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## 8 Management of public historic heritage places

**The leadership role of governments — as representatives of community interests — and the role that public heritage assets play in everyday community activities, mean that community expectations are often an important consideration in public heritage management decisions. However, government departments and agencies, as owners of historic heritage places, also face many of the same costs and incentives as private owners of historic heritage places.**

**The ability of the community to assess the success of the public sector in meeting its heritage management commitments depends on the availability of transparent information. Governments, at all levels, should improve information on their expenditures and achievements in historic heritage conservation. Where heritage responsibilities have been assigned to agencies, these responsibilities need to be explicitly identified and accounted for. More rigorous information on the public heritage conservation task, particularly in relation to the costs of conservation, will better enable public sector asset managers to prioritise and allocate scarce conservation resources.**

Governments own and manage a variety of historic heritage places. These range from highly-significant, or iconic, places with a strong connection to national history, such as Old Parliament House, to locally-significant places which are used everyday in the provision of community services (such as town halls and post offices). Many historic parks, gardens, trees, roads, bridges and archaeological sites are also under government stewardship. Sustainable management of government-owned heritage assets can, therefore, ensure that some of the most valuable examples of Australian historic heritage are preserved for, and enjoyed by, current and future generations.

While the conservation of publicly-owned historic heritage places, particularly higher profile buildings and those with a functional use, is generally adequately resourced, there are instances of community historic heritage assets not being well-maintained by governments. A number of submissions to this inquiry have

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expressed concern about the condition of some publicly-owned historic heritage places. For example, the ACT Heritage Council observed that:

Maintenance problems are not limited to private properties, but is also seen in government owned properties, especially where the property no longer has a fully active use by government. Cotter Pumping Station was out of use and suffered from lack of maintenance until the current drought has led to its proposed recommissioning and repair. (sub. 147, p. 13)

The Australian Council of National Trusts observed that most of the sites on its Endangered Places List were in public ownership. Of the 154 places listed, 70 were owned by governments at the time of nomination. Another 31 places, comprising heritage precincts and streetscapes, included a mixture of government and privately owned buildings. The remaining 53 places on the list were privately owned (pers. comm., ACNT 4 April 2006).

Governments themselves have acknowledged that not all heritage assets under their stewardship (particularly those assets which are ill-suited or surplus to current requirements) have been well maintained and that information on public conservation activities is not always readily available:

The Victorian Government acknowledges that governments at Commonwealth, State and local level have a mixed record on the care and maintenance of heritage places in their ownership or management and that there is little available data on the associated costs. (sub. DR413, p. 9)

Greater provision of information about public historic heritage conservation tasks, and the resources required to meet them, will increase government accountability for public heritage conservation and provide greater guidance for public sector asset managers in the allocation of scarce conservation resources.

## **8.1 Government-owned properties of heritage significance**

As chapter 3 indicated (table 3.1), the proportion of publicly-owned historic heritage places on statutory lists varies by jurisdiction. Historic heritage places listed by the Australian Government are predominately in public ownership. Across the States and Territories, the pattern of public ownership varies. In New South Wales and Western Australia, more than half the places on the State list are in public ownership. The figure is slightly lower in the Northern Territory. In Victoria, South Australia and Queensland, around one-third of places entered onto the State list are in public ownership. In Tasmania, only 8 per cent of the State Heritage List is publicly-owned — however, the State List also includes places of local significance.

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There is a diverse pattern of public ownership at the local government level. The Commission's Survey of Local Governments revealed that while, in some local government areas, all of the listed places were owned by the council, other local government lists contained no council-owned places. Typically, however, the majority of places listed by local governments are privately-owned. On average, across all responding councils, 10 per cent of listed places were owned by local governments (appendix B).

Publicly-owned heritage assets reflect the traditional roles of the public sector. For example, Australian Government-owned historic heritage places are a reflection of the broad range of its national policy responsibilities (box 8.1):

The Commonwealth Heritage List comprises natural, Indigenous and historic heritage places on Commonwealth lands and marine areas or areas outside Australia but owned or leased by the Australian Government, and identified by the Minister for the Environment and Heritage as having Commonwealth Heritage values.

The list was established in 2004 following amendments to the EPBC Act. There are currently over 300 places on the list. These include places connected to defence, communications, customs and other government activities that also reflect Australia's development as a nation. Australian Government-owned places include telegraph stations, defence sites, migration centres, customs houses, lighthouses, national institutions such as parliament and High Court buildings, memorials, islands and marine areas. (Department of the Environment and Heritage, sub. 154, pp. 34–5)

Similarly, local government-owned historic heritage places reflect councils' traditional role as civic service providers. The Hobart City Council highlighted the diverse heritage management responsibilities of local governments:

Local councils have an important role as owners and managers of heritage property. These assets range from ornate town halls to grandstands ... from transport depots to aqueducts. Councils have the opportunity to lead by example in their approach to property management.

The Hobart City Council is directly responsible for many significant heritage properties, including the Town Hall (1864-67), the Lady Franklin Museum (1842), the City Hall (1915), three nineteenth century defence batteries, various parks and recreational areas, monuments and a number of other places. The new Hobart Council Centre is itself located within an Art Deco landmark, the former Hydro-Electric Commission building (1937-38). (sub. 70, p. 11)

Public historic heritage places may be sold to the private sector and adaptively reused or demolished for an alternative use. According to Susan Balderstone, a former government heritage architect, the extent of historic buildings which are, or have been, in public ownership is greater than that suggested by official heritage lists:

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**Box 8.1 Australian Government agencies with historic heritage responsibilities**

Department of Defence  
Department of Transport & Regional Services  
Sydney Harbour Federation Trust\*  
Australian Maritime Services Authority  
Australia Post  
Department of Finance and Administration  
National Capital Authority  
Defence Housing Authority  
Australian National University  
CSIRO  
Department of the Prime Minister & Cabinet  
Office of the Governor-General  
Great Barrier Reef Marine Park Authority  
Australian Customs Service  
Australian Antarctic Division  
Department of Education, Science & Training  
Parks Australia  
Attorney-General's Department  
The Treasury  
Department of Veterans' Affairs  
High Court of Australia  
National Gallery of Australia  
Australian Broadcasting Corporation  
Department of Communications, Information Technology & the Arts  
Department of Immigration, Multicultural & Indigenous Affairs  
National Library of Australia  
Bureau of Meteorology

*\* The Sydney Harbour Federation Trust is the only agency on this list for which conservation of historic heritage places is a primary function.*

Source: Department of the Environment and Heritage (sub. 154, p. 54).

In terms of figures of historic government buildings throughout Australia, it's hard to come up with a final sort of definitive figure, but in Victoria up until the 1970s, more than 4000 schools had been constructed, up to 500 courthouses, 12 prisons, about the same number of mental health institutions and approximately 900 police stations, the early ones including lock-up stables and powder magazines. Of these, maybe 20 per cent have been demolished and 60 per cent are in other uses. Not all of those are included on heritage registers. The number of government buildings on the heritage register in Victoria represents about 5 per cent of the total number built. I can't give you a figure for how many would be included on local government registers in

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Victoria, but there are around a hundred thousand places on local government registers in Victoria in total. (trans., p. 443)

Governments may also list places which are owned by other levels of government:

Of the 1,995 sites listed on the Victorian Heritage Register (VHR), 631 are recorded as being in 'public' ownership, with the remaining 1,364 places listed under 'private' ownership. ... Of the 631 publicly owned places, the VHR lists 178 sites as owned by local government, 444 by the State and nine by the Commonwealth. (Victorian Government, sub. 184, p. 23)

Some council-owned places may be highly significant and warrant inclusion on the National or State list. Councils may also list locally significant places which are owned by the Australian or State Government.<sup>1</sup> This has implications for resource transfers between governments and how responsibility for the conservation of the public places is shared.

## **8.2 Benefits and costs of publicly-owned historic heritage places**

### **Benefits of public ownership**

Governments may retain ownership of historic buildings to ensure that important heritage values are conserved for the benefit of the community (chapter 6). Good examples of public conservation can also provide guidance to private owners of historic heritage places. As with private owners, governments may also derive direct ownership benefits.

#### *Community benefits of public ownership*

Places which have been traditionally used in the provision of civic services may have particularly strong historic heritage values. In most towns and cities, public buildings played a central role in the community's development and, therefore, in establishing its historic identity (Susan Balderstone, sub. 99, p. 2). Locally significant public places, such as town halls, post offices, railway stations, parks and cemeteries are often among the oldest sites in a town or city and, in many cases, have retained their traditional function. As such, these places have often been a

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<sup>1</sup> For example, the Sydney Opera House, which is managed by the NSW State Government, is listed by the City of Sydney and the NSW and Australian Governments, and has been nominated for the World Heritage List. According to the NSW Heritage Office (sub. 157, p. 49), 399 State-government owned heritage places are entered on to Local or Regional Environmental Plans.

