



Assessment of the Local Economic, Employment and Training Impact for HLF Funded Projects

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Assessment of the Local Economic, Employment and Training Impacts of HLF Funded Projects

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1 INTRODUCTION

1.1 This Report

Heritage based projects can provide a variety of economic benefits. For example, project expenditures support incomes and employment in local economies; visitor expenditures may also bring money to the local economy; and projects that enhance the local heritage may help to increase the appeal of an area as a place to live and work, encouraging regeneration and attracting business and investment.

For the last two years, GHK Consulting Ltd (GHK) has been commissioned by the Heritage Lottery Fund (HLF) to investigate the first of these types of impacts, focusing on the local economic, employment and training impacts of HLF funded projects. In 2006, GHK completed 20 case studies for HLF to examine these impacts, focusing on projects that completed in 2005. These comprised five detailed case studies which included visits to the projects concerned and face to face interviews with project managers, staff and key stakeholders, and 15 less detailed case studies which were based on desk research, analysis of records and telephone interviews.

In 2007, HLF asked GHK to complete a further 10 case studies of projects that completed in 2006. Each case study was based on a visit to the site to enable face-to-face interviews with the project manager, as well as interviews with other staff, stakeholders and suppliers. Experience in 2006 suggested that this approach not only provided more detailed case studies but also allowed greater exploration of the qualitative impacts of the projects on employment, training and local communities. The sample of 10 case studies was selected in conjunction with HLF to encompass a representative cross section of HLF projects, across different UK regions and with different levels of funding.

This final report presents the findings of the 2007 work.

1.2 The Case Study Projects

The ten case study projects are:

- Bury Museum and Archive Centre – Redevelopment of the lower ground floor area of Bury Art Gallery to provide a life-long learning centre including mixed archive and museum displays, full disabled access and facilities for group use to encourage visitors to research the borough's heritage and to upgrade storage facilities for Archive/Museum artefacts.
- Crediton Old Town Hall - Purchase, restoration and enhancement of Old Town Hall to provide a focal point for a number of community activities.
- Hardwick Hall - Restoration of the fabric of Grade II* listed building, addressing some urgent tapestry conservation work, improvements to

the parkland setting and measures to increase understanding of the building.

- Hereford Waterworks Museum – Restoration of the fabric of the existing main building to a satisfactory condition and creation of new spaces.
- Kelham Island Museum, Phase II - Improving conditions for large and medium objects, making a significant proportion accessible to visitors, doubling the area and volume of museum space open to the public.
- Portrush Town Hall - Restoration and refurbishment of a listed building in Northern Ireland, involving minor demolition of later extensions and accretions, upgrading building in terms of service, access, lift and new toilet and restoration of assembly hall.
- Spa Pavilion, Strathpeffer - Repair of pavilion and reinstatement of original use as a community cultural venue.
- Stoke Poges Memorial Gardens - Restoration of the hard and soft landscaped areas to preserve and enhance the historic character of the gardens.
- Tywyn Wharf Station - Redevelopment of the Station to improve visitor facilities; conserve museum exhibits; improving access to the railway and associated Narrow Gauge Railway Museum; facilitating educational visits; and replacing buildings.
- Wicken Fen Restoration - Restoration of fen in Cambridgeshire; improvements in visitor facilities to improve physical & intellectual access; conservation and computerisation of historical and ecological archives.

The ten projects involved total expenditure of £13.3 million, of which HLF grants amounted to £7.4 million, or 55% (Table 1.1).

Table 1.1: Expenditure and HLF Grant of Sample Projects

	Project Spend (£k)	HLF Grant (£k)	%
Bury Museum and Archive Centre	2,026	936	46 %
Crediton Old Town Hall	590	479	81 %
Hardwick Hall	2,520	1,000	40 %
Hereford Waterworks	745	575	77 %
Kelham Island Museum	1,111	999	90 %
Portrush Town Hall	1,388	961	69 %
Spa Pavilion Strathpeffer	2,040	896	44 %
Stoke Poges Memorial Gardens	990	500	51 %
Tywyn Wharf Station	1,546	683	44 %
Wicken Fen	392	322	82 %
Total	13,348	7,351	55 %

Each project was evaluated with a view to answering the following key questions:

1. To what extent was the project expenditure of benefit to a defined local economy, in terms of retained income?
2. What were the employment impacts of project spend, in terms of the amount of employment generated and, to the extent possible, the quality of that employment?
3. To what extent did the project give rise to new training and skills development?
4. To what extent are these economic, employment and skills development benefits likely to be sustained into the future?

1.3 Report Structure

This report is structured in two volumes, with this volume presenting the methodology employed in the study and the overall conclusions drawn, and Volume 2 presenting the ten case studies.

The remainder of this volume is structured as follows:

- Section 2 summarises the research methods employed in the study;
- Section 3 outlines the methodology employed to assess the economic impacts of HLF projects;
- Section 4 presents overall conclusions regarding the economic, employment and training impacts of the ten case study projects.

2 RESEARCH METHODS

2.1 Introduction

This section outlines the tasks completed in preparing the case studies.

2.2 Task 1: Document Review

The first research task involved a review of documentation provided by HLF. GHK visited HLF offices and reviewed the files for each of the ten case studies, including project applications, business plans, financial reports, appraisals and monitoring reports.

As in the previous year's work, we found that an analysis of invoices was able to provide detailed information about project expenditures. However, much less information was available about employment or training, and none about ongoing impacts.

2.3 Task 2: Following the Money Trail

The information obtained from HLF records was used to identify how much each supplier received for its role in the project and, where stated, the nature of the goods and services provided. Addresses for each supplier were then taken from the invoices and used to calculate how far away the supplier was located from the project according to its postcode. While requiring detailed analysis, this task proved relatively straightforward in most cases.

2.4 Task 3: Research Design and Fieldwork Set-Up

HLF wrote to each of the sample projects to introduce the study. GHK developed a topic guide as a basis for the fieldwork. This was adapted from the one used in the 2006 work. It was sent to each of the lead contacts for the project by email, to help to inform them of the information being sought.

Each lead contact was contacted by telephone in order to arrange a site visit. At this stage they were also asked about colleagues, partners, suppliers and other stakeholders who might be able to assist by providing information or views about the impacts of projects, with a view to interviewing these contacts on the day of the visit or subsequently by telephone.

