



National Audit Office



REPORT

Maintaining public service facilities

Cross-government

SESSION 2024-25
22 JANUARY 2025
HC 544

Key information

Why the maintenance of government property is important

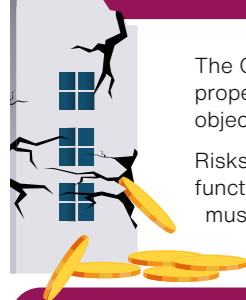
Property maintenance is important so that public sector buildings remain safe, functional and comfortable for public sector employees and the public.

Poor property condition can negatively affect the delivery of services to the public, the public sector's productivity and staff retention, and the value of government property.

Delaying maintenance can significantly increase future costs.



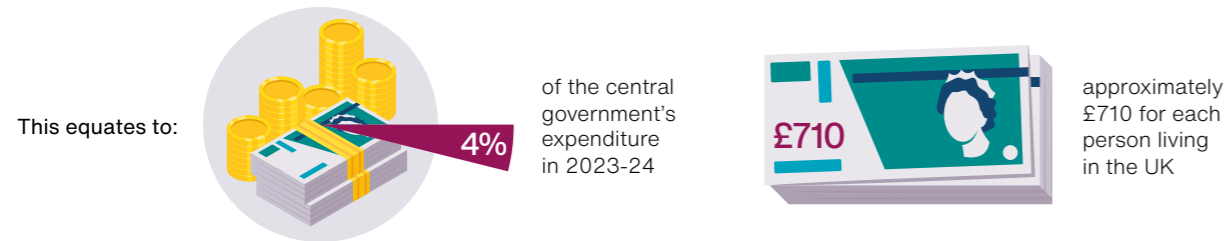
Poor property condition is a significant risk across government



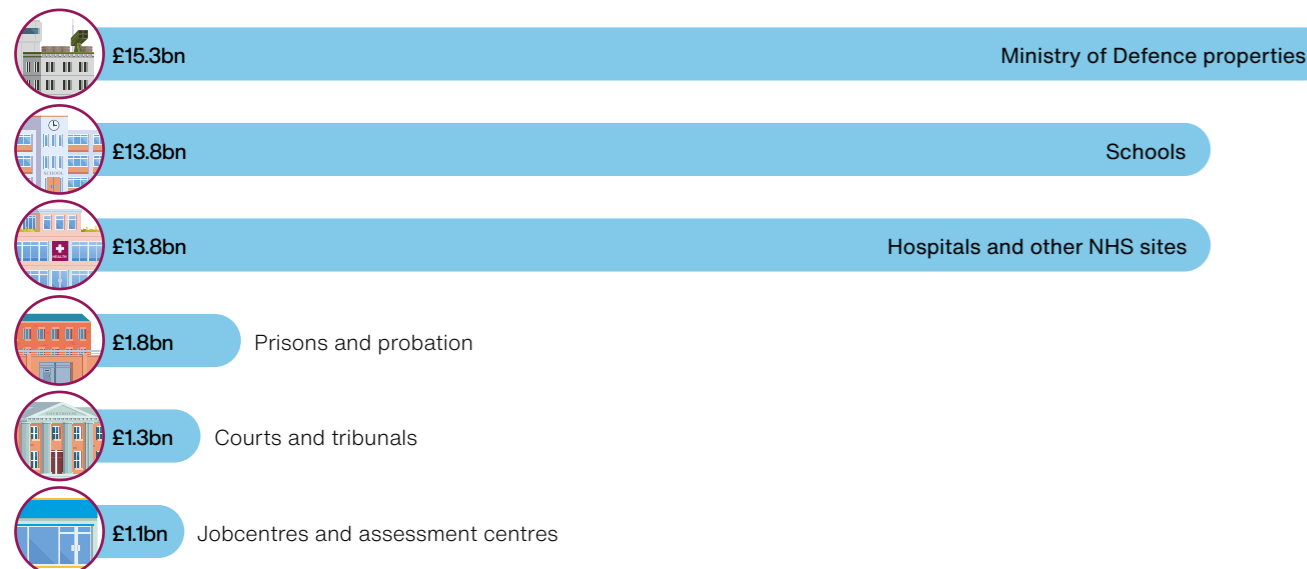
The Civil Service Board, which supports the strategic leadership of the civil service, considers unsafe property condition to be one of the principal risks to the civil service's ability to deliver the government's objectives, and assesses it to be beyond the level of risk that the government can accept.

