



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Digital, Culture, Media & Sport

Investigation into maintenance of the museum estate

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Department for Digital, Culture, Media & Sport

Investigation into maintenance of the museum estate

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

23 March 2020

Our financial audit engagement with the museums and galleries sponsored by the Department for Digital, Culture, Media & Sport brought to our attention their concerns about the condition of the museum estate. The challenges faced by both the museums and the Department are reflective of those we have also reported on in the wider public sector estate, including in prisons, schools and the National Health Service. We therefore completed this work to set out the facts about the maintenance of the museum estate.

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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What this investigation is about

1 The Department for Digital, Culture, Media & Sport (the Department) sponsors 15 museums and galleries (the museums) in England, 13 of which are national museums. Museums and galleries form an important part of our culture. They have:

- intrinsic value (the enriching value of culture in and of itself);
- social value (improving educational attainment and helping people to be healthier); and
- economic value (the contribution culture makes to economic growth and job-creation).

2 The number of visitors to the museums has risen from 41.8 million in 2010-11 to 49.7 million in 2018-19, a 19% increase. The museums included seven of the 10 most-visited, free attractions in England in 2018.

3 The museums are arm's-length bodies of the Department, which is responsible for overseeing them. The Department provides the museums with funds (grant-in-aid) to contribute towards their running costs. Its capital grant-in-aid funding is for museums' spending on investment and creating future growth, and includes spending on maintenance. The accounting officers of both the Department and the museums are accountable to Parliament for the use of these funds.

4 The collective estate of the museums consists of around 40 public sites, with further archive and storage facilities. Many of the museums themselves are historic, listed buildings. Most have at least one public building which pre-dates the 20th century, with the oldest buildings in the estate dating from the 17th century. Many of the buildings were not built to be museums and have since been added to or restored.

5 Effective maintenance of this estate is an important and costly challenge for the Department and its museums. It enables the museums to deliver their statutory responsibilities, which typically include: preserving and exhibiting their collections; making them available to the public; and promoting public enjoyment and understanding of their subject matter. Museums may have varying definitions of maintenance which can include: the general upkeep of buildings and equipment; critical repairs required to meet health and safety obligations and protect collections; and works to address the backlog of such work.

6 The Department described its concerns about the condition of the museum estate in its 2017 strategic review noting that these concerns “...endanger collections and potentially staff and visitors”. It committed to look at how it could provide “further capital funding for national museums to undertake critical maintenance and repairs...”.¹ Examples of the museums facing problems with their estates include the Wallace Collection, where a piece of masonry fell from the portico in 2018 due to deterioration of the supporting beams; and the Science Museum Group’s Manchester site, where the Power Hall is closed for urgent repairs.

7 We became aware of museums’ concerns about the condition of their estates through our financial audit work. In light of these concerns, this investigation sets out the facts about the maintenance of the 15 museums sponsored by the Department (see Appendices One and Two for our approach and scope). We have identified similar challenges in maintaining estates in other public sector bodies, such as prisons, schools and the NHS.² Available data did not support calculating an estimate of the cost of rectifying problems with the estate, and we considered constructing such an estimate beyond the scope of this investigation. We have also excluded from scope the large-scale capital projects that many museums have undertaken to extend their public offer, such as the Tate Modern’s extension in 2016.

8 This report covers:

- oversight and funding arrangements for the museums and galleries;
- understanding of the museums’ maintenance issues; and
- funding the maintenance of the estate.

1 Department for Digital, Culture, Media & Sport, *Strategic review of DCMS-sponsored museums*, November 2017.

2 Comptroller and Auditor General, Department for Education, *Capital funding for schools*, Session 2016-17, HC 1014, National Audit Office, February 2017; Comptroller and Auditor General, Ministry of Justice, HM Prison & Probation Service, *Improving the prison estate*, Session 2019-20, HC 41, National Audit Office, February 2020; Comptroller and Auditor General, Department of Health & Social Care, *Review of capital expenditure in the NHS*, Session 2019-20, HC 43, National Audit Office, February 2020; Comptroller and Auditor General, Ministry of Defence, *Delivering the defence estate*, Session 2016-17, HC 782, National Audit Office, November 2016.

Summary

Key findings

Oversight and funding arrangements for the museums and galleries

9 The 15 museums and galleries (the museums) sponsored by the Department for Digital, Culture, Media & Sport (the Department) are operationally independent, setting their own strategies and spending decisions. The museums have been responsible for maintaining their own estates since 1988. Each of the museums has unique statutory duties which typically include the responsibility to preserve and exhibit collections, including artefacts which are often priceless. Maintenance of their buildings, such as managing the condition of the roofs, and temperature and humidity of the galleries in which collections are stored and displayed to the public, is core to upholding these responsibilities. The Department is responsible for overseeing the museums. It has a management agreement with each museum which sets out priorities, financial controls, governance arrangements and performance measures. These agreements do not include any performance measures or reporting requirements directly related to maintenance of the estate (paragraphs 1.2, 1.3, 1.5 and 1.6).

10 Grant-in-aid funding received by the museums from the Department fell by 20% in real terms between 2010-11 and 2018-19. Grant-in-aid is the money provided by the Department to the museums to contribute to their running costs. The museums are reliant on grant-in-aid to fund operations such as estate maintenance and the upkeep of core infrastructure and back-of-house areas. In 2015, they projected that 90% of their spending on essential maintenance between 2016-17 and 2020-21 would be met from grant-in-aid. Grant-in-aid received by the museums decreased from £361 million in 2010-11 to £333 million in 2018-19, representing a real-terms fall of 20%. Grant-in-aid as a proportion of total income has fallen from 57% to 44% (paragraphs 1.8 to 1.11).

11 The museums have accessed other sources of funding, but face difficulties getting funders to cover estate maintenance. Although grant-in-aid has fallen, museums have increasingly supplemented it with money from commercial and philanthropic sources, as the Department requested. This fundraising and other income increased from £274 million in 2010-11 to £432 million in 2018-19, representing a 37% increase in real terms. This has contributed to a real-terms increase of 5% in the museums' total income over the same period. Sources of fundraising and other income often have conditions attached that only allow spending on public-facing elements of buildings. The Department has recognised that fully offsetting the reductions in grant-in-aid with alternative sources of funding is not always realistic (paragraphs 1.8 to 1.10).

12 The Department committed to make some changes to its oversight and funding of the museums in its strategic review in 2017. The Department committed to look at how it could provide further capital funding for museums to undertake critical maintenance and repairs to protect and preserve the museum estate. It has taken steps to prioritise funding towards museums' maintenance needs. In 2019 it allocated additional funding to the museums for 2019-20 and 2020-21 of £42 million through its Maintenance Fund, sourced from underspends elsewhere in the Department. It also committed to review grant-in-aid allocations to the museums to prepare for the next Spending Review. Research commissioned by the Department in 2018 identified that it needed more analysis to inform its grant-in-aid allocation decisions. This included gaining a better understanding of the size of museums' capital maintenance backlog, and the funding required to avoid it increasing (paragraphs 1.13 to 1.15).

Understanding of the museums' maintenance issues

13 The Department is concerned about the condition of the museum estate. In 2017 it found that "the lack of sufficient maintenance" was "creating significant risks" and noted that concerns over the museums' maintenance backlogs "endanger collections and potentially staff and visitors". The Department uses a risk-based system of engagement with the museums to identify and monitor risks, including those to the estate. It records the risks for each museum in a risk register. As at July 2019, the Department had identified 95 risks for the museums, 18 of which (19%) related directly to the need for repairs to the estate or the funding of this work. At least one such risk was recorded for 10 of the 15 museums (paragraphs 1.7, 2.2 and 2.3).

