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PREM 19/2020

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PART 2

Confidential Filing

Policy towards the Arts.

Private Sponsorship of the Arts.

(BOOKLET ON THE ARTS THE NEXT MOVE FORWARD IN ATTACHED FOLDER)

ARTS and AMENITIES

Part 1: March 1980

Part 2: December 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
12.12.83							
16.12.83							
20.12.83							
29.12.83							
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PART 2 ends:-

LORD SIGFF to COP 13/3/87

PART 3 begins:-

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Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

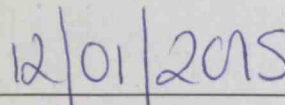
The Arts, The Next Move Forward
A Plurality of Riches: A Plurality of Funding
Robert Banks MP, Chris Butler, Alan Howarth CBE MP, John
Last, Stuart Sexton
Published by the Conservative Political Centre,
CPC No. 0510/771 ISBN 0 85070 764 1

An Invitation to the nation to invest in the arts
A Great British Success Story
Published by Arts Council ISBN 0 7287 04749

Signed



Date



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cc B G Selby
✓ please
Michael House,
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London, W1A 1DN.

From Lord Sieff of Brimpton

13th March 1987

pa at present.

Dear Charles,

With reference to our telephone conversation this morning, enclosed are the relevant documents. Professor Griffiths is completely in the picture.

Dr. Hayes was under the impression that the Minister for the Arts was going to support this proposal, but evidently now he is not being very helpful.

I would appreciate any help you can give with the Prime Minister.

Yours ever
Manus.

COPY

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GODFREY BRADMAN
Chairman and Chief Executive

GB/VMG

10th March, 1987

The Rt. Hon. Richard Luce, MP.,
Minister for the Arts,
Office of Arts & Libraries,
Great George Street,
London, SW1P 3AL

Dear Minister,

NATIONAL PORTRAIT GALLERY

When we met yesterday evening to discuss the possibility of the Royal Dental Hospital site being secured for the National Portrait Gallery I undertook to set out in writing the approach to funding that I had outlined. You undertook to ask your colleagues once again whether it would be possible to give support to the Gallery in achieving its objective of additional gallery space.

The Costs Involved

In my letter to you of 9th March I set out the costs of redeveloping and/or refurbishing the Dental Hospital site for Gallery purposes.

The first objective is to secure the Dental Hospital site for the Gallery. Given that the site has gone out to tender with an existing planning consent for commercial use, it is necessary to have regard to the value that a commercial developer might place upon that site when considering the amount that it may be necessary to bid to secure it for the National Portrait Gallery.

Assessments made by our surveyors, Messrs. Montagu Evans, suggest that a value of £5 million might be put on the site, but some may be prepared to offer more than this in present market conditions. So it may be necessary to offer between £5-7 million to secure the site for the Gallery.

Contd.....

The Rt. Hon. Richard Luce, MP
Minister for the Arts

10th March, 1987

The second cost element is the cost of redevelopment of the building. There are two ways of doing this, either by refurbishment behind the facade of the existing building, or by demolishing the building and putting purpose-built accommodation in its place. Under either option it would be possible to incorporate a mix of gallery and office space (the latter for use either by the Gallery or others); and, whatever form of redevelopment takes place, retailing/restaurant facilities will be required at ground level.

As set out in my earlier letters, there is not a great difference in costs as between the refurbishment and new-build options. From two separate assessments made for me, one by the Gallery's quantity surveyors and the other by our own surveyors, costs of refurbishment are assessed as falling in the range £7.5 million to £8.6 million (the Gallery's quantity surveyors); or from £5.6 to £6.7 million (our own surveyors).

To these costs must be added other costs including site acquisition (£5-7 million), interest due in the construction period and professional fees. This results in total estimated costs in the range £17-21 million which, in my view, gives a reasonable indication of the total development costs that will be required to put a good quality gallery on the site.

Given that differences in cost are marginal as between the refurbishment and new-build option, and provided town planning consent can be obtained, my own view is that the construction of a new building is to be preferred. The existing facade of the Dental Hospital is not attractive and it would be possible to put a new building of merit in its place, more in keeping with a major international gallery and substantially enhancing the southern side of Leicester Square.

How Will Financing Be Arranged?

I explained to you the means by which capital of, say, £20 million might be provided to enable redevelopment to take place, on the assumption that the Government is not in a position to discharge the capital costs involved.

Contd.....

The Rt. Hon. Richard Luce, MP.,
Minister for the Arts

10th March, 1987

I outlined a dual approach. First of all, it is clearly incumbent upon the Trustees of the Gallery to raise as much of the capital as is possible by way of a national appeal. It has to be accepted, however, that the Gallery may not be able to raise the entire sum by this means. My suggestion is that the capital sums required over and above those provided by a national appeal would be provided by selling to institutions a stream of rental payable by the Gallery, structured in such a way as to provide a guaranteed income to the investing institution at a yield over index linked stock. My proposal would take the form of a grant of a 999 year lease to the Portrait Gallery under which it would pay a rental for, say, 35 years, index linked at annual intervals to the RPI; at the end of that term peppercorn rental would be payable and the Gallery would be able to acquire the freehold for a nominal sum.

I have discussed this concept with our merchant bankers and brokers. They advise that for £1 million of rental income at outset, the appropriate 'purchase price' (i.e. the lump sum for which the stream of rental would be procured) would be approximately £18.5 million. This is on the assumption of a stream of rental payments for 35 years, paid quarterly in advance and increased annually in line with increases in the RPI and on the basis that the real rate of return on the investment to the purchaser will be equivalent to 4.5% per annum compound (that is approximately 1 per cent above index linked stock).

So, in broad terms, the total costs of redevelopment of the Dental Hospital site could be met by the disposal of the right to receive the 35 year stream of rental payable by the Gallery. In practice, of course, the total capital required would be met in part (or in whole) from the proceeds of the national appeal. For example, if the Gallery were to cost, say, £18 million and £10 million were raised by national appeal the difference of £8 million could be funded by the Gallery paying a rental commencing at, say, £440,000 per annum.

You made the point in discussion that the Government would find it difficult to countenance additional rental costs of this amount for the Gallery. I explained that if the Gallery were able only to raise a proportion of the capital required, the shortfall could be made good by

Contd.....

The Rt. Hon. Richard Luce, MP.,
Minister for the Arts

10th March, 1987

letting on a commercial basis some, or all, of the retail/office accommodation that could form part of this scheme. Advice given by our surveyors shows that the two floors of office accommodation and the ground floor retail accommodation would at present rental basis provide an annual rental income of £570,000 on commencement, enough to cover the Gallery's rental obligation of £440,000 on commencement if it were seeking to procure £8 million through the disposal of a stream of rental to investors: indeed, on this basis in the early years there may be a modest profit.

Even though the Portrait Gallery's rent would increase annually in line with the RPI and commercial rents would be subject only to periodic review at 3 or 5 year intervals, commercial rents would be likely over a period of time to provide a continuing surplus over the Gallery's obligation, which could be applied to reduce the annual operating costs of the new gallery.

It seems to me, therefore, that the redevelopment for the National Portrait Gallery could well be financed without any recourse to public funds so long as the Trustees are able to raise an underpinning minimum from a national appeal. If they fall substantially short of their target, the rental that the Gallery could obtain from commercial rental of the retail/office accommodation would be insufficient to cover its own additional rental costs. However, I suggested to you that as a condition for permitting the redevelopment of the site to take place, the Government could place an obligation upon the Trustees to raise a minimum sum by way of national appeal so as to ensure that no liability would fall upon public funds in the long run.

The second funding issue we discussed was the short term financing to enable the site to be secured for the Gallery. The conundrum here is that the Gallery cannot launch its national appeal until the site is secured and I see no option other than to secure a short term banking facility to enable the site to be acquired and thereby give the Gallery a period of time - say 3-6 months - during which to mount its appeal and obtain sufficient sums to meet whatever minimum figure is necessary to guard against an unacceptable liability falling upon the Government as a result of redevelopment of the site.

I proposed that a bankers advance should be provided to acquire the site by a loan secured on the site itself but otherwise without recourse. It is unlikely, however,

Contd.....

The Rt. Hon. Richard Luce, MP.,
Minister for the Arts

10th March, 1987

that any institution would be prepared to provide more than about 70% of the total cost of site acquisition. As I explained, the residual amount - perhaps up to £2 million - would need to come from the Government. This would be a short term requirement whilst the National Portrait Gallery launched its appeal. If that appeal was successful in meeting or exceeding the minimum target set, development would commence. If the appeal was not successful, however, the site would be lost to the Gallery and would have to be sold for commercial development. Hopefully the site could be disposed of at or above the present cost of acquisition, provided it was not acquired at the outset at more than market value. To the extent that a loss was sustained on the resale, a liability would fall on the Government. It must be emphasised that this potential liability will occur only if the Portrait Gallery fails to mount a successful national appeal and if the commercial property market dips to some extent over the next few months in Central London.

The site acquisition could be arranged by the creation of a Trust with the sole objective of obtaining the land and granting the Gallery an option to acquire it at cost.

Conclusions

I hope that this letter covers the ground sufficiently. The Director of the Gallery will be writing to you separately. I believe that I have put forward an approach to funding which will enable the Gallery to realise its objective of expanding onto a prominent site in Leicester Square, but in a way which will not involve any additional liability to public funds. The only funding input from the Government will be the provision of up to 30% of the cost of acquisition of the Royal Dental Hospital site so that it could be held on trust for the Gallery for a strictly limited period of time whilst fund raising can take place.

I have concentrated in this letter on the Dental Hospital site only and not the properties in Orange Street into which the Gallery might also expand. I believe that the funding options presented by the Dental Hospital site, particularly the possibility of letting office and retail space commercially, are such as to enable that development to proceed with confidence that no liability will arise to

The Rt. Hon. Richard Luce, MP.,
Minister for the Arts

10th March, 1987

public funds; and I understand that the Director of the Gallery also attaches priority to securing the development of the Dental Hospital site even if, in the relatively short term, some space has to be let to commercial organisations, and the possibility of expanding into Orange Street properties is forgone.

