the National Trust began to receive a capital appropriation for the heritage places under its stewardship when, as a statutory authority, it was moved from Miscellaneous Services. Even then the appropriation was not related to the size or needs of the portfolio but simply a small grant committed to an annual allocation. This boom and bust cycle with its reliance on capital investment for conservation and the absence of a sustainable maintenance program has been recognised over the past decade as a major shortcoming in heritage management programs.

In spite of this professional recognition, the current funding approach was neither efficient nor effective and not supportive of sound heritage management practice as envisaged by the Burra Charter<sup>xi</sup>. No comprehensive mechanism has been agreed to document maintenance needs and to obtain substantive support in competition with other priorities for the recurrent costs and maintenance of the assets under the public stewardship of the National Trust.

#### **5.4 Maintaining Physical Assets in Appropriate Condition**

An internal audit report in May 2006<sup>xii</sup> identified, amongst other findings, the major deficiencies of the current maintenance regime of the National Trust and these can be summarised as follows:

- Conservation plans must be improved through systematic ongoing review;
- There were no repairs and maintenance plans developed for the properties and no systematic approach was used in identifying and carrying out the necessary maintenance work;
- The Trust's current practice is reactive rather than proactive in conducting maintenance work and no regular inspections of properties were undertaken; and
- The main obstacle to programmed maintenance inspections and work is the lack of funding and the need to address, as the first priority, holding costs associated with security, pest control, insurance and utilities.

In the intervening period, management action has begun to address the first three issues. Conservation plans are updated as required based on operational priorities and planned works. A Property Management Database has been developed to better coordinate maintenance however priority remains on doing maintenance rather than planning maintenance that cannot be undertaken. This paper is intended to address the fourth issue raised in the audit – the need for a planned investment in maintenance.

The current maintenance philosophy as determined by resource allocation has been to conduct only absolutely essential maintenance and mandated occupational health and safety compliance as determined through risk audits. The corollary of this approach is the costly replacement of structural elements which have suffered accelerated deterioration through the absence of planned maintenance. Property management over the past 15 years has placed priority on meeting basic holding needs such as pest control, security, standards compliance for utilities and insurance – areas that had not been systematically addressed in the initial 30 years from the inception of the National Trust.

Investment in maintenance has been increasing but the figures are deceptive on three counts. The number of public heritage places entrusted to the National Trust has been increasing. The cost of individual works and wages is also increasing. Taken together these two factors translate into a decline in actual maintenance outcomes. The key factor is that maintenance expenditures are currently met from a combination of members' funds, entry fees, and grants for emergency works. There has never been a whole of government appropriation to the National Trust for maintenance. The lack of a rational, planned and ongoing provision for maintenance has contributed to the boom and bust cycle illustrated previously in Section 5.3. It is for this reason that the National Trust is seeking a specific investment in maintenance for National Trust heritage places..

The National Trust of Australia (WA) has undertaken further proactive measures to enhance the effectiveness of funding invested in maintenance. In a commissioned research report prepared by Oakmere Solutions<sup>xiii</sup> a number of "quick wins" were identified which would add cost-effective value to the work of the National Trust whilst giving enhanced insights into and evidence of economic, social and environmental value. Many of the identified potential actions involved better collection, analysis and availability of data and research. These needs are being addressed in the information integration initiatives in the National Trust Strategic Plan 2011 – 2016 which was endorsed by the Council of the National Trust in February 2011.

## **5.5 Issues with Commercial Maintenance Management Approaches**

If operating within an exclusively commercial environment, the National Trust could embrace the central concept of facility management, namely addressing the cost of building operations over the life of a building. The combination of economic theory and computer technology allows many government agencies a more sophisticated approach to the design and construction of facilities and an asset management program. Instead of examining only the cost to design and build, many agencies can broaden their perspective to include operations, maintenance, repair, replacement, and disposal costs. The life-cycle cost of a facility can therefore recognise the sum of initial and future costs associated with the construction and operation of a building over a period of time. The lowest life-cycle cost is therefore a straightforward and easy-to-interpret measure of economic evaluation.

Central to the concept of life-cycle cost is an estimate of the useful life of a structure. Once this cost has been determined at 20, 40 or 50 years, formulations can be applied for determining percentages rates for depreciation and maintenance. Such calculations can be directly related to square metres, structural component materials and fittings. The aim of life-cycle maintenance costing based on existing commercial check lists or computer programs is to undertake timely replacement or repair to minimise life- cycle costs by avoiding costly maintenance interventions. Over the longer period, adequate and regular maintenance will be more cost effective and less costly than periodic capital expenditure.

The disconnects with the National Trust approach to maintenance are obvious. National Trust maintenance operations are directed towards an indefinite period of stewardship and the Burra Charter<sup>xiv</sup> priority is retention of original fabric rather than

programmed replacement. Unlike service delivery departments, which view a building as a necessary requirement to house operations and public delivery, **place** is central to the National Trust. Heritage places are of themselves artefacts and are of themselves the program outcome delivered through their conservation and interpretation for both present and future generations.

**Research Report Extract – Life Expectancy of Buildings**

*Life expectancies for many contemporary buildings are 30 or 40 years, considerably less than the life expectancy for the average restored or rehabilitated building.*

*Source: Federal Heritage Buildings Review Office Code of Practice*

## PART III - ADVANTAGES OF INVESTMENT IN HERITAGE MAINTENANCE

### 6. Demonstrable Outcomes and Benefits

#### 6.1 Global Context

Following the publication of the Brundtland Commission's report, *Our Common Future*<sup>xv</sup>, sustainability has emerged as a widely held and necessary notion to guide all future human endeavours. Although sustainability is, and will remain, a difficult notion to define in substantive terms, the implications are clear. Sustainability will require we become less wasteful of natural and human resources take appropriate steps to maintain a healthy, productive planet and place greater worth on the welfare of future generations.

Sustainability has social, economic and environmental dimensions. Environmental sustainability implies future generations should enjoy continued access to resources. However, it is the total capital (social, economic and environmental) passed on to future generations that is of primary consequence. Since heritage buildings result from the transformation of both renewable and non-renewable natural assets, building design, construction and reuse can make a significant contribution to the sustainability debate.

#### 6.2 Embodied Energy

Given the current climate change paradigm in which the world now operates, there is a clearly understood imperative to reduce carbon emissions. Therefore the concept of embodied energy must be understood and embraced in regard to the ongoing maintenance of heritage places. CSIRO research has estimated the energy embodied in Australia's existing housing stock is equivalent to total energy consumption of the entire nation for ten years.<sup>xvi</sup> Similar research from Britain has estimated that the energy embodied in a single nineteenth century house is equivalent to 15,000 litres of petrol – enough energy to drive car around the world five times (or send it half way to the moon). Behind these graphic equivalencies is the clear understanding that the maintenance and adaptive reuse of heritage buildings not only contributes to the State's sense of place and adds character and meaning to our historic (built) environments, but also has a major role to play in helping reduce carbon emissions and slowing the effects of dangerous climate change.

