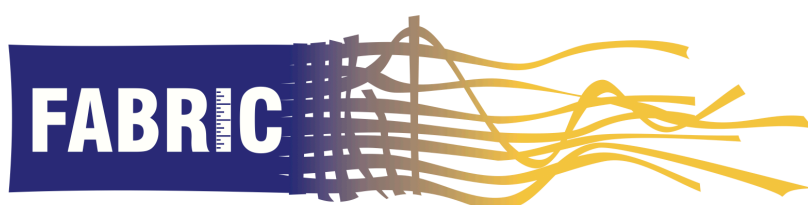


## Revolving Funds For Heritage

Mary Knaggs

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Mary Knaggs October 2015.

*In the end there is only one measure of what is worth preserving. Being unique is not decisive. To be beautiful may not be enough. The impact on the imagination is everything. What counts is a building's power to put us in contact with the past – which these days means the 1950s as much as the 1850s. The object of the exercise, deep down, is not preserving décor but offering ourselves a chance to absorb the spirit of other people and other times expressed in these most fragile materials: bricks and mortar.<sup>1</sup>*

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<sup>1</sup> Marr, D. in Hughes, J. ed. (1999) Demolished Houses of Sydney. Historic Houses Trust of New South Wales Glebe, NSW, p.18.

## INTRODUCTION

This paper considers the use of Revolving Funds to ensure sustainable futures for cultural heritage sites. The paper arises out of research in 2014 as part of the Master in Museum Studies program at the University of Sydney.

Sydney Living Museums (SLM) is one of the largest state museum organisations in Australia<sup>2</sup>. SLM's purpose is to "enrich and revitalise people's lives with places of living history, and to hand the precious places in our care and their collections on to future generations to enjoy"<sup>3</sup>. SLM currently cares for 12 of the most important publicly owned historic houses, gardens and museums in NSW, bringing these places to life through a dynamic and diverse program of exhibitions, research and events. Less is known about the heritage properties that have been cared for by SLM under the EHF and by two other similar projects prior to the EHF.

The SLM EHF has the same remit as most Revolving Funds for both natural and cultural heritage. Through the EHF, significant heritage places are acquired, conserved, legally protected and then offered to the property market. Proceeds from projects, together with private donations to the EHF, are re-used to save other endangered properties over time.

While Revolving Funds can be used for any heritage site, this paper is primarily concerned with built and landscape cultural heritage sites dominated by non-Aboriginal heritage values.

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<sup>2</sup> SLM is part of the NSW Office of Environment and Heritage within the NSW Department of Planning and Environment.

<sup>3</sup> SLM website <http://sydneylivingmuseums.com.au/about-us> (accessed 02.12.2014).



Figures 1 and 2 show before and after views during the conservation of Exeter Farm near Glenfield Sydney. This was a very successful EHF project for the NSW Historic Houses Trust (now SLM). Originally transferred from another Government department in a very derelict state, the farm cottages were rebuilt and partially fitted out for residential use prior to freehold sale with covenants in 2013. The HHT has held numerous public open days, technical and professional workshops during the conservation works. The property will be made available for public openings as a provision of the lease. The project also won many heritage awards. (Images used with permission of Sydney Living Museums Copyright 2015)

## REVOLVING FUNDS

The Australian Government gives the following definition of revolving [acquisition] funds:

- a Revolving Fund is where funds are set aside for the purpose of purchasing properties with natural or cultural values, placing a conservation covenant on the title and reselling the land to conservation-minded people. The proceeds from the sale of properties are used over again to buy more properties and sell them with a conservation covenant in place.
- Revolving Funds are also an attractive vehicle for people who want to donate land that has conservation value, knowing the land will be permanently protected and that when sold, the proceeds will be put towards buying other properties with conservation value.<sup>4</sup>

<sup>4</sup> Australian Government (2014) Website of the Department of the Environment  
<http://www.environment.gov.au/biodiversity/conservation/revolving-funds> (accessed 01.12.2014)

Typically Revolving Funds target properties which have high heritage values that are under threat of being devalued or lost. Revolving Funds can be seen as “swimming against the tide” to conserve places (and sometimes their contents) that conservative opinion deems to be impossible. If the projects were easy, they would have been done in the open market. Revolving Funds are often the ‘developer’ of last resort for many of high value heritage properties.

