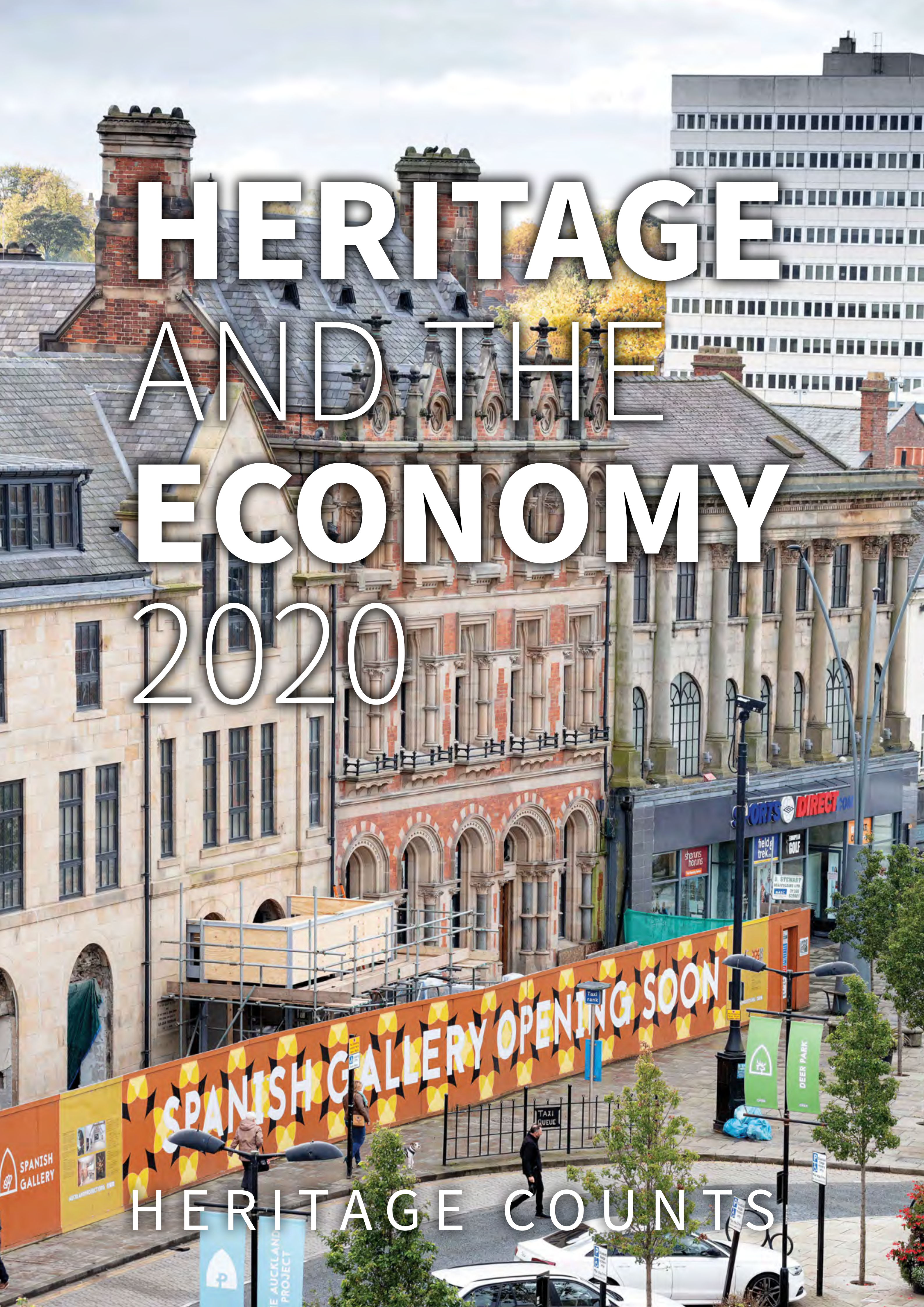
HERITAGE AND THE ECONOMY 2020



HERITAGE COUNTS

Bath Abbey in August 2020, usually packed with tourists, this year things remained quiet as movement and travel were restricted due to COVID-19.
© Historic England Archive

HERITAGE AND THE ECONOMY

The historic environment is intrinsically linked to economic activity, with a large number of economic activities occurring within it, dependent on it or attracted to it.

Heritage and the Economy examines the economics of heritage conservation and presents evidence on the numerous ways that the historic environment contributes to the national economy and to local economies. The report is presented in the following sections:

The evidence presented here includes recent research findings as well as past seminal pieces, forming part of the heritage sector's rich, multi-dimensional knowledge base. The evidence is presented as brief bite-sized facts with links to the detailed evidence sources for more technical readers, or those with more specific evidence needs.

Together with Heritage and Society and Heritage and the Environment, Heritage and the Economy can be used by anyone to make the case for heritage.

1. The economic profile of the heritage sector (pre COVID-19)

Heritage is an important source of economic prosperity and growth. The heritage sector is a complex and multidimensional sector with multiple economic activities dependent and embedded within it.

The Heritage Sector is an important economic sector with a total GVA of £36.6bn and providing over 563,509 jobs in 2019 (pre COVID-19).

Heritage is all around us. It directly provides:		
	£14.7bn GVA	**206,000 jobs**
Direct + Indirect impacts		
	£23.3bn GVA	**355,223 jobs**
Direct + Indirect + Induced impacts		
	£36.6bn GVA	**563,509 jobs**

SOURCE: CEBR 2020

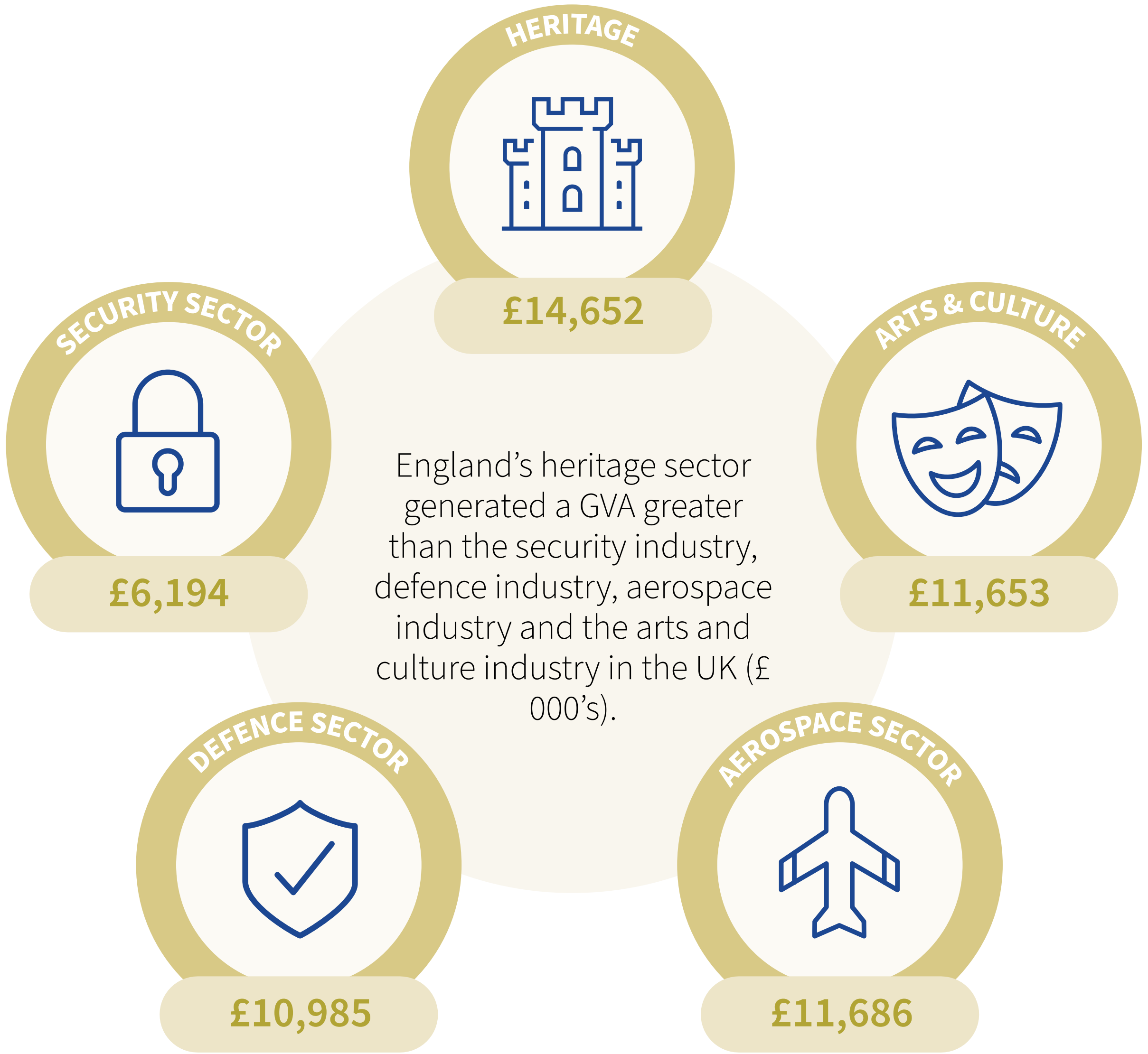
Gross value added (GVA) is a measure of the contribution to the economy made by an individual producer, industry, sector or region. It is the value of output less the value of intermediate consumption.

The Courthouse Hotel in Knutsford.
© Historic England Archive

The economic footprint of key heritage sub-sectors in 2019.

DIRECT GVA OF THE LARGEST HERITAGE SUB-SECTORS

LIBRARIES, ARCHIVES, MUSEUMS	ARCHITECTURAL & ENGINEERING ACTIVITIES	PUBLIC ADMINISTRATION & DEFENCE, COMPULSORY SOCIAL SECURITY	CONSTRUCTION
£3,007m (20.5%)	£2,100m (14.3%)	£618m (4.2%)	£6,761m (46%)



SOURCE: CEBR 2020

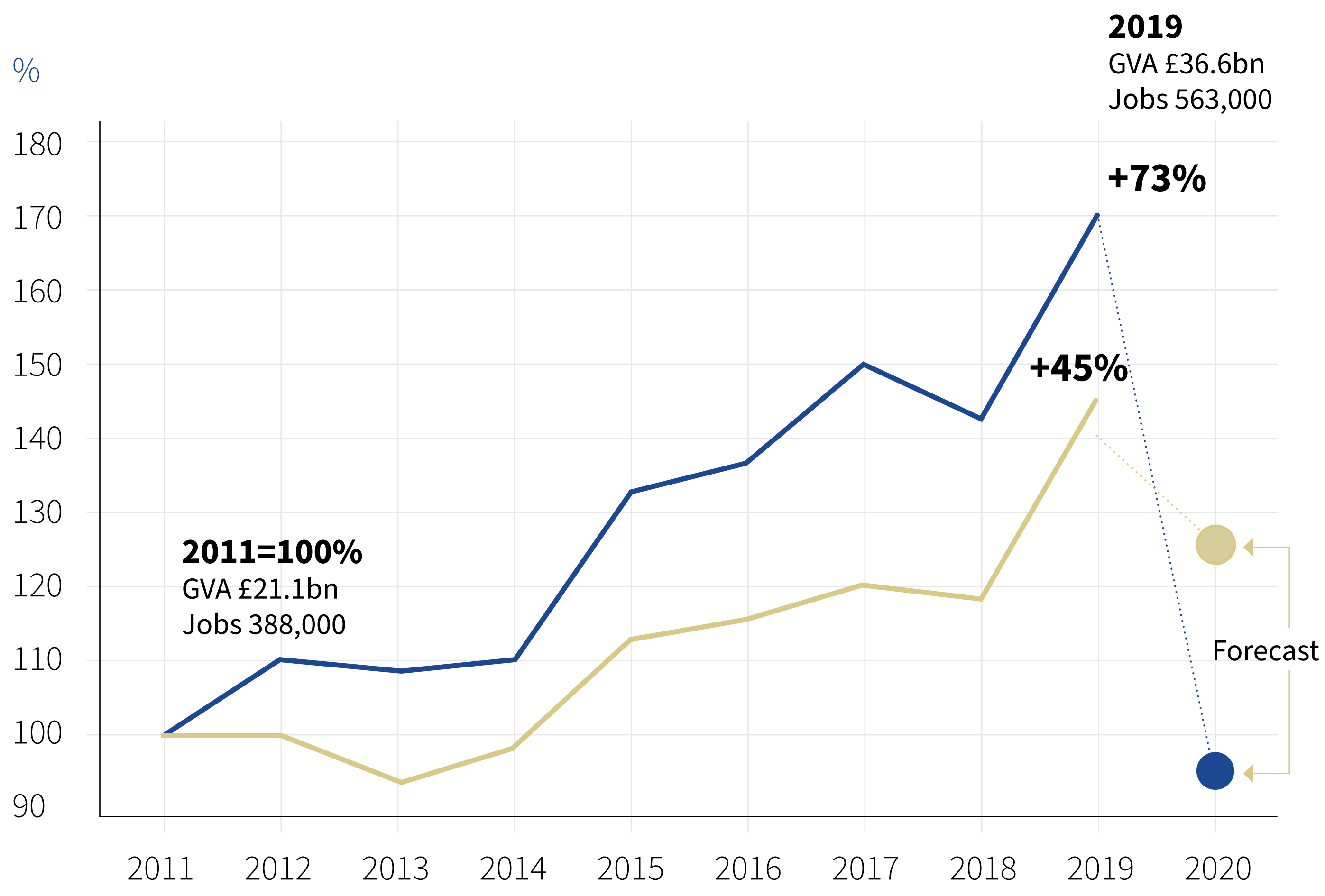
The heritage sector is an important employer and producer of economic wealth.

The average heritage worker produced £71,000 of Gross Value Added (GVA) per year.

