

IFRCS53 Rob Palmizi , Policy and Public Affairs Manager (Wales) The National Lottery Heritage Fund

Senedd Cymru | Welsh Parliament

[Pwyllgor Diwylliant, Cyfathrebu, y Gymraeg, Chwaraeon, a Chysylltiadau Rhyngwladol | Culture, Communications, Welsh Language, Sport, and International Relations Committee](#)

[Effaith Gostyngiadau Cyllid ar Ddiwylliant a Chwaraeon | Impact of Funding Reductions for Culture and Sport](#)

Ymateb gan: Rob Palmizi, Rheolwr Polisi a Materion Cyhoeddus (Cymru), Cronfa Treftadaeth y Loteri Genedlaethol | Evidence from: Rob Palmizi , Policy and Public Affairs Manager (Wales) The National Lottery Heritage Fund

1. What impacts has reduced funding had on your organisation and sector so far?

The National Lottery Heritage Fund is the largest funder of heritage in Wales and across the UK. We invest money raised by National Lottery players in collaboration with a wide range of statutory bodies, as well as other National Lottery distributors. Our work is made possible thanks to the support of National Lottery players. Our vision is for heritage to be valued, cared for, and sustained for everyone, now and in the future.

Since the establishment of the National Lottery in 1994, we have awarded over £500,000,000 to more than 3,400 projects of all sizes across Wales of all sizes that connect people and communities to Wales' heritage.

We seek regular feedback from across the heritage sector to help us understand the challenges facing heritage organisations. This includes through our collaborative research initiative, UK Heritage Pulse¹. In June, 2024 the National Lottery Heritage Fund surveyed 250 UK Heritage Pulse panel members on financial performance. Almost a third of respondents ended the last financial year operating in a deficit, and of those almost two-thirds expect to also end this year in deficit: 31% of respondents said their organisation had ended the last financial year operating in a deficit, with 14% of these stating the deficit was substantial. 55% said their organisation had ended the year in surplus, with the remainder

¹ [UK Heritage Pulse \(insights-alliance.com\)](#)

either saying the question was not applicable, or they didn't know. Half of organisations – 51% – indicated their reserves were below their target level. 41% said their reserves were at or above target. Less than a third of organisations expect to see growth in their unrestricted financial reserves over the next five years. One quarter of respondents said they hold more than 6 months of operating costs in reserves. While optimal reserve levels will vary between sectors and organisations this is one indicator suggesting heritage organisations lack financial resilience to future shocks.

26% of respondents expect the cash amount of their unrestricted financial reserves to grow over the next 5 years, whether that's to stay on target or as part of a plan to get back on target. 28% expect this to stay static (at target levels or remaining below). Of those who expect their reserves to reduce, the majority of organisations attribute this to the need to draw down reserves to support rising costs or reducing income.

This builds on the picture from our UK Heritage Pulse survey in March 2024 where we had 266 responses to questions on local authority funding cuts. In that case, 37% of respondents said that Government/Local Authority funding cuts have already directly affected core running/operating costs while 22% said that it would directly affect conservation of a collection, site or environment open to the public. These figures would be expected to increase to 59% on core running/operating costs and 33% on conservation of a collection, site or environment open to the public, if cuts were to remain at the same levels.

Most local authority funded organisations have a current funding agreement of 1 year or less. Just 20% of respondents have agreed funding for 3 or more years. When asked about how their funding had changed over the last decade, 38% said it had either remained at a standstill, or reduced by 25% or less. 10% reported a reduction of more than 50% over the last 10 years.

We also recognise that reductions in the available funding can limit the opportunities for partnership funding and have impact on the capacity and capability of heritage organisations and their sustainability in the long term. In November 2023, our [Heritage Pulse survey](#) identified that there were skills shortages in digital, marketing and fundraising, as well as in leadership and specialist heritage skills. This was predominantly due to organisations finding it challenging to recruit people with the skills required or those working in organisations not currently having the skills needed. Without targeted financial support this could be exacerbated. If heritage is not looked after it declines rapidly – and once it is gone, it is gone forever. Neglect increases costs. It becomes expensive, and it is not always possible to save assets further down the line: it is

better to invest little and often. Without ongoing investment, the risk of collapse is high. Investment in the heritage sector will yield benefits for everyone across Wales. Sustained, sustainable, and targeted investment is needed.