The reasons why some heritage properties become placed in this “too hard” basket are numerous. They include:

- political / planning decisions and lack of statutory protection
- real or potential loss of curtilage
- inappropriate neighbouring development
- neglect, vandalism and poor repair
- financial risk due to scale or location
- damage through geophysical events

Revolving Funds for historic heritage have been applied in Europe and North America for many decades, but have had less acceptance in Australia. The National Trust of Australia has trialled some projects involving the acquisition and sale of heritage properties with conservation measures in place. The State Government of Western Australia (WA) has recently launched *Heritage Works* - a Revolving Fund operated by the WA Heritage Council and the WA State Heritage Office dealing solely with at-risk heritage properties in government ownership. The international examples for Revolving Funds for historic heritage tend to operate outside of government, or with informal partnerships with government.

More common are Revolving Funds for nature conservation. In Australia, the Trusts for Nature in NSW and Victoria have had positive experiences applying revolving acquisition funds. Australian nature conservation funds often operate in partnership between not for profit conservation bodies and government departments.

## THE FINANCIAL CONTEXT

Each property managed in a Revolving Fund process presents its own financial challenges. Properties are not usually expected to return a profit, particularly if the real costs of staff resources and property management for each project are taken into account. Revolving Funds for cultural heritage are therefore likely to be made up of both re-invested capital from the divestment of other funded properties; and donations mainly acquired through corporate sponsorship. A summary of typical funding sources would include:

- earnings from interest and the sale of completed projects
- sponsorship including corporate donations
- donations in kind for projects (e.g. discounted consultancy fees)
- gift of properties and collections
- lease and rent payments from the properties while they are part of a revolving fund project
- grants and ‘in-kind’ support from government agencies (federal, state and local).
- partnering with government, community and other organisations (e.g. maintenance by volunteers from a government department or a community group)

Pro-active fund-raising for Revolving Funds is essential but also requires dedicated resources. Clear records are required to accurately show the cost of each Revolving Fund project, including staff and other resourcing costs.

Some Revolving Fund properties may have original moveable heritage collections of importance to their heritage significance. This situation demands specialist skills in assessing and managing the collection and may complicate the conditions of divestment. The management of such collections can add considerably to the project cost and risk.

Other financial challenges for Revolving Funds include:

- the dilapidated state of properties entering into the program
- expediting the movement of the project from acquisition to disposal to the private sector so that the recurrent costs of ownership and management are minimised
- obtaining meaningful advice from the real estate sector on the likely financial yield for the project.
- the reluctance of the property market to see heritage listing and covenants in a positive light.
- fluctuating property markets
- the staff resourcing costs to manage the property; any conservation works and the campaigns for funding or partnerships.
- monitoring to ensure the projects do not place undue pressure on Revolving Fund resources.

## ACQUISITION AND DIVESTMENT

Acquisition options include:

- Freehold purchase: Purchase of property at, or close to, the true market value.
- Gift / bargain sale: Gifts are usually bequests. Bargain sales are a sale at less than fair market value.
- Transfer of redundant Government owned heritage items

The terms of property acquisition for Revolving Funds need to be carefully considered so that private sale is not precluded.

Revolving Funds for cultural heritage properties can be open to all significant and endangered properties; or restricted to particular site types. The SLM EHF is in theory open to a wide variety of properties in NSW: both urban and rural; both government and privately owned. However in the early years of the EHF there was a conscious effort to target “elite” properties which were seen as more in line with expectations of the then main corporate sponsors. This was overturned in more recent years when there has been a more conscious effort to select more diverse EHF properties. Recent EHF properties which demonstrate this change are Beulah (a modest Irish convict mid-19<sup>th</sup> century homestead) and the Nissen Hut (a recycled army hut erected as a home in 1951).

Revolving Fund divestment options include:

- Sale to the open market: Selling the property freehold with protective mechanisms in place. Most of the SLM EHF properties to date have been divested in this manner.
- Retain and lease: Sell a long-term lease on the property. Ideally the tenant becomes responsible for all maintenance and upkeep and other costs, although this may prove difficult to enforce for major catch up maintenance issues. Throsby Park is an SLM EHF example of this divestment option which was a consequence of the original conditions of the bequest of Throsby Park to the NSW government. The main problems with leasing arise when the lease is a “residential” lease as opposed to a commercial or retail lease. There are strict statutory controls on what can and cannot be in a residential lease, and under a residential lease agreement the Revolving Fund organisation remains liable for much of the maintenance and repair of a property.

