

DCMS Select Committee Inquiry: The impact of COVID 19 on the Heritage Sector

Introduction

The COVID 19 pandemic is having, and will continue to have, a significant impact on the heritage sector. This brief highlights some of our key needs to address the significant threats to our immediate and longer term future this pandemic has created. We appreciate the efforts of the government so far to try and mitigate the economic impact of the COVID 19 crisis, but for the heritage sector, these measures do not yet address many of the issues our organisations are facing. As such, **there remains an existential risk to a significant number of organisations in the heritage sector.**

Heritage is one of our greatest national assets; it tells our nation's diverse stories, supports social cohesion, rootedness, and identity. England's heritage industry directly contributes £13.1 billion in gross value added (GVA). This is larger than the security industry, defence industry and the aerospace industry in the UK. Indirectly, England's heritage industry contributes £29 billion, equivalent to 2% of national GVA, and the heritage sector directly employs 196,000 people. Our historic buildings, transport, landscapes, traditions and museums are part of our unique offer on the national and international stage and should continue to play a central role as we move to recover from COVID 19. **If a significant number of organisations in our sector fail, our nation will be economically, socially, and culturally worse off.**

Who are we?

The Heritage Alliance is England's coalition of independent heritage interests. We unite more than 140 organisations which together have over seven million members, volunteers, trustees and staff. We sit on the Government's Heritage Council and on the sector's Historic Environment Forum.

Members of The Heritage Alliance include small and medium sized businesses, charities, and membership organisations. The organisations that we represent own, manage, or care for represent huge swathes of England's historic environment (including more than half of rural England). This includes stately homes, historic ships, museums, mobile heritage (planes, trains and vehicles), archaeological sites and organisations, specialist craft bodies, historic parks and gardens and historic religious buildings, to name a few.

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Q1. What has been the immediate impact of COVID 19 on the sector?

1. All heritage sites open to the public were forced to close their doors, including outdoor spaces. This meant the organisations were unable to benefit from the visitor and events income which makes up the majority of their incomes. The closures have unfortunately come at the peak season from Easter until September, when heritage sites and organisations can make up to 70% of their yearly turnover. Although some spaces are able to gradually open, many will be unable to run at 100% capacity for an unknown period stretching into 2021. These closures leave organisations in a particularly worrying position for the entire financial year. This is especially true of heritage sites that offer commercial events (e.g. weddings at historic houses) who have seen their entire season of programming cancelled.
2. Without this income, heritage sites have made the difficult decisions around paying staff, utilising reserves and maintaining sites and collections. **At the start of the crisis, some heritage organisations would have only lasted a few weeks without financial support** and were at risk of imminent insolvency. Some heritage charities have seen their non-grant income **fall by 80-90%**. We have seen instances of members of the public asking for yearly memberships to heritage organisations to be refunded. Without visitor spend, membership income, charitable donations and the accompanying Gift Aid, heritage organisations are at serious risk.
3. Indeed, according to a survey of over 1,200 heritage organisations across the UK carried out by the National Lottery Heritage Fund in the first week of April, 82% reported high or moderate risk to their organisation's long-term viability and 46% believe they cannot survive for another six months.
4. Most heritage sites and museums require a level of maintenance to their collections, buildings or gardens. Without income and cash flow, organisations are unable to pay staff to do this work. There is a risk of the sites falling into disrepair or losing important objects to incorrect conservation practices. In some cases, planning for urgent repair works for at-risk buildings is now frozen. There is also a problem with letting maintenance falter and sites being unready or unable to open to visitors when it is again safe to do so. For example, NT conservation work has been put on hold during this crisis.
5. There has also been an uptick in heritage crime. As sites may now be unmanned and police are (understandably) attending more important issues, there is an opportunity for vandalism, arson and theft at heritage sites. Historic England has recorded 46 instances of heritage crime, including instances of graffiti, church lead roof theft and breaking and entering at heritage sites in this period, and it is likely it is much wider spread. We may not know the full extent of the damage until staff and volunteers are able to return to site.
6. The financial impact is not felt by the heritage organisations alone. Heritage sites are often the pull for incoming visitors, who spend money at surrounding local businesses.