Risks relating to property condition have materialised, taking property out of use and impacting functionality of properties such as prison cells, law courts, schools, hospitals, defence estate and museums. On average, between 2019-20 and 2023-24, approximately 5,400 clinical service incidents occurred in the NHS every year due to property and infrastructure failures.

The government's maintenance backlog has grown steadily in recent years and is now at least £49 billion



The types of property with the largest backlogs



There are several causes for the increase in the backlog

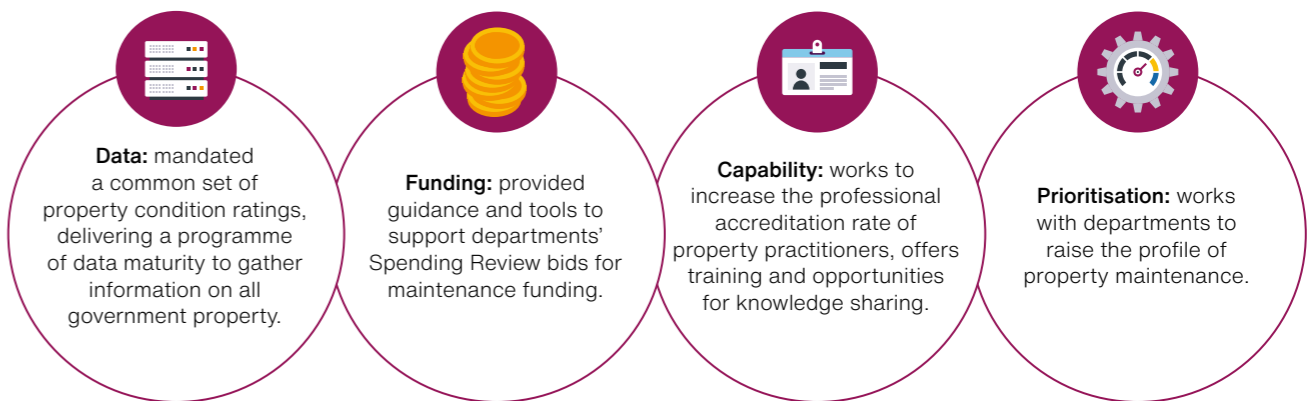
Historic under-investment

Cost increases and inflationary pressures

Many aged buildings are reaching the end of their intended operational life at the same time

For income-generating portfolios such as museums, loss of income due to COVID-19

The Office of Government Property has taken action to improve property condition and reduce the backlog



More work is needed

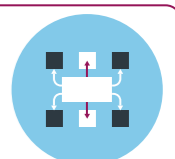
Data

- Standardised definition of the maintenance backlog
- Used across government to estimate the total backlog
- Maintenance backlog information published annually to improve transparency



Planning

- Long-term plans for departments' capital needs
- Arm's-length bodies to produce strategic asset management plans or be included in departmental plans



Funding

- HM Treasury to tackle the backlog through the next spending review
- Assessments of the benefits of new builds versus maintaining existing properties in business cases for new builds



Capability

- Office of Government Property to use data on the property profession to make recommendations to departments about addressing skills gaps in property roles
- Departments to include workable property workforce plans in their strategic workforce plans



Summary

Introduction

1 The government has extensive property holdings, which it uses to deliver services to the public and support its operations. Government property ranges from hospitals to jobcentres, courts, prisons, museums, research facilities, offices and warehouses (**Figure 1**). As of March 2023, the value of freehold properties was approximately £187 billion.¹ Ministry of Defence (MoD) properties such as military bases, National Health Service properties such as hospitals, and schools make up approximately 89% of government property by area and 84% by value.

