

## A review of ‘resilience’ in the heritage sector

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### 1 Introduction

Helping heritage organisations to be resilient is an essential activity if heritage of all kinds is to be preserved for future generations. In the context of the National Lottery Heritage Fund’s preparation for its fifth strategic plan period (2019-2024), we were commissioned to review research and evidence around the resilience-building needs of heritage organisations.

This review has involved:

- A literature review of the evidence on heritage and resilience
- A data analysis of our extensive 2018 resilience survey in the arts, culture and heritage sector (conducted with The Audience Agency for Arts Council England) looking at the differences in responses from the museums/heritage sector and Fund grant recipients
- Interviews with key stakeholders
- Five roundtable events (held in Belfast, Edinburgh, Cardiff, London and Leeds) with staff, trustees and volunteers from organisations that have received support from The Fund

The objective is to inform the design of a new business support programme aimed to improve organisational resilience.

### 2 Policy context

Since this review began, the National Lottery Heritage fund has launched its new Strategic Funding Framework for 2019-2024, shaped by an extensive consultation process across the sector. Of its six strategic objectives, one is of direct relevance to resilience programmes: “support the organisations we fund to be more robust, enterprising and forward looking.” There is also a focus on inclusion, with an inclusion outcome now required for every funded project.<sup>1</sup>

An important part of the policy context is the DCMS 2017 tailored review of Heritage Lottery Fund/National Heritage Memorial Fund (as then was).<sup>2</sup> In the words of John Glen MP, this pointed towards the conclusion that:

“in order to become more effective, HLF must become more strategic in its thinking

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<sup>1</sup> <https://www.heritagefund.org.uk/sites/default/files/media/attachments/Heritage%20Fund%20-%20Strategic%20Funding%20Framework%202019-2024.pdf>

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662546/HLF\\_Tailored\\_Review\\_Final\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662546/HLF_Tailored_Review_Final_Report.pdf)

and its decision making; must strengthen its partnerships with others within and beyond the heritage sector; and must focus on supporting the sustainability of the sector and of our heritage.”<sup>3</sup>

It emphasised the need to play a strategic role beyond the delivery of grants:

- to support the sector
- invest in skills and growth
- develop strategies to reach underrepresented groups
- support digital heritage and
- explore alternative funding models beyond grant giving.

## 3 What is resilience?

### 3.1 Towards a basic definition

In short, resilience is about being able to respond effectively to changes, threats, shocks and opportunities. It has two paired meanings:

- “Bouncing back” – survival, endurance, strength, returning to prior state, preserving core mission and goals (more negative)
- “Bouncing forward” – thriving, evolving, prospering, developing mission and goals in light of changed circumstances (more positive)

This understanding doesn’t just come from the literature on resilience. It seems to be broadly shared across the arts, culture and heritage sector – as confirmed in discussions with roundtable participants.

Finance is clearly at the heart of what many people think of when they consider resilience. Most aspects of resilience have some financial impact and almost all financial challenges have an impact on resilience. Yet it is important to think of resilience as not just about money.

### 3.2 A cross-sectoral concept

‘Resilience’ is a multifaceted term. It was introduced in the field of ecology in the 1970s and is in active use in psychology (personal resilience), urban studies, disaster preparedness/recovery, international development and business/organisational health – as well as in the arts, culture and heritage sector.

In this research we have focused on understandings and discussion of resilience in the context of the heritage sector, but the sector also sees resilience through other lenses. For example:

- Natural heritage organisations think about the ecological resilience of the

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<sup>3</sup> *Ibid*, p. 5.

- ecosystems they aim to protect
- Museums explore the use of art and culture to enhance the psychological resilience of the people they serve
  - Community organisations aim to enhance community resilience (an objective within the Fund’s Strategic Funding Framework is to “demonstrate how heritage helps people and places to thrive”)
  - All heritage organisations also think about resilience as meaning the survival of the heritage assets they protect – including drawing on lessons from disaster preparedness and recovery

Therefore, any discussion of resilience by the National Lottery Heritage Fund should specify the context in which it is being used and understand the multivalence of the term.

### 3.3 Individual, organisational, system-wide

Resilience can be understood and discussed on multiple levels – from individual resilience, to organisational resilience, to the resilience of whole sectors, regions or communities. As our report for Arts Council England highlighted, Mark Robinson and others have argued that resilience should best be understood as a property relating to *systems* at multiple levels of complexity.<sup>4</sup>

Because this research is intended to inform the design of future business support programmes by the National Lottery Heritage Fund, we have been asked to focus on organisational resilience. While we have done this, there is a strong argument that it is unwise or impossible to consider organisational resilience completely in isolation. Roundtable participants have recognised the interdependence of different levels of resilience and moved fluidly between these different levels in discussion.