For example, two thirds of the £1bn spend associated with historic houses is spent off site in local towns and villages. Equally, many heritage organisations rely on local businesses to support their supply chain - which has also ground to a halt.

7. Along with the loss of staff, often on furlough, heritage organisations and sites have lost their volunteer bases; a huge number of small heritage organisations and sites are run solely by volunteers, while the larger organisations rely on volunteers to be successful. In lockdown, volunteers are isolated from their heritage organisations and their volunteer groups. Volunteers are also often in the vulnerable category, and they may be unable to volunteer even after the lockdown is eased.
8. Sites are also at risk of loss of public engagement. With sites and museums closed, they lose presence in the public eye. Heritage sites have worked hard to offer alternatives digitally, but this cannot replace the experience of attending these sites in person.
9. A lack of clarity from the government on the rules related to continued work has placed some organisations (e.g. archeological units, craftspeople, and conservators) in the heritage sector in a position where they must choose between the safety of their staff and their own financial security.

Q2. How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

10. DCMS Heritage Team officials and ministers have been very engaged during this crisis, with Nigel Huddleston (Minister for Arts, Heritage, and Tourism) chairing weekly meetings with our sector. ALBs such as Arts Council England, the Heritage Fund and Historic England have provided support (both financial and otherwise), but it is widely acknowledged in the sector that the level of financial support provided is simply not sufficient to mitigate against the impact of COVID 19.
11. The central government schemes are welcome, but they do not provide protection or certainty for many of the organisations that we represent, and in the sector more widely.
12. The **Business Loan Interruption Scheme** is not viable for many in the sector. Most have very small profit margins, and those profits are often completely reinvested into reserves for future shortfalls. This means that many heritage charities simply cannot afford to take on a loan, and the associated interest costs. For those reliant on visitor income, the closure of sites has occurred at a particularly devastating time - the busiest 6-8 months of the year. Many organisations have very little cash following the low season, and while a loan may keep them solvent during closure, once reopened, charities will struggle to make up their lost income. It is unrealistic to expect them to be able to raise further income for the repayment of loans, as they will need to use their earned income for running costs from the first day of reopening.

13. We welcome the introduction of the **Bounce Back Loans**. The 100% guarantee from the government should encourage more lending to take place for those that are able to manage the additional debt. However, as mentioned above, many in our sector simply cannot afford to take this on, finding it impossible to raise extra income to make repayments.
14. **Coronavirus Job Retention Scheme:** We welcome the government's announcement of the extension to the Coronavirus Job Retention Scheme to October. We also welcome the introduction of a part-furlough scheme this summer. However, firms with no visitor income will not be able to cover even partial costs of employment, limiting their ability to carry out essential maintenance. As we move into the low season, further support may be required to shore up heritage organisations. To offer two illustrative examples:
 - A historic house property with a registered park and garden needs to maintain the property throughout the growing season in expectation of reopening. If the gardens team are only part-furloughed while the house remains closed, many owners will not be able to bear this expense. This puts the future viability of the historic asset visitors would come to see is put at risk, as the property will not be in a fit state to open at the end of this period.
 - The Mary Rose Museum and its Tudor shipwreck require specialist maintenance conservation care. It requires conservators to keep working through this period, but with the museum shut, there is no income to pay staff. The museum may be forced to make a choice which risks the conservation of the ship. Further information on the experience of the Mary Rose Museum can be found here: <https://icon.org.uk/news/caring-for-the-mary-rose-a-coronavirus-case-study-1>
15. The **Small Business Grant Fund (SBGF)** and the **Retail, Hospitality and Leisure Grant Fund (RHLGF)** will help heritage buildings with a rateable value within the financial limits, but many do not fall into these categories. The **Business Rates holiday** will also only be useful for those who have rateable values, and does not apply to small charities.
16. As set out in the guidance on the GOV.UK website, the RHLGF is subject to the State Aid limit of €800,000. This presents a challenge for larger and national charities with multiple sites. The purpose of the grant scheme is to cover fixed overheads like rent and utilities, so it seems odd that it should be limited in this way, just because a particular charity happens to be national, as opposed to part of a group of many smaller charities. The government should consider the Block Exemption Regulation to overcome this limitation.
17. Arts Council England, Historic England, and the National Lottery Heritage Fund have worked closely together and at pace to provide emergency funding for the sector which

has been hugely welcome, and we are grateful for their efforts.

