Towns Fund Delivery Partner

Economic Case: Best Practice Guide – Annex C

October 2021

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PROJECT TYPE:
Culture and Heritage

Culture and Heritage

Introduction

This section provides guidance on how to quantify and monetise economic benefits related to culture and heritage interventions.

The step-by-step guide on estimating economic benefits covers:

- Tools and resources
- Identifying economic benefits
- Methodologies of quantifying benefits
- General appraisal considerations
- What if the benefits cannot be quantified?

Source: Photo by ian dooley on Unsplash

Culture and Heritage

Tools and resources

There are a number of tools and resources available online which provides guidance on estimating economic benefits of culture and heritage-based intervention.

Best practice benchmark guidance, toolkits and other relevant resources

- Introduction to the Culture and Heritage Capital Programme by Lord Mendoza
- Valuing Culture and Heritage Capital: A framework towards informing decision making (Department for Digital, Culture, Media & Sport, January 2021)
- Culture and Heritage Capital Evidence Bank (Department for Digital, Culture, Media & Sport, January 2021)
- How to quantify the public benefit of your Museum using Economic Value estimates (Arts Council England, 2020)
- Heritage and the value of place (Historic England, Simetrica-Jacobs, 2021)
- Towards better valuation: The Culture and Heritage Capital approach (Historic England, 2021)
- Supporting public service transformation: cost benefit analysis guidance for local partnerships (HM Treasury, new economy, 2014)

**now known as Ministry of Housing, Communities and Local Government (MHCLG)*

Identifying benefits

Identifying economic benefits

Linking back to the strategic case

Linking back to the Case for Change outlined in the Strategic Case will help identify the benefits associated with the project, and the beneficiaries of the project.

To help you understand the economic benefits of the project**, benefits logic mapping** is recommended to summarise the project need, the benefits sought and the strategic responses and changes required to address the service need while achieving the benefits.

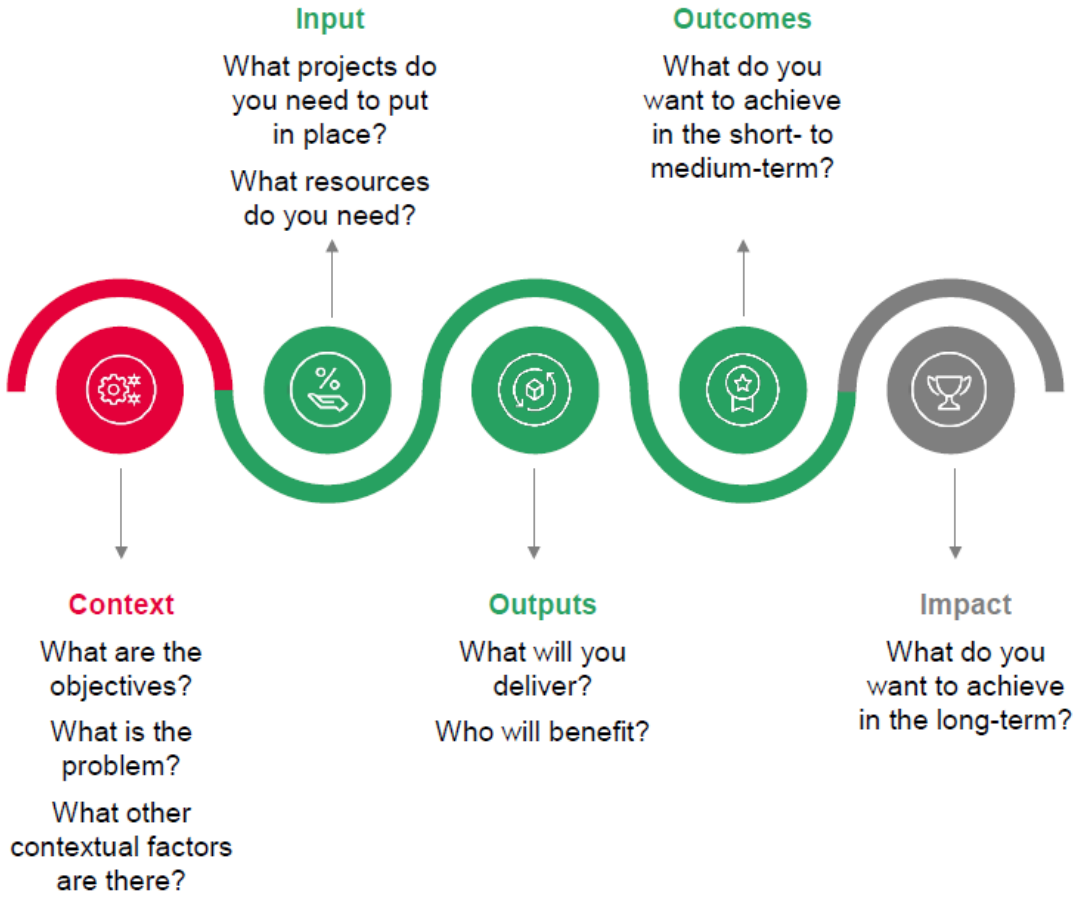


Figure 1: Theory of Change: logic mapping
Source: TFDP, "Introduction Theory of Change", 2020

Identifying economic benefits

Linking back to the Strategic Case

Project drivers / problems / opportunities

- Lack of culture and heritage offer
- **Poor utilisation and/or maintenance of building / open space**
- Poor provision and maintenance of culture and heritage assets
- **Negative perception of town**
- Lack of community cohesion and local pride

Example benefits sought

Economic growth and additional quality jobs

Improved local tourism

Promotes the active preservation and protection of important local resources

Increased community engagement and cohesiveness

Culture and Heritage

Demonstrating the benefits

When demonstrating the economic case of your project, there are two main types of analyses to be considered:

Quantified benefits

Non-quantified benefits

There are a number of factors to consider when deciding which economics benefits can be assessed quantitatively or qualitatively, including:

- Is the required data/input available?
- How robust is your data/input?
- If you need to apply assumptions, how robust are they? Can they be supported by evidence/benchmark case studies?
- Which methodologies are available? How robust/established is the methodology?
- Is the methodology to be adopted in line with the Green Book principles?