I do hope that the Government will facilitate this scheme that I have outlined. There is a golden opportunity here which really is too good to miss.

Yours sincerely,
Seafrey Berman

MUSA

This House congratulates the Government on the success of its Arts policy which is resulting in an expansion of Arts and crafts throughout the country and greater protection of our national heritage; approves the Government's strategy of increasing the inflow of funds to the Arts from a diversity of sources; welcomes the tax changes including the new payroll giving scheme which will stimulate giving to the Arts by individuals and companies; applauds the Government's continuing commitment to promoting sponsorship of the Arts through the business sponsorship incentive scheme; endorses the new Arts marketing scheme designed to encourage a keener awareness of the benefits to the Arts of good marketing; and acknowledges the political commitment shown by the Government in the form of record levels of public support for the Arts.

270-5007

12, DOWNING STREET,

S.W.1.

Pure Politics

Mr Wicks

ms

I understand that the question of the Arts debate was raised at Cabinet this morning.

We only put it in because we had a specific request from Richard Luce and this was probably the only opportunity before Easter - which again he wanted.

John.

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marks !!

Chief Whip
If he thinks the
time is right we can just about

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fit it in

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[Handwritten scribble]

[Handwritten scribble]

From the Minister for the Arts

C87/528

Rt Hon John Wakeham MP
11 Downing Street
London SW1

10 February 1987

Dear John,

I had to tell you at the end of last year that the time was not ripe for a debate on the arts. My settlement at the end of the Star Chamber process left me with a very tight budget for the forthcoming year, with uncertainties about the financing of the British Library project causing much anxiety in the arts world.

I am glad to say that the situation now looks different, with my announcement two weeks ago of the additional funding (not at the expense of the rest of the arts programme) for the British Library building. Even though there are still severe funding problems, I believe that it is right now to go onto the offensive in promoting our general arts policy. I should therefore like to propose a half-day debate in the fairly near future - ideally before Easter. I suggest that the title for the debate should be a broad one - not limited to funding - "The Government's Arts Policy" would seem the best.

I think it would be good if we were seen to be taking the lead on this, not in opposition.

[Handwritten signature]
Richard

RICHARD LUCE



file

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 January 1987

The Lord President may like to see a copy of the correspondence which the Prime Minister has had recently with the Secretary of State for Wales about funding of the arts.

(David Norgrove)

Miss Joan MacNaughton,
Lord President's Office.

DTS.

SUBJECT cc OPS
MASTER



hli

cc LPO

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M1/87

SECRETARY OF STATE FOR WALES

I am grateful to you for taking the trouble to write to me in such detail about Government support for the arts. I know you feel very strongly about this, and you explained forcibly and clearly your concern about it.

I share your concern for the arts - and your pleasure in them. I am sure you would agree that we need not be defensive about the Government's record of support both for the Arts Council, and also more generally in maintaining the heritage. But the British Library has, as you say, caused particular difficulties and pressures on the Arts programme. Small changes in such a massive project can have disproportionate effects on the rest of our support for the arts.

Willie Whitelaw has now discussed the funding of the Library with Richard Luce, John MacGregor and Christopher Chope. They concluded that to proceed with the present plan offered acceptable value for money without giving the wrong signals to those who have so seriously underestimated the costs of the project. This decision will mean adding some £20 million to the Arts programme over the survey period.

Willie also intends to discuss with Richard Luce and John MacGregor the position of the Arts programme generally.

19 January 1987

A handwritten signature in dark ink, appearing to read 'Margaret Thatcher'.

1
PRIME MINISTER

THE ARTS

Mr. Edwards' letter below is in effect a personal appeal for more money for the arts. He is also particularly concerned about the effect of the British Library on the rest of the arts.

If you wish I could reply on your behalf to say that you have read his letter carefully and you understand his concern. You also believe the arts to be important, and their importance has been recognised in successive Public Expenditure Surveys. On the British Library, the Lord President has held a meeting. You have not had a full report from that, but you understand he may well be pleased by the outcome. (I understand that the Lord President's meeting decided to increase the funding of the British Library and to issue a reassuring message to the arts world. A report will come to you shortly.)

Content?

1 had better reply

mt

DW

DAVID NORGROVE
14 January 1987

EL3BQS

PERSONAL AND CONFIDENTIAL

cc LPO

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From The Secretary of State for Wales

13 January 1987

Den Prime Minister

I have not very often written to you about matters outside my direct field of responsibility but I am prompted by a sight of the invitation list for your party next month for those involved in the Arts and by the news of the re-appointment of William Rees-Mogg to express my serious concern about the present state of our Arts policy. In doing so I must make it clear that I am expressing no word of criticism of Richard Luce. On the contrary, he knows that he had had my full support in the almost impossible job that he has been given.

I enclose 2 letters that perhaps sum up my anxieties. The first is one that I sent to Willie a few days ago in advance of a meeting to consider the future funding of the National Library project and its relationship with the Arts budget. The second is the letter from Mathew Prichard, who is Chairman of the Welsh Arts Council and a member of the ACGB. He is proving to be an outstandingly able chairman with a practical common sense approach and much wisdom arising, in part, from his wide commercial experience managing the Agatha Christie interests (he is her grandson). He will, I believe, be a strong candidate to succeed William Rees-Mogg.

My interest in the subject is deep-seated: after all I was virtually brought up in the V and A and have known the art world all my life. Over the last seven years I have been particularly well placed to observe the difficulties that confront arts administrators. I am indirectly responsible for the National Museum of Wales which, like so many other similar institutions, has had little investment in its fabric since it was first built. I had an inquiry carried out into the Housing of the Visual Arts in Wales by a powerful team under the chairmanship of Hugh Hudson-Davies, a senior partner with Coopers and Lybrand, who was primarily responsible for the Cork Committee report on English Theatre and also did much of the Rayner Study on the National Theatre. I have had to find resources from within my Welsh Office block to meet the urgent needs identified in the Hudson Davies Report.

The Prime Minister
10 Downing Street
LONDON



X

I have followed very closely the fortunes, and seen most of the productions, of the Welsh National Opera, at present the foremost among touring British opera companies, which has achieved a worldwide reputation but is confronted, like other opera companies in this country, with great financial problems. Ann is starting her second term on the Welsh Arts Council and her involvement has given me an insight into the huge public interest in the very wide range of artistic activity, ranging from modern dance through music and theatre to the visual arts. As a result, I have seen some of the smaller companies in action and I have also learned some sharp lessons about the tight budgetting, low wages and financial difficulties which are the realities that confront so much of the art world today. The WNO, supremely, and many of the lesser provincial companies have shown that huge expenditure and the presence of international stars are not necessary to achieve high standards and cultural excellence; lessons that, sadly, Covent Garden has apparently still to learn.

As Mathew Prichard's letter makes clear, it is not just a question of finance, it is also a question of attitude, policy, leadership and organisation. William Rees-Mogg's re-appointment will, I trust, only be for as long as it is necessary to find a successor (who, I think, should be paid like others who chair major public bodies). New thinking is required within the Arts Council and better leadership. People like Hugh Hudson-Davies, who I have referred to, with great commercial experience and a real interest in the Arts, should be brought in to bring a greater sense of reality to Arts management.

None of this, however, will be productive if the Government believes that the Arts are unimportant or that the financial problems can be quickly overcome by privatisation techniques. Private funding will be increasingly important and we have had our successes; but as Mathew Prichard points out, there are strict limits that on what can be achieved, at least in the short-term and without further changes in tax treatment. Many commercial organisations are now being inundated with a huge number of requests for sponsorship by arts organisations and charities and some of our recent tax changes are administratively almost unworkable and will need amendment. There is a need for greater recognition within Government that the Arts are important in themselves, that they are major job providers and that much political credit is to be gained, or lost, depending on whether we pursue consistent and realistic policies. At present almost every Arts organisation is simply lurching from one crisis to the next. If colleagues do not share my view about the importance of the Arts, or my interest in them, I hope they will discard the idea that the Art world must necessarily entirely consist of our political opponents. The truth is that a very large part of it is, or would like to be, among our political supporters.

I am sure you will hear some of these views expressed fairly bluntly at the reception in February and I expect that William Rees-Mogg will also have made some of these points at your recent meeting. I indicate in my letter to Willie that the sums of money needed to transform the financial balance are quite small; but they are crucial. The absolutely essential requirement is to separate the financing and management of the British Library project from that of the Arts.



I hope we can also get control of this particular monster. What is intolerable is that it should be allowed to be a cancer that destroys the health and vitality of the Art organisations who have not only contributed to the well-being of our own people, but make a great contribution to tourism, our national economy and our reputation in the world.

✓ J. M. E. -

Neil

Fernal



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Oddi wrth Ysgrifennydd Gwladol Cymru

Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

4 January 1986

De Wiliam

In advance of of Tuesday's meeting which I understand you are chairing to consider the financial problems of the Arts and the British Library, I am writing to express my deep concern. I am also writing to the Prime Minister.

I know that I am almost a lone voice crying in the wilderness of Cabinet to express the view that our handling of the Arts is an appalling political as well as social misjudgement. I am unashamedly of the view that the Arts are important for themselves (and that incidentally their strong presence is an extremely important factor in any policy for the re-generation of the regions); but I also wholly disagree with the view of colleagues who think that the Arts are only a hostile political interest. If we go on as we are, we will make them that; but not only are the numbers directly involved with - and employed in - Arts Organisations very large, but the proportion of the population deeply interested in music, theatre, dance, opera and the visual arts is also considerable and includes a high proportion who should vote for us.