14 The Department does not collect the information necessary to quantify the funding required to address the maintenance backlog in the long term.

Although some museums choose to share information, the Department does not formally require museums to provide data on their maintenance backlog, their current level of maintenance spending or the level required to avoid the backlog increasing. The Department gets information about spending required in submissions for capital funding during Spending Reviews and other funding rounds. Museums' submissions only provide their funding requirements for the timeframe and project types specified by the Department. They do not give a complete picture of the museums' backlog of estates work, and some museums told us their full backlog of works is greater than that included in their submissions. Others said they do not know the full extent of their backlog (paragraphs 2.8 and 2.9).

Funding the maintenance of the estate

15 The Department's grant-in-aid funding has not been enough to cover the amounts the museums have requested for repairs to the estate. The Department is allocated funding by HM Treasury. Following the 2015 Spending Review, HM Treasury allocated the Department 73% of the core capital funding it requested. The Department then decided how to spread this money across the full range of its responsibilities, taking account of a number of projects that HM Treasury told the Department it had to fund. It allocated the museums 56% (£140 million) of the core capital grant-in-aid funding they initially requested. In 2019 it allocated them 54% (£42 million) of the £78 million funding they requested for "genuinely urgent or critical repairs" from the Maintenance Fund, for work that could be completed by March 2021. In its March 2020 Budget, the government announced additional funding of £27 million for critical maintenance work on museums' estates in 2020-21, 7% of the amount requested by the Department for the period 2020-21 to 2024-25. The government committed to further actions to address the maintenance challenges they faced at the next Spending Review (paragraphs 3.2 and 3.5).

16 The Department has underspent every year since 2010-11 against its capital spending limit approved by Parliament. Each year, Parliament approves the amount which the Departmental group, including its arm's-length bodies, can spend on capital. This limit includes spending from both grant-in-aid and certain arm's-length bodies' own reserves. Between 2016-17 and 2018-19, the Department and its arm's-length bodies underspent against this limit by £196 million. The Department has limited flexibility to reduce underspends against this limit within each year. It has avoided further underspends by re-allocating its funds between some project budgets when underspends are predicted in advance. The Department re-allocated funds to the museums of £3 million between 2017-18 and 2018-19, and £42 million through its Maintenance Fund for 2019-20 to 2020-21 (paragraphs 3.3 and 3.4).

17 The Department has used different approaches to allocate funds between the museums since 2015. The Department allocates funding to museums at each funding round based on information provided in bids and the Department's knowledge about each museum. At the 2015 Spending Review, this resulted in eight museums receiving at least 80% of their bid and four receiving less than 50%. The Department distributed funds from its 2019 Maintenance Fund by prioritising projects addressing threats to life and at-risk collections, threat of closure, and deliverability. The museums received between 23% and 93% of the amounts for which they bid. The Department is deciding how to allocate the £27 million for critical maintenance works it received in the 2020 Budget (paragraphs 3.6 and 3.7).

18 Museums have prioritised their grant-in-aid funds on the most urgent repairs. The museums we interviewed had prioritised their capital funding on public-facing areas and issues posing the most risk to the collections and to the health and safety of staff and visitors. Some museums have been unable to repair and update staff facilities, some of which are now dilapidated. The museums told us working conditions have a direct impact on staff morale. Museums have had to make short-term repairs or delay essential maintenance work. This presents the risk that problems with the estate will become greater and more expensive to fix in the future (paragraphs 2.4, 2.5 and 3.8).

19 Uncertainty over future funding levels has restricted the ability of the museums to plan effectively. Work on estates takes time to plan and organise, and the Maintenance Fund allocations the Department made in 2019 must be spent by March 2021. Museums told us this timeframe caused difficulties in ensuring funds are spent efficiently and effectively. In common with other areas of the public sector estate, the postponement of the planned 2019 Spending Review has left museums uncertain about the capital funding they will receive after 2020-21 (paragraphs 1.12 and 3.9 to 3.11).

Part One

Oversight and funding arrangements for the museums and galleries

1.1 This part sets out:

- the roles and responsibilities of the Department for Digital, Culture, Media & Sport (the Department) and the 15 museums and galleries (the museums) it sponsors;
- sources of funding for the museums; and
- developments in oversight and funding arrangements.

Roles and responsibilities

1.2 The 15 museums sponsored by the Department (Appendix Two) are non-departmental public bodies (a type of arm's-length body), each operating under specific legislation. The statutory duties of each of the museums differ according to their legislation. They typically include:

- preserving and exhibiting their collections;
- making them available to the public; and
- promoting public enjoyment and understanding of their subject matter.

1.3 The effective maintenance of storage facilities and public buildings is essential in supporting these statutory duties. This may include managing the condition of the roofs, maintaining the appropriate temperature, light and humidity to preserve collections, and ensuring safe public access to them. The museums have been responsible for maintaining their own estates since 1988.

1.4 Both the Department and the museums are accountable to Parliament for their use of public funds. The Department's accounting officer is accountable for managing the Department, including its use of public money. Each museum has an accounting officer appointed by the Department, who is accountable for their organisation's use of grant-in-aid funding. The expectations and duties of accounting officers include making sure there are high standards of governance, decision-making and financial management.³ In 2016, the Committee of Public Accounts reported that a continuing lack of good cost and performance data in government departments was undermining accountability.⁴

1.5 The museums are operationally independent, meaning they set their own strategies and make their own funding and curatorial decisions. Their accounting officers are responsible for achieving their strategic aims. The trustees of each of the museums also have specific responsibilities, including ensuring their museum delivers its statutory duties.

1.6 The Department is responsible for overseeing the museums. It must ensure that their accounting officers have adequate systems in place to meet the standards required by HM Treasury. The Department sets out its relationship and accountability arrangements with each of the museums in a management agreement. These set out: ministerial priorities; performance measures; the nature of engagement and reporting requirements; financial controls; and the governance and the accountability framework. They do not include any performance measures or reporting requirements specifically related to the condition of the estate. They do, however, specify a delegated limit for capital spending for each museum, with any spending above this limit requiring the Department's approval.

1.7 The Department's approach to oversight of the museums is based on the risk each museum presents. Its approach includes routine – mostly quarterly – engagement meetings with the museums. The seniority of staff involved in engagement and the frequency of its attention are greater with those museums that it considers are facing more severe risks. To monitor risk, the Department prepares a risk register for each museum for review at the Department's Risk and Governance Board meeting. The risk registers are based on information obtained from engagement meetings and informal contact. The Department expects museums to tell it about emerging or maturing risks, including those related to the estate. Its Risk and Governance Board will escalate issues to its Executive Board if it deems this necessary. The Risk and Governance Board last met in July 2019. It has not met since due to pressures related to preparations for EU Exit.

³ HM Treasury, *Managing Public Money*, July 2013, box 3.1.

⁴ HC Committee of Public Accounts, *Accountability to Parliament for taxpayers' money*, Thirty-ninth Report of Session 2015-16, HC 732, April 2016.

Sources of funding

1.8 The museums' income consists of grant-in-aid, fundraising income and other income. Grant-in-aid is money provided by the Department to the museums to contribute to their running costs. The Department allocates the museums a maximum amount of grant-in-aid they will receive each year, but museums only receive the amount they spend. Other income includes income from: trading; admissions; grants from bodies such as the National Lottery Heritage Fund; and investments.

