



HISTORIC ENVIRONMENT
ADVISORY COUNCIL
for SCOTLAND

Report and recommendations on the economic impact of the historic environment in Scotland

**Presented to Michael Russell, MSP
Minister for Culture, External Affairs and the Constitution
February 2009**

CONTENTS

Acknowledgements	2
EXECUTIVE SUMMARY AND RECOMMENDATIONS TO SCOTTISH MINISTERS	3
Key findings of the ECOTEC report: <i>Economic Impact of the Historic Environment in Scotland</i>	3
Conclusions	4
HEACS' recommendations	4
INTRODUCTION	6
BACKGROUND	7
The inquiry process	7
Policy context	7
THE ECONOMIC IMPACT OF THE HISTORIC ENVIRONMENT IN SCOTLAND – KEY CONSIDERATIONS	9
Aims and remit	9
Definition of the historic environment	9
Areas of economic activity attributable to the historic environment	10
Economic impact, contribution and benefits	10
Direct, indirect and induced contributions	11
Avoiding double-counting	11
Tourism and the historic environment	12
A note on the local authorities	12
THE ECOTEC REPORT: <i>ECONOMIC IMPACT OF THE HISTORIC ENVIRONMENT IN SCOTLAND</i>	14
Key findings	14
Comparison with other sectors	14
The economic value of volunteering	15
The need for further research	15
CONCLUSIONS AND RECOMMENDATIONS	17
Conclusions	17
Recommendations	18
ANNEX A – MEMBERSHIP OF THE HEACS ECONOMIC SIGNIFICANCE WORKING GROUP	20
ANNEX B – MEETINGS CONVENED BY THE HEACS ECONOMIC SIGNIFICANCE WORKING GROUP	21
ANNEX C – REFERENCES	22

Acknowledgements

HEACS is very grateful to ECOTEC Research and Consulting Ltd, especially Chris Whitfield and Louise Scott, for their efficient and professional approach to the economic impact study. We also wish to thank Stewart Dunlop of the Fraser of Allander Institute for Research on the Scottish Economy for his work on the scoping study and his valuable advice to HEACS throughout the project. We are grateful to Historic Scotland staff and Scottish Government economists for their interest and advice throughout, especially John-Glyn McLaren of the Scottish Government for his contribution to the Project Steering Group for the economic impact study. Finally, HEACS wishes to thank the many organisations and individuals in the historic environment sector in Scotland who advised or gave evidence to the HEACS Economic Significance Working Group and participated in the economic impact study.

EXECUTIVE SUMMARY AND RECOMMENDATIONS TO SCOTTISH MINISTERS

This report is submitted by HEACS, the Historic Environment Advisory Council for Scotland, which was established in 2003 to provide Scottish Ministers with strategic advice on issues affecting the historic environment.

In its second term HEACS was asked by the Scottish Ministers: *To identify for Scottish Ministers the economic impact of the historic environment in Scotland.*

In 2008 HEACS commissioned an economic impact study of the historic environment from ECOTEC Research and Consulting Ltd. The Project Steering Group comprised the HEACS Economic Significance Working Group, augmented by economists from the Scottish Government and the Fraser of Allander Institute. The project also benefited from close liaison with Historic Scotland throughout.

The primary aim of the economic impact study was that it should establish for the first time a *robust* set of estimates for the economic contribution of Scotland's historic environment to the nation's economy.

The remit of the project was tightly drawn in order to ensure that the Government and wider sector could have confidence in the results. The results of this study should therefore be regarded as a *conservative assessment* of the economic contribution of the historic environment in Scotland.

This HEACS report is intended to be read as an introduction to and in conjunction with the ECOTEC report, *Economic Impact of the Historic Environment in Scotland*, which is also submitted in its entirety to the Scottish Ministers.

Key findings of the ECOTEC report: *Economic Impact of the Historic Environment in Scotland*

The key findings of the ECOTEC study are as follows (a glossary of terms can be found in Annex 5 of the ECOTEC report).

- The historic environment is a highly significant contributor to the Scottish economy, directly supporting approximately 41,000 FTE (full-time equivalent) employees.
- Including indirect and induced effects, it is estimated that the historic environment sector supports in excess of 60,000 FTE employees in Scotland.
- Overall, the historic environment sector is estimated to contribute in excess of £2.3 billion to Scotland's national GVA (gross value added).
- The historic environment sector is estimated to contribute some £1.4 billion in employees' income.
- The greater share of economic impacts relate to tourism expenditure attributable to the historic environment. Indeed, tourism expenditure attributable to the historic environment is estimated to support some 37,000 FTE employees in Scotland, with this representing nearly £1.3 billion in respect of GVA.
- The built heritage construction sector also accounts for a substantial share of the total economic impact. Including work funded by grants and expenditure by core historic environment organisations (such as Historic Scotland, the National Trust for Scotland and the Heritage Lottery Fund), the built heritage construction sector supports

some 20,000 FTE employees in Scotland, and generates approximately £1 billion in respect of GVA.

- Within the context of Scotland's national economy, it is estimated that the historic environment sector's contribution to the national economy is equivalent to 2.6% of Scottish GVA. Similarly, it has been estimated that the Scottish historic environment sector accounts for 2.5% of Scotland's total employment.

Conclusions

The ECOTEC study confirms the importance of the historic environment to the economy of Scotland. It demonstrates that the economic contribution of the historic environment is comparable with many other significant Scottish industries and sectors of economic activity, including those traditionally taken as measures of the health of the Scottish economy. It highlights the relevance of the historic environment to the Government's overarching purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The study establishes a baseline for considering the appropriate levels of investment in the historic environment. Traditionally, the sector has argued for increased investment to ensure the protection and enhancement of the historic environment, and to foster its understanding and enjoyment. Now there is also a strong case for increasing investment in order to maximise the contribution the historic environment can make to the prosperity of the nation.

