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# The Economic Contribution of Pallant House Gallery

16 June 2016

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**BOP**  
Consulting

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# 1. Executive Summary

Pallant House Gallery is not only an internationally significant cultural institution and socially engaged organisation, it is a driver of increased economic activity.

This increased economic activity is generated through:

- The expansion of Pallant House Gallery as an organisation, in terms of supplier and wage spending, as well as employment.
- The cultivation of a robust audience following that is willing to travel significant distances to visit the gallery and which spends considerable sums in the local economy.

The combination of this growing organisation and dedicated audience creates the economic impact of Pallant House Gallery, which we find has impressively increased since it was previously reported upon in 2008.<sup>1</sup>

## 1.1 Growing Organisation

The continued growth of Pallant House Gallery as an organisation means that it now:

- Spends £638,481 annually on the wages of workers based in Chichester and £729,299 in the wages of workers based in West Sussex as a whole.
- Contributes £405,844 to the economy of Chichester through spending on local suppliers and £427,458 across West Sussex as a whole.
- Employs 67 people on a headcount basis and 47 on a Full-Time Equivalent (FTE) basis. These figures include the gallery, bookshop and restaurant – the same organisational definition as applied in the 2008 study.
- Has employees based outside Chichester who spend approximately £97,000 annually during their time in Chichester.
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<sup>1</sup> University of Portsmouth, *Pallant House Gallery, Economic Impact Study 2008*

## 1.2 Dedicated Audience

Pallant House Gallery has received national and international acclaim, which has helped to build a loyal audience that travel significant distances, spending considerable sums in the local economy. Some of the characteristics of this audience are:

- 75% of visitors cite the temporary exhibitions programme as the main reason for their visit.
- 65% travel only to see Pallant House Gallery – not as part of a broader holiday or to see family and friends.
- 13% stay overnight.
- 64% come from outside West Sussex.
- 2% are international visitors, generating around £82,000 in exports annually from their spending in association with Pallant House trips.
- Visitors spend on average £68.63 during their trips to Pallant House Gallery – with over 60% of this spending going on consumption in the local economy of Chichester, not in Pallant House Gallery itself.
- Having analysed the spending profiles of visitors to the gallery for exhibitions at different times of year, we find that Pallant House Gallery attracts visitors that are contributing significant sums to the local economy all year round.

## 1.3 Overall Economic Impact

We have effectively developed two economic models for this project: one that replicates that methodology used when Pallant House Gallery was last subject to an economic impact assessment in 2008; one that follows the methodology that BOP typically applies to economic impact assessment, which includes an additionality assessment.

This additionality assessment takes account of how much economic activity generated by the gallery in Chichester and West Sussex would have been generated over these geographies even if the Gallery did not exist. In these terms, we find that in 2015:

- Pallant House Gallery generated £3,716,220 of additional revenue in Chichester and £4,948,705 of additional revenue in West Sussex.
- Pallant House Gallery generated £1,672,886 of additional GVA in Chichester and £2,119,038 of additional GVA in West Sussex.
- Pallant House Gallery generated 77 additional FTE jobs in Chichester and 96 additional FTE jobs in West Sussex.

## 1.4 Expansion since 2008

Pallant House Gallery is attracting an increasing number of visitors. The most recent financial year saw 63,711 visitors – a 5% increase on 60,457, the figure for the 2007/08 financial year, the financial year closest to the last economic impact assessment.

During 2007/08, it is likely that the number of visitors would have been assisted by the then relatively recent addition of a new wing, opened in July 2006. Cultural institutions typically experience upticks in attendance in the year following expansions. There has been some fluctuation in attendance at Pallant House Gallery over the intervening period. However, growth has been steady in recent years. Each financial year since 2012/13 has witnessed an increase in visitors.

Therefore, Pallant House Gallery has not only experienced the uptick in visitor numbers that it usual after physical upgrades, Pallant House Gallery has managed to generate consistent growth in visitor numbers long after the upgrade is complete. This is an impressive performance that requires wide appeal to be sustained.

These increased visitors are also spending more than visitors in 2008. The previous economic impact assessment reported an average per trip spend of £29.19, whereas we find that this is now £68.62.

The Gallery is also a larger organisation than it was in 2008. On a Full-Time Equivalent (FTE) basis, the number of staff employed by Pallant House has increased by 24% since then. And now stands – when, as per the 2008 study, the gallery, bookshop and restaurant are all factored in - at 67 staff.

When we replicate the economic impact methodology used in the 2008 study, we find that, in these methodological terms, the overall economic impact of the gallery upon Chichester has increased by 67% to around £4,453,000. While this approach does not include an additionality assessment, which is considered to be more robust, the significant increase in economic impact reported by applying an equivalent methodology to that used in 2008 is consistent with the expansion over the intervening period of the gallery in terms of its local supplier and wage spends, as well as the growth in number of gallery visitors and the average spends per trip of these visitors.

## 2. Introduction

BOP was commissioned by the Pallant House Gallery to undertake an economic impact study to assess the economic impact of the gallery. The economic impact of the gallery upon Chichester district and West Sussex has been assessed. We have analysed Pallant House Gallery's economic impacts over these geographies during 2015.

BOP brought considerable expertise to this task. Some of BOP's experience:

- Research, evaluation, strategy for the Department of Culture Media and Sport (DCMS), Arts Council England (ACE), and Greater London Authority (GLA), as well as many local authorities and cultural organisations
- Economic impact studies for over 60 organisations
- 2012 national guidance for Arts Council England (ACE)
- 2014-15 seminars for Audience Agency clusters

As part of BOP's guidance for ACE, we developed a standard economic impact methodology for arts and cultural organisations. We have applied this methodology to Pallant House.

### 2.1 Methodological Overview

BOP undertook the following research steps:

- Designed a bespoke impact framework - This is the process of conceptualising our standard economic impact methodology to the particular circumstances of Pallant House Gallery.
- Interviewed five stakeholders to capture their informed view on Chichester's cultural provision and Pallant House Gallery's role within this.
- Surveyed Pallant House Gallery visitors to understand their

behaviour and spending patterns.

- Reviewed accounts and management data held by Pallant House Gallery to analyse the economic footprint of the organisation.
- Build economic impact model. Impacts captured within this model include: a.) spend by a diverse audience within the local economy, b.) spend by Pallant House Gallery staff in the local economy, c.) spend by Pallant House Gallery in the local economy on suppliers.
- Reviewed the results of this model against those produced by a previous study on the Gallery's economic impact.

We have used this model to derive the gross economic impact of the Gallery in 2015, while also applying an additionality analysis to capture the net economic impact of the gallery. In both gross and net terms, we present our findings in revenue, Gross Value Added (GVA) and Full Time Equivalent (FTE) employment terms. These metrics are assessed at the geographical levels of Chichester district and West Sussex. In all cases, results are presented for the calendar year of 2015.

### 2.2 Report Overview

The following chapters present the results of our research:

- Organisational Overview
- Visitor Survey
- Economic Model
- Comparisons with 2008 study

The overview of the organisation introduces the gallery, reviewing its history and activities. This qualitative account is then followed by quantification in terms of an assessment of the Gallery's wage and supplier spending within Chichester district, West Sussex and beyond.

We provide an insight into the visitors to the Gallery by reporting upon a survey that we have undertaken of them. This focuses on the economic footprint of

these visitors upon the local economy. In addition, we report on further findings to do with the backgrounds, motivations and actions of these visitors.

Having reviewed Pallant House Gallery as an organisation and its visitors, we set out the economic model that we have applied to assess the combined economic impact of this organisation and these visitors. This model is consistent with the guidance that BOP has developed for ACE to assess the economic impact of cultural organisations. After explaining the structure of the model, we describe how data from the organisation and our visitor survey has been applied to it. In the final section of this chapter, we present the results of this modelling exercise.

In our final chapter, we compare these results with those of a study that was undertaken on the gallery's economic impact in 2008. We report that the Gallery's economic impact significantly increased over the period since 2008.

### 3. Organisational Overview

Pallant House Gallery reopened to national acclaim in July 2006. The Gallery reopened featured a new wing designed by Long & Kentish architects in association with Professor Sir Colin St.John Wilson. This project integrated the original Queen Anne, grade I listed town-house and the new wing, quadrupling Pallant House Gallery's exhibition space.

Since this reopening, the Gallery has won various prizes, including the Gulbenkian Prize, the largest prize for arts and cultural organisations in the country, the Charity Award 2013, the highest profile event in the charity calendar, for Outside In, its flagship project aimed at those facing barriers to the art world. In addition, the Learning and Community Programme of the Gallery has been widely acclaimed.