Methodologies of quantifying benefits

Methodologies of quantifying benefits

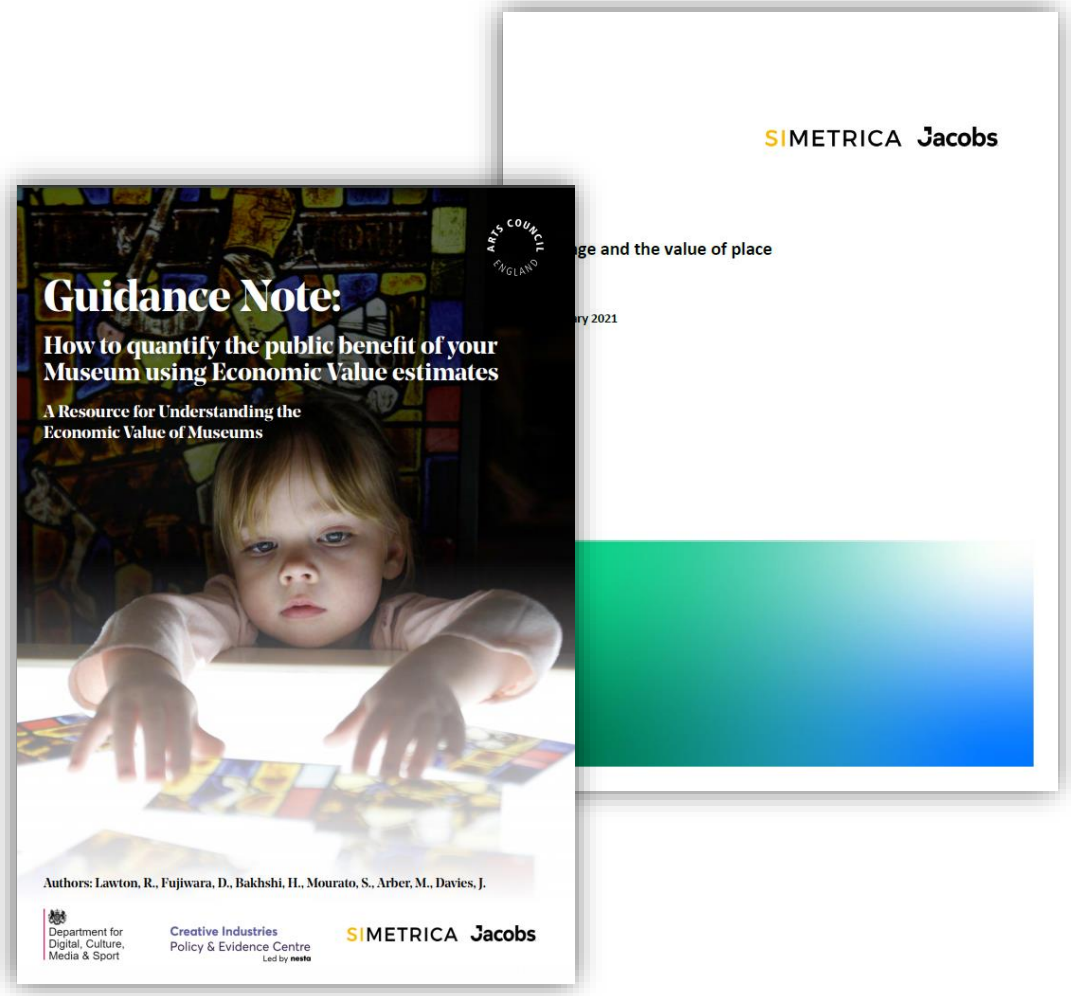
Introduction

This section sets out the latest thinking on the methodologies in development to place a monetary value on the benefits of Culture and Heritage assets/projects, including DCMS's Valuing Culture and Heritage Capital Approach.
Informing the overarching approach, this section will also set out methods of quantifying economic benefits as outlined in two guidance:

1. Arts Council England's *How to quantify the public benefit of your Museum using Economic Value estimates*

2. Historic England's *Heritage and the value of place*

Both sector-specific guidance is part of the wider programme led by DCMS to develop the Culture and Heritage Capital approach.



Methodologies of quantifying benefits

Audience

The two guidance documents are suitable for practitioners who are developing or managing Towns Fund Business Cases.

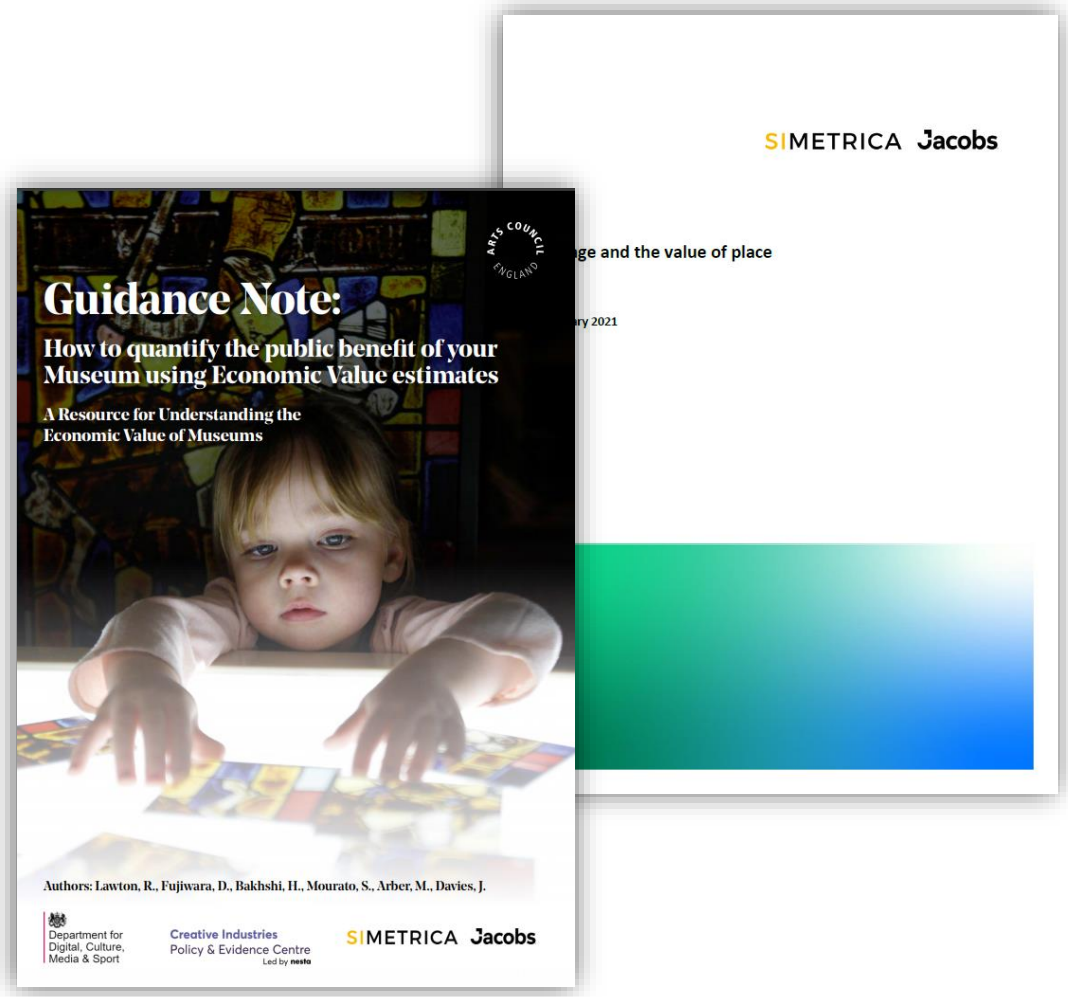
The guidance is aimed at those with some prior knowledge and experience with business cases, and the basic principles of economic appraisals for UK projects.

Further revisions

Please note, DCMS's Valuing Culture and Heritage Capital: A framework towards informing decision making is in further development, along with the supplementary two guidance documents underpinning the capital approach to address current limitations of the methodologies.

We would recommend visiting the Government website regularly and look out for relevant updates from DCMS.

https://www.gov.uk/government/publications/valuing-culture-and-heritage-capital-a-framework-towards-decision-making



Identifying economic benefits

Types of culture and heritage assets

DCMS have grouped culture and heritage assets into broad categories, as shown in Table 1.

Type of asset	Definition	Examples
Built Historic Environment	A historic structure identified as having a degree of significance because of its heritage interest	Listed and unlisted historic buildings and structures
Landscapes and Archaeology	Historic features in the natural environment	Archaeological sites, battlefields, canals, gardens, parks, ruins, shipwrecks
Collections and Movable Heritage	An object that can be moved into a collection or is mobile	Art, archives, libraries, museum collections, plaques, sculptures, transport such as aircraft and trains
Performance and Performance Venues	Artistic content for an audience	Theatre, cinema, concerts halls, dance, festivals, multi-purpose spaces, music venues, and other performance venues
Digital Assets	A virtual collection for engagement	Digital archives, online collections

Table 1: Definition of culture and heritage assets
(source: DCMS, 2021, "Valuing Culture and Heritage Capital: a framework towards informing decision making")

Methodologies of quantifying benefits

Contingent valuation

Contingent Valuation is a method of estimating the value that a person places on a good or service. The survey-based economic technique focuses on asking people to report their willingness-to-pay (WTP) for obtaining the good/service. This technique is applied in the absence of market-driven valuation of the good/service. There are four methods of valuations:

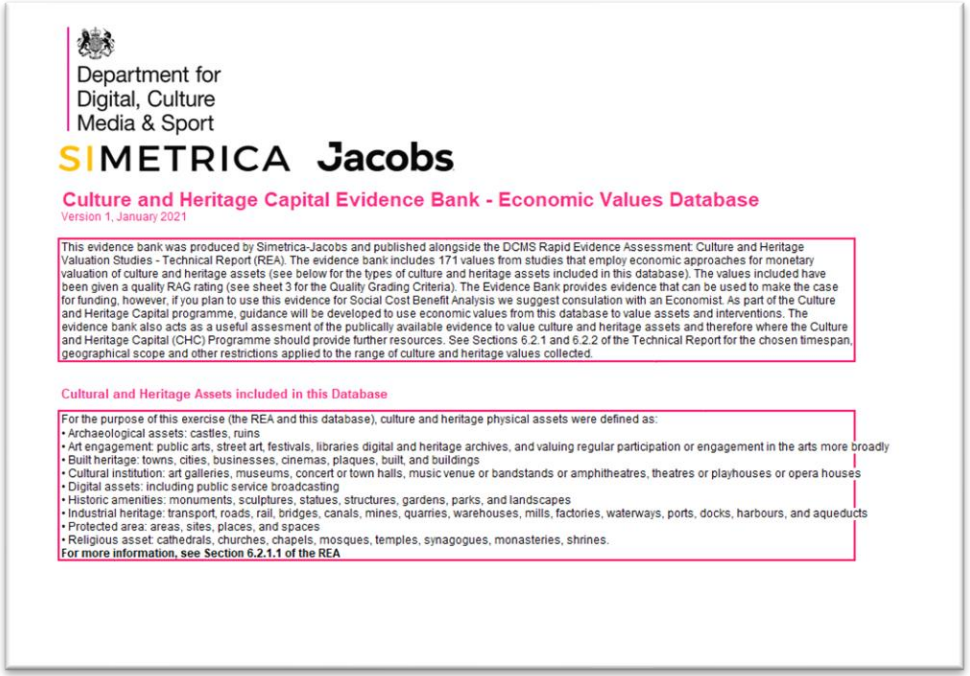
Valuation method	Description	Example
Revealed Preference (RP)	Applied to goods and services that result in observable changes in behaviour in indirect markets	Value of built heritage may be revealed indirectly in housing markets across regions where the level or quality of provision of built heritage differs.
Stated Preference (SP)	Applied to goods and services that do not result in observable changes in market behaviour but are amenable to direct monetisation	Willingness to pay to access a hypothetical entry fee to access a cultural institution that is currently free to the public, e.g. museums, art galleries.
Wellbeing Valuation (WV)	Applied to goods and services that do not result in observable changes in market behaviour and are difficult to monetise directly, but may have measurable effects on individual wellbeing measures and so can be monetised indirectly.	Regular engagement with culture and heritage
Benefit, or Value, Transfer (BT)	Method of transferring values from one site to another. Values can be obtained from the literature using source studies.	

Table 2: Main non-market valuation techniques
(Source: Simetrica-Jacobs, 2020, "DCMS Rapid Evidence Assessment: Culture and Heritage Valuation Studies – Technical Report)

Valuing Culture and Heritage Capital Approach

Overview

- In January 2021, the Department for Digital, Culture Media & Sport (DCMS) published “Valuing Culture and Heritage Capital: A framework towards informing decision making” (H. Sagger, J. Philips, M. Haque, 2021).
- The document sets out details on DCMS’s ambition to develop a formal approach to value the benefits of culture and heritage assets to society, formerly referred to as **the culture and heritage capital approach**.
- Accompanying the framework, an evidence bank of values for a range of culture and heritage assets was issued by DCMS. DCMS permits the use of the evidence bank of 171 values to be used to support funding cases*.
- This TFDP guidance will focus on how to quantify culture and heritage benefits based on the culture and heritage capital approach



Department for Digital, Culture Media & Sport

SIMETRICA Jacobs

Culture and Heritage Capital Evidence Bank - Economic Values Database

Version 1, January 2021

This evidence bank was produced by Simetrica-Jacobs and published alongside the DCMS Rapid Evidence Assessment: Culture and Heritage Valuation Studies - Technical Report (REA). The evidence bank includes 171 values from studies that employ economic approaches for monetary valuation of culture and heritage assets (see below for the types of culture and heritage assets included in this database). The values included have been given a quality RAG rating (see sheet 3 for the Quality Grading Criteria). The Evidence Bank provides evidence that can be used to make the case for funding, however, if you plan to use this evidence for Social Cost Benefit Analysis we suggest consulation with an Economist. As part of the Culture and Heritage Capital programme, guidance will be developed to use economic values from this database to value assets and interventions. The evidence bank also acts as a useful assesment of the publically available evidence to value culture and heritage assets and therefore where the Culture and Heritage Capital (CHC) Programme should provide further resources. See Sections 6.2.1 and 6.2.2 of the Technical Report for the chosen timespan, geographical scope and other restrictions applied to the range of culture and heritage values collected.

Cultural and Heritage Assets included in this Database

For the purpose of this exercise (the REA and this database), culture and heritage physical assets were defined as:
- Archaeological assets: castles, ruins
- Art engagement: public arts, street art, festivals, libraries digital and heritage archives, and valuing regular participation or engagement in the arts more broadly
- Built heritage: towns, cities, businesses, cinemas, plaques, built, and buildings
- Cultural institution: art galleries, museums, concert or town halls, music venue or bandstands or amphitheatres, theatres or playhouses or opera houses
- Digital assets: including public service broadcasting
- Historic amenities: monuments, sculptures, statues, structures, gardens, parks, and landscapes
- Industrial heritage: transport, roads, rail, bridges, canals, mines, quarries, warehouses, mills, factories, waterways, ports, docks, harbours, and aqueducts
- Protected area: areas, sites, places, and spaces
- Religious asset: cathedrals, churches, chapels, mosques, temples, synagogues, monasteries, shrines.

For more information, see Section 6.2.1.1 of the REA

Please note, the framework is not a supplementary guidance to the Green Book.
Please check with your local CLGU lead to verify that the use of DCMS’s culture and heritage capital approach is appropriate for the development of the economic case.

*Source: DCMS, as of 2 Aug 2021, https://www.gov.uk/guidance/culture-and-heritage-capital-portal

Valuing Culture and Heritage Capital Approach

Culture and Heritage Capital Framework

Figure 2 illustrates the Culture and Heritage Capital Framework, demonstrating the logic mapping from the point of intervention, to placing a value on the culture and heritage asset to society.