Mergers, networks and other formal partnerships can increase the resilience of both individual organisations and the *system* to which they belong. Whether the system is around a locality, community, specialism or group of heritage assets, this – rather than the individual organisation level – may be the appropriate level at which to devise policy interventions and/or evaluate different ways of improving resilience.

## 4 Literature review - National Lottery Heritage Fund evaluations

### 4.1 Introduction

The richest source of evidence on resilience in the heritage sector comes from programme evaluations commissioned by the National Lottery Heritage Fund. Since 2012, The Fund has invested £69.53m in building the resilience of the sector via the following programmes:

- Catalyst Endowments - £29.8m
- Catalyst Umbrella - £4.8m

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<sup>4</sup> <https://www.artscouncil.org.uk/publication/what-resilience-anyway-review>

- Catalyst Small Grants - £1.13m
- Start-up Grants - £1.6m
- Transition Funding - £6.6m
- Heritage Endowments - £10.3m
- Resilient Heritage - £15.3m

These programmes sought the following outcomes:

- Heritage will be better managed
- People will have developed skills
- Your organisation will be more resilient

We summarise some of the main points of the evaluations below.

## 4.2 Finance

- Finance and fundraising can't be addressed in isolation. Wider organisational culture/capability issues are critical, particularly leadership and governance.
- Endowment matching through the Catalyst programme had positive outcomes, but tended not to result in diversification of income streams, and organisations with greater existing capabilities were more likely to be able to take advantage of it.
- One-off project funding makes longer-term progress difficult.

## 4.3 Capacity to engage

- Driving broad engagement across the sector requires effort, and hard-to-reach organisations may need extra, more basic support.
- Not all organisations have the capacity to engage effectively with a capacity-building programme.

## 4.4 Application and project start

- Provide knowledge and support at application stage
- An initial diagnostic process is valuable
- Identify risks at project outset and continue to review them

## 4.5 Style of support

- 'More intense support' (one-on-one, in-house, executive coaching) may be needed to embed organisational change
- Flexibility of funder expectations is key – yet evidence also shows that more structured programmes may lead to better long-term outcomes
- Bespoke, tailored support is often best practice

## 4.6 After project end

- There should be support to plan beyond the project period, and to put plans into action
- ‘Short-term capacity funding is in demand, but does not always achieve long-term outcomes’

## 4.7 Other literature

Outside of the evaluations commissioned by the National Lottery Heritage Fund, and linked evaluations conducted by organisations funded to deliver programmes such as Catalyst, there is very little literature specifically focusing on resilience and heritage. This was the conclusion of a rapid high-level literature review conducted for the Heritage Lottery Fund in February 2016,<sup>5</sup> and little appears to have changed since then.

In the UK, the heritage sector has begun to adopt the term ‘resilience’ to refer to organisational resilience. In part this has been driven by the National Lottery Heritage Fund’s use of the term, alongside other funders in the wider arts, culture and heritage sector such as Arts Council England and the Arts Council of Wales. However, this term does not appear to be significantly used in the heritage sector in the rest of the world. Instead ‘resilience’ tends to refer to:

- The survival and protection from harm of heritage assets
- Heritage enabling communities to survive and thrive

Therefore, whether considering the UK or the rest of the world, it is important to search more broadly for evidence around the sub-topics that contribute to resilience, such as social enterprise, finance, governance, workforce skills and so on.

Here we offer a summary of the conclusions from a few key pieces of literature:

### **Wavehill and Consilium Research for Arts and Business Scotland 2018, The State of Heritage Funding Now: Research Report**

- There is “absence of data that is exclusive to Scotland and / or focused specifically on the heritage sector as opposed to the wider cultural sector or charity sector... This highlights a need to fund dedicated research to improve the quality and availability of data pertaining to fundraising in the heritage sector in Scotland.”
- “There is a need for ongoing sector support to assist heritage organisations in diversifying their income streams, including but not limited to corporate sponsorships, legacies and endowments.”
- “There remains a heavy reliance on grants in the heritage sector... Concerns have been raised regarding the sustainability of Trusts and Foundations as levels of grant support provided have outstripped the performance of the endowments that fund them.”

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<sup>5</sup> Gareth Lloyd, *Rapid High-Level Review of the Capacity-Building Needs of Heritage Organisations* (NCVO/IVR for HLF, February 2016).

