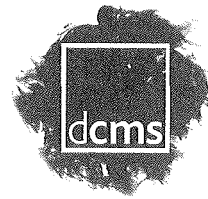


CMS 156943/DC



department for  
culture, media  
and sport



*host government  
department*

The Rt Hon The Lord Sterling of Plaistow GCVO CBE  
Chairman  
National Maritime Museum  
Romney Road  
LONDON  
SE10 9NF

20 October 2010

*Dear Jeffrey,*

## **2010 SPENDING REVIEW**

I am writing to inform you about the outcome of the 2010 Spending Review for my Department. DCMS' overall budget will reduce by 25% by 2014-15, which comprises a 24% reduction to the resource budget and a 32% reduction to the capital budget. Within this, we have been able to focus our resources to protect the core frontline services that the National Maritime Museum provides by limiting cuts to resource funding to 15% in real terms.

This letter sets out the funding settlement for the National Maritime Museum covering the financial years 2011-12 to 2014-15. I am setting out these high level budget allocations now to give you the best opportunity to plan for what will be a very challenging four year period. This letter will be followed by a more detailed funding agreement that will include full details of the settlement over four years, and the Government's requirements to support the transparency agenda.

My overall approach to the Spending Review has been to tackle the challenge in a strategic way, based on four principles:

- cutting waste and inefficiency, stopping lower priority projects and rethinking the role of the state in the sectors in which we operate;
- protecting for the long term our unique cultural, heritage and sporting assets;

- delivering a safe and successful Olympics in 2012; and
- contributing to the Government's growth agenda by supporting growth in our sectors and in the wider economy.

The resource grant in aid budget for your organisation will be cut by 15% in real terms by 2014-15. Within this settlement I expect –

- the world-class collections and front-line services of the National Maritime Museum to be protected;
- that free entry to the permanent collections of the national museums will continue to be available;
- that the National Maritime Museum will continue to work in partnership with other museums in the UK;
- that the National Maritime Museum will pursue ways to increase its self-generated income, including through private giving.

I also look forward to the contribution that the sponsored museums and galleries will make to the Cultural Olympiad, which will showcase the best of our cultural offer to the world.

I recognise the important role that philanthropy and corporate support already play in your financial planning and operations. The Government will play its part in incentivising private sector support for culture over the next four years, and I expect you to enhance further your own fundraising capacity through cultivation of a broad range of donors, business supporters, trusts and foundations. Over time, I hope that legacies and endowments will increasingly help to reinforce the financial resilience of the sector, and we want to work in partnership with you to that end.

Alongside your grant in aid budget allocations, we have secured agreement from Treasury to allow national museums access to £143 million of museum reserves over the period. This is around half the total historic museum reserves. We will have further discussions about the arrangements for agreeing access to these reserves shortly. This is an important step towards delivering on the Coalition commitment to provide greater administrative freedoms for national museums and will, I hope, encourage you to work towards attracting further philanthropic donations to the National Maritime Museum.

We expect that bodies will meet the costs of restructuring. Where there are genuine difficulties, you should contact DCMS to explore options that might be available.

## Budgetary control totals

The control totals against which the National Maritime Museum's net expenditure will be monitored and the grant in aid that DCMS will pay in each year are set out in the table below. The key controls are the near-cash resource budget and the overall capital budget.

£m	Resource Budget		Total Resource (DEL) Budget	Capital Budget		Total Capital (DEL) Budget	Grant in Aid Resource (near-cash)
	Resource (near-cash)	Ring fenced depreciation		Core capital	Projects		
2011-12	15.501	3.401	<b>18.902</b>	1.557	0.0	2011-12	15.501
2012-13	15.215	3.579	<b>18.793</b>	1.633	0.0	2012-13	15.215
2013-14	14.985	3.738	<b>18.723</b>	1.708	0.0	2013-14	14.985
2014-15	14.939	3.889	<b>18.827</b>	1.784	0.0	2014-15	14.939

The approach that I have taken in setting these allocations is to commit most of the Department's resources to the bodies that we fund, and to keep only very limited funds back at the centre. This necessarily means that I am left with very little flexibility to deal with risk, for example to meet unforeseeable changes in circumstances and priorities that will arise, particularly in the latter years of the Spending Review period. So, while these allocations set out my firm plans for the next four years, they cannot be immutable, particularly for the third and fourth years. I must ask you to build into your own plans some flexibility in the later years. My intention would of course to minimize any changes to budgets, and to keep them below 5 per cent of your overall allocation in any case.

The overall budget is split into two sub-totals, Resource and Capital. Further information about the nature of these control totals and the flexibility between budgets can be found in **Annex A**.

Your resource allocation includes an annual sum which is ring-fenced for National Historic Ships, as set out below. As you are aware, this body will be declassified as a Non Departmental Public Body and we will be exploring options for its future during the course of the spending period.

£m	National Historic Ships Resource Budget
2011-12	£241,000
2012-13	£237,000
2013-14	£233,000
2014-15	£232,000

## Capital

DCMS's capital budget reduction is 32%. Capital budgets are tighter than for resource spending, making decisions here more difficult. We have therefore focused our spending on completing those major projects that are already underway and maintaining capital spending on maintenance of core cultural and sporting assets. We have also been able to provide funding for the roll out of the Coalition's commitment to high speed broadband.

Your core capital budget is £6.682m over the financial years 2011-12 to 2014-15.

## Transparency

In place of the performance frameworks that you may have been used to in the past, the National Maritime Museum will now be expected to make information available to the public on a range of subjects. This will involve the formulation of an information strategy setting out what will be published and when. Further guidance about what must be included will be given in the funding agreement (which will be issued shortly) but it will incorporate a range of inputs and impact indicators.

Despite the difficult circumstances, this represents a fair settlement with safeguards to protect our cultural, heritage and sporting core. My Ministerial team and I look forward to working with you over the next four years.

*Yours ever*



**JEREMY HUNT**

**Secretary of State for Culture, Olympics, Media and Sport**

## Annex A

### Resource DEL budget

The **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation<sup>1</sup> and impairment charges have been set against it, any overspend must be covered by a reduction in expenditure on either the Programme or Administration budgets. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

### Capital DEL budget

The Capital DEL budgets are also separated into three distinct control totals.

Where the National Maritime Museum has a **major project**, the specific funding for this is shown separately. It is not permissible to switch funding from that project to other areas of capital expenditure without the permission of the Department. You are expected to control expenditure on the project and plan to ensure that the project conforms to the budgetary limits shown. I wish to be quite clear that any slippage in the project that requires the deferral of expenditure to a later year will only be approved if the Department's overall budget has sufficient headroom to accommodate it. If it does not, you will be expected to defer expenditure and re-phase the project to conform to the profile shown. I would encourage you to ensure that any contracts you sign or agreements that you enter into are flexible enough to accommodate this.

The second category is **core capital**. This captures all other capital expenditure and might include smaller capital projects, maintenance and replacement work. The Department will look kindly upon proposals to use the budget allocated for core capital expenditure on either increasing the value of capital grants distributed or on assisting with the re-profiling of major projects; however, you still require Departmental approval to change the nature of the expenditure.

For museums and galleries that have reserves, separate arrangements will be put in place to manage the drawdown of accumulated reserves and to handle their future build up (eg from new donations). I will write separately to the bodies affected.

Please remember that any project that costs (over its lifetime and including all funding streams) more than your delegated capital limit must be approved by the Investment Committee at DCMS using the approved process.

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<sup>1</sup> The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations (including donated assets).