2.5 Task 4: The Site Visit and Follow Up

The site visits were undertaken by Heather Johnstone, Will Cook and Matt Rayment on the following dates:

- Old Town Hall, Crediton: 5th June 2007
- New development Project: Hereford Waterworks Museum: 12th June 2007

- Stoke Poges Memorial Gardens: 4th July 2007
- Bury Museum and Archive Centre: 17th July 2007
- Wicken Fen: 17th July 2007
- Hardwick Hall – 27th July 2007
- Kelham Island – 31st July 2007
- Portrush Town Hall – 2nd August 2007
- Spa Pavilion – 21st August 2007 (meeting with SHBT in Edinburgh)
- Tywyn Wharf Station – 19th September 2007

GHK spoke to the project manager or lead contact for each project, and, where possible, to relevant colleagues, partners and stakeholders. Follow up interviews were conducted by telephone with other key stakeholders and leading suppliers, in order to add to the information obtained.

As far as possible, GHK sought to collect qualitative information and quotations about the experience of project managers, colleagues, suppliers and stakeholders, to supplement and enrich the quantitative data and analysis.

Up to five suppliers were contacted for each project. These interviews sought to establish the effect of expenditures by HLF projects on the businesses that supply them, and, where possible, to track money flows beyond the first round of the supply chain. Suppliers were asked how they divided their payment between wages, goods/services and retained profits; how many job years of employment were generated; whether the project facilitated any training; the location of key suppliers; and whether they brought in their own labour or used labour local to the project. It was hoped that the information obtained would help to inform estimation of multipliers to assess the indirect effects of project expenditures.

In most cases, as in 2006, suppliers were found either to be unwilling to participate or were unable to recall the key details, though a minority of contacts were able to provide useful information. Where possible, the results have been incorporated into the economic analysis, though variability in the data makes robust and consistent interpretation difficult. In general, where data was available, we found a high degree of consistency regarding the economic linkages reported by suppliers and the assumed ratios employed elsewhere in the analysis (see Section 3), lending support to the overall methodological approach.

2.6 Task 5: Analysis of Economic and Employment Impacts

GHK updated and applied the methodology for assessing the economic and employment impacts of project expenditures developed in 2006. This methodology is discussed in detail in Section 3.

2.7 Task 6: Local Economic Profiles

GHK undertook a review of the characteristics of the local economy within which each project is located. This review drew on key statistics from the Census, Annual Business Inquiry, Indices of Multiple Deprivation, and any available local economic strategies and other information sources. The reviews highlight key socio-economic characteristics and identified economic priorities.

2.8 Task 7: Conclusions

Conclusions were drawn on the economic, employment and training impacts of the ten HLF projects analysed.

2.9 Comments on Data Availability and Research Methods

The research relied on a combination of desk-based data and document reviews, face to face interviews and follow-up telephone interviews. While it was necessary to review HLF files to gather the quantitative expenditure data, the site visits proved extremely valuable in gathering qualitative information and enriching the case studies. This was particularly helpful in exploring employment, skills and training issues. It also facilitated a more in depth, probing approach, which brought issues and impacts to light which were not initially apparent.

The telephone interviews helped to supplement the information collected from the desk review and site visits in some cases. However, as in 2006, many of these attempts proved fruitless, because of the difficulty of tracking down contacts following staff changes, the time elapsed since the completion of the work, or the difficulty of accessing records and data. In general, more information was available for more recent projects than for those for which most activity took place some years ago.

Overall, despite some difficulties in reaching key contacts, we found that a combination of document and data reviews, site visits and telephone interviews enabled us to collect the information required to assess the economic, employment and training impacts of the projects concerned. Data and documentary evidence were available for all projects, and where gaps exist they relate mainly to more qualitative information about employment, skills and training, obtainable only from the interviews.

The following section outlines the methodology used to assess the economic impacts of the case study projects.

3 ASSESSING THE ECONOMIC IMPACTS OF HLF PROJECTS

3.1 Introduction

Figure 3.1 provides an illustration of the potential economic impacts of HLF funded projects. HLF grants, together with matching funding, are used to fund capital and time-limited expenditures in pursuit of an agreed objective concerned with the conservation, enhancement, appreciation and enjoyment of different aspects of the UK's heritage.

Expenditures on staffing, and the purchase of goods and services, have impacts on employment and local economies. These include:

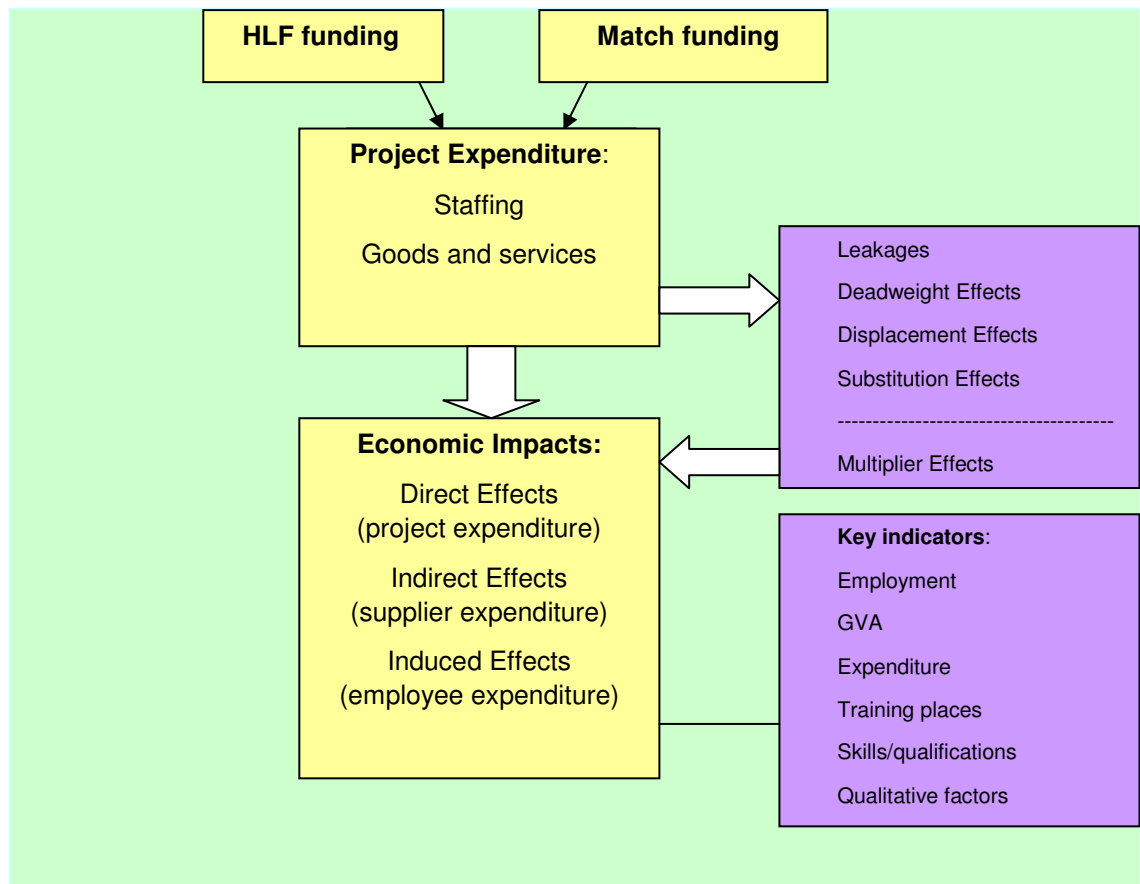
- *Direct effects* – expenditure in HLF funded projects supports employment and local incomes by supporting the direct employment of staff, on a time limited basis;
- *Supplier effects* – expenditures on purchased goods and services support employment and incomes among suppliers;
- *Indirect and Induced effects* – expenditures by suppliers and employees have further effects by supporting activity in the local economy, since a proportion of purchases and wages are spent on local goods and services.