- “A training programme should be established to enable heritage organisations to develop the commercial and business skills to capitalise on future increases in visitor numbers.”
- “Training should also be provided to heritage organisations to raise their awareness of the opportunities available through commissioned contracts within the public sector in Scotland.”
- “Efforts should be directed towards raising awareness within the heritage sector in Scotland of the benefits of networking with the business community... Further work should be directed at raising awareness amongst the business community of how the heritage sector is funded and opportunities for businesses to develop partnerships with heritage organisations.”
- “Efforts should be directed towards raising awareness and improving understanding across the heritage sector in Scotland of non-grant finance, including debt finance, equity finance and alternative finance.”
- “Research into major donor giving suggests there may be potential for the heritage sector to look at networking with charities and organisations from other sectors to raise the profile of the contribution they can make to wider social outcomes.”

## **Creative & Cultural Skills and English Heritage 2013, The Historic Environment and Cultural Heritage Skills Survey**

- “Overall, 42% of respondents considered that their organisation is currently lacking skills... The key roles where skills gaps are considered to exist include management, specialist and marketing roles. Across the sector as a whole, specialist skills, IT and digital skills (such as social media, web optimisation, website management and design) were considered to be missing.”
- “A number of organisations expect to be affected by changes in public funding: this may force organisations to pursue more commercial opportunities. The key skills required to manage this include change management, strategic planning, financial planning and sourcing income. Key business skills needed include budget planning, identifying new and alternative sources of finance, planning and managing sustainability and growth, diversifying current income streams and marketing and advertising.”
- “Just over half (53%) the organisations felt that they had the skills required to manage change, or had them to a large extent. These included change management, strategic planning, financial planning and sourcing income.”
- “When asked which skill sets respondents felt would be important in the future 62% envisaged that balancing sector specialist skills and business skills would be crucial...”
- “Generic work skills within businesses are still an issue, with this area constituting a key gap amongst new entrants. Skills related to planning and organisation, commercial awareness and business acumen, the ability to work under pressure, communication skills and so forth are consistently mentioned by organisations. Individuals in specialised roles may also be increasingly likely (in a sector that has contracted) to have to take on broader organisational roles, without possessing the necessary skillset going into the role.”
- “IT and digital skills, in the areas of social media, web optimisation, website management and website design remain a significant skills gap, amongst cultural

heritage institutions in particular. There is recognition that these organisations are not going as far as they could in harnessing digital opportunities, and further developing revenue streams with regards to areas such as tourism. This is an area in which larger organisations are more likely to have a clear route forward, so disseminating the lessons learnt may prove key in the future digital capabilities of smaller organisations across the sector.”

- “Joint working should be encouraged across the spectrum of the historic environment and cultural heritage sectors. This could help to increase the strength, voice and recognition of the historic environment and cultural heritage as a whole. Encouraging such working may support skills development overall as specialists share their knowledge with related sub-sectors across the UK.”
- “While specific leadership courses do exist for the cultural sector, there is potentially a gap in provision beyond cultural heritage institutions. Many organisations in the sector feel that they are lacking in high-level leadership skills such as change management and financial planning for the future. There is a need to ensure that these abilities are translated across the whole sweep of the sector, creating a sustainable base to run organisations that have ever more diverse funding models and business practices.”

## **Dan Corry, Abigail Rotheroe 2014, *Impact in the Heritage Sector***

- The heritage sector as a whole must think more about impact “for sound decision making,” “as a tool towards improvement of individual organisations and of the whole heritage sector,” and to successfully operate in a competitive funding and commissioning environment
- “Putting it crudely, for many social investors, heritage assets must be the means to the end and not the end itself. And this forces heritage organisations to ask themselves the often uncomfortable question, where does the balance lie between preservation of heritage assets and creating social impact?”
- Heritage organisations are not as good at measuring outcomes and impact as they think they are: “the same heritage organisations that said they were great at outcome measurement also say they have few of the skills to actually do it.”
- “Heritage organisations may not be communicating and measuring their impact in the language social investors can comprehend or grab hold of.”
- “The sector could work together on shared measurement frameworks that make explicit the links between heritage and social outcomes and where there are gaps develop tools to gather evidence. To enable this to happen, organisations need to develop a culture that sees both collecting and using data intelligently as part and parcel of the job, something that is alien to many of them at present.”
- “There is a clear role for the HLF to continue its work on promoting these skills, building the capacity for grantees by providing training and signposting to written guidance about impact measurement including its own good practice in evaluation. HLF should continue to provide funding for impact measurement, ensure there is clarity around the costs of impact measurement and encourage organisations to actually do it and do it well... The fund can also promote and/or develop shared measurement where practical to evaluate different organisations working in the same way and to build a body of accessible evidence on the nexus between heritage impact and social impact.”

