# CULTURE AND HERITAGE CAPITAL

WHERE ARE WE? WHERE NEXT? Adala Leeson Head of Socioeconomic analysis and evaluation Historic England

## **DISCUSSION POINTS**

- I. Introduction
- 2. What is the need?
- 3. What is the solution on offer?
- 4. This is a big challenge.
- 5. What have we achieved to date?
- 6. Where next what does success look like?

## I. INTRODUCTION

A culture and heritage capital framework: Publication series, 21/01/21 Historic England, DCMS, Arts Council

#### Valuing Culture and Heritage Capital: (CHC) A framework towards informing decision making

"The programme's ultimate aim is to create publicly available statistics and guidance that will allow for improved articulation of the value of the culture and heritage sectors in decision making."

- An approach led by economics
  - but dependent on existing articulation and understanding of heritage value
- It is early days much more work needed
  - It is malleable; open to influence; we can join up

"[provides] an outline of the resources the Culture and Heritage Capital Programme will provide in the coming years." (DCMS 2021)



## TOWARDS A CIRCULAR ECONOMY

- Today we are seeing renewed calls to refocus economics on people's wellbeing which, in fact means a return to the philosophical roots of economics
- Alfred Marshall, the 19th-century Cambridge professor who taught John Maynard Keynes, thought "the end of all production ... [was] to raise the tone of human life" and that, too often, "the bearing of economics on the higher wellbeing of man [was] overlooked".
- Revised Green Book stronger focus on welfare

### 2. THE NEED

We need to **better articulate the value of heritage and the impacts of heritage** using all available tools and on all platforms/ in all arenas.

Economics is a powerful yet underused tool in our sector.

- In classical economics, value equates to or revolves around market prices represented by economic metrics such as Gross Domestic Product (GDP) and employment.
- Our standard economic valuation methods and metrics are incomplete (not wrong)

#### ECONOMICS IS A STUDY OF HOW LIMITED RESOURCES ARE ALLOCATED. LIMITED RESOURCES: CHOICES ARE INEVITABLE



#### HERITAGE VALUES

- Heritage has value over and above economic
- Heritage has public good qualities
- Heritage is not fully traded in competitive markets.
- There are no agreed methods to capture these values to people
- It is therefore difficult to value heritage within an economic framework

## **HERITAGE VALUE**

Archaeological value – a bridge to the past

Architectural value – uniqueness, distinctiveness

**Aesthetic value – beauty** 

Historical value - remembering the past

Social value - identity, cohesion, wellbeing

Environmental values – embodied carbon

Spiritual value – faith

## **ECONOMIC VALUE**

Willingness to pay £

## WE NEED BETTER TOOLS

Currently heritage is not valued systematically or even at all.

Alternative approaches are needed

The stakes are high – losses are real...





....at risk : demolition of unlisted model Edwardian farm near Farnborough in Hampshire



'Death trap' mill which has had 250 emergency incidents in the last three years -including arson and serious injuries - to be knocked down Hartlepool Borough Council plans for £60,000 to be spent on 'urgent repairs' of derelict Church Street building



The former Shades Hotel in Church Street, Hartlepool.

#### 3. WHAT DOES CHC OFFER?

Towards HM Treasury compliant methods, guidance and metrics for culture and heritage "...it becomes more straightforward to make the case for beneficial but costly policy, if it can be demonstrated that those benefits are not only substantial but consistent with Green Book guidance"

Giles Atkinson, Ben Groom, Nicholas Hanley and Susana Mourato (April 2018)



#### BEST PRACTICE: THE NATURAL CAPITAL APPROACH

- The natural capital approach intends to identify the total economic value of natural capital in order to secure the "stock" of natural capital and thus provide a sustainable "flow" of benefits
- The innovation of the natural capital approach is not in the valuation methods. It is about:
  - I. the framework it provides and
  - 2. the application of the valuation evidence to real world examples

BEST PRACTICE: NATURAL CAPITAL APPROACH The NCA [Natural capital account] is not about putting a price on nature, it is not intended to sell or trade nature. Rather, such economic valuation furthers the goal of systemically incorporating the value of nature into the decisions and actions [of a company].

Global Nature Fund (March 2018)

### 4. CHC IS A CHALLENGE

- The approach relies on robust, Green Book compliant valuation evidence – the evidence base for heritage is thin in relative terms.
- Producing robust valuation evidence is costly and takes time.
- This approach **requires a long term, sustained commitment**.
- Technical skills are required to produce and **apply** such evidence.
- Where the heritage valuation evidence does exist it is **rarely used**.
- There are **still considerable gaps** in the valuation techniques particularly for cultural services.
- The unique nature of individual heritage assets generates **uncertainty and increases error margins** when benefits transfer methods are applied.
- For some academics and stakeholders 'reducing' heritage to monetary values is problematic. This debate challenges the fundamentals of the natural capital approach - valuation.
- Risks of the data used "incorrectly" can impact the legitimacy of the approach

### 5. WHERE ARE WE NOW

A CHC Framework: published Governance structures in place: DCMS Secretariat (2.5 economists) Advisory Board Steering Group Working group

#### Culture and Heritage Capital Advisory Board

- The initial term of the board runs from 2020 to 2022. Lord Neil Mendoza, Commissioner for Cultural Recovery and Renewal, chairs the board which meets every six months.
- Lord Mendoza (Chair), Commissioner for Cultural Recovery and Renewal at DCMS
- Duncan Wilson OBE, Chief Executive of Historic England
- Sir Laurie Magnus, Chairman of Historic England
- Darren Henley OBE, Chief Executive of Arts Council England
- Ros Kerslake OBE, Chief Executive of the National Lottery Heritage Fund
- René Olivieri, Chairman of the National Lottery Heritage Fund
- Sir Ian Blatchford, Chairman of the National Museum Directors' Council
- Hasan Bakhshi MBE, Director of Creative Industries Policy and Evidence Centre at Nesta
- Geoffrey Crossick, Professor at the University of London
- Andrew Thompson, Formerly Executive Chair of AHRC, UKRI International Champion
- Ian Bateman, Professor at the University of Exeter
- May Cassar, Professor at University College London
- David Throsby AO, Professor at Macquarie University

### 6. WHAT'S NEXT

Research, consultation, collaboration, hard work

#### THE GOAL

- I. A robust conceptual framework understanding how heritage contributes to public welfare
- 2. Supplementary guidance to the Green Book for culture and heritage capital
- 3. A database of values for a range of culture and heritage assets [and collections of assets]
- 4. A set of national culture and heritage capital accounts

## RESEARCH, COLLABORATION, EVIDENCE

- A services framework for heritage
- Expanding valuations across asset types
- Improving methodologies for valuation
- Dealing with overlaps between natural capital and culture and heritage capital
- Welfare weighting
- Discount rates and asset live
- Application of non-use values
- Maintenance and heritage science
- Reusing historic assets to reduce environmental impacts

# IT IS IMPERATIVE WE MOVE TOWARDS BETTER HERITAGE VALUATION

# "WHAT WE MEASURE DECIDES WHAT WE DO"

J. Stiglitz, Nobel prize winner, Economics