Richard's position is almost impossible; he has done his very best and he knows that he has had my support throughout; but unfortunately I was engaged in my battles in the PESC round and was not there to add my voice in the Star Chamber deliberations. I have been able to divert some of my own resources to essential and long overdue capital schemes for the Arts in Wales, but that will not prevent the grave crisis that confronts us over the funding of the WNO (probably our best opera company at the present time, with an international reputation and recent triumphs that include an outstanding Otello and a Ring Cycle performed in Covent Garden). The other opera companies face comparable difficulties. This is where the crunch will come first, with the risk of a collapse of a major art provider outside London. The rest of Britain recognises the need for excellence in the national companies (and regrets that it is not always provided by them) but rightly believes that those who live outside London should also be able to enjoy performances of the highest standards. The Cork Committee report, largely written by my friend Hugh Hudson-Davies, draws attention to much the same points as they apply to theatre; and Peter Carrington will no doubt tell you that we cannot go on allowing the physical structure of

/our National

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON SW1A 2AT



our National Museums to decay or permitting our National Treasures to be stored in conditions that from the point of view of good finance - let alone cultural responsibility - frequently are scandalous.

It is partly a question of finance and partly of organisation and approach. William Rees-Mogg has not been a success as Chairman of ACGB; and, though I understand the reasons for his temporary re-appointment, it is important to find an early replacement after the election. In the meantime, we simply have to face up to the problem of the National Library. I told Nigel Lawson in the spring of last year and I repeated to the Cabinet in the early summer my own view that we must totally separate the funding and organisation of the National Library Project from the rest of the Arts. I hope we will take a tough line on the management of that project, but whatever can be achieved, the Library must not be allowed to wreck the Arts in general and destroy any shred of reputation that we retain for being a civilised rather than a philistine party. Richard's present demands are very modest: he will no doubt present them with his usual great courtesy. I do hope that the strength of his claim will not be thought the less for that. My only doubt about that claim is whether it is anything like adequate. The tragedy of the position we now find ourselves in (as I told Cabinet at the start of the present PESC round) is that this is an area of public spending where the scrimping of a few million pounds may cause immense damage but where quite modest additional expenditure - perhaps £20 million a year - could provide totally disproportionate benefits not only in cultural but in political terms.

✓ → even

Need

The Rt. Hon. Nicholas Edwards,
4 Henning Street,
London SW11.

6th January, 1987.

Dear Nick,

I hope I know you well enough to write this letter! It is the result of six or more years (longer in my business) of involvement with the Arts Council and six months or more being involved in all its inner conclaves. I write it to you because I have great admiration for the organisation and discipline you have encouraged for certain aspects of the arts in Wales and hope therefore that you might find what follows (which does not primarily concern Wales) interesting and maybe even worth pursuing with your colleagues in the Cabinet.

It depresses me enormously that the party for which I vote does not have a policy, or, seemingly, any coherent ideas about what people should do with their leisure time. Grants to the Sports Council and the Arts Council seem to be decided at the very last minute and one wonders cynically how much notice a star chamber type operation takes notice of the actual merits of a particular case - it just appears to those of us involved as a rather sordid horse deal, with the poor Minister having sometimes to make quite ridiculous threats of resignation or whatever to achieve even respectability. You may say that that is politics, but I would reply it is needlessly bad politics.

My own view is that inevitably governments of any colour will have to address themselves to the question of leisure. There is no way that full employment, as we used to know it, is compatible with the advance of modern technology and any sane economy. Surely it is better to accept that leisure may be more frequent and to plan for it - it must at least be more humane and need not militate too dangerously with monetarist theory - the sums involved are not large enough for that. I also feel that welcome as recent fiscal concessions towards charitable giving are, they do not in themselves constitute a complete policy. The ingrained habits of centuries will not be changed by the provisions of one budget - we simply are not used to private subsidy in the way that Americans are. However, as a complement to a modest government-inspired programme for leisure it could be an important ingredient.

I am afraid it is undeniable that our record of capital expenditure on leisure, under governments of both kinds lags far behind most other civilised countries. This does not only apply to the performing arts but to sport as well. How often do we hear, usually either when we've won a lot of gold medals or when we've spectacularly failed to win any, about the paucity of our facilities? Well, governments are probably right to take the view that you cannot buy this kind of success (except by unacceptable Eastern European methods) but it remains a fact that anybody wishing to pursue a serious leisure time interest, unless they are very lucky, have to travel further for worse facilities than they would if they lived anywhere else in the civilised world. I think government ought to give a lead to rectify this situation over a period of ten years - a sort of broader and geographically more extensive version of Hugh Hudson-Davies' report would be wonderful.

Following on from this, it seems that the structure of local authority spending is not conducive to spending on leisure, although admittedly here I think the arts are the worst sufferers. I have lost count of the number of times I have been told by Chief Executives (in England as well as in Wales) how keen they are to spend more money on art but rate-capping and their other responsibilities prevent it. How comparatively little effect it would have on ratepayers in Wales if a way could be found for the six counties to provide a modest subsidy for WNO! Is it really impossible for a statutory niche to be made available that would not entail such awful consequences for those local authorities that are of a mind to provide proper facilities. Whilst it is perfectly in order for government to demand that counties put their houses in order so that they may spend their money more fairly. In practice this will be a slow process, and a very frustrating one for anyone involved in leisure.

Finally, there are two problems which face ACGB which I believe we will find insoluble without government help. The first concerns the structure of funding the arts. We have now reached the situation where the Regional Arts Associations have interpreted ACGB's regional policy as a licence to demand such a degree of devolution as would render the Arts Council a powerless paper tiger. Almost equally unattractively, ACGB is in the process of digging its heels in, when in fact constructive negotiation would certainly streamline and make more effective the arts administration process. There are real benefits to be gained by the right solution being found for this problem, but I doubt if we will find it on our own.

Opera is the other one. Never have I seen such a badly organised business as the whole picture of opera in Britain. Above all else it is perhaps the one art form that can really complain that it is genuinely, hopelessly underfunded. But it will not get an increased percentage of existing ACGB money in any of the three countries and the way it is managed magnifies its problems hugely. Involved in the management of opera are the ROH board, whose ability to control its own company is minimal and whose perception of what its public actually wants is depressingly wide of the mark; other Opera Company Boards some of whom are artistically brilliant, like WNO, but all of whom lack any kind of financial finesse; the three Arts Councils who do not even agree amongst each other on a common policy; and the government which dipped its toe in the water with the Priestley report but has failed to follow it up. Before opera is worth extra subsidy it desperately needs a powerful Opera Board with a prestigious Chairman and almost plenary powers to prevent individual companies tying a noose about their own necks, compelling them to deal firmly with, amongst others, the Musician's Union, and imposing a central touring policy on all companies. Opera's problems really are unique and should be recognised as such.

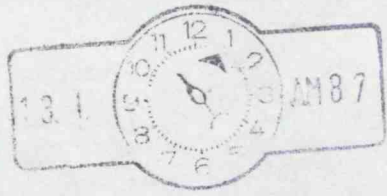
I have moved away from my central theme but what I am trying to say is that I think all the so-called arms-length organisations need help - a framework to work in - and an escape from the maelstrom of annual grant awards. We should be awarded money on merit and on our ability to produce the goods on reasonably broadly defined and agreed policies. Those views might be controversial and hotly disputed by some of my colleagues but that's what I think. In short, we need encouragement and leadership of the kind you have provided in Wales.

Best wishes to you and Ann for 1987.

Yours sincerely,

Mathew Prichard

PP Mathew Prichard





File Copy
SUBJECT
cc Master.

10 DOWNING STREET

From the Principal Private Secretary

31 October 1985

MEETING WITH THE CHAIRMAN OF THE ARTS COUNCIL

The Prime Minister had a 40-minute discussion this afternoon with Sir William Rees Mogg, Chairman of the Arts Council.

Sir William said that he was now a little less concerned about the Council's budget than when he had requested his meeting with the Prime Minister. The budget of the Arts Council, plus the arts expenditure of the old metropolitan counties, came to some £140 million. Initially, the Government appeared to be ready to offer £122 million. The £18 million gap could only be closed by drastic measures, such as withdrawing grants from the Royal Opera House, or shutting the South Bank. The Council's opening bid was £160 million. A "standstill" level of expenditure would be £143 million or £144 million. He would accept £140 million but no lower from central government sources, in the expectation of raising the balance from the successor authorities to the metropolitan counties.

The Prime Minister made no commitments but said that she would have a word with Lord Whitelaw about this.

I am copying this letter to Miss Joan McNaughton (P/S to the Lord President), Richard Broadbent (P/S to Chief Secretary, Treasury) and Michael Stark (P/S to Sir Robert Armstrong)

N L WICKS

Paul Thomas Esq
Office of Arts and Libraries

ARTS COUNCIL OF GREAT BRITAIN

Sir William Rees-Mogg is to see the Prime Minister at 3 pm on 31 October. The meeting is at his request.

2. He has told the Minister for the Arts that he wishes to make sure that the Prime Minister is fully aware of his and the Arts Council's extreme concern at the prospect of insufficient government funding in 1986-87.

3. The main figures are as follows:-

	£m
(a) Government grant 1984-85	<u>100</u>
(b) Government grant 1985-86	<u>105</u>
(c) Additional grant already promised to Arts Council in 1986-87 following abolition of the GLC and MCCs	16
(d) Planning figure for 1986-87, including (c), already known to Arts Council	122
(e) Arts Council claim	161

4. The gap of £39m between the Government's planning figure and the Arts Council's claim arises on two main counts

(a) the cost of existing policies - £19m

(b) inadequate provision for abolition - £20m.

5. Under 4(a), Sir William is likely to adduce:-

- (i) prices are rising at about 6% per annum and pay in the arts world at about 8%;
- (ii) many major arts bodies are incurring heavy costs in keeping up their buildings eg National Theatre;
- (iii) this year the Arts Council could only afford to give their clients a general rise of 2%, and it looks as if next year may be no better. That is something like a squeeze of 12% over two years;
- (iv) the Arts Council's regional strategy "The Glory of the Garden" needs additional finance from Government if it is to continue;
- (v) so does the special help for the Scottish national companies which was introduced last year to counter the effects of local government reorganisation in Scotland.