The scale of impacts on local and regional economies depends on a variety of factors, including:

- The level of spending by the project;
- The proportion of this expenditure accounted for by purchases of goods and services and staff costs;
- The degree to which projects use local or regional suppliers rather than national suppliers;
- The structure of the local economy, and the tendency for local firms and employees to spend money on local goods and services rather than on imports from outside the area;
- The scale at which these effects are being assessed, given that larger economies can be expected to retain a greater proportion of spending for longer than can smaller ones.

Together these factors determine the *level of leakages* from the local economy that follow an injection of spending funded by HLF, and the degree to which money is re-spent within the economy. This in turn determines the strength of multipliers relating to the initial expenditure, which can be defined in terms of the overall employment and income that result.

Figure 3.1: Economic Impacts of HLF Projects



3.2 Assessment of Economic Impacts

The impact on the local economy of each £1 spent by an HLF funded project varies according to the factors identified above, and is likely to be unique in each case. It depends on the characteristics of the project (and nature of the work involved), the types of expenditures, sourcing policy of projects and suppliers, behaviour of employees and structure of the local economy.

Ideally, the impact of the project would be assessed by tracking expenditures by the project, its employees and its suppliers through the economy, to identify the impact on other local firms and the effects in supporting incomes and employment. However, this is a very data hungry exercise, which is impossible without a major study. The research has also found that it is very difficult to obtain information about past expenditures.

An alternative approach involves the application of standard multipliers that assess the direct, indirect and induced effects of expenditures on overall income and employment in the local economy. The difficulty of this is that multipliers are likely to be unique to individual locations and circumstances, and are rarely available off-the-shelf.

The approach adopted in the case studies used a combination of the above. As much information as possible was sought on the purchases made by each project, the location of suppliers, and their subsequent expenditure patterns. This enabled

the effects of expenditures on employment and on supplier businesses to be assessed. For example, for each project, it was possible to examine direct employment and the revenues and locations of supplier businesses. A limited number of interviews with these suppliers sought to gather information about their employment and purchasing patterns for the project. This information was then combined with assumptions about relevant multipliers, to assess further indirect and induced effects. Therefore, rather than applying overall, generic multipliers to overall project expenditure data, the actual impacts of this expenditure were assessed to the extent possible, with multipliers then used in a more targeted way to estimate overall impacts.

3.3 Categories of Impact

In measuring the economic impact of HLF projects, the study was concerned with the extent to which these support and create jobs and incomes in the local economy. The two key indicators of most interest are:

- **Employment** – the overall effect of the expenditure in supporting jobs in the project and supplier businesses. Typically this is expressed in terms of full time equivalent (FTE) jobs, for consistency.
- **Gross Value Added (GVA)** – the overall effect of the project on the value of goods and services produced in the economy. GVA measures the contribution to the economy of individual producers, industries or sectors, and is equivalent to their gross output less their purchased inputs.

Because GVA is net of purchased inputs, it can be aggregated across all firms and, unlike turnover or gross output, provides a measure of the overall output in the economy that is not affected by double counting.

The analysis therefore concentrates on employment and GVA as key indicators of economic impact, using estimates of expenditure and turnover only as a means to calculate these.

3.4 Relating Turnover, GVA and Employment

The effects of HLF expenditures on employment and GVA in supplier firms can be assessed using standard ratios linking gross output, employment and GVA. Much of the expenditure on the delivery of HLF projects is on construction related services, so construction industry data are relevant in many cases.

The Government's National Accounts (the Blue Book) provide data on gross output and GVA for key sectors, including construction, and data for employment are available from the Office of National Statistics (ONS). Data for key sectors are given in Table 3.1.

Table 3.1: Gross Output, GVA and Employment for Key Sectors, UK, 2004

	Gross output (£m)¹	GVA (£m)¹	Employment (000)²	Employment (000 FTE)³
Agriculture, hunting, forestry, fishing	22,888	10,323	424	360
Manufacturing	412,805	147,468	3,547	3,015
Electricity, gas, water	50,874	17,103	177	150
Construction	170,265	64,747	2,069	1,759
Wholesale and retail	310,757	160,594	7,082	6,020
Transport and communication	168,895	79,279	1,836	1,561
Financial intermediation	546,379	344,514	6,011	5,109
Other services	100,009	55,543	1,898	1,613
All industries	2,151,833	1,044,165	30,690	26,087

Source: ONS (2006) UK National Accounts: The Blue Book 2006

Table 3.2 presents key ratios derived from the data in Table 3.1. Across the economy as a whole, the data suggest that each £1 of gross output involves gross value added of £0.49, with this figure varying from £0.34 in the electricity, gas and water sector to £0.63 in financial intermediation. Gross output per FTE job is estimated at just over £82,000 across the economy as a whole, ranging from £51,600 in the wholesale and retail sector to more than £338,000 in the electricity, gas and water sector.

¹ From UK National Accounts, the Blue Book

² From ONS

³ Based on assumed average of 1 job = 0.85 FTE for all sectors

Table 3.2: Key Ratios for Output, GVA and Employment, 2003

	GVA per £1 output	Gross output per job	GVA per job	Gross output per FTE	GVA per FTE
Agriculture, hunting, forestry, fishing	0.45	53,981	24,347	63,507	28,643
Manufacturing	0.36	116,381	41,575	136,919	48,912
Electricity, gas, water	0.34	287,424	96,627	338,146	113,679
Construction	0.38	82,293	31,294	96,816	36,816
Wholesale and retail	0.52	43,880	22,676	51,623	26,678
Transport and communication	0.47	91,991	43,180	108,224	50,800
Financial intermediation	0.63	90,897	57,314	106,937	67,428
Other services	0.56	52,692	29,264	61,990	34,428
All industries	0.49	70,115	34,023	82,488	40,027

These ratios can be used to assess the economic impacts of HLF expenditures. For example, across all industries, we might expect the direct effect of expenditures to support £500 of GVA per £1000 increase in business turnover, and to support 1 FTE job per £80,000 increase in turnover. The extent to which these impacts occur in the local and regional economies will depend on the location of the suppliers concerned. There will be further indirect and induced effects, depending on the extent to which money is retained in the local and regional economies.