1.9 The 15 museums' total income increased from £635 million in 2010-11 to £766 million in 2018-19, representing a real-terms increase of 5%. The make-up of this income has changed over the same period:

- Grant-in-aid received by the museums has fallen from £361 million in 2010-11 to £333 million in 2018-19, representing a real-terms fall of 20% (**Figure 1**). The maximum amount made available to the museums by the Department fell by 16% in real terms over the same period (paragraph 1.8).⁵
- The museums' fundraising and other income has increased from £274 million in 2010-11 to £432 million in 2018-19, representing a 37% increase in real terms.⁶ Museums have grown their income from commercial and philanthropic sources, as the Department requested. Fundraising income alone has increased by 51% in real terms.⁷

As a result, grant-in-aid as a proportion of total income has fallen from 57% to 44% (**Figure 2** on page 14).

1.10 Donations, sponsorship and grants often have conditions attached that only allow spending on public-facing elements of buildings. The Department stated that sponsors and donors are reluctant to fill gaps left by cuts to grant-in-aid and generally want to support visible projects such as new galleries.⁸ Museums are therefore reliant on grant-in-aid to fund non-public-facing operations, such as estate maintenance and the upkeep of core infrastructure such as roofs and boilers, and of back-of-house areas such as staff offices and collections storage. Museums do occasionally get donors to fund some of these works by incorporating them into larger projects. The Department has recognised that fully offsetting reductions in grant-in-aid with alternative sources of income is not always realistic.⁹

⁵ The maximum grant-in-aid available is based on that in the supplementary estimates.

⁶ Other income includes: trading income; investment income; admissions and exhibitions fees; development funds; and other activities for generating funds.

⁷ Fundraising income includes: money or gifts in forms such as legacies, donations and bequests; capital grants; sponsorship income; and income from membership schemes.

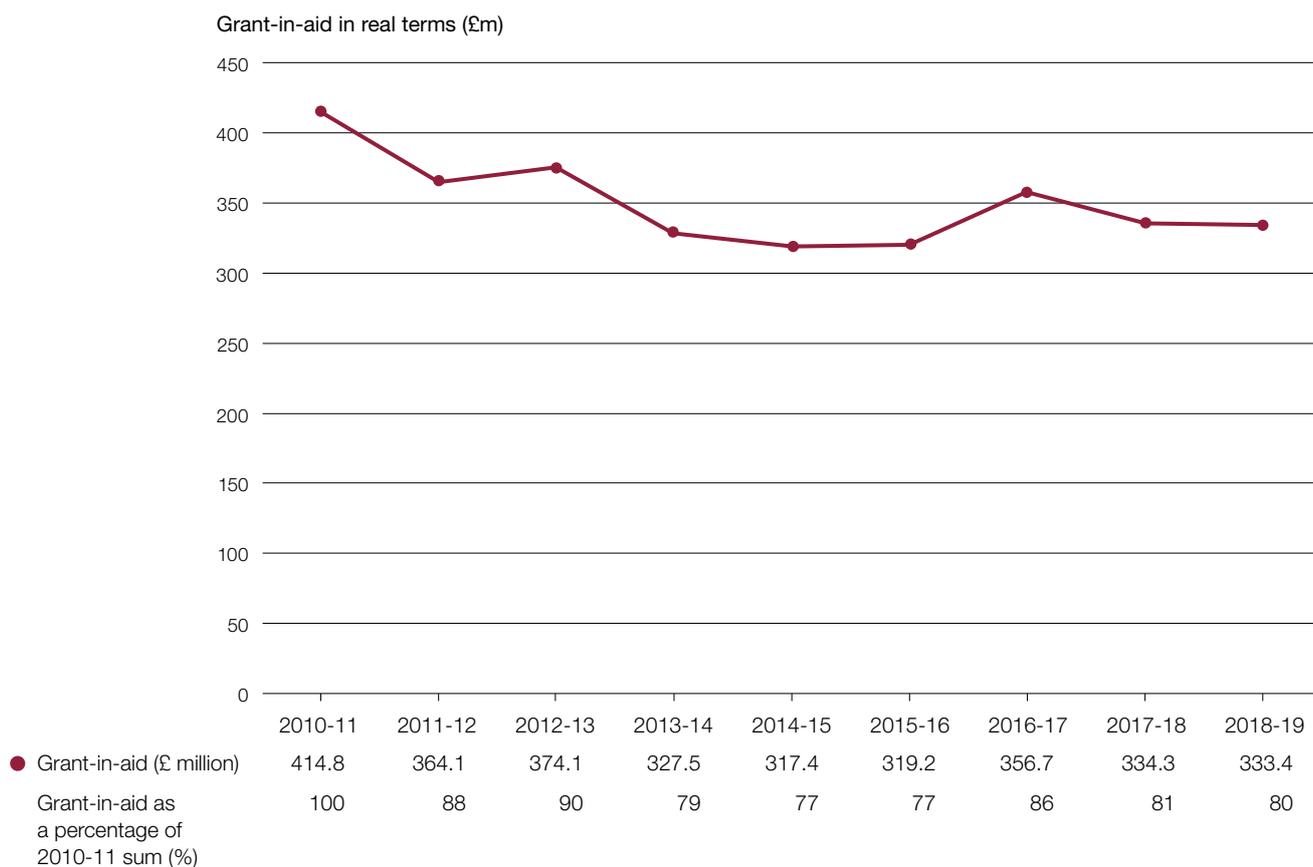
⁸ Department for Digital, Culture, Media & Sport, *Strategic review of DCMS-sponsored museums*, November 2017.

⁹ See footnote 8.

Figure 1

Grant-in-aid in real terms received by 15 museums and galleries in England sponsored by the Department for Digital, Culture, Media & Sport, between 2010-11 and 2018-19

Museums and galleries' grant-in-aid fell by 20% in real terms between 2010-11 and 2018-19

**Note**

1 Data are in real-terms, inflated to 2018-19 prices using the Office for National Statistics, *Quarterly National Accounts Gross Domestic Product deflators at market prices*, December 2019.