6. Under 4(b), he will probably say:-

- (i) When the abolition policy was announced, the Office of Arts and Libraries underestimated the cost of running the South Bank (which is to be vested in the Arts Council from 1 April) and the sums which the GLC and MCCs were spending on the arts generally; a lot of expenditure was tucked away in non-arts budgets.
- (ii) Since 1983-84, the GLC and MCCs have increased their spending on the arts. Most of this increase has been necessary and worthwhile and must now be replaced.

7. Taking 4(a) and (b) together, Sir William will probably say:-

- (i) In 1985-86 the Arts Council and Metropolitan Counties together are spending £140m. Next year's equivalent with inflation will be £148.5m. It is against that sum that the Government's expected £122m should be measured.
- (ii) He does not expect to get the whole of his bid of £161m. And he accepts that the districts and boroughs should be expected to pick up part of the abolition bill. But he doubts if they can provide more than about £4m at most.
- (iii) So his make-or-break point is £144m. Anything below that will be a real cut.

If the Arts Council get no more than the £122m, then

- (i) the South Bank Board will resign and the South Bank will have to be temporarily closed;
- (ii) the Glory of the Garden policy will be brought to a halt;
- (iii) there will be severe casualties among arts bodies in the metropolitan areas, and elsewhere, with a loss of between 5,000 and 10,000 jobs;
- (iv) there will be resignations from the Arts Council, though he himself will probably stay to carry on fighting.

8. He may also argue that the Government should put more money into the arts as an economic "investment". This is the theme of the Prospectus which the Arts Council has recently

published. The line of argument is that increasing the Arts Council's grant is a very cheap way of protecting existing jobs and creating new ones, bearing in mind the amount that comes back to the Exchequer in taxes (including VAT) and the savings made by removing people from the unemployment count.

9. The OAL's assessment of the above is:-

- (a) Relations between the Arts Council and the arts world have been bad lately, with the Rees-Mogg/Rittner regime accused of going along too readily with the Government's policy of holding down expenditure. Partly, Sir William is trying to win back some lost ground with his constituency.
- (b) That has led him to exaggerate his case; he has deliberately pitched his figures on the high side. The full claim for £161m cannot be sustained in present circumstances.
- (c) The economic "investment" argument is poor (it can be applied to almost anything).
- (d) But Sir William is not one to cry "wolf", and even if his figures are exaggerated, his basic case for additional help this year is well made and his worry is real. In particular, there is a genuine danger of resignations and either a black-out or a conspicuously restricted programme on the South Bank and of some collapses in other abolition areas. This would be seen as very early confirmation of all that the critics of our abolition policy have said.

The Arts programme is now settled. You will not of course want to mention any of the detail below. JRS

10. For the Prime Minister's own information, the arts component of this year's expenditure survey has not yet been finally settled, but Mr Luce hopes to reach a settlement with Lord Whitelaw, subject to final ratification by the Cabinet, under which the Government would provide something in the region of £135m in 1986-87. Most of this would be to deal with the abolition problem. The abolition money would taper off in the second and third years of the survey period, thus providing an incentive for the Arts Council and the arts bodies to extract more money from the second-tier local authorities as time goes on. A settlement on those lines would be less than Mr Luce originally bid for. There would still be trouble with the Arts Council and the rest of the arts world, but it is likely that there would be trouble with practically any level of settlement. Mr Luce would do his best to contain it.

11. The Prime Minister is recommended to let Sir William have his say. There will be trouble with the arts world over next year's money, whatever the outcome of the survey, and Sir William will be a key person in efforts to contain it. It is therefore important that he should feel that he has had the opportunity to make his points, and has been listened to.

12. When she comes to reply, the Prime Minister will no doubt wish to be non-committal about figures. But she may like to say:-

- (a) She fully understands the pressures Sir William is under and is grateful for the way in which he has helped to contain them in the past.
- (b) She sympathises with the Arts Council's problems, especially over abolition; and acknowledges that the Government's abolition policy has resulted in new and difficult tasks for the Council, not least on the South Bank.

- (c) But there are very real limits to what the Government can do consistently with the general policy which she knows Sir William supports.
- (d) The Government is firmly committed to reducing spending as a proportion of national income so that individuals and companies can decide how to spend their money. Proposed increases in provision for the arts need to be considered alongside other claims, for example more spending on the infrastructure, on pensions and on law and order.
- (e) The Government is committed to keeping up its support for the arts, and she will see to it that that happens. But that cannot mean compensation for inflation plus growth and development. Difficult choices will have to be made in the arts as well as elsewhere.
- (f) The Arts Council must do its part to ensure that its clients contain their costs - including pay costs - and increase their efficiency.
- (g) On the abolition front, she will consider very carefully whether something more can be done. But this is subject to two points:-
- (i) Abolition has relieved the districts and boroughs in the metropolitan areas of large precepts. Lord Gowrie's undertaking that the arts need not suffer from abolition was explicitly based on the assumption that the boroughs and districts would play their part in filling the financial gap. That is still a reasonable expectation; and she hopes the Arts Council will do all it can to press them to do so

(ii) Not everything can be done at once. The South Bank Board will need to be prepared to gear its programme of capital improvements to the resources available.

(h) Mr Luce will continue to keep in very close touch with Sir William, and will go through the figures with him in detail as soon as the result of the Survey discussions is known.



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

Timothy Flesher Esq
Private Secretary
10 Downing Street

30 October 1985

Dear Tim,

... I attach a brief for the Prime Minister's meeting with Sir William Rees-Mogg tomorrow at 3 o'clock. I am very sorry that it has not been possible to supply this within your original deadline.

I am copying this brief to Richard Broadbent (HMT) and to Robin Young (DOE).

Yours ever,

John Fuller

J G FULLER
APS/Minister of State

FROM: THE ASSISTANT PRIVATE SECRETARY

For meeting

Thurs

3 pm



Government Chief Whip

12 Downing Street, London SW1

Nigel Wicks Esq
Private Secretary
Office of the Prime Minister
10 Downing Street

28 October 1985

Dear Nigel,

The Chief Whip has asked me to send you the enclosed copy of a memorandum on Arts Council funding 1986/87, which Sir William Rees-Mogg left with him today.

Yours ever,

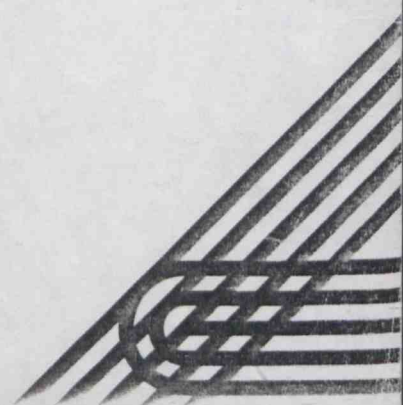
Anna Rowston

Enc:

MEMORANDUM

ARTS COUNCIL FUNDING 1986/87

1. In 1985/86 the Arts Council's Grant is £106m and the Metropolitan Counties are spending £34m on the arts. Thus the total expenditure is £140m.
2. In September the Arts Council published a prospectus "A Great British Success Story" asking Government to invest £161m in 1986/87 in order to maximise productivity and allow for some development.
3. The Prospectus highlighted the very low cost of job creation in the arts: £2,070 p.a per job being the net cost to the PSBR.
4. At the very least the Council is asking Government not to implement the substantial reduction in arts expenditure implied by the published figures. These show £106m for basic funding and £16m to replace Metropolitan Counties' spending. The £122m total is 13% below the current expenditure of £140m.
5. The minimum the Arts Council needs to sustain present activities is £144m. This comprises (i) the basic 1985/86 grant of £106m less £0.4m of non-recurring expenditure plus 6% for inflation, ie £6m making £112m, and (ii) an extra £16m on top of the intended £16m, total £32m, to go some way towards replacing the current spending by the Metropolitan Counties, assuming they would have spent £36m in 1986/87 and that successor districts might contribute £4m.
6. Without the minimum sum of £144m, the Arts Council will be forced to consider a variety of possible cuts. A shortfall of £22m is more than equivalent to the whole funding of the Scottish and Welsh Arts Councils; it is more than the combined funding of three of the four national companies; it is approximately equivalent to the cost of the Royal Opera House and the South Bank; it is one and a half times the whole funding of the English Regional Arts Associations; it is of the same order as the whole funding of theatre or opera in England. These comparisons show how savage the possible cuts would be.



Arts and Amenities
Policy towards pt 2



MR. WICKS

If the Prime Minister has a moment to spare, she may like to glance at the attached "prospectus" which the Arts Council has published to support its claim for a grant of £161 million in 1986-87.

2. The grant for 1985-86 was £106 million.

The extra £55 million is made up as follows:

- | | £ m. |
|---|-----------------------|
| 1. The Government "has acknowledged that the Council was justified in seeking" a grant of £120 million for 1985-86. | 14.
14. |
| 2. Increase in prices, 1985-86 to 1986-87, on £120 million. | 6. |
| 3. Replacement for funding by GLC and metropolitan counties (agreed) | 34. |
| 4. Allowance for price increase on 3. | 1. |

RWA

19. x. 85

Arts and Amenities
Policy pt 2



JA

10 DOWNING STREET

From the Private Secretary

17 October 1985

Thank you for your letter of 15 October about the request by Sir William Rees-Mogg for an early meeting with the Prime Minister. Mrs Thatcher has agreed to see Sir William and I have arranged a meeting for 3 o'clock on 31 October. I should be grateful if you could provide a brief by Tuesday 29 October consulting as necessary Rachel Lomax (HM Treasury) and Robin Young (DOE) to whom I am sending a copy of this letter.