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focal point of historic events and may continue to embody important cultural values which uniquely define that community. These buildings may also contribute to improved quality of life through the continued provision of community services, as an educational resource and in the ongoing celebration of community heritage.

### *Governments can lead by example*

Governments can also provide leadership as exemplars of conservation practice. Well-implemented and sympathetic conservation programs provide guidance to other owners of heritage places. The benefits of public conservation in guiding private conservation efforts are well-recognised internationally. For example, English Heritage noted the potential leadership role of local authorities, although, in the Commission's view, the principles apply equally to other levels of government:

It is essential to local authorities' credibility as stewards of the wider historic environment that they set a good example in the management of their own heritage assets. This means demonstrably achieving the standards they expect of others.

The benefits of good governance in managing local authority heritage assets and the repercussions of failure adequately to utilise or maintain them, especially historic buildings of long-standing civic importance (such as town halls, assembly rooms and swimming baths) should not be underestimated.

Local authorities have a responsibility 'to maintain and strengthen their commitment to stewardship of the historic environment and to reflect it in their policies and their allocation of resources' and 'to deal with their own buildings in ways which will provide examples of good practice to other owners'. The latter is a responsibility shared by the public sector as a whole, including central government and publicly funded organisations such as English Heritage itself.

... Credibility in action to secure the future of heritage assets in private ownership depends on responsible stewardship of council-owned assets. The best way to encourage others is by demonstrating that good management of local authority heritage property is cost-effective and delivers quality. Also, the success and imaginative re-use of a heritage asset, resulting in its retention and continued utilisation will usually generate good publicity, and thus increased credibility, for the authority concerned. (2003, p. 13)

Similarly, community groups have called on governments to undertake a leadership role (ACNT, sub. 40, p. 32) and this role has been acknowledged by some Australian governments (e.g., NSW Government (sub. 157, p. 88); Hobart City Council (sub. 70, p. 11)).

In addition to the demonstration effect of high-quality conservation of government buildings, there may be tangible benefits to the private sector through government sponsored employment and training of skilled heritage tradespeople. For example,

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the NSW Government commented on training associated with its stonework conservation program:

Through apprenticeship training, the Government's Centenary Stonework Program initiative and intervention in the industry has directly produced approximately 50 heritage experienced stonemasons for the wider stone industry. It has also trained at least ten conservation architects in detailed stone conservation assessment, documentation and supervision, half of whom now work in the private sector. (sub. 157, p. 55)

However, in order to count this training as a net community benefit (as opposed to a transfer between public and private employers) it would first have to be established that this training would not have been undertaken by the private sector. The costs of this training would also need to be compared to the community benefits.

### *Governments can also benefit from ownership*

In addition to the more intangible community benefits, agencies may derive ownership benefits. The Department of Defence, which manages an extensive property portfolio — including a significant proportion on the Commonwealth Heritage List — commented on benefits in the management of its heritage portfolio:

Defence has determined that the direct economic benefits of historic heritage conservation are limited. However, some indirect benefits have been explored. These arise from potential savings through the adaptive re-use of heritage buildings (on the basis that the building is in good working order and is configured in a largely compatible manner to the identified re-use), in comparison to the costs of demolition and new building construction. This provides a means of protecting the heritage resource controlled by Defence in a manner more economically sustainable in the long term. In addition, if the building has been well maintained there is also the potential for greater financial return on that asset at the time of disposal. (sub. 52, p. 10)

The NSW Government also identified potential ownership benefits in guidelines for asset management issued to its agencies (GMAC 2001a, p. 15).

### **Government ownership costs**

As with private ownership, public owners of an historic heritage place incur additional costs (compared with ownership of a non-heritage place). These costs are incurred in physically maintaining the heritage values of the asset, in complying with heritage legislation/regulations, in promoting the conservation roles of governments and in retaining the place in its current use, instead of best alternative use. The costs may depend on the heritage significance of the item as governments

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allocate resources to ensure that the most significant cultural values are protected. According to the NSW Government:

It is important that agencies recognise heritage property as an ‘asset’ not merely the source of maintenance liabilities. However, heritage property may require detailed attention, frequent maintenance, specialist advice, specialist tradespeople, and therefore budgeting based on special heritage requirements. Assets of high cultural significance may require a very high standard of maintenance at all times. Others may be maintained to general commercial standards, whilst others that are not presently in use should be maintained to prevent deterioration, discourage vandals and ensure public safety. (GAMC 2001a, p. 18)

When determining the true cost of heritage conservation, the costs of retaining an asset in public ownership need to be further separated into those costs associated with preserving its heritage values and those associated with the ‘normal’ upkeep and ownership of a place as a government asset used in the provision of public services. Specifically, heritage costs relate to additional maintenance and use costs which would not be incurred in the ownership of a non-heritage place providing the same amenities.

#### *Maintenance and restoration costs*

Maintenance and restoration costs can be substantial, particularly where it is necessary to employ techniques no longer in common use. The Municipal Association of Victoria commented on the additional costs associated with heritage maintenance:

Without doubt, the main pressure on conserving historic heritage places is the limited funding and incentives to protect such places. With respect to historic public buildings and infrastructure for which local government is responsible, Councils are required to allocate additional funds for conservation because of the special maintenance such assets may require. (sub. 66, p. 1)

Delays in implementing required conservation works will also increase costs. The NSW Government funds restoration of stone façades through the Minister of Public Works’ Centenary Stonework Program:

This Treasury-funded program began in 1991 and supports the Department of Commerce’s responsibility to maintain the significant stone façades of more than 600 historic stone public buildings in Sydney, the greater metropolitan area and regional areas of NSW. It was considered that the Program would need to operate for 20 years to carry out essential catch-up maintenance on many buildings that had received little or no maintenance in the century or more since their construction.

... Approx \$84 million has been expended over the last 14 years for stone conservation, including the purchase of stone.

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... The recurring annual budget for the Program has been \$4.5 million pa over the last 14 years. The program of catch-up maintenance cannot be completed within the initially envisaged 20-year period and, depending on levels of funding available, may need to continue indefinitely. (NSW Government, sub. 157, pp. 54–5)

Sourcing materials compatible with the historic fabric of the place to be conserved may also prove costly and require considerable strategic planning on the part of government agencies. The NSW Government's submission continued:

The Government's strategic purchase of high quality 'yellow block' sandstone from several development sites in Pyrmont and The Rocks has secured valuable matching stone from original sources for repairs and replacement works. Stone from other regional sources is also stockpiled for relevant projects. This stockpile contains approx 7,400 cubic meters of stone. However, the first grade 'yellow block' stone (1,800 cubic metres quantity) has a shelf life which is possibly limited to 5–6 years before its case hardening qualities are lost. Fresh supplies are constantly being sought. (sub. 157, pp. 54–5)

Identification of maintenance and restoration costs is necessary to ensure that the required conservation resources are identified and allocated.

#### *Adaptation costs*

Since government-owned buildings are generally open to the public, additional costs may be also incurred in ensuring that heritage buildings are adapted to ensure accessibility and to comply with public safety and occupational health and safety requirements:

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 [Building Code of Australia] and disability access requirements. (Newcastle City Council, sub. 78, p. 1)

High costs relating to building usage, including disability access, fire rating and compliance with building legislation and standards, and the overlay of modern standards on heritage buildings, such as for IT, temperature control, customer service areas and open plan spaces and toilet facilities, are all significant costs associated with heritage conservation. (Tasmanian Government, sub. 136, p. 21)

Defence has not found any direct environmental costs or impacts involved in the conservation of historic heritage. However, there is the potential for the retention of a historic heritage asset coming into direct conflict with the need to decontaminate an area within a Defence property or the removal of hazardous materials such as asbestos. There can also be energy and water efficiency costs involved in the retention of historic buildings that have not been upgraded. (Department of Defence, sub. 52, p. 14)

In practice, according to the City of Sydney, adjusting to modern use requirements may compromise the historic fabric of a historic heritage place:

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The indiscriminate application of Australian Standards related to Accessibility (enforced under the Commonwealth Disability Discrimination Act) to heritage places can in some case result in major loss of heritage significance to achieve marginal gains in accessibility or amenity. Appropriate performance-based solutions can currently be over-ruled under the provisions of the Commonwealth Act without any reference to heritage considerations. (sub. 143, p. 8)

Knowledge of the costs of adapting an asset to an alternative use, while retaining the heritage features that give rise to its significance, is necessary to evaluate alternative uses for that asset.

### *Celebration and education costs*

In order to promote their roles in heritage conservation, governments may incur costs in educating the community and in celebrating community heritage. For example, Old Parliament House considered that conservation:

... is only the first physical step in successful and sustainable heritage management. Interpretation and promotion of those conserved values is the next essential step. Effective interpretation reveals the significance of the values to the community. Interpretation may take the form of face to face and self guided tours, exhibitions, theatrical productions, multimedia installations, education programs for all ages and even websites ... Without successful interpretation, public heritage places such as [Old Parliament House] run the risk of being misunderstood, devalued and ultimately at risk of compromise. (sub. 124, p. 3)

In addition to providing information on the public heritage values being conserved, information programs can also highlight an agency's success in undertaking conservation.

