



Economic Insight into the impact of the Coronavirus (COVID-19) across the Heritage Sector in the UK

National Lottery Heritage Fund – Insight Briefing

Summary

This Briefing summarises The National Lottery Heritage Fund's evidence of the economic impact of the coronavirus (COVID-19) on heritage UK wide.

Since 1994, The National Lottery has raised more than £40 billion for good causes in the areas of heritage, arts, sport, and community. In practice this means the National Lottery Heritage Fund is the largest dedicated grant funder of the UK's heritage. Since 1994, £8 billion has funded more than 44,000 projects across the UK.

We support the full breadth of heritage, from historic sites and areas, industrial and maritime, museums, libraries and archives and parks and gardens, landscapes and nature.

Heritage-based tourism is worth £20.2 billion to the UK economy per annum. Overseas visitors to UK cultural, historic and natural heritage attractions spend more than double per visit (an average of £560) compared with their domestic overnight counterparts (an average of £210 per trip) (our research, 2016).

On 20th March we emailed a short questionnaire to understand the impact of the COVID-19 crisis on the organisations we support who have received a grant of £250,000 or more in the last 10 years. This survey was also issued externally to the sector through our communication activity. The survey closed on 27th March and we received 1,253 responses.

We also commissioned a parallel survey via Wildlife and Countryside Link and their sister LINKS across the UK. The survey was sent to their 100+ members and 60 responses were assessed. Details of the results from this survey are available separately.

Headline findings from the survey are:

- **The impact of the COVID-19 epidemic is universal:** 98% of organisations having been impacted within the first three weeks and the remaining 2% expecting some impact in the future.
- **The financial impact will be high:** Loss of revenue was the second most frequently reported impact (69%), after postponement of planned events (91%).
- **Organisational impacts are also high:** More than half of respondents reported they are closed to the public and are suffering from a lack of available volunteers. Experience of staff absence and reduced visitor numbers are also significant impacts.
- **COVID-19 is expected to impact on organisational survival:** 82% of organisations report high or moderate risk to the long-term viability of their organisation.
- **Financial reserves are limited:** 46% of organisations can survive for no more than 6 months.
- **Likely to be a larger impact for the Charity or Third Sector:** 91% of respondents reported a high or moderate risk to their organisations long term viability. 35% stated their financial reserves will be depleted within at least 4 months.

- **Large financial shortfall:** 36% of organisations expect a financial shortfall of up to £50k in the next 6 months; 6% expecting a shortfall over £500,000 and 7% an impact of over £1m.
- **Flexible support required:** In terms of support from The National Lottery Heritage Fund and our partners the most popular response was for greater flexibility for existing projects/grants (75%), followed by replacement funding due to loss of revenue funding by forced closures (60%), and emergency funding (53%).
- **Lower levels of knowledge about government support:** Nearly half of organisations did not know about the support measures announced by the government when they completed the survey. Small and large organisations were more likely to report confusion about where to access support.

Background and Methodology

On Friday afternoon, 20th March, we launched a short survey to provide insight into the current and possible future impact of the COVID-19 pandemic on the people and heritage organisations the National Lottery Heritage Fund work with.

This went by targeted email to a sample of our grant recipients in receipt of a grant over £250K within the past 10 years (this included some of the most significant visitor attractions in the UK as well as many smaller independent heritage sites, museums and archives, parks and gardens and community organisations).

We also promoted an open link on our website to encourage other heritage bodies to respond. Throughout the week that the survey was open we promoted it on our social media channels.

The survey was open for a week (20 March to 27 March) and received 1,253 responses. 479 of these are from the targeted email to grantees who had received £250,000 or more since the 2009/10 financial year. 79% of respondents were present or former grantees.

The survey helped us gather evidence about the immediate and longer-term impact of the pandemic on the heritage sector and helped inform how we, our partners and Governments can support the sector swiftly and in the best ways we can.

The questionnaire contained seven quantitative questions and one qualitative question examining the impact of and support required for COVID-19 pandemic.

All responses were analysed by organisation type, geographical spread and heritage area.

Country and Sector Differences

We explored the responses by geography and sector. We found no significant differences by either category.

Findings

Impact

The impact of the COVID-19 epidemic is universal with 98% of organisations having been impacted within the first three weeks and the remaining 2% expecting some impact in the future.

Respondents were geographically evenly spread across England, Scotland, Northern Ireland Wales, and covered the breadth of heritage areas we fund.

Type of Impact

The financial impact will be high with loss of revenue being the second most frequently reported impact at 72%, after postponement of planned events at 91%.