The Gallery's collection of British art includes works is one of the most important in the UK. It includes works by Ivon Hitchens, Henry Moore, John Piper, Graham Sutherland, Patrick Caulfield, Michael Andrews, Peter Blake and Richard Hamilton alongside significant international works by Gino Severini, Edgar Degas, Fernand Leger and Paul Cezanne.

Temporary exhibitions and events occur alongside displaying this permanent collection. These are equally celebrated. They have included:

- The first exhibition of Edward Burra for 25 years
- The only UK showing of the international touring exhibition R.B. Kitaj: Obsessions
- An exhibition of Pop art and music to mark the 80<sup>th</sup> birthday of Sir Peter Blake

#### 3.1 Stakeholder Views

BOP consulted a small number of stakeholders to get a stronger appreciation of the role and significance of Pallant House Gallery.

Alan Finch, Executive Director at Chichester Festival Theatre, told us:

“ We are an incredibly rich city when it comes to arts and culture. Pallant House Gallery is part of our pulling power. ”

Professor Clive Behagg, Vice Chancellor at Chichester University, commented:

“ Chichester is pretty unique. This includes Pallant House Gallery, an international class institution. ”

Stephen Oates, Economic Development Manager at Chichester District Council, remarked:

“ Pallant House Gallery is probably a fairly unusual organisation for a small town like Chichester, and does attract significant exhibitions ... Chichester is the epicentre of culture in West Sussex. ”

Pallant House Gallery is an important part of the cultural scene that Behagg, Finch and Oates celebrate. It also includes two theatres and one of the best arts cinemas in the UK, as well as the cultural assets of the university.

In terms of the specific functions of Pallant House Gallery within this cultural ecosystem, the following were flagged:

- **Tourism:** Pallant House Gallery is part of Chichester's visitor economy, helping to bring people in to the city and the rest of West Sussex.
- **Economic Development:** Chichester's high quality cultural offer assists with retaining and attracting professional services businesses.
- **Education and Skills:** The outreach work of Pallant House Gallery helps to raise local educational achievement and skills.

Next to the immense cultural significance of such work, as well as the social importance of activities like the Learning and Community Programme, it feels almost crude to focus on the economic significance of the Gallery. But this economic significance is not trivial.

Pallant Bookshop and Pallant Restaurant and Café operate as separate organisations within the Gallery. We discuss them separately within this organisational overview.

### 3.2 Wage and Supplier Spending by Pallant House Gallery

It has a total annual wage spend of £639,038 – with 61% spent on staff based in Chichester, 12% on staff based in West Sussex, and 26% on staff based outside West Sussex. It has a total annual supplier spend of £1,018,167 – with 21% of this spent in Chichester, 1% elsewhere in West Sussex, and 77% outside of West Sussex.

### 3.3 Wage and Supplier Spending by Pallant Bookshop

It has a total annual wage spend, including on freelancers, of £88,991. 75% of which is spent on staff based on Chichester, while 13% is spent on staff elsewhere in West Sussex. It has an annual spend on suppliers of £150,297 – with 45% of this being spent on suppliers in Chichester and 7% being spent on suppliers elsewhere in West Sussex.

### 3.4 Wage and Supplier Spend by Pallant Restaurant and Café

It has an annual wage spend of £180,000. All of which is paid to staff in Chichester. Its spend on suppliers is also £180,000 – with 67% of this going on suppliers based in Chichester and another 33% on suppliers outside West Sussex.

### 3.5 Total Wage, Supplier Spending and Organisational Employment

When we combine the wage and supplier spending of the Gallery, bookshop and kitchen, we find:

- Pallant House Gallery spent £638,481 on the wages of workers based in Chichester and £729,299 in the wages of workers based in West Sussex during the last financial year.
- Pallant House Gallery spent £405,844 on suppliers based in Chichester and £427,458 on suppliers based in West Sussex as a whole during the last financial year.



- On a headcount basis, Pallant House Gallery employs 67 people.<sup>2</sup> Taking into account the number of part-timers and freelancers, this equates to 47 jobs on a Full-Time Equivalent (FTE) basis.

### 3.6 Staff Behaviour

We surveyed Pallant House Gallery staff on their spending behaviour and found that they spend on average £93 in Chichester each week. On a headcount basis, Pallant House Gallery – including the bookshop and restaurant – employs 67 people.<sup>3</sup> This equates, therefore, to an average spend of just over £323,000 each year by Pallant House staff in Chichester.

30% of staff live outside Chichester, which implies that nearly £97,000 of expenditure by Pallant House Gallery staff in Chichester is attributable to staff who do not live in Chichester.

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<sup>2</sup> This figure includes staff at the gallery, bookshop and restaurant – the same organisational definition as the 2008 study.

<sup>3</sup> This figure includes staff at the gallery, bookshop and restaurant – the same organisational definition as the 2008 study.

## 4. Visitor Survey

This chapter provides an insight into the visitors to the gallery by reporting upon a survey that we have undertaken of them. Almost 650 responses were received to BOP's survey of visitors to the Pallant House Gallery. These responses were secured by:

- Circulating a link to an electronic version of the survey to those on the mailing list of Pallant House Gallery.
- Having a laptop available in the reception of Pallant House with this electronic version open and volunteers directing visitors towards this laptop.

By surveying via both email and onsite, we overcame any demographic bias that may be contained in exclusively surveying online or onsite.

### 4.1 Motivations for Pallant House Gallery

The figure below indicates that a range of factors draw visitors to the Gallery - but that the temporary exhibitions programme seems particularly important. The temporary exhibitions are also stressed as important in feedback that the Gallery has received from visitors.

One past visitor commented upon:

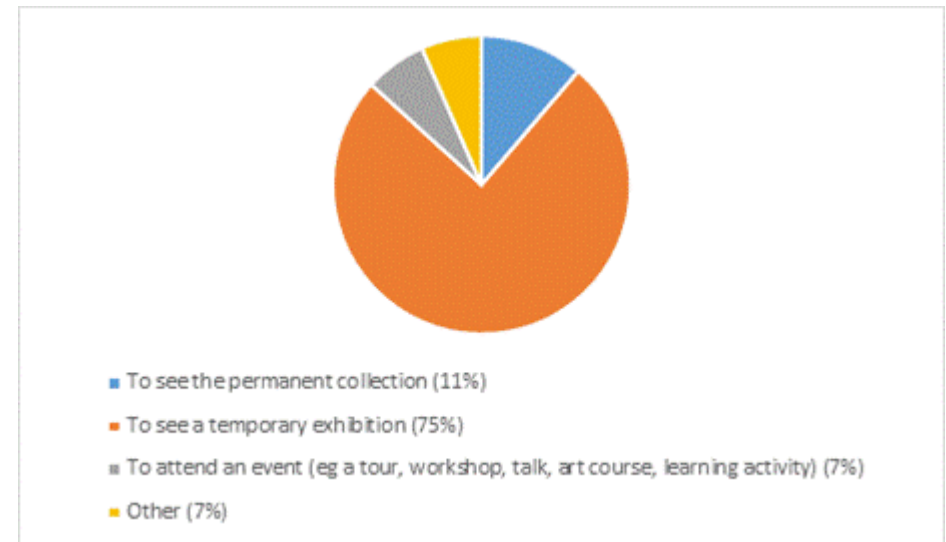
“ An interesting programme of temporary exhibitions. There's always something different to see. ”

Another visitor remarked:

“ This gallery not only has an interesting permanent collection but also a superb programme of temporary shows and a mind blowing bookshop. ”

Amenities like the bookshop - not to mention the restaurant and cafe - add to the Gallery's appeal, while the permanent collection complements the appeal of the temporary collection. In many senses, therefore, it is the Gallery as a whole that appeals, not its constituent parts. But, as the figure below illustrates, the temporary exhibitions are the most important factor in drawing visitors to the Gallery.