## ENABLING DEVELOPMENT

Enabling development is development in its broadest sense (including subdivision) which allows for the economic sustainability of the heritage place. The key public benefit to significant heritage places is usually the securing of their long-term conservation and sustainability. Enabling development is primarily directed towards meeting the conservation deficit arising from repair and any conversion work that is essential to secure the long-term future of the place. The conservation deficit is when the existing value (often taken as zero) plus the development cost exceeds the value of the place after development.<sup>5</sup>

In many cases such development would be unfavourable under the current status quo, but for the fact that it would bring public benefits sufficient to justify it being carried out; and which could not otherwise be achieved. In other words development that would otherwise be considered harmful is considered acceptable because it would facilitate (or 'enable') benefits that outweigh that harm. Typically the generation of funds through enabling development will be used to pay for work to be done to a listed building or other heritage asset that is in pressing need of substantial repairs.

Enabling development can be seen as a long-term solution of last resort, with proposals coming forward when other solutions have been explored. English Heritage maintains that enabling development is an inefficient means of funding a conservation deficit - often requiring enabling development with a value of three or four times the conservation deficit of the historic asset to break even.<sup>6</sup> On the other hand, the longer it takes to find a solution for an endangered heritage place, the more the asset will deteriorate and the more money will be needed to repair it. In short, there will be pressure to find a solution.

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<sup>5</sup> Adapted from English Heritage (2008) *Enabling Development and the Conservation of Significant Heritage Places* English Heritage, London

<sup>6</sup> English Heritage (2008) *Enabling Development and the Conservation of Significant Heritage Places*. p.22.

The classic enabling development case is one where new development is proposed in the grounds of a heritage property in disrepair, so that the profits from this development will secure the long term conservation of heritage structures or landscapes. It may be that the new development is acceptable in planning terms in any event. There might have no adverse impact on the heritage place. However, if, for example, the property is on land where new development would not normally be allowed and the issue becomes one of whether the new development is nonetheless acceptable as ‘enabling development’.

