

## Appendix B Social cost benefit analysis methodology

### Overview

As part of the evaluation of the HSHAZ programme, **AMION has undertaken a social cost benefit analysis (SCBA) within a Value for Money (VfM) assessment.** Our VfM assessment has been undertaken in line with HMT Green Book guidance and other Departmental publications, such as the DLUHC (now MHCLG) Appraisal Guide (2023) and DCMS Culture and Heritage Capital Programme.

There are several overarching assumptions which apply to the VfM assessment (unless otherwise stated) for both the capital and cultural strands:

- the costs and benefits are presented relative to the reference case with adjustments made for additionality where appropriate and detailed below;
- monetised costs and benefits have been converted to 2024/25 prices using Gross Domestic Product (GDP) deflators;
- all benefits and costs have been inserted in Year 0 with appropriate 2024/25 values applied, therefore there is no discounting required in the analysis; and
- zero optimism bias has been applied as the costs are known and have been expended. Additionally, no optimism bias has been applied to the benefits as the analysis is based on actual outputs however, where appropriate the uncertainty in any values is explained.

As set out within the DLUHC (now MHCLG) Appraisal Guide<sup>1</sup>, projects should be appraised based on a **Benefit Cost Ratio (BCR)**. As the name suggests, this is a ratio of the present value of benefits over the present value of costs and represents how much benefit in £s could be generated by £1 of public investment. BCRs are widely used in governmental appraisals and are a recommended VfM metric in the HM Treasury's Green Book and other departmental guidance.

All relevant costs and benefits which may arise from an intervention should be valued and included in SCBA unless it is not proportionate to do so. This exercise for the benefits has taken place through the benefit mapping as set out in Section 5.4 of the main report.

### Additionality

Of key importance in evaluating the HSHAZ programme and other interventions is the extent to which new activity is truly additional, in other words what has it generated that would otherwise not have happened.

This assessment of additionality has been considered at the national level in line with Green Book guidance and in line with the HSHAZ programme objectives. The assessment of additionality at a national level focusses on displacement and deadweight effects, as leakage and multiplier effects are not appropriate for inclusion as set out in Green Book guidance. The following assumptions have been made for the assessment:

- **Displacement** – although it is inevitable that the project will have competed with other developments and existing town centre facilities, the proposals respond to a direct need for investment in our high streets. The sites were assessed based on Expressions of Interest submissions against a series of critical success factors. The chosen high streets are typically deteriorating with high vacancy rates and low levels of historic and recent investment. They are

<sup>1</sup> Accessed from: [DLUHC appraisal guide - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674447/dluhc-appraisal-guide-2023.pdf)

also selected based on the need to stimulate their cultural and heritage sectors. Therefore, relatively low levels of displacement are likely. To be prudent, a displacement rate for regeneration through capital projects and culture/image projects of 28.5% has been applied to the capital and cultural strand benefits. This is informed by the unique context and additionality guidance<sup>2</sup>.

- **Deadweight** – the deadweight assessment is considered through the assessment of the Reference Case, based on the amount of space which was already in productive use prior to the HSHAZ Programme. We have assumed a deadweight of 10% for vacant/underused spaces which were previously in some form of use. It is judged that none of the cultural strand activities will have taken place without this funding.

## Economic costs method

The financial costs of HSHAZ have been provided by Historic England, utilising expenditure figures from each of the 66 HSHAZs included in this evaluation over the duration of the delivery period. The administration costs have been applied to the capital and cultural strand on a pro-rata basis.

The following adjustments have been made to convert the financial costs into economic costs:

- Public sector match-funding from the local authorities has been included in the assessment.
- Private sector match-funding has not been included in the assessment as the value generated from this investment is considered to be accounted for within the land value uplift benefit estimate or it is a charitable donations which is treated as a transfer payments as per Green Book guidance and is therefore excluded;
- No optimism bias has been applied to the costs as these are known and expended;
- Financial costs have been converted to economic costs by using the HM Treasury's GDP deflator index to convert previous expenditure to constant 2024- 2025) prices.

## Economic benefits method

A number of approaches have been used to measure and monetise the value of the benefits generated by the HSHAZ programme and these are set out below.

AMION has developed an in-house SCBA model which includes culture and wellbeing values from the DCMS Evidence Bank, as well as capturing other more standard benefit values such as land value uplift and amenity benefits in line with MHCLG guidance.

A review of benefits shows that a number of benefits can be robustly valued using the benefit transfer approach. These values have consistently been used within our and other evaluations and reviewed by DCMS economists:

- **Land Value Uplift (capital strand only):** Where new space has been delivered or brought back into use, VOA 'Land Value Estimates for Policy Appraisal' for the relevant uses in the local area have been used to measure the land value uplift benefits.
- **Wider Land Value Uplift (capital strand only):** One scheme (Stoke) has delivered over 50 units in a city centre location with clear regeneration objectives. Therefore, the wider area (placemaking) impacts has been assessed using the approach set out in MHCLG Appraisal Guide. A 0.6% uplift has been applied to the capital stock value in a 1.5km catchment, based on a 50-100 unit scheme in a medium development activity area within the North region.

<sup>2</sup> Department for Business, Innovation & Skills, (2009); Research to improve assessment of additionality

- **Amenity (capital strand):** The programme has delivered substantial public realm improvements. These interventions will enhance the amenity value experienced by residents, workers and visitors. Consistent with the MHCLG Appraisal Guide, new open spaces in an urban environment have an economic benefit of £128,658 per hectare per annum (2024/25 prices). It has been assumed that 10% of the public realm delivered as part of the programme are new open spaces. In line with recent appraisals, 50% of per hectare value (£64,329) has been applied to remainder of the public realm which relates to improvements of existing spaces.
- **Labour Supply Benefits (capital and cultural strand):** The employment generated by the floorspace brought back into use within the capital strand has been calculated using industry-standard employment densities. The artists into residence in the cultural strand have been converted into Full-Time Equivalent jobs based on the number of days supported. A local GVA per worker figure has been applied to the jobs taken up by new entrants, based on Experian GVA forecasts for high street uses in the local authority. In line with the labour market availability and WebTAG guidance, it is assumed 10% of jobs will be occupied by new entrants and there will be a 40% welfare impact for these jobs with the benefit experienced across five years.
- **Wellbeing benefits from new employment (capital and cultural strand):** The employment generated will have well-being benefits associated with individuals moving into employment. These benefits have been estimated by applying a wellbeing value of £7,470 from the Green Book wellbeing guidance (24/25 prices) to each full-time equivalent job. The overall wellbeing benefit is expected to last for one year. Based on the labour market availability and analysis of ONS Labour Market Flows data, it is anticipated that 10% of jobs will be occupied by new entrants.
- **Wellbeing benefits from volunteering (capital and cultural strand):** The Green Book Wellbeing Guidance shows that life satisfaction improves based on undertaking volunteering activities with local charities and communities, with an annual value of £1,093 (2024/25 prices) for an individual undertaking regular volunteering. Guidance suggests that regular volunteering relates to 2 hours per week over the year gives a value of £10.50 per hour<sup>3</sup>. This has been applied to the number of volunteer hours across the HSHAZ programme. Where the hours is not recorded but the number of volunteers is known, we have used the average number of hours per volunteer from other schemes to estimate the total hours.
- **Wellbeing benefits from education and social programmes (capital and cultural strand):** the Green Book shows that life satisfaction improves based on participation in school wellbeing or resilience programmes. The guidance states that there is an annual figure of £6,574 (2024 prices) for undertaking social development programmes. We have assumed that attendees at school educational events, profession training events, and training sessions for volunteers gain one week's worth of this benefit giving a value of £53 per attendee.
- **Wage premium benefits from education completions (capital and cultural strand):** The programme has led to apprenticeship opportunities throughout the construction phase and other construction training events. There is a wealth of existing evidence showing the positive impact of training and qualifications on employment and earnings. Utilising publications from the Department for Business, Innovation, and Skills<sup>4</sup>, it is likely that the HSHAZ programme will lead to wage premium benefits. In this instance, a wage premium benefit of £4,830 per annum (24/25 prices) for completing Level 2 Apprenticeship qualifications has been applied to the number of attendees at apprenticeship and construction training activities. It has been assumed the benefit will persist for three years for each individual, which is a cautious approach.