18. However, the ACE and NLHF schemes are incapable of solving the financial problems in many organisations. For example, the maximum grant for non-National Portfolio Organisations from ACE is £35,000, while the maximum grant from NLHF is £50,000. Historic England has an even more limited pot. Given that many organisations have financial shortfalls into the millions of pounds, this emergency funding will not be enough by itself. Both schemes are also hugely oversubscribed – the ACE NPO funding has competition from 800 NPO organisations, and the NLHF funding is open to over 2,500 existing grantees and many more previous grantees.
19. These schemes also draw down on ACE and NLHF's reserves and funding that was allocated for other projects over the next 2-3 years. As a result, our sector's key funding organisations will now be without resources to distribute for some time to come, and this risks creating a long period of 'austerity' in the sector in the coming years. The government should therefore ensure supplementary funding is available to these organisations to continue to support our sector.

Q3. What will the likely long-term impacts of COVID 19 be on the sector, and what support is needed to deal with those?

20. **This financial impact is likely to continue in the long term.** Even when it becomes possible to visit heritage attractions once again, or use heritage buildings, potential visitors may not have the disposable income to do so, and may be less likely to take up memberships or make donations to charities. Funding bodies that could make up some of this gap may continue to be constrained in how they can distribute their funds, as the regulations were put in place for a very different set of circumstances. In addition, the distancing guidelines mean there can be fewer individuals in any given space, limiting the income generation possible.

20.1 Mitigation: (a) To kick-start the construction sector, the government should implement VAT reform. There is an opportunity for the equalisation of VAT between repair and maintenance and new build to support the growth of the sector. Most heritage organisations will not have the funding to carry out essential maintenance and do planned capital work. By encouraging capital projects through a lower VAT rate, small organisations of specialist builders and craftspeople will be able to find more work and continue to support the longevity of the sector. This will have a positive impact across the heritage and construction sectors.

(b) The government should also consider lifting the cap on Sideways Loss Relief from £50,000 to £100,000 or higher. The cap limits the ability of custodians to offset the losses incurred in the maintenance of historic assets against more

profitable areas of a rural business. The cap could be lifted for those rural estates where a specific amount of public access is guaranteed.

(c) The income tax charged to Heritage Maintenance Fund could be lowered from the trust rate (45%) to the basic rate. Over time, the additional number of historic houses opening for the first time to public access would mean this measure delivers a net positive value to the country.

21. There is the **real possibility of redundancies**, even with the furlough scheme. Even when sites reopen, they will be unable to make up their lost income due to social distancing requirements and slow engagement with cultural activities through lasting anxiety, and as a result may not be able to take back a full staff complement. This leaves open the possibility of higher unemployment in the sector, and a lack of positions for new graduates. Closure in this peak period also means seasonal staff have not been hired, and this has a significant impact on local economies and employment. This has already been seen in our sector, with National Trust Scotland highlighting that more than 400 of their staff are at risk of redundancy.

21.1 Mitigation: The Government should continue the furlough scheme until the end of 2020 for certain sectors, including heritage and culture. This would mean that staff could return in a staggered way as more sites reopen, and as heritage organisations are able to do more programming and hold income-generating events, they can take more staff off of full-time furlough.

22. Alongside staff, heritage sites and organisations rely heavily on the self-employed sector and contractors. Their skills and expertise are vital to the work of many heritage organisations. These individuals provide public engagement (art, performance), building work (plasterers, stonemasons), conservation, heritage engineering, specialist archaeological services, and other small consulting contracts. Changes to grant-funding in recent years have already seen long-standing specialist firms go into liquidation, and in the long-term, there is a risk that more self-employed contractors will be unable to survive, as they simply fall between the gaps of the government schemes, leading to a loss of specialist skills. Without these skills, more heritage assets will fall into disrepair and capital and conservation projects will face issues commissioning work. These contractors are also required to teach the next generation of specialists - if they cease to trade, specialist skills could be lost forever.