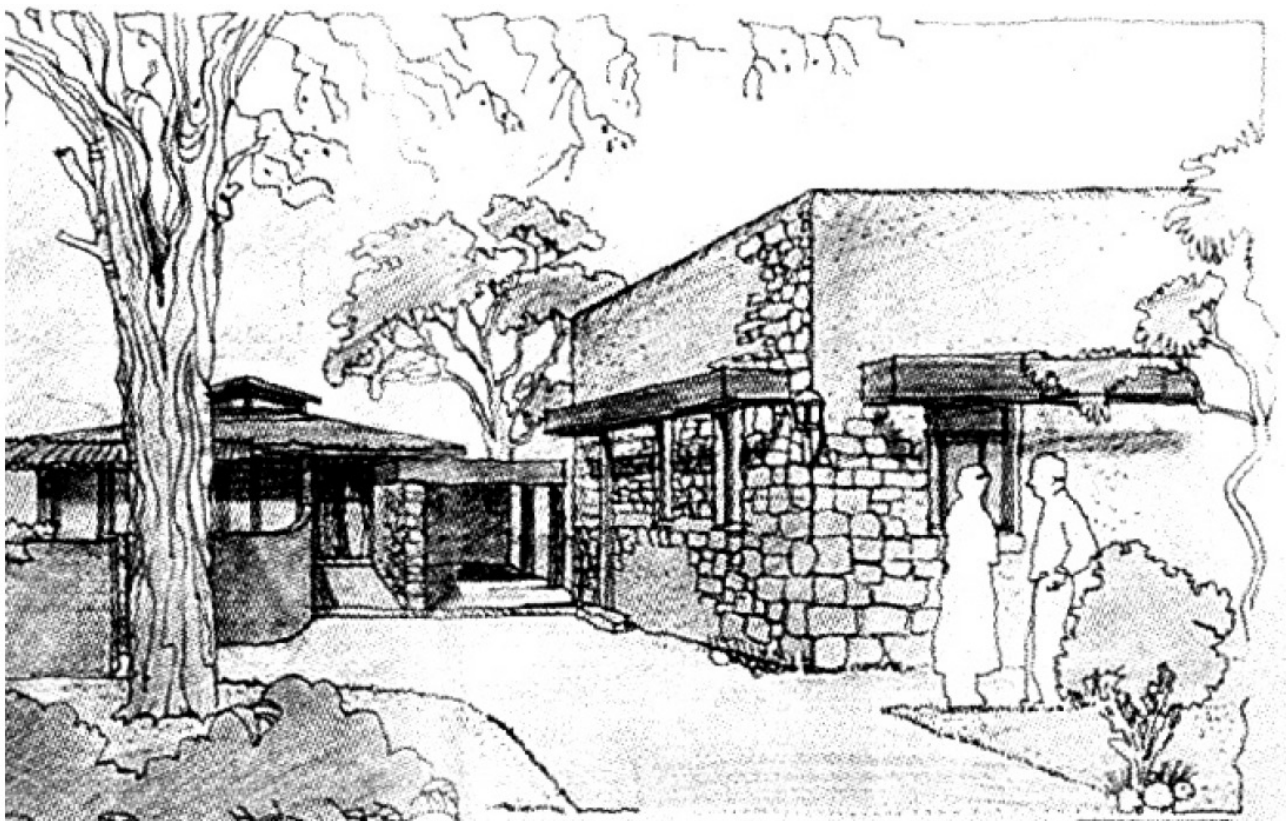


Figure 3: The Griffin House project undertaken by the Historic Houses trust (now SLM) in 1993-1995 is an example of enabling development. Known as the Greater Sydney Development Association (GSDA) Dwelling No 1, this was the first of two stone houses built in 1921 by the Griffins at Castlecrag. The House required extensive repairs and the property was subdivided through strata title and a carefully designed and sited new dwelling was built by HHT. This 1994 sketch by architect Bruce Rickard shows the new dwelling on the left, with part of the GSDA No 1 to the right. (Images used with permission of Sydney Living Museums Copyright 2015).

Enabling development should be unacceptable unless:

- it will not materially harm the heritage values of the place or its setting
- it avoids detrimental fragmentation of management of the place
- it will secure the long-term future of the place and, where applicable, its continued use for a sympathetic purpose
- it is necessary to resolve problems arising from the inherent needs of the place, rather than the circumstances such as the purchase price paid
- sufficient subsidy is not available from any other source
- it is demonstrated that the amount of enabling development is the minimum necessary to secure the future of the place, and that ‘harm’ to other public interests have been minimised
- the public benefit of securing the future of the significant place through such enabling development decisively outweighs breaching other public policies.
- the impact of the development is precisely defined at the outset, normally through the granting of full, rather than outline development approval
- the achievement of the heritage objective is securely and enforceably linked to the development
- the place concerned is repaired to an agreed standard, or the funds to do so are made available, as early as possible in the course of the enabling development, ideally at the outset and certainly before completion or occupation
- the approval authority closely monitors implementation, if necessary acting promptly to ensure that obligations are fulfilled.<sup>7</sup>

Most Revolving Fund properties will require some additional works to add value to the property securing the sustainability of its heritage value. While the scope will vary for each property such works may include:

- alterations and additions to meet contemporary lifestyles

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<sup>7</sup> Many of the concepts in this section have been adapted from Cathedral Communications Limited <http://www.buildingconservation.com/articles/enabling-development/enabling-development.htm> (Accessed 12.12.2014)

- new landscaping to improve the setting
- partial subdivision of the property (sometimes including new buildings on the subdivided portion to ensure they are in sympathy with heritage values.

Such works are sometimes referred to as “Enabling Works”, particularly where they do have some impact on the heritage values of the property, but which are required for the ongoing sustainability of the property<sup>8</sup>. The Business Case for each property needs to include consideration of minimal and more extensive ‘enabling works’ and the risks associated with each approach.