<sup>3</sup> This figure aligns with an alternative shadow wages approach, which considers the foregone income that would have been achieved based on this level of work. This £10.5 figure aligns with minimum wage figures for student age groups

<sup>4</sup> Department for Business, Innovation, and Skills (BIS), (2011); The Returns to Intermediate and Low Level Vocational Qualifications

- **Cultural use value (capital and cultural strand):** the DCMS Evidence Bank provides a range of values for attendance at cultural events and assets. These values have been applied as follows:
  - A value of £7.6 per visit has been applied to the known attendees at consultation, engagement, and public events delivered during the SHAZ programme. In total, 1.35m people attended these events as part of the capital strand and £1.41m people attended these events as part of the cultural strand.
  - A value of £4.4 per visit has been applied to the estimated attendees at future cultural assets delivered due to the SHAZ capital works, such as the visitors to the artworks/installations or visitors to cultural space brought back into use. It has been assumed that the average number of visitors per consultation, engagement, and public event (148) will visit the artwork/installation purely for cultural engagement purposes for the next 10 years, in line with a short-term public project, with appropriate 3.5% discounting per annum applied. Based on the deeper analysis of case study sites, it is considered reasonable that (on average) each SHAZ will attract 12,000 visitors per annum to cultural and social development activities. Case study evidence demonstrates that facilities include new museums, community centres, and refugee education centres. This visitor figure has been applied over a 25-year period, in line with guidance for redevelopment projects, with appropriate 3.5% discounting applied. This assumption is judged to be cautious, as a sizeable number of sites had developed additional business plans to further support the community with operational activities based on upgraded heritage assets.
- **Heritage use and non-use – historic buildings repaired (capital strand only):** Use and non-use benefits from the historic buildings or heritage assets repaired/conserved have been estimated using benefit transfer approaches from the DCMS Cultural and Heritage Capital Evidence Bank. ‘The Economic Value of Heritage: A Benefit Transfer Study’ considered use and non-use values from works to improve the maintenance and conservation of historic buildings in various cities, a similar initiative to the historic building conservation works in the SHAZ programme. The use (£5.1 in 2024/25 prices) and non-use (£3.3 in 2024/25 prices) values were judged appropriate to use for benefit transfer due to the low transfer errors in the study. We have applied these values to the estimated footfall in each SHAZ from the mobile phone data and the residents in each local authority (minus the users).
- **Heritage use and non-use – historic shopfront improvements (capital strand only):** The restoration and improvement of historic high street shopfronts is a key component of the capital element of the SHAZ programme. This aspect of the programme cannot be accurately valued using a benefits transfer approach in which the use and non-use economic benefit findings of an existing similar study, for example from the DCMS Evidence Bank, would be applied. While some economic heritage valuation studies exist, they focus on other types of heritage assets or different contexts, making their findings unsuitable for transfer and use in economic analysis of the SHAZ programme. Doing so would likely lead to significant valuation errors. For this reason, **AMION has undertaken a bespoke contingent valuation and benefits transfer study to assess the use and non-use economic benefits attributed to the restoration and improvement of historic high street shopfronts** delivered through the SHAZ programme.
- **Active mode transport benefits – wayfinding (capital strand only)<sup>5</sup>:** The interpretation boards and digital displays will deliver wayfinding benefits for residents and visitors which can be measured using Department for Transport guidance. The benefits arising from these

<sup>5</sup> The active mode benefits have been monetised for the capital strand based on the delivery of enhanced public realm and permanent installation boards/digital displays. The interpretation displays from the cultural strand are assumed to be temporary and therefore, has formed part of the non-monetised assessment

improvements have been measured using the DfT Active Mode Appraisal Toolkit (AMAT) over a 30-year appraisal period. The visitors to the enhanced area have been calculated based on the mobile phone footfall data for the case studies. No uplift in demand or modal shift has been applied. However, it has been assumed that 50% of the walking journeys would be on pedestrian infrastructure that has been improved by the intervention through the interpretation boards and public realm enhancements. In line with TAG guidance, transport benefits are measured at the national level and are 100% additional.

- **Strategy development benefits (capital strand only):** There has been substantial resource allocated to a wide-range of feasibility, research, heritage and conservation management studies. Our assessment has assumed that future development studies are likely to at least deliver benefits in line with their costs, given that they have been led by local partners in line with need.
- **Distributional analysis (capital and cultural strands):** The HSHAZ programme has had positive distributional effects, by encouraging investment into areas in need, as targeted through the selection process. The high streets are typically in pockets of deprivation and historic underinvestment. The approach used to calculate distributional effects is that set out in the HM Treasury Green Book, based on equivalised disposable household income and welfare weights (the estimate of the marginal utility of income). The Green Book distributional weighting framework is constructed using data from the DWP Households Below Average Income (HBAI) dataset. This dataset takes information from the Family Resource Survey (FRS) and constructs an income distribution profile for the UK, based on (weekly) net equivalised income before housing costs (BHC) and after housing costs (AHC). The AHC weight has been applied to the benefits within the programme. Where this is above 1 for local authorities, there is a distributional benefit. Where it is below 1, there is a distributional disbenefit.

As set out above, our SCBA model captures the amenity benefits from delivered public realm, the land value uplift from buildings brought into productive use, and the wellbeing benefits from the programme.

### *Contingent valuation*

The restoration and improvement of historic high street shopfronts is a key component of the capital element of the HSHAZ programme. As noted above this key intervention of the programme cannot be accurately valued using a benefits transfer approach as no appropriate value is included in the DCMS or other guidance evidence banks. While some economic heritage valuation studies exist, they focus on other types of heritage assets or different contexts, making their findings unsuitable for transfer and use in the economic analysis of the HSHAZ programme. Doing so would likely lead to significant valuation errors.

AMION has undertaken a **bespoke contingent valuation and benefits transfer study to assess the use and non-use economic benefits attributed to the restoration and improvement of historic high street shopfronts** delivered across England through the HSHAZ programme. A summary of the Contingent Valuation study is provided in the Annex to this Appendix, with the application of the results for our assessment presented below. A more detailed research study has been prepared and can be published as part of the submission.