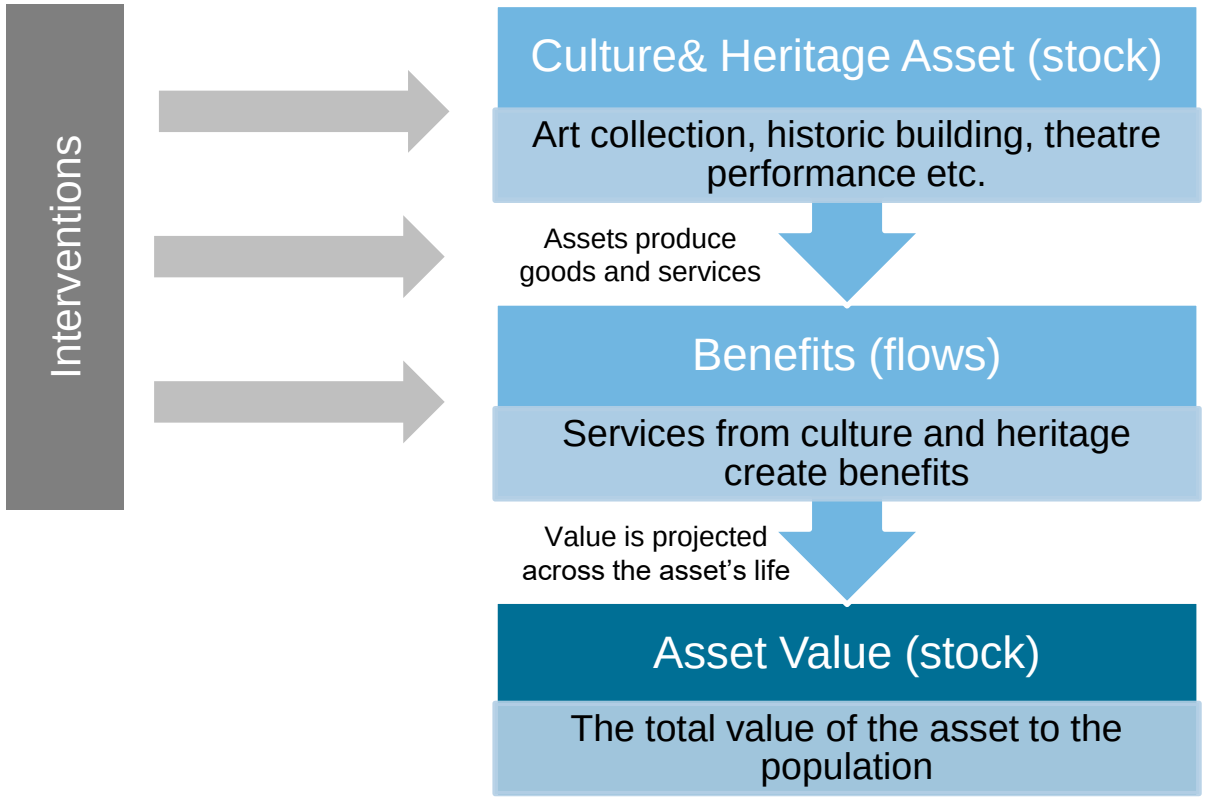


Figure 2: The Culture and Heritage Capital Framework
(source: DCMS, 2021, "Valuing Culture and Heritage Capital: a framework towards informing decision making")

1. How to quantify the public benefit of your Museum using Economic Value estimates

Overview

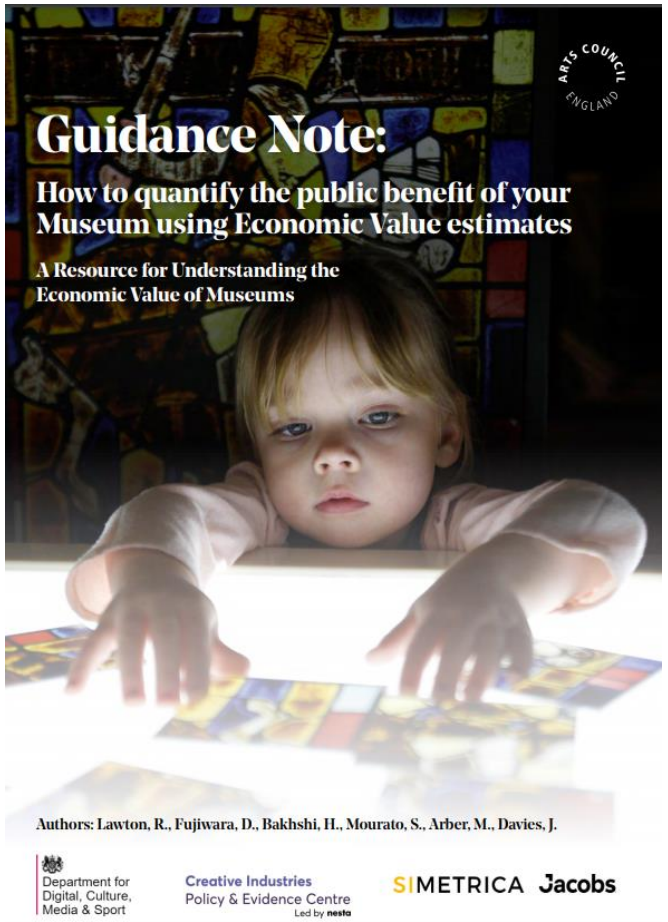
- The guidance published by the Arts Council England is part of the ongoing Economic Value of Culture project carried out by Nesta's Creative Industries Policy and Evidence Centre and Simetrica-Jacobs. It was published in 2020.

- The aim of the guidance is to help project appraisers demonstrate "regional museums" social and culture impact in economic terms and how they can be applied in practice, such as to business cases and funding applications.

- The study develops a set of monetary values for these "regional museums". Suggested definition of a regional museum include museum with a minimum of at least 200,000 visits per year, based in a major city within its county, with a "reach" beyond the city in which it is based (at least 25% of annual visitors travelling from an origin outside of the city boundaries) and with not "standard" entry fee (except for temporary exhibition when applicable)

- The valuation approach outlined in this Guidance Note aligns with the Social Cost Benefit Analysis (SCBA) methods in the UK HM Treasury Green Book Guidance (2020).

- The economic valuation is based on visitors and local residents' Willingness-to-Pay (WTP)* to keep the site in good condition. It uses a technique known as **Benefits Transfer**** (BT).



*The maximum amount of money a person is willing to pay to continue to enjoy a good or service at its current 'business as usual' level.
**The method of applying an estimated economic value (or benefits) of one or more sites to another site.

1. How to quantify the public benefit of your Museum using Economic Value estimates

Calculation

- The calculation to quantify the public benefit is called a **Benefit Transfer (BT)**. It is an exercise which takes estimated values from a sample of sites and applies them to another site.

- Once you have identified that the site that you are evaluating holds similar characteristics, you can perform the following three steps:

Step 1:

No. of domestic visitors per annum × WTP value per visitor = Non-market economic benefit of visitors

Step 2:

(Total population within local catchment area − No. of domestic visitors per annum) × WTP value per non- user = Non-market economic benefit of non-users

Step 3:

Non-market economic benefit of visitors + Non-market economic benefit of non-users = Total economic value

1. How to quantify the public benefit of your Museum using Economic Value estimates

Inputs

- In order to quantify the public benefit of a regional museum, both **visitor and non-visitor** value are calculated.
- Non-use value refers to the value for the cultural institution stated by those who have not visited or engaged with it within a designated period (e.g. the past three years).
- These non-visitors may hold elements of use value, such as the option value to visit the museum in the future or having used it online for research or recreational reasons.
- Given the WTP values presented in Table 3 are more appropriate for regional museums, alternative WTP values which reflects more local museums may be obtained via DCMS's Culture and Heritage Capital Evidence Bank.

Willingness to pay for regional museums. Based on WTP values for Great North Museum (Newcastle), World Museum (Liverpool), National Railway Museum (York), Ashmolean Museum (Oxford)	
Population Group	2020 WTP value (2018 value)
Visitor WTP for access – user value per visit	
Visitor WTP entry fee for access museum (per visit)	£6.16 (£6.01)
General population WTP to maintain museum and its collections – Non-user/Non-visitors	
Non-visitor (non-user) WTP	£3.25 (£3.17)

Table 3 : Benefit Transfer Table of Economic Values for Culture (regional museums)
(source: Art Council England, DCMS, Nesta, Simetrica-Jacobs)

1. How to quantify the public benefit of your Museum using Economic Value estimates

Inputs

Non-use value is an important element of the societal benefits that museums and other cultural institutions provide to the public. As non-use values are still in early development, the guidance recommends using the most conservative approach where possible.