### *Compliance costs*

Government departments and agencies can also face compliance costs associated with legislative and/or regulatory burdens of owning a historic heritage place. The Department of Defence identified substantial costs associated with meeting its regulatory obligations. These costs relate to identifying what historic assets are included in the Defence portfolio and putting in place appropriate management strategies:

The Department of Defence (Defence) owns, controls and manages almost 34 million ha within 340 sites. This includes nearly 25,000 built assets. The current financial commitment for heritage management tasks is in the vicinity of \$2.5 million per annum, not including full or part time salaries of staff with heritage management responsibilities. This amount does also not include the work detailed in the Defence

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Comprehensive Maintenance Contractors (CMC) and Garrison Support Service (GSS) contracts with industry.

Of this portfolio, 124 sites are currently listed on the CHL [Commonwealth Heritage List]. This is anticipated to generate a cost of approximately \$10 million over the next 5 years to comply with the heritage requirements of the EPBC Act. There are also 78 sites listed on the RNE [Register of the National Estate] and 65 'Indicative' places listed on the RNE which require management and further assessment. If management plans are required for these sites (for management as transferred CHL sites or for the management of identified Commonwealth heritage values while un-listed) this would generate an additional cost of approximately \$10 million. The majority of the listed sites are significant for their historic heritage value or include features with historic heritage value as part of a natural and/or Indigenous heritage place.

The heritage value identification process could cost in the vicinity of \$1 million, with more detailed heritage assessment and additions to Defence's Heritage Register in accordance with the EPBC Act requiring an additional significant sum which cannot be quantified at this time. Should any of these assets be identified as having Commonwealth heritage values and require plans of management, this would generate a further significant financial cost which also cannot be quantified at this time.

There are economic requirements for the implementation of compliance documentation for the management of identified historic buildings in accordance with S.341ZC and S.341V. Defence has not yet determined the cost of meeting these requirements.

Additional costs are also required for the review of each Heritage Management Plan every 5 years. (sub. 52, pp. 1–2)

The regulatory obligations imposed by listing can involve costs for other levels of government and meeting these additional requirements can compete with core service delivery objectives. The Shire of York identified the potential for cost-shifting:

The built heritage is facing increasing challenges for priority in funding regimes in an era of cost shifting, changing demands and expectations, functional use, greater accountability, social services, ageing population, transport needs and other local, regional, State and Commonwealth requirements.

Conservation orders, building management plans and other edicts imposed by governments on their agencies without due or any consultation and minimal, if any, shared or supportive funding arrangements are seen as another level of interference or imposition on an already overburdened entity.

Is it appropriate to place a cost burden on a local government for the restoration of a building/structure which has no functional use, which may be impeding development or which is replicated in an adjoining town? Should there be quantification of heritage and functionality values and associated costs? (sub. 57, p. 2)

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The Newcastle City Council noted 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. (sub. 78, p. 2)

Similarly, the Association of Australian Ports and Marine Authorities Incorporated argued that nomination to a heritage list imposes an additional regulatory burden on port operators:

Ports already have rigorous environmental management plans and comply with national and State environmental regulations. Implementation of environmental plans and responses already involves time and resources. The need to meet statutory requirements and regulations often delays implementation of port requirements and often creates undesirable cost burdens, especially when there is no nationally agreed policy approach.

Nomination of a port, or part of a port, to the National Heritage List would result in yet another level of regulatory requirements for the port. The need to comply with heritage listing requirements will inevitably result in delays to, and could even prevent, ongoing maintenance work required for port operational areas such as berths, hard stand areas around berths, the development of covered storage areas, rail and road access points, the development of more capital intensive loading and unloading equipment, sea walls and breakwaters, mooring dolphins, vessel berthing pockets and channels into the port area. All of these facilities require constant maintenance and significant upgrading when productivity increases are necessary, and when trade requirements increase. (sub. DR296, p. 2)

In undertaking strategic asset management, governments and their agencies routinely prioritise the types of conservation tasks undertaken and consequently the costs they face. The Hobart City Council commented on its practice of undertaking physical conservation works ahead of other heritage conservation programs:

Priority is given to actual physical works, though heritage studies, conservation plans, educational projects etc are also considered if these are related to heritage-listed places and are likely to assist future conservation works. Priority is also given to work where there is a public or community benefit. (sub. 70, p. 9)

However, unlike other heritage-related costs, which may be incurred by governments in the management of community heritage assets, compliance costs are a consequence of listing and, as in the case of private owners (chapter 7), should be explicitly considered when the decision to list is made.

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### 8.3 Managing public historic heritage places

As noted in chapter 4, governments may require their departments and agencies to have regard for heritage considerations in asset management decisions. Under the *Environment Protection and Biodiversity Act 1999* (EPBC Act), Australian Government agencies have a requirement to protect the heritage values of historic places they control. Some State and Territory governments have placed a similar obligation on their agencies. For example, NSW Government asset management guidelines state:

Organizations that have control of heritage assets also have a second service obligation. While they use assets in delivering their primary service, they are also responsible for the stewardship of the assets and protection of their significance for future generations ... The management of heritage assets should be viewed as an essential part of the management of the assets, rather than another problem and cost impost. Sustainable management of heritage values should be treated by an agency as part of its core business. (GAMC 2003, p. 13)

In order for governments and their agencies to be judged on their stewardship of public heritage assets, rigorous reporting and accountability frameworks are required. In the absence of such frameworks members of the community will be unable to make judgments on whether scarce taxpayer funds are allocated to their most appropriate use. Moreover, the existence of such frameworks would enable public asset managers to make informed decisions on the most appropriate allocation of spending priorities.

#### *Management decisions are not based on heritage alone*

Decisions relating to the use and disposal of a heritage asset will typically not be based on heritage considerations alone. The majority of public heritage places are functional government assets which are also used in the provision of community services. Decisions relating to their utilisation will be based on a number of considerations, not least of which is the impact on core service delivery. Best practice asset management guidelines suggest that while heritage considerations should not be overlooked, they should be considered in the context of the agency's operational objectives.

However, without reliable information about the costs and the benefits of retaining an asset in its current use, an informed assessment of alternative management strategies will not be possible. For some assets, it may be necessary to factor-in likely community reactions. The NSW Heritage Office outlined some of the problems facing public sector asset managers:

Like most other States and Territories, NSW has undergone change in the delivery in many of its services over the last 20 years, resulting in a number of government assets

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becoming surplus to needs. Some heritage assets remain very much in use, such as the public housing stock in Sydney's Millers Point, the Harbour Bridge, Cataract Dam or Windsor Road. Some places such as local post offices, banks and railway stations are able to be easily adaptively reused, sustaining their heritage values into the future. Others are more problematic. For example, the large number of timber bridges that scatter NSW are now in need of repair and face challenges such as the availability of suitable repair timber, difficulties of upgrading for new traffic requirements and the costs associated with their upkeep. These timber bridges, which are particular to NSW, are an example of a type of heritage item that requires a strategic and long-term approach. They are expensive to manage for the State or local government agency with responsibility for them, but for local communities these timber bridges can be an important part of the historic landscape ...

There are also a number of major State government sites around NSW that are undergoing change. Former hospitals are a current example. In the community's mind these places are public places and often play a very important role in the local community. The public has campaigned hard for such places to retain some vestige of public use, sometimes causing the issue of public land use and heritage conservation to become entangled (e.g., the Quarantine Station in Sydney or the Rozelle Hospital site). (sub. 157, pp. 51–2)

Since funding for the conservation and management of an historic heritage asset normally occurs out of the agency's core budget, and it is not common practice for the heritage-related costs to be separately identified, it may be difficult for managers to separate heritage-related issues from other management considerations.

### **Asset management choices**

In deciding how best to utilise a heritage asset, public sector managers face four choices:

- Retain the asset in its traditional use;
- Adaptively reuse the asset;
- Preserve the asset 'in stasis' (as a non-functioning asset); or
- Dispose of the asset.

#### *Retention in traditional use*

If practicable, the best strategy is to retain a functional asset in its traditional use. This generally ensures that funding for its conservation can be obtained as part of the agency or department's operating budget and also that the place's historic links to the community are continued. According to the NSW Government:

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The best way to effectively manage a heritage asset is to maintain a viable and living use for it. Many State-owned heritage assets such as schools, courthouses and fire stations remain in full and active use. As a general rule, this ensures their maintenance and conservation. However, it is important that heritage values are not jeopardised by short-term decisions by owners, occupiers or users, for example through inappropriate development, use, maintenance or refurbishment. (GMAC 2001a, p. 15)

As the roles of governments in the community change, retention in traditional use will not always be feasible. While government agencies may attempt to incorporate heritage considerations in asset management decisions, the deciding factor may be other operational constraints. Specifically, while it may be desirable to retain the asset in its traditional use, that may no longer be an appropriate use of government resources. Post offices, railway stations and town halls, in localities no longer requiring the services these buildings once provided, have been converted to alternative uses or allowed to fall into disuse. In other cases, however, governments have decided that community benefits in retaining a heritage asset in its traditional use outweigh any operational losses. In these cases, governments have decided to continue to fund the heritage services provided by the asset.

