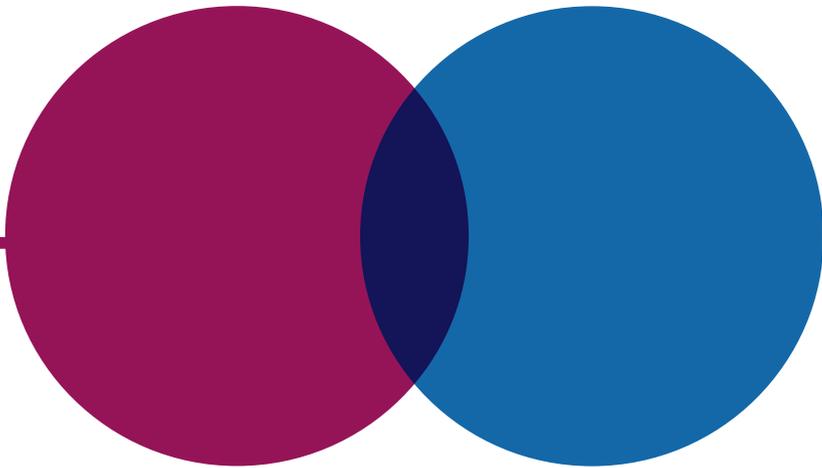




National Audit Office



REPORT

The financial resilience of DCMS-sponsored museums and galleries

Department for Culture, Media & Sport

SESSION 2024–2026

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Key facts

£484mn

grant-in-aid provided by the Department for Culture, Media & Sport (DCMS) to its 15 sponsored museums and galleries (M&Gs) in 2024-25

42mn

total visitors to the 15 M&Gs in 2024-25, 13% down from the annual pre-pandemic average of 48 million

£563mn

total income self-generated by M&Gs in 2024-25, a 53% real terms increase since 2021-22 as M&Gs re-opened following the pandemic, and a return to around the same level that it had been before the pandemic

1 to 7

number of visitor sites each of the 15 M&Gs has

Over 6,800

number of permanent staff employed by the 15 M&Gs in 2024-25

16%

real-terms decrease in grant-in-aid paid by DCMS to the M&Gs from 2021-22 to 2024-25 as DCMS ended its emergency COVID-19 funding; grant-in-aid remained 12% higher than the pre-pandemic average

18%

real-terms increase in total expenditure by the M&Gs from 2021-22 to 2024-25 as M&Gs re-opened after the pandemic

£81.2 million

total unrestricted and undesignated reserves held by M&Gs by the end of 2024-25, a fall of 18% in real terms from a high at the end of 2022-23

Summary

1 The Department for Culture, Media & Sport (DCMS) sponsors and directly funds 15 museums and galleries (M&Gs) in England. Between 2019 and 2024, the M&Gs included seven of the top 10 most visited free visitor attractions in England. The M&Gs are nationally and internationally significant, contributing to the UK's influence overseas, through international loans from their collections, touring and promoting exhibitions internationally, and research projects. DCMS gave grant-in-aid of £484 million to these bodies in 2024-25. They also receive funding from other government sources, such as the National Lottery Heritage Fund and tax reliefs, and raise their own income from, for example, commercial activities and fundraising. In 2024-25, they employed over 6,800 permanent staff, received 42 million visitors, and had a total net asset value of almost £9 billion.

2 The M&Gs range greatly in terms of the number of staff employed, visitor numbers, sites and self-generated income. For example, the number of permanent staff in 2024-25 ranged from 42 (Museum of the Home) to over 1,000 (Natural History Museum). There are 43 visitor sites in total, ranging from one to seven sites per body. The visitor sites are mainly London-based, although some also have significant locations outside the capital, such as the Science Museum Group, which has museums in Bradford, Manchester, Shildon, Swindon and York. Their ability to raise their own income also varies depending on, for example, whether M&Gs' sites allow for paid exhibitions or hire of their premises.