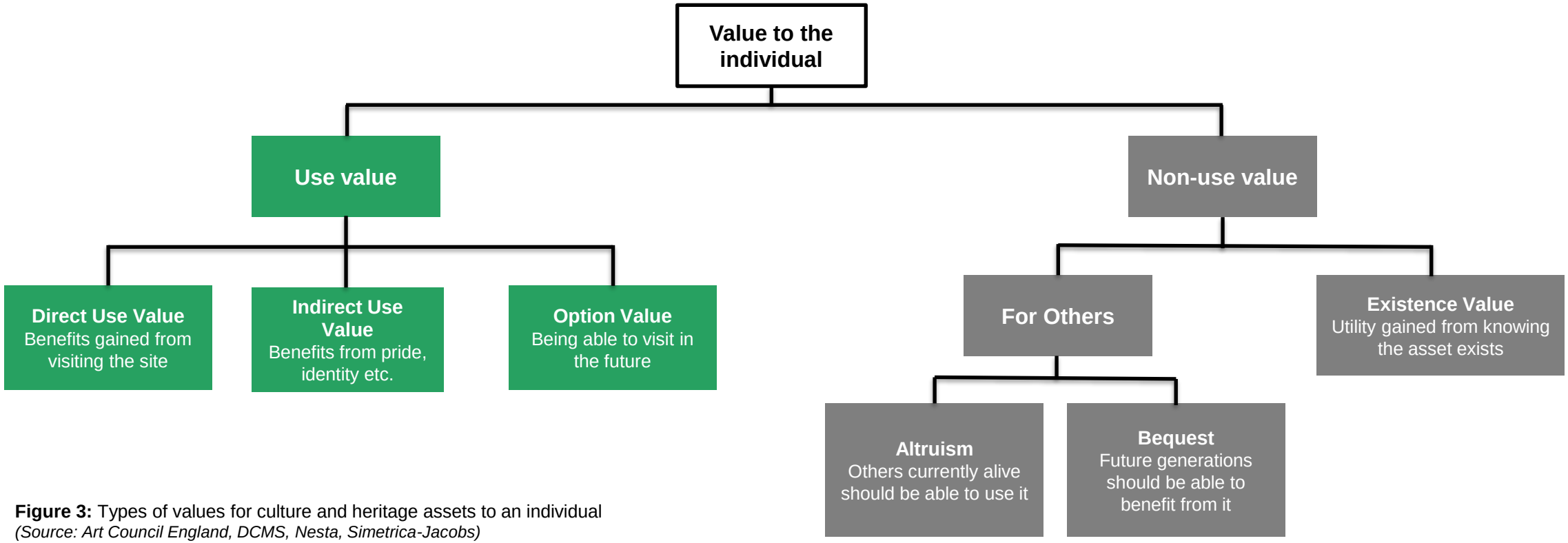


Figure 3: Types of values for culture and heritage assets to an individual
(Source: Art Council England, DCMS, Nesta, Simetrica-Jacobs)

1. How to quantify the public benefit of your Museum using Economic Value estimates

Inputs

To calculate the combined user and non-user value of a regional museum, two sets of inputs are required:

Inputs	Description	Source / Assumption
Number of visitors per annum (historic and/or forecast)	• Number of domestic visitors to feed into visitor value calculation and number of households in local catchment* area minus local visitors to feed into non-user value calculation. • To derive accurate estimates of visitors in the local population, the guide recommends that analysts run a bespoke survey of the local population.	• Museums • Surveys
Local population figures	• Population estimates within a local catchment area of the museum	• Office for National Statistics (via NOMIS)
Visitor and non-visitor Willingness-to-Pay (WTP) values	• The WTP values from the guidance were estimated based on average regional museum WTP for visitors (or users) and non-visitors (or non-users) from a pooled set of survey responses, done across four museums**, for visitors (use WTP) and non-visitors (non-use WTP) respectively. • Table 3 provides representative estimated values that can in principle be transferred to other comparable museums in England • Alternatively, WTP values from the Culture and Heritage Capital Evidence Bank may be used.	• Table 1: Benefit Transfer Table of Economic Values for Culture: Regional Museums (Arts Council, 2020) • Culture and Heritage Capital Evidence Bank (DCMS, 2021)

Table 4: Estimating economic value of museums - main inputs

*The appropriate local catchment area may be defined as the geographical area within which residents are likely to have heard of your museum even if they have never visited. We note that this definition of 'local reach' is subjective

** The Great North Museum, Newcastle; The Ashmolean museum, Oxford; The National Railway museum, York and The World Museum, Liverpool).

1. How to quantify the public benefit of your Museum using Economic Value estimates

Outputs

- The output that you get from the inputs identified above and the calculation step is the total non-market value combining User and Non-User WTP in £2020 prices.
- This is an **estimate of the public benefit that an institution produces in monetary terms** in a way that aligns with the Green Book principles of Social Cost Benefit Analysis.
- This non-market value can then be included in your **business case** alongside GVA economic impact evaluations.
- Please note that the Benefit Transfer Table of Economic Values (user and non-user WTP) are based on £2020 prices. If you require to uprate, calculate inflation using the ONS Consumer Price Index.

Top tip

Outline what processes you included and why, as well as assumptions applied, in the economic case.

	Visits (user WTP)	Local population non-visitor (non-user WTP)
Worked example museum WTP	£6.16	£3.25
Worked example relevant group	426,367 visits	408,597 local households of non-visitors (510,746 local households – 20% of possible local visitors)
Aggregate Value	**£2,626,421**	**£1,327,940**
Total non-market value: Combined User and Non-user WTP		**£3,954,361**
Indicative annual museum operating costs		**£1,978,146**

Table 5: Worked example – Benefit transfer from Benefit Transfer Table of Economic Values for Culture to case study of a museum in Manchester (2020 prices)
(source: Art Council England, DCMS, Nesta, Simetrica-Jacobs)

1. How to quantify the public benefit of your Museum using Economic Value estimates

Key considerations

- The values from the Benefit Transfer Table of Economic Values will always be an approximation and no two sites are the same. Each site is intrinsically unique and careful considerations needs to be taken when transferring values from one site to another. For example, a city maritime museum with over 1 million visitors per year may not be an appropriate case study when estimating benefits of a local town museum with around 50,000 visitors per annum.

- There is a risk of **over-attribution,** typically occurring by:
  1. **Over-estimating the number of people** who benefit from the site such as overstating the number of annual visits or the museum's reach into the local population (catchment area) leading to a corresponding overestimate of economic value. Extending the reach of a site is the most common way values can be over-attributed. Where possible, primary data collection may be undertaken to better understand the local population's awareness of, and engagement with the site.

  2. **Assigning an economic value for a larger museum** (i.e regional museum) which is not commensurate with the size of the museum in your business case. This could also lead to an overestimated economic value.