Timothy Flesher

Paul Thomas, Esq.,
Office of Arts and Libraries.

✓



10 DOWNING STREET

From the Principal Private Secretary

15 October 1985

Dear Paul,

MEETING WITH THE CHAIRMAN OF THE ARTS COUNCIL

Sir William Rees-Mogg telephoned me today about his outstanding request for a meeting with the Prime Minister about funding of the arts.

I told him, after consulting the Prime Minister, that she would indeed be pleased to see him, but the exigencies of the Prime Minister's diary made it impossible for her to give him a precise time at this stage. Sir William was clearly glad to have the Prime Minister's promise for a meeting, but pressed me hard for an early discussion. He argued that it was important for him to see the Prime Minister before the Star Chamber reached decisions on the arts funding. It was not so much his Council's own funding which concerned him, but the consequential for financing the arts of the abolition of the metropolitan councils. I told Sir William that I would certainly do my best to try to secure an early meeting, but with the best will in the world I was unable to give him a precise date at this time.

I am sending of copy of this letter to the Private Secretaries to the Secretary of State for the Environment and to the Chief Secretary.

Yours sincerely
Nigel Weeks

Paul Thomas Esq
Office of the Minister for the Arts.

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1500

OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

N H Wicks Esq
Principal Private Secretary
10 Downing Street

Prime Minister
Shall we try to
squeeze this meeting with

Sir William Rees - Mogg ^{15 October 1985} in
in the week after your return?

Dear Nigel

Yes no

N.L.W.
15.10

ARTS COUNCIL OF GREAT BRITAIN

You told me that Sir William Rees-Mogg had asked for a very early interview with the Prime Minister; and you asked for advice.

Rees-Mogg mentioned to my Minister recently that he was anxious to see the Prime Minister about the Arts Council. Mr Luce thinks that it would be wise for the Prime Minister to see him as soon as possible and in any case before the final decisions are taken on the current expenditure round.

As you have no doubt seen from the press, Rees-Mogg is under great pressure from the arts world, which believes that the Arts Council has been too weak in pressing its case for additional funding. He has asked for a large increase for 1985-86: £161m in place of the £122m which is in the plans at present. While he does not expect to get the whole of his bid, he believes that he will not be able to hold his Council together and stave off damaging resignations unless he gets a good part of it.

Mr Luce's own assessment is that a minimum addition of £15m is required to keep the Council together and ensure that the South Bank and other arts activities do not suffer conspicuous damage following the abolition of the GLC and Metropolitan Counties. He realises that the Prime Minister may well not wish to become involved in the discussions which he will be having with the Lord President and the Chief Secretary. But he thinks it important that, whatever the outcome, Rees-Mogg should feel that he has been given a full hearing at the highest level. Rees-Mogg supports the Government and has been very helpful

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over a long period. Even if Mr Luce secures a modest uplift in next year's arts budget, there will still be a major job to do in keeping inevitable trouble to a manageable level. Rees-Mogg will be the key figure in this, and it will be important that he should feel that his help is valued and his views have been listened to.

Yours ever
Paul Thomas

PAUL THOMAS
Private Secretary

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ack'd. 28/9. *de Paul Thomas*
ARTS COUNCIL

105 Piccadilly London W1V 0AU
Telephone 01-629 9495
Telemessages Amec London W1

Chairman
Sir William Rees-Mogg
Secretary-General
Luke Rittner
Deputy Secretary-General
Anthony Everitt

The Arts Council of Great Britain
Registered Charity no. 212210

cc OAL 25/10

18 September 1985

The Rt Hon Margaret Thatcher MP
Prime Minister
No 10 Downing Street
London
SW1

Bro

Dear Prime Minister

I believe Grey Gowrie suggested that I might come and see you to discuss the problems of the Arts after the abolition of the Metropolitan Counties. I should very much like to do so and shall be applying for an appointment after the Party Conference.

In the meantime, I enclose a copy of the Arts Council's prospectus. It is of course an ex parte document - as it should be, but there are a couple of points I would draw your attention to.

The first is that the 1985/86 expenditure of the Arts Council and the Metropolitan Counties combined is £140m. A strict interpretation of the Treasury commitment would reduce this for 1986/87 to £123m, or a shortfall of some £25m after allowing for inflation. Part of that shortfall might be made up from the successor authorities, and the Arts Council claim for £161m has an element of real development in it. But a cut in arts funding at this point would make it impossible to carry out our responsibilities under the Local Government Act in any adequate way.

The second is the arts and employment. We are a highly efficient way of maintaining jobs, and we do make a major contribution as an invisible earner. The table on page 7 of the prospectus shows our near top ranking in the value for money in employment league.

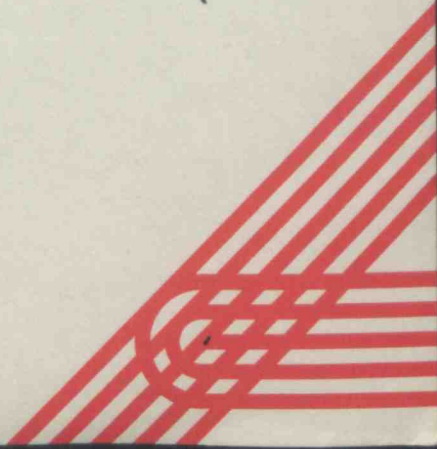
I try not to bother you in the areas where I work, but I should enormously appreciate the chance to put a worrying case to you.

Govan

hikras

mt

Chairman





10 DOWNING STREET

THE PRIME MINISTER

13 June 1985

Dear Mr. Getty,

The Minister for the Arts told the Cabinet at its meeting this morning about the gift which you are making to the National Gallery. The Cabinet agreed that the standing of the institution and the munificence of the gift combined to render this an occurrence of national significance, and asked me to write to you, to express their warm appreciation of and profound gratitude for your magnificent generosity.

I do so with the greatest of pleasure; and in doing so I should like to express my own personal delight and gratitude as well as that of the Cabinet as a whole.

Yours sincerely

Margaret Thatcher

Mr J Paul Getty, Jnr.

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62

SH



PI. file

Ref. A085/1603

MR BUTLER

Duty Clerk

St. copy

The Chancellor of the Duchy of Lancaster told the Cabinet this morning about the magnificently generous gifts which Mr J Paul Getty II is making to the National Gallery.

2. The Cabinet agreed that Mr Getty should be sent an expression of their gratitude; and the Prime Minister said she would like to write herself.
3. The minutes will record accordingly.
4. I attach a draft letter to Mr Getty.
5. I am sending a copy of this letter and of the draft to the Private Secretary to the Chancellor of the Duchy of Lancaster.

RA

ROBERT ARMSTRONG

13 June 1985

DRAFT LETTER FROM THE PRIME MINISTER TO MR J PAUL GETTY ^{Jnr.} 21

The Minister for the Arts

~~Grey Gowrie~~ told the Cabinet at its meeting this morning about the gifts which you are making to the National Gallery. The Cabinet agreed that the standing of the institution and the munificence of the gift combined to render this an occurrence of national significance, and asked me to write to you, to express their warm appreciation of and profound gratitude for your magnificent generosity.

I do so with the greatest of pleasure; and in doing so I should like to express my own personal delight and gratitude as well as that of the Cabinet as a whole.

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10 DOWNING STREET

From the Principal Private Secretary

13 June 1985

GETTY ENDOWMENT FUND FOR NATIONAL GALLERY

Thank you for your letters of 11 and 12 June enclosing the latest drafts of the National Gallery Press Notice and Lord Gowrie's statement on the Getty gift.

I am enclosing with this letter a copy of the letter which the Prime Minister has sent to Mr Getty on Sir Robert Armstrong's advice recording the expression of gratitude by the Cabinet.

A handwritten signature in cursive script, appearing to read 'Paul Thomas'.

Paul Thomas Esq
Office of Arts and Libraries

ECU

G-10



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

Robin Butler Esq
Principal Private Secretary
10 Downing Street

12 June 1985

Dear Robin,

GETTY ENDOWMENT FUND FOR NATIONAL GALLERY

...

Further to my letter to you of yesterday's date I now attach a copy of the (slightly amended) final version of the Minister's press statement which will be issued tomorrow. Briefing for Question Time has been supplied direct to No.10 Parliamentary Clerk and our Press Office are in touch with Bernard Ingham about the line which he might take at tomorrow morning's Lobby briefing.

*Yours ever
Paul Thomas*

PAUL THOMAS
Private Secretary

PRESS NOTICE



OAL/24

Room 57A/G, Government Offices Great George Street, London SW1P 3AL
Telephone 01-233 6175

Arts & Libraries

13 June 1985

MINISTER WELCOMES 'SPLENDID AND HISTORIC' GETTY GIFT TO NATIONAL GALLERY

Lord Gowrie, Minister for the Arts, today welcomed the creation of an endowment fund for the National Gallery and praised this generous move by Mr J Paul Getty Jr.

In a statement released this morning, Lord Gowrie said:

"Mr J Paul Getty Jr has shown profound generosity by such a splendid and historic gift to the National Gallery. I know moreover that this is only part of his philanthropy, not least of his philanthropy toward the arts. He has also been extremely generous to the British Film Institute, in providing funds for its new Museum of the Moving Image and the development of the National Film Archive, and in assisting Manchester City Art Gallery last year to acquire the 14th century Sieneese crucifixion. In addition he has in recent years given prodigiously to a variety of further arts, sporting, humanitarian, environmental and other charitable causes.

"The endowment fund which will be created for the National Gallery will be of the greatest importance in maintaining the Gallery's position as one of the world's greatest collections of works of art. It will help the Gallery to acquire works of art which might otherwise go overseas. Above all, together with the great benefaction of John, Simon and Tim Sainsbury, it will enable the Gallery to view its future with confidence, and with the resources to meet its purchasing needs.