2. What measures have you taken in light of it, such as changing what you do and how you do it?

We recognise the challenges facing the organisations that look after heritage, from the significant cost increases in recent years, to reductions in spending in local authorities and the pressure on the pipeline of skills we need to sustain our historic buildings and landscapes. However, we are ambitious for the future of heritage and the potential it has to support growth across the UK, broaden access and opportunities in local communities, and

restore and protect our natural world. One of the things we've done to respond to the cost of living crisis is to support grantees in development and delivery with additional funding where there have been cost increases. We have also been supporting organisations with resilience funding, making our new application processes simpler, especially at the smaller end of the scale, as well as increasing the upper (from £5m to £10m) and lower limits (£10,000) of our grants and making sustainability core to our investment.

The National Lottery Heritage Fund set out its 10 year strategy last year: Heritage 2033. As part of developing Heritage 2033, in summer 2022, we spoke to stakeholders and members of the public across Wales who shared their views on heritage and our future direction. Our consultation found that people wanted us to do even more to address the challenges heritage faces and to increase the positive contribution it makes to life. Drawing on this, we have strengthened and focused our support for heritage using four principles that will underpin all our investment:

- saving heritage
- protecting the environment
- inclusion, access, and participation
- organisational sustainability

Organisational sustainability is one of the four core investment principles in our strategy. For us, this means strengthening heritage to be adaptive and financially resilient, contributing to communities and economies and supporting

organisations to develop the skills and capacity to ensure a sound long-term future and encourage new heritage investment that benefits communities and economies. In July this year we announced our investment in the Pathways to the past project which is a two-year project looking to tackle the challenges the heritage sector in Neath Port Talbot is facing in recruiting and retaining volunteers. The project will take a place-based approach to connect local people to the heritage of the area with a view to sustaining and protecting the heritage and engaging new volunteers, sites, groups and organisations. As part of our support for heritage organisations, we continue to offer funding to build resilience, and provide organisations with capacity and expertise to develop their long-term organisational and financial plans. We also offer flexible financial support in the early planning stages of projects for preparatory analysis and activities and can make available follow-on funding for time-limited periods on completion of significant capital projects to help embed operational stability.

We are committed to considering opportunities and partnerships to allow innovation and new ways of working to sustain and manage heritage. We also champion the use of more diverse income sources such as green finance and commercial approaches and help build the capacity and skills needed to deliver this.

3. To what extent will these impacts be irreversible (e.g. venues closing, or specialist skills being lost rather than a temporary restriction in activities)?

As set out in our Heritage 2033 strategy, one of the four investment principles that drives our strategy is Organisational Sustainability. As a lottery funder, this principle means we will collaborate with partners to identify opportunities to build capacity, skills and expertise in heritage, to contribute to thriving communities and economies. We would encourage government at national and local level to ensure that culture and heritage is integrated into national and local plans and policy.

The lack of financial resilience in organisations that manage and run heritage sites means there are potential risks of irreversible impacts of heritage sites closing, and unique assets and collections being disposed of or damaged and reduced or lost public access to our shared heritage if cuts persist and worsen. There are already examples of local authorities having to reduce access, cut opening hours or de-prioritise heritage projects because of pressure on public spending. The impacts could also include risks to the practice, preservation, and transmission of key heritage skills, which need to be considered as part of the wider system of

training, skills, and education as well as specifically through funding for projects to maximise their value to the economy, community and society as well as transmit them to future generations.

Heritage Crafts produces an assessment of crafts at risk through the Heritage Crafts Red List. This draws on conservation status systems to assess and prioritise craft skills at risk from the viable through to endangered, critically endangered, and extinct in the UK. The potential of such skills lies not only in keeping the heritage crafts alive or engaging visitors more effectively in a heritage collection, but in developing potentially commercial offers for a traditional rural sector that is highly sustainable and uniquely Welsh.