HEACS recognises that a full and definitive measure of the value of Scotland's historic environment would require a comprehensive programme of research, probably involving the application of several complementary methods and analytical techniques.

HEACS' recommendations

In the light of the results of the ECOTEC study, HEACS makes the following recommendations:

- (1) There needs to be increased awareness of the importance of the historic environment to the economy of Scotland. HEACS recommends that the results of the ECOTEC study be publicised as widely as possible, to policy makers and the public alike, by Historic Scotland and other major players in the historic environment sector.
- (2) There is a compelling case for increased investment in the historic environment. Traditionally, the case has been made for greater investment to ensure the protection and enhancement of the historic environment. The results of this study demonstrate that there is also a strong economic rationale for increased investment in order to maximise the contribution the historic environment makes to the prosperity of the nation. The Scottish Ministers should consider the appropriate level of investment in the historic environment against this wider background.
- (3) There needs to be increased awareness of the importance of the historic environment to employment in Scotland. Jobs related to the historic environment in Scotland (in all three principal areas: the core organisations, the built heritage construction sector and tourism) are by their very nature internal to Scotland and non-exportable. This is particularly pertinent in view of the current economic downturn. A 'virtuous circle' of investment in the built heritage construction sector, for example, could help secure and increase the number of jobs in the construction industry in Scotland and improve the condition of Scotland's wealth of historic buildings, thereby attracting more visitors and producing wider economic and social benefits.

- (4) There is a need for further research to establish more fully the economic contribution, impact and benefits of the historic environment, and the wider social and cultural value of the historic environment. HEACS recommends that Historic Scotland views the results of the present study not as an end in themselves, but as a springboard for further research. Given that the historic environment cuts across several sectors of the Scottish economy, HEACS recommends that Historic Scotland explores the possibilities for engaging in research with a range of potential partners, including VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise, and major construction industry bodies.
- (5) There is a need to improve the baseline data in respect of the economic contribution of the historic environment, and to determine more precisely the importance of the historic environment in encouraging visitors to Scotland. The priorities for the Scottish Historic Environment Audit (SHEA) should be reconsidered in the light of these results. The findings of the ECOTEC study (and other relevant research) should be incorporated into the SHEA headline indicators.
- (6) HEACS recommends that Historic Scotland should discuss with Government economists and statisticians how to improve the recording of economic activity related to the historic environment. It will be important to ensure that it can be compared more readily with other sectors of the Scottish economy; that trends can be monitored over time; and that the economic benefits of investment in the historic environment can be properly measured.

INTRODUCTION

1. This report is submitted by HEACS, the Historic Environment Advisory Council for Scotland, which was established in 2003 to provide Scottish Ministers with strategic advice on issues affecting the historic environment.
2. The HEACS Audit report (2004) identified that there was ‘little recognition of the contribution which the historic environment makes to the Scottish economy’¹. In stating this, HEACS was reporting the view of many of the individuals and organisations it had engaged with. Specifically, the view was that the role of the historic environment as a driver of sustainable economic development, regeneration and tourism was not appreciated or well understood – either by policy makers or the public at large.
3. Council decided that the issue of the economic significance of the historic environment should be added to the tasks set by the Minister for its first term. The HEACS Economic Significance Working Group was established in September 2004.
4. In her letter of 3 April 2006, the then Minister endorsed this decision by asking HEACS: *To identify for Scottish Ministers the economic impact of the historic environment in Scotland*. This was one of four priority policy areas identified for consideration during Council’s second term (2006-2009).

¹ *Report and Recommendations on the Need for a Heritage Audit in Scotland and How to Take it Forward*, HEACS, 2004; available at www.heacs.org.uk/documents.htm

BACKGROUND

The inquiry process

5. The Economic Significance Working Group took evidence from economists and experts (Annex B). A range of written material was gathered through desk research: Annex C contains a select list of websites consulted and relevant literature.
6. In March 2007, HEACS commissioned a scoping study from the Fraser of Allander Institute for Research on the Scottish Economy, University of Strathclyde, to identify and explore the different methods which might be used to assess the economic significance of the historic environment in Scotland. The scoping study report (August 2007) proposed two methods². The first was for a formal economic impact study which would measure the total amount of activity supported by the historic environment across the Scottish economy. The second related to contingent valuation, which would measure what consumers were prepared to pay for types of asset or specific elements or areas of the historic environment.
7. In September 2007 HEACS decided that a formal economic impact study of the historic environment in Scotland was the essential first step and could form the basis of future research.
8. After a competitive tender, the contract was awarded to ECOTEC Research and Consulting Ltd, a company with considerable experience of economic impact studies across a range of projects and sectors, including the historic environment elsewhere in the UK. The project commenced in January 2008 and was completed in October 2008.
9. The Project Steering Group comprised the HEACS Economic Significance Working Group, augmented by economists from the Scottish Government and the Fraser of Allander Institute. The project also benefited from close liaison with Historic Scotland which had commissioned a survey of local authority staffing, policy and resources for the historic environment on a similar timescale. A questionnaire was sent to a sample of 500 organisations working in Scotland's historic environment. A response rate of almost 20% was achieved: a statistically valid and representative sample for a postal survey of this nature. The results were complemented by in-depth consultations with key organisations working in the historic environment. A seminar to present draft findings to major stakeholders was held in July 2008. The final report was submitted to HEACS on 31 October 2008.
10. This HEACS report is intended to be read as an introduction to and in conjunction with the ECOTEC report, Economic Impact of the Historic Environment in Scotland, which is also submitted in its entirety to the Scottish Ministers.

Policy context

11. It is widely recognised that Scotland's historic environment is one of its greatest assets. The quality and character of Scotland's townscapes and landscapes are the culmination of the work of many generations, and contribute fundamentally to our sense of place and cultural identity. The historic environment provides the setting for Scotland as an attractive place to invest, visit, work and live. It is a generator of wealth in both urban and rural areas, and serves to attract millions of visitors to Scotland each year.