"Mr Getty's generosity is illustrative of the way in which private individuals and public bodies can work together for the common good. The nature and scale of Mr Getty's gift is such that all citizens of the United Kingdom will have cause to be grateful to him in the years ahead. In admiration and affection I want to thank him very much."



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

CCDF 2
Questions

c. Mr. Ingham

From the Minister for the Arts

Prime Minister

Robin Butler Esq
Principal Private Secretary
10 Downing Street

Some good news for
tomorrow.

FELB
12.6.

11 June 1985

1 must write
and thank him
ms

Dear Robin,

GETTY ENDOWMENT FUND FOR NATIONAL GALLERY

- ... Further to our telephone conversation earlier today I attach a copy of the press statement which the Minister proposes to issue on Thursday in response to the National Gallery's announcement of Mr Getty's endowment fund. Also attached is a
- ... copy of the latest draft of the National Gallery's proposed statement. The National Gallery's press conference is scheduled to take place at 10.30 am on Thursday.

We shall be providing appropriate briefing for Prime Minister's Question Time on 13 June in due course.

Yours ever
Paul Thomas

ms

PAUL THOMAS
Private Secretary

PRESS NOTICE



OAL/24

Room 57A/G, Government Offices Great George Street, London SW1P 3AL
Telephone 01-233 6175

Arts & Libraries

13 June 1985

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GETTY GIFT TO NATIONAL GALLERY

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ARTS Policy



Subject

CONFIDENTIAL

CC MASTER SET

NOTE FOR THE RECORD

SUPPORT FOR THE ARTS

The Chancellor of the Duchy of Lancaster called on the Prime Minister on Tuesday 23 April at his request and mentioned ways in which further private sector support for the arts might be attracted:-

(i) He said that Paul Getty had already given very substantial assistance, including £7 million for the British Film Institute, £1 million for the MCC, £1 million for SS Great Britain, £1 million for the London Clinic and substantial contributions to Solidarity and Eritrean famine relief. He would probably appreciate some form of recognition of this remarkable record of benefaction. Provided that his sympathies with the UK were retained, there was a chance that he would make further substantial donations here, including the possibility of buying back the Mantegna recently bought by the Getty Foundation (with which he had no personal connection or sympathy). The Prime Minister said that this record of donations was remarkable and, since she had not been able to find a suitable person for a knighthood for benefaction in the coming Honours List, she would consider Mr. Getty's name.

(ii) Lord Gowrie said that he also had a prospect of obtaining substantial donations from three residents of Hong Kong - Mr. Stanley Ho (who was considering contributing £2 million to the Imperial War Museum), Mr. Eric Ho Teng (who is considering contributing £1½ million to the same cause) and Sir Y.K. Pao.

(iii) Sir John Sainsbury had said to Lord Gowrie that, now that his own donation to the National Gallery had been made and he could not be regarded as having any further personal interest in the matter, he wanted to suggest some ways in which the tax regime could be made more favourable to donations to the arts. Lord Gowrie said that a particular respect in which the present arrangements caused difficulty was the contribution which had to be made from his own Vote when items were accepted in lieu of estate duty. The timing of such offers was completely unpredictable and could eat up

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available money without warning. Moreover, if they came up at a time when no money was available in his Vote, they could not be accepted whatever their merit. He would prefer that the cost was made entirely by waiver of tax and fully accepted the corollary that it would be up to the Treasury in those circumstances to say whether they were prepared to forego revenue in respect of particular items. The Prime Minister said that she would ask the Treasury to agree to a formula which Lord Gowrie could use the following day in the House of Lords Debate on a motion by Lord Fanshawe to the effect that these arrangements would be reviewed.

(iv) Lord Gowrie said that there was scope for raising money by lotteries. The National Art Collections Fund was indeed proposing a lottery under the 1846 Art Unions Act and there was further scope for raising money in this way. The Prime Minister said that she was a little sceptical about this since there would be no limit to the range of charitable organisations which would promote lotteries; but she could see the possible scope for the use of occasional lotteries in very exceptional circumstances.

(v) Lord Gowrie said that Imperial Tobacco were considering making a substantial contribution to the English National ^{Open} Orchestra. But they would not do so if they believed that the arrangements governing the advertisement of cigarettes were going to be tightened up further when the agreement between the Government and the tobacco companies was re-negotiated. The Prime Minister said that there could be no question of a quid pro quo. She would, however, find out from the Secretary of State for Social Services whether he had any intention of tightening up these arrangements, which she thought were already very rigorous. If he had no such intention, there was no reason why the tobacco companies generally should not be reassured about the Government's intentions.

F.R.B.

24 April 1985

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Ce/No



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

pa
Dmb
7/2

From the Minister for the Arts

The Rt Hon Patrick Jenkin MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

Prime Minister (2)
Lud Gowrie mentioned
this to you today.

5 February 1985

Dmb
6/2

Dear Patrick,

As you may have seen from press reports, I am in trouble with the National Theatre over the fact that the Arts Council can only increase their grant by 2% for 1985-86.

The Chairman, Max Rayne, came to see me on 4 February. To cut a long story short, the NT had come to the conclusion that unless they received a major increase in their grant (some 15% rather than 2%), they would have to reduce their operations drastically in 1985-86. This would involve making about 100 out of their 700 staff redundant, dropping all touring and, most conspicuously, closing one of their three auditoria - the Cottesloe. The NT Board would take a decision on this, and announce it publicly, on Wednesday 6 February.

I accept the NT's assurance that this is the only course open to them if they are to live within their grant for 1985-86. I do not think it right to seek an extra subvention for the arts budget in order to stave off their reductions; and although the NT are in genuine trouble, they are not close to the danger of total collapse in the way that some of my other clients are, and they will remain in receipt of the largest theatre grant (£6.7 million p.a.), so I have no alternative but to face out the coming row.

That is a problem for me to deal with. I ought however to warn you and the other colleagues concerned that there is an abolition aspect. As you know, the GLC are threatening to withdraw grant support from arts bodies in London, including the National Theatre, allegedly as a necessary consequence of rate-capping. It is not a necessary consequence, as the Tory

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members of the GLC have pointed out, and I think myself that the GLC would be very foolish to go in for this sort of scorched-earth policy while the Abolition Bill is before Parliament. If they do decide on this, however, the prior announcement of the NT's reductions will make it rather easier for them to avoid blame and put the Government in the dock instead. They will say that underfunding by the Government has already caused the closure of one of the NT theatres and also augurs badly for the treatment of the arts in London after abolition.

If the need arises, I will do my best to counter any such argument. Complete withdrawal of GLC grant would close down the National Theatre - and several other major bodies - altogether, and is simply not to be compared with a retrenchment which will still leave the National Theatre's two main auditoria functioning with a full programme. But the row over the retrenchment could have a knock-on effect on the abolition debate, and I think you should be aware of this.

I am sending copies of this letter to members of MISC 95 and Sir Robert Armstrong.

Yours,
e/ry
2

GOWRIE

CONFIDENTIAL



MINISTER FOR THE ARTS

PRIME MINISTER

THE ARTS BUDGET FOR 1985/86

I shall announce the allocation of my central arts budget on Monday 17 December. It may be helpful if I let you have advance warning of some points which may be controversial.

Given our present policy of restraining public expenditure, with which I wholly agree, I was concerned to settle next year's budget without going to MISC 106. Willie Whitelaw and Peter Rees treated me very fairly, and I have no complaint but the arts world, encouraged by recent successes at home and abroad, will probably complain loudly. I am quite ready to take them on, but felt I should warn you that some may beat a path to your door.

On the performing arts side, the Arts Council are in some trouble over their "Glory of the Garden" strategy which aims to shift some resources into regional development. They have allowed various appeals against the balancing cuts, and this has left them short of funds for redeployment. I am giving them 3% on baseline plus a further 2% for special needs, including the "Glory of the Garden". They will complain that this is backing the strategy with words and not money. I am not too worried by this, since the £16 million which they will receive for the abolition of the GLC and Metropolitan Counties in the following year should give them more room for manoeuvre.

If the Arts Council are to stick to their strategy, however, they will not be able at the same time to do much to help the big national companies. Here there is understandable irritation on the part of those who did not get the benefit of the Priestley money and who now feel penalised for the good housekeeping which kept them out of deficit. The front-runner here is the National Theatre, and Max Rayne and Peter Hall are starting to make a public fuss. I have some sympathy with the National Theatre, but they will have to manage as best they can. They are not in any immediate danger of collapse.

I am sorry to say however that the English National Opera is in danger. Their North American tour was a great success artistically. But they were badly let down over its financing. As things turned out, they were unwise to go ahead with the tour without much firmer guarantees from Governor White of

cc of 2

Pete Martin

To note

14/12

Texas and others. That was their decision, and I had no influence over it. But now we have to see what can be done to keep them afloat. Lord Goodman and I are working behind the scenes to raise private money. I have also kept back a small contingency sum in my budget so that I can if necessary make a contribution to an appeal: the same sort of sum as we are contributing to the Royal Academy. If I have to use this money, there will again be complaints of unfair treatment from others, but I will face that when the time comes.

I have decided to make room for an uprating of Public Lending Right. Our system of state subsidy does a lot for organisations and performing bodies, but very little for individual artists. PLR was pegged at a fixed £2 million in 1979. Raising it to £2.75 million next year will be a minimum act of justice to prevent the erosion of what is in any case a very modest scheme. I believe this will be widely welcomed.

Turning to the Heritage and Museum side, I must also warn you that you may be subjected to lobbying, although I will of course do my best to prevent it. The problem here is an acute one. This country is a huge repository of works of fine art, much of it still in private hands and subject therefore to capital taxation. The state simply cannot keep pace with the rise in art prices internationally; and as the flow of objects onto the market increases, our system for preserving the heritage is coming under great strain. I have decided to give a clear signal that we cannot keep everything, and that it would be better to put the greater emphasis on the conservation, display and maintenance of our existing public collections. We already have after all the finest and most varied stock of works of art in public hands in the world. The museums that house this stock are in a poor state. Accordingly I have cut the purchase grants of the nationals by £1.2 million (13%) overall and increased the building and maintenance programme by £3.9 million (15%).