**RESEARCH REPORT EXTRACT – ADAPTIVE RE-USE**

*In the pursuit of sustainable development, communities have much to gain from adaptively reusing historic buildings. Bypassing the wasteful process of demolition and reconstruction alone sells the benefit of adaptive reuse.*

*Source: Adaptive Reuse: Preserving Our Past, Building Our Future (2004)*

### 6.3 Ongoing Research

As part of its heritage leadership role, the National Trust has both commissioned research and tracks national and international developments in the measurement of the value of heritage conservation. Specific research methodologies have aimed at identifying and measuring the economic, social and environmental values of heritage. To date research has indicated the need for the establishment of shared approaches to assessing value within the heritage sector, based on agreed theoretical and methodological structures. This would overcome the limitations of the current data based to some extent on short term economic gains and project rather than program-based initiatives.

Ongoing research in the United Kingdom and the United States continues to demonstrate the value-adding potential of ongoing maintenance programs for heritage places. This return on investment extends beyond the direct benefit and good stewardship practice of maintaining the value of publically owned and managed assets. Economic benefit extends across a range of outcomes relevant to government priorities and regional initiatives.

### 6.4 Identified Benefits

Some of the flow on economic benefits are:

- Heritage conservation and maintenance create more jobs than the same investment in new construction (e.g. from evidence – 70% labour costs in maintenance / 30% materials vs 30% labour / 70% materials in new construction)

**RESEARCH REPORT EXTRACT – EMPLOYMENT**

*Historic rehabilitation can spend up to 70% in labour costs, labour that is most often hired locally which keeps these dollars within the community. For example \$1 million spent rehabilitating historic buildings creates 12 more jobs in Colorado than \$1 million spent on manufacturing semiconductors and 9 more jobs than banking services.*

*Source: The Economic Benefits of Historic Preservation in Colorado (2002)*

- Heritage conservation and maintenance can be counter-cyclical and stabilise a local economy (e.g. a timely investment in a bust cycle or local restructuring)
- Historic resources are amongst the strongest community assets for attracting visitors (e.g. visitor expectations are increasing for a first hand experience using all senses as provided through an accessible heritage place)
- Individual heritage places and cultural heritage tourism have substantial economic benefit (e.g. - from evidence heritage visitors spend more per day, come with families, spend more nights away and are more likely to be repeat visitors than sport event or business visitors)

An accepted benchmark study<sup>xvii</sup> has indicated that for every \$1,000,000 invested in heritage conservation there are:

- 15.6 construction jobs created
- 14.2 related jobs created elsewhere in the economy
- \$779,800 injected into household earnings
- 3.4 times the number of jobs created than a similar investment in new construction

## 6.5 Enhanced Returns

Investment in maintenance also offers a substantial return on investment. Research at one heritage place in the National Trust portfolio indicated a rental return increasing from an “As Is” property status from \$90,000 per annum to \$452,000 per annum if maintained and refurbished to an “As If” situation. The projected annual rate of return on maintenance investment in this case approached 8% in the initial year and increased thereafter.<sup>xviii</sup>

The lack of investment in programmed maintenance will in this case require a capital investment of \$5 m to achieve this outcome. The underlying rationale of the propose option is that maintenance expenditure as opposed to capital intervention is a more effective use of resources and a results in a more manageable cash flow.

## 6.6 Comparative Advantage

The Strategic Asset Management Process of the National Trust has a six-fold community aspect.

Community Advantage 1 – Sense of Place In the first instance, the heritage values contribute to a sense of place and identity. The conservation of the place (including maintenance) and interpretation of the identified heritage values is a core function of the National Trust. The National Trust in its asset management plans works with the local community to foster this sense of place. Partnering agreements are in place with 15 local government authorities.

Community Advantage 2 – Economic Flow On The individuality of communities with their distinctive sense of place directly contributes to economic outcomes through employment, purchases of supplies and services and spending by visitors. Economic considerations and the development of local business opportunities are a significant factor in establishing a vision for a heritage place and the development of a sustainable plan for its future. The economic potential of heritage is often difficult to quantify but is an increasingly significant outcome particularly in rural and remote communities.

Community Advantage 3 – Volunteer Contribution The presentation of heritage places is almost entirely dependent on volunteer community contributions. The National Trust provides training, skills development, research and resources but local volunteers act as the face of the National Trust and ambassadors with the visitor. The challenges of management with volunteers is more than offset by the advantages of an engaged, enthusiastic and cost effective delivery of a service that would otherwise not be viable if undertaken on a fee for service or commercial basis. The maintenance of heritage places on the other hand requires professional and specialist expertise of structures, materials and techniques which are beyond the scope and ability of volunteers however willing or enthusiastic.

Community Advantage 4 – Innovative Partnering The National Trust approaches property management issues from a holistic perspective. Having a heritage asset available for community purposes can act as a catalyst for natural heritage and Indigenous projects within the same community. The investment in property based heritage outcomes can have a multiplier effect on other projects in the catchment

area, the development of sustainable harvests of bush tucker or other related cultural projects. The National Trust has an inbuilt interagency capability enabling it to comprehensively present diverse project elements.