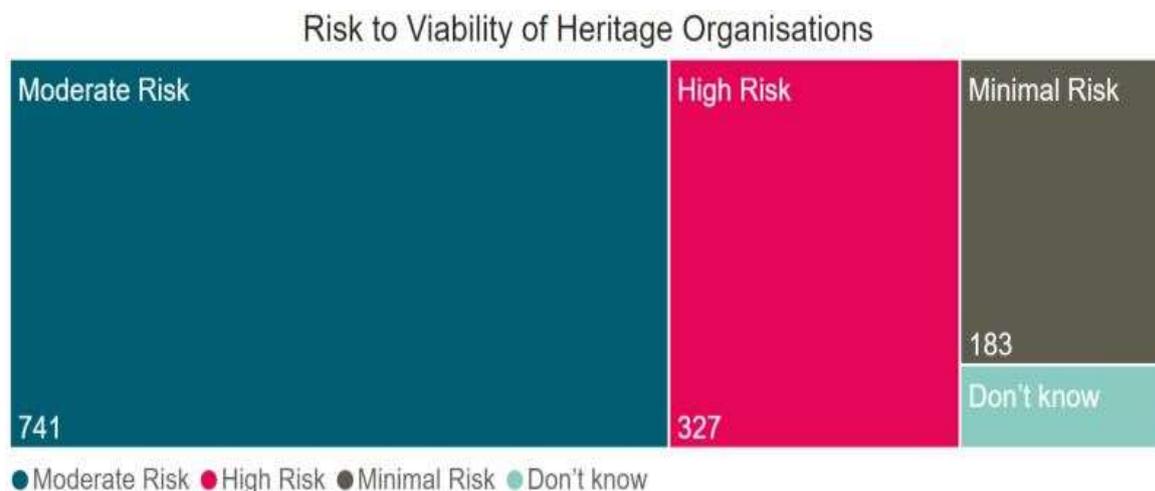
Organisational impacts are also high with more than half of respondents reporting they expect to close to the public (71%), suffer a lack of available volunteers (55%), staff absence (49%), as well as reduced visitor numbers (49%).

Larger organisations reported greater impact around staff absence, the lack of available volunteers and a need to invest in IT/home working.

“The disease has resulted in the complete loss of enquiries for the summer season and a flurry of cancellations, but also the uncertainty around the disease means that even the 2021 season cannot be planned with any confidence and it is unlikely that people will book, resulting in immediate cash flow problems and longer term viability issues.” (Survey respondent, 2020)

Risk to long-term viability

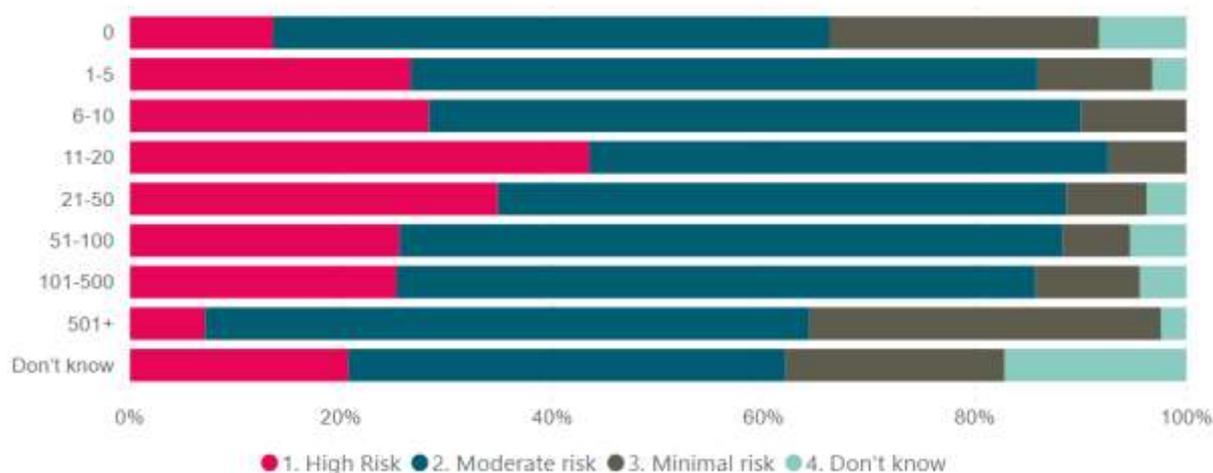
The majority (82%) of organisations report high or moderate risk to the long-term viability of their organisation.



Charity or third sector organisations and private organisations are likely to be more at risk with over 90% responding with a high or moderate risk to long term viability.

Medium sized organisations are likely to be slightly more at risk. 45% of organisations with 11-20 employees report a high risk to long term viability, compared with 25% average reporting high risk.