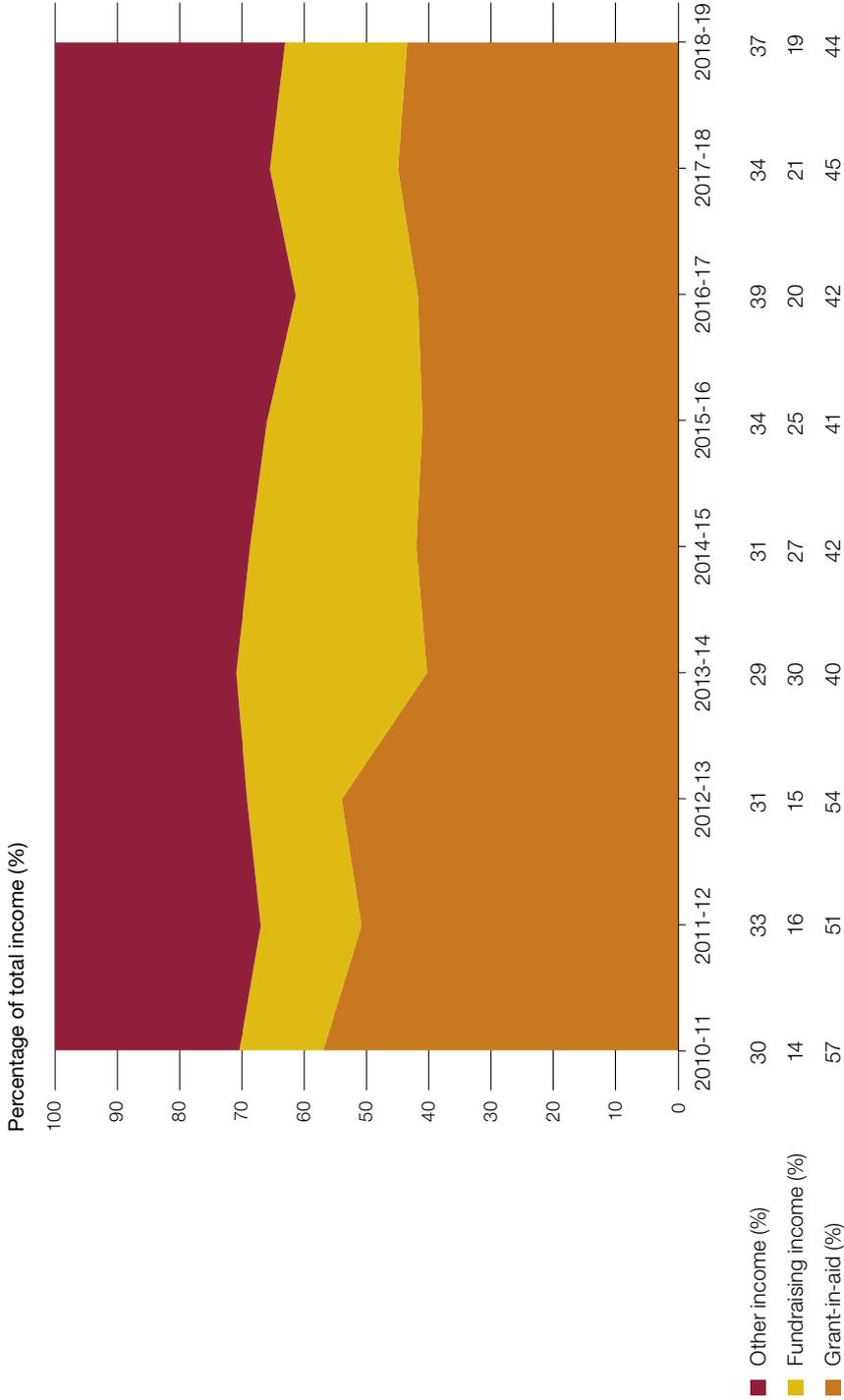
Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport's, *Total Income of DCMS-funded cultural organisations 2018/19*, November 2019, Table 3

1.11 In their submissions for the 2015 Spending Review, the museums projected that 90% of their spending on essential maintenance and 82% of that on addressing the backlog of essential maintenance works between 2016-17 and 2020-21 would be met from grant-in-aid. Nine of the museums stated that grant-in-aid was their only source of funding for this spending over the period. By contrast, they indicated that spending on building new facilities would predominately be funded from income other than grant-in-aid, with 32% being sourced from grant-in-aid.

Figure 2

Proportion of income from grant-in-aid, fundraising and other sources, for 15 museums and galleries in England sponsored by the Department for Digital, Culture, Media & Sport, 2010-11 to 2018-19

Grant-in-aid as a proportion of total income has fallen from 57% to 44% for the 15 museums and galleries sponsored by the Department for Digital, Culture, Media & Sport in England



Notes

- 1 Income is reported excluding the value of donated items.
- 2 The percentages may not sum due to rounding.

Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport's Total Income of DCMS-funded cultural organisations 2018/19, November 2019, Tables 1, 2, 3 and 5

Developments in oversight and funding arrangements

1.12 The Department's actions relating to its oversight and funding of the museums have been constrained by wider political developments. The postponement of the 2019 Spending Review created uncertainty in capital planning for the Department and the museums, an effect also evident in other sectors, such as the NHS.¹⁰ The Department's decisions about the distribution of its overall capital allocation are also taken in the context of the demands across the full range of its responsibilities (paragraph 3.5).

1.13 Following the Department's 2016 commitment to review the museum sector, it published in 2017 an independent review into the whole museum sector (the Mendoza review), and its own strategic review into the museums and galleries it sponsors (**Figure 3** overleaf). In its strategic review, the Department made some commitments to change its oversight and funding arrangements for the museums. This included considering how best it could provide further capital funding for museums to undertake critical maintenance and repairs to protect and preserve the museum estate. It has taken steps to prioritise funding towards museums' maintenance needs. In 2019 it allocated the museums an additional £42 million in capital funding for 2019-20 and 2020-21 as the Maintenance Fund, sourced from underspends elsewhere in the Department (paragraph 3.4).

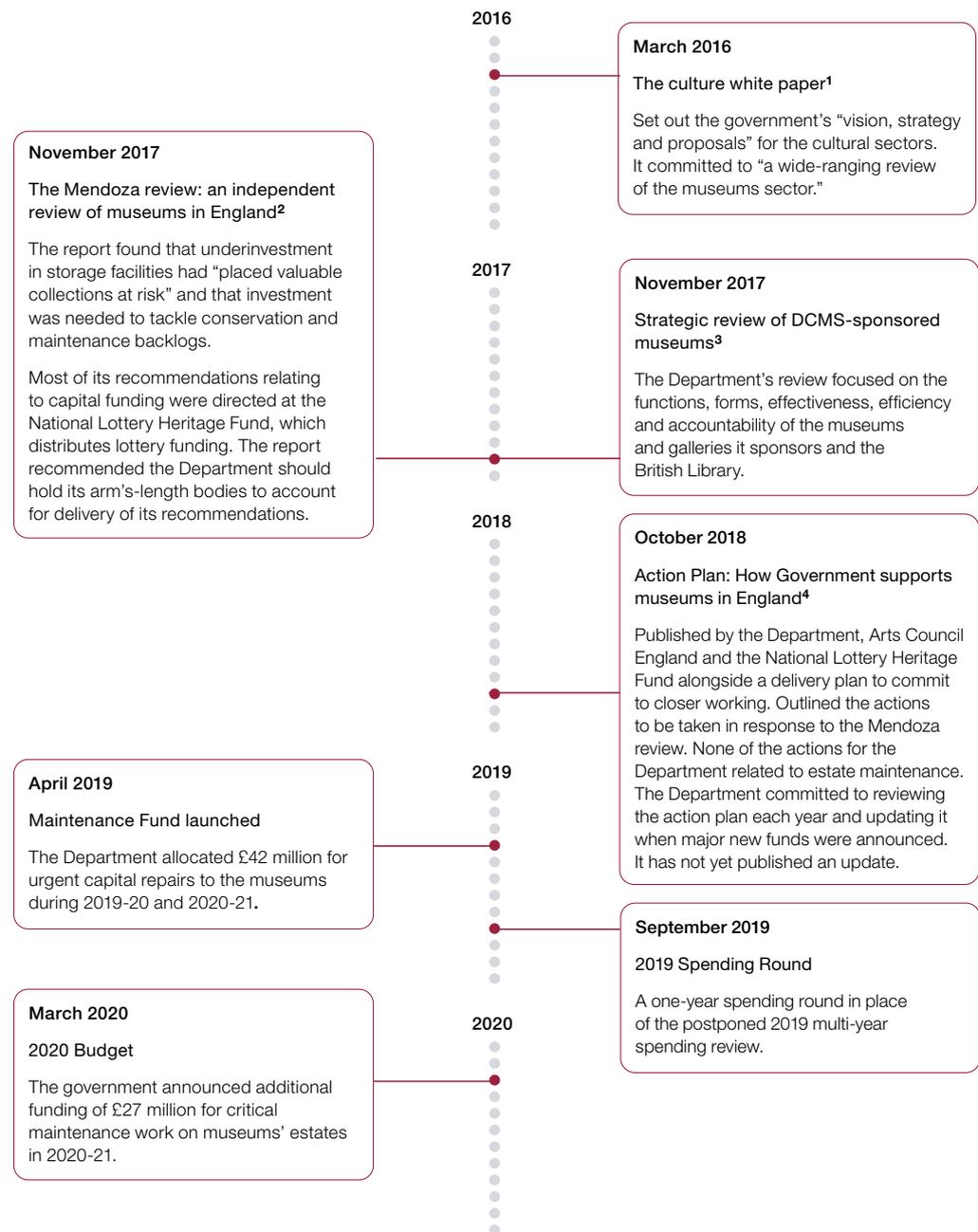
1.14 The Department also committed to gain a better understanding of the museums and review their grant-in-aid so it would be in a better position for the next Spending Review. In 2018 it commissioned research into its sponsored museums to support its Spending Review preparations. The report identified that the Department needed to carry out more detailed analysis to inform its grant-in-aid allocation decisions, particularly to account for the individual characteristics of the museums. This included gaining a better understanding of the size of museums' capital maintenance backlog, and the funding required to avoid it increasing. In September 2018, the Department funded estate reviews of the Sir John Soane's Museum and the Wallace Collection.

