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1. A Vision for Fortuna

1.1 Introduction

The *Villa Fortuna Action Group* is an incorporated community organization which is committed to promoting a continued public ownership and community use of 'Fortuna Villa'. The group has been instrumental in raising the profile among the Bendigo public of the Commonwealth's forthcoming disposal of Fortuna, both through the media and through its Public Meeting with Abbotsford Convent CEO, Maggie McGuire, and senior Defence representatives as keynote speakers. It has also maintained an active and informative website – www.villafortuna.org.au.

While it has not been widely open to the public for many years due to Department of Defence occupation, Fortuna Villa has for over 150 years been one of the significant sites in Bendigo. Strongly associated with the growth of Bendigo's gold-mining wealth and the influence of owner, George Lansell, the architectural character of the villa and its surrounding gardens have contributed to it long being considered as emblematic of Bendigo.

'Fortuna Villa' is on the Register of the National Estate, it is on the Commonwealth Heritage List and the house and gardens are classified by the National Trust of Australia as being "significant at the National level". More broadly, a unique local building demonstrating a number of architectural styles takes a prominent place in the portrayal of both Victorian and national history.

In 2009 there will arise a position where, with the known intention of the Commonwealth Government (Defence Department) to 'dispose' of Fortuna, Council can put forward a case to acquire the property. Such a case would utilise a policy provision whereby the Federal Government can proceed with a Priority Sale at a 'Concessional Rate', for which the price is below market value.

At the VFAG Forum in July 2008, Defence representatives made a very clear statement of requirements for a successful Priority Sale approach and these were particularly noted by the Group as having relevance to Council's bid.

This submission puts forward for consideration a vision for community use of Fortuna Villa based on its arts, cultural and heritage appeal. It proposes that this be accomplished through the establishment and operation of a vibrant, progressive business Enterprise which is described in Section 2 of this document.

1.2 Fortuna – A Vision for Community and City

The *Villa Fortuna Action Group* trusts that the forthcoming sale of Fortuna Villa by the Commonwealth will not be seen purely in the light of it being just a duty to preserve a heritage building but, rather, it being an unequalled opportunity to create something 'special' by which the future Bendigo will be known both nationally and internationally.

A sense of excitement and vision about what might be achieved at Fortuna must of course be tempered by the realism of ensuring that project ownership, access and use by the broad community is financially viable. This Business Concept document has the ambition of inspiring the City, through its presently elected Council, to fairly consider that possibility.

It is fundamental to the proposal now being put forward that Fortuna Villa not be seen in isolation purely as a 'bricks and mortar' project, but as an integral part of Bendigo's vibrant history and especially, the history of gold production and its wealth in the development of the region. Particularly with today's quest of people and tourists for authenticity, the opportunity to link Lansell's Fortuna to established attractions such as Victoria Hill, the residential precinct historically known as Belgravia and the Central Deborah mine is a compelling one. While not part of this proposal, a longer term vision of the tourist tram service extended from Central Deborah up to Fortuna as a 'must do' excursion raises an exciting possibility.

This proposal will mention other venues both national and international that embody the successful concept of a historic home or building being the foundation of a community activity centre. While the *Villa Fortuna Action Group* is, with this proposal, supplying some detail about how these venues function (see Additional Material - Case Studies), it believes that the underlying 'spirit' and enthusiasm of such places should be experienced, if at all possible, by decision-makers through their visiting similar venues.

The establishment of a world-class Arts, Culture and Educational attraction at Fortuna is the vision that the *Villa Fortuna Action Group* has for Bendigo. The building and grounds offer unparalleled opportunities for a wide range of periodic and seasonal attractions.

This vision for the use of the Fortuna site would make maximum use of the unique attributes of the Villa and its grounds as an *intact* site and, in that way, support the nationally acknowledged 'Burra Charter' for the conservation of places of cultural significance.

An enthusiastic, vibrant Business Enterprise would be set in place to manage a wide variety of on-site attractions within an economically viable framework. Among such attractions would be site tours; functions (e.g. weddings); music; garden tours and shows; conferences; photography (film set location, weddings); corporate functions and educational activities.

These and other opportunities are detailed within the proposal.

1.3 The Market – Who will come?

The Villa Fortuna Business Concept will attract different, though overlapping, market sectors. Not only will there be users of the various Fortuna facilities (predominantly local Bendigo individuals and families) but there will be the national and international tourists who will make a visit to Fortuna an integral part of their visit to the Bendigo region.

The Bendigo Community. The Villa Fortuna Business Concept would involve the wider Bendigo community through a range of activities – such as utilising meeting rooms, visiting the gardens, dining out, going to a concert, participation in major events, e.g. annual art show.