£71,000

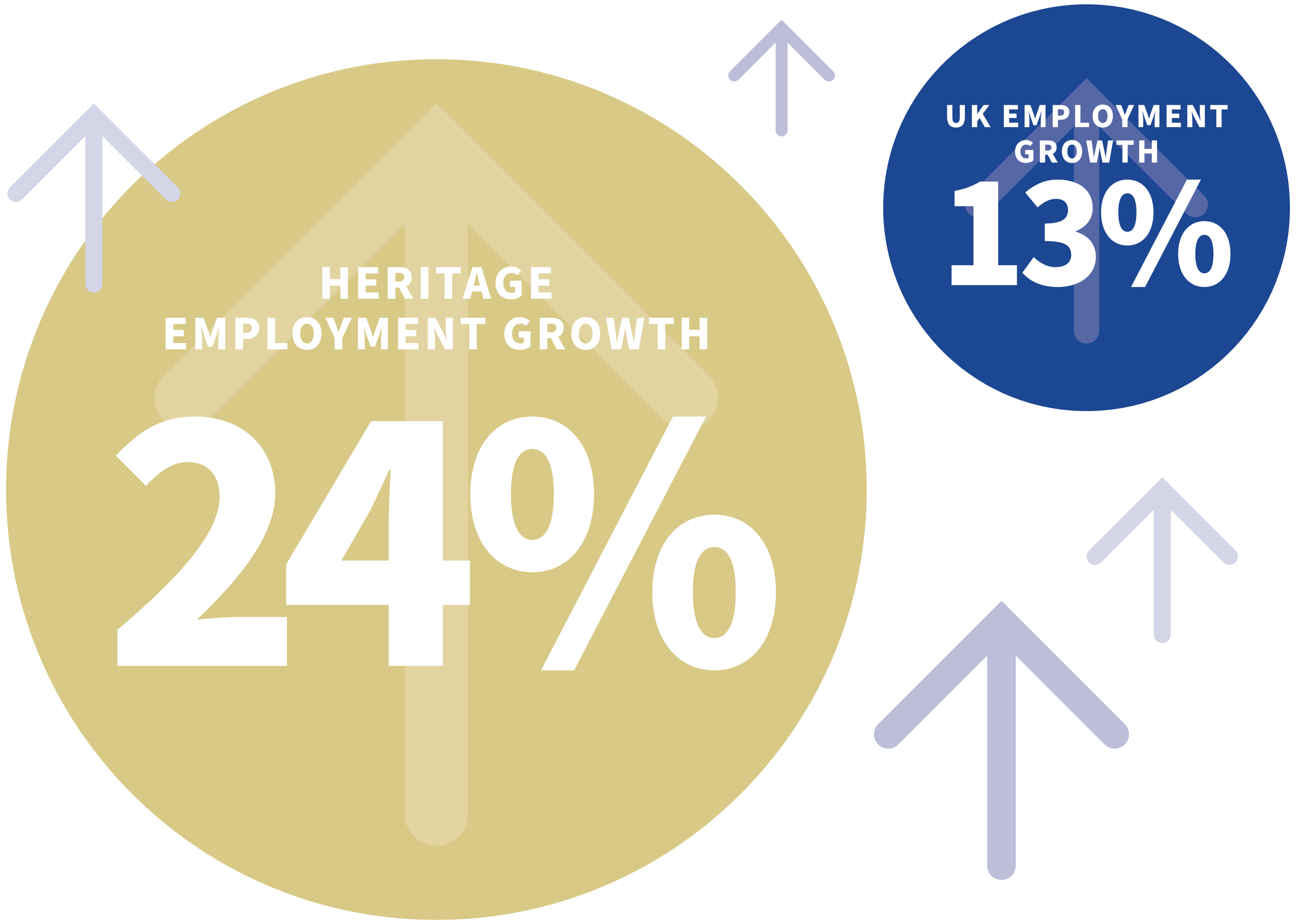
SOURCE: ONS, CEBR 2020

The heritage sector is a vital and growing part of our national economy- but the sector has been hit hard by the COVID-19 pandemic.



SOURCE: CEBR 2020

Heritage employment growth outstripped the rest of the UK economy, **growing almost twice as fast between 2011 to 2019.**



SOURCE: CEBR 2020

Method statement: Heritage sector profile data

The heritage sector's economic value stems from a variety of activities, ranging from conservation and preservation of historic buildings to activities in the natural environment. Historic England commissioned the Centre for Economics and Business Research (CEBR) to conduct statistical analysis and economic modelling to estimate the ongoing contribution of the heritage sector in England. CEBR's estimates provided a robust and detailed statistical definition of the heritage sector using a SIC-SOC methodology in which occupations in the heritage sectors were mapped to specific industries.

FOR A DETAILED METHOD STATEMENT SEE CEBR 2020


A young worker weeds the sedum roof of an historic farmhouse in North Yorkshire. © Historic England Archive

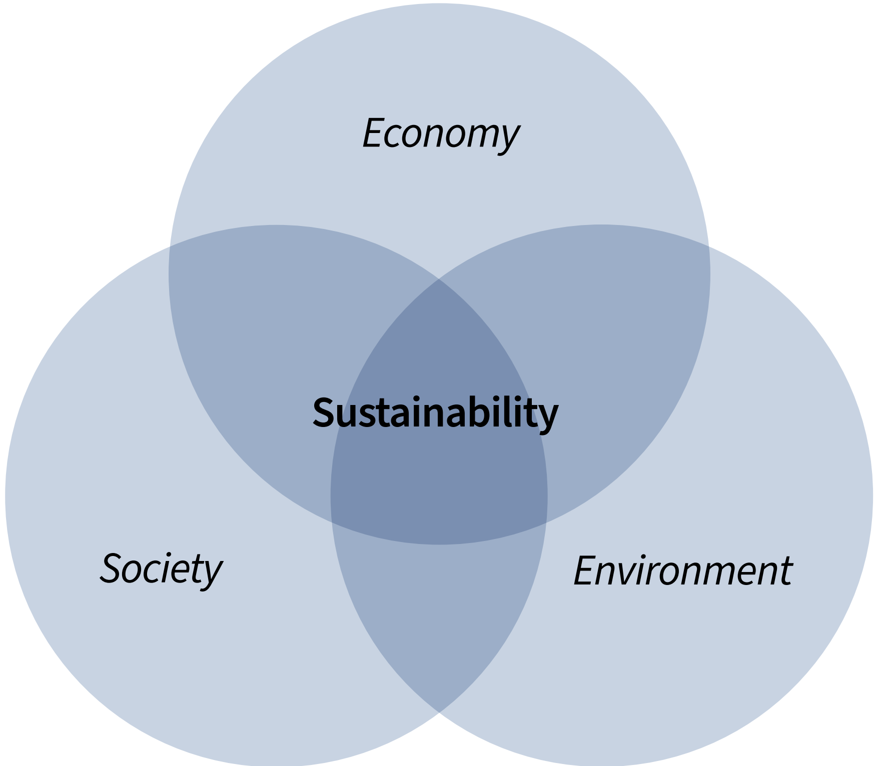
2. Introduction
Heritage and the circular economy – building back better, building back greener

The COVID-19 pandemic has highlighted some of the vulnerabilities of our economic systems and the interdependence of our local, national and international economies.

As the UK and the world begin the uncertain journey towards recovery from the economic shock of the COVID-19 pandemic, it is increasingly clear that in order to build prosperity over the long term we must broaden our approach to the economy to consider the interconnectedness between the economy, the wellbeing of society and the environment. To achieve long term, sustainable growth, we must build resilience and adapt to a circular economy and a greener economy (Defra, 2020).

"The global community is increasingly realizing that a development model based solely on financial enrichment does not guarantee improvements to living standards and at the same time is a serious threat to environmental stability.... a conscious shift is taking place all over the world [to] adopt alternative indicators for development that reflect not only economic but also social and environmental outcomes to shape policies and measure progress"

(ICCROM).



Neptune Energy Park turbines under construction at Neptune Historic Dry Dock in Newcastle upon Tyne. It will be the first offshore wind project to use a 66kV rated inter array to connect turbines to a new onshore sub station at Blyth.


Repairs taking place at Pontefract Castle, West Yorkshire. © Historic England Archive

In the UK, the Prime Minister has committed to "building back better and building back greener"
(Defra, 2020)

- **The conservation, use, and re-use of our precious heritage assets exemplify the fundamental principles of the circular economy.** Towns and cities up and down the country enjoy a rich stock of heritage assets whose lifespans can extend over hundreds of years. Over 21% of all homes in England are today over a century old and over 48% of all retail stock and 33% of our offices were built before 1919 (VOA in Whitman et al, 2016).

  Our historic environment provides workspaces, homes, community and leisure spaces not only for us today and for generations past, but with the right investments, our heritage can continue to provide for future generations.

- **Heritage is inherently sustainable and is an integral part of a low carbon economy *(chapter 4).*** Investing to extend the life and durability of heritage and investing in the adaptive reuse of the built historic environment adds value. Heritage generates jobs and incomes; avoids waste from demolition; reduces consumption of new materials and reduces our overall carbon footprint.

- **Moving towards a circular economy means working harder to optimise the productivity of our existing heritage assets and capturing the value of heritage and the economics of uniqueness *(chapter 5).*** The distinctiveness of our heritage makes places special and fosters a place identity which in turn attracts businesses and people to place. The adaptive reuse of heritage can be a source of regional regeneration and competitive advantage (Gustaffson, 2019).

- **Central to a circular economy and building back better is a focus on wellbeing and inclusive growth (OECD, 2020). Heritage is a catalyst for inclusive growth and an important part of our wellbeing economy *(see chapter 6).*** Heritage can forge place and social cohesion and, through volunteering, participation and engagement programmes, reduce inequalities in human capital (Dorpalen and Gallou, forthcoming). The UK government is committed to a levelling up agenda, and aims "to mend the indefensible gap in opportunity and productivity and connectivity between the regions of the UK" (Prime Minister's Office, 2020). Public investments in heritage expand culture and heritage capital *(see chapter 6)* and provide public goods, which are a source of equalisation.

"The UK is committed to moving towards a more circular economy which will see us keeping resources in use as long as possible, extracting maximum value from them, minimising waste and promoting resource efficiency"
(Defra, 2020)

3. Focus on: COVID-19, Heritage and the Economy

In recognition to the fundamental and extraordinary effects COVID-19 has had and continues to have on life as we know it, we have dedicated this early chapter of our usual publication to examining evidence about the impact of COVID-19 on the heritage sector. The discussion and analysis below were written in early November 2020, providing a static picture of what is a dynamic and rapidly evolving public health and economic occurrence, packed with uncertainty.

3.1 COVID-19 and the economy

- **COVID-19 has significantly slowed economic activity both domestically and internationally.** The UK, like many other countries introduced unprecedented public health interventions in 2020 to contain the COVID-19 pandemic. Businesses have temporarily shut, schools closed, travel and mobility has been restricted as people have been requested to stay at home intermittently over the past nine months. The Organisation for Economic Cooperation and Development (OECD) estimates that *for every month of strict containment measures, annual Gross Domestic Product (GDP) declines by up to 2 percentage points.*

- **COVID-19 has caused a sharp decline in supply and demand compared to pre-pandemic levels.** From March to June 2020, card transaction data shows that UK consumption declined by up to 12%, with the biggest slump in spending in March 2020 (HIS Markit, 2020). The UK's Quarterly Gross Domestic Product (GDP) contracted by 12.3% in the three months to August 2020 compared to the same period in 2019 (Office for National Statistics, 2020).

- **Economic growth is unevenly distributed between sectors.** For instance, while the GDP of the production sector has almost reached pre-pandemic levels in September 2020 (5% lower than February 2020), *accommodation and food services are 24% below the pre-lockdown measures. The GDP of the arts, entertainment and recreation sectors remained 25% below February 2020 output levels* (Office for National Statistics, 2020). In fact, this sector and the 'accommodation and food service activities' sector performed the worst of all UK sectors when comparing GDP of the latest three months (Sept 2020) to the same three months a year ago (Office for National Statistics, 2020). The significance being that these sectors are a pivotal part of the heritage sector.

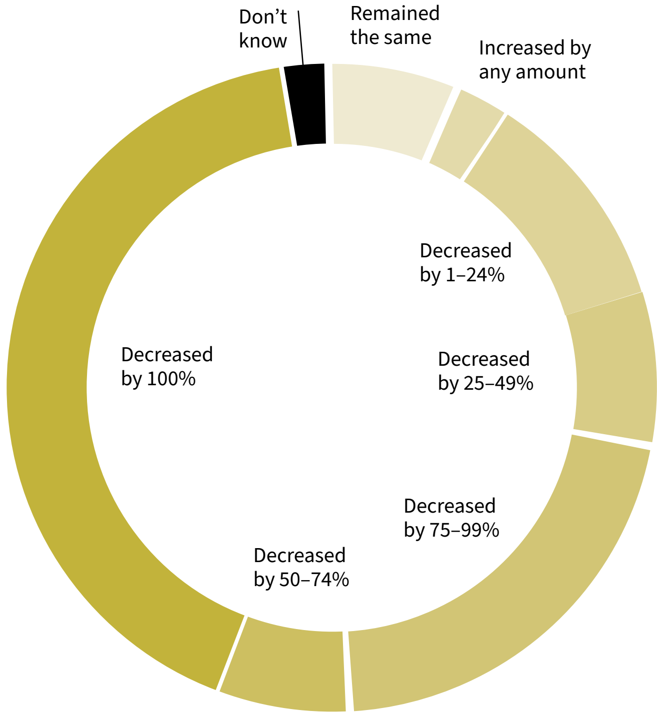
- **Although the UK economy had begun a recovery path, the speed of the recovery is slowing down due to a second COVID-19 wave.** Monthly gross domestic product (GDP) grew by 1.1% in September 2020 and by 2.1% in August 2020, following growth of 6.4% in July and 9.1% and 2.7% in June and May, respectively (Office for National Statistics, 2020).

  Retail sales had risen significantly since April. In June, sales were almost at pre-COVID levels. However, household spending, which requires high levels of social interaction, shrank significantly and has only moderately recovered (Bank of England, 2020).

The Picturing Lockdown Collection was created during April and May 2020, in response to the Covid-19 pandemic. Durham is usually a city teeming with life, from locals to tourists and students. It's incredibly rare for the area around the Cathedral in particular to be so empty.© Serena Hasan

3.2 COVID-19 and the heritage sector

The coronavirus outbreak is causing a sharp decline in revenues in digital, cultural, media and sports industries. Monthly turnover declined significantly below levels seen the same month last year amongst 89% of businesses in these industries (DCMS 2020).



Impact of the coronavirus on revenues of digital, culture, media and sports industries.

Revenue Impact – Approximately, by how much has your business' revenue decreased, increased or remained the same compared to what was expected over the last month?

Note: These figures are based on a survey to 3,396 respondents that was conducted by the Department for Culture, Media and Sports between 23rd April and 22nd May.

- **Heritage sector organisations are suffering significant losses due to COVID-19.** Historic England undertook a survey to assess the initial effect of Coronavirus on the sector. Almost 80% of the respondents had suffered a loss of income. Approximately 60% of respondents had postponed or cancelled income generating events. The largest organisations were disproportionately affected. (The survey closed on April 13 and 804 responses were received).

  Evidence from a survey of 1,253 National Lottery Heritage Fund grant recipients, conducted in March 2020, found that 98% of heritage organisations were impacted in the first three weeks of lockdown. Loss of revenue was the second most frequently reported impact (69%).

- **Over 40% of small craft business and professional services forecasted their businesses failing within three months.** Around a fifth of small enterprises, which represent 70% of the heritage sector, projected that they would not be able to continue operating after two months of lockdown. These results are based on Historic England's survey in which 804 responses were received.

- **The heritage sector is extremely vulnerable to the pandemic.** Tourism and construction make up a significant share of heritage output and employment, and are the industries most in jeopardy as a result of Covid-19 (World Bank, 2020). Venue-based sectors are most affected by social distancing policies.