Patrick Jenkin and I have also decided that we must limit provision for the National Heritage Memorial Fund to the same basic annual grant as the current year (£3 million) and similarly for acceptance of houses and art objects in lieu of tax (£2 million). My instinct is that as 1985/86 rolls on, this is what is liable to cause the most difficulty. Martin Charteris will be apt to let fine objects go in order to protect the Fund's capital, already severely eroded by the purchase of Belton House; and there is likely to be considerable media and party agitation. However I am quite sure that we are doing the right thing, and while I am sensitive to our obligations to posterity, we shall remain a very richly endowed country in this field.

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In the long run, I believe that the best way to tackle the heritage problem must lie in ameliorating the capital tax position. We discussed this briefly when you first appointed me to the Arts, and I think that you agreed. The Chief Secretary's officials and mine are looking at this problem with a view to putting forward some options in line with our manifesto commitment.

On a cheerful note, I should add that business sponsorship of the arts is running very well: from about £3 million per annum when we took office it has risen to nearly £15 million at the present time. To encourage this growth I have found £1 million in the form of challenge or matching awards for new sponsorship in a proportion of one to three. I am confident that this is on target to generate £3 million of new private sector money.

I am sending copies of this minute to Willie Whitelaw, Patrick Jenkin, Peter Rees and Sir Robert Armstrong.

J.

GOWRIE

14 December 1984

CONFIDENTIAL



Handwritten initials

10 DOWNING STREET

NOT CF

From the Private Secretary

*Made Surely it is
we do not keep
RTA minutes in GR.
Kay
13/8*

SIR ROBERT ARMSTRONG

The Prime Minister has seen and noted your minute of 6 August (A084/2291) in which you reported that the English National Opera is facing serious financial difficulties.

David Barclay

7 August 1984

CONFIDENTIAL

NR

CONFIDENTIAL

Ref. A084/2291

PRIME MINISTER

Prime Minister

Rather depressing, and
not good management
by the ENO.

MS

one
6/8

I regret to report that the English National Opera (ENO) is in serious financial trouble.

2. Earlier this year ENO undertook a tour in the United States. The tour was a considerable critical success, but not such a success at the box office. The tour was undertaken without adequate financial cover being assured in advance, and ENO have lost some £700,000 on the tour. Because the tour was overseas, it is not something which falls within the responsibility of the Arts Council.

2. In addition, ENO is running at a prospective deficit of £500,000 for the financial year 1984-85 on its domestic operation.

3. The Arts Council have asked ENO to consider very carefully whether they can continue to trade without breach of the Companies Acts. Subject to that, the Arts Council have agreed to finance ENO through August and September, on the understanding that the Board of ENO will in that time produce a plan for getting themselves out of their financial difficulties.

4. There should therefore be a breathing space of two months; but at the end of that it seems clear that we must expect a plan which will depend upon some additional Government finance: the amounts at stake are more than the Arts Council could undertake on their own.

5. As you probably know, Lord Goodman is about to retire as Chairman of the Board of Directors of ENO. The plan was that his place should be taken by Lord Harewood, who has resigned as General Administrator and is being replaced by Mr Peter Jonas. I understand that the Board of ENO are inclined to blame Lord Harewood for the failure to ensure adequate cover for the American tour, and that his succession as Chairman of the Board must now be in doubt. Fortunately they have in Mr Edmund Dell, a Chairman of the Finance Committee of the Board of Directors, someone who can address himself to the situation that has arisen.

RIA

ROBERT ARMSTRONG

6 August 1984

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 14 June 1984,
Columns 1076-1165 "The Arts and The Heritage"

Signed AWayland Date 4 June 2015

PREM Records Team

13 January 1984

I wrote to you on 4 November last year following the Prime Minister's meeting with Lord Gowrie about the Priestley Report. At the end of that letter I referred to a suggestion which the Prime Minister had made that she might arrange a weekend discussion of arts matters at Chequers early in 1984.

I am afraid to say that the chances of this being arranged in the near future have now receded. The Prime Minister's diary is under intense pressure, and she has decided that she must postpone this discussion for the time being. I will write to you again if and when we are able to offer a firm date.

DAVID BARCLAY

Mrs Mary Brown,
Office of the Minister for the Arts.



Royal Opera House

Royal Opera House
Covent Garden London WC2E 7QA
Telephone: 01-240 1200
Cables: Amidst London WC2 Telex: 27988 Covgar G

clt ps

Robin Butler Esq.,
10 Downing Street
London
SW1

16/1

4. i. 1984

Dear Robin,

FERS

Thank you for your letter of December 29th and for setting out the Prime Minister's current views on Anglo-Soviet relations.

It is immensely helpful to know these and I entirely accept her reasoning. We will continue to lie low and I will ask the question of you again later in the year.

With my very best wishes for the New Year.

Yours ever
John Tooley
John

Arts & Amanties - Poucey Pt 2



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16 JAN 1984
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CC OAN

Cf - In you - see
FCO letter
below.



10 DOWNING STREET

From the Principal Private Secretary

29 December 1983

Visit by Bolshoi Ballet to Covent Garden

Many thanks for your letter of 22 December containing advice on the approach from Sir John Tooley about the possibility of a visit by the Bolshoi Ballet to Covent Garden.

I have shown your letter to the Prime Minister who agrees with the general line of advice in it, although in her view the position could be put more briefly: she has minuted that the point is that we should not start the thaw with such a major event, but should work up to it.

I enclose a copy of the letter which I have sent in reply to Sir John Tooley.

I am copying this letter and the enclosure to Mary Brown (Office of Arts and Libraries).

F. E. R. BUTLER

Brian Fall, Esq.,
Foreign and Commonwealth Office.



CC FCO
OAL

HU

10 DOWNING STREET

From the Principal Private Secretary

29 December 1983

I have now been able to raise with the Prime Minister the question in your letter of 2 December about a visit to Covent Garden by the Bolshoi Ballet.

Her view, briefly, is as follows. As you know, Mrs. Thatcher seeks a better relationship between East and West. If the Russians show that they are prepared to respond in the same spirit, then the whole climate of our relations with the Soviet Union could change and a visit by the Bolshoi, which would at present fall outside the guidelines of the Government's policy on cultural contacts with the Soviet Union, might well be seen differently. But as a first step the Prime Minister's view is that it would be a too major cultural, and to some extent political, event, given the extent of government support for Covent Garden, and therefore it would be premature to take a more forthcoming attitude to it at this stage than you have taken hitherto. That is the Prime Minister's present view but I suggest that you might raise the suggestion again with the Government in the latter part of 1984 and take the temperature then.

F. E. R. BUTLER

Sir John Tooley

WR 1

FFRB: 0/v



Foreign and Commonwealth Office

London SW1A 2AH

22 December 1983

Generally - although it
can be put more fully. The
point is that we should not
start the show with such a
major event - but waste up
to it - not
Prime Minister

Are you content with the line
suggested in this letter in reply to the
query I have received from Sir John Tooley
about a visit by the Bolshoi Ballet to Covent Garden?

Visit by Bolshoi Ballet to Covent Garden

FFRB 23.12

In your letter of 7 December you asked for advice on the question raised by Sir J Tooley in his letter to you of 2 December. Sir J Tooley speculates about a possible change in the Government's attitude towards cultural relations with the Soviet Union, and obviously hopes that he might be given a green light to go ahead and arrange a visit by the Bolshoi Ballet to Covent Garden. From other sources we have heard that he would envisage a visit taking place some time in 1986.

If the visit were to be arranged by an impresario, there would be little that the Government could do about it. But Sir J Tooley clearly has in mind the large element of Government grant to Covent Garden, and our present publicly stated policy over cultural links with the Soviet Union following the Soviet invasion of Afghanistan, which is that "events of a nature which could give an impression that nothing had changed were to be avoided". Sir J Tooley clearly wishes to be in a position to say that he has consulted the Government, and had been informed that there was no official objection.

If, as we hope they will, Ministers collectively endorse the guidelines set out in Sir Geoffrey Howe's paper on UK/Soviet relations, then in the next few years we would hope that a policy of increasing contacts with the Soviet Union at all levels and in all fields will have produced a different background against which to judge a visit by the Bolshoi Ballet, which, whenever it takes place, is bound to attract a great deal of public attention. Although, therefore, we may hope that events will move in the direction desired by Sir J Tooley, it would be unwise to indicate agreement in principle at this stage. This could well prove to be a hostage to fortune, and one which would very probably leak. A further point is that a visit by the Bolshoi here would probably mean a return match at some stage which would certainly have financial implications for the Royal Opera House and the British Council, who would be expected to subsidise it.

/Sir Geoffrey



Sir Geoffrey recommends, therefore, that the Prime Minister might say in response to Sir J Tooley's enquiry that while she can well understand the commercial interests involved and the pressure being brought to bear by the Russians, we would not advise him to change the line he has taken hitherto in response to Soviet overtures. A visit by the Bolshoi Ballet to this country would be a major cultural, and to some extent political, event, given the extent of government support for Covent Garden. As the position stands at the moment, a visit would certainly fall outside the guidelines of our present policy on cultural contacts with the Soviet Union. But as the Prime Minister has herself made clear, we seek a better relationship between East and West. If the Russians show that they too are prepared to respond in the same spirit, then the whole climate of our relations with the Soviet Union could change, as well as the wider field of East/West relations. In such circumstances, a visit by the Bolshoi Ballet might well be seen differently. In the meantime, Sir J Tooley's request would be borne in mind, and he might like to raise the question again with the Foreign and Commonwealth Office later next year to see if there was any change in our position.