The Wider Community. The variety of offerings at the site would draw people from the wider community. For example, weddings are a regular and proven earner and people will travel here outside their normal community if the location has the known appeal. Attractively set up, other in-house facilities (e.g. conference space) has the potential to draw customers from well outside the immediate Bendigo area.

Cultural Tourist Market. Special emphasis would be placed on attracting the 'Cultural Tourism' market of people who have more disposable income, combined with specific arts/culture interests which they are willing to pay for. The availability of some particularly high quality products and services would be an attraction for this demographic.

With its strong historical links to the history of gold production as well as Fortuna's place in the development of social and civic life in Bendigo, there is the opportunity to have a museum-standard display space within the Villa. This and other cultural offerings constitute an intrinsic appeal to this market sector.

The Corporate Market. Fortuna would be ideally suited for Corporate and Executive conferences and seminars. Such a use has been well established as a good revenue stream and some detail as to how this operates at similar venues is provided in this proposal's Additional Material – Case Studies. With the development of some additional facilities (e.g. accommodation, gym, sauna) the attraction of the site for this purpose would be even more enhanced.

If business corporations are to travel from their normal locations, then the conferencing and catering facilities, as well as the 'atmosphere', should aim to be first class.

The Education Market. The Education market would comprise students of all ages, from programs and activities for primary school children through to adult education classes (particularly in the arts and crafts field). The site grounds and building fabric could also be used for practical educational activities through arrangement with local skills-based technical training. This use of the facility would be offered as a community service, though at reduced charges.

1.4 Fortuna as a Business Enterprise

Whatever use Fortuna Villa is put to in the future, it must have a guaranteed source of revenue to allow for the maintenance and preservation of this important heritage asset.

The VFAG Proposal envisages an economically viable business enterprise being responsible for the management of the site, drawing on a wide range of revenue streams to maximize its chances of success. Full details of this are provided in the following Section 2, entitled "Business Structure".

1.5 Community Partnerships and Demand for Facilities

Bendigo is known to be a thriving centre for a wide variety of artistic pursuits but, apart from major View Street venues, this broad community artistic activity has no obvious physical focus.

Central to this proposal is the establishment of an arts and culture centre to complement the already existing well-established Arts Precinct venues in Bendigo. Cooperative, mutually beneficial activities would be envisaged to further enhance the growing reputation that Bendigo has developed, particularly in recent times.

The depth and variety of artistic life in Bendigo can be partly ascertained by looking at the two 'Directories' on the CoGB website – the 'Clubs and Organizations Directory' and the 'Arts Register'. While not a fully comprehensive listing, it is worth noting the number of registered groups that are listed in the clubs/organizations Directory are: Dance (15); Craft (12); Theatre (4); Photography (3); Antiques (2); Horticultural (4); Writers/Guilds (4); Heritage (7); Music (29); Multi-cultural (11) and Community (15). In the Arts Register which can include commercial interests there are the following number of registrations of activity: Film and multi-media (6); Literature and writing (17); Music (80); Performance (22); Visual (129) and Galleries/Studios (23).

The *Villa Fortuna Action Group* has conducted some enquiries into the likelihood of various Bendigo groups being interested in utilizing Fortuna as a base of some sort if this opportunity were to present itself. The reaction received to date has been very positive and those questioned have mentioned the obvious synergy of having their arts/crafts/cultural group gather and create in the unique environs afforded by the 19th C. villa. Certain groups have indicated that they would be pleased to have the long-term availability of congenial meeting space which they are not able to easily find in Bendigo at present.

Among those indicating an interest to VFAG in having some or all of their regular activity at a potential Fortuna centre were an Arts Society; Bands; Dance Schools; Genealogical and Ethnic Societies; a Sporting class (martial arts); Textile Arts Group; small Theatre Company.

In February 2009 the VFAG was represented at a CoGB scoping study to identify requirements for a Community Art Space. It is believed that if the existence of a Fortuna arts, crafts and culture facility were to become a reality, there would inevitably be a large demand for space there coming out of this acknowledged wide pool of Bendigo artistic activity.

The area of business partnerships and sponsorships is an area that would be explored, not only because of it being of financial benefit but particularly because of the raising of the profile of Fortuna Villa through the interaction of community groups and businesses with the arts Enterprise. The *Villa Fortuna Action Group* is already aware of at least one Bendigo company that would be willing to sponsor a room within such a developed complex with a \$1000 p.a. sum. With over 70 useful rooms in the Villa and heritage complex, this type of sponsorship would be worth pursuing.