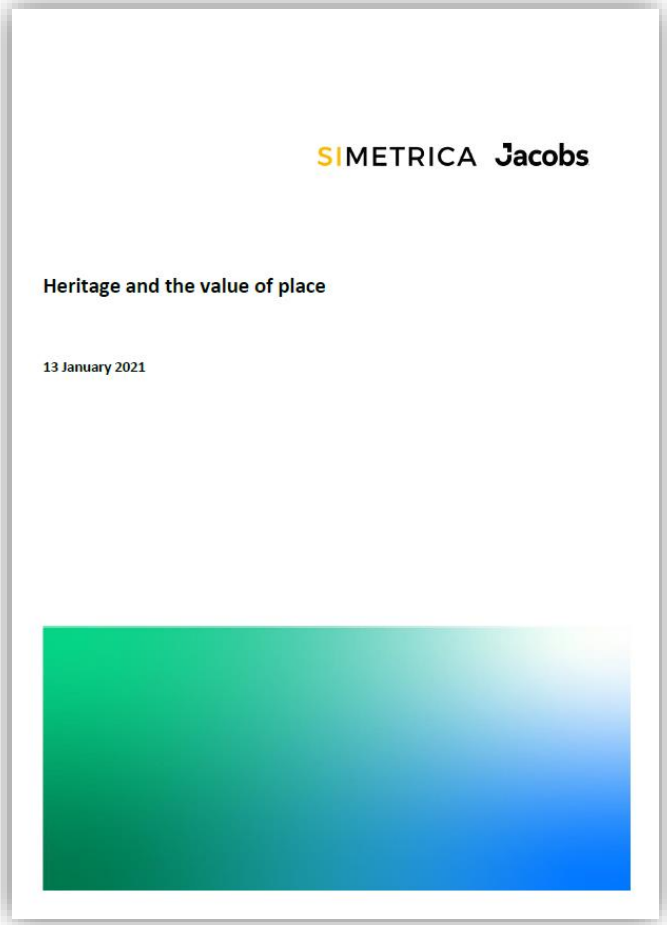
2. Heritage and the value of place

Overview

- This guidance was commissioned by Historic England to Simetrica – Jacobs and published in January 2021. This research fits into the Department for Digital, Culture, Media and Sport (DCMS) Culture and Heritage Capital Programme (CHC).
- The study develops a set of monetary values for the 'everyday heritage' sites that people can use and experience in their local area, including high streets and civic buildings.
- The metrics and methods set out in the guidance is consistent with HM Treasury's Green Book evaluation guidance (2018).
- The economic valuation outlined in the study represents the **local resident's Willingness-to-Pay** (WTP) to keep the heritage site in its good condition. Similarly to the above study, it uses a technique known as **Benefits Transfer** (BT), taking average WTP values for a category of local heritage from one research study and transferring it to another high street or civic building to evidence the value of that place in an economic business case within acceptable degrees of confidence.
- Different places across England were surveyed in following categories:
  1. Pre-industrial historic high street
  2. Industrial-era historic high street

  High streets
  3. Historic library
  4. Historic town hall

  Civic buildings



2. Heritage and the value of place

Calculation

The benefit transfer testing of the heritage places surveyed in this study finds that:

- **Pre-industrial high streets** and **historic libraries** WTP values can be transferred to historic sites with similar characteristics across the country with confidence (i.e. acceptably low risk of introducing transfer error).
- **Town hall** WTP values can be transferred and should be adjusted to income differences between the study town halls and the business case site.
- WTP values for **Industrial-era high streets** are not robust for benefit transfer as transfer testing showed that transfer errors are in excess of recommended levels. Industrial-era high street WTP values should be seen only as indicative and not be used for transfer to Industrial-era high streets as a whole.

Therefore, three different benefit transfer methods can be used based on confidence in transfer:

1. **Simple unit value transfer**, where average WTP is taken from this study and applied directly to another historic place without any adjustments.

2. **Adjusted unit value transfer (income),** where the transfer accounts for differences in income characteristics between the heritage sites used in the Local Heritage Value Bank and another historic place. This benefit transfer technique is recommendable to be used in the particular circumstance in which there is a significant socioeconomic difference between your site and the sites in the Local Heritage Value Bank

3. **Benefit function transfer**, where WTP from the Local Heritage Value Bank is adapted to fit multiple characteristics* of the historic place in a business case (same method as adjusted unit value transfer but taking into account multiple characteristics).

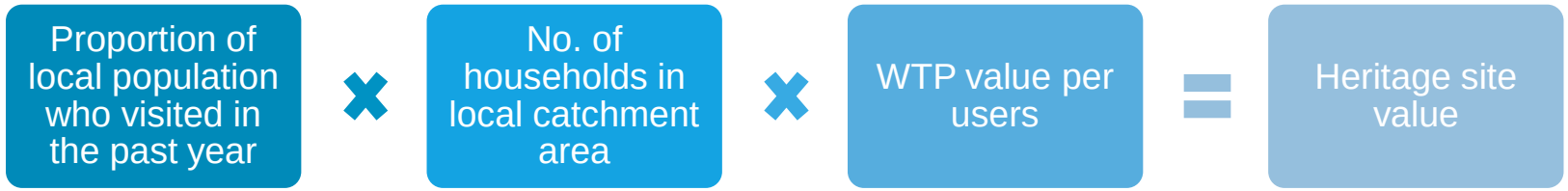
*Such as sociodemographic characteristics of visitors and the surrounding population and other measurable characteristics.

2. Heritage and the value of place

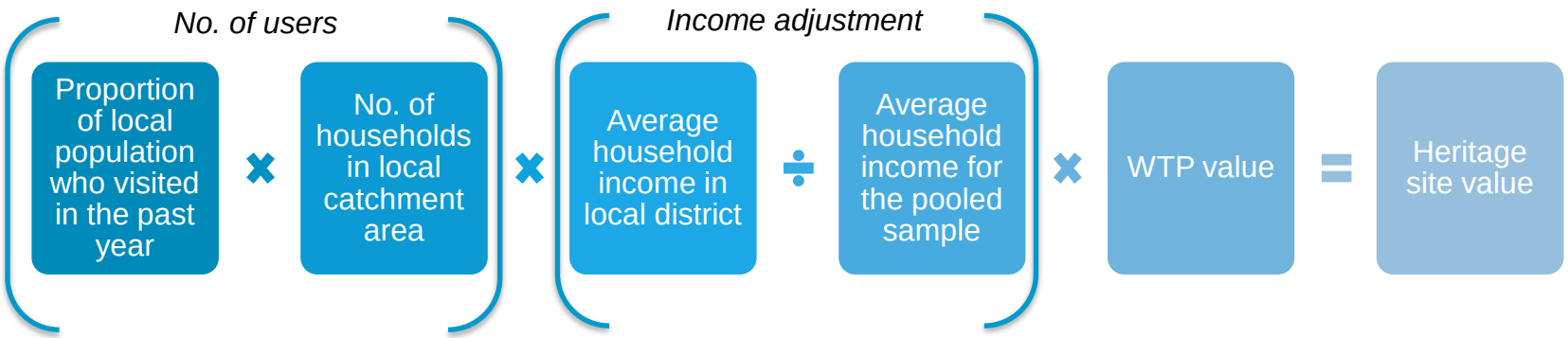
Calculation

Detailed calculation for the simple unit value and adjusted unit transfer:

1. Simple unit transfer:



2. Adjusted unit transfer:



3. Benefits function transfer:

Benefit function transfer method is more data-intensive and requires availability of a range of demographic and possible attitudinal / behavioural variables that are part of the WTP function, in each site.
Therefore, it is not recommended to use benefit function transfers when there are few differences to adjust between the sites.

2. Heritage and the value of place

Calculation

To determine which benefits transfer method to use, the guidance sets out a summary of the sifting criteria and resulting recommendations:

	1. Simple unit transfer	2. Adjusted (income) transfer	3. Function transfer
1. Data availability / requirements			
	No additional data required	Only aggregate data on the adjusted characteristic at policy and study site required	Transfer function needs to be estimated at study sites; Corresponding data for policy site required to make prediction
Low	✓	×	×
Medium		✓	×
High			✓
2. Similarity between policy and study sites			
	High degree of similarity required	Difference in a single characteristic (usually income levels) may be adjusted	Differences in multiple characteristics may be adjusted to produce more context-sensitivity benefit transfers
High	✓	×	×
Medium		✓	×
Low			✓

	1. Simple unit transfer	2. Adjusted (income) transfer	3. Function transfer
3. Homogeneity of the good values across study sites			
	High degree of similarity required	High degree of similarity required; adjustment usually based on population not site characteristics (i.e. income)	Differences can be controlled (and their impact measured, provided that site-specific data exists and that there is sufficient heterogeneity between study sites) through transfer function
High	✓	✓	
Low	×	×	✓
4. Homogeneity of the population characteristics across study sites			
	High degree of similarity required	Assumes heterogeneity between sites is a function of socioeconomic differences in populations. Income differences can be adjusted ex-post	Differences can be controlled (and their impact measured, provided there is sufficient heterogeneity between study sites) through transfer function. High homogeneity will lead to higher transfer errors in function transfer
High	✓		×
Medium		✓	
Low			✓