² A *Scoping Study on the Economic Significance of the Historic Environment*, Fraser of Allander Institute, 2007: www.heacs.org.uk/documents.htm

12. No attempt has previously been made to quantify the historic environment's contribution to the prosperity of Scotland. In general terms, it is true to say that the economic contribution of the historic environment is less well understood than is its intrinsic cultural value to the life of the nation. The historic environment sector believes the historic environment is a significant driver of tourism, economic development and regeneration, and therefore a major contributor to employment in Scotland; this has sometimes been termed the 'heritage dividend'.
13. The Scottish Government's overarching purpose is: *to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth*. Increased investment in the historic environment has the capacity to contribute significantly to increasing sustainable economic growth.
14. As part of the National Performance Framework, the Government has set 15 targets for national outcomes, including: *We value and enjoy our built environment and protect it and enhance it for future generations*. The historic environment also contributes significantly to other national outcomes³, including that relating to employment: *We realise our full economic potential with more and better employment opportunities for our people*.
15. Strategic policies for Scotland's historic environment are formally enshrined in the Scottish Historic Environment Policy (SHEP): chapter 1 provides the overarching policy statement for the historic environment. Notably, this draws attention to the poor understanding of the positive role that the historic environment plays in the 'maintenance, development and regeneration of communities, their culture and their economy'⁴. A key outcome sought by Scottish Ministers through SHEP, therefore, is to realise and communicate the historic environment's importance as a 'key asset in Scotland's economic, social and cultural success'. In particular, the historic environment is identified as a crucial asset across three principal areas of economic activity⁵:
 - **Tourism** – research clearly reveals that visitors to Scotland, particularly those from overseas, want to visit castles and other heritage attractions;
 - **Building, Supporting and Regenerating Communities** – the historic environment has a key role to play in regeneration; and
 - **Construction Industry** – the historic environment is an important market focus for Scotland's construction industry.
16. HEACS acknowledges that quantifying the economic impact of the historic environment is a difficult task, mainly because of the very wide range of the nation's historic environment assets and the difficulties inherent in isolating the economic impact of the historic environment from other considerations. Nonetheless, the historic environment is a significant economic asset and its impact should be amenable to measurement based on a sound foundation of economic theory. It was in this context that HEACS decided to commission an economic impact study of the historic environment in Scotland from acknowledged experts in this area.

³ The wider relevance of the historic environment to the Government's National Performance Framework is set out in Historic Scotland's *Corporate Plan 2008-2011*, pp3-5, Historic Scotland, 2008

⁴ *Scotland's Historic Environment Policy*, p6, Historic Scotland, 2008

⁵ *Scotland's Historic Environment Policy*, pp18-19, Historic Scotland, 2008

THE ECONOMIC IMPACT OF THE HISTORIC ENVIRONMENT IN SCOTLAND – KEY CONSIDERATIONS

Aims and remit

17. The primary aim of the economic impact study was that it should establish for the first time a *robust* set of estimates for the economic contribution of Scotland's historic environment to the nation's economy.
18. The remit of the project was tightly drawn in order to ensure that the Government and wider sector could have confidence in the results. The results of this study should therefore be regarded as a *conservative assessment* of the economic contribution of the historic environment in Scotland.

Definition of the historic environment

19. One of the key challenges at the outset was to agree a practical working definition of the historic environment in order to provide a framework for data collection and analysis. The present study is primarily concerned with how Scotland's historic environment assets are conserved, maintained, managed and presented, and therefore how they link to different sectors of (economic) activity. It was therefore evident that the working definition needed to be rooted in the responsibilities of organisations active in conserving, maintaining, managing and/or creating access to Scotland's historic environment, as represented through the principal asset types of historic buildings, areas and sites.
20. On this basis the following asset types were included within the working definition of the historic environment for the purposes of this study:
 - ancient monuments/ archaeological sites;
 - listed buildings;
 - pre-1919 historic buildings;
 - conservation areas;
 - gardens/ designed landscapes;
 - historic landscapes; and
 - marine historic environment.
21. In line with the definition of the historic environment contained in the Government's Scottish Historic Environment Policy, the working definition of the historic environment encompasses Scotland's stock of traditional (pre-1919) buildings⁶.
22. Given the requirement to produce a robust and conservative economic assessment, some other assets with historic interest, including National Parks, National Scenic Areas and Ancient Woodlands, were not included in the working definition on the grounds that such features are more closely related to a consideration of the *natural environment*. It is recognised, however, that there is a significant overlap between elements of the natural and historic environment. Scottish Natural Heritage has recently published an economic impact study of the natural environment in Scotland, the results of which should be seen as complementary to those of the present study⁷.

⁶ *Scotland's Historic Environment Policy*, p5 & p49 (Note 1.1), Historic Scotland, 2008

⁷ *The Economic Impact of Scotland's Natural Environment*, Scottish Natural Heritage, 2008

23. Similarly, museums have been excluded as they are normally considered to be a component part of the *cultural sector*. Nonetheless, many if not most of Scotland's museums have a significant connection with the historic environment, for example: they are often located in historic buildings and places; employ staff with specialist and/or general heritage skills; and care for significant historical collections. Again, the results of the present study should be viewed as complementary to those of a 2004 economic impact study of the cultural sector in Scotland⁸.

Areas of economic activity attributable to the historic environment

24. A major outstanding challenge in the assessment of the historic environment involves placing economic value on a categorisation of activity (an 'industry') that does not fit neatly into standard industrial classifications, and for which there are few directly observable market values. The historic environment cuts across several recognised sectors of economic activity in Scotland, especially construction, tourism, public administration, and recreational and cultural activities. The Government's standard method of statistical reporting allocates the economic contribution of the historic environment, and all employment attributable to the historic environment, across these and other sectors of the economy.