## PROJECT MANAGEMENT

All cultural heritage properties have a range of management tools which may include:

- Business Plan (including the disposal plan)
- Surveys and Measured Drawings
- Condition Survey / Schedule of Urgent Works (For Conservation And Security)
- Conservation Management Plan
- Asset Management / Maintenance Plans
- Fund Raising Strategy
- Collections Management Plan (where applicable)
- Risk Management Plans (e.g. Fire, Security)
- Community Engagement Plans
- Partnership Agreements / MOUs

Managing the preparation and implementation of such plans for the period the property is in the ownership of the Revolving Fund represents a large investment of resources. Even when the reports

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<sup>8</sup> English Heritage (2008) *Enabling Development and the Conservation of Significant Heritage Places*. p.34.

are carried out by others the Revolving Fund staff need to manage such consultant teams and secure funding.

Many of these documents also form the basis for the covenants placed over the property when it passes into private management. The Nature Conservation Trust of NSW notes:

*An important component of every conservation land covenant is the detailed plan of management, which sets out a 100-year vision for the conservation land management of your rural property. It includes the conditions the land owner must observe in accordance with the conservation covenant and strategies to assist them to manage the land sustainably, possibly even further improve its biodiversity.*

*The plan of management is designed to complement existing environmental legislation, which continues to apply to the covenanted land.<sup>9</sup>*

## COMMUNITY ENGAGEMENT

Many Revolving Funds seek to incorporate public programs while the properties are in the ownership of the Fund. Such programs can increase overall community awareness of the Revolving Fund vision and achievements. Consideration of public programs and other community engagement for each property needs to be considered at an early stage in each project (i.e. including in the Business Plan).

Many Revolving Funds take the opportunity to further other issues associated with the cultural heritage conservation including addressing the shortage of traditional trade skills, or promoting the sustainability of heritage conservation<sup>10</sup>.

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<sup>9</sup> <http://nct.org.au/supporting-land-owners/legal-protection-for-land/>

<sup>10</sup> Heritage conservation helps to reduce reliance on environmentally unfriendly building materials and energy intensive production of new materials. Heritage conservation encourages the re-use or rehabilitation of existing building materials thus extending the life of a building and its components.

Community engagement programs need to balance the benefit of the programs with the demands on staff time in resolving more pressing property management issues.

## CONCLUSION

Cultural heritage is a legacy to be passed on to future generations. Physical conservation of cultural heritage items - from conservations areas and collections, to structures and objects - is the optimum outcome for the precious heritage resources of NSW. Records of heritage items are a poor substitute for the physical entity.

Heritage conservation is cultural activity - an inspiration for creative communities. Public and private schemes which promote heritage conservation deserve the support of government. In reality for any Revolving Fund model to remain viable the support of Government is crucial: as the manager of the fund; in ensuring tax deductible status for donations; and/or or as a supportive stakeholder.

Most heritage places are not suitable for museums, and Revolving Fund programs provide a viable solution to save a heritage place and to provide it with a viable use that ensures it is conserved into the future, so they contribute to the social and economic well-being of communities.

Despite the best intentions of communities and governments, some of our cultural heritage items become endangered and are often lost. Revolving Funds aim to identify 'at risk' significant properties; and to conserve and protect them prior to offering them back into the marketplace for the use and enjoyment of future generations. In this way the funds can be 'revolved' to save more endangered properties over time.<sup>11</sup>

Many heritage organisations in NSW strive to remain viable, relevant and dynamic in a fast changing society. The regular refreshing of brands and programs, together with new marketing campaigns, not

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<sup>11</sup> EHF Summary HHT 2009.

only encourage continuing and diversified community participation in the organisations, they also help compete for the corporate funding dollar. This can be particularly true for Revolving Funds which rely on top up community donations to remain viable.

Therefore SLM are currently reviewing the dynamics and profile of the SLM so that it can be refreshed to increase its competitiveness in securing corporate donations. In the past the SLM EHF has been associated with “gentlemen’s” residences, partly because it was thought this would appeal to corporate executives. Today’s corporate community is more interested in new ideas for Australian heritage which also embrace Aboriginal reconciliation and multiculturalism. A name change from “Endangered Houses Fund” to “Endangered Heritage Fund” is one way in which the Fund could be refreshed and repositioned in line with the current SLM vision. It is noted that the Historic Houses Trust Act refers to historic “buildings and places” and their contents, and does not restrict the work of SLM to only “houses” of heritage importance. A subtitle to the Fund may need to be included, in order to emphasise that the Fund is concerned mainly with historic heritage (as opposed to natural heritage) in accordance with the Act. For example: *The SLM Foundation Endangered Heritage Fund: sustaining cultural heritage at risk.*

The application of the Revolving Fund process needs to be deployed quickly – without being overly burdened with red tape. On the other hand careful business planning, risk management and program monitoring are essential to the success of Revolving Funds.