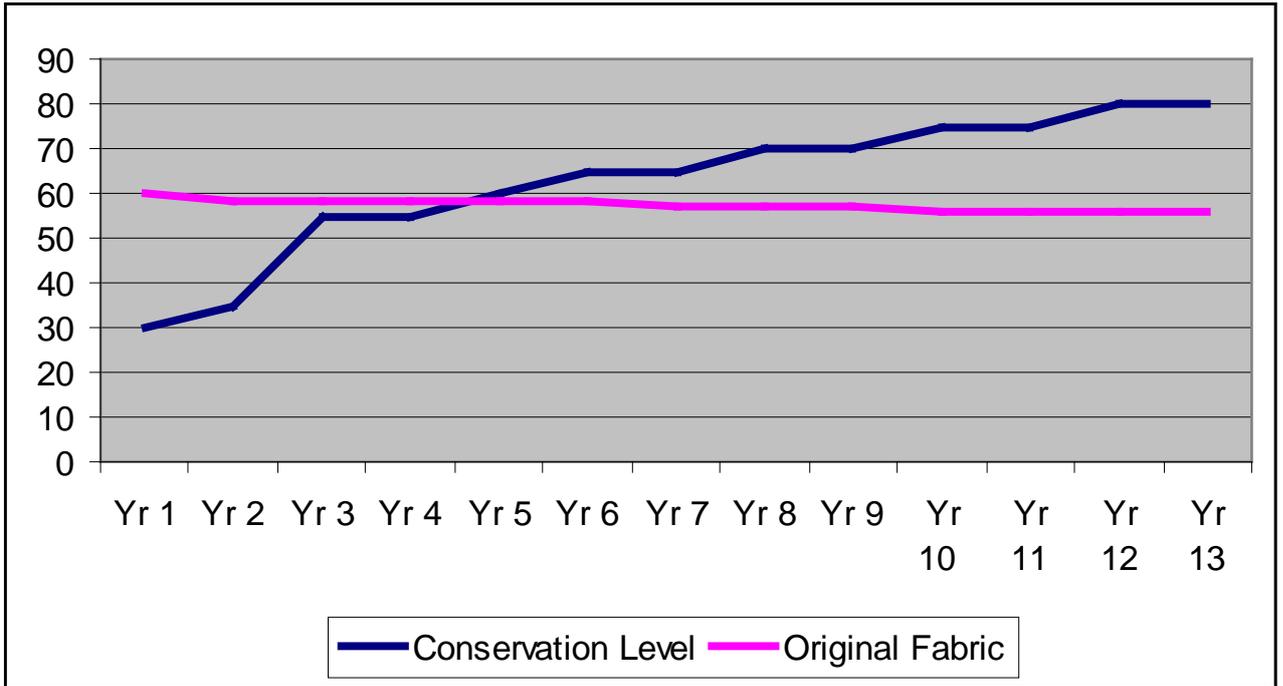
Community Advantage 5 – Tax Deductibility The not for profit charitable status of the National Trust enables the establishment of tax deductible appeals in support of heritage. These appeals can also be directed towards National Trust places. The status of the National Trust also enables applications for grant and other funding from a wide range of sources including Lotterywest. The National Trust is also able to access, both directly and through our national affiliate, a range of Commonwealth government grant programs not available to State Government entities.

Community Advantage 6 – Environmental Sustainability The National Trust provides practical examples to communities, corporates and individuals of environmental care and sustainability through the conservation of existing places and their adaptive re-use for contemporary purposes be that educational or commercial. The leadership role of the National Trust extends to sourcing of funding, sound conservation practice and practical lessons on sustainability using the concepts of embodied energy and appropriate maintenance practice.

Taken collectively the community linkages of the National Trust add a considerable advantage to the management of heritage places through the auspices and stewardship of the National Trust. The resulting low overheads mean that more of every maintenance and conservation investment dollar is directed towards heritage outcomes.

## **6.7 Anticipated Outcomes**

A sustainable maintenance regime will combine the advantages of capital investment and programmed maintenance. Periodic grants and capital investments will permit major improvements to the level of conservation while a sustainable maintenance regime will permit the level of conservation achieved to be incrementally improved. Over time this would see the National Trust portfolio of heritage places achieving a desired level of conservation. This would permit a transfer of focus of capital expenditure from emergency conservation programs to education and interpretation. Over time maintenance expenditures across the portfolio would decrease because of timely intervention. Importantly, timely maintenance intervention, would slow the loss of original and irreplaceable fabric.



## 7. Compliance with Current Policy Direction

### 7.1 Strategic Asset Management Directives

The State Government's Strategic Asset Management Framework (SAMF) provides the current whole of government guidelines to improve asset investment planning and management across the State public sector. The Framework facilitates the provision of quality advice to Government to support its decision-making.

The National Trust is therefore in a position to utilise the Strategic Asset Management process to confirm practices to:

- Improve stewardship and accountability for assets both historic and natural;
- Use public/private /corporate partnership advantages to retain assets in public ownership;
- Improve communications and relationships with stakeholders, enterprise partners and the community regarding the ongoing sustainability of assets;
- Improve risk management to RiskCover standards;
- Ensure more effective community utility of and access to assets through interpretation and education and learning programs;
- Improve sustainability of assets through a "best use" vision and implementation of management plans incorporating business, interpretation and conservation initiatives; and
- Propose a sustainable maintenance funding formula as an integral and achievable component of its approach to the management of heritage places.

### 7.2 Government Goals and Agency Outcomes

A documented Heritage Maintenance Plan is consistent with the Government Goal:

*Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.*

At the Agency level, the outcome will be to prevent the endangerment of heritage buildings in Western Australia. The action objective will be conservation of Western Australia's cultural and natural heritage by protecting Western Australia's built and landscape heritage from deterioration to an extent the heritage fabric can be preserved for the future.

*Key Effectiveness Indicator.....* Percentage of conservation work completed

The anticipated impact is an increase in the percentage of conservation work completed. Effectively this will reduce the deterioration of heritage fabric in Western Australia's built heritage and it will also assist in meeting OS&H and disability/movement impaired mobility access compliance requirements. The

long term benefits to the general community are the conservation of Western Australia's built heritage for present and future generations.

*Key Efficiency Indicator*.....Average operating cost per place managed

The anticipated impact is a reduction in the operating cost per place managed. The increase in funding will increase the level of repairs to heritage buildings, assist with OS&H compliance requirements and effectively reduce the need for major capital investment in the future. As more property maintenance funds become available and maintenance work on heritage properties increases, along with capital investment, in the longer term the average operating cost per place to be managed is expected to decrease.

### **7.3 Performance Management Framework**

An enhanced Government investment in maintenance of heritage places is consistent with the Performance Management Framework for the reporting of agency performance. As indicated below, the current level of investment delivers outcomes in the areas of employment, skills training and buy local policies. It should be noted that maintenance investment does not include travel costs. The state-wide distribution of National Trust managed heritage places imposes considerable expenses just to visit these places. It is the intent of the National Trust to manage travel expenditure from within existing resources and to allocate any increased investment in maintenance to direct maintenance and associated project management costs.

#### Building the State – Major Projects

In the regions, the National Trust of Australia (WA) is making significant investments. As an example, the Heritage Timber Mill located in the Shire of Serpentine Jarrahdale has created local employment opportunities and jobs to underpin the sustainable economic development of the community. The provision of headworks at Jarrahdale will facilitate a 50% increase in production and the continued employment of 6.5 people and the employment of an additional 4 mill workers. The Master Plan developed for Wanslea in Cottesloe will involve an investment of \$5.7 million for sustainable community outcomes.

#### Financial and Economic Responsibility

As a Trust for government and for the community, the National Trust is recognized for its responsible management of its finances, its very strong commitment to governance and its ability to efficiently and effectively deliver quality and timely services within appropriate financial and economic frameworks. This was evident in the 2009/10 financial year through its many projects, including the recognition received by the American Society for Civil Engineering for the Golden Pipeline Project.

#### Outcomes Based Service Delivery

The National Trust maintains a key focus in providing benefits to all Western Australians through its conservation, education, interpretation and heritage services

offered to the community. The service delivery is outcomes based as evidenced by its successful community conservation appeals program with direct and immediate benefits and projects such as the conservation and interpretation of the Curtin Family Home, York and Beverley houses, all completed on time and to the highest conservation standards.