22.1 Mitigation: The government should ensure that these skills survive through targeted grants (including focused capital funding) and support for heritage skills. This would ensure the future survival of the sector, and the important work that it undertakes. This could be in the form of apprenticeship support or skills and work training through government funding. The government should also consider adapting its existing schemes to support those who currently fall between the gaps.

Re-opening

23. Heritage sites across the country will need to reopen in a coordinated and planned way. It is likely that ongoing restrictions on large gatherings, coupled with a general reduction in consumer confidence, will continue to impact the income of heritage organisations, particularly if the summer season is missed. The distancing guidelines mean most heritage sites are unable to run at a full complement, lowering the potential income generation. Huge parts of the economy rely on inbound international tourism, and with no visitors expected from overseas for most of this year, there needs to be a plan for resuming and promoting low-risk, domestic tourism as soon as possible.

23.1 Mitigation: The government should be clear on what measures are required to ensure that consumers feel secure when returning to heritage sites. We welcome the guidance produced by Historic England and other heritage and tourism bodies in partnership with DCMS (soon to be released at submission of this response). The government could consider grants to make up lost income, as well as a coordinated “relaunch” of the heritage and wider tourism sector. The government should publicly support any efforts made by organisations in the sector to relaunch.

24. The sector will also struggle with the reduction in commercial events and programming, such as weddings, corporate dinners, trade shows and educational programmes. Many of these events will be impossible to deliver within any social distancing guidelines and as such, many heritage organisations will not meet their income projections for 2020. This would have an impact on their ability to rehire staff or make up for any lost income this year.

24.1 Mitigation: (a) A partial relaxation of the rules around permitted development would be useful for some organisations in the sector. This would allow them to update sites to meet public health demands at lower cost (e.g. by erecting a new temporary hand washing station, or widening footpaths to facilitate proper social distancing) more easily.

(b) Equally, the streamlining of overly burdensome elements of business and planning regulations would go a long way towards helping small tourism businesses keep going and diversify to make up for this lost income. For example, the government could streamline elements of the heritage protection system. While robust heritage protections must be maintained, there is significant scope for streamlining targeted elements of the listed building consent system to improve efficiency and effectiveness.

25. With sites closed, and many older volunteers in the ‘at risk’ category, **organisations are at risk of losing the volunteer base on which they rely.** We are concerned about the number of volunteer managers being furloughed and the impact this will have on starting up volunteering again. Many volunteering groups are no longer receiving any

communications from heritage sites and are losing their connections. **Even when sites can reopen**, many volunteers will not be able to come out of isolation or may no longer feel comfortable volunteering.

25.1 Mitigation: We need clarity and support from the government, ALBs, and funding bodies on working with volunteers during this period and as we reopen and rebuild. Heritage organisations want to support volunteers and will particularly need to fill the gaps in operational support that volunteers can provide. There is significant opportunity now, with the nation interested in volunteering, to run a drive to get more people volunteering with heritage organisations, especially young people. We see an opportunity to 'level up' our volunteering offer, creating a better path to engagement. Temporary support to help build volunteer support networks, perhaps through small capacity-building grants, would be hugely beneficial. These grants could be channelled through existing funding bodies.

26. With heritage organisations being cash poor into the future, they may struggle to financially support umbrella and membership organisations as we emerge from the crisis, despite these groups being more crucial than ever. This threatens the long-term sustainability of these organisations, which are providing vital advocacy and capacity building work.

26.1 Mitigation: The government/relevant ALBs could offer targeted resilience funding to umbrella/membership organisations, to ensure that they are able to continue to provide support to the wider sector.

Q4. What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with COVID 19?

27. As mentioned above, DCMS have been willing to engage frequently at all levels, which has been welcome. We have appreciated the direct line to the Heritage Minister in the weekly Heritage Working Group calls, and the engagement from the Heritage Team at DCMS. We also welcome the efforts of relevant ALBs, who have responded to the crisis with increased funding and support. Despite this, some lessons can be learnt in order to improve the response moving forward.

28. Very few organisations in the sector were prepared for a pandemic. The chaotic closure of visitor attractions, including heritage sites, was very detrimental to the sector. Not receiving a clear plan from the Government for shutting down meant many organisations were unsure if they were able to stay open, whether a shutdown would be covered by their insurance and how to work with staff. Official closures were welcome, as they gave clear scope to the organisations about what had to be done. Were another lockdown to be required, the messaging around laws and guidance should be much clearer.