25. This is compounded by the fact that, historically, data has not been well collected by a sector characterised by considerable diversity and complexity. As a result, analysis of the historic environment has traditionally focussed on those direct economic contributions which can be most readily measured, such as jobs

created, level of investment, and number of buildings improved.

26. The ECOTEC study has identified that the economic contribution of the historic environment in Scotland occurs in three principal areas:

- **core organisations**, whose principal purpose is conservation or presentation of some part or all of the historic environment. ECOTEC has termed this the 'inner wheel' of the historic environment sector. It includes the major organisations such as Historic Scotland and the National Trust for Scotland, as well as a long 'tail' of many hundreds of very diverse smaller organisations, community groups, trusts and societies;
- **the built heritage construction sector**, which covers direct repair and maintenance output in relation to the nation's historic (pre-1919) building stock and historic environment infrastructure; and
- **tourism**, especially direct tourism expenditure by visitors principally attracted to Scotland as a result of the historic environment.

Economic impact, contribution and benefits

27. Conceptually, economists make a technical distinction between the terms economic impact, contribution and benefits. Since this study is intended principally for the non-economist, ECOTEC has used the terms in the manner most appropriate to context and in ways comparable to their use in other studies.

28. In a recent paper⁹, recommended to HEACS by Scottish Government

⁸ Dunlop et al, *The Economic Impact of the Cultural Sector in Scotland*, Scotecon.net, 2004

⁹ Watson et al, 'Determining economic contributions and impacts', *JRAP* 37(2), pp140-46

economists, an economic contribution is defined as ‘the gross changes in a region’s existing economy that can be attributed to a given industry, event or policy’. This is arguably the most common type of economic analysis performed. In this case, the economic contribution would be the output produced by those activities identified as part of the historic environment sector. In general terms, the ECOTEC study has assessed the economic contribution of the historic environment, especially in relation to the inner wheel and the built heritage construction sector.

29. The same paper defines an economic impact as ‘the best estimation at what economic activity would likely be lost from the local economy if the event, industry or policy were removed.’ The focus in such analysis is mainly on net gains in regional economic activity. In the ECOTEC study, tourism-related effects have technically been assessed as an economic *impact* – that is, an attempt has been made to estimate the difference between the economic benefits currently generated from tourism in Scotland and what these would have been if Scotland’s historic environment had little or no visitor appeal.
30. The concept of economic benefit is ‘an entirely different type of analysis: a cost-benefit analysis that is concerned with overall economic efficiency and social welfare measures’. A number of recent studies have begun to consider the economic benefits of the historic environment¹⁰ (for example, its contribution to sustainability, regeneration and energy efficiency agendas, as well as wider benefits such as community cohesion and improving quality of life). It remains the case, however, that wider economic benefits are usually treated qualitatively, partly as a result of difficulties in expressing these in conventional monetary terms.

Direct, indirect and induced contributions

31. The ECOTEC study has used the standard approach to economic assessment in estimating the direct, indirect and induced contributions of the historic environment in Scotland. These are defined as follows:

- The **direct contribution** includes direct employment, expenditure, and output by organisations within the inner wheel of the historic environment sector, the built heritage construction sector repair and maintenance output, and expenditure by tourists who have been attracted to Scotland primarily because of its historic environment.
- The **indirect contribution** includes purchases of inputs made by firms that are supplying goods and services to the inner wheel of the historic environment sector, the built heritage construction sector and organisations associated with tourism, including hotels and restaurants.
- The **induced contribution** comprises benefits to the Scottish economy as a result of increased income and spending by people who work in the inner wheel of the historic environment sector, the built heritage construction sector and tourism sector, and in those businesses that supply goods and services to these sectors.

32. The **total economic contribution** of the historic environment in Scotland is the sum of these direct, indirect and induced contributions.

Avoiding double-counting

33. It was recognised at the outset that there was a danger of double-counting in the ECOTEC study because of the extent of

¹⁰ See, for example, *The Social Impacts of Heritage-led Regeneration*, Agencies Co-ordinating Group, 2008: www.ahfund.org.uk

overlaps and inter-dependencies within the historic environment sector. An obvious example would be an historic building restoration project, grant-aided by Historic Scotland and/or the Heritage Lottery Fund, and carried out by a company working in the built heritage construction sector.

In such circumstances, expenditure could show up twice and distort the assessment results. For the purposes of the ECOTEC study, therefore, all grant funding and expenditure on conservation, repair and maintenance by organisations included in the inner wheel of the sector was *subtracted* from the total value of output when aggregating the economic contribution/ impact of Scotland's historic environment.

34. Similarly, that portion of income from visitor expenditure (such as receipts from admissions or retail sales) earned by organisations operating within the inner wheel of the sector has also been **subtracted** on the basis that this income is already included in the aggregate estimates for tourism expenditure.

Tourism and the historic environment

35. Turning to tourism generally, existing datasets do not precisely reveal that proportion of visitors which comes to Scotland primarily because of its historic environment – although there are numerous surveys highlighting the importance of the historic environment to Scottish tourism¹¹. For the purposes of the ECOTEC study, it has been assumed that one-third of total tourism expenditure in Scotland represents a reasonable, if conservative, estimate of the importance

of the historic environment in attracting visitors to Scotland. On the basis of previous comparable studies in the UK, ECOTEC's view was that 33% is probably a low estimate. Annex 3 of the ECOTEC report also presents the figures for higher (50%) and lower (25%) scenarios.

36. It is important to note that this does not mean that 33% of tourist expenditure in Scotland is directly attributable to the historic environment and 67% to all other factors¹². However, it does imply that, without an appealing historic environment, Scotland would attract 33% less visitor expenditure. Notably, the estimates do not include expenditure attributable to day visitors, as it can be argued that displacement is relatively high for day visitors (that is, their expenditures are not additional within Scotland).