#### Strong Focus on the Regions

The National Trust has strengthened its presence and focus on regional Western Australia, providing the important delivery of heritage services to many areas of the State, including the South-West, the Mid-West, the Eastern Goldfields and the Pilbara regions. Significant partnerships have been developed with local governments and the communities to deliver quality outcomes. Projects include: York, Beverley, Avondale, Old Farm Strawberry Hill, Golden Pipeline/Mt Charlotte, Bill Sewell Complex, Central Greenough and the Burrup.

The range of National Trust heritage places across regional Western Australia provides a strong framework for cultural heritage tourism, regional arts festivals and education and learning programs integrated with the National Curriculum and the historic themes framework developed by the Australian Heritage Council.

#### **RESEARCH STUDY EXTRACT – RURAL DEVELOPMENT**

*The committee also learned that issues facing Georgia such as rural economic development and a state-wide growth strategy that uses natural, recreational and historic resources wisely, can be addressed through historic preservation.*

*Source: Report of the Joint Study Committee Economic Development through Historic Preservation (2010)*

#### Social and Environmental Responsibility

The National Trust takes its social and environmental responsibilities seriously as evidenced by its many education and public programmes, and its key environmental projects such as the Conservation Covenant Program, protecting over 15,000 ha of bushland, the Luisini Winery revegetation program within the Yellagonga Regional Park and the Treemission Program in partnership with Rotary. In 2009/10, the National Trust decided to initiate a major commitment to research and evaluation into the identification and measurement of the social, environmental and economic outcomes of its key programs. This 'ground-breaking' project is continuing and is currently anticipated to commence with the formation of a national research centre on cultural heritage in December 2011.

## 8. Development of a Systematic Approach

### 8.1 National Trust Strategic Plan 2011 – 2016

The National Trust Strategic Plan 2011 – 2016, in final preparation, has identified four strategic objectives relevant to planned maintenance:<sup>xix</sup>

- Leadership  
To influence the knowledge, awareness, understanding and commitment of decision makers in all aspects of heritage
- Governance  
To demonstrate best practice processes in our culture, systems and skills enabling more efficient and effective operations as a Trust for government, the community and stakeholders
- Sustainability  
To deliver standards, processes and products that are economically, socially and environmentally sustainable
- Partnerships  
To initiate and sustain the widest possible participation, support and engagement with heritage

### Objectives

The National Trust plans to achieve its Strategic Objectives from 2011 – 2016 by:

- Securing core funding commensurate with the documented status of a statutory authority (body) acting as a Trust for government and the community for the state-wide delivery of heritage services;
- Identifying, prioritising and expanding the income streams from internal operations;
- Evolving financial and administrative management systems and processes through research, data capture and replacement of manual with electronic processes;
- Implementing a comprehensive knowledge management system to support compliance, governance, work process effectiveness and customer service;
- Researching, analysing, articulating and implementing a strategic policy for the refinement of the property portfolio with emphasis on heritage values and sustainability;
- Demonstrating effective heritage management and community benefit at both regional and local levels;
- Maximising the interpretation potential of National Trust programs, projects and places and the relevance of the National Trust by presenting our places and those with which we have shared associations, not as ends in themselves, but as vehicles to promote and link the big ideas and themes that have a community resonance;
- Developing, actioning, continually evaluating and re-focussing comprehensive National Trust communication strategies;
- Maintaining, developing and growing the National Trust places, programs and projects to maximise government, community and corporate partnership opportunities; and
- Providing incentives to encourage professional development at all levels.

Within the National Trust Strategic Plan 2011 – 2016 the following initiatives are seen as key to successful asset management:

- Implementation of a property maintenance database;
- Defined responsibilities at governance and agency levels for asset management accountability, performance indicators and systematic reporting;
- Development of methodologies and processes for a systematic review of the asset portfolio; and
- Ongoing research programs to define and measure the economic and social values of heritage places, programs and projects.

The National Trust of Australia (WA) Strategic Plan 2011 – 2016, approved by Council in February 2011, forms part of this Business Case submission.

## **8.2 Current Use Profile**

The current use profile reflects the evolution of the National Trust property portfolio over the past half century. In keeping with the underlying educational and conservation philosophy of the National Trust of Australia (WA) Act, most places once conserved have been presented as house museums (or equivalent). There had been an underlying approach that places not yet open to the public would progress through a conservation and interpretation cycle towards the same house museum objective.

Over the last decade, two important changes have taken place in the traditional approach to current use. The first is recognition that presentation as an historic house museum is not the only and may not be the best approach to conserve the heritage values of the place. Secondly this has resulted in an appreciation that compatible use through leasehold or heritage agreements might provide a better heritage outcome.

The National Trust has also recognised that the range and distribution of the assets over which it exercises stewardship necessitates prioritisation. This can mean the undertaking of conservation and maintenance sufficient to maintain structural integrity and heritage values while the place is “held” awaiting future opportunities. This approach is often of benefit in regional or rural areas to retain heritage assets in community ownership for future integration when comprehensive regional development opportunities are being considered.

Parallel to the development of a rationale for supporting the maintenance of core assets, the National Trust has completed a comprehensive property review. By identifying core heritage assets, the National Trust is now able to focus its case for maintenance funding to those identified core assets. Maintenance funding will not be requested for places acquired as part of Heritage Bank programs or heritage places of lower significance or heritage values which may be transferred to other management arrangements.

### 8.3 Desired Use Profile

The concept of a best use profile has over the past decade therefore been an increasingly important factor in the formulation of management plans for National Trust properties. The interaction of business, interpretation and conservation factors within the management plan has seen the identification of compatible use opportunities and the development of revenue options for the purposes of cross subsidisation. Implementation of even this modest undertaking has been constrained by the absence of consistent investment to undertake the necessary planning and research to underpin the development of a sustainable portfolio approach.

The approach being followed for the development of a “desired use” profile is based on a “vision” for individual heritage places. This vision statement seeks to summarise elements constituting a best use to conserve the identified heritage values. This vision provides guidance for prioritisation of initiatives within the conservation, interpretation and business plans constituting the overall management plan. The complexities and variability within the overall property portfolio has seen this process being developed on an individual property basis. Findings are then able to be aggregated to develop a consistent approach to prioritise conservation, maintenance and business development opportunities.