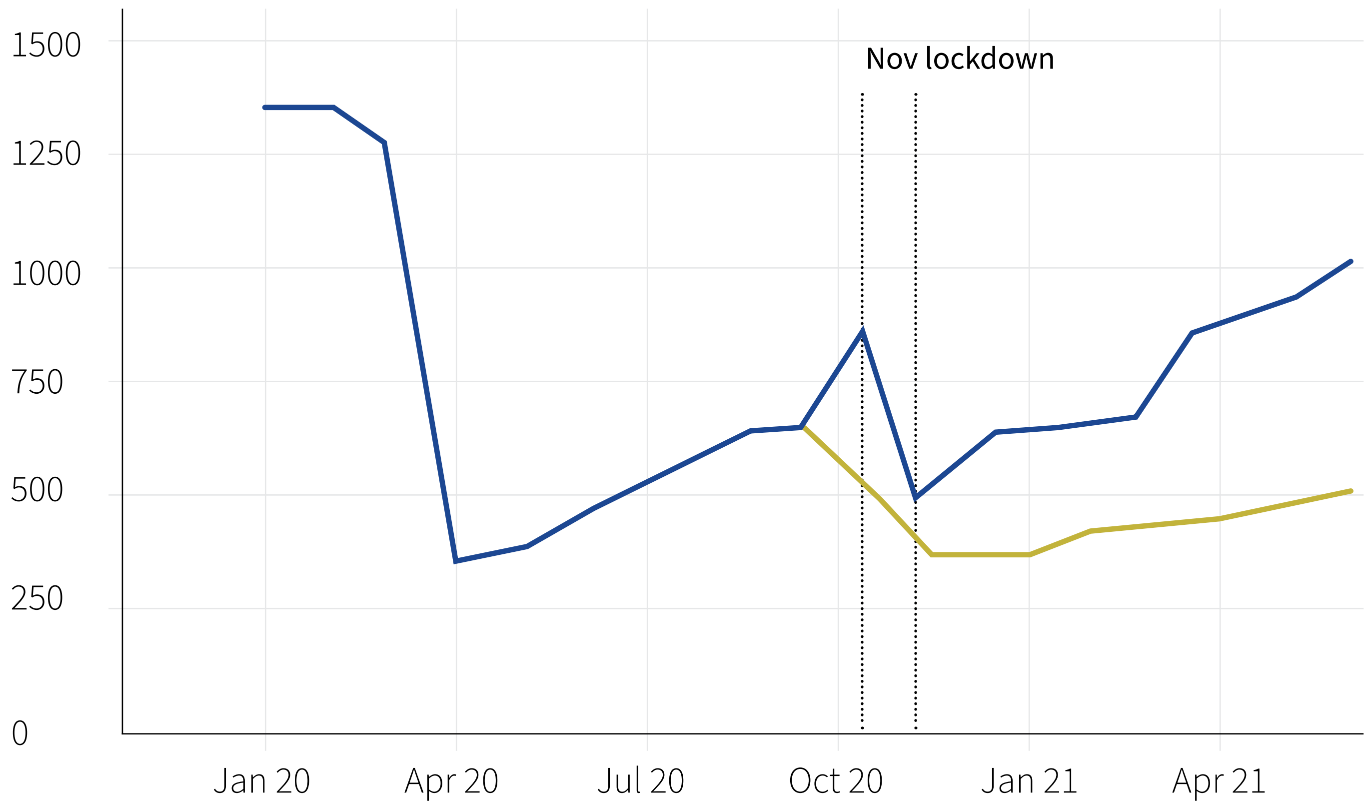
3.3 Modelling the Economic Impact of COVID-19 on the heritage sector

Historic England has undertaken an economic modelling exercise to forecast the impact of the COVID-19 pandemic on the heritage sector. The present pandemic is unprecedented, and its evolution is highly unpredictable, so exactly how the future will unfold remains uncertain. Historic England has developed two forecast scenarios using the latest evidence from the Centre for Economics and Business Research (2020), the Bank of England (2020), Visit Britain (2020) and the OECD (2020).

In the first scenario, an optimistic outlook assumes the current (November 2020) national lockdown lasts until December 2020 and the economy returns to a recovery path and is fully recovered by the end of 2021. The second scenario takes a more conservative outlook assuming the current (November 2020) containment measures continue in some form until April 2021 and the heritage sector does not recover to pre-pandemic levels until mid-2022.

GVA[2] Forecast results: COVID-19 will reduce the heritage sector's direct GVA by between £5.9 billion (scenario I) and £6.6 billion (Scenario II) in 2020. This range increases to £14.9 billion (Scenario I) and £16.4 billion (Scenario II) when considering direct, indirect and induced effects. This represents an annual decline in GVA of 41% (Scenario I) and 45% (Scenario II). By June 2021, the heritage sectors' direct GVA losses would range between £21.4 billion and £27.7 billion including direct, indirect and induced effects.

Heritage Sector monthly GVA forecast (£m)



SOURCE: HISTORIC ENGLAND, 2020

[2] Gross value added is the value of output less the value of intermediate consumption; it is a measure of the contribution to the economy made by an individual producer, industry, sector or region.

Method statement: modelling the future impact of COVID-19 on the heritage sector

To estimate the impact of COVID-19 on the economy in an uncertain and unpredictable economic environment, two scenarios are developed by early November:

- Scenario I Optimistic: In this scenario the second nation-wide lockdown that begun in November 2020 lasts until December 2020, at which point the economy gradually begins to recover and is fully recovered by the end of 2021.
- Scenario II Conservative: In this scenario the implemented containment measures of November 2020 last to some degree until April 2021. The heritage sector recovers to pre-pandemic levels by mid-2022.

In both scenarios, the recovery slows during the autumn and winter (2020/21) period due to a second outbreak of coronavirus.

We assume that the economic contraction of the heritage sector will be sharper than that of the general economy for the following reasons:

1. Evidence shows that social distancing continues to have a significant impact on the heritage visitor economy (Visit Britain, 2020).
2. Domestic and international travel restrictions limit tourism, which is an important driver of heritage Gross Value Added (GVA) and jobs (Historic England, 2019).
3. Households curtail spending on culture when they suffer a reduction in overall income because of their higher income-elasticity in relation to other goods and services (CIDI). Almost 40% of adults say that their household income has reduced because of COVID-19 (Bank of England, 2020).

The economic contraction of the heritage sector would be partially offset by the quicker economic recovery of heritage construction sub-sectors.

The economic outlook for the heritage sector sub-industries is divergent with some sub-sectors recovering quicker than others. Irrespective of the scenario, the heritage construction sub-sector is forecast to recover at a quicker pace. Heritage sites and museums are estimated to recover at a slower pace as they are significantly reliant on tourism (World Bank, 2020) and both domestic and overseas tourism have been drastically affected by the pandemic (Visit Britain, 2020). Global international tourism is forecast to decline by between 60% and 80% in 2020 (OECD, 2020). In the medium/long term, financial constraints are likely to limit conservation work, affecting the overall sustainability of heritage sites (World Bank, 2020).

It is assumed that the impact of COVID-19 on employment will be lower than on GVA. This is because the UK government's Coronavirus Job Retention Scheme, which provides companies with 80% of furloughed workers' wages up to a value of £2,500 per month, has contributed to preserving jobs. Nevertheless, some businesses and organisations are likely to cease trading completely or significantly reduce trading which will lead to an increase in the unemployment rate. This has longer-term consequences on human capital depletion and scarring effects as well as negative consequences on people's wellbeing. The decoupling of GVA and employment projections as a result of the furlough scheme means it is methodologically difficult to estimate the impact of COVID-19 on employment. We have therefore not modelled the employment impacts.

The Cultural Recovery Fund and its economic impact on the heritage sector

A set of fiscal packages have been designed to offset the economic impact of the pandemic in the heritage sector. As part of the £1.57 billion Culture Recovery Fund from the Department for Culture, Media and Sport (DCMS), Historic England has distributed £50 million through the Heritage Stimulus Fund. The purpose of the Heritage Stimulus Fund is to enable vital construction and maintenance on heritage sites. The Heritage Stimulus Fund grant is estimated to have safeguarded between 744 and 1137 jobs and should boost GVA by between £64m and £102m. These estimates include knock-on effects on supply chains.

An input-output methodology, based on the ONS input-output tables, combined with CEBR data, was used to arrive at these figures. These estimates depend on the assumption that there is no structural change in the heritage sector or in its supply chains.

The Picturing Lockdown Collection was created during April and May 2020, in response to the Covid-19 pandemic. Tourist hotspots and the roads leading to them were empty during the lockdown.

4. Heritage and the Low Carbon Economy

The UK has made a legally binding commitment to becoming carbon neutral by 2050 which will require extensive changes across society and the economy (CCC, 2019). A low carbon economy and climate investments will help create jobs and stimulate economic recovery from COVID-19, while changing the course of UK emissions and improving our resilience to climate change for the coming decade and beyond (CCC, 2020).

- **Green stimulus policies can be economically advantageous compared to traditional fiscal stimuli.** They tend to have higher short run multipliers (in the short-term it leads to higher domestic Gross Domestic Product (GDP) and employment creation) and higher numbers of jobs created and domestic construction projects, (e.g. insulation retrofits or building wind turbines) are less susceptible to offshoring (CCC, 2020).
- It is estimated that achieving the European Union's 2030 climate and energy targets will add to 1% of GDP[3] and contribute to the creation of 1 million new green jobs (Wade, 2020).
- **Heritage sub-sectors including construction and tourism sectors have large multiplier effects in the UK economy.** According to the UK Input-Output Analytical tables, an increase in final demand in these heritage sub-sectors has a significant positive impact in Gross Value Added (GVA) and employment generation.
- **When a typical historic building is refurbished and retrofitted, it will not only create jobs but also emit less carbon by 2050 than a new building** (Heritage Counts 2019). Adaptive reuse of heritage diminishes waste from demolition, captures the energy consumed in the original construction which avoids new energy use and conserves building materials thus avoiding the extraction of new materials (Foster and Kreinin, 2019).
- **Most green measures** - including peatland restoration, tree planting and improving the condition of green spaces ***have high benefit:cost*** ratios with multiple co-benefits for health and the natural environment as well as the economy (CCC, 2020). Adaptation investments can consistently deliver high returns, with benefits between 2 and 10 times the cost (Foreign and Commonwealth Office, 2020).
- **The push towards a green recovery and a low carbon economy could see as many as 694,000 jobs created in England by 2030** (LGA 2020).

"In the long term, a transition to a low-carbon, efficient and resilient economy will bring productivity benefits throughout the economy". (CCC, 2020).

[3] Gross value added (GVA) is the value of an industry's outputs less the value of intermediate inputs used in the production process. The link between GVA and GDP is: GVA at basic prices plus taxes on products less subsidies on products equals GDP at market prices (or headline GDP). Growth rates of GDP and GVA can differ because of the differences between market prices and basic prices.

Eagle Works in Sheffield.

"The greenest building is the one that already exists"

Carl Elefante, former president of the American Institute of Architects

4.1 Heritage, retrofit and the green recovery

- **Repairing, reusing and retrofitting old buildings is more labour intensive than constructing new buildings and results in the creation of more jobs.** It has been estimated that for every €1 million invested in energy renovation of buildings, an average of 18 jobs are created in the EU (Wade, 2020). This is roughly equivalent to the number of new jobs created per £1 million of UK Government grant funding invested in new innovation sectors such as biotechnology, medical equipment engineering, high-tech manufacturing (Wade, 2020).

- **Members of the public are more inclined to prioritise maintaining and repairing existing infrastructure in Britain before spending on new infrastructure.** A recent Ipsos MORI poll has shown that 56% of respondents supported repair and maintenance compared to new build, more than three times the 16% tending towards the opposite view (Ipsos MORI, 2020).

Preference for maintain/repair rather than new

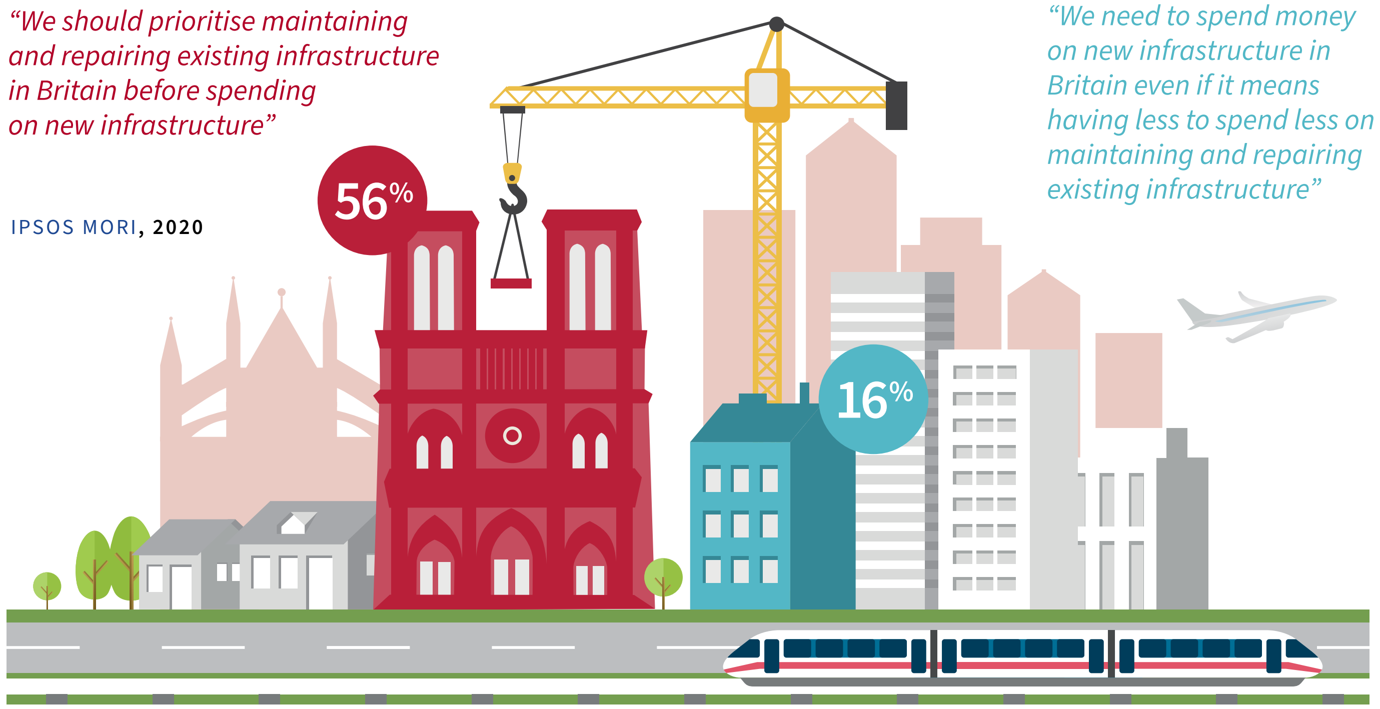
Below are some points of statements about Britain's infrastructure. By infrastructure we mean things we rely on like road, rail and air networks, utilities such as energy and water, broadband and other communications. For each pair of statements, please choose which statement you prefer.