4. What interventions would you like to see from the Welsh Government, beyond increased funding?

The National Lottery Heritage Fund over the years has a positive working relationship with the Welsh Government, at stakeholder level but also in delivering grant aid on their behalf. We have delivered over £55m in Grant in Aid (GIA) schemes on behalf of Welsh Government including 15 Minute Heritage, Nature Networks Fund and Local Places for Nature. We value continued collaboration and constructive partnership and intelligence sharing. Since 2020/21, 373 additional projects have been funded in Wales through GIA.

This is an increase in funding from £147 per capita (lottery funding only) to £165 per capita. 35% of awards were made to grantees who had not previously received lottery funding, and in every local authority area in Wales. We continue to work with the Welsh Government on strategic initiatives around place, places of worship and natural heritage.

During Covid 19 we, and other key stakeholders, regularly met with Welsh Government to discuss issues that were arising in the sector and to share intelligence. The National Lottery Heritage Fund is an active member of the Historic Environment Group (HEG) which is a useful forum to connect with the wider historic environment sector. We have also been invited to the Culture, Sport and Tourism Group meetings on an ad-hoc basis. As a significant investor in heritage infrastructure / capital projects, there would be value to regularly meeting with other funders (of scale) and collaborating and sharing intelligence, where possible. This could lead to greater collaboration and knowledge-sharing maximising limited and precious resource.

We would also encourage the highlighting of the importance of Heritage across cultural, community and regeneration policy to maximise the unique potential of heritage to placemaking. We believe Heritage should be in integral to the Culture offer (and strategy) the Welsh Government produce. We're deliberately broad on our definition of Heritage. Heritage can be anything from the past that we value and want to pass on to future generations. Understanding, valuing and sharing our heritage brings people together, inspires pride in place and supports local economies. We would like to see this be highlighted in the Welsh Government's culture offer.

The financial pressures affecting some local authorities over the past couple of years has led to significant cut-backs disposals and reduced capacity and access to heritage. We'd like to see greater support for Local Authorities especially when it comes to heritage assets. We understand capacity and finances are limited – however we are in danger of important Welsh cultural assets being closed to the public (and potentially worse) as we're seeing over the border.

5. To what extent do the impacts you describe fall differently on people with protected characteristics and people of a lower socioeconomic status?

Inclusion, access, and participation is one of our four core investment principles. For us this means involving a more diverse range of people in heritage, enabling organisations to remove barriers to access and participation, supporting all communities to explore and share their heritage, and supporting the greater use of digital technology to make heritage more accessible and enjoyable. We want to work with applicants to make the projects we fund as accessible to people, and to as many people as possible, regardless of socioeconomic status.

As part of our [April 2024 Heritage Pulse survey](#), we asked 306 UK Heritage Pulse panel members to share how they think the heritage sector engages with people from low-income households or backgrounds. 63% of respondents said reaching people from low income households is a priority for them. Only 21% said they engage a good volume of people from low income households while 50% said they could do more to welcome people from low income households.

In summer 2022 we commissioned consultants Britain Thinks to deliver a piece of research with heritage organisations and the wider public as part of the development of our strategy. [The research](#) showed that: nearly four in 10 participants (39%) say heritage activities are too expensive. Qualitatively, participants cite concerns not only about ticket prices, but the associated costs of

transport, parking and food. These concerns are felt to be amplified by the cost of living crisis. The top cited barriers to participating in heritage activities more often are:

- Those with children aged 18 or younger (44%), aged 31-54 (43%) and women (42%) are more likely to cite cost as a barrier.
- Similarly, those of socio-economic grade DE (42%) and disabled people (43%) –especially people who are neurodivergent and/or have a mental health condition (49%) are also most likely to cite cost as a barrier.