3 The 15 M&Gs are arm's-length bodies (ALBs) of DCMS. This means that each has its own governance structure, Accounting Officer, trustees and legal bases, and each has primary responsibility for its day-to-day running and ongoing financial resilience. DCMS has overarching responsibility for the M&Gs, including setting policy, regulating their compliance with charity legislation, providing significant funding, and deciding how to intervene if M&Gs run into difficulty. As ALBs of DCMS, M&Gs are required to contribute to achieving DCMS's overarching objectives and priority outcomes, as set by the Secretary of State. DCMS also has ongoing priorities for the M&Gs to care for their collections and to provide free access to their permanent collections.

Scope and purpose of the report

4 This report reviews how well the 15 DCMS-sponsored M&Gs and DCMS have managed M&Gs' financial challenges after DCMS started to end its extra COVID-19 pandemic funding from its peak in 2021-22. We have made recommendations for DCMS to support improvements in its oversight of the sector, and recommendations for M&Gs on how they manage future financial challenges. We have also identified good practice from M&Gs' approaches that may be useful to other museums and galleries and other sectors.

5 We have drawn on previous National Audit Office (NAO) work on financial resilience in different sectors to make our assessment and draw our conclusions. We define financial resilience as the ability to prevent, adapt and respond to financial crises or disruptions, and to absorb financial shocks without causing widescale disruption to long-term financial position, service delivery and achievement of objectives. Our assessment of DCMS compares it with good practice, drawn from previous NAO work, for departments overseeing the financial resilience of whole sectors. See Appendix One for our methodology.

6 The report covers:

- the finances of the 15 DCMS-sponsored M&Gs since the pandemic (Part One);
- the responses of the M&Gs to the financial challenges faced since the pandemic (Part Two); and
- DCMS's oversight of M&Gs' financial resilience and achievement of objectives (Part Three).

Key findings

The finances of M&Gs since the pandemic

7 M&Gs' costs have increased in real terms since re-opening after the pandemic at the same time as DCMS has ended its emergency pandemic funding.

Total expenditure by the 15 M&Gs has increased by 18% in real terms from 2021-22 to 2024-25, although it remained slightly lower than the annual pre-pandemic average. The increase since 2021-22 has been driven, in part, by higher staff costs following increases in staff pay and staff numbers after lay-offs during the pandemic. M&Gs have also experienced increased operating costs, such as for maintenance and energy. Since 2021-22, DCMS has ended the additional time-limited emergency funding it gave to protect M&Gs when they had to close to visitors for long periods during the pandemic. As a result, total grant-in-aid has fallen 16% in real terms from 2021-22 to 2024-25, to £484 million, although this was still 12% higher than the annual pre-pandemic average. The composition of total grant-in-aid has also changed. Although DCMS increased its capital funding by more than a quarter from 2021-22 to 2024-25, its revenue grant-in-aid, which helps fund M&Gs' day-to-day operations, has fallen by 7% in real terms over this period. As a result, in 2024-25 revenue grant-in-aid was 11% lower in real terms than the pre-pandemic average (paragraphs 1.7 to 1.9).

8 Since 2021-22, there have been fewer visitors in total to museums and galleries than before the pandemic. Although total visitor numbers have recovered significantly since the pandemic, in 2024-25 they were 13% below the annual pre-pandemic average, at 42 million compared with 48 million. However, six M&Gs, all based solely or mainly in London, had more visitors in 2024-25 than before the pandemic. Overseas visitors have been slow to return, with 19.4 million visiting in 2024-25 compared with an average of 22.6 million before the pandemic. Visitor behaviour has also changed, with visitors being increasingly selective about their leisure activities and their discretionary spend, and with strong competition for leisure time (paragraphs 1.11 to 1.13).

9 There are indications that M&Gs' overall financial position had worsened by early 2025, with some M&Gs requiring additional short-term funding from DCMS to continue operating. M&Gs' unrestricted and undesignated reserves are the funds they put aside in previous years to support their day-to-day operations. After falling significantly in 2020-21 due to the pandemic, these reserves recovered to a high in 2022-23 after the emergency pandemic funding provided by DCMS. However, they subsequently fell by 18% in real terms to £81.2 million at the end of 2024-25 – still higher than pre-pandemic levels. By the end of 2024-25, reserves for two of the 15 M&Gs were below agreed policy levels and three were at the minimum levels. DCMS provided additional year-end funding to M&Gs in financial difficulties totalling £20.2 million in 2023-24 and 2024-25. Over half of the M&Gs (53%) reported to us that they were facing a worse financial position in August 2025 than three years ago, while five (33%) said they were in a better position. All but one of these five had higher visitor numbers in 2024-25 than before the pandemic (paragraphs 1.14 and 1.16 to 1.18).