1.15 The strategic review also included commitments to review the Department's oversight of the museums. For example, the Department committed to revise its management agreements and performance indicators with museums. The Department started work on these during planning for the 2019 Spending Review, but it has not yet updated them. When the 2019 Spending Review was postponed it decided to pause and continue this process at the next multi-year Spending Review.

¹⁰ Comptroller and Auditor General, Department of Health & Social Care, *Review of capital expenditure in the NHS*, Session 2019-20, HC 43, National Audit Office, February 2020.

Figure 3

Timeline of key developments since the Department for Digital, Culture, Media & Sport’s culture white paper in 2016



Notes

- 1 Department for Digital, Culture, Media & Sport, *The culture white paper*, CM 9218, March 2016.
- 2 Neil Mendoza, *The Mendoza review: an independent review of museums in England*, November 2017.
- 3 Department for Digital, Culture, Media & Sport, *Strategic review of DCMS-sponsored museums*, November 2017.
- 4 Department for Digital, Culture, Media & Sport, *Action Plan: How Government supports museums in England*, October 2018.

Part Two

Understanding of the museums' maintenance issues

2.1 This part sets out:

- the condition of the estate;
- sources of information about the condition of the estate; and
- capital maintenance across the wider public sector estate.

The condition of the estate

2.2 The Department for Digital, Culture, Media & Sport (the Department) set out its concerns about the condition of the museum estate in its 2017 strategic review of its 15 sponsored museums and galleries (the museums) and the British Library.¹¹ It wrote:

“...The lack of sufficient maintenance of building fabric and services, offices and other non-public-facing operations is creating significant risks. These risks represent an underfunding of the infrastructure and operations which have the potential to materially and adversely affect otherwise efficient operating models...”

The Department described evidence of damage to objects and concerns for the safety of public and staff which “endanger collections and potentially staff and visitors”.

2.3 In the Department’s risk registers prepared in July 2019 (paragraph 1.7), it had identified 95 risks across the 15 museums, representing a snapshot of risks at that time. Of these, 18 risks (19%) related directly to the need for repairs to the estate or the funding of this work. These included: structural instability; water damage; flooding; risks to the collection, public and staff; and risk of securing insufficient funding to carry out urgent estate work (at the anticipated 2019 Spending Review). At least one such estate-related risk was recorded for 10 of the 15 museums.

2.4 Museums we spoke to told us that they are currently dealing with the result of historic under-investment in estate maintenance. Over time, galleries have been redeveloped or added to without supporting investment in infrastructure such as roofs, boilers and windows. A combination of delays and the use of short-term repairs can mean that repairs needed become more extensive and expensive.

¹¹ Department for Digital, Culture, Media & Sport, *Strategic review of DCMS-sponsored museums*, November 2017.

2.5 For example, in August 2018 a piece of masonry fell from the portico of Hertford House, at The Wallace Collection in London. Investigation showed that cracks had appeared in the masonry, caused by the previously unknown deterioration of the supporting beams, at least one of which needed replacing. The museum's previous cosmetic repairs had hidden the extent of the issues and in some cases worsened the deterioration. The Department provided the museum with £1.2 million funding from its 2019 Maintenance Fund to complete immediate remedial work, followed by further long-term repairs. The Wallace Collection was complimentary about the speed and thoroughness of the Department's support, but the works inevitably required scaffolding, which the museum told us had a knock-on effect on its private-hire/events income.

2.6 We also heard about the impact of under-investment on the ability of the museums to exhibit their collections to the public. For example, in 2017 the Science Museum Group identified that, due to a historical lack of investment, the condition of the Power Hall at its Manchester site was deteriorating. Its condition worsened, mainly due to problems with its roof, until it became unsafe. In April 2019 the museum closed the Power Hall to the public. This will remain closed until at least 2021. The Department allocated the museum £6 million for repairs from the 2019 Maintenance Fund.

Sources of information about the condition of the estate

2.7 The maintenance backlog is a measure of how much spending is required to restore buildings to an appropriate standard. Understanding a backlog allows a Department to: assess and compare the condition of an estate; track the impact of investment in the estate; make well-informed strategic funding decisions; and monitor developing risks to the estate.¹² Other information which may identify future risks includes the current level of maintenance spending and the level required to avoid the backlog increasing.

2.8 The Department does not collect the information necessary to quantify the funding required to address the maintenance backlog in the long term. The Department gets information about the spending required to repair the estate from the museums' submissions for capital funding at Spending Reviews or at funding rounds when the Department distributes funds that become available (**Figure 4**). Museums' submissions tell the Department about their requirements for the timeframe specified, and about the types of projects included in scope (Figure 4). They do not give a complete picture of the museums' backlog of estates work, and some museums told us their full backlog of works is greater than that included in their submissions. Others said they do not know the full extent of their backlog. The frequency and timing of the Department's collection of these data is set by that of the Spending Reviews and funding rounds.

¹² Comptroller and Auditor General, Department for Education, *Capital funding for schools*, Session 2016-17, HC 1014, February 2017.

Figure 4

Estate funding needs of 15 museums and galleries in England sponsored by the Department for Digital, Culture, Media & Sport from Spending Reviews and additional funding rounds since 2015

The timing and scope of information provided by the museums and galleries is shaped by that of the Spending Review or funding round

Spending Review or funding round	Scope of bid	Requests made by the museums and galleries
2015 Spending Review	All capital spending for 2016-17 to 2020-21, which included that on essential maintenance and the maintenance backlog.	£251 million core capital funding including £175 million for essential maintenance "without which the function of facilities would be affected"; £88 million of this was to address maintenance backlogs, including works such as roof and structural repairs and fire safety modifications (Figure 5).
2019 Spending Review (postponed)	Capital spending on estate-related projects for 2020-21 to 2022-23 (outside of core capital requirements).	£274 million for projects including addressing maintenance backlogs and investing in capital infrastructure and storage facilities.
2019 Maintenance Fund	Estate works of "genuinely urgent or critical nature" which could be delivered before March 2021.	£78 million ¹ , of which £63 million was for projects the museums rated as red, meaning work is "required and overdue" (Figure 6).
2020 Budget	Capital spending for 2020-21 to 2024-25 to return estates to good working order.	£413 million for works such as fire safety improvements, security measures and roof repairs.