The study concluded that the mean household WTP results for users was £19.31 and for non-users £8.60 for HSHAZ programme sites. In line with guidance within the DCMS Evidence Bank, to calculate individual-level WTP, the results must be divided by 2.37, **leading to £8.15 WTP for users and £3.63 for non-users**. These values have been applied to our study as follows:

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- **Use Value:** Mobile phone data has been collected for the ten case study sites, providing the number of visitors to the HSHAZ since from 2019 to 2024. The average monthly footfall has been used as the basis for our estimated number of users at each case study site. To extrapolate the number of users of the remaining sites, we have applied the average proportion of residents (11%) who visit each HSHAZ to the other local authority populations (aged over 16).
  - **Non-Use Value:** The non-use value has been applied to the local authority populations aged over 16 years olds for each HSHAZ and subtracting the estimated number of users.

As shown below, there are four instances where a local authority is home to two or more HSHAZ schemes. To be prudent regarding the likelihood for non-users to be willing (and able) to pay for multiple schemes in their local area, we have assumed only 50% of the benefit is applicable for the second site in each local authority:

- Isle of Wight (Newport and Ryde);
- North Yorkshire (Skipton, Selby and Northallerton);
- Wigan (King Street Wigan and Tyldesley); and
- Bath and North Somerset (Midsomer Norton and Keynsham).

### *Summary*

The table overleaf presents the wide range of benefits generated by the HSHAZ programme, the valuation method and data sources. Our methodology has included a robust review of academic research to identify the most appropriate benefit values for use within the HSHAZ assessment. This review assessed the compatibility of the study, examining the location, asset type, valuation, method, year, and study quality rating (from DCMS Culture and Heritage Capital Evidence Bank or inclusion within other governmental guidance).



**Table A1: Benefits within the value for money assessment**

| Benefit                              | Study   | Method  | Departmental guidance | Value in Study (price year)                            | Value in 2024/25 prices                                | Number of SHHAZ beneficiaries                        |
|--------------------------------------|---|---|-----------------------|--|--|--|
| <b>Capital strand</b>                |   |   |                       |  |  |  |
| Land value uplift (housing)          | MHCLG and VOA land value estimates for policy appraisal   | Residual valuation model of residential sites   | Green Book / MHCLG    | £37,411 per unit (2019, average)                       | £47,294 per unit (average)                             | 224 homes  |
| Land value uplift (commercial)       | MHCLG and VOA land value estimates for policy appraisal   | Residual valuation model of commercial sites  | Green Book / MHCLG    | £731 per sqm (2019, average)                           | £925 per sqm (average)                                 | 43,563 sqm   |
| Wider land value uplift              | Homes England Social Value Paper 1: Measuring the placemaking impacts of housing-led regeneration                   | Hedonic pricing methodology   | Homes England         | 0.55% uplift   | 0.55% uplift   | £1.2bn capital stock value                           |
| Amenity                              | Eftac study presented in Homes England SCBA model and reported by MHCLG   | Stated preference survey  | Homes England / MHCLG | £119,258 per ha (2022/23)                              | £128,658 per ha (new)<br>£64,329 per ha (improved)     | 11.9 total hectares (split 10% new and 90% improved) |
| Labour supply                        | Experian GVA per FTE per local sector, based on method in TAG Unit 2.3 Employment Effects and MHCLG Appraisal Guide | Tax revenues resulting from new employment, estimated as 40% of the resultant change in GDP | MHCLG / DfT           | 40% welfare impact of £48,869 for five years (average) | 40% welfare impact of £48,869 for five years (average) | 10% of employment                                    |
| Wellbeing benefits from employment   | Sarah Fleche and George Ward (2018), The Origins of Happiness: Online Materials                                     | Monetising the effect of improving life satisfaction  | Green Book Wellbeing  | £5,980 (2018)  | £7,470   | 10% of employment                                    |
| Wellbeing benefits from volunteering | What Works Centre for Wellbeing (2020), Volunteering and Wellbeing Rapid Evidence Assessment                        | Subjective wellbeing valuation approach   | Green Book Wellbeing  | £911 (2020)  | £1,093 (annual)<br>£10.5 (per hour)                    | 42,403 volunteer hours from 5,024 volunteers:        |

**Table A1: Benefits within the value for money assessment**

| Benefit  | Study  | Method   | Departmental guidance | Value in Study (price year)                                   | Value in 2024/25 prices   | Number of HSHAZ beneficiaries   |
|--|--|--|-----------------------|---|---|---|
| Wellbeing benefits from education and social programmes          | Bates et al (2020), National Citizen Service 2018 Evaluation                           | Monetising the effect of improving life satisfaction     | Green Book Wellbeing  | £5,200 (2018)   | £6,574 (per annum)<br>£53 (per attendee)  | 29,603 <sup>6</sup>   |
| Wage premium benefits from education completions                 | BIS Research Paper: Measuring the Economic Impact of Further Education                 | Wage premium calculations                                | BIS / MHCLG           | £3,690 per annum (2011)                                       | £4,982 per annum over 5 years   | 659 <sup>7</sup>  |
| Cultural use benefits  | Various studies from the DCMS Cultural and Heritage Capital Evidence Bank <sup>8</sup> | Stated Preference: Contingent Valuation method           | DCMS                  | £3.7 to £8.7 (2020)   | £7.6 (average applied to delivered events)<br>£4.4 (minimum applied to forecasts) | 1.4 million (delivered events)<br>12,000 per HSHAZ p.a (future visitors for 25 years) |
| Heritage use and non-use benefits – historic building conserved  | Lawson et al (2018), The Economic Value of Heritage: A Benefit Transfer Study          | Stated Preference: Contingent Valuation method           | DCMS                  | Use: £4.3<br>Non-use: £2.7 (2020, in DCMS Evidence Bank)      | Use: £5.1<br>Non-use: £3.3  | 3.7 million users<br>6.4 million non-users  |
| Heritage use and non-use benefits – historic shopfronts improved | AMION's bespoke contingent valuation study for HSHAZ                                   | See Annex – stated preference contingent valuation study | DCMS                  | Use: £8.1<br>Non-use: £3.6 (2024)                             | Use: £8.1<br>Non-use: £3.6  | 3.4 million users<br>5.2 million non-users <sup>9</sup>                               |
| Active mode transport benefits                                   | Bespoke AMION analysis for HSHAZ   | Active Mode Appraisal Tool                               | DfT                   | 50% of walking journeys on improved pedestrian infrastructure | 50% of walking journeys on improved pedestrian infrastructure                     | 750,470 (average total daily footfall to all sites)                                   |
| Strategy development benefits                                    | Assumed to equal at least the cost outlay at a ratio of 1 to 1                         | AMION assumption   | -                     | -   | -   | -   |

<sup>6</sup> This benefit has been applied to attendees to other professional training activities, school educational event/activity, and training sessions provided to volunteers

<sup>7</sup> This benefit has been applied to apprenticeship scheme and construction training activity completions

<sup>8</sup> Studies include Morethanoutputs (2017) An Evaluation of Social Return using Willingness to Pay on Bradford Literature Festival, Lawson et al (2021) Local Museums Benefit Transfer Report, and Bakhshi et al (2015) Measuring Economic Value in Cultural Institutions

<sup>9</sup> Users and local authority residents (non-users) are only included in the analysis if their HSHAZ delivered at least one shopfront improvement or historic building repairment. As more HSHAZ sites repaired/conserved historic buildings compared to improved historic shopfronts, there are a greater number of beneficiaries in the heritage use/non-use benefits from this part of the analysis.