According to the Newcastle City Council, while the costs of maintaining some heritage assets under its control are significant, the benefits to the community from existing use of local community assets are judged to be sufficient to warrant retention in public ownership (Newcastle City Council, sub. 78, p. 1).

Where an asset is retained in public ownership for the community benefits it provides, it is important that the community understands the rationale for retention in public ownership and the associated costs. This will encourage greater accountability for decisions made on behalf of the community and promote community support for the ongoing funding of the asset.

### *Adaptive reuse*

As an alternative to retention in its traditional use, an asset which is surplus to service requirements can be adapted to an alternative use. While the focus should be on obtaining the highest financial return for the government, heritage values should not be compromised (GMAC 2001a, p. 15). The Department of Defence noted that adaptive reuse was often the best means of ensuring the ongoing viability of an asset:

Maintaining buildings as-is can be costly for Defence in terms of sustainability principles, including energy and water efficiency, buildings not meeting OH&S requirements and the financial commitment associated with the maintenance of aging buildings. Outdated and obsolete buildings need to be carefully considered in the context of Defence's evolving capability requirements. The pursuit of adaptive re-use

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opportunities is Defence's first preference for the preservation of historic heritage buildings. (sub. 52, p. 12)

The Victorian Government also stated a preference for adaptive reuse as a means of ensuring sustainable conservation:

The Victorian Government recognises the need for all historic heritage places to be economically sustainable, and appropriate adaptive reuse is a primary mechanism for achieving this goal. As well as providing for the conservation of historic fabric, adaptive reuse has significant social and environmental benefits. (sub DR413, p. 14) [emphasis in original]

The ACT Heritage Council, noted that adaptive reuse was normally an appropriate option for government buildings, although this might occur after a transfer of ownership:

The scope for adaptive re-use is determined by the nature of the significance of the place and its reflection in the physical form of the place, rather than by its ownership. In the public sector for example, Customs Houses have been adapted as casinos, visitor centres, museums, and offices, wharves as residential apartments and retail outlets, and parliament houses as museums and art galleries. In the private sector warehouses and factories have been adapted as apartments, offices and retail outlets, and country emporiums as supermarkets and retail arcades.

In many cases, public assets are disposed of to private ownership, and adaptation follows. Post offices are an example. (sub. 147, p. 12)

However, the Southern Midlands Council in Tasmania argued that the scope for adaptive reuse may be more limited in the public sector than in the private sector because a public sector manager may feel constrained to retain an asset in its traditional use:

... there is probably less scope for adaptive reuse of publicly owned heritage places, as government heritage administrators are more obligated to adhere to standard heritage practice which often requires presentation of heritage places under a theme similar to its traditional use. This can constrain adaptive reuse, but act as a proponent to cultural continuity — a passive yet important conservation practice. (sub. 71, p. 15)

The City of Sydney contended that some examples of adaptive reuse in the public sector had compromised heritage values:

- Australia Post has closed a very large number of landmark post offices nationwide in the last fifteen years. This has resulted in the loss of the use for which the buildings were designed, demolition or, in some cases, inappropriate adaptive re-use of the buildings. It has also eroded the institutional hierarchy of public buildings. Post offices – traditionally amongst the most prominent public buildings in Australian towns and cities – have been relegated to inconspicuous locations in nondescript commercial buildings ...

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- NSW State Rail Authority has disposed of or demolished heritage listed places, despite their obligation to protect such places under Section 170 of the NSW Heritage Act;
  - Re-structuring in the NSW Courts System has resulted in the closure of the heritage-listed Redfern Courthouse. A new use compatible with the building's heritage significance is not immediately obvious. This very prominent public building .... may remain vacant for the foreseeable future. (sub. 143, pp. 7–8)

As the nature of government service provision changes, adaptive reuse will become an increasingly important option for public sector asset managers.

### *Retention 'in stasis'*

Conserving a place *in stasis* as a non-functioning heritage asset (essentially 'mothballing' it) is the most problematic conservation choice. An asset which is perceived to have no functional use may have difficulty attracting funding from an agency's central budget for even the most basic maintenance and community support for that minimal level of funding. Buildings which are not used are more likely to be poorly maintained and to be the target of deliberate damage by vandals and non-use can place even buildings in 'fair condition' 'at risk' (EPHC 2004, p. 2). In commenting on its 'Buildings at Risk' Register, English Heritage noted:

Most of the buildings and structures are in poor to very bad condition, but a few in fair condition are also included, usually because they have become functionally redundant, making their future uncertain. (2006, p. 1)

The problem is well recognised at all levels of government. The Newcastle City Council identified 'demolition-by-neglect' in public buildings which were surplus to requirements as:

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.

... 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, apports 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. (sub. 78, pp. 1, 3)

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Moreover, as the Department of Defence observed, the policy of mothballing assets still involves substantial costs to maintain the place's historic fabric intact:

Another key heritage management principle to retain buildings that have fallen out of use is to retain them in stasis or 'mothball' them with minimal maintenance until a viable adaptive re-use can be found for them. While retention of buildings in stasis is a practical and viable heritage management option, it can involve a considerable financial burden for the Defence estate. The maintenance of redundant buildings still requires ongoing funding and while this funding may seem minimal for individual buildings, it can be a significant requirement for sites where multiple buildings need to be retained. This is then multiplied in the context of the whole Defence estate. The maintenance of buildings in this way diverts Defence funds from maintaining other heritage buildings which are utilised and have an operational function. Sites that are retained by Defence also have costs associated with their upgrade and fitout for user requirements. (sub. 52, p. 13)

Retention of an historic heritage asset in traditional use is not costless. It may also be more difficult to ensure that historic heritage values are protected if a place does not have a functional use.

### *Asset disposal*

Where continued ownership is viewed as too costly, ownership or management can be transferred to the private sector or to somewhere else in the public sector. This could be achieved by selling the asset, transferring the title or by leasing the asset.

In order to maximise financial return, disposal by freehold is preferred. However, leasehold may be appropriate if heritage considerations are relevant (GAMC 2001b, p. 21). While market rents could be negotiated as part of the lease agreement, discounts could also be offered if the lessee has entered into a maintenance or restoration contract. However, in order to achieve the greatest value for the taxpayer, the total value of such arrangements should be equal to current market value. In order to maximise the disposal value, an assessment should be made of the likely uses of the property after disposal. The proposed use should be the 'highest and best' use, including allowance for any heritage considerations (GAMC 2001b, p. 20). Governments have developed frameworks to enable agencies to better determine whether a proposed use is consistent with 'value maximisation' (NSW Treasury 1999).

The Commission considers that the objective of a heritage asset disposal should be to obtain the highest value for the taxpayer consistent with the protection of rigorously identified heritage values. This principle is well-accepted internationally. According to English Heritage:

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The aim on disposal should be to obtain the best return for the taxpayer that is consistent with government policies for the protection of heritage assets; this may well limit the realisation of potential development values. In relation to heritage assets, it will normally mean seeking the ‘optimum viable use that is compatible with [the asset’s] fabric, interior and setting’, which ‘may not be the most profitable use if that would entail more destructive alterations than other viable uses’.

Of course, not all costs and values can be reduced to monetary terms; but this does not mean they cannot be taken into consideration. The value attached to local buildings by the local community, for example, is of crucial importance. Local authorities need to take into account the non-financial and wider regeneration benefits that may result from disposal, including environmental, cultural and long-term economic benefits. (2003, p. 33)

Where an asset is being sold or leased at a discount, it is important, for financial transparency, that the conditions of the transfer are well-documented and accessible by the community. Similarly, buyers or lessees should be made aware of their heritage responsibilities and the obligations that entering the agreement places on them. The NSW Heritage Office commented:

In all cases where public heritage assets are proposed for retention or disposal, a good heritage outcome is dependent on the importance of these places being recognised early on by government and the factoring in of conservation outcomes from the outset. Like any major development, if the heritage issues are not integrated from the outset the development potential of the site is likely to be overestimated and the tension begins. Successful examples include the former Prince Henry Hospital site in southern Sydney, developed by the NSW Government’s own development corporation Landcom, which has used the site’s heritage values as the catalyst for its regeneration. Although not yet completed, the project has already won a series of awards relating to urban planning, design and conservation. (sub. 157, p. 52)

The UK Government has issued best-practice asset disposal guidelines in an attempt to reduce friction between the purchaser and the selling agency while ensuring that heritage values are appropriately protected. The key features of these guidelines are:

- The use of planning briefs that are shaped by extensive public consultation.
- Public consultation and participation in the planning process, for example through open days and community planning exercises.
- The use of conservation plans which examine the significance of the site in terms of their history, architecture, archaeology, designed landscape and natural environment.
- Planning disposals to ensure that a future for the site has been secured before the building is vacated.
- An holistic approach to sites, particularly those is cases where [the heritage assets] stand in a designed landscape. In the past the sale of such sites in a piecemeal manner has proven highly damaging to the setting of historic buildings.