10 From 2025-26, DCMS has taken steps to provide M&Gs with additional short- and longer-term financial support. DCMS increased funding to M&Gs for 2025-26 by £31 million. This included £24.8 million to provide all M&Gs in February 2025 with a minimum 5% increase in their funding, with additional support for six M&Gs in the most financial difficulty. Following the 2025 Spending Review, DCMS informed M&Gs of their funding for 2026-27 in December 2025, with each M&G set to receive the same allocations as for the prior year, with a 2% uplift for inflation worth £6.9 million. It allocated the £6.9 million in advance to them in December 2025. DCMS intends to confirm indicative allocations for 2027-28 and 2028-29 in early 2026. In recent years prior to this, DCMS has only been able to provide one-year settlements, in line with wider government Spending Review cycles. DCMS expects that, as a result of providing indicative allocations for future years, M&Gs should be better able to make decisions which serve their or DCMS's own long-term interests (paragraphs 1.20, 1.21, 3.4 and 3.5).

11 DCMS has provided additional capital funding to M&Gs but there remains a significant backlog of capital works. DCMS has provided M&Gs with extra capital funding of £292 million to undertake outstanding maintenance and other capital works through the Public Bodies Infrastructure Fund from 2023-24 to 2025-26 inclusive. DCMS estimates remaining backlogs of £396 million over 2026-27 and 2027-28, and £394 million over 2028-29 and 2029-30. To help address this backlog, in January 2026 DCMS committed an additional £480 million to the Public Bodies Infrastructure Fund between 2026-27 and 2029-30 (paragraphs 1.9 and 1.10).

M&Gs' responses to the financial challenges faced

12 Most M&Gs have increased self-generated income and drawn on their reserves to cover their increasing costs.

M&Gs increased their total self-generated income (excluding donated assets) by 53% in real terms from 2021-22 to 2024-25. This totalled £563 million as they fully re-opened following the pandemic and visitors returned, with 13 delivering increases ranging from 0.2% to 139%. The £563 million in 2024-25 represents a return to around the same level in real terms that it had been before the pandemic, and has been achieved despite the overall lower visitor numbers and changes in visitor behaviour. Over half of M&Gs (53%) reported to us that they relied on their reserves to address financial challenges, with the same proportion expecting low levels of unrestricted reserves to be a main financial challenge in the coming years (paragraphs 2.2 and 2.8).

13 M&Gs have adopted commercially oriented strategies to increase their income and have sought to contain cost increases.

- **Income:** There is no single revenue source which has driven M&Gs' increased self-generated income. M&Gs have used diverse methods to increase income: venue hire; visitor donations and membership schemes; touring collections overseas; licensing arrangements with commercial bodies; paid-for visitor experiences; and hospitality and retail. The ability of an M&G to generate income depends on its location, the nature of the collection and its facilities. For example, some M&Gs lack the facilities to hold paying exhibitions, while some can, for historical reasons, charge entrance fees to sites or parts of a site (paragraph 2.3).
- **Costs:** One-third of M&Gs told us they have responded to financial challenges by reducing staff costs, for example by making staff redundant, not filling vacancies and having fewer staff on duty. Some M&Gs have adopted innovative approaches, such as using technology or retraining staff in both security and museum guide duties. A third of M&Gs have reduced operating costs by renegotiating service contracts and sharing services such as security, cleaning, and estate maintenance (paragraphs 2.6 and 2.7).

14 M&Gs' future reliance for financial resilience on self-generated income and cost containment is subject to risks that they must manage.