### 8.4 Available Options

Given the heritage assets and the values they present are themselves central to the mission of the National Trust, no “none asset” (i.e. a Trust without heritage places) solution is considered appropriate. The best option remains that of determining a best use option for individual places and development of a management plan (conservation, interpretation and business) to sustain this best use option. The scope of best use options is extensive and could range from disposal with heritage agreements, compatible reuse through lease or other business opportunity for cross subsidisation or presentation as a publicly accessible heritage place. All of these options would include a transition from the current reliance on periodic major capital investment with minimal maintenance towards a more sustainable maintenance regimen. The implications of a “do nothing” option would be the continuation of the boom and bust cycle with ongoing loss of original fabric and degradation of those heritage values that National Trust stewardship was envisaged as sustaining.

### 8.5 Internal Budgetary Approach

Within the National Trust, internal budget processes for maintenance may be generally grouped into three categories

- Committed expenditure – Recurrent or programmed expenditure which includes tasks that occur every year as part of planned maintenance, such as maintenance contracts;
- Variable expenditure - Periodic expenditure which includes regular tasks within an overall program of planned maintenance that may not occur every year. (Management exercises some discretion and decides on priorities for these tasks)

- Managed – Reactive expenditure, which relates to unplanned maintenance works carried out by direction but primarily emergency corrective maintenance.

In reviewing these expenditure areas the following observations were made:

- Current processes for committed expenditure are robust and well developed and routine procedures for pest control, fire and security equipment and alarms and inspections and related initiatives are reducing managed expenditure in these areas;
- Programs for variable expenditure through supplemental funding have successfully addressed specific maintenance issues for example electrical infrastructure in selected heritage places from 2004 – 2007. (This has resulted in the necessity for managed expenditure in those places where implemented.);
- Maintenance funding provision for prioritised variable expenditure is frequently disrupted by the need for managed expenditure for emergency maintenance. (In a majority of instances, the emergency situation arose as the result of unattended routine maintenance.)

A rational approach to maintenance funding would seem therefore to maintain and expand as appropriate committed expenditure and to invest in strategies which convert managed maintenance expenditures into variable expenditures. This can best be achieved through a combination of additional directed funding for specific variable tasks and additional funding for timely interventions to address minor maintenance issues before they become maintenance emergencies.

## 8.6 Heritage Loading

Although the general business approach is to consider maintenance on a portfolio basis, (the Education Department's approach to school maintenance being cited as a possible model) the National Trust feels it should devote effort to developing a more focused maintenance regimen based on the needs of individual or groups of places of similar age, material, construction and use. By use of case studies, it is proposed to develop a maintenance factor per square metre for specific types or classes of structures. These factors can then be aggregated into an overall costed maintenance plan which can be measured and evaluated against the specialised maintenance needs for these places. It is felt this approach would better address the variability extremes found within the National Trust portfolio. It is proposed this approach would be further developed for eventual consideration as the basis for an ongoing maintenance funding formulation.

As an interim measure, the National Trust proposes to use a target of two percent of Valuer General valuation as a basis for calculation of a maintenance expenditure target. It should be noted this is a bottom level figure as a basis to begin development as against the figure of 5 – 6% utilised by the Historic Houses Trust in New South Wales.<sup>xx</sup>

The National Trust accepts additional rigour is needed to document projected maintenance costs. The maintenance backlog calculations attached as Appendix C are based on recent operational experience with major projects under Commonwealth funding. This represents a reasonable start to determine an order of magnitude cost. The National Trust has commissioned the first of a series of ongoing reports through an accredited firm using government approved methodology to document maintenance works. These reports as they are produced will be used to validate and update the extent of maintenance backlogs. Under the holistic approach, utilised by the National Trust, maintenance will incorporate not just costs associated with the historic (built) structures but also the cost of investing in the maintenance and stewardship of the land and natural environment and associated values and the investment in interpretation for ongoing education and community benefit.

The proposed methodology at present does not include provision for the specialist skills and materials required to conserve and maintain heritage places to the standards presented in the Burra Charter. The selection of matched materials, the use of traditional techniques and the employment of specialist tradespersons extend costs beyond those associated with a standard maintenance task on a modern building. Recent experience at the York Courthouse Complex and Central Greenough indicates that a 50 percent heritage loading would be a realistic approach.

**RESEARCH STUDY EXTRACT – RESEARCH BENEFITS**

*Where once we based our arguments largely on aesthetics or sentimentality, we now have a strong arsenal of economic and environmental facts to make our case.*

*Source: Forum Journal, "Historic Preservation: A Sustainable Design Strategy"*

## **9. Value of Timely Intervention**

### **9.1 Context**

There is a continuing risk to heritage places through deterioration of systems (electrical, plumbing, sewerage, roof structures, security), which if left unaddressed, constitutes demolition by neglect. Failure to present places in a safe condition consistent with evolving OH&S standards constitutes an identifiable and preventable risk. All of these works raise particular issues in heritage structures where the visual and structural impact of projects needs to be minimised. This requires not only the sensitivity of contractors but also provision for additional costs associated with non-standard installations. The project plans for these strategic asset maintenance projects have taken into account these issues which are reflected in the cost estimates and will be reflected in the finalised investment requests.