Figure 1 Most important reason for Pallant House Gallery visit (as % of survey respondents)

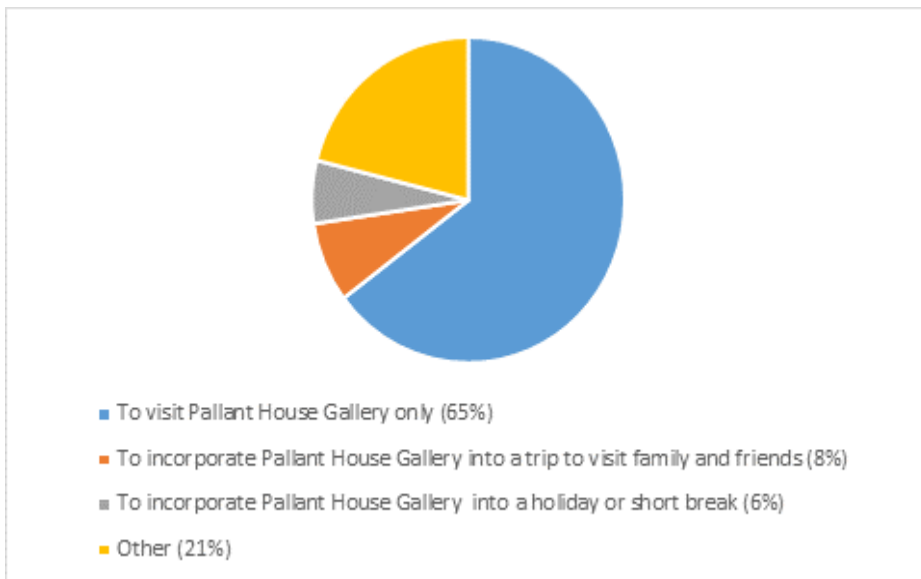


Source: BOP survey

In some cases, Pallant House Gallery is incorporated into trips to visit friends or family. Or as part of a broader holiday. In the majority of cases, however,

attendance at the Gallery itself is the main reason for the visit, as illustrated below.

**Figure 2 Main Motivations for Trips that Include Visiting Pallant House Gallery (as % of survey respondents)**

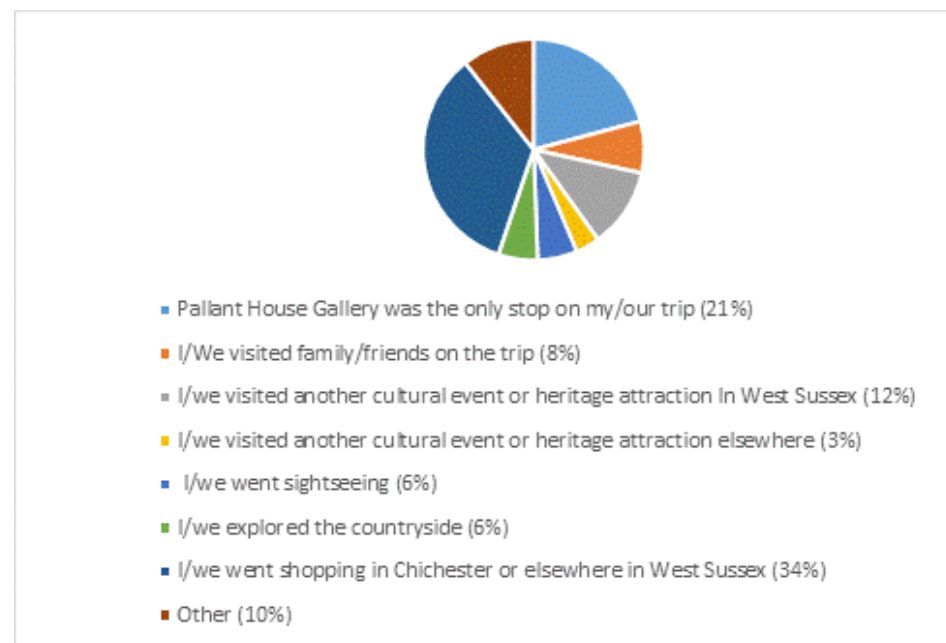


Source: BOP Survey

## 4.2 Behaviour of Gallery Visitors

While, in the majority of cases, visiting Pallant House Gallery is the exclusive motivation for trips that involve visiting the Gallery, visitors tend to get involved in a wide range of other activities during these trips. This is shown in the figure below. Chichester is seen as cultural hub and destination and we find that 12% of visitors to the Gallery also attend other cultural events or heritage attractions in West Sussex during these trips. It is striking, however, that the most popular activity that is combined with a trip to Pallant House Gallery is shopping in Chichester or West Sussex. 34% of Gallery visitors undertake such shopping as part of trips to the gallery.

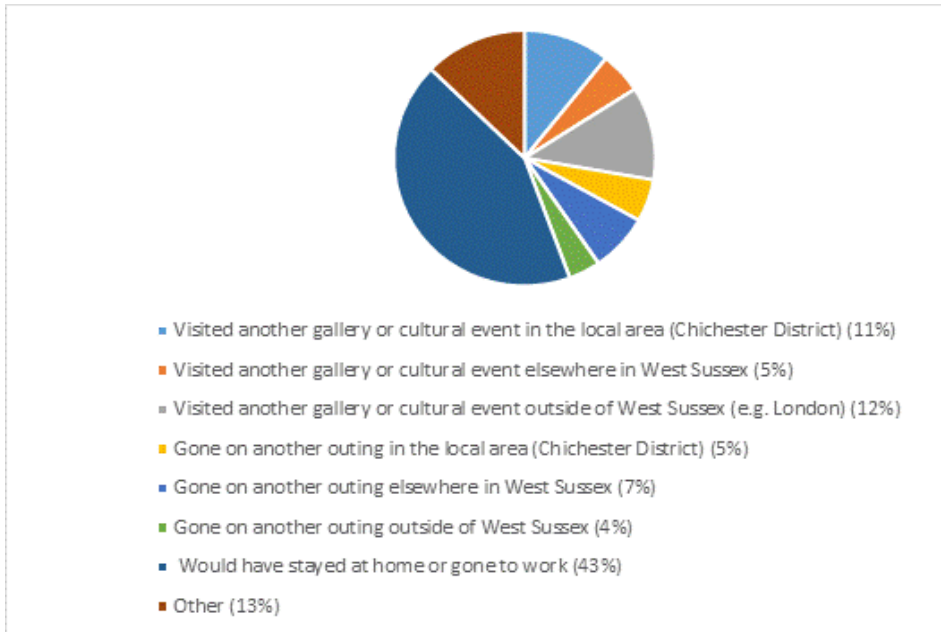
**Figure 3 Activities combined with visit to Pallant House Gallery (as % of survey respondents)**



Source: BOP Survey

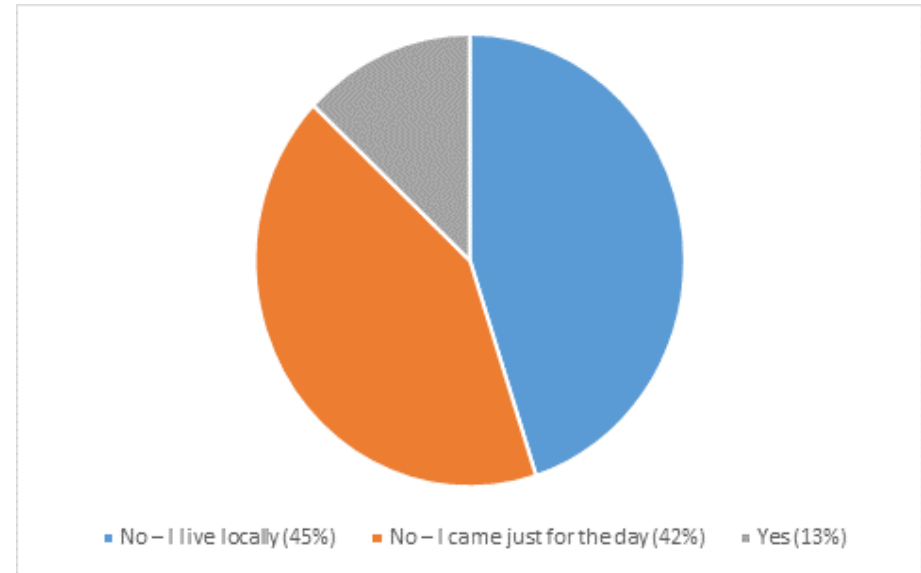
In terms of what Pallant House Gallery visitors might have done had they not attended the Gallery, we find that a wide range of alternative uses of the day are reported, as illustrated in the figure below. It is striking, however, that 43% of visitors would have stayed at home or gone to work had they not visited the Gallery.