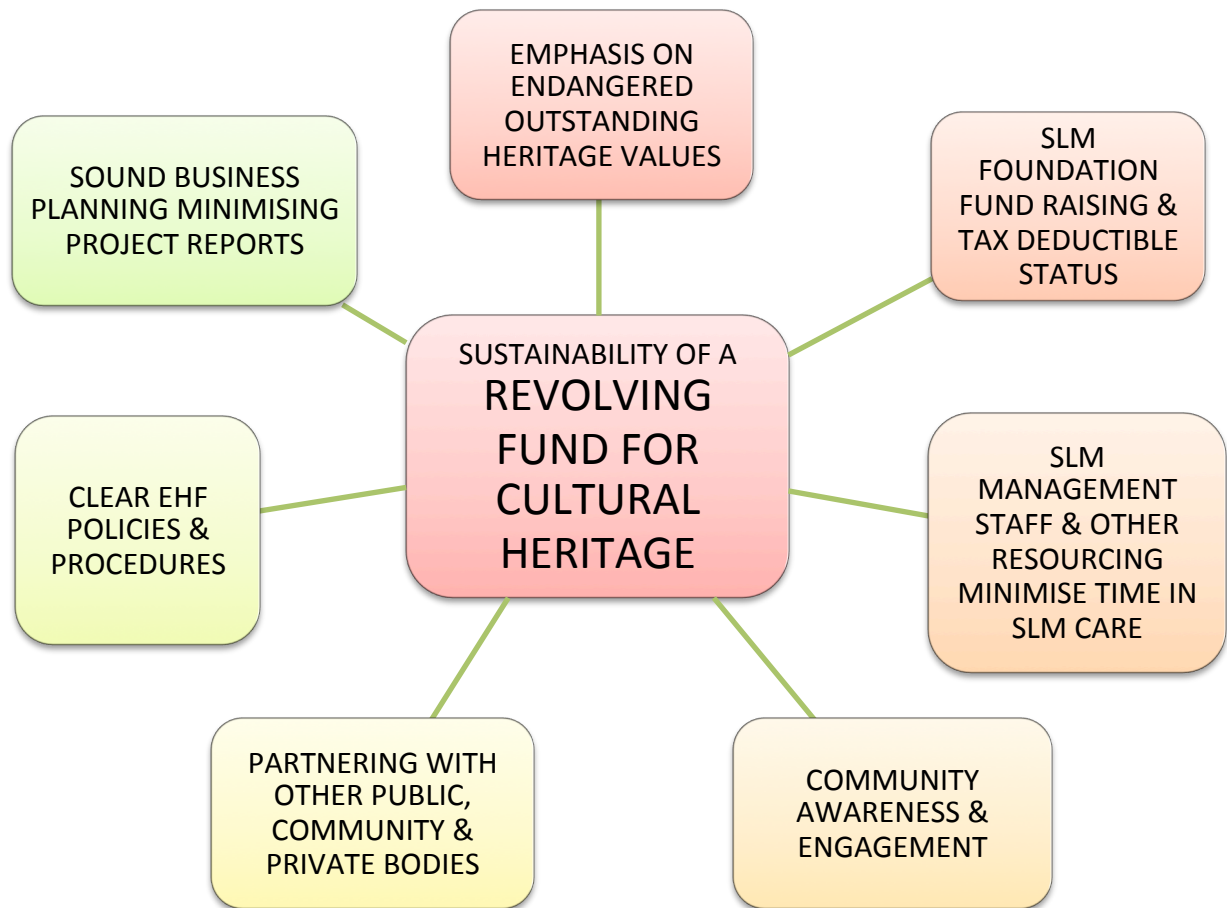


Figure 4: Diagram showing the key elements for a sustainable revolving fund for cultural heritage  
(Image by Mary Knaggs).

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