2 Property maintenance is important so that public sector buildings remain safe, functional and comfortable for public sector employees and the public. Poor property condition can negatively affect the delivery of services to the public, the public sector's productivity and staff retention, and the value of government property.

3 Recent National Audit Office reports have highlighted that schools, hospitals and prisons have significant maintenance backlogs.² A maintenance backlog is the value of work that has not been carried out or has been deferred when maintaining assets. It includes the cost of works that should have already taken place and excludes the cost of works that will be required in the future. Delaying these works can significantly increase future costs.

4 Government departments and arm's-length bodies (ALBs) have day-to-day accountability for their own property. HM Treasury (HMT) and the Cabinet Office influence departmental decision-making by allocating funding and by publishing cross-government policies, standards, strategies and guidance. The Office of Government Property (OGP), part of the Cabinet Office, sets the strategic direction for the management of government property. The OGP established the Better Buildings Programme in 2022 to develop a standard, consistent methodology across government for building maintenance and risk management, and share best practice across government.

¹ Government Property Function and Cabinet Office, *State of the Estate 2022-2023*, updated April 2024.

² Comptroller and Auditor General, *Condition of school buildings*, Session 2022-23, HC 1516, National Audit Office, June 2023; Comptroller and Auditor General, *Progress with the New Hospital Programme*, Session 2022-23, HC 1662, National Audit Office, July 2023; Comptroller and Auditor General, *Increasing the capacity of the prison estate to meet demand*, Session 2024-25, HC 376, National Audit Office, December 2024.

Figure 1
Types of UK government property

The UK government owns or occupies a wide range of properties, which it has categorised into 15 portfolios



Notes

- 1 The 'remaining estate' includes properties which do not fall under the other portfolios, such as industrial buildings, and properties of organisations whose assets have multiple uses or are difficult to disaggregate.
- 2 Each box represents a property portfolio and includes examples of the types of property that fall under it, not an exhaustive list.

Source: Government Property Function and Cabinet Office, *State of the Estate 2022-2023*

Scope of this report

5 This report examines whether the government plans and manages property maintenance in a way that ensures value for money. It covers:

- the importance of property maintenance, how the government manages its property, and the size and composition of the government's maintenance backlog (Part One);
- the timeliness, completeness and consistency of the government's data on property condition and the backlog (Part Two);
- how the government funds property maintenance and how government organisations use the funding available (Part Three); and
- property professionals' capacity and capability (Part Four).

6 The report focuses on the properties that the government uses to deliver services to the public and support its operations, such as NHS properties, schools, jobcentres, courts, prisons, museums, research facilities and warehouses. It does not cover offices;³ equipment; land; overseas properties such as UK embassies and MoD sites abroad; infrastructure assets such as roads, flood defences and nuclear decommissioning sites;⁴ and the implications of the government taking up responsibility for the maintenance of public finance initiative (PFI) assets as PFI contracts come to end.⁵ It also excludes the property of the devolved administrations, local government offices, public corporations and the wider public sector, such as the Parliamentary Estate in Westminster.⁶

Key findings

Data and transparency

7 Department Strategic Asset Management Plans (SAMPs) are of varying quality in terms of both format and level of detail. The SAMP is a mandatory requirement for all departments with a property portfolio. It provides an opportunity for departments to consider the totality of their assets and plan how to manage maintenance and disposals in the longer term. However, not all departments prepare comprehensive plans (paragraph 1.10).

3 Comptroller and Auditor General, *Managing central government property*, Session 2022-23, HC 571, National Audit Office, July 2022.

4 Comptroller and Auditor General, *Resilience to flooding*, Session 2023-24, HC 189, National Audit Office, November 2023; Comptroller and Auditor General, *The condition and maintenance of local roads in England*, Session 2024-25, HC 117, National Audit Office, July 2024.