3.5 Multiplier Effects

Input: Output tables provide regional multipliers for Scotland, Wales and South West England. These can be summarised as follows:

- Scotland. The Scottish Input: Output tables for 2003 provide input, output and employment multipliers⁴. These suggest Type I multipliers (covering direct and indirect effects) of 1.5 for construction and between 1.2 and 1.7 for other services, and Type II multipliers⁵ (covering direct, indirect and induced effects) of 1.8 for construction and between 1.3 and 2.0 for other services.
- Wales. Type I output multipliers are estimated at 1.48 for construction and between 1.25 and 1.4 for other services; Type II output multipliers are estimated at 1.79 for construction and 1.45 to 1.62 for other services.

⁴ These multipliers estimate the relationship between the direct effect on output, income or employment and the overall effect that results in the economy as a whole. Thus a multiplier of 1.2 suggests that a project that employs one person directly will result in an overall increase in employment of 1.2 (supporting an additional 0.2 jobs indirectly). A similar output multiplier would suggest that a £100 increase in direct output leads to an overall increase in output of £120.

⁵ Type I multipliers measure the ratio of (direct + indirect): direct employment, income or output (i.e. incorporating the effects of supplier spending) while Type II multipliers measure the ratio of (direct+indirect+induced): direct effects (incorporating both supplier and employee expenditure effects).

- South West England. The SW Economy Model for 2001 suggests a regional construction multiplier of 1.6 (Type I) and 1.9 (Type II). For services and all industries, Type I multipliers are around 1.3 and Type II multipliers around 1.6.

Standardised economic multipliers for the local and regional level are provided by the English Partnerships *Additionality Guide*. This referred to a *supply linkage multiplier* (Type I multiplier) and an *income multiplier* (induced multiplier), combining to give a composite (Type II) multiplier. Reviewing evidence from a range of studies, this concluded that appropriate composite multipliers for the majority of projects would be 1.1 at the neighbourhood level and 1.5 at the regional level. The review of previous studies found composite multipliers of 1.2-1.4 at the local level and 1.4-1.6 at the regional level.

3.6 Assessing the Economic Impacts of HLF Projects

The direct employment impact was assessed by counting the number of jobs and part jobs supported by the project and converting them into full time equivalents. The associated GVA is the expenditure on wages and salaries of the people employed.

The direct effects on employment and GVA among firms supplying the project were estimated by examining expenditures on goods and services by the project. Data from project records enable expenditures within the local and regional economies to be estimated, and the effects on the gross output of local firms assessed. The associated impacts on employment and GVA were estimated using standard ratios of £80,000 gross output per FTE job, and £0.50 GVA per £1 in gross output, derived from the review in Section 3.4 above. As far as possible, these assumptions were checked by means of interviews with suppliers. Though few of these interviews provided data, in general the information that could be obtained lent strong support to the assumptions employed.

In order to assess indirect and induced effects, this study has used a standard Type II multiplier of 1.2 at the local level and 1.6 at the regional level, based on the review in Section 3.5. This implies that, for each additional £1 of output supported by project expenditure, an additional £0.20 of output in the local economy and £0.60 of output in the regional economy is supported by supplier and employee expenditures. Similarly, for each extra person employed, an additional 0.2 jobs are created at the local level and 0.6 jobs at the regional level.

Because HLF projects are time limited, their impacts are measured in terms of the number of job years of employment they support, and in terms of a one-off contribution to GVA.

3.7 Assessing Ongoing Impacts of HLF Projects

HLF projects can also support ongoing impacts on local economies. Though HLF expenditure is time limited, it supports capital investment that may then facilitate a greater level of ongoing activity, with ongoing impacts on the local economy. In some of the case studies HLF investment was followed by a step change in activity of the organisations involved, resulting in an ongoing increase in employment and expenditures.

In these cases, project funding, to which HLF contributed, was a necessary but not sufficient condition for the increased ongoing economic impacts achieved. It would be misleading to argue, for example, that increased ongoing employment and expenditure at Bury Museum and Archive Centre is solely the result of the project funded by HLF and partners, since it depends crucially on the ongoing management of the facility. However, it does appear to be the case that, without the HLF funded project, current levels of activity would not be achieved.

In each case, therefore, GHK examined the ongoing employment and expenditures associated with the case study sites, and identified any change that has followed from the project. Where the HLF funded project is identified as having impacted on ongoing operations, it is treated as having facilitated or supported the resulting change in economic impacts.

Ongoing impacts are expressed in terms of full time equivalent (FTE) jobs and annual expenditures and GVA.

3.8 Assessing the Additionality of Impacts

A number of factors can reduce the impact of expenditures on local economies. These include:

- Deadweight – the extent to which projects would have proceeded even in the absence of grant funding;
- Displacement – the extent to which the impacts of expenditures are offset by reductions in activity elsewhere in the economy, for example where an HLF funded project discourages investment in another similar project;
- Substitution – the extent to which the availability of grant funding causes the recipient to substitute one activity for another one;
- Economic Leakage – the extent to which expenditure leaks out of the local economy and therefore benefits other areas outside the target area.

As a result the net impact of the expenditure on the local economy is likely to be less than the gross effect. The study therefore sought to distinguish between the gross and the net effects of project expenditures, and to quantify these as far as possible, drawing on guidelines provided by English Partnerships' Additionality Guide and the HM Treasury Green Book.

The issue of leakage is an integral part of the economic analysis. It is addressed by identifying the proportion of project expenditures that benefits local and regional firms, and estimating the impacts on local and regional economies by using appropriate multipliers. These multipliers aim to reflect the degree to which money circulates within, and leaks from, local and regional economies – with leakage being a key factor in determining the size of the multiplier.

The issue of deadweight was addressed through the project interviews, by questioning partners about the likely consequences of the project not being funded. Issues of displacement and substitution were also dealt with, as far as possible, through the project interviews. However, while stakeholder interviews may give an indication of whether HLF funding causes partners to substitute one activity for

another, in practice they are likely to yield very little information about displacement.

For each case study, an assessment of the gross impacts of the project on local and regional employment and GVA is followed by a discussion of the likely net effects, taking account of issues of deadweight, displacement and substitution.

3.9 Defining the Local and Regional Economies

The size and structure of the local economy varies from one HLF project to another, depending on its location. This can be expected to affect the economic impact of the project. In general, projects located within urban areas can be expected to be close to larger numbers of suppliers and workers and therefore have greater impacts on the economy of their immediate local area, whereas the impacts of projects in more rural areas can be expected to be more dispersed.