Self-generated income sources are riskier and more susceptible to external factors, such as tourism costs like travel and accommodation, and exchange rates. 'Blockbuster' exhibition income is volatile and high risk, with membership revenue also becoming unstable due to high membership churn. There is also a risk that cost containment measures impact on M&Gs' ability to preserve their collections and maintain free access: one-third of M&Gs told us they were concerned about their ability to deliver these core objectives over the next three years, with 20% looking at their service offer to control costs (paragraphs 2.4 and 2.10).

15 There are indications that some M&Gs may not have the financial management capacity to manage future risks. Some M&Gs have small finance teams, while many have experienced significant churn in their senior financial leadership in recent years. Some have also struggled to produce their annual accounts for audit on a timely basis. In some cases, DCMS has provided additional support to M&G finance teams. M&Gs' boards play an important role in ensuring M&Gs' financial resilience. As at 9 October 2025, there were 34 vacancies across M&Gs' boards, representing a total vacancy rate of 15%, although rates varied, with four M&Gs having vacancy rates of 25% or above. The average length of time to make appointments in 2024-25 was 219 days, more than the 90 days set down by the government. According to DCMS, the delays in 2024-25 were, in part, due to the July 2024 election and subsequent change of government, and membership of all M&G boards were at a sufficient level during the year for them to be quorate and so able to carry out their functions. However, delays to appointments can mean that M&Gs' board-level capability gaps are not addressed as quickly as required (paragraphs 3.16, 3.18 and 3.19).

DCMS's oversight of M&Gs

16 DCMS has improved its approach to providing M&Gs' funding in 2025-26 by taking account of changes in their financial position, and plans to repeat this process periodically in the future. Prior to 2025-26, when calculating the initial allocations for the coming year, DCMS applied an equal percentage uplift to M&Gs' existing baseline allocations to allow for inflation. It then used year-end top-ups to help those it discovered to be in financial trouble. In contrast, DCMS took a more considered approach to its initial allocations for 2025-26. It reviewed measures of M&Gs' circumstances, such as recent financial performance, visitor numbers and floor space, and gave higher increases to the M&Gs most in need. While 80% of M&Gs, according to our survey, agreed or strongly agreed that DCMS provides clear information on funding processes and allocations to its M&Gs, just over half of the M&Gs also told us that they were unclear about the basis on which their grant-in-aid is allocated. For 2026-27, DCMS has reverted to increasing all M&Gs' allocations by an equal percentage to allow for inflation. DCMS told us that it plans to periodically take a more considered approach, such as for 2025-26, to take account of changes in M&Gs' financial position (paragraphs 3.5 to 3.7).

17 DCMS is reviewing how it tracks M&Gs' performance because there are some objectives for which it does not have performance indicators. Since at least 2016, DCMS has set out clear, specific priorities that it expects M&Gs to deliver. These are mainly around providing free entry to their permanent collections, and protecting these collections and their front-line services. The M&Gs are also expected to support the strategic aims and priority outcomes of DCMS and the wider government, and to deliver their own charitable objectives in line with relevant legislation. DCMS has had a set of long-standing key performance indicators (KPIs) in place to monitor the performance of M&Gs. However, they do not cover qualitative aspects of M&Gs' service delivery, such as opening times, gallery closures or condition of collections, which could provide an early indicator of deterioration in their resilience, and some KPIs are out of date. DCMS has chosen not to set targets against which to measure M&Gs' performance. As at January 2026, DCMS had also not set out how it intends to assess M&Gs' delivery of its priority outcomes, but it plans to review its KPIs for their coherence, detail and robustness in 2026 (paragraphs 3.8 to 3.11).

18 DCMS is working to improve its oversight arrangements so that it has a clearer measure of each M&G's financial resilience. The financial performance of each M&G is among the topics DCMS discusses at its quarterly partnership meetings with these, with M&Gs providing DCMS with documentation to support these discussions. DCMS has also introduced new regular internal reports on the financial performance of its ALBs in early 2024. However, the focus of these reports is the in-year spending of these bodies and the accuracy of their financial forecasting, rather than their financial resilience. DCMS only receives updates on the level of M&Gs' reserves, a key metric of financial resilience, at the end of the financial year. Also, while DCMS discusses senior capacity and capability with M&Gs, it does not collect data to assess M&Gs' financial management capabilities. It therefore risks being unsighted on M&Gs' capacity to manage financial challenges. DCMS has been developing a traffic light system to rate the financial performance of its ALBs, including M&Gs, which is likely to cover their financial resilience, and a Strategic Indicator Tool covering both financial and non-financial performance (paragraphs 3.13 to 3.15, 3.17, 3.21 and 3.23).