5 Comptroller and Auditor General, *Managing PFI assets and services as contracts end*, Session 2019-21, HC 369, National Audit Office, June 2020.

6 Comptroller and Auditor General, *Restoration and Renewal of the Palace of Westminster: Progress update*, Session 2021-2022, HC 1016, National Audit Office, January 2022.

8 The government's data on the condition of its properties and the maintenance backlog are incomplete, out of date, and use inconsistent definitions, which hinders the government's ability to make effective funding decisions. The most recent attempt by the OGP to quantify the maintenance backlog across government property, in March 2022, did not include data on the MoD's property, except for single living accommodation for service personnel. HM Prison and Probation Service's calculation of replacement costs for probation centres is based on 2019 values. Organisations include different costs in their calculations of the backlog, preventing decision-makers from comparing maintenance backlogs across government. This affects the government's ability to make strategic decisions on property, including prioritisation of funding and delivery of cross-government initiatives (paragraphs 2.2 to 2.6).

9 The government is taking action to improve the quality, completeness and consistency of information on the condition of its property and the maintenance backlog. After some delays, the OGP is introducing InSite, an enhanced data collection system, and aims to have completed its implementation by March 2025. The OGP hopes the new system will improve data consistency and will use it to gather information on government property, as per the government property data standard. Additionally, as part of the Better Buildings programme, the OGP is undertaking initiatives to improve data quality, such as publishing tools to help departments produce better business cases for maintenance. We assessed the Better Buildings programme against our framework for reviewing programmes and found that, while the programme had clear objectives, the OGP was slow to progress the programme and had limited levers to encourage change across departments (paragraphs 2.9 to 2.14 and Figure 7).

10 There is limited transparency on the condition of government property and the maintenance backlog. The Cabinet Office does not regularly publish information on the condition of government property and the backlog, as it is incomplete. Only NHS England publishes backlog costs annually. The Department for Education (DfE) has also previously published statistics on the condition of government-funded schools in England. The latest published data date back to surveys carried out from 2017 to 2019 and a new data collection programme is ongoing (paragraphs 2.7 to 2.8).

Property condition

11 We calculated that the government’s maintenance backlog has increased steadily in recent years and is now at least £49 billion. This equates to approximately 4% of the government’s total expenditure in 2023-24, or around £710 for each person living in the UK (based on mid-2023 population estimates). The OGP has estimated that the actual cost of remediation (the real cost of repairs to improve property condition, rather than simply maintaining it) could be substantially higher, in some cases 10 times higher. MoD properties, schools and NHS properties have a backlog totalling more than £10 billion each and make up 88% of the total backlog. Government officials we spoke to have identified historic underinvestment, cost increases and inflationary pressures, the fact that many aged buildings are reaching the end of their intended operational life (the point at which they cease to be useful) around the same time and, for income-generating portfolios such as museums, loss of income due to COVID-19 as the causes for the increase in the backlog (paragraphs 1.12 to 1.16).

12 Some government organisations provide services to the public from old buildings, which are expensive to maintain and susceptible to faults, and have no plans to move to newer buildings. Government bodies may not move to newer buildings for a variety of reasons, including the historical significance of existing sites, cultural resistance from staff not wanting to move to modern buildings, difficulties in finding suitable buildings in the required locations, or the fact that the proceeds from selling existing properties would be low and the cost of acquiring new buildings high. The OGP provides departments and ALBs with guidance on how to decide which properties to retain and to dispose of. Government’s disposals generated receipts of £1.1 billion in 2022-23, against a target of £500 million per annum (paragraphs 3.11 and 3.12).