## Charities Aid Foundation, CAF Resilience: Report of initial findings from the pilot programme

Funders can best support small charity resilience by:

- “Recognising that charities need space to engage with complex organisational development issues and provide funds to backfill senior staff time.”
- “Ensuring that **charities receive core costs in addition to project grants** and are funded to have the time to take part in promotional or learning opportunities that the funder requests as part of their own wider agenda.
- “**Working collaboratively with charities** when agreeing which types of funder plus expertise they will receive and when and how this is delivered. It should be provided by someone who understands their context and has taken time to understand what has already been tried before.”
- “Considering the benefits of **cohorting charities with organisations unlike themselves** to learn from each other’s experiences in developing the core of their charities, as it will encourage them to think outside of their own networks.”

See also [theory of change](#).

Charities Aid Foundation, [Six signs of a resilient charity](#)

- “Understands what their **purpose** is, and just as importantly what it isn’t.
- **Financially and operationally fit** with sufficient income from a diverse range of sources.
- Able to identify and communicate the need that they meet and the **impact** that they have.
- **Effective leadership** with trustees and executives who take time to talk about the bigger picture rather than focus solely on day to day matters.
- **Well networked** and able to get support from and work in partnership with others.
- **Awareness** of the political, economic, local and national context they work in, regularly horizon scanning for challenges, threats and opportunities.”

## Esmée Fairbairn Foundation 2019, Insights on core funding: Insight Report 4

- “For Esmée, project funding and core funding is similarly effective when it comes to achieving outcomes.”
- “Grants for organisations’ core costs, and in particular unrestricted grants, are more likely to help lever in other funding for organisations.”
- “Organisations consistently told us that core funding gave them the flexibility to develop and improve their work. They made changes to the way their work was carried out, communicated and understood. They tested and tried new things. They took risks, made mistakes, failed and learned as a result. We think that this ability to evolve and change is key for both funded organisations and funders.”
- “Consider whether you can really attribute the effect of your grant. How much does the impact of your grant depend on the contributions of others? What about the unintended negative effects of the way you fund - what is the transaction cost of your grant? How much time are the organisations you fund spending in re-applying, reporting and recruiting as a consequence of the way you fund?”
- “Most funders are not experts. We are confident that the organisations we fund

know best how to plan and carry out their work. So why, as well-resourced charities ourselves, would we imply we know better what resources those organisations need to do that work? Why not let organisations choose the type of support that best fits?”

- “The duration of a grant you make could be more important than the type of support you provide. For the organisations we fund, the restrictions around the grant could be less important than the security of multiple years of funding.”

## **ICCROM 2015, People-Centred Approaches to the Conservation of Cultural Heritage: Living Heritage**

“Communities contain capacities and assets that outlast political or professional structures and complement specialist knowledge and skills.”

“[P]eople-centred approaches do not consider heritage as simply an isolated entity that requires resources for its conservation and management. Instead heritage is seen as having the potential to play an active role in communities and bring benefits to people....”

“Decision- and policy-makers can:

- Give voice at a national/international level of the benefits that heritage can deliver to society
- Promote dialogue with development agencies to see heritage part of the sustainability agenda
- Revisit the management systems in place for heritage and assess the ways in which they can be adjusted to allow greater community involvement
- Allocate resources for capacity development in the area of community engagement
- Ensure that funding for heritage-related projects allow for community consultation and involvement.”

## 5 Themes of discussion at roundtable events

### 5.1 Introduction

This section summarises the discussion at five roundtables held in London, Leeds, Edinburgh, Cardiff and Belfast. It aims to express the key points that were made by participants – staff, trustees and volunteers from organisations funded by The Fund – without selection apart from summarising the discussion. Therefore, inclusion of a point of view in this summary should not be considered as endorsement.

### 5.2 Views of The Fund

On the whole, participants were very positive about The Fund, its programmes and the support they received from it. Anecdotally, in other contexts, we have found funded organisations significantly more negative about other funders in the arts, culture and heritage sectors.

### 5.3 National differences?

Although there were differences in emphasis between the five roundtables, due to the very small sample size there were no clear-cut cases where this could be attributed to national differences.

Particular needs highlighted in specific roundtables included:

- Northern Ireland
  - Recognition of special needs, challenges and outlook of small/unincorporated community organisations
- Scotland
  - Support from third sector funders
  - Leadership/governance that is willing to embrace change
  - Overcoming the challenges of rurality
- Wales
  - Peer sharing and networking
  - Training sessions
  - Social entrepreneurship skills
  - Cultural change in organisations around managing finance and risk
- England
  - Developing assets and brand
  - Metrics and benchmarking and data gathering, cross-sector as well as within organisations

### 5.4 How heritage is different from the arts and culture

- There is a presumption of ‘sustainability first’ in the heritage sector, because there is generally a heritage asset whose protection and survival is the priority. This means that long-term thinking and a secure governance structure are essential. It may also mean a higher degree of risk-aversion.
- Heritage assets – whether a listed building or a designated piece of natural heritage – are both assets and challenges. They are often a major financial drain for an organisation: “a money pit.”
- Thinking about resilient behaviours may be more appropriate to the day-to-day world of the arts than to heritage, which tends to think more longer-term in terms of outputs and objectives.