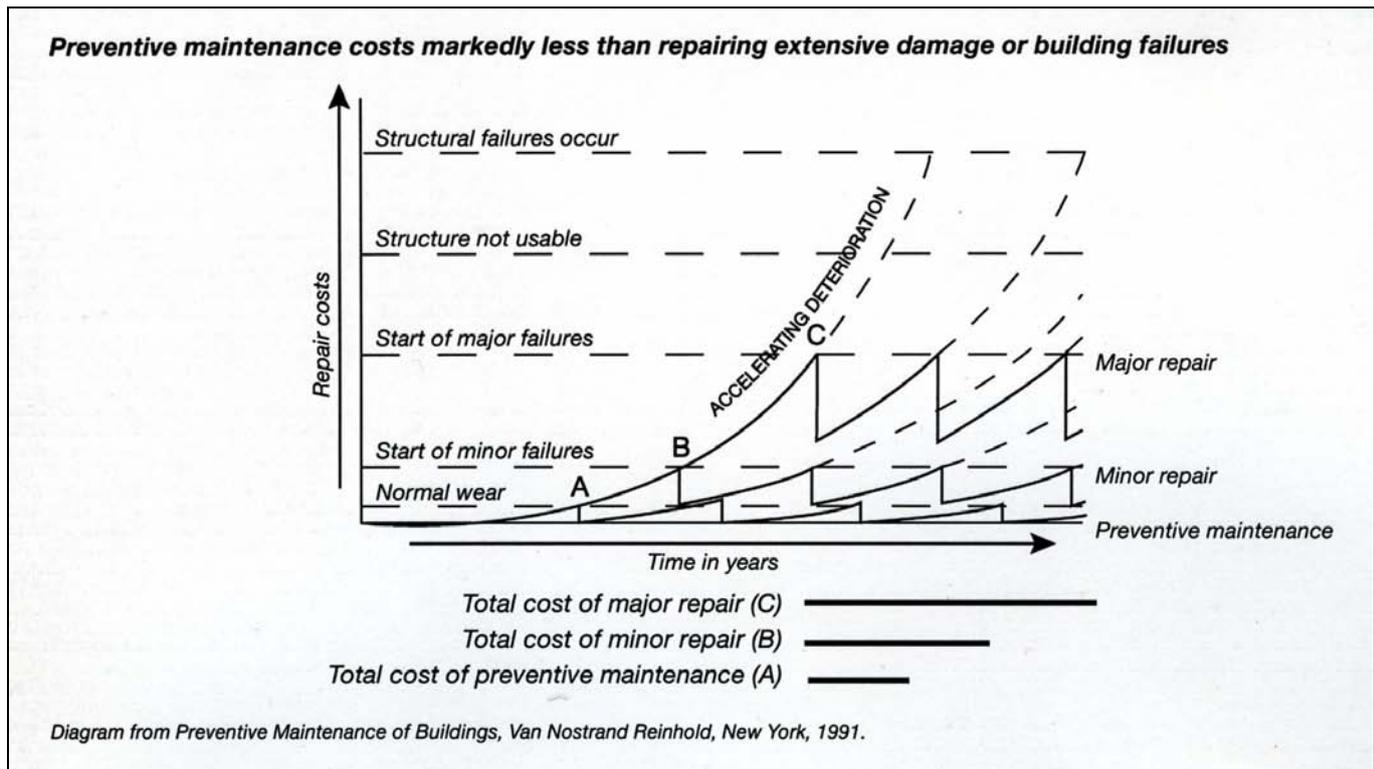
### **9.2 Cost Escalation**

Escalation of conservation costs is 100% for a five year period (at current rate of expenditure and portfolio the backlog will double in five years. This escalation figure is based on actuals for the past five years (building and construction escalation has ranged from about 11% to recently 5% - conservation work is a premium on general building and construction and not doing the conservation work also doubles the eventual scope of conservation work) – cost escalation of conservation work can therefore easily run at 15% pa and is cumulative equaling 100% in five years.

### **9.3 Timely Intervention**

Research and practical experience both in Australia and overseas have confirmed preventive maintenance costs markedly less than repairing extensive damage or building failures. This observation reinforces the concerns regarding boom and bust capital funding intervention discussed previously at section 5.3. Substantially reduced costs and retention of significant structural fabric are the primary business cases for systematic routine maintenance.

The diagram following was extracted from the New South Wales Heritage Department Information Sheet 1.1 and is one representation of many illustrating this fact.



#### 9.4 Existing Backlog

As part of ongoing processes and as background information for strategic planning, the National Trust has conducted a review of its anticipated maintenance backlog. Preliminary figures indicate a significant total investment would be required to achieve a uniform maintenance standard across the portfolio. This figure represents the real impact of portfolio evolution from 1959 to the present and remedial action based on periodic infusion of capital funding rather than a systematic approach to maintenance. The maintenance backlog identified is restricted to core heritage assets as identified in the National Trust Property Review 2011. The estimate is restricted to identified maintenance at core assets and does not include any costs associated with capital works or ongoing operational costs.

The National Trust philosophy on maintenance investment does not propose to fixate on any backlog real or perceived. The intent is to move forward and to address the most pressing current maintenance needs. As noted previously, the National Trust accepts that additional rigour is needed to document projected maintenance costs. The National Trust has commissioned the first of a series of ongoing reports through an accredited firm using government approved methodology to document maintenance works. The National Trust Strategic Plan 2011 – 2016 incorporates a series of initiatives to begin to address the maintenance conundrum which currently exists. A review of the portfolio and a prioritisation of conservation and maintenance actions will begin to address the backlog. The challenge is not to be daunted by the magnitude of the task but to initiate action for timely maintenance interventions.

## **PART IV – PRACTICAL IMPLEMENTATION**

### **10. Summary of the Situation**

#### **10.1 Portfolio Status**

The current business status of the portfolio may be summarised as follows:

- The National Trust acts as a “Trust” for government and the community;
- The National Trust exercises stewardship of a diverse portfolio of public assets;
- The National Trust intent is to manage assets in public ownership for community benefit and enjoyment;
- The heritage values associated with assets is at risk from increasing maintenance costs and needs; and
- The National Trust has initiated a comprehensive review of its heritage place portfolio, the results of which have been incorporated into this paper.

#### **10.2 Management Status**

The current status for the efficient and effective management of the portfolio may be summarised as follows:

- The National Trust has an effective business model for the management of heritage places;
- Resourcing to date has focussed on capital interventions with only limited funding for maintenance which has been reactive rather than preventative;
- Strategic and operational planning is being finalised to prioritise an investment in maintenance;
- The National Trust has the skills and expertise to manage a progressive maintenance program; and
- Additional funding has been requested to initiate this process beginning in financial year 2011/12.

#### **10.3 Rationale for Maintenance Investment**

An investment in maintenance at National Trust heritage places makes business sense because:

- Maintenance and the retention of original fabric represents heritage “best practice”
- Investment in maintenance has a high flow on effect in the local and state economy
- Timely maintenance investment reduces the risk of more costly structural and major repairs
- Timely maintenance protects the public asset in accordance with asset management policy, state government goals and agency outcomes

## **11. Context for Calculations**

### **11.1 Asset Valuation and Benchmark Maintenance Costs**

As at 30 June 2011, the National Trust is responsible for the operation and maintenance of 57 publicly owned heritage property groupings with an asset value approaching \$60 million. Most of these properties are open for public access and where possible the Trust leases properties to members of the public in order to raise revenue, which is utilised for maintenance and to provide education and learning opportunities.

The categories selected for inclusion in asset valuation are freehold land, buildings and exhibitions. The inclusion of freehold land requires an explanation. Freehold land represents only a small portion of the land under National Trust stewardship. In many cases, it is not vacant land but includes items directly related to the heritage values of the place other than buildings whose maintenance is an essential component of the management plan for the site. Examples include: the headstones at East Perth Cemeteries; plantings, paths and wells at Wonnerup; and dams, sluices, fencing and the waterwheel at Ellensbrook. Maintenance of fencing, firebreaks and weed control also constitutes a maintenance cost for land.

Exhibitions identified as a separately valued property component within National Trust accounts are also included as they are an integral element of the interpretation component of property management. A similar logic extends to the inclusion of artefacts which require continuing maintenance and care and are an integral part of the overall heritage conservation and interpretation of the place. Not included are vehicles, furniture, fixtures and fittings, plant and office equipment.

Using commercial property benchmarks<sup>xxi</sup>, a reasonable annual maintenance investment plan for a portfolio of this magnitude would be in the range of \$1.135 million (2%) and \$3.4 million (6%). With a 50% heritage loading for specialised maintenance skills as noted previously, an annual target figure of between \$1.7 million and \$5.1 million could be an indicative benchmark. Future discussion however relates to the lower of the indicative target.