**Figure 4 Activities that Pallant House Gallery visitors would have undertaken had they not attended the gallery (as % of survey respondents)**



Source: BOP Survey

**Figure 5 Proportion of Pallant House Gallery visitors making overnight trips when visiting (as % of survey respondents)**



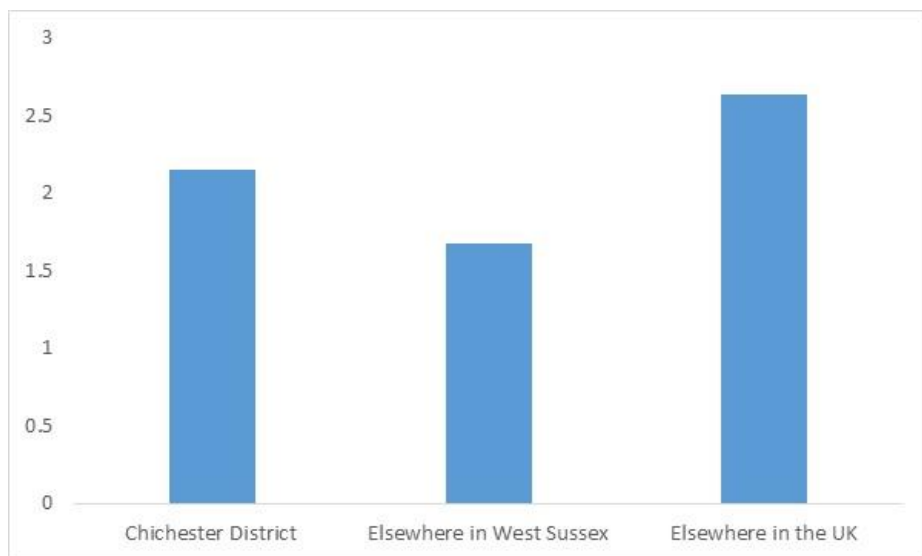
Source: BOP Survey

### 4.3 Origin of Visitors

13% of Pallant House Gallery visitors incorporate an overnight trip into their stay. In 45% of cases, overnight trips are unnecessary as the visitors live locally, while in the remainder (42%) attendance at the Gallery is part of a day trip. This is illustrated in the figure below.

Overnight trips that incorporate Pallant House Gallery tend to be of one or two nights in duration. As the figure below illustrates, there is limited variation in the length of these trips depending upon whether the overnight stay occurs in Chichester, elsewhere in West Sussex, or outside West Sussex.

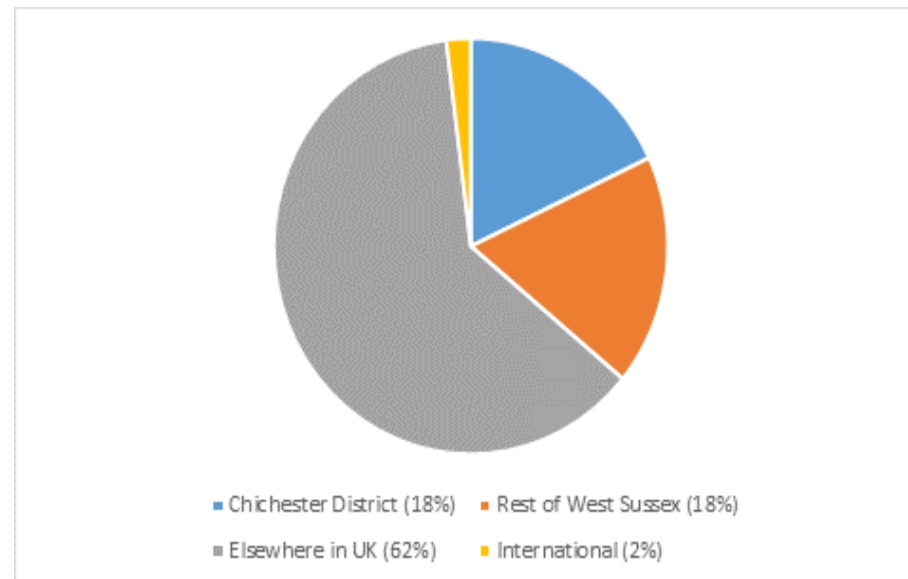
**Figure 6 Average length of overnight trips that involve Pallant House Gallery visit by geographic location of overnight stay (Number of days)**



Source: BOP Survey

Pallant House Gallery is drawing people into Chichester and West Sussex. The majority of visitors to Pallant House, as illustrated in the figure below, come from outside Chichester and West Sussex. Some of them (2%) are international visitors.

**Figure 7 Geographic Origin of Pallant House Gallery Visitors (as % of survey respondents)**



Source: BOP Survey

*The Times* have previously described Pallant House Gallery as:

“ One of the most important galleries for British modern art in the country. ”

*The Mail on Sunday* has also commended Pallant House Gallery as:

“ One of the most exciting art destinations in Britain. ”

With such positive national press coverage, it is unsurprising that Pallant House Gallery draws in visitors from across the country. Many of these visitors come from London.

## 4.4 London Visitors

Having analysed the home postcodes provided by survey respondents, we found that 8% of Pallant House Gallery visitors live in London. Celebrated photographer Kevin Cummins was one of those who replied to our survey and he told us:

“ Londoners rarely venture outside the capital for culture but Pallant House is an essential day out for anyone interested in British twentieth century art. The permanent collection is breath-taking. Furthermore, the calibre of touring exhibitions it attracts must be the envy of many other galleries in the UK. Quite simply it’s one of the most important spaces in Europe. ”

Another past visitor to the Gallery remarked:

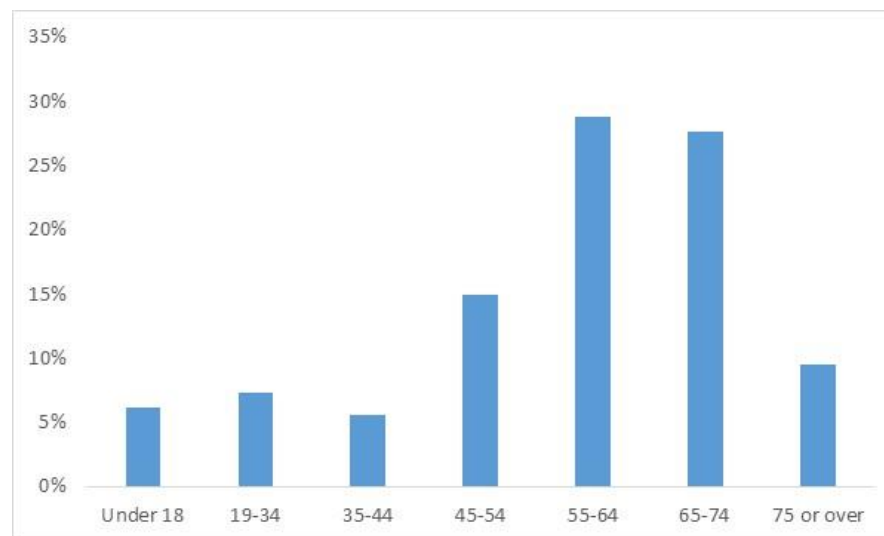
“ An art student's dream! Fantastic collections and a lovely experience. ”

Being such an attractive location for art students is likely to assist Pallant House Gallery in bringing visitors to Chichester.

## 4.5 Background of Visitors

Pallant House Gallery attracts visitors of all ages, as the figure below illustrates. 56% of visitors, however, are aged between 55 and 74 years old. There seems to be some skew in the visitor base toward somewhat older visitors.

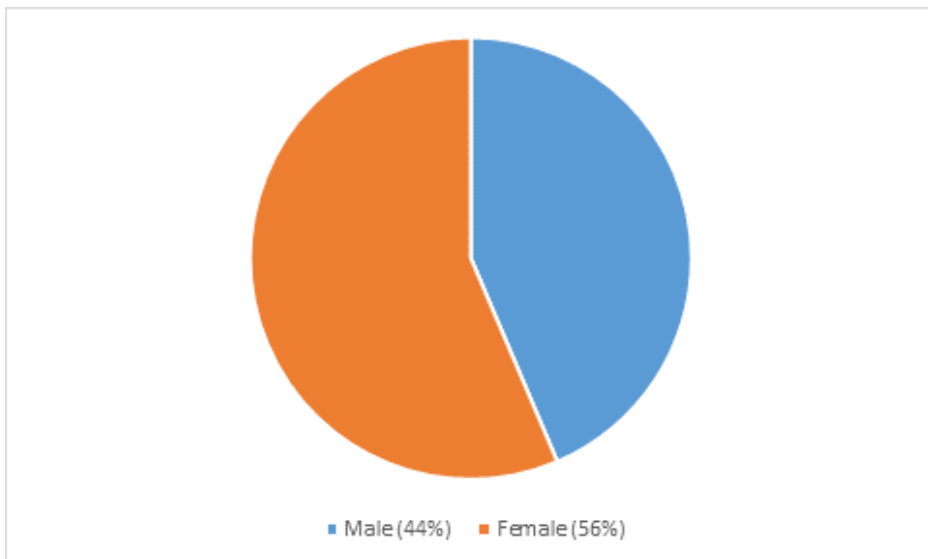
**Figure 8 Age profile of Pallant House Gallery visitors (as % of survey respondents)**



Source: BOP Survey

The visitor base of Pallant House Gallery splits roughly evenly between male and female.