The scope for partnerships having reciprocal benefits for the two parties (Fortuna and the participating business/organization) would be large and particularly suited to local participants e.g. the suppliers of official goods and services; recognized employment training programs; local and regional tourism agencies etc.

1.6 Potential as a National & International Attraction

Already Bendigo has many quality venues and attractions and to this, in recent times, have been added a number of extraordinarily successful exhibitions – the Archibald Prize; the Darnell Collection, the Golden Age of Couture. It is generally accepted that the 'gate' returns are one thing but the multiplier-effect regarding income to the broader Bendigo community is the key economic consideration. Similarly, an on-going range of quality, though not generally 'blockbuster', activities at Fortuna would have the same wider economic returns applying.

Fortuna could provide Bendigo with an attraction that other regional centres do not have, based on this unique 19th C. mansion set in spacious grounds that would be restored to their colonial appeal. To have a grand gold-era private home outside the Melbourne region would constitute a valuable draw-card in the current competitive regional tourist market.

Fortuna is a unique building with extraordinary possibilities and an intimate historic connection to Bendigo's early lifeblood – gold. The opportunity exists to display, as a complement to other display spaces that will exist within the City, some of Bendigo's finest historical collections within the setting of an entirely *authentic* venue. Such displays could well be on some form of rotating basis, showing the richness and variety of the region's historical heritage.

With the obvious appeal of a unique building, Fortuna has the potential to attract national and international audiences. The eventual restoration of the historic period gardens to their original glory would constitute a draw-card for garden lovers from across the country as well as from overseas. The quest for quality historical information and viewing of displays is a constant call from visitors to the Bendigo region and the city.

There is undoubtedly a growing Australian interest in heritage sites, museums, and galleries, as well as multi-cultural events. Local and family history has become popular and some towns have benefited markedly in recent years. Furthermore, with many Australian and overseas families having personal links to the gold rush era, Bendigo is well placed to take advantage of this burgeoning interest in genealogy and the contribution made by many ethnic groups.

Given that the Defence mapping facility has been on-site for some 65 years, one possibility which should be considered is the idea of a Museum of Mapping, Charting and Cartography. Such an exhibition space at a highly professional standard would demonstrate the multi-faceted appeal of the offerings at Fortuna for the national and international tourist. If established on the Chum Street site as the sole Museum of Mapping, Charting and Cartography in Australia, the added attraction of such a venue goes without saying.

1.7 Using the Site to Best Advantage

Investigation done by VFAG has shown that there is an existing and immediate demand for a wide range of community activities, including the conduct of wedding ceremonies and wedding photography at Fortuna (a continuation of past tradition). Research has shown that this, along with the ability to manage corporate functions is a ready, on-going and large income producer for venues that offer such facilities. Another avenue of income that similar venues are happy to exploit is the use of their site for film (set) location – this can earn income in the order of \$2000 per day.

The possible developments below would occur in stages, according to a carefully devised and responsible growth plan. With over 20 buildings on the site it is appropriate to give some brief indication of potential use under the VFAG proposal for an Enterprise functioning at Fortuna:

The Villa and Gardens (including the Pompeii Fountain): The optimal use would be one which maximizes public access so would include Tours, Museum Display, Galleries, Restaurant, Coffee Shop and Meeting Rooms.

The Lake and its Surrounds: Buildings here include the Coach House and the Summer house. The uses here would be those which maximize public access – an outdoor amphitheatre, sculpture garden, heritage gardens, picnic areas, outdoor dining areas etc.

The 'Industrial' Complex: These are buildings of both the Lansell and Defence eras which housed the 'heavy' industries on the site, e.g. the 'Print Hall, being Lansell's stamping batteries. The buildings here have the largest rooms so the optimal use would be for those activities which need the most space, such as functions and special events. Smaller rooms here could be used for a variety of purposes, such as retail, office space, studios, meeting rooms etc.

The 'Mapping Complex': These were the buildings used by the Defence/DIGO mapping production facility: Meeting rooms (large and small), work-shop spaces, class- rooms and office space.

The Accommodation Complex: Comprising the non-heritage buildings on the site which were used to accommodate the live-in Defence personnel. There are two potential ways in which this part of the site could be utilized. Firstly, it could be redeveloped into a modern accommodation precinct under a long-term leasing arrangement with an accommodation provider. Alternatively, the buildings in this complex could be used for the purposes for which they were built – accommodation, dining and kitchen. Converting some rooms for office/studio space could be considered or re-development into modern 'budget' style accommodation.

The Sports Stores Complex: In the short term, these facilities could be used to house artist studios and offices.

The Main Car-park and 'Bush Block': The Bush Block could be used for re-vegetation or re-development, either as part of the Villa Fortuna complex or as a separate sale for re-development purposes. Another consideration could be the siting of a paying car-park on the Bush Block, drawing custom from visitors to the neighbouring medical facilities.