**Table A1: Benefits within the value for money assessment**

| Benefit   | Study   | Method  | Departmental guidance | Value in Study (price year)                            | Value in 2024/25 prices   | Number of HSHAZ beneficiaries   |
|---|---|---|-----------------------|--|---|---|
| Distributional analysis                                 | Green Book Guidance   | See Appendix D – marginal utility of income   | Green Book            | 1.1 (average)  | 1.1 (average)   | All benefits  |
| <b>Cultural strand</b>                                  |   |   |                       |  |   |   |
| Labour supply   | Experian GVA per FTE per local sector, based on method in TAG Unit 2.3 Employment Effects and MHCLG Appraisal Guide | Tax revenues resulting from new employment, estimated as 40% of the resultant change in GDP | MHCLG / DfT           | 40% welfare impact of £48,869 for five years (average) | 40% welfare impact of £48,869 for five years (average)                            | 10% of employment   |
| Wellbeing benefits from employment                      | Sarah Fleche and George Ward (2018), The Origins of Happiness: Online Materials                                     | Monetising the effect of improving life satisfaction  | Green Book Wellbeing  | £5,980 (2018)  | £7,470  | 10% of employment   |
| Wellbeing benefits from volunteering                    | What Works Centre for Wellbeing (2020), Volunteering and Wellbeing Rapid Evidence Assessment                        | Subjective wellbeing valuation approach   | Green Book Wellbeing  | £911 (2020)  | £1,093 (annual)<br>£10.5 (per hour)   | 77,840 volunteer hours from 10,098 volunteers                                     |
| Wellbeing benefits from education and social programmes | Bates et al (2020), National Citizen Service 2018 Evaluation  | Monetising the effect of improving life satisfaction  | Green Book Wellbeing  | £5,200 (2018)  | £6,574 (per annum)<br>£53 (per attendee)  | 26,217  |
| Wage premium benefits from education completions        | BIS Research Paper: Measuring the Economic Impact of Further Education  | Wage premium calculations   | BIS / MHCLG           | £3,690 per annum (2011)                                | £4,982 per annum over 5 years   | 4   |
| Cultural use benefits                                   | Various studies from the DCMS Cultural and Heritage Capital Evidence Bank   | Stated Preference: Contingent Valuation method  | DCMS                  | £3.7 to £8.7 (2020)                                    | £7.6 (average applied to delivered events)<br>£4.4 (minimum applied to forecasts) | 1.4 million (delivered events)<br>520,000 (forecasts to exhibitions and artworks) |
| Distributional analysis                                 | Green Book Guidance   | See Appendix D – marginal utility of income   | Green Book            | 1.1 (average)  | 1.1 (average)   | All benefits  |

## Capital strand assessment

### *Green Book compliant social cost benefit analysis*

**Table A2** presents the financial and economic costs of the HSHAZ capital strand. **The total public sector economic cost of the capital strand is £186.1m.**

| <b>Table A2: Economic and financial costs of HSHAZ Capital Strand (£000s)</b> |                |                |                |                |                |                |                 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>Funding</b>  | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>Total</b>    |
| <b>Financial costs</b>  |                |                |                |                |                |                |                 |
| HSHAZ (HE)  | £2,668         | £5,675         | £33,827        | £32,417        | £18,495        | £244           | <b>£93,325</b>  |
| LA match  | £1,933         | £4,111         | £24,504        | £23,483        | £13,398        | £1,111         | <b>£68,540</b>  |
| <b>Total</b>  | <b>£4,600</b>  | <b>£9,785</b>  | <b>£58,331</b> | <b>£55,900</b> | <b>£31,892</b> | <b>£1,355</b>  | <b>£161,865</b> |
| <b>Economic costs</b>   |                |                |                |                |                |                |                 |
| HSHAZ (HE)  | £3,372         | £6,809         | £40,824        | £36,519        | £19,630        | £244           | <b>£107,398</b> |
| LA match  | £2,443         | £4,932         | £29,573        | £26,455        | £14,220        | £1,111         | <b>£78,735</b>  |
| <b>Total</b>  | <b>£5,816</b>  | <b>£11,741</b> | <b>£70,396</b> | <b>£62,974</b> | <b>£33,850</b> | <b>£1,355</b>  | <b>£186,132</b> |

Table A3 presents the benefit assessment for the HSHAZ capital strand. Following Green Book methodologies for monetising economic benefits, **the capital strand is assessed to have delivered over £245m of benefits to date.**

| <b>Table A3: HSHAZ Capital Strand – Benefit Assessment</b> |                             |
|--|-----------------------------|
| <b>Benefit</b>   | <b>HSHAZ Capital Strand</b> |
| Residential LVU  | £7.6                        |
| Commercial LVU   | £28.8                       |
| Wider LVU  | £4.8                        |
| Amenity  | £9.6                        |
| Heritage Use   | £31.5                       |
| Heritage Non-Use   | £27.1                       |
| Cultural Use (including future operation)                  | £50.2                       |
| Education wage premium                                     | £11.4                       |
| Education wellbeing  | £1.4                        |
| Volunteer wellbeing  | £0.6                        |
| Employment wellbeing                                       | £1.0                        |
| Labour supply  | £16.4                       |
| Active mode  | £13.4                       |
| Strategy development                                       | £15.2                       |
| Distributional analysis                                    | £26.1                       |
| <b>Total</b>   | <b>£245.4</b>               |

The delivery of the HSHAZ capital strand is likely to have resulted in the following substantial wider economic benefits that are not captured in the SCBA analysis:

- **Unlocking future heritage regeneration** – The HSHAZ programme has delivered 358 amended list entries, 338 feasibility studies, 584 heritage/archaeological research studies, 47 new or revised

heritage statements or conservation management plan, 125 new or revised historic area assessment/conservation area appraisals, and 290 supplementary planning or design guidance documents. These studies align directly with the ambitions for the SHAZ programme to create the conditions for future heritage regeneration. The activities have been led by local partners based on the key assets and needs of the area. This work can be expected to initiate a future programme of regeneration utilising best practice guidance documents. Currently, the benefits have been monetised on the basis that these strategies at least meet the cost outlay. However, substantial future heritage-led regeneration cannot take place without these strategies in place and therefore, it is likely that the benefits are greater than stated in the monetised benefit assessment.