- 
- The use of planning agreements to ensure that heritage assets are secured and repaired to an agreed standard before completion of any enabling development.
  - Adopting innovative methods of sale, particularly joint ventures between the [government agency] and a selected private partner which allow development value to be shared by both parties. (Holborow and Taylor 2001, p. 4)

Disposal of an asset which is surplus to use, and for which appropriate funding cannot be found, is preferable to allowing the asset to fall into disuse and possibly disrepair. However, the disposal of the asset should be undertaken transparently to ensure that community interests are represented.

FINDING 8.1

*It is important that public heritage buildings have a viable use. While retention in traditional use may maintain important historic links to the community, where this is not possible a suitable alternative use should be found. If a functional use for a public heritage asset cannot be found, then disposal (with appropriate safeguards to protect cultural values) may be preferable to retaining it as a non-functioning asset with the associated risk of poor maintenance and dereliction.*

## **8.4 Relationships between governments**

The COAG agreement of 1997 on Commonwealth and State roles and responsibilities for the environment was intended to clarify the roles and responsibilities of governments in managing public historic heritage places (COAG 1997; Heritage Council of Western Australia, sub. 59, p. 6; Australian Heritage Council, sub. 118, p. 4). The agreement embodied the principle of subsidiarity ‘where responsibility for heritage management/regulation is devolved to the lowest practical level of government’ (Australia ICOMOS, sub. 122, p. 41). In chapter 7, the Commission endorsed subsidiarity as a foundation principle for an effective national framework.

Under this principle, management responsibilities for some publicly-owned heritage places are clear. The Australian Government would accept responsibility for places which it owns and which it has identified as being of national significance. Similar responsibilities would be assumed for State Government-owned places of State significance and council-owned places included on local lists. The delineation of responsibilities is less clear for buildings which are owned by one government but listed by another. A number of participants, in particular local governments, called for a greater alignment between the decision to list a place and responsibility for its conservation. The Adelaide City Council submitted that

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... the State Heritage Branch financial contribution to heritage management is significantly less than Adelaide City Council's contribution. For the past 2 years, the State Heritage Branch budget for heritage grants has been \$250,000 for buildings and \$50,000 for cemeteries. In previous years it has been significantly less. This funds conservation projects for State-listed properties throughout the entire State. When compared to the Adelaide City Council \$1 million budget for the Adelaide city area the imbalance of funding becomes obvious.

About 30% of applications funded through Council's heritage incentives scheme are for State-listed properties. There are very few examples where the State Heritage Branch has contributed to these projects. The parity of funding availability needs to be addressed at State and Federal level to ensure each government sector is contributing in accordance with the number of heritage properties under its jurisdiction. (sub. 115, p. 3)

Where there is a difference between the listing government and the government which owns the place, the same fundamental disconnect exists between responsibility for identification and responsibility for conservation that the Commission examined in chapter 7 in relation to the listing of places in private ownership. The Commission agrees with the Southern Midlands Council on the principles which should guide relationships between governments in the national framework:

The principles which guide this involvement should be:

- Appropriate analysis of the costs of conservation and an understanding of the return on this investment, both immediately and the wider flow-on.
- The appropriate tier of government bearing the financial shortfall of the above analysis where it can be justified that the significance of the place warrants public expenditure to maintain its heritage value.
- Where ownership or significance of a place can be categorised into more than one level of government, partnerships between government levels need to be developed and maintained. (sub. 71, p. 3)

These principles are consistent with the agreement reached by COAG in establishing the National Heritage Framework. The Australian Government agreed to abide by State planning and environment laws for Australian Government owned places of State significance. There was also commitment to bilateral agreements which would recognise existing management arrangements for State Government owned properties. Among the principles agreed to were:

- All State statutory authorities, government business enterprises, privatised organisations, departments and agencies will be subject to State planning and environment laws. The Australian Government also agreed that all government enterprises operating on a commercial basis and some Australian Government

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agencies and departments would be subject to State planning and environmental laws.<sup>2</sup>

- Where cooperation is required, bilateral agreements between the Commonwealth and the States to establish goals and objectives; roles and responsibilities; and, funding and delivery frameworks.
- Where funding is provided directly to local governments, it should occur in a transparent manner (COAG 1997, pp. 10, 13 and 14).

Bilateral conservation agreements between governments (chapter 4) provide a mechanism for ensuring there is a greater alignment between the decision to list a place and the availability of resources for its conservation. As the Department of the Environment and Heritage submitted, reducing cost-shifting would lead to improved cooperation between governments:

It is important that the financial responsibilities of each jurisdiction are clearly identified and that there is no cost shifting between jurisdictions. This cooperation would form the basis of a **national strategic framework for historic heritage places**, best developed through the Environment Protection and Heritage Council, and would fulfil the intention of the Council of Australian Governments' (COAG) decision made in 1997. (sub. 154, p. 30) [emphasis in original]

The Commission agrees that more explicit recognition of the costs imposed by a listing government would improve the operation of the national framework by increasing the degree of cooperation between governments. It would also encourage greater rigour in listing decisions. The 1997 COAG agreement endorsed bilateral agreements as a means of streamlining the management of State Government-owned assets of national significance and committed the Australian Government to ensuring that mechanisms were in place to negotiate and implement bilateral agreements.

### *Information sharing between governments*

There is considerable scope for information sharing between governments. The NSW Government has developed support mechanisms (heritage advisory training and regional seminars) and electronic information sharing networks for local government (NSW Government, sub. 175, pp. 34–5).

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<sup>2</sup> Some Australian Government agencies (specially those dealing with telecommunications, aviation airspace management including aircraft noise and engine emissions, and on-ground airport maintenance) would be exempt. Australian Government departments, agencies and statutory authorities either may choose to comply with State planning and environmental laws or, after a feasibility study, could be required to comply with the State laws (COAG 1997, p. 13).

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Another approach is the Historic Environment Local Management (HELM) model, used by English Heritage. HELM is a website database which includes information on historic heritage management provided by English Heritage and by local councils themselves. Among the information provided by local councils are guidance on building management and restoration techniques. Web-based solutions such as these would appear to require relatively few resources to network local governments and enable them to exchange information.

Local governments, which share a common history, have also entered into cooperative agreements to promote regional heritage. Examples include 'Explorer Country' in New South Wales and the Victorian Goldfields.

More transparent information could be provided where conservation funding is shared between governments and their agencies. An example is the program for conserving timber bridges in New South Wales, responsibility for which is shared between the NSW Heritage Office, the NSW Roads and Traffic Authority and local councils (NSW Government, sub. 157, p. 52). Accountability for public conservation resources would be improved, and a clearer picture of the overall conservation effort would emerge, if expenditure on items which is shared between agencies is collated by a single agency and made accessible to the community. Greater transparency would also be consistent with guidelines agreed to by all governments in establishing the National Heritage Framework. The 1997 COAG agreement states that 'the contribution of funding sources will be properly and fully recognised' (COAG 1997, p. 14).

## **8.5 Principles which should guide public heritage asset management**

Asset management guidelines are intended to allow owners to reach an informed decision about whether an asset should retain its current ownership structure and/or function. In the view of the Commission, best practice asset management guidelines should be based on three fundamental principles:

- *Know what you have* and what condition it is in.
- *Know the costs* of retention in public ownership.
- *Have a management strategy* (consistent with the core objectives of the organisation) for conserving the heritage values of the place in public ownership.

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## Know what you have

The necessary first step in identifying the asset management task is to establish what heritage assets the organisation has and what condition they are in. Decisions on whether to retain an asset and on how best to prioritise conservation tasks will depend on a sound understanding of the current condition and composition of the agency's asset portfolio. According to the Department of the Environment and Heritage:

Incomplete information about the number, significance and condition of heritage sites also presents a key challenge for governments. Without good information on historic heritage sites and the values they provide to society, it is difficult for governments to devise the most suitable policies and programmes for prioritising heritage conservation. (sub. 154, p. 24)

In recognition of the importance of identification and assessment in heritage asset management, governments have attempted to improve information gathering by their agencies. For example, the Australian Government has required agencies with places included on the Commonwealth Heritage List to 'develop heritage strategies and inventories to assist in identifying potential heritage places under their control' (sub. 154, p. 19).

The NSW Government requires its agencies to complete a register of historic assets of State or local significance (section 170 register).<sup>3</sup> Under section 170 of the NSW Heritage Act 1977 (section 170 (4) (a)) a government instrumentality must include on its Heritage and Conservation (section 170) register all items of environmental heritage currently listed on:

- an environmental planning instrument (e.g. LEP) under the Environmental and Planning Act 1979;
- any item subject to an interim heritage order; and
- any item listed on the State Heritage Register.