**Figure 9 Gender breakdown of Pallant House Gallery visitors (as % of survey respondents)**

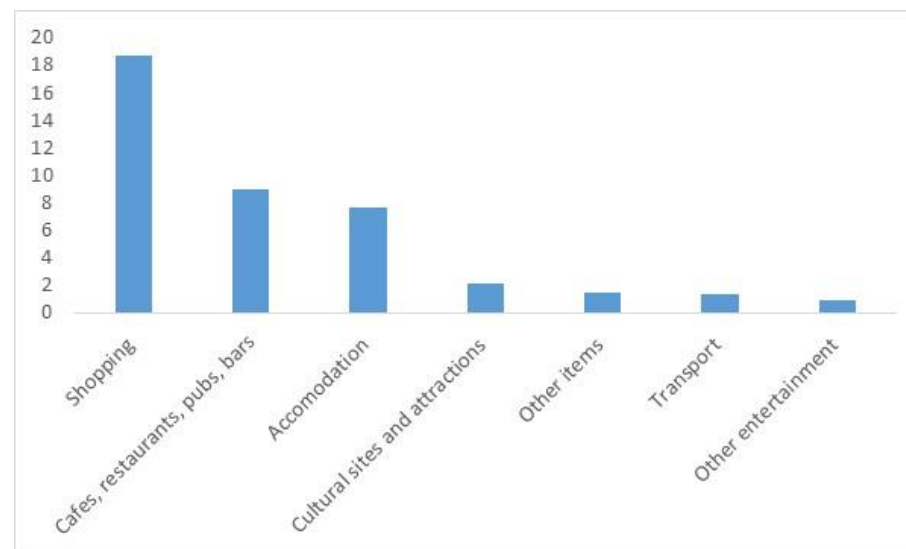


Source: BOP Survey

## 4.6 Visitor Spending

The figure below provides a breakdown of what visitors to Pallant House Gallery typically spend within Chichester district. 45% of this spending is on shopping in Chichester. Given the volume of visitors to Pallant House Gallery in 2015, this average spend per visitor in Chichester shops of £18.67 equates to £1.1m of spending by Pallant House Gallery visitors in Chichester shops.

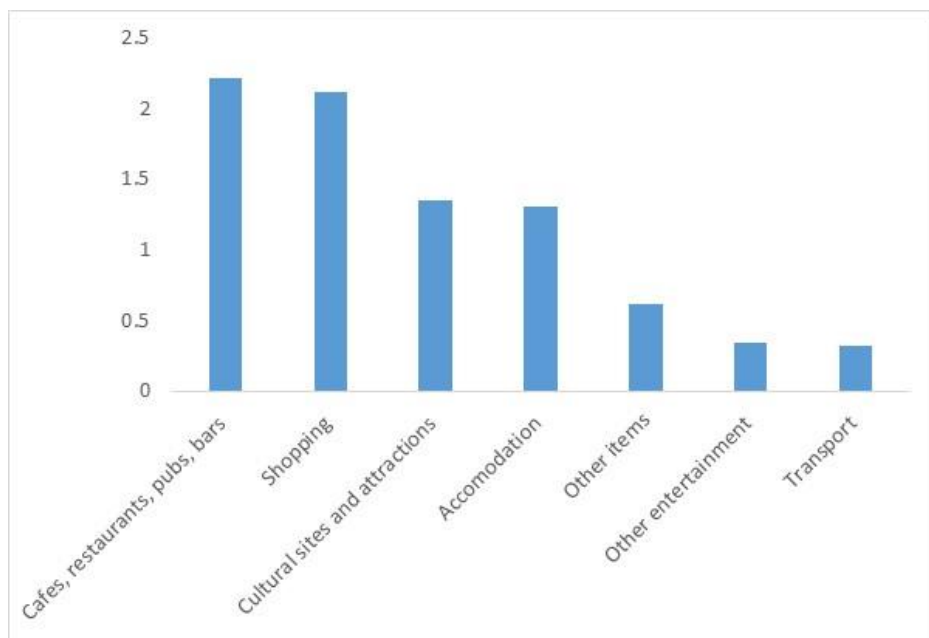
**Figure 10 Average spend per Pallant House Gallery visitor outside the Gallery but in Chichester district**



Source: BOP Survey

The figure below provides a breakdown of what visitors to Pallant House Gallery typically spend in the rest of West Sussex. These spends are much lower than in Chichester but these results clearly show that Pallant House Gallery brings spending into West Sussex, not just Chichester.

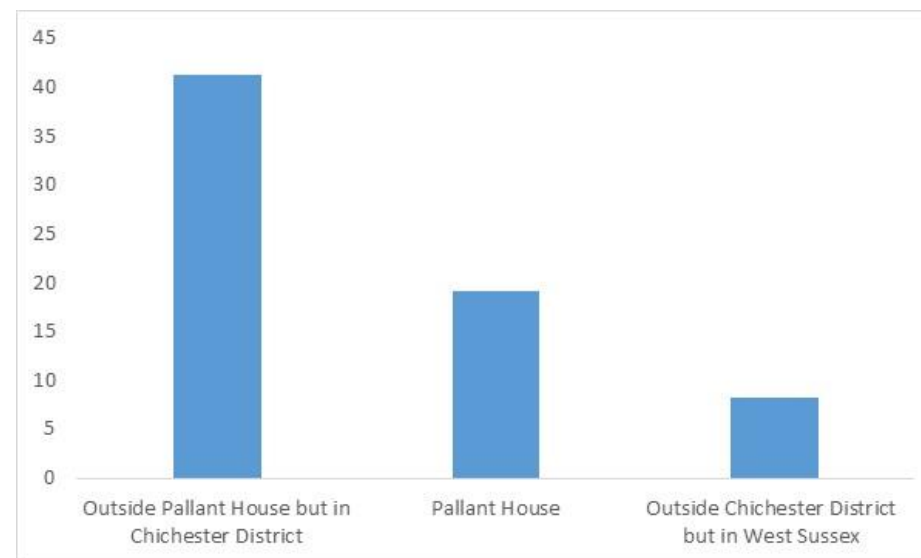
**Figure 11 Average spend per Pallant House Gallery visitor outside Chichester district but in the rest of West Sussex**



Source: BOP Survey

The figure below breaks down this average visitor spending by the geographic location of this spending. 60% of this spending occurs outside Pallant House Gallery but in the Chichester district. More than twice as much spending occurs in the rest of the Chichester district (£41.19) as occurs in Pallant House Gallery (£19.18). In addition, the rest of West Sussex also benefits from spending from Gallery visitors.

**Figure 12 Average spend per Pallant House Gallery visitor by geographic location of spending**



Source: BOP Survey



## 4.7 Seasonality Analysis

Given that Pallant House Gallery has different kinds of exhibitions at different times of year, we wanted to explore whether the different motivations for visiting Pallant House Gallery at different times of year correspond with different spending profiles over the course of the year.