- **Legacy benefits** – The programme has demonstrated the substantial benefits of heritage-led regeneration to businesses, communities and individuals. There is already evidence of further investment in buildings immediately surrounding SHAZ schemes, as building owners look to continue the momentum started by the SHAZ programme. Furthermore, some areas have been successful in winning other funding bids due to the enthusiasm and knowledge gained by their SHAZ work. The programme looked to revitalise areas in need, and initial evidence suggests that further investment may be attracted based on the work delivered to date.
- **Image and community perceptions** – Primary research evidence indicates that the SHAZ capital works were in general well received by the public. Additionally, our difference in difference analysis indicates increased satisfaction with local building appearances in SHAZ areas.
- **Stimulation of cultural and tourism businesses** – The capital strand has worked closely with a number of cultural and tourism businesses to deliver the capital works and maximise the potential impacts. This work has helped local partners to collaborate and connect to deliver schemes for the local area. Additionally, local businesses are likely to experience benefits from increased footfall and increased visitor spending as a result of the SHAZ interventions creating a more attractive public environment.
- **Capacity building** – Consultations with local authority and community teams has indicated that the SHAZ programme has been a valuable learning experience, which has meant local partners are better placed to deliver successful regeneration schemes in the future in terms of design and delivery. Better relationships have been developed between local organisations and between local stakeholders and Historic England.

The table below presents the non-monetised impact assessment. There are several substantial non-monetised benefits which are likely to increase the value for money assessment above the monetised benefit BCR.

**Table A4: Non-monetised impact assessment for Capital Strand**

| Benefit                                | Reference Case   | SHAZ Capital Strand |
|--|------------------|---------------------|
| Unlocking future heritage regeneration | Minor adverse    | Moderate beneficial |
| Legacy benefits                        | Minor adverse    | Moderate beneficial |
| Image and community perceptions        | Moderate adverse | Moderate beneficial |
| Cultural and tourism sector            | Neutral          | Slight beneficial   |
| Capability building                    | Neutral          | Slight beneficial   |

The key results of the SCBA assessment based on quantified benefits and non-monetised impacts are summarised in the Evaluation Summary Table in **Table** of the main report.

As can be seen below, **the capital strand of the HSHAZ programme has an BCR of 1.32:1, indicating ‘acceptable’ value for money.** The non-monetised benefits presented above indicate that the value for money of the scheme is likely to be higher than the BCR suggests. In particular, the ongoing legacy impacts from initiating a programme of heritage-led regeneration are likely to deliver substantial benefits over a twenty-to-thirty-year period. Once these on-going benefits are included, it is possible the programme could reach medium value for money. Overall, based on the monetised and non-monetised impact assessments, the HSHAZ Capital Strand falls within the **‘acceptable to medium’** category for VFM

**Table A5: HSHAZ Programme – Capital Strand Evaluation Summary Table**

| Output                               | HSHAZ Programme  |
|--------------------------------------|--|
| A. Present Value Benefits (£m)       | £245.4   |
| B. Present Value Costs (£m)          | £186.1   |
| C. Net Present Social Value (A-B)    | £59.3  |
| <b>D. BCR (A)/B)</b>                 | <b>1.32:1</b>  |
| E. Significant non-monetised impacts | <b>Future heritage regeneration:</b> Moderate beneficial<br><b>Legacy benefits:</b> Moderate beneficial<br><b>Image and community perceptions:</b> Moderate beneficial<br><b>Cultural and tourism sector:</b> Moderate beneficial<br><b>Capacity building:</b> Slight beneficial |
| <b>F. Value for money category</b>   | <b>Acceptable to medium</b>  |

The SCBA assessment has incorporated assumptions on the legacy impacts based on; catchment area of the non-use benefits; benefit values and number of visitors. To understand how the BCR would change if these key factors varied a sensitivity analysis was undertaken for the following scenarios;

- Non-use heritage value based on 10-minute drivetime catchment
- Non-use heritage value based on 20-minute drivetime catchment
- Public realm improvement benefits represent 75% of the new rather than upgraded public realm value
- Each HSHAZ attracts (on average) 6,000 visitors per annum to new cultural activities at floorspaces brought back into use.
- Each HSHAZ attracts (on average) 24,000 visitors per annum to new cultural activities at floorspaces brought back into use.

These sensitivity tests generated a range of BCRs from 1.2 to 1.6. This analysis provides further confidence that the value for money of the HSHAZ capital strand falls into the **acceptable to medium category**. As the core BCR of 1.32 also falls in the middle of this range it indicates that the value is robust.

#### *Comparison to the HSHAZ Business Case – local GVA assessment*

The HSHAZ Business Case was produced in November 2019. At this stage, government guidance for value for money assessments largely focussed on local place-based analysis arising from GVA impacts. The guidance now focuses on social welfare analysis which is the approach used in this evaluation and set out above.

To enable a comparison of the outturn BCR with that forecast in the Business Case, this section presents the outturn position based on the approach recommended at the time the Business Case was approved. The Business Case made a number of key assumptions in forecasting the value for money based on the estimated GVA from expected outputs, such as new commercial floorspace and associated jobs and training, namely:

- Benefits were forecast over a 20-year period
- A 3.5% discounting applied.
- In keeping with best practice an additionality assessment was undertaken for the business case based on the following assumptions and guidance:
- “Deadweight: the Additionality Guide Fourth Edition (HCA) recommends a deadweight factor of 33.9% (regional) for regeneration through physical infrastructure.
- Displacement: the Additionality Guide Fourth Edition (HCA) recommends a displacement factor of 37.4% (regional) for regeneration through physical infrastructure. BIS guidance (2009) provides figures slightly higher for projects promoting image/culture, but much lower for projects relating to people and skills (e.g. skills development). We have assumed a displacement factor of 30% as the outputs of this project are a mix of physical regeneration and workforce development.
- In addition, the displacement element of additionality is increased substantially relative to the model of the previous economic case. This is to take into account the much greater degree of match funding. The extent of added displacement is relative to the levels of deprivation in the intervention area.
- With the adjustments, displacement ranges from 51% to 62% for the jobs calculation, and from 52% to 76% for the training calculation.
- Leakage: BIS Guidance (2009) suggests a mean leakage of 11.3% at the regional level which we have assumed in our model”

To allow a direct comparison to the BCR in the Business Case, the above assumptions have been modelled based on the achieved jobs and training outputs from the HSHAZ Capital Strand. The mid-point displacement range has been applied for the jobs and training calculations. The same GVA approach has been followed, with values updated to 2024-2025 prices where relevant in line with the cost calculations.

As set out on page 42 of the Business Case, “based on the core outcomes, the Benefit Cost Ratio delivered by the High Streets HAZ programme is estimated at 4.9:1. This means for every pound invested in the programme, there is an economic return of £4.90. The cumulative net GVA generated (over 20 years) by the programme is estimated as £440m”.

It should also be noted that the BCR in the Business Case was calculated only **on the Historic England cost contribution**, rather than the total public sector cost. This was not in keeping with guidance at the time the Business Case was approved. **If we assume that the projected match-funding in the Business Case had the same public:private split as the outturn position, the business case BCR would have been 2.4:1 not 4.9:1**, i.e. considerably lower. Our Green Book compliant above approach is based on the total public sector cost.

- The HSHAZ Capital Strand has a **BCR of 2.1:1 based only on the Historic England expenditure**, compared to 4.9:1 in the Business Case.
- The HSHAZ Capital Strand has a **BCR of 1.2:1 based on the total public sector expenditure**, compared to 2.4:1 in the Business Case.