### **11.2 Practical Implementation**

An immediate transition to annual maintenance funding of \$1.7 million would be impractical even if such funding were available within State revenues. In submitting a road map for implementation the National Trust envisages a gradually increasing Government investment in maintenance commencing in the 2011/12 financial year.

Treasury was presented with the following request in September 2010 as part of the normal budgetary processes:

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Impact on State Finances</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Adjustment to approved expense limit	-	772	825	878	931
Payment for Fixed Assets	-	-	-	-	-
Additional FTEs	-	1	1	1	1
<b>Source of Funding:</b>					
Additional Appropriation	-	772	825	878	931

### 11.3 Rationale for a Phased Investment

The following factors have led to the recommendation for a phased increase in maintenance funding:

- The lead times required to plan, cost, obtain approvals and permits, contract and implement maintenance works
- The need to restrict staff growth and assign responsibilities to the maximum extent practicable within existing staff levels
- The need to coordinate an increased maintenance investment with the strategic and operational goals of the National Trust Strategic Plan 2011 – 2016
- The practical limitations in the context of an expanding economy of obtaining qualified and experienced contractors particularly in rural and remote locations

Recent experience (Curtin Family Home, Beverley Police Quarters and Woodbridge Jetty) with Commonwealth incentive funding schemes in Perth, outer metro and regional areas indicate that the scale of maintenance activity envisaged is achievable within the noted constraints.

### 11.4 Maintenance of Core Properties

**The National Trust of Australia (WA) is only seeking maintenance of its iconic / core public properties.**

## PART V – RECOMMENDATIONS

### 12. Recommended Investment Levels

#### 12.1 Overview Business Case

The business case from this analysis is that an investment in maintenance at National Trust heritage places makes sense because:

- Maintenance and the retention of original fabric represents heritage “best practice”;
- Investment in maintenance has a high flow on effect in the local and state economy;
- Maintenance investment reduces the risk of more costly structural and major repairs to publicly owned state heritage places;
- Timely maintenance protects the public asset in line with government asset management policy, goals and agency outcomes; and
- An investment in maintenance delivers both short term and permanent social, economic and environmental outcomes to communities.
- The request for maintenance funding is for the identified iconic/core public properties.

#### 12.2 Recommended Investment

The following increased appropriations are recommended as a practical means of implementing a positive and sustainable heritage maintenance formulation. It will also demonstrate to Western Australians, the Government’s commitment and leadership in maintaining the community amenity values of state heritage places.

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Impact on State Finances</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Adjustment to approved expense limit	-	772	825	878	931
Payment for Fixed Assets	-	-	-	-	-
Additional FTEs	-	1	1	1	1
<b>Source of Funding:</b>					
Additional Appropriation	-	772	825	878	931

**ATTACHMENTS**

Appendix A – National Trust of Australia (WA) Treasury Submission

Appendix B – National Trust of Australia (WA) Portfolio Priorities

Appendix C – National Trust of Australia (WA) Maintenance Backlog

Appendix D – Photographic Essay – Maintenance Needs

Appendix E – Select Bibliography and Endnotes

**APPENDIX A**

**2011/2012 BUDGET SUBMISSION**  
**MINISTER FOR HERITAGE**

**TITLE:**

National Trust of Australia (WA) - Funding for Maintenance of Heritage Places

**URGENCY:**

Prevent the continuing deterioration and loss of built heritage in Western Australia

**DESIRED OUTCOME:**

Government Goal.....Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.

Agency Level Government Desired Outcome.....Conservation of Western Australia's cultural and natural heritage by protecting Western Australia's built heritage from deterioration to an extent that the heritage fabric can no longer be preserved for the future. Prevent the endangerment of heritage buildings in Western Australia.

**PERFORMANCE INFORMATION:**

*Key Effectiveness Indicator*..... Percentage of conservation work completed

The anticipated impact is an increase in the percentage of conservation work completed. Effectively this will reduce the deterioration of heritage fabric in Western Australia's built heritage and it will also assist in meeting OS&H compliance requirements. The long term benefits to the general community are the conservation of Western Australia's built heritage for present and future generations.

*Key Efficiency Indicator*.....Average operating cost per place managed

The anticipated impact is a reduction in the operating cost per place managed. The increase in funding will increase the level of repairs to heritage buildings, assist with OS&H compliance requirements and effectively reduce the need for major capital investment in the future. As more property maintenance funds become available and maintenance work on heritage properties increases, along with capital investment, in the longer term the average operating cost per place to be managed is expected to decrease.

**RECOMMENDATION:**

**That the EERC:**

Approve recurrent appropriation funding for property maintenance as follows:

2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
772	825	878	931

**FINANCIAL IMPLICATIONS:**

The impact of the above on the Government's financial position is as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Impact on State Finances</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Adjustment to approved expense limit	-	772	825	878	931
Payment for Fixed Assets	-	-	-	-	-
Additional FTEs	-	1	1	1	1
<b>Source of Funding:</b>					
Additional Appropriation	-	772	825	878	931

**BACKGROUND:**

The National Trust is responsible for the operation and maintenance of 57 government owned heritage properties with an asset value of \$60 m. Most of these properties are open for public access and where possible the Trust leases properties to members of the public in order to raise revenue, which is utilised for maintenance and to provide education and learning opportunities.

While the National Trust continues to search for ways to increase revenue from heritage properties, the reality is that out of the current **57** properties, only one property is operating sustainably. Unfortunately this is common for the management of heritage buildings within Australia as the social and environmental benefits are deemed equally as important as economic sustainability. On the whole, heritage property income does not meet property holding costs which include insurance, security, repairs, termite treatment, local government and Water Authority service fees, electricity, gas, cleaning and other general holding costs such as gardening and water usage.

The Trust has investigated the idea of closing some properties currently open to the public but has found the reduction in holding costs would be minimal. Furthermore the properties would deteriorate at an increasing rate and there would be no net advantage in simply giving these properties back to a Government agency. In fact, there would be potentially additional costs. Combined with the political risk of disposing of state heritage assets, the National Trust is in fact the ideal organisation to manage heritage places.

**Anticipated whole of economy returns from an increased investment in maintenance of heritage places**

Ongoing research in the United Kingdom and the United States continues to demonstrate the value-adding potential of ongoing maintenance programs for heritage places. This return on investment extends beyond the direct benefit and good stewardship practice of maintaining the value of publicly owned and managed assets. Economic benefit extends across a range of outcomes relevant to government priorities and regional initiatives.