% Strongly/tend to prefer each statement

"We should prioritise maintaining and repairing existing infrastructure in Britain before spending on new infrastructure"

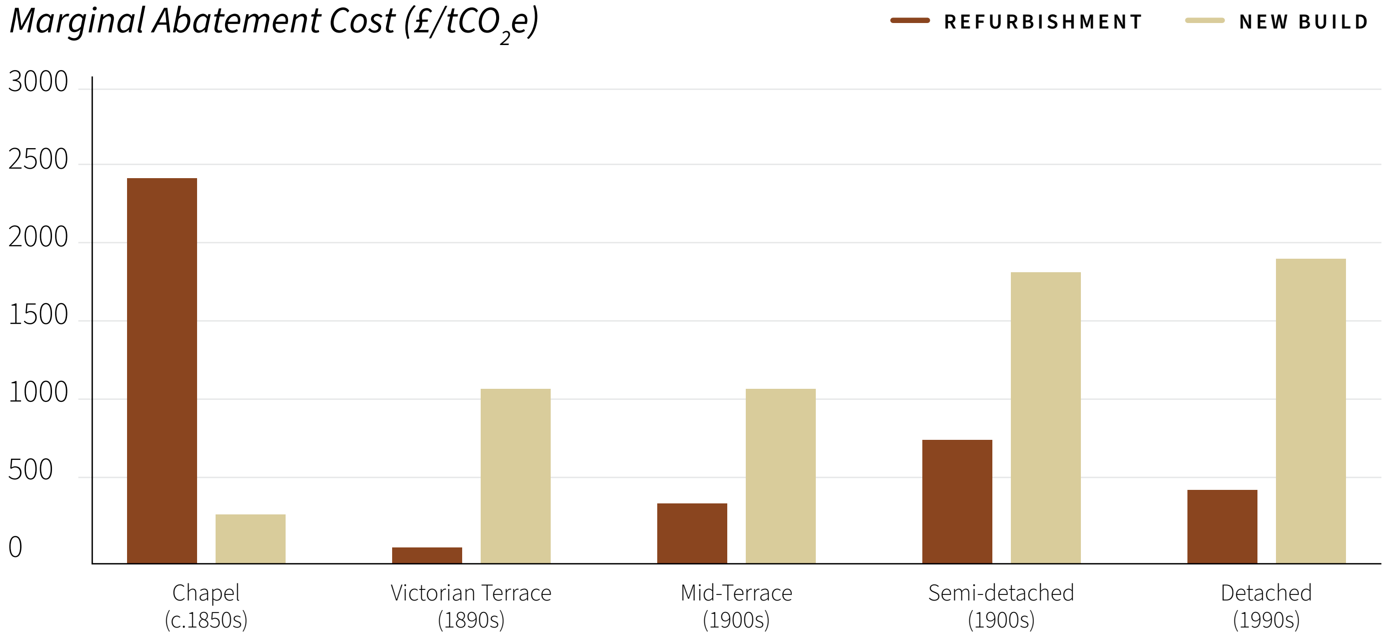
IPSOS MORI, 2020

"We need to spend money on new infrastructure in Britain even if it means having less to spend less on maintaining and repairing existing infrastructure"



The marginal abatement costs of energy efficient retrofitted buildings, including historic buildings, is generally lower than that of equivalent new buildings. The marginal abatement cost (MAC), in general, measures the cost of reducing one more unit of pollution. MAC results show that the cost of achieving the lower emissions associated with New-Build is much higher than the costs associated with refurbishments. In other words greater emissions reductions could be achieved at lower cost if we prioritise retrofit and refurbishment.

Marginal Abatement Cost (£/tCO_2e)



SOURCE: DUFFY, NERGUTI & PURCELL, 2020

- **Retrofitting historic buildings results in carbon savings and reduces the social cost of carbon.** Modelled evidence of retrofitting scenarios for the built historic environment demonstrate that retrofitting and refurbishing 25% of all historic buildings over a 25-year period will reduce carbon by 15.5 million tCO_2 and result in £2.5 billion savings in offsetting climate change (Historic England, 2020).

- **The speed at which traditional buildings are retrofitted has significant impacts on the social cost of carbon.** Retrofitting 15% of traditional buildings over a 10-year period, would reduce carbon emissions by 11.9 million tCO_2 and save £2.4 billion in the cost of reducing carbon emissions to achieve the UK's environmental targets. In comparison, retrofitting 25% of historic buildings over a 25-year period would result in £2.5 billion of savings. The social costs of carbon saved are marginal (£0.1bn) despite a significantly larger proportion of buildings retrofitted, suggesting that retrofitting historic buildings at a quick pace is paramount and confirming calls to urgently reduce carbon in buildings (Historic England, 2020).

- **Tax incentives, such as tax credits against income tax liabilities and VAT reliefs, are a way to incentivise retrofitting and recycling of the historic environment (Revelli, 2013). Reducing VAT from 20% to 5% on home improvement works would unleash investment in housing, stimulate the economy and enable the UK's transition to net zero carbon.** According to the Federation of Master Builders (FMB), a VAT cut on home improvements could generate £15 billion in new taxes, create 95,000 jobs and unlock a £1 billion green revolution (FMB, 2019).

However, the success of the green recovery and green growth will depend on the reduction in skill gaps in the UK. Between 2007 and 2015 in the UK there has been a decline in the number of first year Further Education trainees in wood trades and in bricklaying, from 13,750 to 4,500 and from 9,000 to 2,350, respectively (Wade, 2020).

The economic sustainability of heritage assets

According to Rizzo and Throsby (2006), heritage can be approached as a capital asset. As with any other type of capital, heritage assets require investment which gives rise to a flow of services and contributes to the production of further goods and services. Like any other type of capital, there are factors that affect the sustainability of capital: investments in conservation and restoration and change in the community's appreciation of heritage such that:

$$\dot{K}^c = f(I; \dot{a})$$

Where $\dot{K}^c$ is the economic sustainability of capital, I are investments and $\dot{a}$ is the rate of cultural appreciation (Application of Rizzo and Throsby (2006)).

The economic sustainability of heritage is greater when a) we invest in the repair and maintenance of heritage assets and b) when there is growth in the communities' appreciation of heritage. It therefore follows that policies and activities that improve or increase these key factors will contribute to the sustainability of heritage capital and to the low-carbon economy.

a) Incentivising investment in repair and maintenance

Monetary and fiscal policies aimed at incentivising repair and maintenance play a crucial role in increasing investment:

- Lower interest rates reduce the cost of loans.
- The tax structure defines how profitable it is to invest in repair and maintenance. Reduced Valued Added Tax (VAT) rates and tax deductions or tax credits against income tax liabilities can increase the profitability of this type of investment (Revelli, 2013).

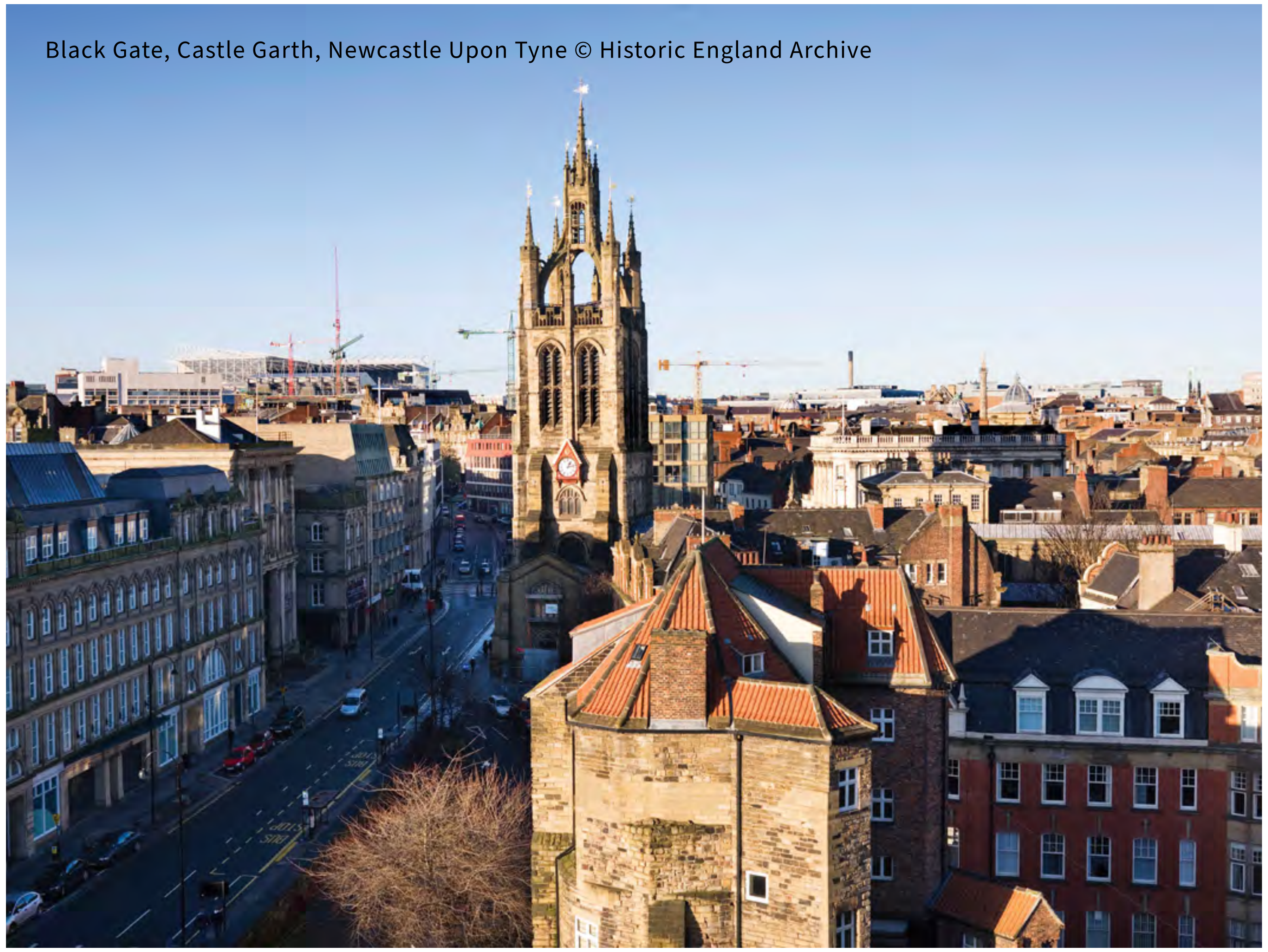
b) Incentivising public engagement and heritage appreciation

Public engagement with heritage contributes to the sustainability of cultural heritage assets. In almost all European countries, income, education and occupations have been found to be the most relevant factors influencing the decision to engage with heritage by visiting heritage sites (Ateca Amestoy, 2019, Falk and Katz-Guerro, 2015). Using a multivariant probit model applied to 27 countries in Europe (including UK), Ateca Amestoy (2019) finds:

- As years of formal education increase, so too does the probability of people's engagement with tangible and digital heritage.
- People with financial difficulties have lower chances of participating in tangible heritage.
- Residents in rural areas have lower likelihood of engaging with tangible, intangible and digital heritage.

The study also finds that the consumption of tangible and digital heritage is complementary. So, the barriers to tangible heritage participation also limit digital engagement with heritage.

Inclusive policies aimed at reducing inequalities in heritage engagement and raising communities appreciation of heritage across all social groups, favour the sustainability of heritage assets.


Black Gate, Castle Garth, Newcastle Upon Tyne © Historic England Archive

4.2 Heritage, retrofit and the green recovery

The on-going need to repair, maintain and restore historic buildings creates strong dependencies between heritage and the construction and development sectors.

Heritage construction and development in numbers

£6.7bn	In GVA generated by heritage-related construction activities in England, 2019.
100,847	Construction workers involved in heritage-related activities, including building finishing and specialised activities such as bricklaying and stone setting, carpentry, roofing etc.
30,768	Architects, building and civil engineers and chartered surveyors involved in heritage-related activities.
6,000	People employed as archaeologists in England, 2016

SOURCE: CEBR 2020

- **The renovation and restoration of historic buildings creates new jobs.** In 2017 the National Lottery Heritage Fund reported the findings of an impact evaluation of grants distributed between 2002 and 2007. The findings show that ***60% of the projects led to the creation of new jobs and 22% reported regeneration impacts.*** By enhancing the character and distinctiveness of their local areas through the renovation, restoration and improvement of heritage assets, places were seen as more inviting and attracted further investment. A sample of 133 projects was evaluated (which represents 13% of all the completed projects). The impact evaluation consisted of an online survey of 83 projects and case studies of 50 others often requiring specialist heritage skills, knowledge and expertise.
- **A survey of listed building owners demonstrates strong demand for building services for listed buildings.** A third (35%) of 1,345 surveyed listed building owners had applied for listed building consent in the last five years (Ecorys, 2017).
- **Builders are the first port of call for advice and repair and maintenance work for 54% of listed building owners.** A 2017 survey of 1,345 listed residential building owners, stratified by regions in England and listing grade, found this was the case for over half of the owners (Ecorys 2017).
- **In a decade, local conservation services have declined by 50%.** Based on the comparison of data from 2006, 2009, 2018 and 2020, the Institute of Historic Building Conservation concludes that 6% of Local Authorities do not have access to conservation advice (IHBC, 2020).
- **In Great Britain, between 89% and 97% of contractors who work with traditional buildings (pre-1919) do not have the specialised knowledge and qualifications.** This lack of specialist skills increases the risks associated with maladaptation and poor maintenance of traditional buildings (Strategic Skill Partnership Progress Report, 2018).

Commercial archaeology is an important element of many construction and infrastructure projects. Archaeological surveying often needs to take place in advance of construction projects to identify and minimise any impact on heritage assets. Archaeologists are also often engaged to keep a watching brief during works to assess any impact on historic sites and have an important role in keeping projects on track by ensuring compliance with legislation where heritage assets are involved.

Commercial archaeology generated total revenue of £239m in 2018-19. For every £1 spent in on Local Authority Planning Archaeology, the local economy benefits from an average return of £15. Archaeology saves up to £1.3 billion through reduced delay costs.

These findings are based on research commissioned by the Charted Institute for Archaeology (CIfA), the Federation of Archaeological Managers and Employer (FAME) and Historic England about archaeological services in the UK. (Landward Research, 2019).

4.3 Heritage construction and COVID-19

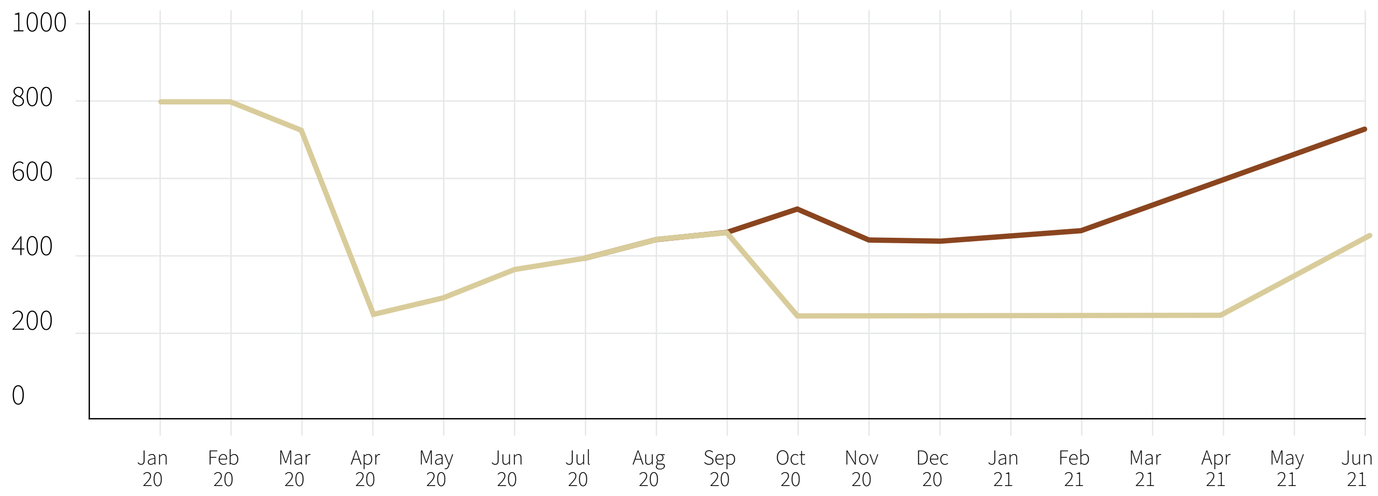
The impact of COVID-19 on the heritage construction sector has been extensive, affecting the highly specialised skills, knowledge, and expertise of many of its workers.