## 5.5 Funding applications

- Strong agreement about the desirability of getting knowledge and support from the funder at the application stage, including help with how to construct/design the project. (For example, the type of support offered by Community Enterprise in Scotland, or the Community Fund where your first interaction is directly with a grants officer.) This could be either directly from The Fund or via an assigned external mentor.
- Could be a model of preparatory work where you get funded to do the project design and/or develop to a level of capacity where you are able to apply. This could involve external benchmarking of finances and/or an audit of internal behaviours/capacities.
- It is equally useful to hear when you’re moving in the wrong direction, when you’re not ready, when you’re organising yourself in the wrong way or aiming at the wrong objective.
- ‘The volume of guidelines you have to wade through is immense, and they’re different for everyone you go to. And you’re having to fit your project into a very specific box.’
- ‘The questions are very generic, it was difficult to express the specific needs and aims of my organisation.’
- Officers who review applications should have had experience of trying to write one themselves
- Should offer guidance on the scoring of applications, as ERDF funding does.
- Conflicting feedback after a change of grant officer “can be catastrophic.”

## 5.6 Style/type of support

### Core revenue funding

- Chasing repeated project funding in order to stay afloat can be damaging to organisations, distorting their priorities and placing heavy demands on a small team. Making core revenue funding available in some circumstances could be a solution.

### Project funding

- Short-termist project focus can make long-term resilience difficult.
- There should be a cap in regular funding from The Fund because it brings complacency. Some organisations “go back and back and back again.” Large organisations that are good at funding applications can end up squeezing out smaller ones.
- Some organisations are failing to plan properly for the end of the grant, “putting their head in the sand.” There could be a structured requirement to forecast/plan past the end of the grant.
- There be more support for the development of social enterprise models – to create a product, pursue product innovation, to work like a business. This would ensure that the organisation isn’t dependent on grant aid forever.

## Training sessions

- Resilience support shouldn’t just be about giving out money but also included training sessions on key tools/skills/practical building blocks for resilience – for example, along the lines of the courses offered by the Institute of Fundraising. Topics could include measuring impact, financial planning, handling issues with governance, etc.
- One issue might be that there’s a reluctance to admit when there are skills gaps. Some organisations “don’t know what they don’t know.”
- Mixed feelings about making training events compulsory/built in as a part of a grant. It would give people permission to take the time to attend and solve the problem of organisations not knowing their own skills gaps – but it could also come across as prescriptive, inflexible, a waste of time.
- Could offer a register of training opportunities for organisations to pick and choose from.

## Networking

- Organisations found the roundtables valuable simply for the opportunity to meet other funded organisations. They also appreciated a strategic topic such as resilience being discussed in a facilitated environment with a mixed group of backgrounds, experience and organisational challenges. Many had never encountered one another before, even though they were often geographically quite close. During and after the sessions, there was intense sharing of ideas and insights, with business cards or contact details often exchanged afterwards.
- More formal networking sessions for organisations funded by The Fund would be extremely valuable, particularly if dedicated funding was provided for attendance (for example to cover travel and subsistence costs) at these events.
- Peer sharing and mentoring were seen as being extremely valuable and under-provided. For example, the sort of support provided by the Development Trusts Association.

## Consultancy support

- Mixed feelings about the value of consultants in supporting resilience
  - Con: expensive, of mixed quality, sometimes support can be *pro forma*.
  - Pro: some can be transformational, inspirational, strategic, challenging,

useful in providing interim leadership

- Would be extremely useful to have a register of recommended consultants
- “Sometimes we spend money on consultants to back us up so that The Fund listen to us when we say what we need.”

## 5.7 Flexibility

- By the time you get a grant, needs and timescales may have changed already, so flexibility is key.
- Most participants were pleased with the flexibility of The Fund and its willingness to have conversations about mid-project alterations. Clarity about outcomes but willingness to change strategies to achieve those outcomes. One organisation said that The Fund’s willingness to reallocate funding “is the reason we’re still open today.”
- Rigidity of funding programme timelines can be an issue, particularly when it comes to employing external consultants/advisors. Gaps before being allowed to start a project can be just as problematic as rigid deadlines.

## 5.8 Specific challenges/mismatches

### Size

- Larger organisations have much more capacity to apply for funding and this may result in imbalances in who is funded
- Although the research focuses on organisational resilience, this may have the effect of erasing small community/voluntary groups that aren’t incorporated. “Everyone gets pushed into a shape that’s convenient to give a grant to.”
- Small community/voluntary groups may not speak the language of the heritage profession or fit into the style of support offered. One participant said “we feel like beggars at the table.”