The English Partnerships *Additionality Guide* states that the ‘local area’ is often considered to be within the relevant travel to work area, or if this is not appropriate then a 10-15 mile radius of the site concerned, with the precise delineation to depend on the density of the settlement pattern in relation to the location of people and business activity.

For the purposes of this study, the local economy is defined as including an area within a 10 mile radius of the site of the project. It should be noted that this definition means that the local economy will vary significantly in size (overall employment, GVA and number of businesses) from one project to another.

The study also considered impacts on a wider “regional” economy. Because administrative regions also vary in size and structure, and since projects may be located on the borders of two or more regions, this definition is not based on standard administrative regions but includes all areas within a 50 mile radius of the site.

3.10 Assessing the Economic Impacts of HLF Projects – A Worked Example

The Wicken Fen project involved total expenditures of £392,000. Of these, direct salaries amounted to £131,000 and purchased goods and services a further £261,000.

The salaries supported 12 job years of work by various staff members working on the project over its duration of nearly 4 years. The salaries provide a measure of the value of the work completed by these individuals and the income received by them, and hence the direct contribution to local GVA.

Out of the expenditure on purchased goods and services, a total of £109,000 was spent locally (within 10 miles of the reserve) and a further £126,000 in the wider “region” more than 10 miles but less than 50 miles from the reserve. This spending directly boosted the turnover of the suppliers to the project. The effect on employment and GVA among these suppliers is estimated using standard ratios of £80,000 gross output per full time equivalent job and £0.50 GVA per £1 of gross output (from the review in Section 3.4). The latter reflects the fact that a proportion of suppliers’ gross output comprises the purchase of goods and services from other

firms. In this case it is assumed that 50% of gross output is made up of purchased goods and services and 50% value added (wages, salaries and profits). Using these ratios we estimate that the expenditure by the project supports employment of 1.4 FTE jobs and GVA of £54,000 among suppliers situated in the local economy, while adding additional spending in the region gives an estimate of regional (including local) employment of 2.9 FTE jobs and GVA of £118,000.

Indirect and induced effects resulting from the impact of supplier and employee expenditures are estimated by applying multipliers to estimates of direct employment and GVA among the project and direct supplier businesses. An indirect and induced multiplier of 0.2 is used at the local level and 0.6 at the regional level (where a greater proportion of spending is retained in the local economy, see Section 3.6). On this basis indirect and induced employment is estimated to total 2.7 job years locally [$0.2 \times (12.0+1.4)$] and 9.0 job years [$0.6 \times (12.0+2.9)$] in the region, while indirect and induced GVA is estimated at £37,000 locally [$0.2 \times (£131,000+£54,000)$] and £149,000 [$0.6 \times (£131,000+£118,000)$] in the region.

The total impact on local and regional employment and GVA is estimated by summing the above direct employment, direct supplier, indirect and induced effects.

The following section summarises the findings from the ten case studies, estimates the overall economic impact of the ten projects, and draws overall conclusions from the research. The case studies themselves are presented in Volume 2.

4 CONCLUSIONS

4.1 Introduction

This section presents a summary of findings from the ten case studies.

4.2 Measuring Impacts

As with the 2006 work, the research has found that it is possible to estimate the economic, employment and training impacts of HLF projects, using a combination of HLF records and interviews with project partners. Documentary records are most useful for assessing the quantitative impacts of project expenditures, while interviews with the projects helped to obtain information about the qualitative aspects of employment and training, additionality and ongoing impacts. The face-to-face interviews have enabled more detailed and qualitative information to be obtained, and have helped to bring the figures to life by describing the personal experiences of employees and stakeholders.

As in 2006, some efforts were made to track project expenditures by interviewing the largest suppliers to the projects. As in 2006, this proved to be a time consuming process with limited rewards. Therefore the economic analysis has been based on the application of standard multipliers and assumptions to measure indirect and induced effects. Where information could be found from suppliers, this generally supported the multipliers used and lent confidence to the methodological approach.

4.3 Summary of Project Expenditures

The case study projects involved total expenditure of £13.35 million, of which HLF grants amounted to £7.35 million (see Table 1.1). Two of the projects (Bury Museum and Archive Centre and Tywyn Wharf Station Redevelopment) substantially exceeded their budgets, increasing the expenditure in the local economy.

Some 96% of overall project expenditures were on purchased goods and services, such as building work, professional fees and materials (Table 4.1). Only a small minority of budgets were allocated to direct staffing, volunteer inputs and training costs.

Table 4.1: Breakdown of Expenditure by Item (£k)

	Site Purchase	Purchased goods and services	Staff costs	Volunteer Inputs	Training	Unallocated	Total
Bury		£2,011,401	£3,185	£0	£2,300	£8,871	£2,025,757
Crediton	£113,500	£476,307	£0	£0	£0	£0	£589,807
Hardwick Hall		£2,520,838	£0	£0	£0	£0	£2,520,838
Hereford		£666,330	£0	£78,925	£0	£0	£745,255
Kelham Island		£1,077,247	£33,455	£0	£0	£0	£1,110,702
Portrush		£1,388,296	£0	£0	£0	£0	£1,388,296
Spa Pavilion		£2,030,347	£0	£10,150	£0	£0	£2,040,497
Stoke Poges		£840,467	£150,000	£0	£0	£0	£990,467
Tywyn Wharf		£1,495,275	£0	£51,550	£0	£0	£1,546,825
Wicken		£256,661	£130,914	£0	£3,931	£83	£391,588
Total	£113,500	£12,763,167	£317,554	£140,625	£6,231	£8,954	£13,350,030
	1%	96%	2%	1%	0%	0%	100%

The figures demonstrate significant variation in the way that projects spend money. While in each case the largest part of the budget was spent on purchased goods and services, three projects involved significant direct inputs of paid staff (Stoke Poges Memorial Gardens, Wicken Fen and Kelham Island Museum) and three had a significant in kind contribution from volunteer labour (Hereford Waterworks, Tywyn Wharf Station and Spa Pavilion). This follows a similar pattern to that found in the 2006 work, which noted that projects dominated by the construction and restoration of buildings tend to rely almost exclusively on purchased goods and services, whereas projects involving the restoration of nature reserves, museum collections and gardens are more likely to involve direct staff and volunteer inputs.

4.4 Local and Regional Sourcing

Table 4.2 provides a breakdown of expenditures on purchased goods and services by the location of suppliers. Across the ten projects, 39% of goods and services were sourced from the local area (defined as a 10 mile radius), a further 39% from the “regional” economy (defined as a 50 mile radius) and 22% from suppliers more than 50 miles away.