A government instrumentality shall also list those items on its section 170 register which **could** be listed on a statutory list or subject to an interim heritage order. According to the NSW Heritage Office, this requirement is intended to encourage section 170 listing for items which are likely to be found of State or local significance but which have not yet been included on a statutory list (pers. comm. 29 March 2006). A management plan is required for items entered on to a section 170 register, consistent with NSW Government asset management guidelines. However, while it may ensure the preservation of heritage values yet to be identified by a listing authority, it imposes additional compliance costs on

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<sup>3</sup> Asset registers for government agencies are discussed in section 8.5 below.

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government agencies and may therefore divert resources from the conservation of places which have been identified as of local or State significance.<sup>4</sup>

However, up to this point, compliance has not been complete:<sup>5</sup>

In NSW, approximately 85 State agencies require s170 registers. Approximately half have some sort of register, varying from minimal to best practice demonstration. To date, approximately 45 State agencies have submitted s.170 registers as drafts or for endorsement (of which 15 have been submitted electronically and are therefore included on the Heritage Office's State Heritage Inventory (SHI) database). (NSW Government, sub. 157, p. 48)

A lack of information on public heritage assets is evident among some local governments. More than 7 per cent of councils which responded to the Commission's Survey of Local Governments did not know, or could only provide a rough estimate, of the number of Council-owned properties on their own local list (local environmental plan or equivalent).

Failure to understand what assets have heritage values which require conservation will lead to an inadequate allocation of conservation resources. Moreover, delays in identifying the required resources, and consequently greater potential for deterioration in the historic fabric of heritage assets, will result in a greater conservation requirement and ultimately, therefore, higher costs.

### **Know what it costs**

Retention of an asset in government ownership is justified where the benefits to the community, broadly defined to include the cultural values which would not otherwise be conserved, exceed the costs. While benefits of public ownership will typically not be open to quantification,<sup>6</sup> it is important to separately identify heritage-related costs. Providing a more rigorous system for accounting for the costs of public heritage conservation will enable a more efficient allocation of scarce public conservation resources to their most valued use and improve transparency and accountability of public conservation decisions. It will also better inform

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<sup>4</sup> For example, the section 170 register of Sydney Water includes not only items included on statutory lists, but also items listed on the Register of the National Estate; on the National Trust of Australia Register and the Royal Australian Institute of Architects register (Sydney Water 2006).

<sup>5</sup> The requirements were introduced in 2004 and agencies have until 2009 to comply (NSW Heritage Office, sub. 157, p. 48)

<sup>6</sup> For that reason, accounting standards which state that the heritage assets should not be included on the agency's balance sheet are appropriate (Barton 1999).

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governments when deciding on how much funding, in aggregate, should be allocated to the public conservation task.

Better knowledge of maintenance costs will enable governments to more effectively prioritise conservation tasks and plan the longer-term management of heritage assets.

Rarely will funds be available to allow all identified tasks to be carried out at one time. It is therefore critical to carefully assign priorities and to identify the most cost-effective solutions. Planning for heritage assets will certainly span five to ten years, and because of the nature of heritage assets may extend to longer periods of fifty years or more. It is important to make allowance for the higher than usual costs that could be incurred for the maintenance of heritage assets. (GAMC 2001a, p. 20)

Costs which are not identified are likely to remain unacknowledged by governments and therefore unfunded. The National Commission of Audit (1996) identified deficiencies in managing public infrastructure. It concluded:

The neglect of infrastructure maintenance will be more obvious under accrual accounting, where government entities will be required to recognise the cost of using capital assets and their maintenance ... The Government should pursue appropriate use of an accrual based accounting framework (reporting, accounting and budgeting) for asset management, which will assist proper use of assets. The measurement of infrastructure performance, particularly in the area of maintenance, needs to be improved. (1996, section 8.1)

Similar concerns about deficiencies in the maintenance of public infrastructure led to the US Government requiring its agencies to report on deferred maintenance (FASAB 1996, p. 8).

### *Community Service Obligations*

Typically, heritage management costs are funded from an agency's general budget. Thus, heritage conservation must compete with the other funding demands placed on government departments and agencies. This has led some to voice concern that there may be underspending on conservation of publicly-owned historic heritage places. For instance, the Australian Council of National Trusts (sub. 40, p. 34) noted that it was rare for government agencies and departments responsible for places of heritage value, where heritage was not a part of their core function, to be funded to care properly for them.

In many ways, the requirement of government agencies to maintain the heritage characteristics of historic heritage properties under their control can be viewed as a form of community service obligation (CSO). The requirement of government agencies to provide 'uneconomic' services to some of their customers (the

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Universal Service Obligation in telecommunications is one example) has been a long-term feature of government in Australia, but recently, moves have been made to improve both the reporting and delivery of those services. Essential features of this which could also be relevant to government agencies conserving historic heritage properties include:

- the clear identification and specification of the obligation involved;
- transparent accounting of the cost of meeting those obligations;
- a transition towards direct funding of the CSO; and
- a greater use of contracts between relevant portfolio departments and government business enterprises or private providers (IC 1997, pp. 2–5).

International best practice suggests that these CSOs should be explicitly acknowledged. The US Government has issued reporting requirements to its agencies responsible for community ('stewardship') resources — such as historic heritage places and public lands — which require these agencies to provide 'supplemental information' on the costs associated with them meeting their obligations to the community. Key features of these guidelines are provided in box 8.2.

A leading Australian expert on public sector accounting has argued that historic heritage places can be regarded as 'trust assets' and accounted for separately from government operating assets. Classification of historic heritage places as:

... trust assets is appropriate given the role they are required to fulfil in the preservation of the nation's culture, heritage and environment. It can be argued these assets belong to the nation as a whole rather than the government. They are the people's assets, managed and controlled by government on behalf of its citizens. The government is expected to maintain, protect and preserve these assets for the benefit of future generations and not allow them to be degraded.

... The trusteeship approach to accounting for heritage assets in the public domain accords with the role these facilities are to perform. The government holds them in trust for present and future generations and has a responsibility to protect and preserve them. The costs of protecting and maintaining them should be borne by each generation as they enjoy the benefits from them. As trust assets, public heritage assets should not be included in the government's own statement of assets and liabilities. They should not be regarded as part of its own financial position and be available to meet its financial commitments. In trust accounting, the trustee is obliged to keep trust assets separate from its own assets and to report on them separately. In the case of national parks, museums, art galleries, libraries and so on, the heritage classified items should be kept separate from the organization's operating assets — its equipment, vehicles, buildings (unless they too are classified) and be reported on separately. (Barton 1999, pp. 230–1)

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**Box 8.2 US Government – Guidelines for the reporting on the management of heritage assets**

Stewardship resources involve substantial investment by the Federal Government for the benefit of the Nation. When made, they are treated as expenses in the financial statements. These expenses, however, are intended to provide long-term benefits to the public. Therefore, ... information on these resources [should] be reported to highlight their long-term-benefit nature and to demonstrate accountability over them.

... The measurement of the benefits received for the dollars invested and the evaluation of program performance could appear with other stewardship information as part of the financial statements, or in other financial reports, for example in a report on program performance.

.... A key feature of the stewardship objective requires that Federal reporting provide information that helps users determine (1) whether the Government's financial condition improved or deteriorated over the period and (2) whether future budgetary resources will likely be sufficient to sustain public services and meet obligations as they come due ... Information on 'stewardship responsibilities' will aid in these determinations. It will provide an essential perspective on the Government's commitment to discretionary and mandatory programs.

... The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets shall be considered an expense in the period when determining the net cost of operations ... The cost shall include all costs incurred to bring the heritage asset to its current condition and location.

... Not all heritage assets are used solely for heritage purposes — some serve two purposes by providing reminders of our heritage and by being used in day-to-day operations unrelated to the assets themselves. The cost of renovating, improving, or reconstructing operating components of heritage assets shall be included in general [property, plant and equipment] expenditure. The renovation, improvement, or reconstruction costs to facilitate Government operations (for example, installation of communication wiring or redesign of office space) would be capitalized and depreciated over its expected useful life ...

Costs of renovating or reconstructing the heritage asset that cannot be associated directly with operations shall be considered heritage asset costs and included as expense in calculating net costs.

*Source:* Financial Accounting Standards Advisory Board [US] (1996).