1.8 Agreement of VFAG Proposal with Council Strategy

The *Villa Fortuna Action Group* believes that the proposal put forward here is in close accord with Council's stated directions, as expressed in a wide variety of its formal adopted Strategy documents. While there may be few mentions specifically of Fortuna in the Council documents cited, the broad thrust of other strategies is nevertheless clearly in accord with the VFAG aims for this historic property.

In the Greater Bendigo Community Plan (Bendigo +25) is the commitment that *"Greater Bendigo's Arts and Culture will be accessible to the whole community and enrich people's lives and general wellbeing"*. Its Welcoming Place Group states that Bendigo will have *"a strong sense of local identity"* and among its proposed Actions: *"We will do this by planning for responsible development of heritage places"*.

Extensive community consultation led the Arts and Cultural Strategy 2008 – 2011 to conclude a 'Community Arts Centre' as being one of the key issues and opportunities. Such a centre is described in the Strategy document as *"An arts hub where the community can gather to meet and engage with art and artists. Courses would be run ... exhibitions and displays would be held ..."*.

Since 2006, the City of Greater Bendigo has maintained a web-page relating to Fortuna, which says that *"the City will consult with the Federal Government, local and regional Members of Parliament and staff from the Ministry of Defence with respect to future of Fortuna and what is required to achieve the best outcome for the community."* Further, the City Futures Director states: *"One thing that we can say for sure is that Fortuna has played an important role in the history of Bendigo and it will play an important role in its future too,"*

At its Ordinary Meeting of 5th April 2006 Council resolved to assume a 'prime leadership role' in helping determine the potential future uses of Fortuna.

In the adopted 'Council Plan 2005-2009 - Living our Potential' is the following Strategic Objective and Action:

'We will be a key contributor to the region's prosperity'

'We will do this in 2007/08 by ... exploring opportunities for the future use of Fortuna Villa and grounds'.

In the draft Council Plan 2009-2013 presently before Council, under 'Service for the Community – Work together to provide a diverse range of services that meets the needs of the community' is the Key Action

'Explore opportunities for the future use of Fortuna Villa and the surrounding grounds'.

The 'Business Concept' document put forward here by the *Villa Fortuna Action Group* is in good agreement with these expressed Council strategies. It is put forward as a community-based use of Fortuna Villa and suggests a bright, vibrant future. However, it is natural that even this initial 'Concept' document will be viewed through the lens of 'economic viability' and, for this reason, VFAG submits some varied examples of innovative approaches being undertaken both in Australia and overseas. (see Additional Material – Case Studies).

2. Business Structure to Support the Vision

2.1 Introduction

In Section 1 of this document, the *Villa Fortuna Action Group* provided an overview of its vision for the future of *Fortuna Villa*. In this Section, the *Villa Fortuna Action Group* provides a series of suggestions for the optimal implementation of that vision. Where appropriate, the reasons for these suggestions are provided.

2.2 Acquisition of Fortuna Villa

Acquisition

The *Villa Fortuna Action Group's* vision proposes that *Fortuna Villa* become a Community asset. In order to achieve this, it is proposed that the Council of the City of Greater Bendigo (referred to as Council henceforth) acquire *Fortuna Villa* from the Department of Defence through the mechanism known as "**Priority Sale at Concessional Rates**".

To qualify for access to the "**Priority Sale at Concessional Rates**" arrangement, Council, for its part, is required to:

- Justify the request for *Priority Sale* to Defence
- Negotiate a purchase price (at *Concessional Rates*) with Defence
- Submit a Business Plan to Defence which:
 - shows how Council intends to meet stated Government strategic priorities through the purchase
 - demonstrates the long term viability of the proposed use of the site
- Undertake to meet the Defence requirements for the on-going heritage protection of the site, as expressed both in legislation and through caveats which will be placed on the title at the time of sale

The Importance of an Intact Property

The *Villa Fortuna Action Group's* Business Concept is predicated on retaining the *Fortuna Villa* site largely intact. Sub-division of the grounds to realise windfall profits could be tempting for a Council facing naturally expected operations and maintenance bills. To do this, however, would have severe, permanent negative impacts on the site's potential. The main impact due to the close proximity of neighbours would be to severely curtail or eliminate a range of income-generating activities (e.g. outdoor music or drama activities as well as activities involving large numbers of people). Such development would also severely compromise the aesthetics of the site, due to high density housing being visible from the villa.