Table 4.2: Expenditure on Purchased Goods and Services by Location of Supplier

	Total	local (<10m)	Regional (10-50m)	National (>50m)
Bury	£2,022,572	91%	4%	5%
Crediton	£476,307	10%	89%	0%
Hardwick Hall	£2,520,838	3%	20%	77%
Hereford	£666,330	17%	80%	3%
Kelham Island	£1,077,258	97%	1%	2%
Portrush Town Hall	£1,388,566	0%	85%	15%
Spa Pavilion	£2,030,347	86%	10%	4%
Stoke Poges	£840,467	5%	94%	1%
Tywyn Wharf	£1,495,275	0%	73%	26%
Wicken	£260,826	42%	48%	10%
Total	£12,778,784	39%	39%	22%

The case studies reveal striking variations in the degree of local sourcing. Key factors determining the degree to which goods and services are sourced locally are:

- The structure of the local economy. Projects in more urban areas (e.g. Bury) have a much larger local economy from which goods and services can be procured than more rural areas (e.g. Tywyn).
- The location of the lead contractor. For most projects a large proportion of overall expenditures benefit a single lead contractor, and the location of this contractor determines where the money is spent.
- The procurement policies of the organisations concerned. Some projects (e.g. Bury, Wicken Fen) made a conscious effort to use local contractors where possible.
- The local availability of the goods and services required. For some projects, specialist goods and services were needed (e.g. touch screen technology, specialist equipment, specialist engineering and scientific services), which could not be sourced locally. However, for most projects these specialist expenditures only accounted for a small proportion of the total. A notable exception is the Hardwick Hall project, which sourced most of the goods and services required from firms more than 50 miles away. This included specialist walling services, tapestry work and glazing services.

4.5 Economic and Employment Impacts of Projects

Tables 4.3 to 4.6 summarise the estimated impacts of project expenditures on employment and Gross Value Added. The estimates refer to the impacts of project expenditures as a whole, not just the HLF-funded expenditure.

The overall estimates of the impact of the 10 case study projects are as follows:

Employment:

- Direct employment – projects supported 25 job years of work in local and regional economies.
- Supplier employment – project expenditures supported 63 job years of work among direct local suppliers and 138 job years in wider regional economies.
- Indirect and induced effects – supplier and employee expenditures were estimated to support 18 job years of work in local and 98 job years in regional economies.
- Total employment – combining the above impacts, project expenditures were estimated to support 106 job years of work in local and 262 job years in regional economies.

Gross Value Added:

- GVA associated with direct employment – expenditures were estimated to fund wages and salaries totalling £0.4 million in local and regional economies.
- Supplier GVA – the gross value added by direct supplier firms was estimated to total £2.5 million in local and £5.2 million in regional economies.
- Indirect and induced effects – supplier and employee expenditures were estimated to support further GVA totalling £0.6 million in local and £3.4 million in regional economies.
- Total GVA – combining the above, the overall effect on GVA was estimated at £3.5 million in local and £9.0 million in regional economies.

In all we estimate that expenditures on the 10 case study projects supported a total of 106 job years of work in their local economies and 262 job years within a 50 mile radius. The contribution to GVA is estimated at £3.5 million locally and £9.0 million regionally. Thus the regional impact is estimated to be more than twice as large as the local impact. This reflects the fact that a greater proportion of money is spent in the wider regional economy, as well as the larger multipliers for indirect and induced effects.

Table 4.3: Summary of Direct Employment and Associated GVA

	Employment (job years)		GVA £k	
	Local	Regional	Local	Regional
Bury	0.1	0.1	3	3
Crediton	0.0	0.0	0	0
Hardwick Hall	0.0	0.0	0	0
Hereford	0.0	0.0	0	0
Kelham Island	3.0	3.0	48	48
Portrush	0.7	0.7	21	21
Spa Pavilion	1.9	1.9	48	48
Stoke Poges	5.0	5.0	150	150
Tywyn Wharf	2.5	2.5	45	45
Wicken	12.0	12.0	131	131
Total	25.2	25.2	446	446

Table 4.4: Summary of Estimated Employment and GVA among Direct Suppliers

	Employment (job years)		GVA (£k)	
	Local	Regional	Local	Regional
Bury	23.0	24.1	919	963
Crediton	0.6	5.9	24	237
Hardwick Hall	0.8	20.8	32	460
Hereford	1.4	8.1	56	323
Kelham Island	13.1	13.2	523	528
Portrush	0.1	14.8	2	591
Spa Pavilion	21.8	24.4	873	976
Stoke Poges	0.5	10.4	21	418
Tywyn Wharf	0.1	13.7	3	550
Wicken	1.4	2.9	54	118
Total	62.7	138.4	2,509	5,163

Table 4.5: Summary of Indirect and Induced Employment and GVA

	Employment (job years)		GVA (£k)	
	Local	Regional	Local	Regional
Bury	4.6	14.5	185	580
Crediton	0.1	3.6	5	142
Hardwick Hall	0.2	12.5	6	276
Hereford	0.3	4.9	11	194
Kelham Island	3.2	9.7	114	346
Portrush	0.2	9.3	5	367
Spa Pavilion	4.7	15.8	184	614
Stoke Poges	1.1	9.3	34	341
Tywyn Wharf	0.5	9.7	10	357
Wicken	2.7	9.0	37	149
Total	17.6	98.2	591	3,365

Table 4.6: Summary of Total Employment and GVA arising from Project Expenditures

	Employment (job years)		GVA (£k)	
	Local	Regional	Local	Regional
Bury	27.7	38.7	1,107	1,547
Crediton	0.7	9.5	29	380
Hardwick Hall	1.0	33.3	38	736
Hereford	1.7	12.9	67	517
Kelham Island	19.3	25.9	685	922
Portrush	0.9	24.7	28	979
Spa Pavilion	28.5	42.1	1,105	1,637
Stoke Poges	6.6	24.7	206	908
Tywyn Wharf	3.1	26.0	58	951
Wicken	16.0	23.9	222	397
Total	105.5	261.7	3,546	8,974

Overall expenditure for the ten projects totalled some £13.3 million, suggesting that one third is lost as a net leakage from regional economies through the purchase of goods and services from other regions. This compares to an estimated net leakage of just over one third from the 20 HLF projects examined in 2006. The similarity of the findings in the 2006 and 2007 work is partly a result of using the same modelling approach, but also indicates that, on average, a similar proportion of spending benefited suppliers and employees in the region in which the projects were located.

Money leaks from the regional economy when the project and its suppliers and employees spend money on goods and services sourced from other regions and countries. Even when a large proportion of spending benefits local firms, there may be substantial levels of leakage when those companies source goods and services or employ people from outside the region.

The figures suggest that, in total, one job year of employment is supported at the regional level per £28,000 expenditure by HLF.