- The outturn BCR is lower than expected after adjusting for the inclusion of all public sector expenditure due to the HSHAZ programme delivering approximately 33% of its intended employment target, which is largely due to the lower-than-expected delivery of commercial floorspace within the capital works.
- Notwithstanding the lower than expected outturn BCR based on a local GVA approach, table A6 shows that the outturn BCR indicates that the programme likely represents 'acceptable to medium value' even when all public investment is taken into account.

**Table A6: BCR comparison to Business Case based on GVA approach**

| Value                               | Business Case (19/20 prices) | HSHAZ Capital Strand (24/25 prices) |
|-------------------------------------|------------------------------|-------------------------------------|
| <b>Benefits</b>                     |                              |                                     |
| Jobs GVA Benefits                   | 392                          | 200                                 |
| Training GVA Benefits               | 48                           | 21                                  |
| Total Benefits                      | 440                          | 221                                 |
| <b>Costs</b>                        |                              |                                     |
| Historic England cost               | 92                           | 107                                 |
| Total public sector cost            | 185                          | 186                                 |
| <b>BCR</b>                          |                              |                                     |
| BCR (GVA: Historic England cost)    | 4.9                          | 2.1                                 |
| BCR (GVA: Total public sector cost) | 2.4                          | 1.2                                 |

### Value for Money Conclusions

The capital strand of the HSHAZ programme has a BCR of 1.32:1 based on Green Book compliant methodologies, indicating 'acceptable' value for money. The non-monetised benefits indicate that the value for money of the scheme is likely to be significantly higher than the BCR suggests. In particular, the ongoing legacy impacts from initiating a programme of heritage-led regeneration in areas of need are likely to deliver substantial benefits over a twenty-to-thirty-year period. Once these are included, it is possible the programme could reach 'medium' value for money.

If the local GVA approach from the Business Case was followed, the **HSHAZ Capital Strand has a BCR of 2.1:1 based only on the Historic England expenditure, compared to 4.9:1 in the Business Case.** Using this approach but based on total public expenditure, the HSHAZ Capital Strand has a BCR of 1.2:1, compared to what would have been 2.4:1 in the Business Case.

### Cultural strand assessment

Table A7 presents the economic costs of the HSHAZ cultural strand. **The total public sector economic cost of the cultural strand is £10.0m.**

**Table A7: Economic and financial costs of HSHAZ Cultural Strand (£000s)**

| Funding                | 2019/20    | 2020/21       | 2021/22       | 2022/23       | 2023/24       | 2024/25    | Total         |
|------------------------|------------|---------------|---------------|---------------|---------------|------------|---------------|
| <b>Financial costs</b> |            |               |               |               |               |            |               |
| HE / HMT               | £55        | £1,075        | £2,509        | £2,554        | £1,182        | £22        | <b>£7,379</b> |
| LAs                    | £10        | £188          | £438          | £443          | £207          | £4         | <b>£1,289</b> |
| <b>Total</b>           | <b>£65</b> | <b>£1,264</b> | <b>£2,947</b> | <b>£2,977</b> | <b>£1,389</b> | <b>£26</b> | <b>£8,668</b> |
| <b>Economic costs</b>  |            |               |               |               |               |            |               |
| HE / HMT               | £71        | £1,290        | £3,027        | £2,854        | £1,255        | £23        | <b>£8,521</b> |

**Table A7: Economic and financial costs of HSHAZ Cultural Strand (£000s)**

|              |            |               |              |               |               |            |                |
|--------------|------------|---------------|--------------|---------------|---------------|------------|----------------|
| LAs          | £12        | £225          | £529         | £499          | £219          | £4         | <b>£1,489</b>  |
| <b>Total</b> | <b>£83</b> | <b>£1,516</b> | <b>£3556</b> | <b>£3,353</b> | <b>£1,474</b> | <b>£26</b> | <b>£10,009</b> |

Table A8 presents the benefit assessment for the HSHAZ programme. Following Green Book methodologies for monetising economic benefits, the **Cultural Strand is assessed to have delivered £17.6m of benefits.**

**Table A8: HSHAZ Cultural Strand – Benefit Assessment**

| <b>Benefit</b>         | <b>HSHAZ Cultural Strand</b> |
|------------------------|------------------------------|
| Cultural Use           | £13.6                        |
| Volunteering wellbeing | £1.2                         |
| Education wellbeing    | £0.7                         |
| Education wage premium | £0.1                         |
| Labour supply          | £0.1                         |
| Employment wellbeing   | £0.1                         |
| Distributional         | £1.8                         |
| <b>Total</b>           | <b>£17.6</b>                 |

The delivery of the HSHAZ cultural strand is likely to have resulted in the following substantial wider economic benefits that are not captured in the monetised impact analysis:

- **Image and pride in place:** The cultural strand has enhanced the image of the areas, improving the pride in place felt by residents. This non-use benefit can be experienced through existence (knowing a cultural asset exists), bequest (knowing cultural assets will be available to future generations), and altruistic (knowing a cultural institution is available to other people alive today) values. The DCMS Cultural and Heritage Capital Evidence Bank provides studies which measure the non-use value from year-long cultural festivals. The evaluated events are judged to be larger in value than the hyper-local cultural activities delivered within each HSHAZ. Therefore, these benefits have not been monetised, however, there is sufficient evidence to suggest that these impacts will be substantial. Our stakeholder engagement has demonstrated that the cultural activities have been well received by residents.
- **Cultural sector development:** The Covid-19 pandemic disproportionately affected cultural artists and businesses as social distancing protocols significantly limited the opportunities in the sector over a prolonged period. The cultural strand provided a much-needed economic and artistic stimulus to local creative organisations, delivering events that would not otherwise have taken place. The cultural events were popular, drawing in new audiences and providing a platform for freelancers and businesses to promote their talent. Against the backdrop of the pandemic, the benefit of supporting these grassroots organisations was undoubtedly significant beyond any immediate economic value.
- **Community cohesion and partnership working:** Local stakeholders and communities collaborated with local authorities to deliver the varied cultural strands across the country. This partnership-working has led to a series of qualitative benefits such as community connectedness, knowledge transfer, and skills development. Local organisations feel empowered to continue the recent cultural regeneration delivered in their towns and are better placed to do so based on the expertise gained from the HSHAZ cultural strand.



- **Wayfinding:** The cultural strand delivered 155 temporary installation displays to support the delivery of the events and activities. These displays helped to make the events as accessible as possible to all audiences. It is likely that the displays will have enhanced the pedestrian journey quality at the events.
- **Promotion of capital strand activities:** The cultural activities largely took place alongside the physical regeneration being delivered as part of the capital strand. In a number of instances, the marketing materials at the events helped promote the investment into key assets as part of the capital strand, helping to gain buy-in from residents. Additionally, the attendances at events are likely to have benefitted from the recent investment into the fabric of the high streets.