A note on the local authorities

37. The local authorities are key agents in protecting the historic environment and in harnessing the potential of the historic environment to contribute to Scotland's economic and social success¹³. Local authorities can be anticipated to comprise a significant employer within the inner wheel of the sector, but there are significant gaps in the available data.
38. The survey sample in the ECOTEC study excluded local authorities so as not to overlap with a study of local authority policies, staffing and resources for the historic environment, commissioned by Historic Scotland on a similar timescale. Instead, the survey instrument used for Historic Scotland's research included questions designed to capture

¹¹ See, for example, VisitScotland's *Visitor Attraction Monitor*, produced annually 1999-2007; and *Future Trends for Growth in the Historic Properties Sector*, pp6-12, Historic Properties Group, 2008

¹² Such an approach would produce a total well in excess of 100%: for example, the combination of walking opportunities, scenery and the historic environment attracts many visitors.

¹³ *Report and Recommendations on the Role of Local Authorities in Conserving the Historic Environment*, HEACS, 2006: www.heacs.org.uk/documents.htm

the information required to make an assessment of local authority related economic impacts. This information was used by ECOTEC in the present study.

39. The survey questions were not fully completed by all respondent local authorities. The results produced by the Historic Scotland study are therefore based on an incomplete data set and the figures must be regarded as provisional. The information obtained can be expected to present a minimum assessment of the levels of expenditure and income relating to different aspects of the management of the historic environment. In total, the Historic Scotland study estimated that local authorities have an annual expenditure on the historic environment of some £50 million, including staff wages and salaries, overheads and service expenditure. Information on income was relatively weak and unreliable and it was therefore assumed that expenditure by local authorities is equivalent to income.

THE ECOTEC REPORT: ECONOMIC IMPACT OF THE HISTORIC ENVIRONMENT IN SCOTLAND

Key findings

40. The key findings of the ECOTEC study are as follows (a glossary of terms can be found in Annex 5 of the ECOTEC report).

- The historic environment is a highly significant contributor to the Scottish economy, directly supporting approximately 41,000 FTE (full-time equivalent) employees.
- Including indirect and induced effects, it is estimated that the historic environment sector supports in excess of 60,000 FTE employees in Scotland.
- Overall, the historic environment sector is estimated to contribute in excess of £2.3 billion to Scotland's national GVA (gross value added).
- The historic environment sector is estimated to contribute some £1.4 billion in employees' income.
- The greater share of economic impacts relate to tourism expenditure attributable to the historic environment. Indeed, tourism expenditure attributable to the historic environment is estimated to support some 37,000 FTE employees in Scotland, with this representing nearly £1.3 billion in respect of GVA.
- The built heritage construction sector also accounts for a substantial share of the total economic impact. Including work funded by grants and expenditure by core historic environment organisations (notably Historic Scotland, the National Trust for Scotland and the Heritage Lottery Fund), the built heritage construction sector supports some 20,000 FTE employees in Scotland, and generates approximately £1 billion in respect of GVA.

- Within the context of Scotland's national economy, it is estimated that the historic environment sector's contribution to the national economy is equivalent to 2.6% of Scottish GVA. Similarly, it has been estimated that the Scottish historic environment sector accounts for 2.5% of Scotland's total employment.

Comparison with other sectors

41. It is difficult precisely to compare the impact of the historic environment with other major sectors in Scotland using the standard industrial classifications in the Scottish Input-Output tables. These identify 128 sectors of the economy (for example, electronics, chemicals, and textiles), but the historic environment does not appear in the tables in its own right. Instead, the Government's standard method of statistical reporting allocates employment and income attributable to the historic environment across a range of sectors of the economy, such as construction, tourism, public administration, and recreational and cultural activities.
42. Nonetheless, analysis suggests that the historic environment sector compares favourably with a range of other sectors in terms of employment and economic contribution. The latest available (2004) official statistics record, for instance, that 35,610 people were directly employed in the electronics industry (full time equivalent), 12,380 in chemicals, 12,800 in textiles and 49,230 in the food and drink industries. The ECOTEC study estimates that the historic environment *directly* supports in excess of 40,000 FTE employees alone in Scotland.

43. The scale of the *total economic impact* of the historic environment sector also compares strongly against a number of other distinctive Scottish sectors. Including indirect and induced effects, it is estimated that the historic environment sector supports more than 60,000 FTE employees. By comparison, Scotland's sport sector is estimated to account for 45,500 jobs, textiles (tartan and cashmere) (12,500 jobs), whisky, gin and vodka (43,300), and the cultural sector (7,300)¹⁴.

44. It is important to remember that jobs related to the historic environment in Scotland (in all three principal areas: the core organisations, the built heritage construction sector and tourism) are by their very nature internal to Scotland and non-exportable. This is particularly pertinent in view of the current economic downturn. A 'virtuous circle' of investment in the built heritage construction sector, for example, could help secure and increase the number of jobs in the construction industry in Scotland *and* improve the condition of Scotland's wealth of historic buildings, thereby attracting more visitors and producing wider economic and social benefits.

The economic value of volunteering

45. Analysis of the economic value of volunteering in Scotland's historic environment fell outside the scope of the ECOTEC study. As a separate project, however, HEACS commissioned a study of volunteering in the historic environment in Scotland¹⁵, which identified over 900 volunteer-involving organisations working with Scotland's historic environment. Within the 227 organisations (26%) which responded to the survey, over 167,000

hours are given by almost 12,000 active volunteers in Scotland in the average month. The notional economic value of this volunteer contribution is more than £28 million per annum¹⁶. Interestingly, this is roughly double that for volunteering in the natural environment¹⁷.

The need for further research

46. Further research is needed on the economic contribution, impact and benefits of the historic environment in Scotland, and the wider social and cultural value of the historic environment. HEACS recommends that the results of the present study should be viewed not as an end in themselves, but as a springboard for further research. This should include:

- further analysis of the economic contribution of the built heritage construction sector;
- further analysis of the economic impact of the historic environment on tourism in Scotland;
- contingent valuation in relation to key historic assets or areas;
- the development of local and regional economic impact studies of the historic environment; and
- research on the wider economic benefits of the historic environment, including social and cultural value.