4.6 Additionality of Impacts

The above estimates refer to the gross impacts of HLF projects. The net impacts might be expected to be lower than this, as a result of deadweight, displacement and substitution effects. Attempts were made to explore the significance of these effects in the case studies. In most cases no evidence was found to suggest that the net impacts of the projects were likely to be significantly lower than the gross impacts. In relation to specific aspects of additionality:

Deadweight – In most cases it was claimed that deadweight was minimal. Interviewees stated that six of the ten projects (Bury, Crediton, Hardwick Hall, Spa Pavilion, Stoke Poges, Wicken Fen) would simply not have taken place without HLF funding, since no other funding was available on the scale required. For a further three (Hereford, Kelham, Tywyn) it was considered that, without HLF funding, only minor remedial works would have taken place, while HLF funded more significant projects which provided much greater benefits. In only one project (Portrush) did interviewees concede that the project might have been funded from other sources, but it was argued that this would not have enabled a project of the quality of that achieved. While it is predictable that beneficiaries play down the effect of deadweight, it does appear that HLF projects of this scale do have a high degree of additionality, because of the size of investment involved and the scarcity of alternative funding sources for heritage projects.

Displacement – It is conceivable that HLF projects have the effect of reducing activity elsewhere in the local or regional economy, by discouraging potentially competing projects from taking place. For example, support for one visitor attraction might discourage investment in another potential development nearby, if this was seen to be competing for the same market. However, none of the case studies identified any examples of displacement. This is perhaps not surprising, given that displacement is external to the projects themselves and therefore unlikely to be obvious to them. However, there are also strong reasons for suggesting that displacement is unlikely to be significant for HLF projects, since they tend to be driven primarily by heritage rather than commercial considerations. Restoration of a building or natural heritage asset should not discourage a similar project which itself has a strong need and rationale. It may even have a positive effect where this encourages the development of clusters of natural or built heritage attractions in a particular area. Thus while there may be competition between potential projects for funding, it is likely that HLF projects will rarely actually reduce the prospects of other developments taking place.

Substitution – This refers to a situation where a project substitutes one form of economic activity for another in order to gain funding. This was not found to have occurred in any of the 10 case study projects, which generally supported additional activity rather than replacing one form of activity for another.

Economic Leakage and Multiplier Effects – Economic leakage and multiplier effects have been found to be significant, and are addressed by the core methodology specified above.

Leverage – In most cases HLF funding was found to have the effect of levering in resources from other sources. HLF provided 55% of the funding required by the 10 projects, with this proportion varying between 40% and 90% in individual cases. As a result HLF provided a substantial core funding source which helped to attract funding from other organisations. Leverage is closely linked to deadweight – in most cases HLF funding was seen as key to assembling a funding package that allowed the project to proceed – and in only one of the ten projects did interviewees concede that the project might have been possible without the HLF component. Thus the overall estimated economic impact in each case is significantly greater than that which would have been possible with HLF funding alone.

4.7 Training

Two of the projects recorded expenditures on training:

- Bury Museum and Archives - £2,300 for the use of an Education Consultant to provide School Sessions.
- Wicken Fen - £3,931 for various training courses including use of chainsaws and an excavator, and record keeping.

Six of the projects involved some training or learning for project staff or contractors:

- Bury Museum and Archives – project manager was visited by a mentor on site.
- Hereford Waterworks Museum – the project provided training for a bricklaying apprentice and a roofing apprentice working for contracting organisations, helping them to develop important skills.
- Kelham Island - the project assistants went on a course for manual handling of exhibits.
- Portrush – at least 4 apprentices did their work based training on the site – 2 joiners, 1 painter and 1 electrician.
- Old Town Hall Crediton – staff appointed by the contractor received health and safety and first aid training.
- Wicken Fen - an employee recruited by the contractor was given the necessary training to operate the specialist machinery, such as the tree clearer.

In addition, informal, on-the-job training was provided as follows:

- Hereford Waterworks – volunteers developed electrical skills and project management skills. Two of the volunteers were subsequently offered jobs as electricians.
- Old Town Hall Crediton – on the job training was provided by the project manager and electricians.
- Kelham Island - the project provided the assistants with useful experience relevant to subsequent employment in the museum-related work.
- Portrush - employees needed to learn specialist brickwork in order to do the re-pointing. Project manager learnt techniques through the project that will be useful in future projects such as theatre work, replacing brickwork, insulation (roof trusses) and specialist slate work.
- Spa Pavilion – there was no formal training although the QS noted that staff members learned about building conservation work and the complexity of funding packages which are often involved in such projects.
- Stoke Poges Memorial Gardens – the Head Gardener provided some basic and informal training and advice to contractors, such as in maintaining the historic character of the gardens, tree pruning and health and safety.
- Wicken Fen – project workers were involved in habitat maintenance and administrative work during the bird breeding season, when no scrub clearance could take place. The project workers were deemed to have gained important “life skills” around teamwork, people management and motivation.

The Wicken Fen project stands out as having greatly enhanced the career prospects of employees, five of whom, having started largely as volunteers, went on to gain jobs as reserve wardens at various sites.

4.8 Specialist Skills

Most of the projects did not create a large demand for specialist heritage services, with Hardwick Hall being a notable exception. In the case of Hereford Waterworks, Stoke Poges Memorial Gardens and Wicken Fen, many of the more specialist skills needed were found in house among staff or volunteers.

There are some examples of projects requiring specialist services which could not be sourced locally, though many of these are not specifically related to the heritage:

- Hardwick Hall - specialist skills were required for the conservation of the tapestries, re-glazing of the windows and repair of the stone boundary walls. These were provided by National Trust staff and contractors brought in from other areas and regions.
- Hereford Waterworks Museum - specialist geotechnical surveying and engineering services were hired from outside the region by the lead contractor.
- Stoke Poges Memorial Gardens - concrete works, metalwork and joinery could not be sourced from local firms.
- Tywyn – non local contractors were needed to provide the specialist skills required for the removal, storage and return of the museum collection and museum interpretation and design. Given the rural nature of the area it was also necessary to bring in non-local construction workers, including bricklayers, plasterers and carpenters.
- Wicken Fen - scientific monitoring services were sourced from outside the region.

As with the 2006 case studies, no examples were found of existing local clusters of heritage skills which supported the projects. It appears that the supply and demand for heritage skills among the types of projects examined are geographically dispersed rather than locally concentrated.

Some evidence was found that HLF projects can help to enhance heritage skills provision, with wider heritage benefits. For example, it was noted in the Wicken Fen project that funding provided by HLF and others has helped to stimulate the growth of services involving specialist wetland contracting and machinery hire, while the Hardwick Hall project helped to sustain the viability of the National Trust stone masons team.