Many of the benefits of managing public historic heritage places through a trust could be obtained if reporting standards, such as those introduced by the US Government, were adopted. That is, where all information relating to an agency's 'stewardship requirement' (or CSO) is separately reported as 'supplemental information'. Separate reporting:

... has the same result as treating heritage facilities as trust assets. Much of the information reported will be descriptive, non-financial information explaining the mission and responsibility of the managing entity; the nature of and details about the assets held (for example, areas of national parks and their special attributes; the size, architectural and cultural significance of a building); measures of performance such as numbers of visitors and levels of visitor satisfaction; the physical condition of the asset

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and what major restoration work may be required; and so on. Financial reporting should be designed to facilitate management of the facility in achieving its objectives as efficiently as possible and, second, to the accountability of management to government as the broad policy maker and to the public as the funding source for its performance and compliance of expenditures with grant conditions. A statement of income and expenditure should comply with the entity's charter of operations. It should show all grant moneys and other revenues received for the period; and expenditures on operations, maintenance and restoration work, and new acquisitions. However, it would not include depreciation charges. It would measure the financial costs of operating and maintaining the facility and the amount of funding required. A statement of financial position would include all financial assets and liabilities so as to report on the solvency of the entity but would not include the heritage facilities as assets. (Barton 1999, p. 233)

A number of participants commented on the Commission's draft recommendations to improve agency reporting on heritage-related costs. For example, the Ku-ring-gai Council argued that '[c]reating a separate reporting system for additional 'heritage-related' costs is likely to be difficult to manage and accurate reporting may be difficult' (sub. DR351, p. 2).

However, the Commission has received submissions from a number of public and private sector owners who have been able to identify heritage-related costs. In some circumstances (i.e., where the costs are substantial and, in the case of public sector owners, significantly impact on core service provision) owners have strong incentives to establish the nature and extent of heritage-related costs. Similarly, it is in the interests of government agencies which are committed to achieving good conservation outcomes, within the constraints imposed by operational requirements, to inform themselves of these costs.

Improved reporting on the community service obligations inherent in public management of heritage assets could be undertaken straightforwardly by all governments. Glazer and Jaenicke (1991) and Carnegie and Wolnizer (1996) provide examples of the information required to undertake supplemental reporting for museums and their collections. The Australian National Audit Office (1998) has undertaken a similar exercise for the Great Barrier Reef Management Authority. In none of these cases was it necessary to provide a valuation of the heritage assets held by the agency in order to establish the costs involved in meeting its CSO.

FINDING 8.2

*Separate reporting on governments' community service obligations in public heritage asset management would improve accountability and thereby facilitate better conservation outcomes.*

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## Have a management strategy

The New South Wales Government noted that development of a heritage management strategy was best practice:

The Heritage Office has recently issued the *State Agency Heritage Guide: management of heritage assets by NSW Government Agencies ...* The Guidelines establish strategies for managing State-owned properties, conservation standards and timelines ... for State agencies to meet these obligations. This is a further step in the implementation of the NSW Government leading by example and demonstrating best conservation practice in managing its own assets. (sub. 157, p. 50)

Management plans are a fundamental tool of heritage management. They not only set out the heritage values of the place to be conserved, which is a basic requirement understanding whether the place should be conserved, but also provide strategies for the conservation of the place and the resources which should be utilised to ensure that conservation.

The Southern Midlands Council emphasised the need for flexibility in management plans:

Management plans, particularly for government-managed heritage properties, are documents which must be regularly maintained and reviewed. Changing personnel, public needs/expectations, political climate and financial situations significantly effect the way in which heritage management is undertaken. Whilst this may not greatly change the actual practice of conservation, it can severely effect the sites and conservation programs managed. Bottom-line, management plans do efficiently meet the objectives of heritage principles at the time they are developed, however, if they are not regularly revised their effectiveness is compromised. (sub. 71, p. 16)

An effective heritage management strategy will attempt to make provision for conservation resources into the future and poorly maintained public heritage places may be indicative of an absence of an effective management strategy. Advocacy groups, such as the National Trusts, have an important role to play in this process. By informing the public of assets whose heritage values are endangered, the National Trusts' Endangered Places Program may increase the pressure on governments to be accountable to the community for heritage outcomes. A similar role is played by the 'Buildings at Risk Register'. According to English Heritage the Register is an important management tool:

The *Register* is not an end in itself. It is intended to keep attention focused on neglected historic buildings and monuments. It is a working tool that enables us to define the scale of the problem and establish the extent to which these important buildings are at risk. This information helps us to establish the resources necessary to bring these buildings back into good repair and, where appropriate, beneficial use, and to prioritise action by English Heritage, local authorities, building preservation trusts, funding

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bodies, and everyone who can play a part in securing the future of these outstanding and irreplaceable parts of our heritage.

We work closely with local planning authorities, who are the primary custodians of the historic environment in their areas. Many local authorities also maintain and use buildings at risk lists of their own, and follow best practice by monitoring the condition of all their historic buildings ... They strive to foresee problems likely to arise, taking action to prevent vulnerable buildings sliding into decay, as well as to address those which are at risk. (2006, p. 1)

In circumstances where asset management strategies have not been adopted, the options available to government for successful conservation are reduced, particularly where the asset is surplus to current operational requirements. Redundant government assets have been allowed to deteriorate to such a point that the return to the taxpayer from disposal, and the prospect of successful conservation of heritage values, are considerably diminished. The Australian Council of National Trusts noted that many places identified in its Endangered Places Program were there because of government neglect:

Of the 180 places that have been listed as endangered since 1998, most remain threatened. Many of these are redundant government-owned places, a number of them large scale, such as hospital precincts and industrial sites. [National] Trusts have worked with communities throughout Australia to influence government policy to ensure the management of the disposal of places, such as these, takes account of the broader public interests beyond simple commercial considerations, and that conservation of heritage values is protected into the future.

Some notable successes have been achieved, including the return to the community of significant places such as Port Nepean and Point Cook, but many others languish in neglect and uncertainty. (sub. 40, p. 53)

The cost of repairing a heritage place increases significantly as the state of disrepair increases. Governments which are held accountable for heritage outcomes therefore have an incentive to ensure that maintenance occurs as soon as possible. Ultimately a policy of 'triaging' assets which have fallen into a parlous state of repair, or allowing assets to deteriorate to the point at which their cultural value is severely compromised, will be more expensive both in financial terms and in terms of lost heritage values. The credibility of the department, agency or local council as a manager of heritage assets will also be seriously undermined.

There is also the prospect for inconsistency in heritage policy, and consequently a reduction in government credibility, when an heritage asset is not conserved to an acceptable standard when in public ownership but, when transferred to private ownership, higher standards of maintenance and conservation are expected. A number of participants commented on this point. For example, Ivan McDonald, a heritage architect, noted:

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I also have a particular issue with what I see as a hypocritical approach by many levels of government in their treatment of their own buildings particularly and that is the trend we have seen in recent times of the disposal of public buildings. I often am giving advice to clients who are in a private capacity buying disposed government buildings and they often feel particularly disgruntled at one arm of government having run down a building to a point where they no longer consider it an asset and want to dispose of it and, at the same time, another arm of government comes along and wants to impose stringent heritage outcomes on that same owner. (trans., p. 18)

The New South Wales Government has provided its agencies with asset management guidelines as part of its Total Assessment Management framework (appendix F). The Commission endorses this as a necessary first step in ensuring that agencies adopt best practice asset management. NSW Government agencies are required to identify, conserve and manage heritage assets owned occupied or managed by that agency. The Victorian and Western Australian Governments also provide specific guidance to State agencies for the management and conservation of places listed either in the State register or local planning schemes.

RECOMMENDATION 8.1

***The Australian, State and Territory governments should ensure that their agencies are issued with heritage asset management guidelines as part of an integrated asset management framework. Such guidelines could also be adapted for use by local governments.***

While issuing guidelines is a necessary first-step in ensuring that agencies adopt best-practice heritage asset management, governments should be aware that mandating reporting requirements and management plans is unlikely to lead to full compliance, particularly if reporting assets implies future obligations for the agency. Monitoring compliance with mandatory requirements is also likely to incur costs for the government heritage agency which is responsible for monitoring compliance. In New South Wales, all government agencies are required to manage their assets, including their heritage assets, in line with the Total Asset Management strategy of the NSW Treasury (appendix F). Agencies were required to implement heritage asset management strategies by 31 January 2006 (NSW Heritage Office 2005). However, compliance has not been complete and only 15 out of 85 NSW Government agencies with heritage asset management responsibilities under the *2004 State Heritage Guide* have complied (NSW Heritage Office, sub. 157, p. 25).

Other States also require publicly-owned historic heritage places, which have been identified on a statutory list, to be managed in accordance with asset management guidelines. For example, in Victoria government owned assets, including heritage assets must be managed in accordance with the 'Government Heritage Charter' within asset management guidelines issued by the Department of Infrastructure.