13 Building failures have affected the delivery of public services, government’s productivity and its ability to withstand shocks. The Civil Service Board, which supports the strategic leadership of the civil service, considers unsafe property to be one of the risks to the civil service’s ability to deliver government’s objectives, and assesses it to be outside of its appetite, that is, beyond the level of risk that government can accept. Out of 17 main government departments, five have identified a risk relating to property failure, safety or suitability as one of their principal risks, including the departments which lead on three of the four largest government and public sector property portfolios (DfE, MoD and the Ministry of Justice). Risks relating to property safety and failures have materialised across government property and resulted, for instance, in the closure of prison cells, law courts and museums. On average, between 2019-20 and 2023-24, approximately 5,400 clinical service incidents occurred in the NHS every year due to property and infrastructure failures (paragraphs 1.4 to 1.7).

Funding

14 Short-term planning and funding for property maintenance affects the government's ability to deliver the best value for money in the long term.

Government organisations operate with annual maintenance budgets and are not allowed to transfer unspent funds to the following year. Meeting a year-end deadline to spend maintenance funding may be difficult as works take time to plan and deliver. Work is often concentrated in the last quarter of the year, which makes it harder to oversee than if it were spread evenly across the year. Organisations are incentivised to spend any leftover funds before year end and to split large projects into smaller annual chunks. This encourages them to pursue quick wins and piecemeal solutions rather than long-term value for money. Long-term plans for acquisitions, investment and disposals would help government organisations maintain their property effectively. However, organisations do not usually make long-term plans as they only have funding certainty for the current spending review period (paragraphs 3.14 to 3.18).

15 Government organisations told us that preventative maintenance is better value for money than reactive repairs but that funding to support preventative maintenance is not seen as a priority.

Government organisations told us that maintenance funding has often been significantly lower than the amounts they estimated they need, and that this limits their ability to carry out preventative maintenance, which delivers better value for money than reactive repairs, and to prevent the condition of their property from continuing to deteriorate. HMT told us that, when allocating funding to departments, it works with them to strike a balance between property maintenance and other competing priorities. It stated that business cases for maintenance should clearly evidence the outcomes that planned investment will achieve (paragraph 3.4 and Figure 8).

16 Some organisations have prioritised acquiring new properties or day-to-day spending over maintaining their existing properties. In our 2024 value for money report on the prison estate, we found that HM Prison and Probation Service (HMPPS) did not maintain prisons to the necessary standard, due to insufficient funding.⁷ Dilapidation of existing cells and earlier policy choices to close some prisons offset HMPPS’s progress in increasing prison capacity.⁸ The Department for Health & Social Care transferred £4.3 billion from its capital to revenue budget between 2014-15 and 2018-19, partly to prioritise day-to-day spending for NHS providers whose financial position had deteriorated. In November 2023, the House of Commons Public Accounts Committee concluded that “the raiding of capital budgets in the recent past is an underlying cause of the estates crisis the NHS is now in”. HMT now requires departments that wish to transfer funding from capital to revenue budget to demonstrate that this does not take funding away from necessary maintenance expenditure. HMT also intends to further restrict departments’ ability to transfer funding from capital to revenue budget. HMT is strongly encouraging departments to consider improving their existing properties before submitting spending review bids for new builds (paragraphs 3.6 to 3.10).

17 Some departments and ALBs with a significant maintenance backlog regularly underspent their capital budget. For instance, the Department for Culture, Media & Sport (DCMS) underspent between 9% and 55% of the capital budget of its sponsored museums and galleries every year from 2014-15 to 2023-24. The total underspend over this period was £277 million. There are several reasons for this underspend, including additional income received by museums and galleries, the sale of some assets, and delays to projects whose funds are ring-fenced and cannot be repurposed to reduce the maintenance backlog (paragraph 3.13).

Capacity and capability

18 The OGP has made progress in recruiting and upskilling people with property expertise, but there remains a shortage of experienced professionals across government. Some organisations with significant property portfolios do not have enough accredited property experts and are finding it difficult to recruit experienced professionals. The number of property professionals within government is fluctuating and varies significantly across organisations, partly due to differences in their responsibilities and the size of the estate. The government is on track to meet its ambitions for recruitment to the Property Fast Stream and apprenticeships, and professional accreditations. However, some departments and ALBs told us that it is becoming increasingly difficult to recruit property specialists. Gaps in departments’ capacity and capability impact their ability to manage the performance of private sector providers of maintenance services effectively (paragraphs 4.3 to 4.5 and 4.9 and Figure 11).