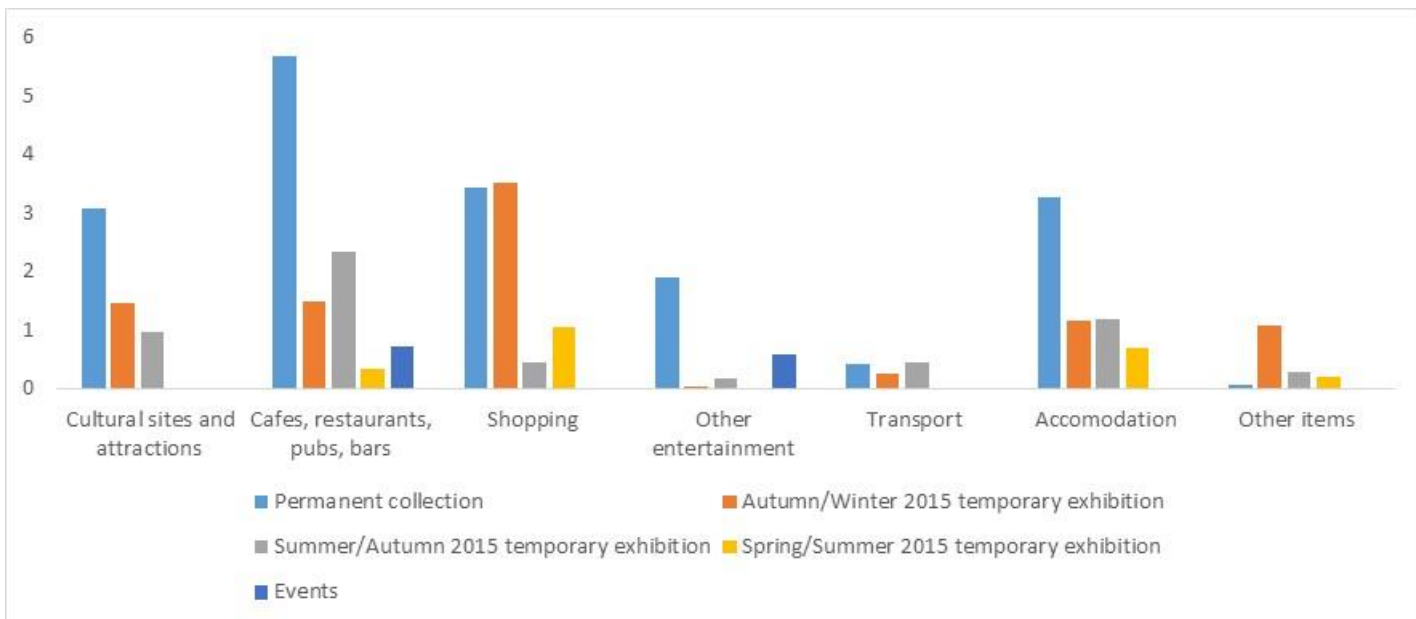
The tables below show average spends per visitor on different items of expenditure in Chichester district and the rest of Wes based upon whether they explained their visit to Pallant House Gallery in terms of one of the permanent collection, one of the seasonal temporary exhibitions, or an event at Pallant House Gallery.

Figure 13 Average spends per visitor in Chichester district by motivation for Pallant House Gallery trip



Source: BOP Survey

Figure 14 Average spends in rest of West Sussex by motivation for Pallant House Gallery trip



Source: BOP Survey

The figures above show that those visitors who explained their visit to the Gallery in terms of attendance at an event tend to spend less in Chichester and the rest of West Sussex than other kinds of visitors. This is probably explained by events at Pallant House Gallery being disproportionately attended by local people for whom this trip to an event at the Gallery is part of their regular routine. While the volumes of spending generated are smaller than for other kinds of visitor, Pallant House Gallery acts to retain more of this spending within Chichester than would be the case if the Gallery didn't exist.

There are some differences in the spending profiles displayed by respondents motivated to attend the Gallery for different temporary exhibitions but the most striking difference is how those visiting to view the permanent collection tend to spend more per visitor than those attending these temporary exhibitions. This larger expenditure is to a considerable extent explained by an increased propensity to spend on accommodation in Chichester. It may be that those who attend to view the permanent collection are more dedicated arts followers and construct holidays – explaining the increased accommodation spend in Chichester – around these visits to Pallant House Gallery, while visitors for the temporary exhibitions tend to be more day trippers and thus, have a lower volume of accommodation spend.

Across all categories of visitor, some noticeable trends are:

- Much larger volumes of offsite expenditure in Chichester than elsewhere in West Sussex – across all kinds of spending.
- In the case of those who visit for the permanent collection, their largest item of offsite expenditure is accommodation in Chichester. But in all other categories, the largest item of offsite expenditure is shopping in Chichester.
- Spending on cultural sites and attractions in Chichester is across every category larger than a.) spending on cultural sites and attractions elsewhere in West Sussex or b.) other entertainment – whether in Chichester or West Sussex. This is consistent with Chichester being a cultural centre in West Sussex.
- However, given Chichester's status as a cultural centre within West Sussex, it is perhaps surprising that shopping is so consistently a larger item of expenditure than other cultural activities – but, then again,

shopping may be a more expensive pastime than at least some cultural pursuits.

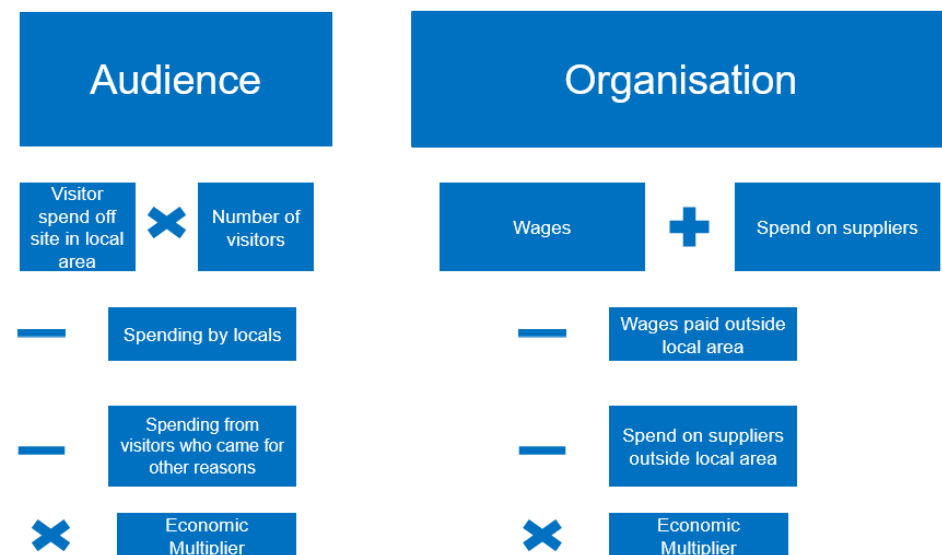
- Cafes, restaurants, pubs and bars in Chichester also receive more spend per visitor across all categories than other cultural activities. This suggests that as well as being a cultural centre within West Sussex, Chichester is a retail and leisure/night-time economy centre too.

Pallant House Gallery contributes to these retail, leisure and cultural economies. Not just for part of the year. But all year round. The figures above illustrate considerable visitor expenditure in relation to exhibitions throughout the year.

## 5. Economic Model

We have had a chapter on Pallant House Gallery as an organisation, followed by a chapter on visitors to the Gallery. We bring together these two strands – Pallant House Gallery as an organisation and the visitors to Pallant House Gallery – within our economic model. These two strands are reflected in the structure of the economic model that is illustrated below.

Figure 15 Framework for Economic Assessment



The economic impact of Pallant House Gallery as an organisation, as illustrated above, is formed by its spending on wages and suppliers. We have conducted our analysis at two geographic levels – Chichester district and West Sussex – and, therefore, we have assessed wage and supplier spending by Pallant House Gallery within these geographies.

Spending by visitors to the Gallery helps to sustain the wages and supplier expenditures made by the Gallery. Therefore, onsite visitor spending feeds into our model via the support that this spending provides to the wage and supplier spending of the Gallery. Not all visitor spending occurs onsite, however. We need also to take account of the impact of visitor spending offsite.

In the previous chapter, we saw that the average per Pallant House Gallery visitor expenditures outside of the Gallery are considerable. We multiply these average expenditures by the total number of gallery visitors in 2015 to quantify the total offsite expenditure of gallery visitors.

When we combine the economic contributions of the Gallery – wage and supplier spending – with the total offsite expenditure of Gallery visitors, then we have a direct and gross measure of the direct economic impact of the Gallery. It is gross and direct in these senses:

- It is gross in the sense that we have not taken account of whether this activity would be likely to occur even if the Gallery did not exist.
- It is direct in the sense that it is concerned only with the activities of the Gallery and its visitors, not with the indirect impact that these activities induce along associated supply chains.

There are three steps that need to be applied to this direct and gross measure to more fully capture the economic impact of the Gallery:

- **Additionality Analysis:** This converts our gross measures into net terms.
- **Economic Multiplier:** This extends our direct measures of economic contribution into direct and indirect measures, taking account additional spending along associated supply chains.
- **Conversion to Gross Value Added (GVA):** This converts our revenue measures into the more economically robust metric of GVA. These metrics can also be converted into Full Time Equivalent (FTE)

employment terms to give an indication of the volume of jobs sustained by a given amount of revenue and/or GVA.