The *Villa Fortuna Action Group's* alternative strategy is for a suitably sited part of the land to be leased under a long-term (50 or 99 year) arrangement to an accommodation provider for development into an accommodation precinct. Under this arrangement, the ownership of the property remains with Council whilst still generating annual rental income (which can be directed towards maintenance). As

owner, Council will have a controlling input as to the location of buildings and the impact of these on the aesthetics of the site.

2.3 The Fortuna Business Enterprise

Creation of the Fortuna Business Enterprise (FBE)

The *Villa Fortuna Action Group* proposes that Council establish an independent, community-based legal entity/Trust (referred to as the **Fortuna Business Enterprise (FBE)** in the remainder of this document) which would have two purposes:

- to manage and maintain the property under contract on behalf of the owners (Council and ratepayers)
- to run the core business enterprise aspects as recommended in this proposal

As the creator of the **FBE**, Council would be in the position to appoint the **FBE's** Board of Management. At Council's discretion the Board could be made up from representatives from Council itself, from business and legal fields, as well as representatives from the Community drawn from the arts, heritage and cultural fields. The well-established and widely representative Abbotsford Convent Foundation Board offers a model in this regard.

Under this proposal, Council would draft a contract for the management, maintenance and operation of the *Fortuna Villa* site.

Under the Contract with Council, the **FBE** would be required to responsibly manage the *Fortuna Villa* site on behalf of the owner (Council), preserve the heritage aspects of the site and meet the Service Level Agreements contained in the contract

The *Villa Fortuna Action Group* has obtained independent legal advice on how the **FBE** could be established and operated so as to minimise risk for Council. This advice will be made available to Council on request.

Fortuna Business Enterprise (FBE) Operations

As a Community-based enterprise, the **FBE** would be required to:

- achieve economic viability and sustainability
- make available any profits from its operations for use in maintaining and developing the *Fortuna Villa* site and its facilities

There could be three main components to the **FBE's** operations – Finance, Facilities Management and Business Enterprise

Finance. Key functions would include:

- Management of the Contract with Council
- Finance Management
- Trust Fund Establishment, Operation and Management
- Fundraising

Facilities Management. Key functions would include:

- Buildings and Grounds maintenance
- Heritage Management and maintenance
- Administration
- Human Resources (including volunteers)
- Service Provision (including utilities, amenities, security, cleaning, IT, etc)

Business Enterprise Operations. Key functions would include:

- Core Business Enterprise Operations
- Marketing
- Events and Programs
- Tenancy management
- Visitor Services

2.4 Finance - Principles

The **FBE** would aim to develop an economically viable business enterprise that would not be a financial burden on the ratepayers of the City of Greater Bendigo. The six key financial principles of this proposal are outlined below.

Principle 1 – Commercial Viability and Sustainability

The **FBE** would aim for commercial viability in the short to medium term (3-5 years). To achieve this, some initial seed funding would be required.

A model for such independence through commercial viability can be seen in the venue structure and business at the Abbotsford Convent (see the Abbotsford Convent Case Study). Other models are also available which illustrate this point.

Principle 2 - Diversified Income Streams

Under the VFAG proposal, the **FBE** would seek to develop income from as wide a range of income streams as possible. It is envisaged that income for the **FBE** could be derived from five key areas: commercial activities, long-term leasing arrangements, the Philanthropic Sector, Government (State and Federal) and a special-purpose Trust Fund. See Section 2.4 for more details.

Principle 3 – Attainment of Not-for-Profit Status

Under the VFAG proposal, the **FBE** would attain not-for-profit (NFP) status. There are two important reasons for this. Firstly, with NFP status, the **FBE** will be eligible to apply for, and receive, Government funding and grants. Secondly, with NFP status, any surplus funds generated from the business activities will be directed back into the operations, maintenance and development of the site and for the benefit of the community.

This Government funding income stream would not be available to a for-profit, private enterprise business operation.

Principle 4 – Attainment of Deductible Gift Recipient Status

Under the VFAG proposal, the **FBE** would attain Deductible-Gift-Recipient (DGR) status. Any donations to an organisation which has Deductible-Gift-Recipient (DGR) status are tax-deductible for the donor. Effectively, the attainment of DGR status will open the door for the **FBE** to receive funding from the Philanthropic sector.

This Philanthropic Sector income stream would not be available to a for-profit, private enterprise business operation.

Principle 5 – Community and Business Partnerships

The *Villa Fortuna Action Group* recommends that the **FBE** should aim to establish mutually beneficial partnerships with both the Community and Business sectors.

In the Community sector, there is an unmet demand within Bendigo for the services that Fortuna can potentially offer, such as access to meeting rooms, Community Arts Spaces. Some of these services can be offered at full commercial rates, whilst others can be offered at subsidized rates (offset by full-fee paying clients).