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Governments who are concerned with best-practice compliance among their agencies might consider providing financial assistance to help meet the cost of meeting regulatory obligations or assistance in implementing guidelines. For example, in New South Wales:

The Heritage Office is developing a State agency support structure modelled on the local government support network, that is: dedicated officers to provide ‘on tap’ phone advice for each key agency, an e-group network for State agencies involved in heritage management, and the provision of training for managers and those responsible for the s.170 registers. (NSW Heritage Office, sub. 157, p. 51)

### *Australian Government agencies*

The *Environment Protection and Biodiversity Act 1999* (EPBC Act) imposes management requirements on places listed on the Commonwealth Heritage List. According to the Department of the Environment and Heritage:

Under the EPBC Act, the responsibilities of Australian Government agencies with places in the Commonwealth Heritage List are identified. These agencies must develop heritage strategies and inventories to assist in identifying potential heritage places under their ownership or control, and they must also make management plans for their Commonwealth Heritage listed places within the period of time stated in the agency’s heritage strategy. This framework ensures that the Australian Government manages its heritage places to the best practice standards for heritage conservation. (sub. 154, p. 19)

The Department of Defence identified its specific obligations under the EPBC Act as:

- Prepare a Heritage Strategy that outlines how Defence will meet its obligations under the EPBC Act;
- Identification and assessment of the heritage values of the 25,000 assets and 34 million hectares of land in Defence control;
- Heritage Management Plans (HMPs) for all Commonwealth Heritage List (CHL) listed sites and sites determined through the identification process as having Commonwealth heritage value;
- Policy documentation and supporting tools in order to comply with EPBC requirements and the supporting guidelines to ensure widespread implementation and compliance;
- Implementation of heritage management requirements in accordance with the EPBC Act and HMPs; and
- Ongoing management and administration of compliance documentation and heritage maintenance requirements including review of every HMP within 5 years of its completion. (sub. 52, p. 1)

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The Australian Government requires its agencies to develop conservation management plans, formally outlining how the identified heritage values of properties on the Commonwealth Heritage List are to be conserved over time. It also requires them to provide adequate safeguards for the retention of those heritage values if the property is sold.

The requirements of the Commonwealth Heritage List place much stronger obligations (and corresponding costs) on Australian Government agencies than if their historic heritage places had to conform with the requirements of the State or Local heritage register on which they are listed.

FINDING 8.3

*The current arrangements for, (i) agreed management plans and (ii) heritage protection on the sale of property, provide a sound basis for the conservation of Australian Government-owned heritage properties. However, identifying the assigned heritage responsibilities to non-heritage agencies as community service obligations with separate funding for the added expenditure of conservation would improve accountability and provide incentives for government agencies better to conserve their listed heritage places.*

RECOMMENDATION 8.2

***The Australian Government should implement reporting systems that require, as appropriate: the assigned heritage responsibilities to non-heritage agencies to be recognised as community service obligations and be funded separately; and that the heritage-related expenditures and achievements associated with the conservation activities for historic heritage places be reported publicly.***

### *State and Territory Governments*

State and Territory governments have varying requirements for their government-owned properties, affecting both their management and disposal. Some jurisdictions have conservation management plans for their government-owned properties. For example, in New South Wales some agencies prepare management plans for heritage assets of high significance. These plans include specific conservation policies to retain the heritage value of a particular item, especially where there is an expectation that alterations will be made to that place (NSW Heritage Office 2004). Unlike the Australian Government, however, conservation management plans at the State level are often voluntary, restricted to places with a high public profile, and vary considerably in depth and content.

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In most jurisdictions, State government agencies are obliged to maintain government-owned places listed on a State Heritage Register. This obligation holds regardless of whether a heritage asset is used to deliver government services or not. The Victorian Heritage Council found that:

The State government continues to directly manage a range of heritage places, and uses some of them for government administrative purposes.

It is also not unusual for government property managers to find themselves owning and managing places which are not of any particular use to their core business, however through dint of public pressure they are obliged to continue to keep them in use and available to be presented in some manner for their heritage significance. (2003, pp. 19–20)

Some jurisdictions provide specific funding for the additional costs associated with maintaining heritage places. For example, from 2004-05 the Northern Territory Government has provided \$1 million per annum for the repair and maintenance of government-owned heritage places (Scrymgour 2005). Government agencies in Victoria can participate in the Victorian Heritage Program, which provides grants to public and private owners for conservation works. However, for the most part, government agencies meet at least some (if not all) of the additional costs of conserving heritage places through normal capital and operating budgets. This means that heritage conservation must compete with other agency funding priorities.

The NSW Heritage Office commented:

Despite there being a strong framework for the management of NSW Government heritage assets, there are still challenges in meeting government's aims. Agencies that have conservation of heritage places within their charter have the necessary budgets, skills and expertise to meet this aim. But within agencies whose charter is to deliver other essential services, the heritage conservation of less-used, or orphan, assets must compete with service delivery.

The nature of the heritage assets owned by infrastructure service provision agencies means that they are often not valued beyond their core service, despite the public holding them in high esteem. But, given that it is often the publicly provided infrastructure that has shaped the physical environment, it is inevitable that it is of heritage value. (sub. 157, p. 51)

The Australian Council of National Trusts also noted the tendency for heritage expenditure to be considered as part of an agency's overall budget. As a result of the need for heritage to compete with other agency responsibilities, there was usually underfunding of heritage conservation:

For example, no extra funding has been allocated to those Commonwealth agencies that have heritage properties in their care, to assist them to meet the extra responsibilities imposed on them through the Commonwealth heritage listing process. Similarly in

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NSW, no agency is funded for the care of historic heritage places specifically to enable them to comply with the s.170 Register process, except the Historic Houses Trust, yet many other agencies are also responsible for the care of heritage places.

Local government in particular, as a consequence of the progressive transferring of responsibilities from Commonwealth and State/Territory governments to local government, is struggling to be able to provide adequate funding and the kinds of strategic planning and other kinds of support necessary to enable community groups and individuals to care for local heritage places. (sub. 40, pp. 34–5)

For cases where there is no management plan and no explicit funding for conservation activities, there is minimal transparency and accountability for the management of heritage assets. Heritage conservation must compete with the core business of the agency, providing a choice of diverting resources away from their core business (such as health and education) or neglecting the heritage values of a place. The result is that the real costs and potential benefits of heritage conservation are hidden from political decision makers and the general community.

FINDING 8.4

*State, Territory and local governments do not have a systematic framework for the management of, and expenditure on, the conservation of government-owned heritage places. Management of government-owned places could be improved through: the introduction of conservation management plans; the recognition of the assigned heritage responsibilities to non-heritage agencies as community service obligations with separate funding; and transparent reporting of expenditure on conservation.*

RECOMMENDATION 8.3

***State, Territory and local governments should:***

- ***produce adequate conservation management plans for all government-owned statutory-listed properties;***
- ***appropriately recognise assigned heritage responsibilities to non-heritage agencies as community service obligations and fund them separately; and***
- ***implement reporting systems that require government agencies and local governments with responsibility for historic heritage places to document and publicly report on the heritage-related expenditures and achievements associated with their conservation.***

A number of State and local governments supported this recommendation, noting that its adoption was likely to improve management practices. However, concern was also expressed about the possible cost of implementing this recommendation and difficulties associated with identifying heritage-related costs. Recognition of the

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community service obligations associated with listing their own properties would also introduce more rigour into the listing process.

## **8.6 Alternative models of public asset management**

A number of public sector agencies have entered into arrangements with non-government organisations. These arrangements can ensure that conservation occurs on a sustainable basis (Municipal Association of Victoria, sub. 66, p. 5). For some governments, retaining ownership but having the property managed by a National Trust, which can draw on a wealth of experience and a motivated workforce, can be a viable alternative:

The South Australian Government owns 306 (13.9 per cent) of the items on the State Heritage Register of which approximately 66 per cent are in valued use. At present, 42 government-owned places are managed by the National Trust of South Australia through a service agreement, for which the Trust will receive \$200,000 per annum over five years. (sub. 164, p. 9)

The Victorian Government also acknowledged the important role played by the National Trusts in the management of publicly-owned assets:

The National Trust of Australia (Victoria) is the largest community-based heritage organisation in the State. As well as advocating for heritage conservation on behalf of the community, the National Trust manages 40 historic heritage places ... It also acts as the Committee of Management for eight Crown land properties, including Old Melbourne Gaol and Tasma Terrace, for which it receives \$233,000 annually from the Victorian Government. (sub. 184, p. 25)

Private sector management, in accordance with an asset management plan, may also ensure cost-effective conservation. For example, Hill End in New South Wales, one of the earliest historic conservation areas, is under the control of the NSW National Parks and Wildlife Service. Properties in the area, which were largely derelict when the Service received responsibility for the area in 1967, have been restored and maintained by residents who lease the properties for 20 years and are charged only nominal rents. The Service has a management plan in place and acts as a 'local council' to the area, ensuring that basic infrastructure such as sewerage and roads have been provided. With the encouragement of the Service, Hill End has become a popular retreat for artists.

Several participants have expressed concern that private managers of a public asset might compromise historic heritage values (e.g., Friends of the Quarantine Station and North Head Sanctuary Foundation, sub. 144, p. 5). The National Trust of NSW (sub. 180, p. 1) also argued that, where management responsibilities are shared, failure to clearly delineate responsibilities can reduce expenditure on maintenance.

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These concerns highlight the need to ensure that management occurs through a management plan that articulates the historic values to be conserved, identifies the costs involved and clearly assigns responsibility.