Table A9 below table presents the non-monetised impact assessment.

| Table A9: Non-monetised impact assessment for Cultural Strand |                |                       |
|---|----------------|-----------------------|
| Benefit   | Reference Case | HSHAZ Cultural Strand |
| Image and perceptions   | Neutral        | Large beneficial      |
| Cultural sector development                                   | Minor adverse  | Moderate beneficial   |
| Community cohesion and partnership working                    | Neutral        | Moderate beneficial   |
| Wayfinding  | Neutral        | Slight beneficial     |
| Promotion of capital strand activities                        | Neutral        | Slight beneficial     |

The key results of the SCBA assessment based on quantified benefits and non-monetised impacts are summarised in the Evaluation Summary Table in Table A10.

As can be seen below, **the cultural strand of the HSHAZ programme has an BCR of 1.76:1, indicating 'medium' value for money.** The non-monetised benefits presented above indicate that the value for money of the scheme is likely to be significantly higher than the BCR suggests, particularly relating to safeguarding existing culture communities and growing future cultural sector development and pride of place of local residents. Once these non-monetised benefits are accounted for, it is possible the cultural strand represents 'high' value for money. Overall, it is assessed that the HSHAZ cultural strand delivered 'medium to high' value for money.

It should be noted that the cultural strand of the HSHAZ programme benefitted from the physical regeneration as part of the capital strand. Ensuring capital and cultural (activity) strands of future programmes are co-designed and aligned in their objectives will help to maximise the value for money of both investments.

**Table A10: HSHAZ Programme – Cultural Strand Appraisal Summary Table**

| Output                               | HSHAZ Cultural Strand   |
|--------------------------------------|---|
| A. Present Value Benefits (£m)       | £17.6   |
| B. Present Value Costs (£m)          | £10.0   |
| C. Net Present Social Value (A-B)    | £7.6  |
| <b>D. BCR (A/B)</b>                  | <b>1.76:1</b>   |
| E. Significant non-monetised impacts | <p><b>Image and pride of place:</b> large beneficial</p> <p><b>Cultural sector development:</b> moderate beneficial</p> <p><b>Community cohesion and partnership working:</b> moderate beneficial</p> <p><b>Wayfinding:</b> slight beneficial</p> <p><b>Promotion of capital strand activities:</b> slight beneficial</p> |
| <b>F. Value for money category</b>   | <b>Medium to High</b>   |

The outputs for the cultural strand are largely known, although the future attendees to artworks/installations are unknown. The evaluation has made assumptions on the number of attendees in the future and the value attendees will derive from these visits. The use value is based on an average from a series of appropriate studies in the DCMS Cultural and Heritage Capital Evidence Bank. To test the robustness of the BCR to the assumptions a number of sensitivity tests have been undertaken; namely,

- Five-year period for legacy benefits from artworks/installations;
- £4.4 cultural use value applied to event attendees based on lower end of studies assessed;
- £10.4 cultural use value applied to event attendees based on higher end of studies.

These sensitivity tests provide a range of BCRs from 1.3:1 to 2.2:1. The core BCR of 1.76:1 falls in the middle of this range. This analysis therefore provides further confidence that the value for money of the HSHAZ cultural strand falls into the medium to high category as it is robust to substantial variation of key assumptions.

**Overall, the cultural strand of the HSHAZ programme has an BCR of 1.76:1, indicating ‘medium’ value for money.** Once the non-monetised benefits are accounted for, it is assessed that the HSHAZ cultural strand delivered ‘medium to high’ value for money. It should be noted that the cultural strand of the HSHAZ programme benefitted from the physical regeneration as part of the capital strand.

## Annex: Contingent valuation study

### Purpose

Contingent valuation is a DCMS recommended method that uses surveys to estimate individuals' willingness to pay (WTP) for improvements to historic environments (e.g. high streets) or cultural attractions (e.g. museums). It is a stated-preference technique where respondents state their preferences by answering direct questions about their WTP for hypothetical proposed changes, however, the method can also be applied to assess actual changes ie post-intervention.

The DCMS Culture and Heritage Capital Evidence Bank: Economic Values Database acts as the industry guide to publicly available evidence to value culture and heritage assets. The Evidence Bank contains 181 values from studies (of which, 86 are in the United Kingdom) that employ economic approaches for monetary valuation of culture and heritage assets<sup>10</sup>. The database sets out that contingent valuation obtains:

- “Direct use value for people who actually visit/use/experience the cultural site/institution.
- Indirect use value such as civic pride and social interaction.
- Option value for people that may plan or want to use the cultural site/institution in the future.
- Non-use value, including existence, altruistic, and bequest value.”

Our review of the Economic Values Database identified the “Heritage and the Value of Place” study, undertaken by Simetrica-Jacobs as part of a Historic England commission, as the most similar research to the historic shopfront improvements within the SHAZ programme. This study uses a contingent valuation methodology to develop a set of monetary values for heritage sites that people use and experience in their local area, including historic high streets. Their method valued local residents’ WTP to preserve the historic character of the high street in good condition. Four different places across England were surveyed to estimate values in different types of areas, including pre-industrial era historic high streets and industrial era historic high streets<sup>11</sup>. The study concluded a WTP estimate of £7.80 per local household to maintain a pre-industrial high street and £6.30 per local household to maintain an industrial-era high street. The study is ranked ‘High’ quality in the DCMS Evidence Bank.

However, our analysis concluded that there were risks associated with a benefit transfer approach using this hypothetical contingent valuation study and that a bespoke contingent valuation study using real-life information on specific SHAZ sites would be more appropriate. The values from Simetrica-Jacobs’ existing Heritage and Value of Place study were assessed to be unsuitable for use in valuing the SHAZ programme for the following reasons:

- Industrial-era high street WTP values were not recommended for use in benefits transfer, as the transfer errors were found to be above the acceptable level of error.
- The asset type and context of the sites differ to the SHAZ programme. For example, only medium-sized cities with similar heritage characteristics and listed buildings were studied, whilst the SHAZ sites vary in size, heritage intensity and proximity to urban centre, as well as a range of other characteristics.
- The study used a hypothetical speculative WTP scenario, which can lead to a number of different research biases and potentially inaccurate findings. In contrast, the SHAZ programme is a real-

<sup>10</sup> Culture and heritage physical assets were defined as archaeological assets, art engagement, built heritage, cultural institution, digital assets, historic amenities, industrial heritage, protected area, and religious assets.

<sup>11</sup> Preindustrial historic high streets included Exeter, Norwich, Lincoln, and York, whilst the industrial era high streets included Bolton, Huddersfield, Bristol, and Hull.

world intervention. Transferring benefits from a hypothetical contingent valuation study could lead to inaccurate results.

- The scenario used related to the preservation of the entire high street, whilst the SHAZ programme delivered works to a varying smaller number of shopfronts and buildings within different high street areas.
- WTP in the Heritage and Value of Place study was related to a per annum basis for continual hypothetical preservation of the historic high street, whereas the SHAZ programme relates to a one-time intervention.
- The scenario presented to respondents was to preserve historic high streets in a good condition, whilst the SHAZ programme enhanced the condition of already deteriorated shopfronts and buildings.
- Respondents were asked to imagine the works that would take place, whilst a bespoke contingent valuation survey could set out a clear description of the delivered works, demonstrating this visually through before and after pictures.
- The Simetrica-Jacobs study recommended that future application of the contingent valuation method should use photographs to test familiarity, which our survey could incorporate.