Note

¹ The National Gallery did not apply for the Maintenance Fund. £78 million was requested by the 14 museums who applied.

Source: National Audit Office analysis of: museums' submissions and allocation letters at the 2015 Spending Review, preparations for the 2019 Spending Review, and the 2019 Maintenance Fund; and the Department's analysis of submissions at the 2020 Budget

2.9 The Department monitors the condition of the estate at its engagement meetings, where capital spending is discussed and through ongoing discussions with the museums. Other than through funding submissions, it does not formally require the museums to share data on the maintenance backlog, the current level of maintenance spending or the level required to avoid the backlog increasing. Some of the museums choose to share information with the Department about their estate condition and their backlog.

2.10 In 2018, research that the Department commissioned to support its grant-in-aid decisions (paragraph 1.14) provided a partial estimate of the maintenance backlog, at £270 million. The true figure was likely to be greater as, of the 15 museums, only 11 provided an estimate of their backlog. The report noted that the Department needed to do further work to gain a better understanding of the size of the backlog.

Capital maintenance across the wider public sector estate

2.11 We have reported on maintenance backlogs across other areas of the public sector estate. Estimates of backlogs include: a £6.5 billion backlog of maintenance repairs in the NHS estate; a £0.9 billion backlog of major capital works in the prison estate; and a £6.7 billion backlog required to bring all school buildings to at least a satisfactory condition.¹³ There are limitations in the quality of these estimates; for example the 2017 Naylor review noted that the backlog in the NHS was likely to be a “substantial underestimate”.¹⁴

2.12 In the context of these estimates, the Committee of Public Accounts has expressed concern about government’s ability to make well-informed decisions about the use of limited resources available given the limitations in data held. For example, that the Department for Education did not know enough about the school estate to assess the impact of its funding or monitor how the condition of the estate was changing.¹⁵

13 Comptroller and Auditor General, Department for Education, *Capital funding for schools*, Session 2016-17, HC 1014, National Audit Office, February 2017; Comptroller and Auditor General, Ministry of Justice, HM Prison & Probation Service, *Improving the prison estate*, Session 2019-20, HC 41, National Audit Office, February 2020; Comptroller and Auditor General, Department of Health & Social Care, *Review of capital expenditure in the NHS*, Session 2019-20, HC 43, National Audit Office, February 2020.

14 Sir Robert Naylor, NHS Property and Estates, 2017.

15 HC Committee of Public Accounts, *Capital funding for schools*, Fifty-seventh Report of Session 2016-17, HC 961, April 2017.

Part Three

Funding the maintenance of the estate

3.1 This part sets out:

- sufficiency of funding;
- use of capital from other areas to support the museums;
- allocating funds to the museums; and
- museums' prioritisation of maintenance spending.

Sufficiency of funding

3.2 The funding that the Department for Digital, Culture, Media & Sport (the Department) has provided to its 15 sponsored museums and galleries (the museums) has not been enough to cover the amounts the museums have requested for repairs to the estate. The Department is allocated funding by HM Treasury. It has managed this allocation of funding since 2015 as follows:

- Of the £251 million core capital grant-in-aid funding the museums requested during the 2015 Spending Review, the Department allocated the museums 56% (£140 million) (**Figure 5** on page 23). This was £35 million less than that required for essential maintenance alone.
- As the 2019 Spending Review was postponed, no new funds were made available by HM Treasury to address the £274 million of estate maintenance projects identified by the museums. The Spending Review was replaced instead by a one-year spending round which left capital funds for museums in 2020-21 at the levels set for that year at the 2015 Spending Review.
- Of the £78 million requested by the museums for urgent and critical repairs by March 2021 from the 2019 Maintenance Fund, the Department allocated 54% (£42 million) (**Figure 6** on page 24).¹⁶

¹⁶ The Maintenance Fund totalled £44 million. Of this, £42 million was allocated to the museums in scope of this report.

- Of the £413 million the Department requested to return the museum estate to good working order, as part of the 2020 Budget the government announced funding of £27 million for critical maintenance work on museums' estates in 2020-21.¹⁷ This is 7% of that requested for the period 2020-21 to 2024-25. The government committed to further actions to address the maintenance challenges they faced at the next Spending Review.

Use of capital from other areas to support the museums

3.3 The Department underspent every year since 2010-11 against its capital spending limit approved by Parliament. Each year, Parliament approves the amount which the Departmental group, including its arm's-length bodies, can spend on capital. This limit includes spending from both grant-in-aid and certain arm's-length bodies' own reserves. Between 2016-17 and 2018-19, the Department and its arm's-length bodies underspent against this limit by £196 million. This ranged from 9% to 22% annually.¹⁸ These underspends occur when either the Department itself does not spend its capital budget, or its arm's-length bodies spend less than forecast of their reserves and grant-in-aid allocations. This may happen, for example, if their planned capital spending is delayed or funded by alternative sources. Delays in capital spending on the Department's Local Full Fibre Networks project resulted in an underspend of £20.3 million in 2018-19 and delays to the medicine galleries and special exhibition projects at the Science Museum caused underspends of £3.6 million in 2017-18.

3.4 At the 2015 Spending Review, HM Treasury agreed that when the Department can predict underspends in particular project budgets in advance, it can re-allocate grant-in-aid to other projects within its group. This was restricted to only "small" projects from 2016, meaning the Department cannot avoid all forecast underspends.¹⁹ The Department has since given the museums capital underspends reallocated from elsewhere in the Departmental group of £3 million for 2017-18 and 2018-19, and £42 million through its Maintenance Fund for 2019-20 to 2020-21.

¹⁷ The Department plans to allocate some of this funding to bodies outside the scope of this report.