47. Given that the historic environment cuts across several sectors of the Scottish economy, HEACS recommends that Historic Scotland explores the possibilities for engaging in research with a range of potential partners, including VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise, and major construction industry bodies such as the Scottish Construction Centre.

¹⁴ Sources: Whisky, Gin and Vodka (DTZ Pleda for The Scotch Whisky Association, 2000); Sport (sportscotland.gov.uk, 2007); Cultural sector (Dunlop S *et al*, 2004, Scotecon.net); Tartan (ECOTEC, 2006); and Cashmere (ECOTEC, 2007).

¹⁵ *Volunteering and the Historic Environment*, VDS, 2008; available at www.heacs.org.uk/documents.htm

¹⁶ Based on the average Scottish weekly wage: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2007

¹⁷ *Volunteering in the Natural Heritage: an Audit and Review of Natural Heritage Volunteering in Scotland*, VDS (= Scottish Natural Heritage Commissioned Report No. 219), 2006

48. There is a pressing need to improve the baseline data for the economic contribution of the historic environment in order to measure employment and other trends over time and to better evaluate the impact of investment. The Scottish Historic Environment Audit (SHEA) recognises that 'The historic environment sector is a major employer in Scotland'. The ECOTEC study estimates that the historic environment supports more than 60,000 FTE employees in Scotland. Further analysis of employment supported by the historic environment would be very useful, especially in relation to tourism and private sector contributions.
49. It is important also to build on the picture of investment emerging from the ECOTEC study. SHEA highlights a lack of comprehensive information on the funding available for the historic environment. Information on private investment is particularly sparse, though this represents the single largest source of funding for the historic environment. Similarly, it is a high priority to develop methods to measure how much inward investment in Scotland is attracted as a result of the historic environment.
50. The ECOTEC study has again highlighted the importance of the historic environment to tourism. There is a need to develop further measures to capture more accurately how important the historic environment is in terms of encouraging visitors to Scotland – and from there, to refine ECOTEC's analysis of the economic impact of the historic environment on tourism. This research should also encourage and underpin a renewed focus on marketing Scotland's historic environment.
51. The priorities for the Scottish Historic Environment Audit (SHEA) should be reconsidered in the light of the results of the ECOTEC study, and the findings of this study (and other relevant research) incorporated into the SHEA headline indicators.
52. HEACS recommends that Historic Scotland should discuss with Government economists and statisticians how to improve the recording of economic activity related to the historic environment¹⁸. It will be important to ensure that it can be compared more readily with other sectors of the Scottish economy; that trends in input, output and employment related to the historic environment can be monitored over time; and that the economic benefits of public and private investment in the historic environment can be more fully assessed.

¹⁸ See *The First Annual Report of the Scottish Council of Economic Advisers December 2008*, Ch 2, paras 2.14-2.15, on encouraging the development of key sectors, including tourism; promoting clusters of industries to exploit economies of scale and specialised services; and focusing on firms with a higher proportion of their activities in Scotland. Ch 9, Rec 21, also suggests a need to improve the quality of economic statistics in Scotland.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

53. The ECOTEC study has produced, for the first time, a robust set of figures for the economic impact of the historic environment in Scotland. Indeed, given that the research is strongly based on primary data collection and analysis, HEACS believes this is the most robust study of its type to have been carried out to date anywhere in the UK.
54. Above all, this study confirms the importance of the historic environment to the economy of Scotland. It demonstrates that the economic contribution of the historic environment compares favourably to that of many other, high profile Scottish industries and sectors, including those traditionally taken as measures of the health of the Scottish economy. It highlights the relevance of the historic environment to the Government's overarching aim of creating a more successful country, including through the provision of a range of employment opportunities and through increasing sustainable economic growth.
55. The study establishes a baseline for considering the appropriate levels of investment in the historic environment. Traditionally, the sector has argued for increased investment to ensure the protection and enhancement of the historic environment, and to foster its understanding and enjoyment. Now there is also a compelling case for increasing investment in order to maximise the contribution the historic environment can make to the prosperity of the nation.
56. It is acknowledged that such studies have been criticised by some parts of the sector for attempting to measure only part of the value of the historic environment. Historic buildings, sites and places are also recognised as having social and cultural value, an intrinsic or assigned value that stands apart from their financial worth and which also presents considerable challenges in being fully captured. Social value could include the social impacts of heritage-led regeneration, for example, such as improved community cohesion and social inclusion. Cultural value could, for instance, be divided into a number of elements, such as: aesthetic; spiritual; social; historical; symbolic; and authenticity. The concept of cultural capital may also open up the historic environment to formal analysis and assessment in different ways¹⁹. These are all areas for further research.
57. It is also acknowledged that the historic environment makes a significant contribution to sustainability and the economy in other ways not considered in this report. Research has shown, for example, that 19th- and early 20th-century buildings tend to use less energy than more recent buildings²⁰; traditional buildings also contain considerable embodied energy and materials. Both of these factors suggest that investment in traditional buildings will often be a more cost-effective and sustainable solution than demolition.

¹⁹ Snowball, *Measuring the Value of Culture*, 2008, pp20-22

²⁰ *Age Energy Research: A Study of the Energy Use of Buildings Relative to their Age*, Walls Grove, 2007 (forthcoming on www.justice.gov.uk)

58. HEACS recognises that a full and definitive measure of the value of Scotland's historic environment would require a comprehensive programme of research, probably involving the application of several complementary methods and analytical techniques. Given how little research has been carried out in this area in Scotland so far, however, HEACS believes that this assessment of the economic impact of the historic environment in Scotland was the essential first step and should form the basis of future research.
- (3) There needs to be increased awareness of the importance of the historic environment to employment in Scotland. Jobs related to the historic environment in Scotland (in all three principal areas: the core organisations, the built heritage construction sector and tourism) are by their very nature internal to Scotland and non-exportable. This is particularly pertinent in view of the current economic downturn. A 'virtuous circle' of investment in the built heritage construction sector, for example, could help secure and increase the number of jobs in the construction industry in Scotland and improve the condition of Scotland's wealth of historic buildings, thereby attracting more visitors and producing wider economic and social benefits.