4.9 Qualitative Aspects

Examples of the effect of HLF funding on the quality of employment and the working environment are as follows:

- Bury Museum and Archives Centre – job satisfaction is high and staff turnover at the site is low. The Arts and Museums Manager commented that involvement in the project has created more opportunities for his own professional development and provided opportunities to develop new projects, partnerships and new ways of working, creating a greater sense of dynamism within the Museums Service.
- Hereford Waterworks Museum - the project is said to have had a positive effect on all those working on it. It has contributed to the enthusiasm of volunteers, who did not previously have a proper space

to work in but now have a large workshop area. The museum has a more vibrant feel and the publicity from the project has attracted more volunteers and enhanced the pride of existing ones. The contractor commented on the satisfaction that employees gained from working on the project and their reputation with the local community.

- Old Town Hall Crediton - the architect commented on the positive experience of working on the project.
- Portrush – the contractors commented that working on the project had a positive effect on their firm, providing job satisfaction, making them keen to take on similar projects, giving them a track record in conservation work and bringing further invitations to tender.
- Spa Pavilion – the quantity surveyor commented that the firm had benefited from completing such a successful and high profile project.
- Stoke Poges Memorial Gardens – the gardeners commented on benefiting from a more pleasant working environment, while the project manager enjoyed the challenge and experience gained from working on the project. The restored gardens now provide a valuable resource for volunteers, day centre visitors and community service participants who work there.
- Tywyn – staff and volunteers spoke of the satisfaction of working on a successful project and overcoming the significant challenges encountered.
- Wicken Fen - Employees described the conditions working on the project as ‘dreadful’ and ‘horrendous’ remarking that it is not something that they would like to do again, due to the physically demanding nature of the work and the cold and wet conditions on site. However, the adversity created a strong team spirit that employees greatly valued, and they have subsequently kept in contact with each other. Most importantly, the experience enabled employees who had previously been volunteers to go on to gain jobs as nature reserve wardens.

4.10 Operational Impacts

The effects of HLF projects on the economic impacts of operation of the sites that have benefited from investment were more difficult to assess. Firstly, very little information was available from HLF files and it was necessary to collect this from the sites themselves. Secondly, there are difficulties in assessing whether operational effects can be attributed to the HLF project.

The available evidence suggests that HLF projects can generate ongoing economic and employment impacts by:

- Increasing numbers of visitors by improving the facilities and experience provided, thus helping to enhance the sustainability of the site and to generate more employment in visitor management and cleaning (Bury Museum, Spa Pavilion, Old Town Hall Crediton, Tywyn Wharf Station).
- Safeguarding existing employment and economic activity by securing the future use of buildings (Old Town Hall Crediton).
- Increasing operational expenditures and employment in maintenance of the enhanced site (Portrush Town Hall, Spa Pavilion, Stoke Poges Memorial Gardens, Tywyn Wharf Station).
- Contributing to wider local regeneration programmes (Kelham Island Museum, Portrush Town Hall).

Four of the projects, Hardwick Hall, Hereford Waterworks Museum, Kelham Island and Wicken Fen Restoration, did not give rise to significant or measurable ongoing impacts on economic activity or employment.

Table 9.8: Estimated Total Ongoing Operational Impacts

	Employment (job years)		GVA (£k)	
	Local	Regional	Local	Regional
Bury	4.8	6.4	72	96
Crediton	1.7	2.4	31	48
Hardwick Hall	0.0	0.0	0	0
Hereford	0.0	0.0	0	0
Kelham Island	0.0	0.0	0	0
Portrush Town Hall	1.0	1.0	25	25
Spa Pavilion	5.0	5.0	105	105
Stoke Poges	1.2	1.6	36	48
Tywyn Wharf	1.0	1.0	10	10
Wicken	0.0	0.0	0	0
Total	14.7	17.4	279	333

In all it is estimated that operational impacts amount to the creation of 15 FTE jobs locally and 17 FTE jobs regionally across the 6 projects, contributing £279,000 to local and £333,000 to regional GVA (Table 9.8).

It is difficult to assess to what extent this additional economic activity can be attributed to the HLF funding. While in each case it has followed from the investment and facilities provided by the HLF funded project, it is always

dependent on ongoing funding from other sources. It follows that HLF funding is often a necessary but not sufficient condition for these ongoing economic impacts.

4.11 Ongoing Training Effects

In some cases the employment generated following the HLF project has been accompanied by ongoing training:

- Bury – New Visitor Assistants received training in object handling, dealing with the public, front of house skills, and informal operational training (e.g. using the lift and the till). The Curators receive an informal programme of training, involving visits to other museums. The Assistant Archivist has received some specialist training in basic archive skills. One member of staff has received first aid training from St Johns Ambulance.
- Hereford - The project has directly led to two training outcomes for volunteers. The chairman undertook a 'Retail in Museums' training course in response to the increased opportunities for selling items and refreshments provided by the project, and a visitor services volunteer completed a course in basic food hygiene as a requirement of the museum's new ability to sell food.
- Portrush - The current caretaker has received health and safety training, while his predecessor received training in lighting and sound from the firm that installed the equipment.
- Spa Pavilion - Training has been undertaken by various staff members in order to meet legislative requirements. This includes first aid training, risk assessments, health and safety training, fire training, and training in lifting equipment. Three members of staff have undertaken bar training.
- Stoke Poges Memorial Gardens - the Head Gardener has attended conferences and courses covering horticulture, courses in dealing with contractors, and training in Excel/Outlook use, Health and Safety and ISPAL (a professional body for the sport, parks and leisure industries). The site also now provides education and training for the public in aspects of horticulture, gardening and natural history.
- Tywyn – informal training is given to volunteers, often by longer serving volunteers, for example in the case of Assistant Guards and Controllers. Employment of café staff has required First Aid and Food Hygiene training/accreditation from external providers. The Railway is in the process of creating an education room which is currently used by both schools and the local community.

4.12 Location of Projects

Three of the ten projects (Bury Museum, Hardwick Hall and Kelham Island) are located in Super Output Areas ranked among the 25% most deprived nationally, according to the 2004 Indices of Multiple Deprivation. These three projects received combined funding of £2.935 million, 40% of the total funding of £7.351 million received by the 10 case study projects.

HLF projects as a whole provide disproportionate benefits for deprived areas, and it is estimated that 40% of funding is allocated to areas among the 25% most deprived nationally. The case study projects are therefore in line with this national commitment.

Among the case study projects, those at Bury Museum, Hardwick Hall and Kelham Island received the largest levels of support from HLF and involved total spending of £5.7 million.

The Bury Museum project involved expenditure of £2.0 million and estimated to have supported 28 job years of employment and GVA of £1.1 million locally during the project itself. The estimated ongoing impact is to support 4.8 local FTE jobs and annual GVA of £72,000. Expenditures by the Hardwick Hall project were more dispersed and had limited impact on the local economy, with most of the benefits to regional and national suppliers, including by supporting significant levels of work involving specialist heritage skills. The Kelham Island project had a significant one-off impact on the local economy and is expected to contribute to the regeneration of the area.