⁷ Comptroller and Auditor General, *Increasing the capacity of the prison estate to meet demand*, Session 2024-25, HC 376, National Audit Office, December 2024.

⁸ See footnote 7.

19 The OGP is working to improve capability and share best practice, but it has an incomplete picture of current capability levels. The OGP's annual Capability Data Commission provides a picture of the property profession, accreditation levels and skills gaps. However, this picture is incomplete as participation is voluntary for some public bodies, who opted out. Guidance for SAMPs also indicates that departments should assess capability needs and whether sufficient skills are available. The OGP is working to improve capability. For instance, it is developing a skills taxonomy and will roll out learning opportunities targeting specific skills. Of the property professionals we spoke to, those based in departments had greater awareness of the OGP's tools and knowledge sharing sessions than those based in ALBs (paragraphs 4.6 and 4.8).

Conclusion on value for money

20 Having good-quality property that is properly maintained, utilised and adaptable to future needs is fundamental to delivering public services. However, the condition of government property has declined over the last decade. The government has accumulated at least £49 billion of maintenance backlog. The government will need to consider the optimal way to manage its assets alongside its long-term investment plans, in addition to the cost of ongoing maintenance, to bring property condition to a satisfactory level.

21 The scale of the challenge will become intractable unless the OGP urgently addresses strategic planning gaps across government, so it and departments can understand what the full picture of maintenance requirements is across government, ahead of the next and subsequent spending review periods. In the short term, this will allow the most urgent works to be prioritised and risks to be understood. In the medium to long term, it will allow for the government to take a more strategic approach to property maintenance and management, working towards future-proofing the estate to make it fit for purpose and to represent the best value for money.

Recommendations

Data and transparency

a The OGP should:

- mandate to departments and ALBs that they use the standardised definition of maintenance backlog, as defined by the OGP⁹ by March 2026, so the true figure across government can be calculated;
- include data on the maintenance backlog in the State of the Estate reports from 2026-27 onward; and
- work with departments to develop a strategic plan for the government to contain and then reduce the maintenance backlog, backed up by a longer-term cross-government programme.

b Government departments should:

- use the new standardised condition and backlog data tools to provide comprehensive condition and backlog data to OGP for inclusion in the 2026-27 State of the Estate report;
- update their SAMP by the end of Q4 2026-27 to include a long-term property plan, which sets out the capital needs of the service over the next 10 or more years, and a plan to reduce their backlog;
- ensure that all ALBs and public funded buildings are in scope of departmental SAMP or produce one themselves; and
- undertake a full risk assessment of the impact of condition on their service delivery (using the OGP risk impact assessment tool), and update their departmental risk registers by the end of Q4 2025-26.

⁹ The OGP defines the maintenance backlog as the value of work that has not been carried out or has been deferred when maintaining assets.

Funding

- c** Ahead of the next Comprehensive Spending Review and beyond, HMT should consider agreeing longer-term settlements for property investment for those organisations that have robust long-term strategic asset management plans, additional controls to prevent necessary maintenance funding from being diverted to other spending areas, and make greater use of cross-departmental funding pots to tackle problems arising across government property.
- d** As part of its business-as-usual activities, HMT should ensure that business cases for new builds include assessments of the benefits of new buildings versus the maintenance of existing property, or explain why the government cannot achieve its objectives solely by maintaining existing properties. Equally, business cases for maintenance should include an assessment of whether a new building would deliver better value for money.

Capability and capacity

- e** The OGP should:
 - work with departments to ensure they include actionable property workforce plans in their strategic workforce plans; and
 - use the data it collects on the property profession and future projections of property professionals to make recommendations to departments about addressing skills gaps in property roles, to enable them to oversee contractors and ALBs with large and complex property portfolios effectively.