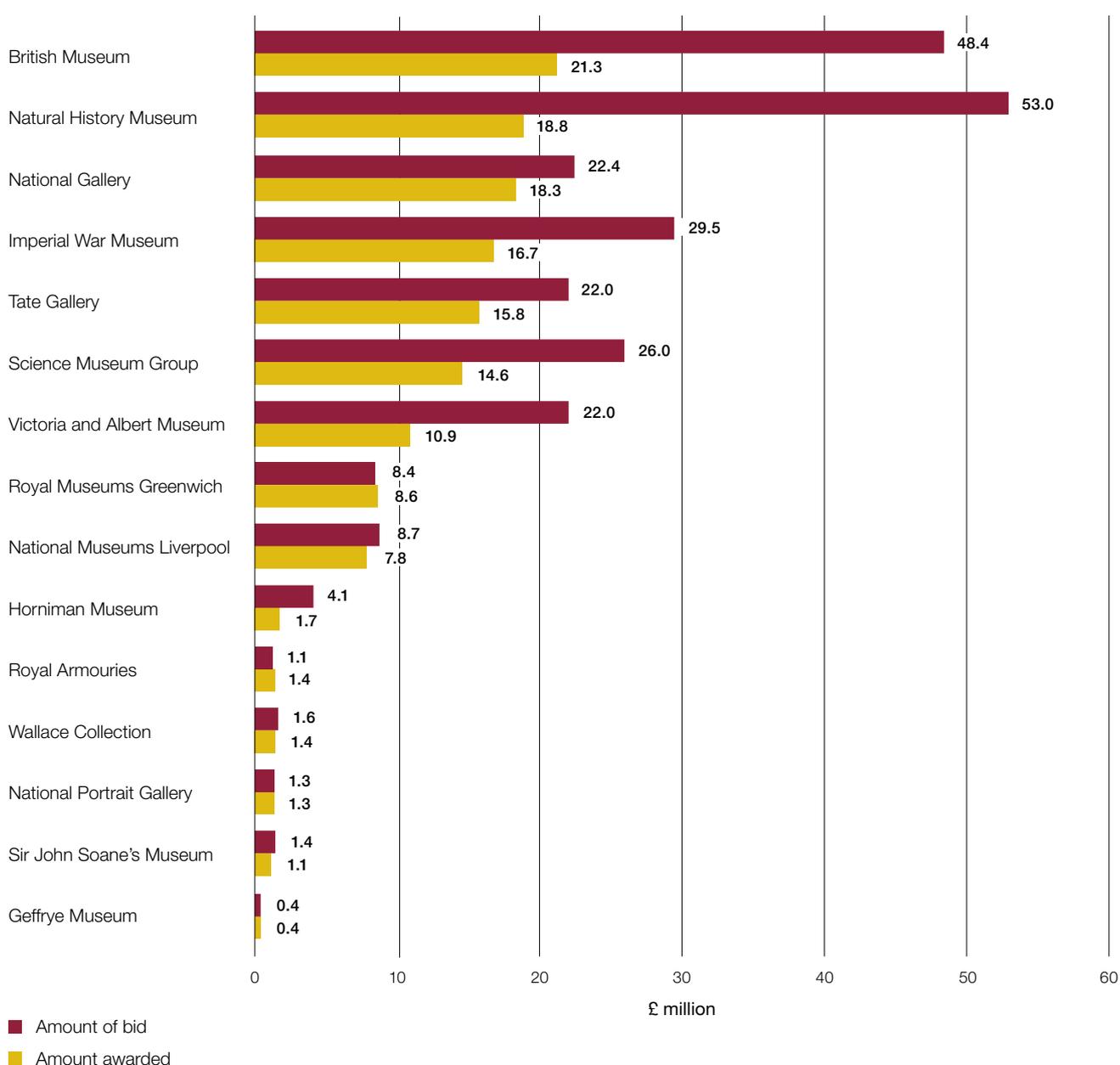
¹⁸ This refers to Departmental Expenditure Limit (DEL) spending only and excludes Annually Managed Expenditure (AME). DEL spending is firm, planned spending set in Spending Reviews. AME spending is volatile or demand-led in a way the Department cannot control.

¹⁹ The Department, in agreement with HM Treasury, broke down funding between "small" and "major" projects for this purpose.

Figure 5

Core capital¹ bids and allocations covering the years 2016-17 to 2020-21 for 15 museums and galleries in England sponsored by the Department for Digital, Culture, Media & Sport, at the 2015 Spending Review

The Department allocated 56% of the £251 million core capital for which museums bid²

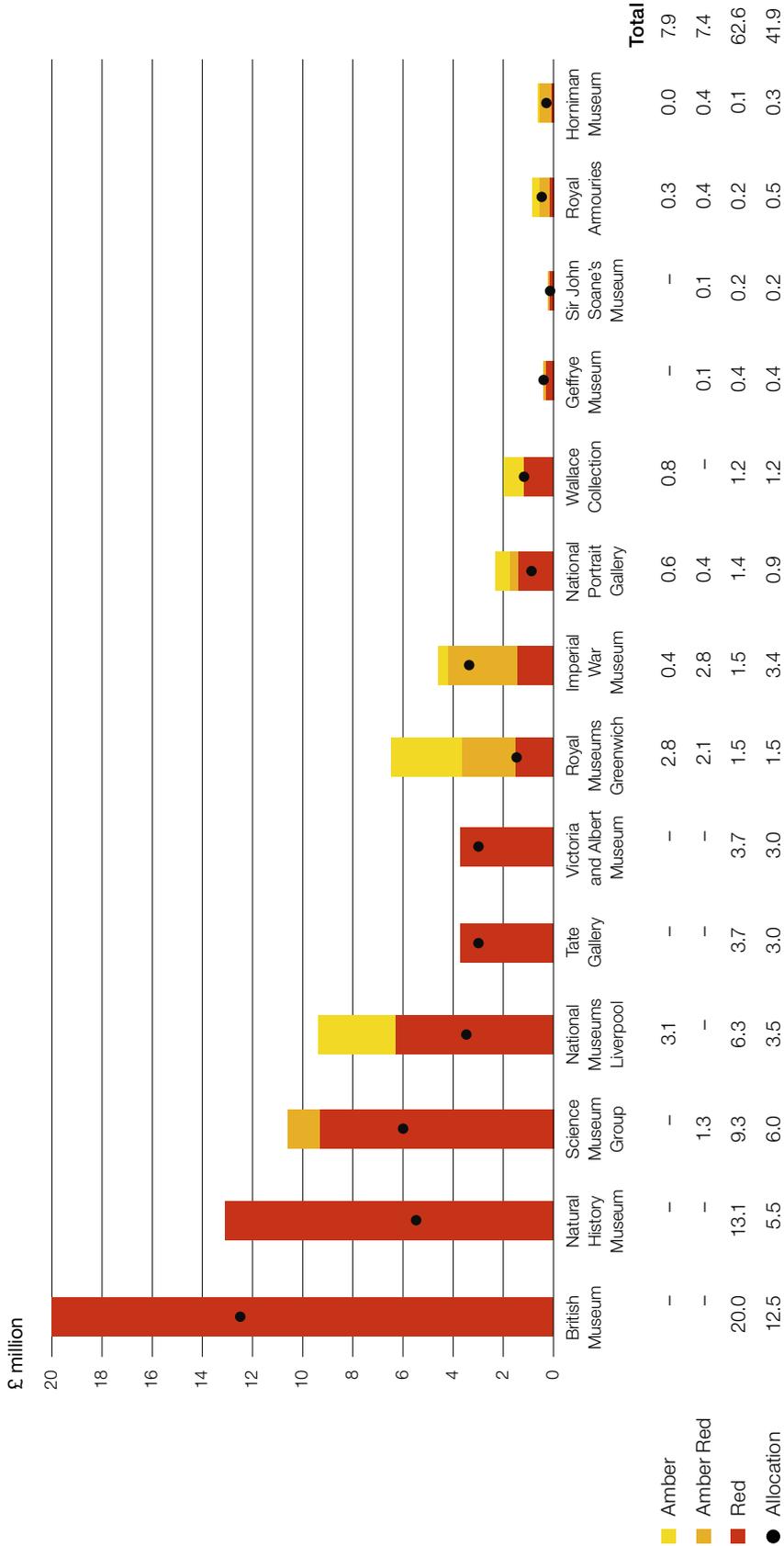
**Notes**

- 1 Core capital is not ring-fenced for a specific project by the Department and neither can it be used for grants to third parties. The Department provides it for use of the museum only, for things such as smaller capital projects, maintenance or replacement work.
- 2 Amount of bid represents the amounts bid for in the museums' initial bids to the Department. These submissions may later have been altered, clarified or corrected.
- 3 Bids do not sum to £251 million total due to rounding.

Source: National Audit Office analysis of 2015 Spending Review returns and allocation letters

Figure 6 Bids made by 14 museums and galleries in England sponsored by the Department for Digital, Culture, Media & Sport to the 2019 Maintenance Fund, by urgency of work, and the amounts allocated by the Department

The museums requested £78 million for maintenance work to March 2021, of which £63 million (81%) they rated as critical work required and overdue: The Department allocated £42 million to the museums from the Fund



Notes

- 1 Museums ordered by value of red-rated bid.
- 2 Museums rated their bids with the following criteria: Red: Critical - work is required and overdue. Red/Amber: Urgent - work is required. Amber: Urgent - work is recommended.
- 3 The National Gallery did not apply as it did not have any works of "genuinely urgent or critical" nature.
- 4 Totals may not sum due to rounding.