- **It is estimated that COVID-19 has resulted in direct GVA losses in the heritage construction sector, ranging between £3.2 billion and £3.5 billion in 2020 in England.** This represents an annual decline in GVA of 35% and 39%, respectively.

The gap increases to between £4.3 billion and £6.1 billion when the forecasts are extended to June 2021 (Historic England, 2020). These estimates are based on forecasts using data from different sources including the Centre for Economics and Business Research (CEBR, 2020), the Bank of England (2020), the ONS (2020) and the OECD (2020).

GVA projections scenarios (£ millions)

Construction Heritage sector GVA (January 2020 -June 2021), Scenario I (Optimistic) and Scenario II (Conservative).



SOURCE: HISTORIC ENGLAND, 2020 — GVA (SCENARIO I) — GVA (SCENARIO II)

4.4 Heritage has great untapped potential

Our heritage represents an important echo of our past but is also a vital part of our emerging, sustainable future. Today, there are unrealised opportunities in underused and vacant heritage assets which can provide much needed homes and spaces for businesses. Bringing our heritage back into productive use and extending the life of our heritage assets can help us meet our sustainability goals and reduce our carbon footprint.

Eagle Works in Sheffield. © Historic England Archive

2020 HERITAGE AT RISK REGISTER FOR ENGLAND

1475	932	2090	103	3	3	491
Listed buildings (Grade I and Grade II*)	Listed places of worship	Scheduled monuments	Registered parks and gardens	Registered battlefields	Protected wreck sites	Conservation areas
Removals (for positive reasons) 44	Removals (for positive reasons) 69	Removals (for positive reasons) 59	Removals (for positive reasons) 0	Removals (for positive reasons) 0	Removals (for positive reasons) 0	Removals (for positive reasons) 9
Added to Register 58	Added to Register 90	Added to Register 64	Added to Register 0	Added to Register 0	Added to Register 0	Added to Register 3

In 2020, 181 entries were removed from the Register for positive reasons, but 216 were added.

SOURCE: HISTORIC ENGLAND, 2020

- **The untapped potential of designated heritage.** There were over 5,073 designated heritage assets 'at risk' in 2020. These are sites that are most at risk of being lost as a result of neglect, decay or inappropriate development. Investment in heritage assets at risk can deliver positive environmental, wellbeing and regeneration outcomes (Historic England, 2020).

  There are unrealised opportunities for new businesses in underused or vacant heritage assets. Businesses that occupy listed buildings generate £13,000 extra GVA per business per year. This extra GVA is the amount above that generated by an equivalent number of businesses in non-listed buildings. These estimates were based on business occupation data combining two different datasets: National Heritage Lists from England, Scotland, Wales and Northern Ireland and data of non-residential uses in buildings, collated by Ordnance Survey (National Lottery Heritage Fund, 2013).

- **Loss of distinctiveness reduces premium values of heritage.** Research in 2017 found that the majority of conservation areas 'at risk' exhibit lower average property prices than those not 'at risk' (OCSI, 2017). While the research does not conclude that conservation areas 'at risk' have lower property prices this can be inferred from the Ahlfeldt and Holman (2017) findings which show that more distinctive areas command higher property prices. Loss of character, neglect and damage of historic or architectural features which lead to a conservation area to be assessed as 'at risk' no doubt reduces the distinctiveness of areas and thus the premium values.

- **Lower property premiums for heritage 'at risk'.** While there is a 9% premium on properties in conservation areas, this advantage falls by 4% to 5% in conservation areas that are classified by local authorities as being 'at risk'. This evidence is based on a hedonic model analysing 1,088,446 house sales between 1995 and 2010 controlling for location, property features and other factors affecting house prices (Ahlfeldt et al. 2012).

Astley Colliery, Wigan, Greater Manchester. The colliery at Astley Green was built in 1908 and extracted coal until 1970. This is the last standing pit head in Lancashire.

5. Heritage and the economics of uniqueness

"In my generation as retailers, we successfully cloned every town in Britain so they all looked the same, but clearly that doesn't work. All towns have a heritage and history and their reason for uniqueness needs to be brought to the fore".

Bill Grimsey, former head of Wickes, Iceland and Focus DIY (BBC, 2018).

Historic buildings, monuments and spaces shape how our towns, cities and rural areas look and feel. They form a vital part of our nation's infrastructure providing homes, amenities, utilities and premises for businesses. They add to the unique character, playing an important part in shaping peoples' perceptions and experiences of a place and provide opportunities to connect with other people.

The Nobel Prize winning economist, Robert Merton Solow stated that "over the long term, places with strong, distinctive identities are more likely to prosper than places without them. Every place must identify its strongest, most distinctive features and develop them or run the risk of being all things to all persons and nothing special to any" (in Licciardi et al. 2012).

The historic environment provides a sense of authenticity, beauty and distinctiveness. This attracts people, businesses and investment, and can provide places with their competitive advantage. "Using the historic environment as an asset, and giving it new life, has also been one of the cornerstones of the economic and social revival of our towns and cities" (Deloitte 2017).

"Respect for heritage is intimately linked to local distinctiveness".

Building Better Building Beautiful Commission (2020)

George Hotel, St Georges Square, Huddersfield, West Yorkshire. Huddersfield is part of the High Street Heritage Action Zone (HSHAZ) programme. © Historic England Archive

Heritage as the brand: why local distinctiveness can be key to high street renewal

High streets have traditionally not only been the focus of local commerce, but also the backdrop to where communities gather. They are places that bring people of all ages and backgrounds together to buy, sell, eat and drink.

Historic assets form a significant part of our retail environment and our high streets with up to 48% of all national retail stock built before 1919 (Valuation Office Agency). Historic high-streets have been severely affected by COVID-19, as the pandemic has significantly accelerated the shift away from in-store shopping to online shopping. According to the Office for National Statistics (ONS, 2020) while sales had recovered in September 2020, in store sales were down 10% while online shopping was up nearly 50% since February 2020. The current trends suggest significant risk to heritage assets as they could potentially become functionally obsolete leaving the assets vacant, underused or decaying.

But despite all of this, high streets are not dying - they are evolving. Whilst we are in a period of heightened change, change is a constant. There is currently a pressing need for them to adapt to better meet local needs (Lloyd-James, 2020).

High streets that are becoming more experiential, offering more than just somewhere you buy and sell goods, are finding relative success. In these places the character and quality of local buildings, and their relationship to the space around them, are central to what they are able to offer visitors. Heritage has the power to attract people and businesses to place.

“We need communities to take the responsibility for their towns and to compete for people to live, work, play and visit, based on their heritage… Experiences in towns based on heritage, activities and events are not wishy-washy; they actually work. If you go to Stockton-on-Tees, which has 97 events a year, it creates footfall and, as a consequence, you get commerce around it, so it does work”.

Bill Grimsey, Previously chief executive of companies such as Wickes, Iceland and Focus Do It All; Author of the Grimsey Review 2013, 2018, 2020 (November 2020).

But many high streets require intervention. Historic England’s High Streets Heritage Action Zone programme is investing £95m in high streets up and down the country to help bring people back to high streets. The funds will help make high streets more vibrant and exciting places where businesses can thrive as well as continue to provide one of the few places where people from all backgrounds can meet and engage with each other (Lloyd-James, 2020).

Distinctive and characterful places and working spaces attract businesses and customers contributing to the competitiveness of businesses and places. Research has shown that for 69% of commercial listed building occupiers “Historic buildings give a positive image to customers and clients”, and similarly 62% of the respondents replied that the historic nature of their building improved their business (Heritage Counts, 2018).


Exterior of Morecambe Winter Gardens, Lancashire.
© Historic England Archive


Altrinham Market in Greater Manchester.
© Historic England Archive

5.1 Investing in heritage creates places for businesses to grow and prosper

Many of our local shops, hotels, offices, warehouses and industrial units are located within historic buildings. Distinctive and characterful places and working spaces attract businesses and customers contributing to the competitiveness of businesses and places.

- **Heritage assets in commercial use play a vital role in the prosperity of local economies.** There are approximately 142,000 retail, hospitality and commercial operations in listed buildings. Branded pubs are the largest single type occupiers of listed buildings, followed closely by large coffee chains. Evidence from a survey of 509 commercial businesses occupying listed buildings shows that the main advantage of occupying a listed building is that it "contributes to the positive atmosphere of the surrounding area" and it "provides a positive exterior appearance" (Heritage Counts, 2018).
- **Heritage density is positively and strongly related to the overall movement of businesses into an area.** Using cross-sectional and longitudinal local authority data, researchers conclude that heritage assets are important 'pull' factors influencing business location decisions (TBR 2016).
- **The density of heritage assets is highly and positively related to the concentration of firms in a local economy.** An econometric analysis using local authority cross-sectional data for the year 2013 and using a fixed effect model for the period 2003-2013 found a correlation between heritage and the number of firms(TBR 2016).
- **Historic places are increasingly attractive to businesses.** Since 2012 the number of listed buildings occupied by a brand has increased by 154%. This is based on a research carried out in 55 cities and town centres (Heritage Counts, 2018).
- **Heritage influences the location choices of businesses.** One in four businesses in a survey of 122 businesses that had received investment in the historic environment agreed that the historic environment is an important factor in deciding where to locate (AMION and Locum Consulting 2010).
- **A survey of 1,345 listed building residential owners found that a fifth of respondents (21%) undertake some sort of commercial activity within their properties:**
  - 12% of respondents indicated that they had office space at their property.
  - 9% indicated that they provided accommodation such as bed and breakfast or cottage rental, while 3% provided accommodation at their property through Airbnb/One Fine Stay or similar.
  - Around 7% of respondents were self-employed or running a business from home.
  - Over 2% were involved in farming or agriculture (Ecorys 2017).
- **Heritage enhances business opportunities.** In a telephone survey of 509 businesses located in listed buildings, 62% of the respondents replied that the historic nature of their building improved their business (Historic England, 2018).

Productivity and the heritage, arts and museum sectors

Productivity is the rate at which an economic system transforms work into the output of goods and services (ONS, 2015). After the financial crisis, productivity has been growing but at a slower rate than in the pre-financial crisis period. This has been occurring in many developed countries, but it is more accentuated in the UK. Many economists have been trying to understand the reasons behind this "productivity puzzle". Higher productivity implies higher wages, consumption levels and better health (Tenreyro, 2018).

Against this backdrop, DMCS commissioned Frontier Economics (2020) to undertake a rapid evidence assessment on the drivers of productivity in the arts, heritage and museum sectors. The study also examined the contribution of these sectors to the productivity of the economy. Historic England as well as other arms length bodies of DCMS supervised the research. The methodology consisted of the critical review of fifty research papers as well as interviews with key stakeholders.

Findings

There is a lack of evidence on the drivers of productivity within heritage, arts and museums sectors. This might be due to the difficulty of measuring efficiency in these sectors[1]. There is also little evidence on the impact of heritage, arts and museums sectors on productivity. The evidence is much more focused on how these sectors stimulate productivity drivers in the creative industries and, to a much lesser extent, in the wider economy[2].

Heritage, arts and museum sectors act as pull-factors for businesses in the creative industries and in the wide-economy. These new firms increase the overall density of businesses, helping with the creation of clusters. This leads to agglomeration economies (through local economies of scale), which increase the overall productivity of the region. There is also large evidence that a "denser" cultural environment can attract highly skilled people. Workers in the heritage, art and museum sectors play a key role in the productivity of the wider economy as a result of the skills and the knowledge they share when they change jobs.

In a UK context, Graves et al (2016) found that the increase in the density of cultural events and heritage assets leads to a rise in firms per capita as well as a growth in the density of creative industries. In a similar vein, Cerisola (2019) argues that a rise in heritage assets boosts creativity intensity. Backmann and Nilsson (2018) provide evidence that a one-unit growth in heritage sites per capita induces an increase of approximately 50 more highly-educated people in the short term (2001-2006) and 80 in the long term (2001-2010).

Recommendations on how to measure productivity in heritage, arts and museums:

- To apply contingent valuations year on year to track changes in the value of heritage, arts and museum outputs.
- To build on data envelopment analysis techniques[3] to capture different outputs, while still obtaining an aggregate measure of relative efficiency.

[1] Market failures like externalities and public good dimensions prevent traditional productivity measures, such as GVA divided by the hours worked, accurately reflecting productivity. Many times entrance fees are free of charge and even if they are charged do not reflect all the social benefits to society (well-being, education, social cohesion, and so on).

[2] A problem found by the Rapid Evidence Assessment is that most of the studies lack a robust methodology.

[3] Data envelopment techniques provide a measurement of the relative efficiency of a set of organisations comparing them in the amount of inputs that they invest and the amount of outputs that they get in return.

5.2 Heritage and the creative economy

Over the past decade, creative industries have been among the fastest-growing sectors in the UK and globally. Many historic buildings offer flexible, distinctive and character-ful working and studio spaces that are attractive to creative businesses.

- **Creative industries are concentrated in areas with a high heritage density.** A study examining the role of culture, heritage and sport in place shaping found that the greater the density of cultural and heritage assets, the better the performance of the assets, the better the performance of the creative industries and the greater the level of specialisation towards the creative industries. This is based on longitudinal and cross-sectional econometric analysis for the period 2003 and 2013 (TBR, 2016).
- **Creative and cultural industries are more likely to be found in a listed building than in a non-listed building in England** – this difference is particularly pronounced in England's core cities (National Lottery Heritage Fund, 2013).
- **A very high proportion of creative industries based in historic buildings are start-ups.** A telephone survey of more than 200 businesses in listed buildings demonstrated that over 60% were established in the past three years (National Lottery Heritage Fund, 2013).

Exterior of Beehive Works, Milton St in Sheffield.
© Historic England Archive

Heritage and Creativity

Creativity, the new combination of different pieces of knowledge, is a necessary step for innovation. Creativity and innovation require the translation of new ideas into real outcomes with commercial value. Innovation is a driver of economic growth. This is the reason why understanding the pull-factors that drive creative actors into an area is a central concern.