Principle 6 – Conservative Approach to Business Risk

The *Villa Fortuna Action Group* proposes that the **FBE** would take a conservative approach to business and financial risk in order to minimise the likelihood of financial failure. It can do this by identifying higher risk activities (such as Festivals and Special Events), and outsource them where possible (as is done at Werribee Park) to an external promoter. The promoters of such activities would lease the Villa Fortuna site, or part of it, for those activities. If the activity is not a success, it will not adversely affect the Fortuna Business Enterprise financial position.

2.5 Finance – Income

As stated in Principle 1, the **FBE** would seek to derive income from as wide a range of income streams as possible. Potential income streams are identified below.

Income from Commercial Activities

The **FBE** could undertake a wide range of income-generating commercial activities:

- Core commercial operations (e.g. galleries, facilities rental, tenancies such as restaurant, coffee shop)
- Tourist facility management (e.g. tours, gift shop, car parking, entry fees)
- Educational activities (e.g. school visits, camps, education activities)
- Entrepreneurial activities (e.g. as a base for festivals and events organized by entrepreneurs)
- Business Partnerships (e.g. catering services provider)
- Sponsorships

Income from Long Term Leasing Arrangements

The *Villa Fortuna Action Group* proposes that income could be generated from a long term (50 or 99 years) leasing arrangement with an accommodation provider over part of the site. This will have two main benefits for the **FBE**. Firstly, revenue from the lease will be directed into the maintenance of the property; secondly, the scale and aesthetics of the development can be controlled, thus reducing the aesthetic impact on the Villa; thirdly, on-site accommodation will be a boon to many events which will be run from the site.

Income from Government Sector

With its NFP status, the **FBE** could actively seek State and Federal Government funding, both from recurrent funding under on-going programs (eg. heritage) and through one-off competitive grants. Examples of such funding include:

- heritage restoration grants
- Australia Council for the Arts grants
- Arts Victoria grants
- Education grants
- Art-as-Therapy programs (Veterans Affairs and Health Departments)

Income from the Philanthropic Sector

With its DGR status, the **FBE** would pursue funding from the Philanthropic sector (both one-off and an on-going).

Additionally, under the Philanthropic banner, VFAG suggests that the **FBE** could establish donation, sponsorship, gift and bequest programs.

Income from a Special-Purpose Trust Fund

On commencement of operations, the **FBE** could establish a Trust Fund as a long term investment instrument so that donations, gifts and bequests could be secured, with the interest earned contributing towards meeting the maintenance of the heritage portions of the Villa. A program for encouraging donations, gifts and bequests would be actively pursued.

2.6 Finance - Costs

Costs of Purchase

With access to the **Priority Sale at Concessional Rates** mechanism, Council can purchase the *Fortuna Villa* property for a negotiated amount that would depend on the strength of the case it can put before the Federal Government. Political considerations can aid in this outcome.

Costs of Refurbishment (Startup Costs)

Defence sees itself as a good corporate citizen, and will restore the property to “good order” before it sells it. Good order does not mean that it will be ready to receive visitors and tourists on day one. There will still need to be some work done to bring it up to current occupational standards (OH&S, fire safety, etc). The estimates will only be known on the release of the Defence audit and condition reports.

Costs of Maintenance

In relation to the **FBE** proposal for *Fortuna Villa*, it is proposed that the heritage values of the site should be seen as an asset which will contribute to the bottom line and not a liability, as it would be with an operation which does not have a heritage focus. As a result, funds spent on maintenance should be seen as indirectly contributing to that bottom line.

When addressing maintenance, it is important to distinguish between preventative maintenance, repair and refurbishment.

- *Preventative Maintenance* is programmed and cyclical in nature and should be seen as mandatory.
- *Repair* is random, unforeseen and is also mandatory.
- *Refurbishment* is programmed, one-off (for a given part of the site), and optional.

Funds for preventative maintenance should be programmed into the annual budget cycle, and undertaken when programmed. Contingency funds should be set aside for repairs each budgetary cycle. Refurbishment should only be undertaken when sufficient discretionary funds are available, and there is a business case to justify that expenditure.

As for the cost of maintenance/repairs/refurbishment, this can be looked at in two ways – through income generation and through cost minimization activities.

Income Generation Activities for Maintenance/Repair/Refurbishment. The *Villa Fortuna Action Group* propose that funds for preventative maintenance and repairs can be generated through:

- Rental income from the long-term lease of land in the Accommodation Zone
- Income from the interest component of a Trust fund (sourced from donations and bequests)
- An annual allocation from the operating revenue of the FBE
- Government grants (especially in heritage areas)
- Annual Sponsorships by businesses for specific rooms

In addition, specific Philanthropic grants, Business Grants and Government Grants can be sought for refurbishment projects on a case-by-case basis.