Source: National Audit Office analysis of Maintenance Fund applications and allocations

Allocating funds to the museums

3.5 Following the 2015 Spending Review HM Treasury allocated the Department 73% of the total core capital it had asked for. The Department then decided how to spread this money across the full range of its responsibilities:

- First, the Department allocated a basic level of core capital to all its arm's-length bodies for each year of the Spending Review period (2016-17 to 2020-21).
- It then used a scoring system to rank any additional requirements for capital. Funding for museum maintenance was ranked joint 17th out of 38 such requirements. HM Treasury told the Department that it had to fund 14 of the 16 requirements ranked above museum maintenance.
- The outcome was that the museums were allocated an additional £30.5 million in core capital for one year only, 2016-17, for maintenance.

3.6 The Department allocates funding between the museums at each funding round based on information provided by the museums in their bids and from its ongoing engagement with them. These decisions focus on the museums' maintenance spending needs within the timeframe of the bid. They do not consider the longer-term costs of addressing the maintenance backlog, which the Department is unable to quantify (paragraph 2.8). The work the Department commissioned in 2018 identified further work it could do to improve its grant-in-aid allocation decisions (paragraph 1.14).

3.7 The Department has used different approaches to allocate funds between the museums since 2015. It has allocated funding as follows:

- At the 2015 Spending Review, the Department reviewed each museum's bid for capital funding to calculate its own bid to HM Treasury for the full Spending Review period, 2016-17 to 2020-21. According to the Department, following its decision to allocate the museums £30.5 million for maintenance in 2016-17 (paragraph 3.5), it distributed this to each museum based on its breakdown of the bid to HM Treasury. It allocated eight museums at least 80% of their bids for core capital funding over the full Spending Review period. Four received less than 50%.
- When the Department allocated unspent capital of £3 million to museums for 2017-18 and 2018-19, it did this without a formal application round. It allocated funds based on the urgent pressures it had identified.
- For its 2019 Maintenance Fund, the Department launched a formal application round. It reviewed each bid based on its knowledge of the museums and prioritised the projects addressing threats to life and at-risk collections, threat of closure, and deliverability. It contributed to 37 projects identified by the museums, 31 of which (84%) were red rated, the most critical. The museums received between 23% and 93% of the amounts for which they bid.
- Following the 2020 Budget, the Department is deciding how to allocate the £27 million funding for critical maintenance works and intends to focus funds on projects for fire safety, past end-of-life plant, and building integrity.²⁰

²⁰ See footnote 17.

Museums' prioritisation of maintenance spending

3.8 As grant-in-aid funding has fallen, increasingly the museums have had to prioritise where to spend their funds, each using a different process for this. Museums we interviewed now prioritise maintenance that protects public-facing areas, the health and safety of staff and visitors, and the care of collections. Some have been unable to repair and update staff facilities, leaving them dilapidated. This has had a direct impact on staff morale.

3.9 Estate related works must be planned in advance to allow for the most efficient use of funds, reducing the need for reactive maintenance work. For example, the National Gallery, which consists of two Grade I listed buildings, operates a rolling programme of preventative maintenance, where elements of the estate, such as the windows, floors and ventilation systems, will be maintained, repaired or replaced after set periods of time. The museum adjusts this timing if faced with funding pressures in a particular year.

3.10 It takes museums time to organise procurement, find specialist contractors and get planning permission. They also prefer to plan for work to take place outside of peak periods to limit visitor disruption and maintain commercial income. Museums may have limitations on the number of staff available to organise and oversee the work.

3.11 The museums we spoke to welcomed the Maintenance Fund but found it difficult to spend the money within the timeframe imposed. In May 2019 the Department told the museums how much they would receive under the scheme. The Department allocated £25.7 million that the museums had to spend by March 2020 and £16.2 million that they had to spend by March 2021. The Department determined this timeframe by the years in which it anticipated the underspends. Money was therefore directed towards work that fitted the timescale, rather than the most-needed repairs.

3.12 This was a particular challenge for the National Museums Liverpool. The Department allocated it £3.5 million from its Maintenance Fund in May 2019, to be spent by March 2021. This more than doubles the grant-in-aid funding available to the museum for this period. The museum told us while it needed this funding (the museum has a backlog of repairs of at least £24 million) it has struggled to ensure it will be spent in the most effective manner within the prescribed timeframe, due to the long lead-in times for work and its staff capacity.

Appendix One

Our investigative approach

Scope

1 This report includes in scope the Department for Digital, Culture, Media & Sport (the Department), and the 15 museums and galleries (the museums) it sponsors (listed in Appendix Two). It sets out the facts in relation to:

- funding and oversight arrangements for the museums and galleries;
- understanding of the museums' maintenance issues; and
- funding the maintenance of the estate.

2 We drew on information available back to 2010. We excluded from scope the large-scale capital projects that many museums have undertaken to extend their public offer, such as the Tate Modern's extension in 2016.

Methods

3 In examining these issues, we drew on a variety of evidence sources. These included:

- interviews with key individuals within:
 - the Department for Digital, Culture, Media & Sport;
 - the British Museum;
 - the National Gallery;
 - the National Museums Liverpool;
 - the Science Museum Group;
 - the Wallace Collection; and
 - the National Heritage Lottery Fund;

- tours of the following museums to observe the condition of the estate:
 - the National Gallery;
 - the National Museums Liverpool; and
 - the Wallace Collection;
- data analysis of:
 - museums' submissions and allocations at the 2015 Spending Review, the 2019 Maintenance Fund and the preparations for the postponed 2019 Spending Review;
 - the Department's analysis of museums' bids for funding at the 2015 Spending Review, 2019 Maintenance Fund, preparations for the postponed 2019 Spending Review, and the 2020 Budget;
 - the Department's published datasets including 'Total income of cultural organisations funded by the Department for Digital, Culture, Media & Sport'; and
 - the Department's risk registers held for each museum;
- review of published and unpublished information including:
 - Department for Digital, Culture, Media & Sport, *The culture white paper*, CM 9218, March 2016;
 - Department for Digital, Culture, Media & Sport, *Strategic review of DCMS-sponsored museums*, November 2017;
 - Department for Digital, Culture, Media & Sport, *Action Plan: How Government supports museums in England*, October 2018;
 - HM Treasury, *Managing Public Money*, July 2013;
 - Neil Mendoza, *The Mendoza review: an independent review of museums in England*, November 2017;
 - independent research commissioned by the Department;
 - the Department's and the museums' annual reports and accounts;
 - management agreements between the Department and the museums;
 - the Department's communication with HM Treasury;
 - relevant National Audit Office reports on other areas of the wider public sector estate; and
 - relevant reports of the Committee of Public Accounts on accountability and the wider public sector estate.

Appendix Two

Museums and galleries in scope

1 We have included in scope the 15 museums and galleries sponsored by the Department for Digital, Culture, Media & Sport:

- British Museum
- Geffrye Museum
- Horniman Museum
- Imperial War Museum
- National Gallery
- Natural History Museum
- National Museums Liverpool
- National Portrait Gallery
- Royal Armouries
- Royal Museums Greenwich
- Science Museum Group
- Sir John Soane's Museum
- Tate Gallery
- Victoria and Albert Museum
- Wallace Collection

All are national museums, other than the Geffrye Museum and the Horniman Museum.

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