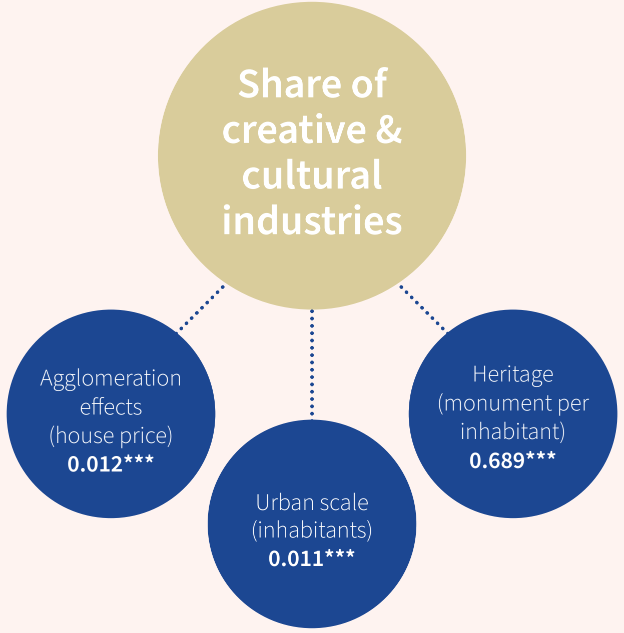
In the Journal of Regional Studies, Kourtit and Nijkam (2018) define creative actors as creative businesses and creative workers. They argue that the synergetic relationship between the following factors attract creative actors into an area:

1. Urban size and scale is accompanied by the accumulation of social capital and by larger employment opportunities.
2. Urban agglomeration and externalities. Cultural and creative sectors benefit from proximity because it enables them to access highly talented workers and suppliers. Economies of scale in urban agglomerations also reduces costs.
3. Heritage and cultural assets. Creative actors are attracted by cultural and heritage assets because of their inspiring effect.

The synergetic interrelationship between these three factors leads to, what the authors call, the configuration for a creative-cultural complex.

Kourtit and Nijkamp (2018) apply an ordinary least square regression analysis to 370 observations in Dutch municipalities in 1994-2009. The research demonstrates that heritage and cultural assets are a pull-factor for creative actors, especially in the arts sector.

Figure 1: Change in the share of creative and cultural firms between 1994-2009.



All the results presented in the graph are standardised coefficients with the following significance levels: *10%, **5%, ***1%. Source: Kourtit and Nijkamp (2018).

The main insight of the research is that public investments, aimed at enhancing the attractiveness and quality of cultural-heritage assets, are fundamental for flourishing, vibrant cultural-creative complexes and for cultural-led development. These investments should not prioritise a specific cultural or creative industry, but rather encourage the synergetic links between them.

5.3 Heritage attracts people to place

The unique character of heritage assets and historic places creates the desire amongst members of the public to conserve and protect heritage for current and future generations. Places that are aesthetically pleasing have an attractive power that encourages people to congregate there. (National Trust, 2017).

General view of historic buildings in Boston Spa, this shows Harts Coffee House and Deli.

- **The built historic environment influences perceptions of the quality and attractiveness of place. 68% of the public agree that historic buildings are built to a high standard** compared with only 27% agreeing with the same statement about new buildings. This evidence is based on a national omnibus survey of 1,043 adults across England in 2018. It found that amongst members of the public, older buildings convey a sense of ‘grandeur’ and longevity (YouGov 2018).

- **Heritage forms a vital part of place identity.** The GREAT Britain campaign showcases the best of what the UK has to offer to inspire the world and encourage people to visit, do business, invest and study in the UK. The campaign identifies heritage as one of 12 ‘unique selling points’ of the UK. It is estimated that for every £1 spent on the GREAT campaign, overseas visitors spend £23 in Britain (VisitBritain, 2016).

- **Investing in the historic environment can successfully increase footfall.** Evaluation evidence from the Derby Partnership Scheme in Conservation Areas (PSiCA) shows that while average footfall on high streets around the nation dropped by 26% between 2008 and 2013, the Derby PSiCA areas reversed a spiral of decline through heritage led regeneration and saw footfall growth between 12% to 15% in the same period (Anarchitecture, 2017).

- **Investing in the historic environment can reduce vacancy rates.** The Derby Partnership Scheme in Conservation Areas (PSiCA) programme also resulted in a fall in vacancy rates from 40% vacant in 2008 to 100% occupancy in 2017. (Anarchitecture 2017). The PSiCA project offered grants for the sympathetic renovation of historic shop fronts using local tradesmen over an 8-year period.

- **People spend more in their local economy after investment in the historic environment.** In areas that had received investment in the historic environment, approximately one in five visitors in a survey of 1,000 stated they spent more in an area after investment in the historic environment than they did before. One in four businesses stated that the historic environment investment had directly led to an increase in business turnover (AMION and Locum Consulting, 2010).

- **The returns on heritage-led regeneration projects will often outstrip costs.** Using a Transparent Economic Assessment model, in 2017 the National Lottery Heritage Fund (NLHF) conducted an ex-post evaluation of six case studies from NLHF’s Heritage Grants Programme (2002-2007). The results showed a net GVA of £8.4m generated annually and 135 direct and indirect jobs supported annually. Over the 10 years, this equated to £84m GVA across just six projects. The combined grant awarded to these six projects was £27.5m, which is a return of over three times what was originally invested. In addition, there were temporary economic benefits of £3.1m net GVA and 70 net jobs created during the construction phases (National Lottery Heritage Fund, 2017).

- **Investing in the historic environment generates economic returns for local places.** On average, £1 of public sector expenditure on heritage-led regeneration generates £1.60 additional economic activity over a ten year period. These finding are based on a weighted average of the benefit-cost ratio of cumulative net additional GVA to public sector costs (AMION and Locum Consulting, 2010).

“The development of our historic built environment can drive wider regeneration, job creation, business growth and prosperity.”

Culture White Paper (DCMS, 2016)

View from above of Piece Hall © Historic England Archive

The Piece Hall – The local economic impact of heritage regeneration

The Piece Hall is a grade I listed building, located in Calderdale, Halifax, West Yorkshire. Built in 1779, it is a rare architectural asset and a unique asset as the sole survivor of the great eighteenth century northern cloth halls, a class of buildings which embodied the vital and dominant importance of the trade in hand woven textiles to the pre-industrial economy of the West Riding of Yorkshire, from the Middle Ages through to the early nineteenth century (www.thepiecehall.co.uk).

According to Calderdale MBC Cabinet, in January 2012, the historic asset was in "spiralling decline" with declining visitor numbers, a deteriorating building and difficult trading conditions. The Piece Hall closed for restoration in 2014 after securing a £22m joint funding programme by the Heritage Lottery Fund, Calderdale MBC, the Garfield Weston Foundation and The Wolfson Foundation (Chamberlain Walker, 2019). The regenerated site reopened in August 2017.

A detailed assessment of the economic impact of The Piece Hall conservation programme found:

- GVA Impacts: The Piece Hall is estimated to contribute £7.2 million a year in GVA through its direct employment, events it hosts and by providing space for start-ups and small businesses to operate.
- Asset value: the market property value of The Piece Hall is expected to have increased by approximately £6-8 million in the short term compared to pre-2014, potentially rising to £10-12 million in the medium term.
- Visitors: in 2019, it was estimated that The Piece Hall had over 5 million visitors since it reopened, with 2.4 million during the first year and 2.6 million during the second year.
- Footfall: Using footfall evidence from sites around The Piece Hall as a barometer of the economic impact of the regeneration programme, the study found that footfall in the nearby Woolshops shopping centre increased markedly from 4.6 million in 2014 and 2015 to 5.4 million in 2018.
- Property price impacts: The regeneration of The Piece Hall is also estimated to have had a positive property price effect of approximately 11% on properties in the immediate areas around The Piece Hall; adding between £9 million to £13 million to property values.
- Social value: The regeneration programme is also estimated to have generated social values of £4 million per annum. These values are elicited using a travel cost method which accounts for the value that non-residents allocate to the historic asset.
- Public perceptions: 9 out of 10 Yorkshire adults believe The Piece Hall is important for Halifax's economy and reputation.
- Before the regeneration of the Piece Hall, the Google search data score for the destination was on average 4.2, this increased to 36.0 after the renovation works. The Piece Hall is now only slightly behind York Minster (36.0 versus 37.4) in terms of search traffic.

Overall The Piece Hall regeneration is estimated to have increased Calderdale's local GVA by £26 million since opening. This figure includes the direct and indirect economic contributions plus the non-use values and externalities.
For every £1 of operating costs for The Piece Hall, the local economy benefits at least from £5.30. £3.30 is directly produced and £2.00 is indirectly generated by the Piece Hall (Chamberlain Walker, 2019).

5.4 Heritage and the Visitor economy

Heritage attracts millions of domestic and international tourists each year. Some tourists visit England primarily to visit heritage attractions, while others take part in heritage activities during visits that are made for other purposes. This in turn supports millions of jobs and contributes to national and local economic growth. Heritage tourism has declined significantly in 2020 due to COVID-19 lockdowns, travel restrictions, and social distancing measures.

Rievaulx Abbey in Helmsley, North Yorkshire.
© Historic England Archive

- **International tourism is forecast to decline severely in 2020.** Inbound tourism is expected to decline by 74% to 10.6 million visits and the amount spent to reduce by £23.8 billion in the UK. These estimates were last updated in October 2020 (Visitor Attraction Survey, 2020).
- **Domestic tourism is expected to decline in 2020.** Day and overnight spend is forecast to decline by 49% in the UK. This would represent a loss of £46.8 billion in spending compared to the pre-COVID forecast. These estimates consider four journey purposes (holidays, visiting friends, business, and miscellaneous trips) and 17 categories of spending per day trips separately. They were last updated in October 2020 (Visit Britain, 2020).
- **15% of UK adults have taken UK overnight trip during the autumn period (between September-October), which is three times higher than the percentage who have taken an overseas trip.** This data is based on a nationally representative sample of 1,500 adults. It is the 19th wave of a fortnightly consumer sentiment tracking survey about travel (Visit Britain, 2020).

Heritage Tourism in Numbers (pre COVID-19)

International visits

£17.9m Heritage-related international inbound visits in 2019.

£10.4bn Spent in England by international tourists on heritage-related visits in 2019.

Day visits

£182m Day visits motivated by heritage-related activities in England in 2019.

£4.6bn Spend generated by heritage-related day visits in England, 2019.

Domestic overnight tips

£15.1m Heritage-related trips in England in 2019.

£3.4bn Generated by heritage-related trips in England in 2019.

Total tourism

£215m Heritage-related visits and trips in 2019.

£18.4bn Spent on heritage-related visits and trips in 2019.

SOURCE: CEBR 2020

*A trip refers to the travel by a person from the time of departure from his usual residence until he/she returns: it thus refers to a round trip. A trip is made up of visits to different places. A visitor is someone who is making a visit to a main destination outside his/her usual environment for less than a year for any main purpose [including] holidays, leisure and recreation, business, health, education or other purposes. A visit can be made up of different activities (UNWTO 2010).

7 of the top 10 most visited paid attractions in England in 2019 were heritage attractions.

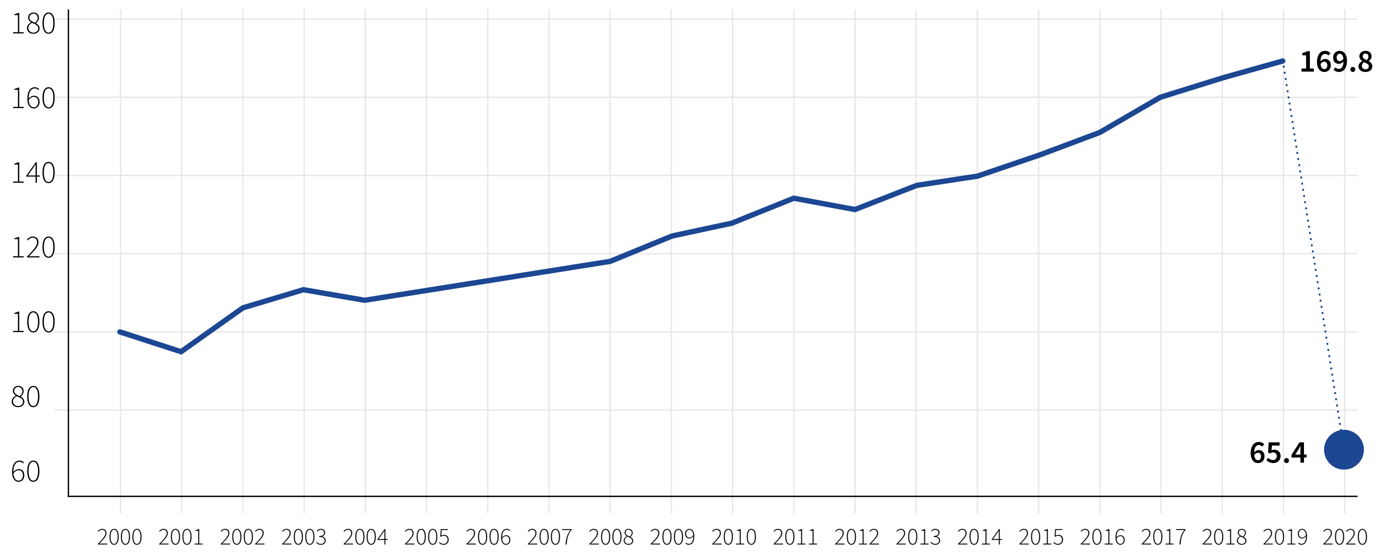
RANK	PAID ATTRACTION	VISITORS IN 2019
1	**Tower of London**	**3.0 million**
2	**Royal Botanic Gardens, Kew**	**2.3 million**
3	Chester Zoo	2.1 million
4	**St Paul's Catheral**	**1.7 million**
5	Windermere Lake Cruises	1.6 million
6	**Stonehenge**	**1.6 million**
7	**Westminster Abbey**	**1.6 million**
8	**Roman Baths**	**1.3 million**
9	**Old Royal Naval College**	**1.3 million**
10	Royal Academy of Arts	1.2 million

Visit Britain, 2020 (Historic sites are represented in bold).

In a survey of historic attractions, 674 responding visitor sites reported a total of 74.5 million visitors in 2018/19. Since 2000, visits to historic attractions have risen by almost 70% (BDRC, 2020).

Growth in visits to historic properties (2000 – 2019), forecast 2020

NOTE: INDICES 2000=100.



SOURCE: BDRC,2020, HISTORIC ENGLAND 2020

SAMPLES ARE CONSTANT FROM ONE YEAR TO NEXT.

- According to the Taking Part survey, **three quarters of adults (73%) in England, or approximately 40 million people, visited a heritage site at least once in 2019/20.** This is a statistically significant increase since the survey began in 2005/06 (69.9%). The Taking Part survey is a continuous face to face household survey of adults aged 16 and over and children aged 5 to 15 years old in England, measuring engagement with cultural sectors (DCMS, 2020).