Recommendations

59. This report has focussed on introducing the results of a study commissioned to assess the economic impact of the historic environment in Scotland. In the light of the results of the ECOTEC study, HEACS makes the following recommendations:
- (1) There needs to be increased awareness of the importance of the historic environment to the economy of Scotland. HEACS recommends that the results of the ECOTEC study be publicised as widely as possible, to policy makers and the public alike, by Historic Scotland and other major players in the historic environment sector.
- (2) There is a compelling case for increased investment in the historic environment. Traditionally, the case has been made for greater investment to ensure the protection and enhancement of the historic environment. The results of this study demonstrate that there is also a strong economic rationale for increased investment in order to maximise the contribution the historic environment makes to the prosperity of the nation. The Scottish Ministers should consider the appropriate level of investment in the historic environment against this wider background.
- (4) There is a need for further research to establish more fully the economic contribution, impact and benefits of the historic environment, and the wider social and cultural value of the historic environment. HEACS recommends that Historic Scotland views the results of the present study not as an end in themselves, but as a springboard for further research. Given that the historic environment cuts across several sectors of the Scottish economy, HEACS recommends that Historic Scotland explores the possibilities for engaging in research with a range of potential partners, including VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise, and major construction industry bodies.
- (5) There is a need to improve the baseline data in respect of the economic contribution of the historic environment, and to determine more precisely the importance of the historic environment in encouraging visitors to Scotland. The priorities for the Scottish Historic Environment Audit (SHEA) should be reconsidered in the light of these results.

The findings of the ECOTEC study (and other relevant research) should be incorporated into the SHEA headline indicators.

- (6) HEACS recommends that Historic Scotland should discuss with Government economists and statisticians how to improve the recording of economic activity related to the historic environment. It will be important to ensure that it can be compared more readily with other sectors of the Scottish economy; that trends can be monitored over time; and that the economic benefits of investment in the historic environment can be properly measured.

ANNEX A

MEMBERSHIP OF THE HEACS ECONOMIC SIGNIFICANCE WORKING GROUP

September 2004 – September 2007

Neil Galbraith (Chair)
Eleanor McAllister
Ian Johnson

External members:
David Leven, Special Projects Manager, Historic Scotland
Laura Norris, Association of Preservation Trusts

September 2007 – December 2008

Ian Johnson (Chair)
Mark Hopton
Colin McLean
Richard Oram

Economic advisors:
Stewart Dunlop, Fraser of Allander Institute, University of Strathclyde
John-Glyn McLaren, Scottish Government (January – May 2008)
Luke Cavanagh, Scottish Government (May – August 2008)

ANNEX B

MEETINGS CONVENED BY THE HEACS ECONOMIC SIGNIFICANCE WORKING GROUP

During 2004-2005 the Group met with:

Chris Dodds, Head of Analytical Services Unit
for Tourism Culture and Sport, Scottish
Executive
John Kelly, Ekos, Glasgow
Colin McLean, Manager of the Heritage
Lottery Fund in Scotland
Laura Petrie, Director of Finance, Historic
Scotland
Jonathan Sewell, Assistant Economist,
Scottish Executive Education Department

2005-2006

Robert Leishman, Audit Scotland
Stewart Dunlop, Fraser of Allander Institute,
University of Strathclyde

2007-2008

Stewart Dunlop, Fraser of Allander Institute,
University of Strathclyde
Ian Baxter, Heritage Futures, Glasgow
Caledonian University

February 2008

Attended Historic Scotland Stakeholder
Workshop for the survey of local authority
staffing, policies and resources for the historic
environment.

Organisations represented at the seminar held on 30 July 2008

Chaired by Ian Johnson, HEACS Economic
Significance Working Group

Presentations by Chris Whitfield and Louise
Scott, ECOTEC

ALGAO Scotland
Archaeology Scotland
Association of Preservation Trusts
Edinburgh World Heritage
Fraser of Allander Institute, University of
Strathclyde
Glasgow Building Preservation Trust
HEACS
Heritage Lottery Fund
Historic Houses Association
Historic Scotland
LDN Architects
National Trust for Scotland
Royal Commission on the Ancient and
Historical Monuments of Scotland
Scottish Civic Trust
Scottish Natural Heritage
Scottish Government economist, Environment
and Rural Affairs Department
Volunteer Development Scotland

ANNEX C

REFERENCES

Relevant research commissioned by HEACS

all available at
<http://www.heacs.org.uk/documents.htm>

The Fraser of Allander Institute for Research on the Scottish Economy, University of Strathclyde, *A Scoping Study on the Economic Significance of the Historic Environment*, 2007

ECOTEC Research and Consulting Ltd, *Economic Impact of the Historic Environment in Scotland: A Final Report for the Historic Environment Advisory Council For Scotland*, 2008

Volunteer Development Scotland (VDS), *Volunteering and the Historic Environment*, 2008

Select list of websites accessed

Association of Preservation Trusts

Archaeology Scotland

Architectural Heritage Fund

Architectural Heritage Society of Scotland

Built Environment Forum Scotland

Commission for Architecture and the Built Environment

Department of Culture, Media and Sport

Department of the Environment Northern Ireland

ECOTEC Research and Consulting Ltd

Eftec

English Heritage

Glasgow Merchant City

Heritage Futures Network at Glasgow Caledonian University

Heritage Link

Heritage Lottery Fund

Historic Scotland

Institute for Archaeologists

Museums Galleries Scotland

National Trust

National Trust for Scotland

Royal Commission on the Ancient and Historical Monuments of Scotland

Royal Incorporation of Architects in Scotland

Royal Institution of Chartered Surveyors in Scotland

Royal Town Planning Institute

Scottish Economic Policy Network
 [scotecon.net]