## 5.1 Additionality Analysis

The success of government intervention, according to the HM Treasury's Green Book, in terms of increasing output or employment in a given target area is usually assessed in terms of its 'additionality'. This is its net, rather than its gross, impact after making allowances for what would have happened in the absence of the intervention.

In the case of Pallant House Gallery, therefore, the additionality assessment requires us to consider how much of the direct and gross impact of Pallant House Gallery would have occurred even if Pallant House Gallery did not exist.

Additionality must be calculated with consideration of 'leakage' and 'deadweight' effects. These effects are defined in the Green Book as follows:

- 'Deadweight' refers to outcomes which would have occurred without intervention.
- 'Leakage' effects which benefit those outside of the spatial area or group which the intervention is intended to benefit.

'Deadweight' is most relevant to the deductions shown in the left hand column under 'Audience' in Figure 15, while 'leakage' is most relevant to the deductions under the right hand column under 'Organisation' in Figure 15.

Taking account of 'deadweight' involves the two deductions under 'Audience' in Figure 15:

- **Deducting spending by locals:** This assumes that even in the absence of the Gallery, locals would be likely to be spending locally. That said, our surveying picks up whether locals would otherwise have spent time outside of Chichester if they had not visited the Gallery.

Where it appears that locals would have diverted their spending out of Chichester without the Gallery, this spending is treated as additional and, therefore, not deducted at this stage.

- **Deducting spending from visitors who came for other reasons:** If, for example, our survey establishes that a visitor was in Chichester to visit friends and family, it seems likely that they would have been in Chichester even the Gallery was not. The Gallery is not their reason for being in Chichester and therefore, spending in association with their trip to the gallery is not an additionality to Chichester generated by the Gallery.

These two deductions, therefore, require us to take account of both where the visitor comes from and their motivations for visiting Pallant House Gallery. The results of this additionality assessment vary depending on whether the assessment occurs at the geographic levels of Chichester district or West Sussex. This is illustrated in the figures below.

Figure 16 Additionality Assessment at the Geographic Level of Chichester District

Origin	Would have stayed at home or gone to work	Visited another gallery or cultural event in the local area (Chichester District)	Gone on another outing in the local area (Chichester District)	Visited another gallery or cultural event elsewhere in West Sussex	Gone on another outing elsewhere in West Sussex	Visited another gallery or cultural event outside of West Sussex (e.g. London)	Gone on another outing outside of West Sussex
Chichester	Not additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
West Sussex	Not additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
Elsewhere in the UK	Additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
Outside the UK	Additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional

Source: BOP Consulting

Figure 17 Additionality Assessment at the Geographic Level of West Sussex

Origin	Would have stayed at home or gone to work	Visited another gallery or cultural event in the local area (Chichester District)	Gone on another outing in the local area (Chichester District)	Visited another gallery or cultural event elsewhere in West Sussex	Gone on another outing elsewhere in West Sussex	Visited another gallery or cultural event outside of West Sussex (e.g. London)	Gone on another outing outside of West Sussex
Chichester	Not additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
West Sussex	Not additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
Elsewhere in the UK	Additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional
Outside the UK	Additional	Not additional	Not additional	Not additional	Not additional	Additional	Additional

Source: BOP Consulting

This analysis occurs at two geographic levels: Chichester District Council and West Sussex. When spending is generated outside these geographies as a result of Pallant House Gallery, then this constitutes leakage. In terms of Pallant House Gallery as an organisation, leakage occurs when supplies are procured from outside these geographies.

## 5.2 Economic Multipliers

The multiplier transitions us from a direct measure of economic contribution to one that takes account of both direct and indirect impacts. These indirect impacts are concerned with increased economic activity along supply chains that are relevant to the gallery, as oppose to simply increased economic activity by the gallery and its visitors.

The economic impact (jobs, expenditure or income) of an intervention is multiplied because of knock-on effects within the local economy. Two types of multiplier can be identified:

- A supply linkage multiplier due to purchases made as a result of the intervention and further purchases associated with linked firms along the supply chain. This relates to the economic multiplier underneath the 'Organisation' column on the right hand side of Figure 15.
- An income multiplier associated with local expenditure as a result of those who derive incomes from direct and supply linkage impacts of the intervention. This relates to the economic multiplier underneath the 'Audience' column on the left hand side of Figure 15.

We apply the relevant economic multipliers that are recommended by government guidance.<sup>4</sup> This is the sub-regional multiplier of 1.25 at the level of Chichester and the regional multiplier of 1.45 at the level of West Sussex.

## 5.3 GVA and FTE Conversion

Government agencies tend to assess economic impacts in terms of Gross Value Added and Full Time Equivalent (FTE) employment, rather than revenue, as revenue measures carry a risk of revenues being 'double-counted' as monies pass around relevant supply chains and the local economy.

After application of the economic multipliers in Figure 15, we arrive at measures of Pallant House Gallery's economic impact in revenue terms. However, government agencies tend to assess economic impacts in terms of Gross Value Added and Full Time Equivalent (FTE) employment, rather than revenue, as revenue measures carry a risk of revenues being 'double-counted' as monies pass around relevant supply chains and the local economy.

GVA equates to the gains of trade – the profits of businesses, the wages of workers. Not all revenue, therefore, contributes to GVA, as some revenue will be required to meet the non-labour costs of business operation. The amount of GVA generated by a particular volume of revenue varies by business sector. We have derived ratios between revenue and GVA for sectors that are relevant to this assessment. These are illustrated in the figure below and have been applied to our modelling to transition from revenue to GVA. Having identified the relevant business sector in the Annual Business Survey, which is published by the Office of National Statistics, we look up revenue (turnover) and GVA measures for these sectors, and divide revenue by GVA to produce the ratios illustrated below.

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<sup>4</sup> Department of Business, Innovation and Skills, *Research to Improve the Assessment of Additionality*, October 2008

**Figure 18 GVA to Revenue Ratios for Sectors Relevant to Economic Model**

Standard Industrial Classification (Revised 2007) Section	Sector Description	GVA to revenue ratio
90	Creative, arts and entertainment activities	0.20
56	Food and beverages activity	0.49
47	Retail trade, except of motor vehicles and motorcycles	0.23
R	Arts, recreation and entertainment	0.20
49	Land transport and transport via pipelines	0.51
55	Accommodation	0.60

Source: Annual Business Survey and BOP Consulting analysis

In respect of FTE directly generated by Pallant House Gallery, we treat part-time and consultant staff at the Gallery as equivalent to 0.5 of a full-time worker.

Pallant House Gallery also indirectly sustains employment. This is via the spending of Pallant House Gallery as an organisation on suppliers and the spending of its visitors in the local economy when visiting Pallant House Gallery.

To assess these indirect employment contributions, we also use metrics derived from the Annual Business Survey, as is the case in our conversion to GVA. The Annual Business Survey also contains data on labour costs and levels of

employment by sector. We divide labour costs by revenue to know what proportion of revenue spend within a given sector is typically spent on labour. We divide these labour costs by the annual average wage for the sector to derive annual FTE measures of employment.

## 5.4 Economic Modelling Results

We discuss and present our results in terms of the audience analysis, organisational analysis, and then bring these together in our overall assessment.

### 5.4.1 Audience Analysis

We find that visitors spend on average £41.19 per trip outside of Pallant House Gallery in Chichester District and £8.25 in the rest of West Sussex, a total of £49.45 over West Sussex as a whole.

Multiplying these numbers by the number of attendees in the calendar year of 2015 (59,648), we find that £2,457,132 was spent outside of Pallant House Gallery in the Chichester economy in 2015, while £2,949,325 was spent in the economy of West Sussex as a whole.

Applying the additionality analysis summarised in Figure 16, we find that 78% of audience spending in Chichester is additional. This means that £1,928,561 of additional spending outside of Pallant House Gallery was generated by visitors in Chichester. Applying the sub-regional multiplier of 1.25 means that, in turn, this generates a total of £2,410,813 of additional spending in Chichester.

Applying the additionality analysis summarised in Figure 17, we find that 76% of audience spending in West Sussex is additional. This means that £2,256,143 of additional spending outside of Pallant House Gallery was generated by visitors in West Sussex. Applying the regional multiplier of 1.45 means that, in turn, this generates a total of £3,271,407.



## 5.4.2 Organisation Analysis

In the last financial year, we found that Pallant House Gallery spent a total of £1,044,325 on wages and supplies in Chichester. After application of the sub-regional multiplier of 1.25, we find that this generates total spending of £1,156,757 in Chichester.

Over the same period, we found that Pallant House Gallery spent a total of £1,305,406 on wages and supplies in West Sussex. After application of the regional multiplier of 1.45, we find that this generates total spending of £1,677,298 in West Sussex.