### Heritage focus

- “Although we had a historic building under our care, we didn’t see ourselves as a heritage organisation. We just didn’t want to see a public asset get knocked down.”
- “We weren’t able to adequately explain the value of the project within the scope of the application. For us the value of a restored heritage asset was about all the other public benefits, like apprenticeships and building skills in the community.”

### Specialist focus

- Could use more support/understanding around specialist areas of heritage

## 5.9 Capacity to make change

- Key ingredient in success of resilience funding is the attitude within an organisation – whether they have the ambition and the inclination to change. Coaching and mentoring on their own are not sufficient to effect change.
- Many organisations struggled to free up the capacity to deliver a capacity-building programme. Planning to backfill time was essential but
- Organisations need the spare headspace, capacity, permission to do strategic thinking and R&D. Instead they're captured by the day-to-day need to achieve objectives to deliver on funding requirements. "People feel if they're not absolutely head down, then they're not doing their job."
- Having a volunteer co-ordinator who could nurture a real contribution from volunteers was "golden" in expanding capacity for one organisation.
- Organisational continuity is a challenge. It can be very difficult to deliver a project for which someone else has applied.

## 5.10 Building assets

- An important way of building resilience is to build assets that aren't just tangible – such as buildings or natural heritage. For example, intangible assets such as brand and reputation or customer datasets and followers or subscribers.
- A project makes you more resilient only if you end up with more valuable assets or more capabilities at the end of it – both The Fund nor funded organisations sometimes seem to be unclear on this. Some interventions make things better only during the project, not afterwards.

## 5.11 Leadership and governance

- Having good leadership and governance is seen as a major contributor to resilience
- Leading a successful heritage organisation is seen as increasingly challenging because of the diverse range of skills that are now required – particularly social entrepreneurship
- Challenges mentioned with boards:
  - Founding board members who are reluctant to grow and develop
  - Board members not putting the interests of the organisation first
  - Personality clashes
  - Boards that are 'talking shops'
  - Lacking the right skills and capacities
  - Board members with corporate business background not understanding the unique circumstances of organisations
  - Difficulties recruiting new members – particularly in rural locations

## 5.12 Tracking performance, setting targets, managing risks

- For many organisations, tracking performance indicators is a weakness, but this can be crucial for on-going resilience. "When we started out we judged our success

based on survival, but now we're looking at non-financial indicators so we can judge whether we achieve our objectives and this is important to us in developmental terms'

- Resilience lies in ability of organisations to anticipate the future and create plans that forecast and respond to risk – including the end of funded projects and funding cuts
- Performance indicators attached to funding can be very useful, if they are adhered to

## 5.13 Finance and understanding of finance

- Much more need for social entrepreneurship than previously – and it's very difficult to find these skills in conjunction with all the necessary heritage-specific ones
- Organisations shouldn't be afraid of talking about finance. All staff members should understand how budgets work and how money is spent. Must build skills around budgeting, costing, financial controls, financial forecasting.
- Understanding of full cost recovery and pricing for full cost recovery is essential. Some charities are expected to provide services below cost simply because they are a charity.
- Need to be able to manage tensions between organisational mission and the need to earn money to support it. There can be issues even if people understand the need: for example between weddings and educational activities competing for the same space.

## 5.14 Joined-up thinking

- Should be a more joined-up approach in terms of support from different funding bodies, in particular making it easier to apply for funding from multiple sources. It would also be helpful to have better signposting of what else is available in terms of funding, support and resources.
- Resilience should be sectoral. There are a lot of issues with collective action, wasted effort to recreate the same thing individually without collaboration

## 6 Conclusions

### 6.1 Attitudes towards The Fund

The five roundtables that were held demonstrated the generally high esteem in which the National Lottery Heritage Fund is held by the heritage sector. Although suggestions were made for improvement, organisations on the whole considered the National Lottery Heritage Fund to be a good funder and were positive about the impact of the funding they had received on their resilience. Therefore, a future business support programme has existing successes to build upon.

### 6.2 Needs of the heritage sector

The heritage sector does have specific needs and attitudes compared to the arts and culture sector:

- Greater emphasis on long-term sustainability – leading to increased risk aversion and emphasis on resilient outcomes rather than day-to-day behaviours
- Need to meet the demand of maintaining and protecting a heritage asset
- Increased challenges of rurality

Yet not all recipients of National Lottery Heritage Fund grants necessarily identify with or consider themselves part of the heritage sector. “Although we had a historic building under our care, we didn’t see ourselves as a heritage organisation,” said one roundtable participant. “We just didn’t want to see a public asset get knocked down.” In particular, small community groups – which may or may not be incorporated associations – may have more in common with the wider community and voluntary sector.