Cost Minimisation Activities for Maintenance/Repair/Refurbishment. Cost minimization for maintenance/repair/refurbishment activities could be achieved through implementing the following suggestions:

- Use of volunteer labour (for specific tasks – not for all tasks)
- Programmed maintenance (preventing deterioration)
- Heritage apprenticeships (using the Holmesglen TAFE model at BRIT)

- Hosting a Heritage Maintenance business (as a Business Partnership)
- Employment of a part-time maintenance technician (avoiding costly contracts)

Note that National Trust do not use in-house staff to perform heritage restoration, due to the highly specialized nature of the work. Some maintenance falls under this, but not all.

A reliable estimate for maintenance can only be gained after Defence releases its own figures for Fortuna. However, it should be realized that these figures will be a conflation of maintenance, repair and refurbishment costs.

Costs of Development

An examination of the costs associated with getting the **FBE** up to the operational stage will only be known at the completion of a recommended Business Plan.

Operational Costs

An examination of the costs associated with the **FBE** operations will only be known at the completion of a recommended Business Plan.

The Importance of Phased Development

The *Villa Fortuna Action Group* sees it as imperative that the **FBE** would adopt a phased approach to development. Under this approach, the proposed activities on the site would be developed and implemented in stages. External funding (startup funding) would be required to launch the first phase of development, but subsequent phases would only be commenced on the achievement of financial targets. In this way, the initial startup costs are controlled. This strategy has proven to be a successful approach elsewhere (e.g. Abbotsford Convent).

2.7 Strategic Considerations

Heritage Protection and Maintenance

The heritage values of the *Fortuna Villa* site form a key part of the VFAG proposal both in aesthetic and functional terms. Maintenance and enhancement of the heritage values of the site will therefore be critical to the success of the **FBE**. Any funds spent on this would actually enhance the functionality.

If *Fortuna Villa* were to be used for any other purpose (some already proposed uses include Medical Clinic, Retirement Village, Council Offices, Boutique Hotel), the Heritage values would only be of value from an aesthetics viewpoint, and not functionally. In such cases, heritage maintenance would be seen as an unwelcome cost impost.

Community Engagement

Community Advisory Group – It is recommended that a Community Advisory Group be set up to draw on community expertise and opinion as to how the facility could best be used to aid the community.

The local community is seen as a key partner and a many-layered involvement is envisaged, including participation on the Board of Management; an advisory role in operations; as volunteers; as users of the facility (community groups); as participants in activities (individuals); as beneficiaries of its services; and as ambassadors in its promotion.

Volunteers

Volunteers will be particularly important to the success of the venture in all areas of its operation and areas of involvement could potentially include garden maintenance, museum volunteers, tour guides (historical and ghost tours), etc. Appropriately managed, volunteers can be critical in performing tasks which would cost money to perform for a private enterprise business.

Community Benefit

The local community will benefit greatly from the facilities and services which could potentially be offered as part of the VFAG proposal. Facilities, such as meeting rooms, storage space, activities and amenities, could be made available on a subsidized or full fee basis, depending on a number of criteria.

The community engagement strategy of the **FBE** should be based on the realization that the success of the venture will be dependent on patronage and usage.

Business and Community Partnerships

The scope for mutually beneficial partnerships for the **FBE** with both business and community is vast. Some examples are included below.

Business Partnerships. An example of a mutually beneficial Business Partnership could be in the area of accommodation. There is a large area of the *Fortuna Villa* property which currently houses the old Army Barracks which could be leased long term to an accommodation provider for renovation or complete redevelopment. The benefit to the FBE would be twofold – firstly in terms of the annual rental such a lease would yield (this being injected directly back into the maintenance of the property) and secondly, through the availability of on-site accommodation for activities (festivals, events) at Fortuna. The benefit to the accommodation provider would be the business generated by being in close proximity to a major drawcard.

Community Partnerships. The *Fortuna Villa* site could potentially house a large outdoor amphitheatre, a smaller indoor theatre and other spaces for rehearsal and performance in a number of disciplines (e.g. music, drama, dance). The **FBE** could form a partnership with The Capital theatre for the running of large outdoor productions (e.g. The Capital presenting Bell Shakespeare Company performing 'A

Midsummer-Nights Dream' in the outdoor amphitheatre at Fortuna). Smaller amateur drama companies could base themselves at Fortuna and utilise the facilities for rehearsals before launching their full productions at The Capital.