## 5.4.3 Overall Assessment

In additional revenue terms, the economic impact of Pallant House Gallery upon Chichester in 2015 was £3,716,220. This equals the additional audience spend in Chichester after application of the multiplier (£2,410,813) plus the additional spend in Chichester from Pallant House Gallery as an organisation after application of the multiplier (£1,156,757).

In these additional revenue terms, the economic impact of Pallant House Gallery upon West Sussex in 2015 was £4,948,705. This equals the additional audience spend after application of the multiplier (£3,271,407) plus the additional spend in West Sussex from Pallant House Gallery as an organisation after application of the multiplier (£1,677,298).

Applying the GVA conversion methodology described above, we find that these additional revenues in Chichester equate to GVA of £1,672,886 in 2015. Over the same time period, over the larger geography of West Sussex, we find that Pallant House Gallery generated additional GVA of £2,119,039.

Applying the FTE conversion methodology described above, these revenues and GVA measures equate to 77 jobs in Chichester and 96 jobs in FTE equivalent terms.

## 6. Comparison with 2008 Study

In September 2008, the University of Portsmouth published the Pallant House Gallery Economic Impact Study, which we refer to here as the '2008 study'. Here we draw out some comparisons between the findings of our study and this 2008 study. We focus particularly on those results most relevant to economic impact.

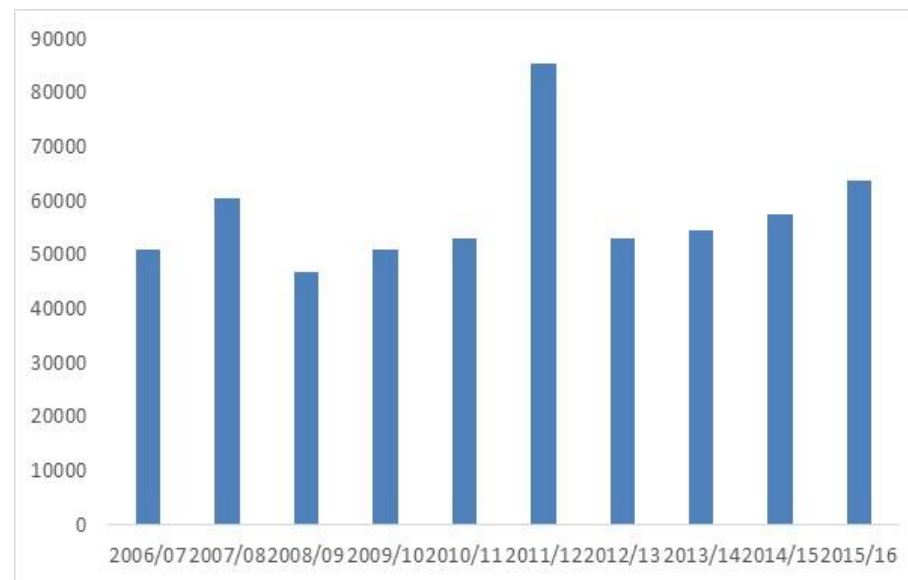
### 6.1 Number of Annual Visitors

The 2008 study reported around 63,000 visitors visiting the gallery in the 2007/08 financial year. Upon reviewing the Gallery's data, however, this figure appears to relate to the 2008 calendar year, while the 2007/08 financial year experienced 60,457 visitors.

2007/08 was the first full financial year after the new wing was opened in July 2006. The uptick in visitors over 2007/08 is consistent with that which cultural institutions typically experience after they launch a major expansion or open for the first time. The challenge can be sustaining this increased visitor activity over subsequent years. Many institutions experience some tapering off in visitor numbers two or three years after major expansions following an initial flurry of interest over the year immediately after the expansion. Indeed, Pallant House Gallery did see a fall to 46,737 visitors over 2008/09.

What is impressive, however, is that almost every year since then, Pallant House Gallery has experienced consistent and steady growth in its visitor numbers. 2011/12 saw an unusually large number of visitors attributable to two very successful exhibitions. The most recent financial year saw 63,711 visitors – a 5% increase on 60,457, the figure for the 2007/08 financial year.

Figure 19 Number of Pallant House Visitors by Financial Year



Source: Pallant House

### 6.2 Visitor Behaviour

“A large proportion of visitors engage with other local cultural attractions,” reported the 2008 study, “particularly the Cathedral and Chichester Festival Theatre. Most visitors to the Gallery also stay on in the City to eat, drink and shop.”

This remains the case. Our survey found that on average visitors to Pallant House Gallery make the following expenditures in Chichester:

- £18.67 on shopping
- £9.01 on cafes, restaurants, pubs and bars

- £7.70 on accommodation
- £2.13 on other cultural sites and attractions

### 6.3 Pallant House Gallery Employment

“The Gallery (including the restaurant) employed 55 staff in the last financial year. This equates to 38 full-time equivalent jobs (FTE),” according to the 2008 study. The equivalent figures are now 67 on a headcount basis and 47 on a FTE basis.<sup>5</sup>

### 6.4 Staff Spending

The 2008 report noted that over 70% of staff live within the District and this remains the case. “Those that live outside also spend a proportion of their income locally,” the 2008 study found. “This is estimated to be around £77,000 in the last year.” We find that this figure is now approximately £97,000.

### 6.5 Visitor Spending

While the 2008 study found that the average visitor spend per trip was £29.19, our survey found average visitor spend per trip to be £68.62. This big increase in the average spend per visitor per trip also contributes to a significant increase in spending by visitors in the local economy.

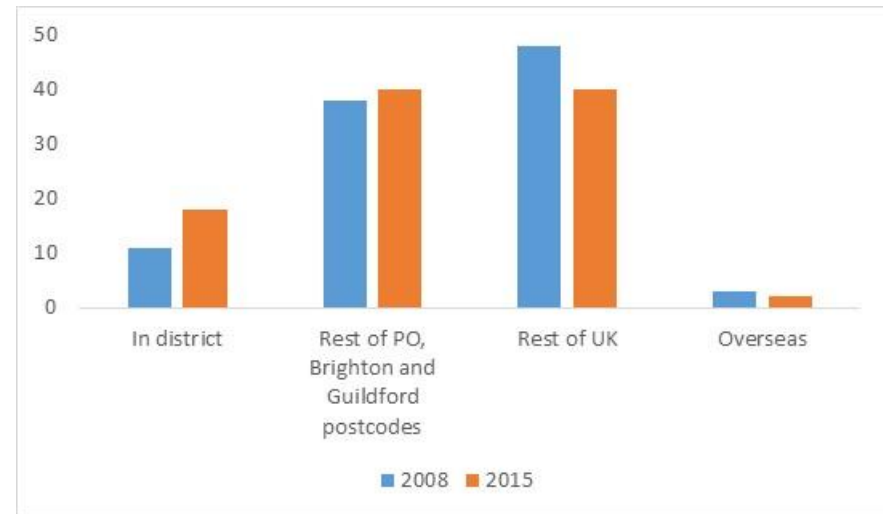
### 6.6 Origin of Visitors

Using postcode data provided by respondents to our survey, we have been able to compare the geographic origin of visitors along the same geographies as used in the 2008 study. We illustrate this in the figure below. This shows that the geographic origin of visitors is not greatly changed since 2008 but that a

<sup>5</sup> This figure includes staff at the gallery, bookshop and restaurant – the same organisational definition as the 2008 study.

higher proportion of visitors now come from Chichester district than was the case in 2008.

Figure 20 Geographic Origin of Visitors to Pallant House Gallery in 2008 and 2015



Source: BOP Survey and University of Portsmouth Study

### 6.7 Gross Economic Impact

The 2008 study reported a total economic impact of around £2,670,000. It should be noted that this analysis did not include an additionality assessment. When we replicate this approach, we find that Pallant House Gallery generated a total economic impact of around £4,453,00.

## 6.8 Summary: 2008 Comparison

The table below summarises how the Gallery's economic footprint has expanded since 2008.

**Figure 21 Summary of Findings in 2008 Study and This Study**

	2008 study	This study	Percentage change between two studies
Number of visitors	60,457 in 2007/08	63,711 in 2015/16	5
Number of Pallant House employees (headcount)	55	67	22
Number of Pallant House employees (FTE)	38	47	24
Annual spending in Chichester District by staff who do not live in Chichester District (£)	77,000	97,000	26
Gross Economic Impact	2,670,000	4,453,482	67

Source: BOP Consulting