29. DCMS might in future be quicker off the mark to offer central guidance and direction on the issues facing different organisations and their responses. Close coordination between DCMS and the tourism departments in Scotland, Wales and Northern Ireland will also be an essential part of the early response in any future scenario.
30. **More targeted support for charities/heritage organisations:** While the £750m charity fund announced by the Chancellor helps some charitable organisations, it does not nearly cover the projected £4bn shortfall in the charity sector's income. This package was also only delivered after several uncertain weeks. In future, the government **should consider the charity sector from the start of its crisis response**. The NCVO calculated that the voluntary sector contributes £17.1bn to the UK economy¹, demonstrating the sector's importance. The government should consider modifications to its existing schemes to make them more suitable for small, non-profit organisations (for example, making loans interest free for the duration of the term). A bespoke scheme for DCMS sectors would have been welcome.
31. The Scottish Government has also worked with third sector bodies to create a £20m [Third Sector Resilience Fund](#) providing grants of up to £100,000 and loans designed for charities which we believe should be replicated elsewhere in the UK.

Q5. How might the sector evolve after COVID 19, and how can DCMS support such innovation to deal with future challenges?

Digital

32. During this period, the heritage sector has delivered experiences to engage the audience through digital platforms, supporting education, mental health and well-being during isolation, homeschooling and lockdown. The heritage sector has a huge digital potential, through virtual access to exhibits/collections to online communities. For those organisations reliant on membership income and visitor loyalty, the ability to offer ongoing virtual access and online content may also prove vital to protecting that other invaluable asset, their support base.
33. A means to enable some staff to work through a period of limited or non-existent income is paramount for future survival and can provide tangible benefits to those struggling with social isolation. The incorporation of digital strategies within heritage organisations will enable them to be more resilient in their capacity to reach audiences, while giving our workforce and volunteers the necessary tools and mindsets to continue to support the sector. The National Lottery Heritage Fund campaign 'Digital Skills for Heritage' will offer UK-wide training and guidance. As part of this campaign, the Heritage Alliance has been awarded funds with a consortium of digital experts to look at the existing and emerging needs post COVID 19 to develop a tailored training programme supporting heritage

¹ <https://almanac.fc.production.ncvocloud.net/impact/>

bodies across the UK.

34. We continue to seek new ways to engage the public in heritage through technology, and need continued capacity and skills building support to deliver these new ways of engagement and learning.

Health and Wellness

35. This period has illustrated the essential place of heritage and heritage organisations in supporting the mental and physical health and wellbeing of the public. Members of the public are more reliant on outdoor spaces for exercise and to improve their mental health than ever before. Many of these sites are maintained by built and natural heritage charities that are facing an uncertain future. As the lockdown is lifted, these spaces will continue to offer places to engage with nature, and in small groups, while maintaining safe social distancing.
36. As mentioned above, the place of culture and heritage in our homes during this period support the mental wellbeing of the nation. Families homeschooling their children turned to digital resources from museums and heritage sites, while adults pursued virtual art collections, listened to history podcasts, and learned about heritage crafts on YouTube. Our heritage is essential to our national wellbeing; this is recognised by the sector and DCMS can support the continued delivery of its important role in wellness.

Conclusion

37. As we move out of lockdown, there is a huge appetite from the general public to visit our nation's rich history. In a [recent survey](#) conducted by the Association of Leading Visitor Attractions, 41% of the market will visit at least one type of attraction "as soon as the opportunity arises". The government must ensure that our heritage is available to survive this crisis, and ready to welcome visitors as soon as possible.
38. Heritage is essential to our wellbeing (as our upcoming report will demonstrate), has an intrinsic link to our creative industries (as highlighted in our [2019 report](#)), and can help to fuel a green recovery from this crisis with an increased emphasis on the importance of local attractions.
39. We wholeheartedly support the Committee's proposal for a stabilisation fund to secure the long term financial health and organisational diversity of the charity sector. This would provide much-needed certainty to vital organisations, and signal that the government is serious about protecting them.