Some of the flow on economic benefits are:

- Heritage conservation and maintenance creates more jobs than the same investment in new construction (e.g. from evidence – 70% labour costs in maintenance / 30% materials vs 30% labour / 70% materials in new construction)
- Heritage conservation and maintenance can be counter-cyclical and stabilise a local economy (e.g. a timely investment in a bust cycle or local restructuring)
- Historic resources are amongst the strongest community assets for attracting visitors (e.g. visitor expectations are increasing for a firsthand experience using all senses as provided through an accessible heritage place)
- Individual heritage places and cultural heritage tourism have substantial economic benefit (e.g. - from evidence heritage visitors spend more per day, come with families, spend more nights away and are more likely to be repeat visitors than sport event or business visitors)

*(Bibliography / citations available on request)*

One model for government investment in the management of heritage places in Australia is the Historic Houses Trust of New South Wales. The Historic Houses Trust is a statutory authority within Communities NSW. It is one of the largest state museums in Australia and is entrusted with the care of key historic buildings and sites in New South Wales, primarily in metropolitan areas. Through this investment by the State Government, the Historic Houses Trust has been able to demonstrate an economic dividend, as well as social and environmental benefits. In 2012, the State Government of New South Wales is to review the management of its state heritage places. The Historic Houses Trust primarily manages metropolitan heritage icons while the National Trust of New South Wales manages a more diverse range of heritage places across the State.

The development of New South Wales and Western Australia towards responsible government and economic prosperity followed quite distinct and dissimilar paths. Western Australia does not possess many of the grand iconic heritage buildings associated with the Historic Houses Trust. In the context of significance however, the portfolio of the National Trust in Western Australia presents key elements, the challenges and the diversity in the development of the State, its economy and its people.

Consequently in order for the National Trust to continue maintaining and operating its 57 heritage properties for the broader benefit of the Western Australian community, which includes the running of heritage education and learning programs for schools, the Trust is seeking recurrent funding to meet the maintenance costs of core heritage properties for the community of Western Australia.

#### **CONSULTATION:**

For a number of years the National Trust has held discussions with the Department of Treasury and Finance on this specific issue of property maintenance funding. Treasury has been informed that the National Trust does not receive any recurrent or capital funding to cover maintenance costs on WA government owned core heritage properties in the care and control of the National Trust. In general, Treasury officials have indicated their support for the National Trust to receive this investment.

It has been pointed out in past National Trust budget submissions and Strategic Asset Management Plans that the National Trust is in desperate need of recurrent funding for property maintenance. The outcome of the discussions with Treasury has been a positive one in that Treasury understands the National Trust predicament to maintain heritage properties without regular government funding. It was understood that this issue would be re-visited on a yearly basis and that recurrent appropriation funding would be made available in the future.



12 September 2011

**Appendix B**

**National Trust of Australia (WA) Heritage Property Overview**



12 September 2011

**Appendix C**

**National Trust of Australia (WA) Indicative Maintenance Backlog**



APPENDIX D

**OVERVIEW OF MAINTENANCE CHALLENGES - A PHOTO ESSAY**

Lack of effective water management has a progressive and accelerating impact on structures. The adverse effects of rising and falling damp are often evident when the National Trust assumes stewardship of a heritage place. Remedial action to provide sound roof structures, guttering, damp courses and drainage is costly. Works to remove ineffective and inappropriate prior treatments such as concrete render are both time consuming and costly. Even when maintenance works are completed, it may take several years for a structure to dry out and stabilise.

Rising Damp - Salt affected stonework,  
Bill Sewell Centre, Geraldton



Rusted box gutter, Bill Sewell  
Centre, Geraldton



Fretting Bricks due  
to use of concrete  
mortar, York  
Courthouse  
Complex



Collapsed wall, Central Greenough due to  
water penetration of cap course. Funding to  
facilitate a minor repair would have prevented  
this loss.



Reliance on “capital works” funding creates an impression that the task has been “finished” whilst in reality ongoing maintenance funding is required to keep the conservation works in good repair.



Replacement gutters rusted through due to lack of maintenance funding



Repainting of window frame required



Maintenance problems are often inter-related. A deteriorating roof structure and poor drainage has created this damp problem affecting an entire wall structure in Central Greenough

The geography and climate of Western Australia also has an impact. Even when remedial action to slow deterioration has been completed, extreme conditions and natural phenomena have an impact and increase maintenance needs.



Temperature extremes can cause woodwork to dry, shrink and lose integrity. Staircase – Masonic Lodge, Cue

Structural cracking in part due to seismic activity and changes in soil moisture levels, Old Farm Strawberry Hill.



Unmaintained trellis, Old Farm Strawberry Hill

Maintenance work is often to overcome deficiencies in design, materials or workmanship in heritage structures which become evident as the places ages.



Cracks in tower at Woodbridge due to expansion of rusting lintels



Structural cracks at Peninsula Farm due to inadequate foundations and periodic wet/dry cycles



Soft brick can deteriorate quickly if associated maintenance is neglected.

Due to the distances involved across Western Australia, site visits are costly and need to be carefully planned for maximum effective. Seemingly sound structures can suffer catastrophic and sudden failure requiring costly intervention.



Collapsed well lid, Central Greenough

Termite damage concealed by multiple layers of paint, Central Greenough



Sideways expansion of rusting lintel, Old Observatory, West Perth

Maintenance work most often requires a thorough understanding not only of heritage values but also of traditional materials and techniques. Investment in maintenance also means an investment in training, development of expertise and flow on impact in the local economy through wages and purchase of materials.

Sometimes work must await the availability of specialists or appropriate conditions to access rural or remote sites. The ongoing conservation of headstones, landscaping and ground maintenance at East Perth Cemeteries provides a useful case study for ongoing specialised maintenance activities at a heritage site of national significance.



Maintenance investment is also directed towards interpretation, maintenance of visitor amenities and occupational health and safety.



Ceiling delamination caused by roof leaks, Peninsula Farm, Maylands

Delaminating slate sill at back door of Samson House is indicative of specialised materials and specialised skills required for many maintenance tasks



Steep staircase closed to visitor access for occupational health and safety reasons precludes access to a unique cellar area, Peninsula Farm, Maylands

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## Appendix E

### SELECT BIBLIOGRAPHY AND ENDNOTES

The National Trust of Australia (WA) maintains an extensive exchange program with like-minded organisations worldwide. Through a combination of face to face exchanges, technical and professional interchange and active monitoring or research and publications, the National Trust monitors and evaluates heritage “best practice” and heritage investment outcomes. The aim is to identify initiatives appropriate for heritage investment strategies in Western Australia.

Much of the research and literature on the economic, social and environmental outcomes from investment in heritage currently comes from the United States and the United Kingdom. While the methodologies and research results are broadly compatible and applicable with the circumstances found in Western Australia, the National Trust has recognised the need for locally based research. Partnering programs have been developed with the University of Western Australia and Curtin University. The initial investment in research funding has proven the value of further collaborative ventures.

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