Scottish Civic Trust

Scottish Environment LINK

Scottish Government

Scottish Natural Heritage

Smith Institute

UK Historic Environment Research Group (UKHERG)

VisitScotland

Volunteer Development Scotland

Select bibliography

Agencies Co-ordinating Group (ACG), *The Social Impacts of Heritage-led Regeneration*, 2008 (available from the Architectural Heritage Fund: www.ahfund.org.uk)

Ashbrook Research & Consultancy, *Glasgow Green Renewal Project: Final report*, 2006

Communities Scotland, *Scottish House Condition Survey 2002: National Report*, 2003

DTZ PIEDA Consulting, *The Economic Impact of the Production of Scotch Whisky, Gin and Vodka in Scotland, 2002* (The Scotch Whisky Association: <http://www.scotch-whisky.org.uk/swa/files/Eclmpact%20Report.pdf>)

Dunlop, S, Galloway, S, Hamilton, C and Scullion, A, *The Economic Impact of the Cultural Sector in Scotland*, 2004, Scotecon

ECOTEC, *The Economic Impact of Scotland's Tartan Industry*, 2006

ECOTEC, *The Economic Impact of Scotland's Cashmere Industry*, 2007

ECOTEC Research & Consulting Ltd, *The Contribution of Heritage to the East Midlands Economy: a final report to the East Midlands Heritage Forum*, 2007

Efttec, *Valuation of the Historic Environment: The Scope for Using Results of Valuation Studies in the Appraisal and Assessment of Heritage-related Projects and Programmes*, 2005

English Heritage, *Power of Place: The Future of the Historic Environment*, 2000

English Heritage, *Heritage Counts: The State of England's Historic Environment*, 2002 and ongoing annually (www.heritagecounts.org.uk).

English Heritage, 'Building Value: Public Benefits of Historic Farm Building Repair in the Lake District', in *Heritage Counts 2005*, 2005

English Heritage, *Valuing our Heritage: The Case for Future Investment in the Historic Environment*, 2007

Environment & Heritage Service of Northern Ireland, *Valuing our Environment: The Economic Impact of the Environment in Northern Ireland*, 2007

HEACS, *Report and Recommendations on the Need for a Heritage Audit in Scotland and How to Take it Forward*, 2004

HEACS, *Report and Recommendations on the Role of Local Authorities in Conserving the Historic Environment*, 2006

Heritage Lottery Fund, *Values and Benefits of Heritage: A Research Review*, 2007

Hill, S & O'Sullivan, D, 'Appreciating Assets: Estimating the Economic Value of the Historic Environment in Wales', in *Welsh Economic Review*, vol 14.2, 41-6, 2002

Historic Properties Group, *Future Trends for Growth in the Historic Properties Sector*, 2008

Historic Scotland, *The Stirling Charter: Conserving Scotland's Built Heritage*, 2000

Historic Scotland, *Scotland's Historic Environment Policy*, 2008

Historic Scotland, *Corporate Plan 2008-11*, 2008

Institute for Volunteering Research, *Valuing Time and Money*, Research Bulletin, 2008

London School of Economics, *Museums and Galleries in Britain: Economic, Social and Creative Impacts*, 2006

- National Heritage Training Group, *Traditional Building Craft Skills: Assessing the Need, Meeting the Challenge*, 2007
- National Trust, *Demonstrating the Public Value of Heritage*, 2006
- Office for National Statistics, *Annual Survey of Hours and Earnings*, 2007
- Public Appointments and Public Bodies etc* (Scotland) Act, 2003
- Riksantikvaren (Directorate for Cultural Heritage, Norway), *Cultural Heritage Monuments and Historic Buildings as Value Generators in a Post-Industrial Economy, with Emphasis on Exploring the Role of the Sector as Economic Driver*, 2005
- Scottish Council of Economic Advisers, *First Annual Report of the Scottish Council of Economic Advisers*, December 2008 (www.scotland.gov.uk/topics/economy/council-economic-advisers/annual-reports)
- Scotland's Historic Environment Audit (SHEA) *A Review of Existing Information for Scotland's Historic Environment Audit*, vol 1, 2008 (Historic Scotland)
- Scottish Natural Heritage, *The Economic Impact of Scotland's Natural Environment*, 2008
- Scottish Natural Heritage, *Valuing our Environment: The Economic Impact of Scotland's Natural Environment*, 2008
- Smith Institute, *Valuing our Heritage: A Round-table Discussion*, 2007
- Snowball, J D, *Measuring the Value of Culture: Methods and Examples in Cultural Economics*, 2008
- sportscotland**, *The Economic Importance of Sport in Scotland in 2004*, 2007
- VisitScotland, *The Visitor Experience 2007*, 2007
- VisitScotland, *Scottish Visitor Attractions Monitor 2007*, 2008
- Volunteer Development Scotland, *Volunteering in the Natural Heritage: An Audit and Review of Natural Heritage Volunteering in Scotland*, 2006
- Watson, P, Wilson, J, Thilmany, D & Winter, S, 'Determining Economic Contributions and Impacts: What is the Difference and Why do we Care?', in *The Journal of Regional Analysis and Policy*, vol 37(2), 140-146, 2007
- Wallsgrave, J, *Age Energy Research: A Study of the Energy Use of Buildings Relative to their Age*, 2007 (forthcoming on www.justice.gov.uk)



HISTORIC ENVIRONMENT
ADVISORY COUNCIL
for SCOTLAND

Longmore House, Salisbury Place
Edinburgh EH9 1SH
t: 0131 668 8810
f: 0131 668 8987
email: heacs@scotland.gsi.gov.uk
www.heacs.org.uk