- **UNESCO designations added £151 million per year in financial benefits to the UK economy.** The United Kingdom National Commission for UNESCO found that the UNESCO brand is an important marketing tool, boosting tourist numbers and expenditure, local employment and local house prices. It also promotes educational projects and initiatives, encourages global networks and improves international reputations (UNESCO, 2020).

- **Two thirds of domestic tourists cited being able to visit a historic building or monument as the 'sole reason' or a 'very important reason'** for their domestic holiday or short break. This increases to 63% for day visitors. These figures are based on an online survey of 2,427 respondents (TNS, 2015).

- **Heritage tourism is more popular in Britain, compared to other Europe nations.** 35% of UK citizens "totally agree" that the presence of cultural heritage influences their choice of holiday destinations. This is the 4th highest proportion of survey respondents from the 28 EU countries (European Commission, 2017).

- **More than three quarters of visitors to historic attractions in England were domestic visitors, including both day trips and longer stays in 2018.** The proportion of domestic visitors has been increasing steadily since 2008 (except in 2012 and 2018), suggesting that holiday trends in England are changing with more trips within the UK (BDRC, 2020).

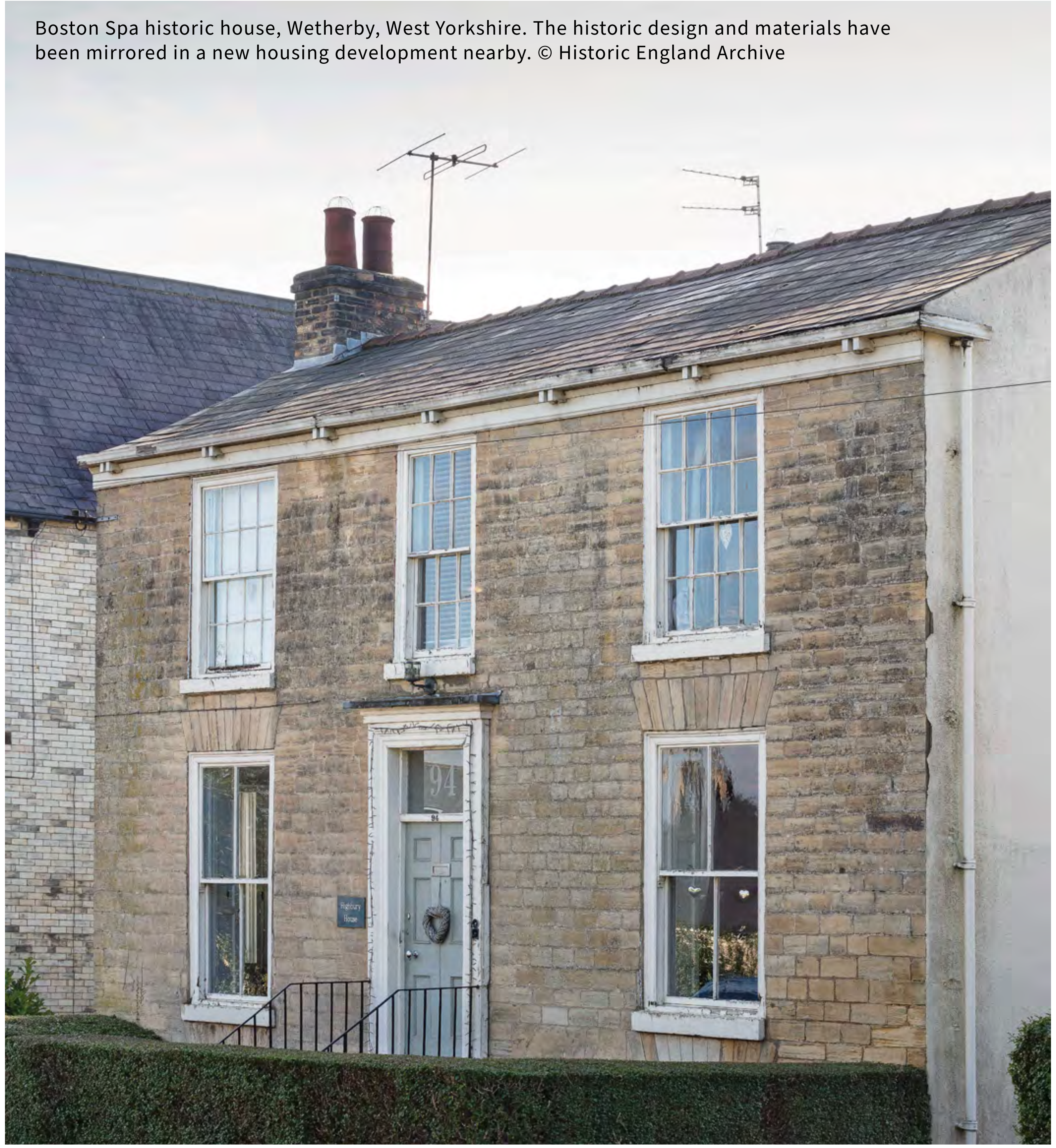
- **Heritage is an integral part of the UK brand, driving millions of international visits each year.** History and heritage are strong product drivers for most overseas markets. Visit Britain's GREAT campaign has identified heritage as one the UK's 12 'unique selling points'.
  - In 2018, the UK was ranked 5th out of 50 nations in terms of being rich in historic buildings and monuments, and 7th for cultural heritage in the Anholt Gfk Nations Brand Index. This index is based on an online survey to over 20,000 consumers in 20 panel countries around the world. Survey participants are asked to score 50 countries (including the UK) according to a myriad of aspects such as tourism, culture, exports, governance, immigration and investments.
  - The UK was ranked 3rd in the Overall Nations Brand Ranking and 4th in the cultural dimension in 2018 (Visit Britain, 2018).

- **'Screen tourism' is an important factor behind the UK's successful tourism industry.** 'Screen tourism' refers to the phenomenon in which the depiction of a location on screen subsequently drives tourist visits. A 2015 report into screen tourism estimates **that tourists visiting locations featured in film and television programs generated £140 million for the UK economy in 2014.** This includes a large number of productions filmed at heritage sites such as Harry Potter, Downton Abbey and Broadchurch. The study is based on site and online surveys of 1,006 individuals in eight locations. A scaling-up methodology was used and day-spend figures were applied to differentiate between different types of tourists (Olsberg SPI, 2015).

- **Heritage visits generate incomes in local economies.** A study into heritage and the UK tourism economy, based on a random sample of 62 completed National Lottery Heritage Fund projects funded between 2004 and 2007, estimated that for every £1 spent as part of a heritage visit, 32p is spent on site and the remaining 68p is spent in local businesses including restaurants, cafés, hotels and shops (National Lottery Heritage Fund, 2010).

- **In 2015, the heritage tourism sector supported £5.3 billion in tax receipts to the Exchequer.** This is equivalent to 0.8 % of all tax collected by the central government that year. This includes £2 billion the heritage tourism sector paid directly; £2.1bn from the heritage tourism sector's wage payments and subsequent spending of those wages; £1.2 billion in tax receipts from the sector's purchases. These estimates are based on the GVA and the number of people employed in the heritage tourism sector (Oxford Economics 2016).

5.5 Heritage generates demand and a property price premium



Boston Spa historic house, Wetherby, West Yorkshire. The historic design and materials have been mirrored in a new housing development nearby. © Historic England Archive

"The character of a place, like that of a human being, develops across time, and the older buildings of a place endow its character with a depth and complexity that it is difficult to achieve in developments built from scratch."

(Building Better, Building Beautiful Commission, 2019)

- **Our historic properties form a vital and unique part of our national story.** The UK has the oldest housing stock in Europe (EU28), with 38% of the UKs homes dating from before 1946, compared to 29% in France, 20% in Italy, 11% in Spain and just 3% in Cyprus (BRE, 2016).
- **Heritage adds to property value.** A survey of estate agents found that 82% stated that original features added to a property's value and 72% felt that original features helped ensure a quicker sale (English Heritage, 2009).
- **Proximity to a listed building is associated with additional value and this value is greater than the premium associated with a newly built home.** A study of 160,000 data points for six cities in England found that proximity to a listed building increased property prices by between 4.4% and 10.3%. The study concludes that beauty, a sense of place, and confidence that heritage will not be destroyed bring real and predictable value (Create Streets, 2017).
- **Property in distinctive areas commands a price premium.** Academics at the London School of Economics surveyed 500 residents in 47 conservation areas and analysed property price data related to mortgages granted by the Nationwide Building Society between 1995 and 2010 to gather information on 'attractiveness' and 'distinctiveness'. In conservation areas deemed to be distinctive, the authors found on average a positive price effect of approximately 10%. This rises to 12% in the most 'distinctive' conservation areas (Ahlfeldt and Holman, 2017).
- **There is a 23% price premium for homes in conservation areas.** Research using a hedonic model analysing 1,088,446 house sales between 1995 and 2010 showed that properties in conservation areas sell for 23% more on average than other houses. Even when location, property features and other factors affecting house prices are adjusted for, a premium of around 9% was still found (Ahlfeldt et al. 2012).
- **House prices are higher on average in town centre conservation areas compared to non–conservation areas.** Analysis shows that in 2016, house prices were 50% higher in town centre conservation areas, 33% higher in urban residential conservation areas and 22% higher in rural conservation areas relative to comparable non-conservation areas. Detailed data was analysed for 10,000 conservation areas matched to non-conservation areas with a similar Index of Multiple Deprivation and population size. (OCSI, 2017). (Note: these are absolute price differences not controlling for other factors).
- **The popularity of historic areas is increasing.** A study of 789 conservation areas found that house prices are growing at a pace that outstrips growth in non-conservation areas, indicating demand for properties in conservation areas. (OCSI, 2017) Property price growth inside conservation areas exceeds comparable properties elsewhere by 0.2% a year (Ahlfeldt et al. 2012).
- **Property values near World Heritage Sites (WHS) are almost £80,000 higher than the UK average.** That is 27% more than the average UK property. A study found that the longer an area has had WHS status, the higher the property values (Zoopla, 2015).

  A study looking at how a wide range of built environment and locational factors affected London house prices found: *"the most important factors influencing house prices were found to firstly relate to physical built environment housing qualities, particularly house size and age, with older housing being much more desirable. This supports arguments emphasising the value of family housing in London, and of the continuing appeal of historic high heritage value neighbourhoods."* The results are based on a hedonic price model applied to 240,000 output areas in Greater London between 2000 and 2008 (GLA Economics, 2010).
- **Listed properties generate a higher return on investment compared to non-listed properties.** A 2011 analysis of the Investment Property Databank (IPD) Index (a leading real estate industry data source for commercial property) shows that at the All Property level, the IPD Listed Property Index has generated a higher level of total return than the IPD Index for three, five, 10 and 30 year time periods (Colliers, 2011).

6. Heritage and the wellbeing economy

Gross domestic product (GDP) is a measure of the volume of goods and services produced within a country over a given period of time. It is not – as it is often used – a measure of a country's success. (OECD 2018)

- **GDP is without question one of our most important economic indicators, it is however incomplete.** GDP does not capture activities where no market transaction takes place, for instance, time spent by households on production activities such as childcare and transport (ONS, 2019). Yet these activities are extremely important to our everyday lives and to the quality of our lives (ONS, 2019).

- **Better measurement of welfare is essential for a sustainable, inclusive economy.** Poor measurement means that citizens' life experiences are out of synch with the stories told by experts and data (Stiglitz, Sen and Fitoussi, 2009). This leads to leads to social distrust, social fragmentation and social capital deaccumulation. Empirical studies have also shown generalised social trust and social capital to be a predictor of future rates of economic growth (OECD).

- **"If we want to put people first, we have to know what matters to them, what improves their wellbeing..."** (Stiglitz, 2019). According to the Taking Part Survey, 94% of people agree or strongly agree with the statement *'it is important to me that heritage buildings or places are well looked after.'* (DCMS, 2017). Survey evidence also shows that history is the third most important factor that makes people proud of Britain after 'The British countryside and scenery' and 'The British health system'. 15% agree that architecture and historic buildings make them proud of Britain (DCMS, 2019a).

- **Wellbeing is increasingly seen as an effective measure of the success of communities and nations.** In the UK the Office for National Statistics' (ONS) "Beyond GDP" programme seeks to go beyond the traditional headline measure of GDP to provide broader measures of our economy and society (ONS, 2018).

- **Significant progress has been made in developing methods to value the benefits of non-market goods and services particularly within the environmental sphere.** In 2018, HM Treasury published a revised Green Book, which is the framework under which government departments make investment decisions. The revised Green Book pays much greater attention to the wellbeing economy improving how we measure environmental effects, including "non-market" outcomes, health and wellbeing outcomes (ARUP, 2020).

- **In the UK, the government has committed to a levelling up agenda, to address inequalities of opportunity.** It is expected that a new, revised Green Book that better accounts for regional inequalities and the levelling up agenda will be published in late 2020.

"What we measure affects what we do, and if we measure the wrong thing, we will do the wrong thing." (Stiglitz, 2019)

Brandon Yard, Gas Ferry Road, Bristol, Somerset. Former Canon's Marsh Gasworks, now redeveloped as residential housing.

6.1 Measuring the 'total economic value' of heritage

- **Heritage has an important role to play in our wellbeing economy.** Heritage is an essential part of the social fabric of our society. Heritage tells the story of who we are and connects us to people, provides us with a shared identity and collective memories and attaches us to place (Heritage and Society, 2020).
- **Many of the benefits obtained from heritage are not supplied (or only partially supplied) in private markets** and therefore do not have a market value.
- **In the absence of assigned market values, businesses, governments and individuals are likely to underinvest in heritage,** leading to suboptimal economic outcomes for society– particularly over the long term and between generations.
- Economists have developed the concept of Total Economic Value (TEV) to categorise the different ways in which individuals value goods and services which are not (fully) traded in markets based on use values and non-use values. Non-use values are economic values assigned by individuals who do not consume the good/service.

TOTAL ECONOMIC VALUE OF HERITAGE				
Use values		Non-use values		
Direct use value (eg visiting heritage sites)	**Indirect use value** (eg shops near a heritage site)	**Option value** (eg option to visit a site in the future)	**Existence value** (eg heritage and identity)	**Bequest value** (eg future generations visits to heritage sites)

For unique assets such as heritage, the non-use values can in fact outweigh use values.

It is difficult to capture non-use values using 'orthodox' economic methods.
Different approaches are needed to capture the 'Total Economic Value' of heritage.
There are two main methods used to capture the value of non-market goods and services:

- Revealed preference techniques involve inferring the price or value which individuals place on something by examining their actual behaviour.
- Stated preference techniques use questionnaires which describe a hypothetical choice in order to obtain estimates of the willingness to pay for a particular outcome.

NON-USE VALUES				
Revealed preference: based on actual behaviour		Stated preference: based on survey questions – hypothetical		
Hedonic pricing techniques (eg house prices and proximity to **heritage asset**)	**Travel cost method (eg price paid to access/ visit a herit-age site)**	**Contingent valuation**	**Wellbeing valuation**	**Choice modelling**

The economic, social and wellbeing value of churches

Previous studies have focused on the value of churches from a heritage and tourism perspective. However, there are limited studies that assess the value that churches provide in economic, social and wellbeing terms. Against this backdrop, the National Churches Trust (2020) commissioned the House of Good study which demonstrates the value of church buildings in terms of direct Gross Value Added (GVA) generation; community services (mental health, drug and alcohol support services, food banks and youth activities) and wellbeing uplift in the UK. The objective is to show that churches are cost-effective networks that deliver community support.