It is important to highlight that roundtable invitations went only to organisations that had received project grants from The Fund. This could be considered a limitation of the research. It may be – and in fact is likely to be – true that organisations which were not successful in funding applications are likely to have different needs, or more acute needs. This is likely to be even more the case with organisations that never considered applying to The Fund in the first place.

### 6.3 Demands of the future

Participants in the roundtables foresaw radical changes ahead for the sector and noted that there are already severe demands in terms of leadership and governance. Heritage organisations needing to operate as social enterprises was seen increasingly as a given, but it was noted that it is very challenging to combine the capabilities and ambition of social entrepreneurship with the diverse range of other skills required by a heritage organisation. There appeared to be an understanding that many of these changes are not unique to heritage – and that learning from and collaborating with organisations and professionals from adjacent sectors (for example, wider third and public sectors, wider leisure, tourism and entertainment sectors).

Some roundtable groups exhorted the Fund to encourage the consideration and development of radical new models for governance and business models. Particularly in the area of digital and data, some felt that scale is required and encouraging individual organisations to take on these related functions is not financially or otherwise sustainable. Participants felt that these should not presume that existing organisational structures will be appropriate. Developing new 'market' structures for parts of the ecosystem would appear to be the task here rather than attempting to make existing organisations deliver in significantly changed circumstances.

## 7 Recommendations

### *Being specific about what resilience means*

What does it mean to make the heritage sector, and the organisations within it, more resilient? In the design of future business support programmes and their outcomes, The Fund must engage with this question above all others – because to state that a desired outcome is that “organisations have increased resilience” is to beg the question.

We suggest that the answer (in interventions to support resilience and in applications for funding or other support) should be specific about which outcomes are sought from a matrix or basket of indicators:

- More valuable and exploitable physical, intangible and financial assets (including but not limited to reserves)
- Measurably different funding mixes and business models
- Improved performance in key areas (against benchmarks in heritage but also from other sectors eg social enterprise and third sector more generally and non-heritage community/voluntary sectors)
- Increased capacity and resources
- Developed organisational behaviours and cultures which are known to support resilience.

As was identified in workshops, the behaviours model from the preceding Arts Council England resilience study needs to be somewhat extended to accommodate some elements that were omitted and some elements which are particular to the heritage sector: Leadership and management skills and capacity relating to resilience being one; and a pro-resilience organisational culture and mindset being another. The model can also be simplified by combining some behaviours of smaller 'granularity' into wider themes.

This evolved behaviours model could form the basis of tools and training. A self-evaluation tool or framework and materials could be developed around these behaviours.

### *Looking up from the organisation-only perspective*

An exceptionally simplified measure of resilience might appear to be that “organisations are still in existence.” However aiming at survival may not always be the most appropriate response. The best response to an organisation which is not resilient is sometimes to shut

it down (a so-called ‘good end’). Far-sighted trustees may see their job as continuing the ongoing delivery of a mission or protection of a heritage asset regardless of organisational structures, even though the default position of executives and board members is to protect and further the existence of the current organisation fulfilling this function. An organisation-only focus on resilience from the Fund will reinforce this presumption.

Resilience is a property of systems and sectors as well as single organisations. Therefore, outcomes for the business support programme should include measures of the Fund’s success (or otherwise) in effecting systemic change in the health, performance and resilience of the heritage sector as a whole. Although The Fund does not have strategic responsibility for the sector as a whole, and much heritage is in private ownership, we suggest that it is still desirable to look beyond funded organisations. At a minimum this might include understanding how The Fund has prompted the development of wider collaborations, networks and partnerships, However The Fund could also consider:

- Measurable goals for leveraging additional funds (beyond traditional heritage or arts/culture funders; beyond trusts and foundations regularly supporting the heritage sector; including small, local and national businesses; including public funding focused on non-heritage or culture specific outcomes, such as wellbeing, loneliness etc) into the sector.
- Awareness in sector leaders of future risks and opportunities with respect to which the sector needs to be resilient. Rather than each organisation doing its own horizon-scanning, the Fund could look at centrally funding/resourcing/co-ordinating such activities whilst involving those from the sector who would like to be involved. There are a range of suitable participatory horizon scanning methods to choose from.

### *Building cross-sector intelligence*

Adopting a consistent matrix of resilience indicators has some implications. Resilience indicators need to be captured and managed centrally and over time – so that organisations can record their own performance and development and benchmark themselves against others, as it evolves; and so that the Fund can take a system-wide view of its own performance/impact as well as the effects of other external factors on the sector.