19 The majority of M&Gs agree that DCMS supports efforts to share good practice, but they want more support from DCMS where they face resilience issues they find difficult to tackle on their own. M&Gs face common resilience issues and opportunities, such as the costs of storing increasing collections, the challenge of digital archiving collections, and an increasing threat from cyber-attacks. Although the majority of M&Gs agree that DCMS supports efforts to share good practice between themselves, some consider DCMS could do more to help, through its convening role. This might include, for example, sharing the information it receives from all 15 on costs, where a lack of consistent data hinders comparison between M&Gs, or by providing seed funding to individual M&Gs to build skills and capability that could then be shared more widely (paragraphs 1.13 and 3.27 to 3.30).

Conclusion

20 DCMS and the M&Gs have worked in partnership to oversee M&Gs' continued operations as government funding reduced from the exceptional amounts provided during the pandemic. This has required DCMS to provide additional funding to some M&Gs that it identified faced the greatest financial risks. M&Gs have managed increasing costs and found ways to increase self-generated income through a range of innovative and commercially minded strategies, despite lower overall visitor numbers than before the pandemic.

21 M&Gs are now more reliant on self-generated sources of income that are vulnerable to wider economic factors, and they are using cost-containment measures that can only go so far before they risk the achievement of objectives. M&Gs will need to navigate these challenges through good financial management and planning, with DCMS having overarching responsibility for ensuring whether they can care for and provide free access to their collections. Therefore, DCMS must ensure that it has structures in place to identify early warning signs, should M&Gs start struggling to manage their financial risks, so it can intervene early – potentially before additional funding is required. Its work to address gaps in its oversight and monitoring of M&Gs' financial resilience is therefore important to ensuring it can fulfil its oversight role most effectively. It also has an opportunity to do more in its convening role to support M&Gs in dealing with common challenges, such as the threat from cyber-attacks.

Recommendations

22 DCMS should:

- a** as part of its review of KPIs, ensure that it is able to measure M&Gs' progress against each of its priority outcomes and that the measures provide a balance of cost, quality and delivery – it should also use these KPIs to enable a clearer view of whether M&Gs are performing in line with its expectations;
- b** identify a set of indicators of M&Gs' financial resilience, which it will monitor on a regular basis to identify potential early warning signs of financial difficulty, with accompanying plans for how it will use this information to prioritise its oversight and engagement with M&Gs that are most at risk – its indicators should include a mix of financial measures, such as cash and reserve levels, and non-financial indicators, such as the timeliness of production of annual accounts for audit and leadership turnover in M&Gs' finance teams;
- c** communicate to the M&Gs the factors it considers when deciding their annual funding allocations – it should also encourage M&Gs to share information about their operating costs to enable comparison and benchmarking of key cost data between the M&Gs; and

- d** communicate a plan to the M&Gs setting out how it will support sharing of good practice and development of capacity to address cross-cutting challenges that are affecting M&Gs' financial resilience; this could include identifying, and potentially funding, one museum or gallery to pilot shareable solutions that can be disseminated across the sector – current cross-cutting challenges include cyber threats, storage, digitisation of collections, insurance and shared services.

23 Museums and galleries should:

- a** take the opportunity provided by the current multi-year Spending Review period to establish financial plans that reflect the greater certainty over government funding provided and factor in uncertainty about other income streams due to wider economic factors – these should include plans for managing a range of scenarios for income generation;
- b** agree collectively how they can capture data on key costs, such as staff, insurance, energy and security, on a consistent basis in order to facilitate more insightful comparisons between M&Gs; and
- c** review whether their financial management capability is sufficient to manage future risks and seek to address any gaps they identify.