Table 6: Evidence-based conclusions about the most appropriate transfer method for each category of local heritage in the Local Heritage Value Bank.
(source: Simetrica-Jacobs for Historic England)

2. Heritage and the value of place

Calculation

To determine which benefits transfer method to use, the guidance sets out a summary of the sifting criteria and resulting recommendations:

	1. Simple unit transfer	2. Adjusted (income) transfer	3. Function transfer
Assumptions required to perform the transfer (as tested by t-tests in benefit transfer testing)	Per person (or household) WTP at the study site is equal to that at the policy site	Per person (or household) WTP scaled by the adjustment variable at the study site is equal to that at the policy site	Transfer function is identical in the study and policy sites
Recommendations			
Policy site is similar to the study site in terms of services offered, size and reach, and characteristics of users / non-users	✓	✗	✗
Policy site different from study sites in terms of small number of characteristics (particularly income)	✗	✓	✗
Policy site different from study sites in terms of multiple characteristics (whose impact on WTP has been measured)	✗	✗	✓

Table 6 (cont'd): Evidence-based conclusions about the most appropriate transfer method for each category of local heritage in the Local Heritage Value Bank.
(source: Simetrica-Jacobs for Historic England)

2. Heritage and the value of place

Inputs

For **initial scoping**, information to answer "how similar is your historic place (eg. high street) to the high street surveyed in the Local Heritage Value Bank" are needed, incl. overall age and character of architecture, size of city or regional location.

Inputs	Description	Source / Assumption
No. of households within a local catchment area	• The appropriate local catchment area is typically defined as households within the direct Local Authority district where residents have heard of or visited the asset street in past three years. • In most cases you will not have data on the number of residents who have heard of and visited the asset, so we advise taking the proportions from within this survey (see **Table 8** on pg. 24).	• Office for National Statistics (via NOMIS)
Average household income	• If there is a significant socioeconomic difference between your site and the sites in the Local Heritage Value Bank, you'll need the average household income of your local district. • The average household income for the pooled sample in can be found in **Table 10** (pg. 26).	• Office for National Statistics
WTP values	• The survey presented in this study provides an evidence based in the form of a Local Heritage Bank of Values, with local residents' WTP for the 4 categories of places outlined in the previous slide. This is the main input to take from this study. • It estimates the £value to maintain the historic character of high streets or civic building in good condition per household per year. Results can be found in **Table 9** (pg. 24).	• See Table 10 (pg. 30) • Culture and Heritage Capital Evidence Bank (DCMS, 2021)

Table 7: Estimating economic value of heritage assets - main inputs

* Defined as current residents or those who have been resident in the past 3 years
** Taken as a 'public good' that is currently experienced for free.

2. Heritage and the value of place

Inputs

	Pre-industrial High Streets	Town Hall	Libraries
Proportion of local population who visited in the past year	85%	65%	75%

Table 8: Proportion of population who visited in the past year (based on survey data)
(source: Simetrica-Jacobs for Historic England)

£ value to maintain historic character per household	Pre-industrial High Streets	Industrial-era High Streets	Town Hall	Libraries
WTP value	£9.29	£8.51	£7.29	£9.79
Lower bound	£7.80	£6.31	£5.73	£7.67

Table 9: Local Heritage Bank of Value
(source: Simetrica-Jacobs for Historic England)

Top tip

The guidance recommends for business case purposes, the more conservative, lower bound WTP values should be applied.

Value of place Based on WTP values for heritage sites in Bolton, Bristol, Exeter, Huddersfield, Hull, Lincoln, Norwich, York	1. Simple (unadjusted) transfer		2. Adjusted (income) transfer	
	WTP value	Confidence in transfer (<40% transfer error)	Adjustment factors	Confidence in transfer (<40% transfer error)
Historic High Streets – Pre-industrial	£9.29 (lower bound £7.80)	Yes	Household income of visitors (average): £31,469	Yes
Historic High Streets – Industrial-era	£8.51 (lower bound £6.31)	No	Household income of visitors (average): £26,978	No
Historic Town Halls	£7.29 (lower bound £5.73)	No	Household income of visitors (average): £29,401	At threshold of acceptability
Historic libraries	£9.79 (lower bound £7.67)	Yes	Household income of visitors (average): £28,045	Yes

Table 10: Historic England Local Heritage Value Bank: Key data for benefit transfer
(source: Simetrica-Jacobs for Historic England)

2. Heritage and the value of place

Outputs

- The output that you get from the inputs identified above and the calculation is the **total aggregate non-market value of an heritage asset**.
- This value can be added to your business case alongside GVA economic impact evaluations. Nonetheless, further work is required in the option analysis section of the business case.

Local resident's Willingness-to-Pay (WTP) to keep heritage site in its good condition.	Local high street (pre-industrial)	Local town hall	Local library
WTP (lower bound)	£7.80	£5.73	£7.67
Households in Local Authority area	57,276	57,276	57,276
Proportion of local population who visited in the past year (based on survey data)	85%	65%	75%
Affected population in Local Authority area (Population x proportion of annual visitors)	48,685	37,229	42,957
Aggregate value	**£379,740**	**£213,324**	**£329,480**

Table 11: Worked example – Simple benefit transfer from Local Heritage Value Bank to worked example case study)
(Source: Simetrica-Jacobs for Historic England)

2. Heritage and the value of place

Outputs

Overall principles of benefit transfer to present outputs:

- **Evidence and assumptions used to define the local population must be clearly presented**. Where supporting empirical evidence is not available, justification should be provided for the definition of the local population in qualitative terms.

- In all cases it is the responsibility of the business case analyst to ensure that the **catchment area is an accurate reflection of the reach of the high street** and does not lead to over-attribution of values in the business case.

- **All applications of WTP values from the Local Heritage Value Bank should include caveats that the robustness of benefit transfer is dependent on adequate scoping** of the comparability between the site of interest and the heritage sites in the Local Heritage Value Bank, and that the principles of this worked example have been followed in full to reduce the risk of overestimation of values.

2. Heritage and the value of place

Key considerations

- An **unrealistically large catchment area will lead to over-estimation of heritage value** in your business case, which will reduce the robustness of your results. Definition of the local population will differ depending on a case by case basis. It is to some extent subjective, but through continued engagement with the heritage sector DCMS aim to improve the guidance for performing this analysis.

- There are a number of **exclusions** where institutions should not transfer WTP values for local heritage from the Local Heritage Value Bank:
  - **National or regional capitals**: High streets in national or regional capitals may have higher visitor numbers, greater reach, and have architectural features of national or international significance. Demographic characteristics of regional capitals are often different to those of smaller towns and cities. These factors make high streets in national/regional capitals less comparable with the high streets in the Local Heritage Value Bank. Transfer of local heritage WTP values to these high streets may lead to under-estimation of economic value in business cases.
  - **Seaside communities**: WTP for historic high streets are not applicable to seaside communities due to differences in demographic characteristics. Transfer of WTP values to high streets these towns will lead to mis-estimation of economic value in business cases.
  - **Not applicable outside of England**: WTP values are collected for historic high streets in England only. Transfer of Local Heritage Value Bank WTP values to these high streets will lead to mis-estimation of economic value in business cases.

General appraisal considerations

General economic appraisal considerations

Avoid double counting

According to both Historic England and Arts Council England's guidance, if you have included economic valuations based on Revealed Preference methods such as travel costs or house price uplifts (land value uplift), then **avoid adding WTP values to the business case as this will lead to double counting**.

Furthermore, be careful when obtaining the number of visitors/users of the asset not to double count non-users. To avoid double counting of visitors who live in the local catchment area and local non-visitors, the number of local visitors should be subtracted from the local resident population (i.e. household numbers).

In cases where local vs non-local visitors is not available, the guidance recommends subtracting a plausible percentage of local resident population to provide a more conservative estimate of the total non-visitor (non-user) value.
For museums, as outlined in Table 4, 20% of the local population is suggested as a proxy. For heritage assets, please refer to Table 8 (pg. 30).