We recognize that The Fund will need to develop its capacity (or that of those it partners with) for data-gathering in order to adequately measure KPIs. The DCMS Tailored Review states that “data collection and usage will also be an important area in which HLF must have heightened capability in the future” (although its recommendations are focused on the better use of grant data).

These KPIs might not exclusively be resilience indicators. They could also include wider KPIs that would be of use to NLHF as well as potentially impacting resilience – for example, reach/inclusion/diversity and relevance to visitors/the public.

The Fund could usefully look sideways at some other lottery distributors such as the British Film Institute whose remit includes supporting the success of the British film industry in its widest sense (whether or not funded by the BFI or any other public funds). It

could be argued that a highly resilient sector would have an increasing number of organisations falling within a definition of heritage who did not in the normal course of events require funding from the Fund.

Only measuring the performance or impact of those it funds can create perverse outcomes: a dependency on funding in organisations or an overemphasis of limited resources on grant aid as opposed to other financial instruments or support. Therefore The Fund, alongside other bodies with strategic responsibility for the sector, should consider whether there are methods of measuring performance and resilience across the sector as a whole. This could address the exhortation of DCMS for the Fund to be more strategic – moving towards taking measures to create a more supportive operating environment or ecosystem in which for heritage organisations to operate. For example, were the Fund to successfully leverage in other funds or financial instruments (eg from the private sector, or additional tax breaks) arguably the call on its funds from some organisations would diminish.

Heritage sector intelligence isn't just about data and backwards-looking research. As well as the horizon scanning work recommended above, the Fund could usefully support the sector in developing different future scenarios to describe the future environments and circumstances in which the sector will be operating. As well as mapping trends and developing scenarios, based on the best knowledge available from within and without the sector, this process could be used significantly enhance the long-term and scenario planning capability and skills across leaders in the sector.

### *Providing for a diversity of financial instruments beyond grant aid*

The Fund will need to consider further how its funding works alongside other funding, beyond the normal local authority, Arts Council England/Wales/Creative Scotland and National Lottery Community Fund. It may need to take some specialist advice around how it can – whilst remaining within the bounds of state aid and lottery regulation and law:

- explicitly support social enterprise activities within an organisation
- help develop assets which are purposefully used to generate future income and profits (net surpluses on specific activities that can build reserves or used to subsidise other activities)
- help to bring in private investment and/or operating partners into capital development schemes.

It may be that novel governance models are required not only to provide compliance but also allow a greater freedom to operate, generate profits and share risk – whilst ensuring that communities continue to benefit from assets or capabilities that are created, developed or made more accessible.

The Fund may want to consider how to leverage business funding into the sector, such as the matching of business funding/support in Culture & Business Fund Scotland.

We would recommend that the fund initiate a strategic conversation at the higher levels within UK Research and Innovation to look at how the Fund could collaborate with Innovate UK, research council and Industrial Strategy funding which is addressing the use

of “knowledge-based resources such as collections, archives and data”<sup>6</sup> within UK research and innovation infrastructure.

## *How funding is managed*

- As well as the protection of – or providing access to – heritage assets, offering funding for:
  - Wider social impact (perhaps in partnership with funders aligned to specific outcomes)
  - Development of/transition to social enterprise models (linked to specific, relevant resilience indicators as above)
  - R&D projects/supporting innovation (in new products/services/experiences; through new processes and ways of working; including the use digital and data when appropriate)
- Offering enhanced advice and support at application stage, perhaps through a two-stage application process (not only making it more likely for applicants to be successful, but also for the process to be useful in clarifying their objectives and developing capacity even if they are unsuccessful)
- Continuing a flexible approach to project funding, allowing grants to be reprofiled as circumstances and needs change during a project

## *Future business support*

More specifically, the evidence from the literature and roundtables suggests that The Fund should consider the following elements in the design of a future business support programme:

- Specifically accommodating the needs of smaller organisations and unincorporated associations
- Helping organisations understand and enhance their capacity to undergo capacity-building programmes, particularly looking realistically at the need to backfill time of those participating and to gain consensus among trustees
- Finding ways to mitigate the distortions of a project-funding approach, including encouraging planning past project end. This could include a greater use of unrestricted, revenue funding.
- Offering training courses, both coupled with and independent of project funding, to meet skills gaps in the sector. These might include:
  - Handling issues with and designing new models of governance, particular to be able to deliver enterprise activities
  - A spectrum of skills from traditional fundraising through corporate sponsorship to social entrepreneurship
  - Setting targets, tracking performance and managing risk
  - Creating frameworks to evaluate and then later measure impact
- Offering networking sessions for funded organisations and supporting peer-to-peer mentoring

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<sup>6</sup> <https://www.ukri.org/research/infrastructure/>