Indigenous Recognition

The original inhabitants of the Bendigo region, the Jaara Jaara people, through their elders, have been consulted on VFAG's initial proposal, and they have expressed both satisfaction and interest in its implementation.

Environmental Sustainability

As a responsible community member, the **FBE** should, in conjunction with Council, seek to implement a number of different environmentally sustainable measures at Fortuna Villa so as to reduce the impact of its operations on the environment. Some appropriate areas which could be considered would include – sealing of the lake-bed to minimize water loss; storm-water harvesting for both garden maintenance and lake refilling; electricity generation through solar arrays on steeper, unused parts of the land; water-wise gardens; solar (reverse cycle) heating; and solar powered external lighting.

3. Recommendations and Suggested Next Steps

3.1 The Villa Fortuna Proposal

There are other possible options for the future of Fortuna Villa, and the *Villa Fortuna Action Group's* proposal is but one.

Fortuna Villa is arguably the best, intact Gold-Rush era building and grounds remaining in rural Victoria. Neither Geelong nor Ballarat can boast a property of its grandeur, scale or significance.

The *Villa Fortuna Action Group* believes that Fortuna Villa can become the jewel in Bendigo's crown, given the right model for development and the right management team.

A Golden Opportunity Arises

Its forthcoming sale represents a once-in-a-lifetime opportunity (perhaps even the **last** opportunity) for this intact icon to be placed in community hands.

If Council declines the opportunity to acquire this landmark property, then the site will inevitably fall into private hands. Whilst the heritage values of the site will be protected by legislation, regulations and covenants, the overall integrity of the site will be lost, as extensive sub-division of non-heritage land will be the inevitable outcome. Once lost, this intact status will never be regained, and the people of Bendigo will be all the poorer.

It is suggested here that Fortuna Villa can be acquired and operated without placing an excessive financial burden on the ratepayers of Bendigo and that this Business Concept is an appropriate model.

Just as Council is rightly praised for its foresight in the preservation of The Capital theatre, and its support for the Bendigo Art Gallery, the *Villa Fortuna Action Group* believes that the current Council will be praised by future generations for its foresight in saving Fortuna Villa.

Rationale for the Business Concept

A decision on Fortuna cannot be taken lightly. The *Villa Fortuna Action Group* understands that Council's key considerations in assessing this proposal will include:

- Future use
- Feasibility and Viability
- Income
- Cost to the ratepayers (acquisition, refurbishment, maintenance and operation)
- Business Risk

In this Business Concept, the *Villa Fortuna Action Group* has provided Council with one option for the future use of the property with an indication of the potential income streams for that use.

Based on the Abbotsford Convent experience, the *Villa Fortuna Action Group* firmly believes that this Concept is viable, although it is noted that both the demographics and the locations are different. The *Villa Fortuna Action Group* would envisage the enterprise to be self-sustaining within five years of commencement of operation.

The *Villa Fortuna Action Group* does not have the business expertise nor access to the relevant information (from Defence) to provide the necessary detail on the above assessments. Given the significance of the issue, Council is asked to assist in this endeavour, through funding for a Consultant to create a Business Plan centered around the VFAG model and a feasibility analysis of that plan.

In deciding whether to acquire Fortuna Villa for the community, the costs of purchase, renovation and maintenance will need to be considered, along with the financial viability and risks of any business enterprise which operates from the site.

What is proposed is a model that is economically viable, but this will only be determined through the development of a professionally conducted, formal Business Plan (including Feasibility Study).

Timetable Considerations

At the moment, Council is awaiting the release of Defence information on Fortuna Villa, including condition reports and costs, before it decides whether to pursue the purchase of the property.

When Defence releases these reports, Council will have a limited amount of time to consider them and decide whether or not to negotiate for the acquisition of the property.

If it seeks to purchase the property, it must present a viable Business Case to Defence, who want to ensure that the property does not deteriorate or be on-sold for short-term profit. At the VFAG Forum on Fortuna Villa in June 2008, Defence gave some very clear guidelines as to what was required in such a Business Case.

Therefore, if Council is to pursue the purchase of Fortuna, then it would be wise to commence preparing that Business Case as soon as possible.

3.2 Recommendations

Concluding this Business Concept, it is recommended that Council:

- acknowledge the Business Concept, and after consideration and internal discussion, provide feedback to the *Villa Fortuna Action Group*
- meet again with the *Villa Fortuna Action Group* for further clarification of the proposed Business Concept
- engage with the State Government on this proposal and the larger development opportunities presented by the vacant Chum Street mining site
- URGENTLY fund the preparation of a Feasibility Study and Business Plan based on the *Villa Fortuna Action Group's* Business Concept (with improvements suggested by Council)

The Villa Fortuna Action Group Inc.