The main purpose of our contingent valuation study was therefore to address the need for bespoke research tailored to the specific context of the SHAZ programme, thus enabling a more precise valuation of the programme's economic benefits in relation to the historic shopfront and building restoration and improvement works. Specifically, we aimed to obtain a set of use and non-use values that can be utilised in the VfM assessment of the SHAZ programme.

## Methodology

The methodology adopted in this research centres on the contingent valuation method, chosen for its ability to directly measure individuals' WTP for benefits associated with historic building and shopfront improvements under the SHAZ programme. Unlike other valuation methods, such as hedonic pricing or the travel cost method, which may not fully capture the public's preferences, contingent valuation provides a more comprehensive estimate of the Total Economic Value (TEV) of heritage projects, including non-user values. **The methodology adopted in our research was peer-reviewed by economists from the DCMS**, ensuring its robustness.

A stratified purposive sampling technique was employed to ensure representative coverage of the 67 SHAZ programme sites. The sites were divided into three strata based on the level of "heritage intensity," calculated as the percentage of heritage-listed commercial buildings in each SHAZ site. This stratification allowed the study to examine WTP across low, medium, and high heritage intensity areas, potentially determining if heritage intensity had an influence on WTP. Sites were selected based on geographic diversity, availability of before-and-after photographs of restoration works, and alignment with heritage intensity values representative of the entire SHAZ programme.

Data was collected through an online panel survey, administered via Cint, targeting residents from counties corresponding to the SHAZ sites. Online surveys are beneficial for capturing a diverse range of demographics. To mitigate potential biases, such as the risk of survey fraud, timers and quality checks were incorporated into the survey. WTP values were also weighted by the representation of different age and gender groups in comparison to the population. Attention checks were used to ensure participant engagement, and logically inconsistent or unrealistic responses were excluded.

To determine the appropriate sample size, a power calculation was performed assuming a medium effect size and a significance level of 0.05, resulting in a target of 64 respondents per site. After exclusions, a final sample of 2,115 responses was collected, distributed across the 12 selected sites. A

pilot survey was also conducted at the Bedford HSHAZ site, which informed refinements in the survey design and valuation scenarios, ensuring the accuracy and reliability of the WTP estimates.

The survey design included detailed site-specific information and visual aids, such as before-and-after photographs of the improvements, to help respondents accurately assess the restoration works. Respondents were categorised as users or non-users based on their recent interaction with the HSHAZ sites and their WTP was elicited through a payment ladder method. To reduce hypothetical bias, respondents were reminded to consider their WTP as though it were a real transaction.

The WTP results were weighted by age and gender to ensure a representative sample. Statistical analyses, including multivariate regressions, were conducted to validate the WTP results and examine the factors influencing individuals' WTP towards the heritage preservation works undertaken through the HSHAZ programme. This analysis also helped assess the robustness of the hypothesis related to heritage intensity and the public's valuation of heritage improvements.

Finally, a Benefits Transfer (BT) analysis was undertaken to assess whether the WTP values could be transferred to other HSHAZ sites not included in the study. BT helps in estimating the economic value of similar projects in different areas without the need for new, costly data collection efforts. Both simple and adjusted unit transfer methods were applied, with the adjusted unit method accounting for differences in household income between study and policy sites. The transfer errors were calculated to ensure that the transferred values fell within acceptable error margin (maximum 40%) for accurate policy evaluation.

## Results

WTP values were assessed across low, medium and high heritage intensity strata, as well as for the total sample. The mean WTP results for our contingent valuation study are shown in the table below.

| Willingness to Pay Results |             |                |              |              |
|----------------------------|-------------|----------------|--------------|--------------|
| Users/Non-users            | Low Stratum | Medium Stratum | High Stratum | Total Sample |
| Users mean WTP             | £21.84      | £17.90         | £18.32       | £19.31       |
| Non-users mean WTP         | £7.02       | £9.04          | £9.56        | £8.60        |

The WTP results are household-level WTP values. If the WTP results are to be applied on an individual basis, the results must be divided by 2.37, leading to a total sample user value of £8.15 and non-user value of £3.63.

BT testing was undertaken using the simple unit transfer method and adjusted unit transfer method, which accounts for difference in household income between the policy site and comparative study sites. The recommended maximum level of error for conducting BT is set at 40% within contingent valuation literature. The results of the BT testing from our contingent valuation study are shown in the table below.

| Benefits Transfer Results    |             |                |              |           |             |                |              |               |
|------------------------------|-------------|----------------|--------------|-----------|-------------|----------------|--------------|---------------|
|                              | Users       |                |              |           | Non-users   |                |              |               |
|                              | Low Stratum | Medium Stratum | High Stratum | All users | Low Stratum | Medium Stratum | High Stratum | All non-users |
| Mean WTP                     | £21.84      | £17.90         | £18.32       | £19.31    | £7.02       | £9.04          | £9.56        | £8.60         |
| Simple unit transfer error   | 10.8%       | 40.8%          | 6.3%         | 17.1%     | 21.5%       | 62.6%          | 37.1%        | 35.9%         |
| Adjusted unit transfer error | 8.3%        | 29.0%          | 2.9%         | 11.3%     | 20.8%       | 59.5%          | 31.8%        | 33.5%         |

## Recommendations for HSHAZ Evaluation

It is recommended to apply the total sample mean WTP results for users (£19.31) and non-users (£8.60) when evaluating other HSHAZ programme sites. The total sample results meet the DCMS Evidence Bank requirements, with transfer errors under 40% and sample sizes exceeding 500 observations. This is because not all results at the strata-level fall within the acceptable threshold. Furthermore, statistical multivariate regression analysis showed that heritage intensity was only a significant driver of WTP due to non-users and sample sites with the very highest levels of heritage intensity. Assessing transfer errors on a site-by-site basis shows that applying mean WTP values from individual sites often results in transfer errors above the accepted threshold when applied to other sites. Therefore, using the mean WTP values from the total sample (for users and non-users) reduces average transfer error and will provide greater confidence in the accuracy of evaluations for HSHAZ sites not included in the study.

In line with guidance within the DCMS Evidence Bank, to calculate individual-level WTP, the results must be divided by 2.37, **leading to £8.15 WTP for users and £3.63 for non-users**. These values have been applied to our study as follows:

- **Use Value:** Mobile phone data has been collected for the ten case study sites, providing the number of visitors to the HSHAZ since from 2019 to 2024. The average monthly footfall has been used as the basis for our estimated number of users at each case study site. To extrapolate the number of users of the remaining sites, we have applied the average proportion of residents (11%) who visit each HSHAZ to the other local authority populations (aged over 16).
- **Non-Use Value:** The non-use value has been applied to the local authority populations aged over 16 years olds for each HSHAZ, subtracting off the estimated number of users.

As shown below, there are four instances where a local authority is home to two or more HSHAZ schemes. To be prudent about the likelihood for non-users to be willing (and able) to pay for multiple schemes in their local area, we have assumed only 50% of the benefit is applicable for the second site in each local authority:

- Isle of Wight (Newport and Ryde);
- North Yorkshire (Skipton, Selby and Northallerton);
- Wigan (King Street Wigan and Tyldesley); and
- Bath and North Somerset (Midsomer Norton and Keynsham).