Optimism Bias

Evidence shows that appraisers and project promoters are often overly optimistic about the outcomes that will be delivered by the project. TFDP recommends applying optimism bias to reflect the level of uncertainty in the data or assumptions used to derive the economic benefits, in line with HM Treasury/new economy's approach.

Table 12 sets out the confidence grade for benefits framework and the associated optimism bias correction factors, in which forecast benefits are reduced by the suggested optimism bias percentage.

For example, the forecast benefits of a new museum equates to £10 million per year. Based on the strength of the evidence base and the age/reliability of the analysis underpinning the benefits calculation, a confidence grade of 5 has been selected.
An optimism bias correction factor of -25% is then applied. The adjusted forecast benefits equates to [£10m x (1 - 25%)] = £7.5m per year.

Optimism Bias

Confidence Grade (Benefits)

Confidence grade	Colour coding	Population/Cohort Data	Evidence base (engagement / impact)	Age of data / analysis	Known data error		Optimism bias correction
1		Figures taken from agency data systems	Randomised Control Trial in UK	Current Data (<1 year old)	+-2%		0%
2		Figures derived from local stats	International Randomised Control Trial	1-2 years old	+-5%		-5%
3		Figures based on national analysis in similar areas	Independent monitoring of outcomes with a robust evaluation plan	2-3 years old	+-10%		-10%
4		Figures based on generic national analysis	Practitioner monitoring of outcomes with a robust evaluation plan	3-4 years old	+-15%		-15%
5		Figures based on international analysis	Secondary evidence from a similar type of intervention	4-5 years old	+-20%		-25%
6		Uncorroborated expert judgement	Uncorroborated expert judgement	>5 years old	+-25%		-40%

Table 12: Confidence grade for benefits data

Source: HM Treasury, new economy, 2014, "Supporting public service transformation: cost benefit analysis guidance for local partnerships"

Proportionality

What is the level of detail required?

Determining the level of detail required for the Economic Case (and overall business case) will depend on a number of factors, including the scale of the project.

Ultimately, you should follow any guidance on the level of detail required for business cases based on your local assurance processes.

The TFDP Proportionality Guide can help you consider the level of detail the economic case will go into. Figure 4 illustrates the spectrum between 'low' level of detail, to 'high' level of detail.

Economic case			
Risk and novelty of project	Low	⟷	High
Scenario definition	Simple	⟷	Complex, including Covid-19 impacts
Certainty around costs and benefits	High certainty	⟷	Low certainty
Disbenefits	No disbenefits	⟷	Potential Disbenefits
Monetising benefits	Easy to monetise	⟷	Difficult to monetise
Distributional impacts across groups	simple impacts, less relevant to project	⟷	Complex distributional impacts

Figure 4: Economic Case – proportionality tool
Source: TFDP Business Case Template

General economic appraisal considerations

Sensitivity testing

According to the Green Book, "Sensitivity analysis explores the sensitivity of the expected outcomes of an intervention to potential variations in key input variables. It can demonstrate, for example, the changes in key assumptions required to change the preferred option on an NPSV or BCR basis or to turn the NPSV of an option positive."

Essentially, sensitivity tests allow us to test how robust the value for money assessment is in case key impacts change.

Examples of parameters and outcomes that can be varied to undertake sensitivity testing include:

- Economic value - optimism bias
- Willingness to Pay values
- The number of users / population benefitting from the intervention

Sensitivity testing can be helpful to test the impacts from COVID-19 given the uncertainty it generates around future forecasts. See existing TFDP resources related to COVID-19, such as our tool How to account for COVID-19 in your baseline and blog Known unknowns, unknown unknowns

What if the benefits cannot be quantified?

Non-quantified benefits

Non-quantified benefits are an important part of the Economic Case. It may not always be proportionate (effort or cost required) or possible to quantify all benefits. No specific format or method is required by MHCLG, but there are steps that can be taken to show that these benefits are robust and evidenced:

- Show a **benefits map/logic model/detailed theory of change** for the project benefits and disbenefits. See **Figure 5.**
- Identify any **additional activities which need to happen in order to achieve the benefit** (i.e. just because a new arts centre is built, does not necessarily mean that this will increase cultural participation). Ensure these are included in the project scope and plan if they are going to be claimed as direct benefits, otherwise they should be claimed as indirect or enabled benefits which require a further project or works to be delivered
- Identify **beneficiaries** for further robustness
- Specify the **magnitude and certainty** of the benefit
- A **benefits register** should be provided as part of the Management Case

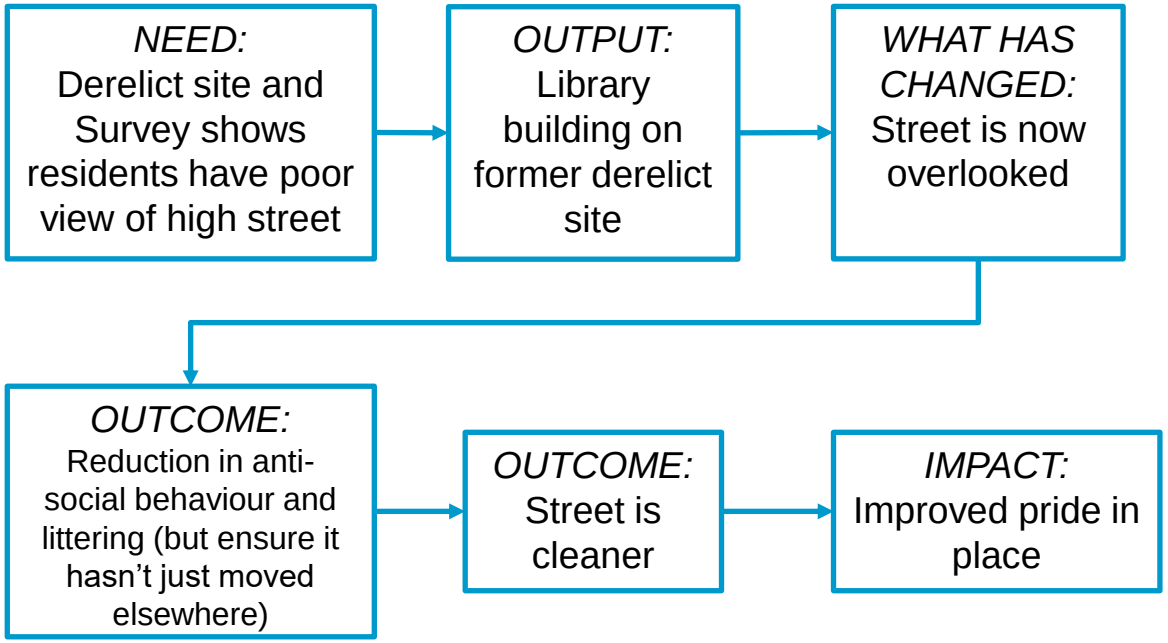


Figure 5: Detailed benefits map/theory of change for a project

To summarise…

- **Proportionality** – how much time and resources needs to be invested to quantify and monetise benefits, based on the size and subsequent funding of the project?
- The economic benefits of culture and heritage projects quantified must be underpinned by a **strong evidence base**. Provide as much detail and clarity in the business case on the data inputs, assumptions and methodologies used to inform the analysis, including rationale and robustness behind assumptions.
- Carrying out **sensitivity testing** is highly recommended if the culture and heritage capital approach has been adopted to monetise economic benefits.
- Don't forget the **non-quantified benefits**! It's imperative to outline all benefits, quantitatively or qualitatively, to present a balanced Value for Money assessment.
- The BCR may form one component of the Value for Money assessment, but in line with the Green Book 2020 guidance, other components such as a strong Strategic Case, a **clear Theory of Change** and non-quantified benefits analysis will also be factored in.

Towns Fund

Delivery Partner