Methodology and assumptions

- The report focuses on churches, chapels and meeting houses but excludes cathedrals.
- It considers a representative sample of 7,000 churches from the National Churches Trust Survey data from 2010 and 1,054 churches from the second wave of the survey in 2020.
- 77,510 responses were considered from Understanding Society for the waves 2009-10 and 2012-13.
- For the GVA estimates, total expenditures and input-output tables for Non-Profit Institutions serving households are used. The increase in demand is multiplied by the GVA generation coefficient.
- The value generated by mental health services, drug and alcohol support services, food banks and youth activities is calculated using cost of replacement by the Government or other institutions. Deadweight is assumed to be 0%.
- The value of volunteering is estimated using National Living Wages and number of hours of volunteering.
- For the wellbeing impact of volunteering, findings from the "Happy Day" report are used. The main result is that life satisfaction increases by 0.034 due to volunteering. Based on Frijters and Krekel (2021), NHS mental health costs are reduced by £142 per person per year. Only regular volunteers are considered for the calculations.
- For wellbeing impacts of community services (mental health, drug and alcohol support services, food banks and youth activities), successful rates are used. They are based on National Trust Survey data. Based on Frijters and Krekel (2021), the decrease in NHS costs is used to monetise the rise in well-being.
- Multivariate OLS regressions are used to understand the impact of religious engagement on wellbeing. Based on Frijters and Krekel (2021), the decrease in NHS costs is used to monetise the rise in well-being.

Total economic and social value of churches.	Market value (GVA, replacement costs of community services, replacement cost of volunteering).	Non-market value (wellbeing value of volunteering, community services and church attendance).
£12.4bn	**£2.4bn**	**£10.0bn**

Interior of Auckland Tower in Bishop Auckland.

There are a small number of valuation studies that have applied non-use valuation techniques to the heritage sector in England. The evidence is presented in the table below. For more detailed analysis and international examples, see Eftec (2005), Valuation of the Historic Environment.

<table>
<tr><th>Reference</th><th>Method</th><th>Valuation outcome</th></tr>
<tr><td>Nesta and Simetrica (2018)</td><td>Contingent valuation of four museums (The Great North Museum, The National Railway Museum, the Ashmolean Museum and the World Museum), four historic cities and their respective cathedrals (Canterbury, York, Lincoln and Winchester). Cultural sites of the same type were chosen according to the similarities of their attributes (size, fees, reputation).</td><td>As the percentage mean transfer error of applying a benefit transfer technique was low, it is possible to argue that the economic value of the selected cultural sites of the same type is similar.
<table>
<tr><th>User/Non-user</th><th>Type of Cultural Site</th><th>Valuation Scenario</th><th>Mean WTP (in £)</th><th>Mean Transfer error</th></tr>
<tr><td>User</td><td>Museum</td><td>Entrance fee is established due to public funding cuts.</td><td>£6.42</td><td>9.5%</td></tr>
<tr><td>Non-user</td><td>Museum</td><td>Annual donation due to public funding cuts.</td><td>£3.48</td><td>16.8%</td></tr>
<tr><td>User</td><td>Historic City</td><td>One-off donation to avoid the closure of buildings currently open to the public.</td><td>£9.63</td><td>3.2%</td></tr>
<tr><td>Non-user</td><td>Historic City</td><td>One-off donation to avoid the closure of buildings, currently open to the public.</td><td>£6.14</td><td>12.5%</td></tr>
<tr><td>User</td><td>Cathedral</td><td>One-off donation to avoid the closure of buildings, currently open to the public.</td><td>£7.42</td><td>10.8%</td></tr>
<tr><td>Non-user</td><td>Cathedral</td><td>One-off donation to avoid the closure of buildings, currently open to the public</td><td>£3.75</td><td>10.7%</td></tr>
</table></td></tr>
<tr><td>Highways England (2017)</td><td>Contingent valuation of the A303 Stonehenge road examining the value that UK residents put on the removal of the A303 from its current location within the World Heritage Site (WHS), in relation to noise reduction, increased tranquillity, visual amenity and reduced landscape severance in the vicinity of Stonehenge.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Mean (£ Net Present Value)</th></tr>
<tr><td>Visitor use values</td><td>Annual tax for removal of the A303 from its current location</td><td>£68</td></tr>
<tr><td>Visitor non-use value (road user)</td><td>Annual tax for removal of the A303 from its current location</td><td>£22</td></tr>
<tr><td>Non-use and option values (general population)</td><td>Annual tax for removal of the A303 from its current location</td><td>£14</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>Create Streets (2017)</td><td>Hedonic Price modelling using 160,000 data points in six British cities.</td><td>Proximity to a listed building increased property prices by between 4.4% and 10.3%.</td></tr>
<tr><td>Bakhshi et. Al. (2015)</td><td>Contingent valuation and wellbeing valuation performed on the Natural History Museum and Tate Liverpool.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Natural History Museum</th><th>Tate Liverpool</th></tr>
<tr><td>Visitor use values</td><td>Entrance fee (NHM) OR Donation (TL)</td><td>£6.65</td><td>£10.83</td></tr>
<tr><td>Visitor non-use value</td><td>Additional donation on top of an entry fee</td><td>£2.78</td><td>£8.00</td></tr>
<tr><td>Non-use and option values</td><td>Additional donation on top of an entry fee</td><td>£8.29</td><td>£6.10</td></tr>
</table>
</td></tr>
<tr><td>Fujiwara et. al. (2015)</td><td>Wellbeing Valuation using data from the British Household Panel Survey and the Understanding Society Surveys.</td><td>
<table>
<tr><th>Activity</th><th>Type of impact</th><th>Increase in likelihood of reporting good general health</th><th>Reduced likelihood of visiting GP 6+ times per yr/ using psychotherapy</th><th>Estimated annual cost savings (per person)</th><th>Estimated population level annual NHS cost savings</th></tr>
<tr><td>Heritage</td><td>GP Visits</td><td rowspan="2">2.76%</td><td>0.70%</td><td>£2.59</td><td>£82.2M</td></tr>
<tr><td></td><td>Psycho-therapy</td><td>0.23%</td><td>£3.50</td><td>£111.1M</td></tr>
</table>
</td></tr>
<tr><td>Eftec (2014)</td><td>Contingent Valuation examining visitors' willingness to pay (WTP) to enter Castle Acre Priory and Walmer Castle and Gardens.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Castle Acre Priory</th><th>Walmer Castle and Gardens</th></tr>
<tr><td>Visitor (EH member)</td><td>£ increase in membership fee per year</td><td>2.14</td><td>3.99</td></tr>
<tr><td>Visitor (non-EH member)</td><td>£ increase per ticket</td><td>2.66</td><td>2.73</td></tr>
<tr><td>Non-user (non-EH member)</td><td>£ increase in general taxes per year</td><td>1.83</td><td>1.77</td></tr>
</table>
</td></tr>
<tr><td>Ahlfeldt et al. (2012)</td><td>Hedonic Price modelling analysing 1,088,446 house sales between 1995 and 2010.</td><td>Properties in conservation areas sell for 23% more on average than other houses.
When location, property features and other factors affecting house prices are adjusted for a premium of around 9% is found.</td></tr>
<tr><td>Jura (2005)</td><td>Contingent Valuation of willingness to pay (WTP) for the continuation of Bolton's museum, library and archive service.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Mean WTP (£ per month)</th></tr>
<tr><td>Users</td><td>Support the continuation of Bolton's museum, library and archive service</td><td>7.93</td></tr>
<tr><td>Non-users</td><td>Support the continuation of Bolton's museum, library and archive service</td><td>£2.82</td></tr>
</table>
</td></tr>
<tr><td>Pollicino and Maddison (2004)</td><td>Contingent Valuation of willingness to pay (WTP) for maintenance actions for buildings in Oxford.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Mean WTP (per year)</th></tr>
<tr><td>Local household</td><td>WTP for preservation of buildings</td><td>£30 - £34</td></tr>
<tr><td>Local household</td><td>WTP for cleaning of buildings</td><td>£20 - £27</td></tr>
<tr><td>Local household spend</td><td>WTP for restoration of buildings</td><td>£20 - £25</td></tr>
</table>
</td></tr>
<tr><td>Pollicino and Maddison (2002)</td><td>Contingent Valuation valuing aesthetic changes to Lincoln Cathedral due to air pollution.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Mean WTP (per hshld per year)</th></tr>
<tr><td>Local household</td><td>WTP to increase exterior cleaning from 40 years to 10 years</td><td>£50</td></tr>
<tr><td>County households</td><td>WTP to increase exterior cleaning from 40 years to 10 years</td><td>£27</td></tr>
</table>
</td></tr>
<tr><td>Powe and Willis (1996)</td><td>Contingent Valuation examining visitors' willingness to pay to enter Warkworth Castle.</td><td>
<table>
<tr><th>User/ Non-user</th><th>Valuation scenario</th><th>Max WTP</th></tr>
<tr><td>Visitors (user)</td><td>WTP for recreation and education</td><td>£1.62</td></tr>
<tr><td>Visitors (user)</td><td>WTP for preservation</td><td>£1.41</td></tr>
</table>
On average visitors were willing to pay twice as much as the entry fee in order to enter the castle.
</td></tr>
<tr><td>Garrod et al. (1996)</td><td>A contingent Valuation study that sought the WTP towards the restoration of buildings in Grainger Town, Newcastle.</td><td>Mean WTP per household per year of Newcastle residents in terms of a tax increase to pay towards the restoration of buildings in Grainger Town, was found to range between £10 and £14 (1995).
Overall, aggregate WTP for restoration was estimated to be almost £1 million, after adjusting for differences in wealth across the aggregating population.</td></tr>
<tr><td>Willis (1994)</td><td>Stated Preference - Contingent valuation of access to Durham Cathedral.</td><td>
<table>
<tr><td>Revealed preference</td><td>Visitor user</td><td>Voluntary contributions</td><td>£0.44</td></tr>
<tr><td>Stated preference - willingness to pay</td><td>Visitor user</td><td>Hypothetical compulsory charge</td><td>£0.78</td></tr>
</table>
</td></tr>
</table>

The heritage sector is determined to continue to develop the valuation evidence base for heritage to ensure that heritage is accounted for in a robust and comprehensive way that addresses existing market failures facing our heritage and future generations' heritage.

The economic rationale for government intervention in heritage

The economic rationale for government intervention in relation to heritage is based on the existence of market failures which can lead to the decay and abandonment of historic buildings and areas. For example a landmark historic building that is vacant and deteriorating can blight a wider area; investment in the repair and reuse of the same building can act as a flagship of regeneration and renewal. Where the market has allowed this situation to occur, investment of public funds is needed to capture the total economic value of heritage.

Heritage and public goods: Heritage assets have inherent public good characteristics. To varying degrees heritage assets create benefits for both the owners of heritage assets as well as wider society in so far they enhance the everyday living environment and are non-excludable and non-rival. 'Public goods' are said to be 'non-rival' in that one person's consumption does not limit its consumption by another person, and 'non-excludable' in that access to a good is open to all.

Heritage and externalities: A typical feature of public goods is the existence of externalities which are benefits or costs that are not accounted for in a market transaction. These emerge either as consumption externalities (benefits/costs shared by heritage owners and consumers/society e.g. more attractive places to live and work) or used for economic purposes through production externalities (benefits/costs accruing to other economic activities as a result of heritage e.g. tourism and heritage).

Heritage and information asymmetries: The value of heritage can be difficult to quantify and attribute due to the non-use qualities of heritage. Non–use values are economic values assigned by individuals to goods or services unrelated to their current or future uses. Information asymmetries mean economic agents can make sub-optimal decisions based on incomplete information. Listing (statutory protection) is a way of addressing these market failures by signalling quality and recognising the value of significant historic properties to the nation.

Heritage and coordination: While the renovation of a landmark is typically led by a team with historical and architectural expertise, the preservation and renovation of the majority of historic buildings is often in the hands of property owners or outside investors who may lack the specialised knowledge to carry out work that reflects the distinctive architectural and historical character of the property. Coordination is also needed in developing and disseminating guidance to assist owners in the maintenance and adaptation of their assets.

Todmorden Market, West Yorkshire.
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6.2 Heritage and Inclusive Growth

Heritage has an important role to play in building back more inclusive local economies, communities and identities.

(RSA, 2020)

When growth is inclusive, it creates opportunity for all and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. Promoting inclusive growth means working to ensure equitable access to, and participation in, all aspects of society including heritage.

- The government's priority is levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – thus closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value added of each hour worked (The Chancellor of the Exchequer, Rishi Sunak, July 2020).
- **Inclusive growth is a process whereby growth is meant to benefit all economic and social groups in the population, leaving no one behind** (Boarini et al, 2017). An inclusive growth approach aligns with the UK the government's commitment to "levelling up" (Prime Minister's Office, 2020).
- **Inclusive growth delivers financial gains.** Across the 10 UK Core Cities (outside London) 38 percent of the gap between their combined average productivity and that of the UK average is associated with deprivation. Closing this productivity gap alone would deliver a further £24.4bn a year to the UK economy (RSA, 2017).
- **Inclusive growth considers a comprehensive notion of wellbeing** that is not limited to income but looks at other aspects of objective and subjective wellbeing, such as individuals' inclusion in the society (Boarini et al, 2017).
- **Investing in a people-centred approach to heritage – one that benefits all levels of society - could potentially help foster social cohesion and bring economic growth to emerging economies and developing countries** (British Council, 2017). This is underpinned by an 'inclusive way of working' which means engaging with individuals and local communities and connecting them with their heritage, whilst also working to support institutions to generate positive change for all. The intended outcomes will not only lead to economic growth but will also lead to better social welfare (British Council, 2017).

When people engage with, learn from, value and promote their cultural heritage, it can contribute to both social and economic development. Heritage in this way can be a source of sustainability, a way to embed growth in the fabric of society and to celebrate the past in today's evolving world.

(British Council, 2017).

The RSA Heritage Index

The RSA Heritage Index is a unique tool, designed to support data-led decision making on heritage at the local level. The Index, produced in partnership with the National Lottery Heritage Fund, collates data on heritage across the UK from over 120 measures.

Pride in place includes top 10 rankings across a number of key measures in England, Wales, Scotland, and Northern Ireland and analysis of the key trends in the sector.

The Heritage Index is an attempt to capture the breadth of heritage. It champions local areas, each of which has a rich and unique tapestry of history, collectively contributing to local and individual identity. The data is split into six heritage 'domains' to capture this breadth, as well as one general domain:

- *Historic built environment*
- *Landscape and natural environment*
- *Parks and open spaces*
- *Museums, archives and artefacts*
- *Industrial heritage*
- *Cultural and memories*
- *General*

www.thersa.org/reports/heritage-index-2020

With Historic England's help this historic barn has been re-roofed, Green Edges Farm, Northumberland.
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