Risk to Viability of Heritage Organisations, by Size (no of employees)



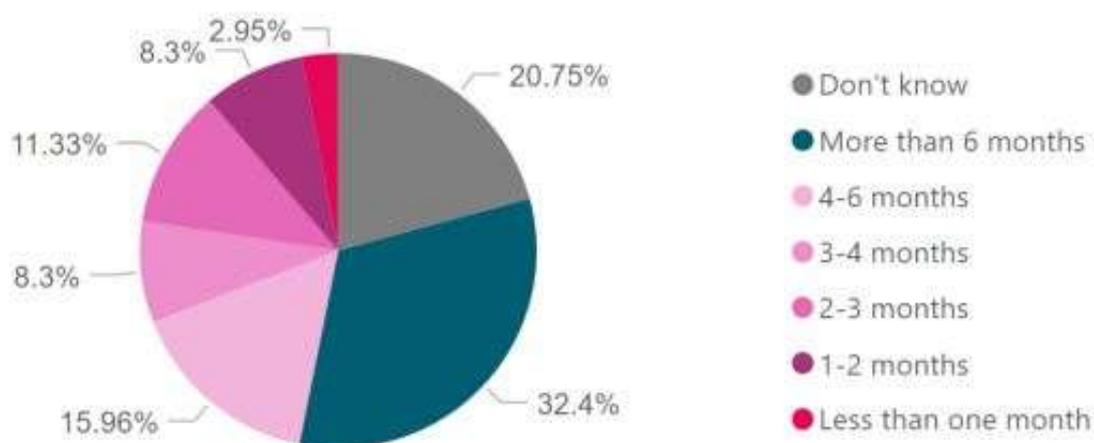
“No one wants to make people redundant, or lose staff, but with no income coming in, will simply run out of money to pay them. SSP does not pay enough for staff so I have looked at many sources and can't find the answer to this. There is lots of offers of support and guidance for which we are grateful but it does not help the financial situation at present. There is real concern in the charity sector that loans are not an option long term.” (Survey respondent, 2020)

Financial Reserves

Based on current financial reserves and levels of income/overheads, 47% of organisations can survive for no more than 6 months, with 11% expecting to keep going for no more than 2 months.

Charity and third sector organisations and community and voluntary groups report having the least financial reserves with 36% and 35%, respectively, stating they will not be able to keep going past 4 months.

Financial reserves - length of cover if current conditions continue



“Currently the situation regarding COVID19 is changing rapidly and as an organisation we are endeavouring to respond. However, the crisis that we face is split between short term cashflow and longer term loss of ongoing revenue. The precarious financial situation that the Trust finds itself in commenced with the flooding in February, when two of its museums were flooded and the village ... was closed to visitors, this has been completely exacerbated with

COVID19. The work that has been done to date on emergency scenario planning indicates that if the Trust is 'shut' for six months (i.e. visitors do not come back till the autumn) then we need to replace £3.5 million in lost revenue.” (Survey respondent, 2020)

Financial Shortfall

Organisations across all types and sizes reported some level of financial shortfall. This varies according to the relative size and financial health of the organisation.

36% of organisations expect a financial shortfall of up to £50k in the next 6 months, 6% expecting a shortfall over £500,000 and 7% an impact of over £1m (although it is also clear that for some organisations it is too early to fully understand the potential financial impact).

For the organisational types with the least financial reserves, the charity and third sector organisations and the community or voluntary groups, a financial shortfall of up to £50k is most prevalent at 31% and 58% respectively.

Unsurprisingly larger organisations report a higher financial shortfall; organisations with over 20 employees will experience a financial shortfall of more than £250k.



Support: The National Lottery Heritage Fund

In terms of support from The National Lottery Heritage Fund and our partners the most popular response was for greater flexibility for existing projects/grants (77%), followed by replacement funding due to loss of revenue funding by forced closures (58%), and emergency funding (52%).

“The tone of support has been encouraging and knowing that you will be flexible with funding has been helpful. We now need clarity on what this will mean in reality and what actual support we can apply for. This is of the utmost importance but needs to be communicated very quickly as we and many other organisations are facing a cash flow crisis.” (Survey respondent, 2020)

Support: Government

Nearly half of organisations were not clear on the support measures that they might be able to access that had announced by the government when they completed the survey. Small

and large organisations were more likely to report confusion about where to access support. Of the options offered in the survey, the statutory sick pay relief package for SMEs (22%), the HMRC Time to Pay Scheme (18%) and the 12-month business rate holiday (15%) were most cited as possible routes to access.

“There's not enough info yet to support the government funds/support which have been announced. We have little idea what/if we're eligible to access.” (Survey respondent, 2020)

Of those organisations that did not report 'Don't Know' most selected 'Other' and were mentioning a variety of measures including the elements of the package of support announced by the Government at the time the survey was live. Subsequent support has since been announced. There were also a large number reporting the support measures were not applicable.

Next Steps

We are using these findings to inform our response to support organisations across the sector and across the UK. We are also sharing these results with our partners who are considering their own support packages (for example, with Arts Council England for museums in England, Historic England and Historic Environment Forum) and to support the UK Government and devolved Governments' and associated agencies' need for evidence. This will cover financial packages, streamlining of our processes, and working with partners to ensure as much information is available as possible on the full range of support measures.