We have previously run projects to support young people to access heritage. We have our Kick the Dust programme which is aimed at increasing the scale and quality of youth engagement with heritage in the long term. We also wanted to make heritage relevant to a greater diversity of young people and show how their voices can benefit heritage. Between 2017 and 2023, over 5,000 young people were participating in Kick The Dust projects at any one time across the UK. The partnerships with youth sector to open up decision-making leadership and participation in heritage projects for young people were invaluable. In Wales, Kick the Dust has a real success story with the Hands on Heritage project at Amgueddfa Cymru enabled young people from diverse backgrounds to have an impact on the collections. However, there are challenges to sustaining this progress in the future. Empowering young people to lead in heritage requires continuing long-term efforts to change attitudes and organisations' cultures. Organisations also raised concerns about funding uncertainties limiting their ability to recruit and engage young people, such as offering paid placements. We want to continue to develop our work with young people, alongside partners, in the delivery of Heritage 2033.

We want to ensure everyone can explore heritage regardless of background or personal circumstances and to make the stories of Wales more inclusive of everyone's heritage. This includes addressing challenging history such as the Reframing Picton project in Amgueddfa Cymru. This project is a community-led project between Amgueddfa Cymru Producers and the Sub-Saharan Advisory Panel's (SSAP) Youth Leadership Network. The project curators added more information and context about Haverfordwest-born Lieutenant-General Sir Thomas Picton (1758-1815) legacy as Governor of Trinidad at the turn of the 19th century, including his brutal treatment of the people of Trinidad- information which was not part of the museum's previous interpretation of the portrait. We believe decisions are best taken locally

using local knowledge and expertise, so we devolve most funding decisions to our six area and nation committees supported by our local teams across the UK. This includes Wales where all decisions on projects under £5m are taken either by our Committee for Wales or, if below £250,000, delegated to our staff team in Wales.

6. Do you have any other points you wish to raise within the scope of this inquiry?

Over the next ten years, as outlined in our strategy [Heritage 2033](#), we aim to invest a further £3.6bn in heritage in across the UK. We have already begun to see this investment including the recent announcement of £2.7m for the Museum of Two Halves, which includes the new National Football Museum for Wales alongside a fully refurbished and enhanced Wrexham Museum in the current building; and Amgueddfa Lechi Cymru receiving £412,565 to develop a scheme to turn the venue into a world-class visitor attraction in the heart of the UNESCO World Heritage Site.

Wales' rich heritage varies from outstanding landscapes, shorelines and vibrant urban environments to culture, language, and music. Wales is known across the world for its distinctive and diverse people, culture, heritage, and history. Heritage sits at the heart of Welsh identity and culture. It helps connect people and communities to a sense of place and belonging and boosts local economic prosperity, tourism, and health and wellbeing.

We believe decisions are best taken locally using local knowledge and expertise, so we will continue with what we do well, with most funding decisions devolved to our six area and nation committees supported by our local teams across the UK. This includes Wales where all decisions on projects under £5m are taken either by our [Committee for Wales](#) or, if below £250,000, are delegated to our staff team in Wales. The Chair of the Wales Committee is also a trustee of the UK board.

Since 2023, we have introduced a higher investment threshold of £10m (previously £5m) to allow for larger-scale investment and will consider investing in projects above this threshold to support truly exceptional heritage projects across the UK. We will take an evidence-based approach to identifying gaps in support to the heritage sector, particularly where there is heritage at risk and in need of conservation – for example places of worship or industrial heritage – both these themes have particular resonance in Wales. We will provide targeted support to

build capacity, develop approaches to project planning and diversify income streams to help build a future project pipeline.

We will target place-based investment that boosts pride in place and connects communities and visitors with heritage. Drawing on national indicators, combined with local intelligence about the need, opportunity and potential for heritage, we will invest at least £200m over the life of this strategy. We will boost the capacity of local places and communities to develop partnerships and seek out areas that have the potential to draw in and benefit from wider investment. Last year, we announced our [Heritage Places](#) initiative and a new £200m pot to be shared among the 20 eventual Heritage Places. Neath Port Talbot was selected as one of the first tranche in the UK. This initiative is designed to support places in challenging times, to achieve even greater impact, and commits our funding for the long-term. Bringing communities and wider partnerships together is critical to success and their new locally led heritage and culture strategy is a key foundation.