We have discussed this advice with the Office of Arts and Libraries (to whom I am copying this letter) who are generally content.

John [unclear]
[Signature]

X (B F Fall)
 Private Secretary

F E R Butler Esq
 10 Downing Street



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10 DOWNING STREET

From the Private Secretary

20 December 1983

Dear Mary,

Your Minister kindly sent the Prime Minister a copy of his letter of 5 December to the Lord President, to which was attached a draft response to the Education Select Committee's Report on Funding for the Arts.

The Prime Minister is generally content with the draft. She feels however that it would be advantageous to amend paragraphs 4.7 and 4.8 to make it clearer that the Government supports more private funding and less administrative expense in the Arts Council.

I am sending copies of this letter to the Private Secretaries to the recipients of Lord Gowrie's letter to the Lord President.

Yours ever,
David
(David Barclay)

Mrs. Mary Brown,
Office of Arts and Libraries

JK

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CS, ^{HMT} From the Private Secretary

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PERSONAL - RESTRICTED

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10 DOWNING STREET

20 December 1983

Thank you for your letter of 19 December. The Prime Minister is content with the Chancellor's suggestion that the Policy Unit should have early discussions with his officials about any possible barriers to private funding in museums, and in the public sector more generally. She agrees that meanwhile there should be no reference to the wider review in the Government's response to the Education Select Committee's Report on Funding for the Arts.

(David Barclay)

Miss Margaret O'Mara,
HM Treasury

PERSONAL - RESTRICTED

VC



CF
May I have the file please?
C. J.L.
①

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

JMB
20/12

19 December 1983

David Barclay Esq
10 Downing Street

Prime Minister: You asked for the Chancellor's view on the Policy Unit proposal for a review of barriers to private funding in the public sector. He suggests that the Policy Unit should discuss this outside the context of the Arts White Paper. Policy Unit are content.

Agree? Yes not

JMB
19/12

Dear David,

FUNDING FOR THE ARTS

You wrote to John Kerr on 12 December, enclosing a copy of the note the Policy Unit had produced on the Government's draft response to the Education Select Committee's report. I have shown this to the Chancellor.

The Chancellor agrees that if there are serious and avoidable disincentives to the raising of private income by museums and similar public sector bodies these need to be examined and he has therefore suggested that the Policy Unit should have early discussions with his officials to clarify the precise nature and scale of any problems, and identify possible solutions. He believes, however, that the raising of private income needs to be considered as a means to the end of reducing the burden on the taxpayer rather than as an end in itself. Directly or indirectly, the taxpayer should receive some relief from the revenue secured by the institutions which he supports; and that is one of the principles underlying the present rules. The difficulty is to devise arrangements in each case which provide an effective stimulus to the organisation concerned, to exploit the available sources of income while also reducing the call on the taxpayer.

The Chancellor recognises that the present 're-vote' arrangements for the national museums and galleries have been much criticised. They are, however, more favourable to the museums than is sometimes realised, giving them indeed a measure of year-to-year flexibility in their current expenditure which is denied to other public sector bodies. While it may prove possible to improve on them, he would



think it unwise for the response to the Select Committee to raise hopes too high. The present draft states the Government's intention 'to examine possible alternative arrangements which would be consistent both with the broad principles of public expenditure planning and accounting and with the need to provide incentives to maximise earnings'. He believes that goes as far as is prudent at the present time.

Equally, the Chancellor thinks it would be inappropriate to make any public reference to a wider review of the barriers to private funding at this early stage. In any event, he feels that the response to a Select Committee report which is concerned solely with the arts would not be the right context for such an announcement.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

MPS &
#72 ENTIC3
Admin to cards
Private Sponsorship
part 2.



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1972



Treasury Chambers, Parliament Street, SW1P 3AG

Earl of Gowrie
Minister of State
Privy Council Office
Office of Arts & Libraries
Room 62/2
Great George Street
LONDON
SW1

19 December 1983

Dear Minister,

GOVERNMENT REPLY TO THE SELECT COMMITTEE REPORT ON PUBLIC AND
PRIVATE FUNDING OF THE ARTS

I have only one comment on the text circulated with your letter of 5 December to Willie Whitelaw.

There is at present no comment in the draft on recommendation 75, which suggests that losses by 'angels' should be offset against general tax liability. Specific relief for 'angels' has, of course, been rejected on a number of occasions in the past, but the Revenue have suggested to individuals concerned that there may be ways of providing assistance within the framework of existing tax legislation - for example through the Business Expansion Scheme or by making greater use of limited partnership arrangements. It would seem helpful to say so in the response. If you agree, perhaps your officials could agree a form of words with the Revenue.

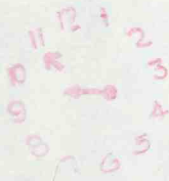
I am copying this letter to the recipients of yours.

yours sincerely
PR

for PETER REES
*(approved by the Chief
Secretary + signed in his absence)*

Arts e Amembies
Policy
pt 2

20 DEC 1983





JH 386

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

16 December 1983

Lord Gowrie
Minister for the Arts
Office of Arts and Libraries
Great George Street
London SW1

Dubs
16/12

D. Gray

GOVERNMENT REPLY TO THE SELECT COMMITTEE REPORT ON PUBLIC AND PRIVATE FUNDING OF THE ARTS

Many thanks for copying to me your letter of 5 December to Willie Whitelaw.

2 I am content with your proposed response subject to a slight drafting change to the reference in paragraph 6.3 to the timing of Kenneth Baker's review of the film industry. I have asked my officials to contact yours about this.

of
Norman

NORMAN TEBBIT

ACTS &
AMENITIES
Policy toward HANTS
~~...~~ p. 2

16 DEC 1985



CONFIDENTIAL



Five

207

10 DOWNING STREET

From the Private Secretary

12 December, 1983

THE PRIESTLEY REPORT

The Prime Minister was grateful for the Chief Secretary's minute of 8 December about the Priestley Report. She has taken note of the agreement reached with Lord Gowrie on the sums to be added to his programme in respect of the Royal Opera House, the Royal Shakespeare Company, Scottish Opera, Welsh National Opera, English National Opera and Opera North. The Prime Minister has also noted that the additional money will be channelled through the Arts Council, but that the Minister for the Arts will ensure that it is allocated to the six companies concerned.

I am sending a copy of this letter to Mary Brown (Lord Gowrie's Office) and to Richard Hatfield (Cabinet Office)

(David Barclay)

J. Gieve, Esq.,
Chief Secretary's Office

NR

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PERSONAL



file Kb

10 DOWNING STREET

From the Private Secretary

12 December 1983

FUNDING FOR THE ARTS

Lord Gowrie wrote to the Lord President on 5 December about the Government's reply to the Education Select Committee's Report on funding for the arts. The letter and draft reply were copied to the Prime Minister and to members of H Committee.

B/P1
The No. 10 Policy Unit has produced the attached advice on the draft response. The Prime Minister has said that before commenting herself, she would be grateful for the Chancellor's views, in particular on the suggestion in the note that there should be a "review of barriers to private funding in the public sector in general, and particularly in museums". In order to meet Lord Gowrie's deadline for comments, it would be helpful to have the Chancellor's views by close of play on 15 December.

I should be grateful if the circulation of this letter and the enclosure could be carefully controlled, on a personal basis.

DAVID BARCLAY

John Kerr Esq
HM Treasury

RESTRICTED

DRAFT WHITE PAPER ON FUNDING THE ARTS

The draft White Paper mainly consists of diplomatic phrases rejecting various silly recommendations made by Christopher Price's Select Committee. These include:

- a new Cabinet Minister for the Arts, Heritage and Tourism
- a new twenty-year programme of increased government funding for the arts
- new tax concessions
- new powers for Regional Arts Associations.

We have no reason to quarrel with the White Paper on any of these issues.

There are two minor points on the Arts Council that are unsatisfactory:

- i. The Select Committee recommended that the Council should take steps to increase private funding (cf. recommendations 19 and 20). In paragraph 4.8 of the White Paper, this receives a lukewarm response. Why? We should surely give an enthusiastic welcome to proposals for more private money.
- ii. The Select Committee also recommended that Regional Arts Associations should be encouraged to spend less on administration (cf. recommendation 34). This, too, gets an unduly lukewarm mention, in paragraph 4.4 of the White Paper. We should surely make clear our support for all reductions in administrative expense.

FUNDING OF MUSEUMS

The most immediately important issue discussed in the White Paper is the funding of museums.

At present, museums do not have much of an incentive to raise private funds. The Treasury decides what amount a given museum can be expected to raise from private sources, and adjusts the government grant accordingly. If the museum raises more than expected, and does not spend the extra within the year, the excess has to be surrendered to the Treasury. At the end of the year, the

museum is

"credited" with the amount of the surrendered excess; but by that time, the grant for the next year has already been settled; so the museum is "re-voted" the "credit" for the year after next. As the grant for that year will not yet have been settled, the "credit" is notional.

This absurdly complicated system is widely resented. People in the museum world believe (probably with some justification) that the net effect is to reduce the grant of museums as a whole in proportion to any increases in private funding. This clearly runs counter to our general policy of providing incentives for grant-aided institutions to raise their own funds.

The Select Committee recommended reform of the present system (cf. recommendation 10, and others). But the White Paper gives this proposal a cold shoulder (paragraphs 3.1, 7.4, 7.5). Why? It seems that the Treasury are worried about the effects of incentive schemes upon control of public funds. But this problem is being overcome in the case of universities: any university can already raise private money without loss of grant; Keith Joseph is now moving towards an element of pound-for-pound funding, as both ACARD and the Policy Unit suggested.

The problem is not in fact restricted to museums. There are also disincentives against private funding in other parts of the public sector. This is something that needs investigation. Should we not set up a speedy review? This could be foreshadowed in the White Paper, with a clause indicating that the Government is concerned about all public sector institutions, not just museums.

SUMMARY

We recommend:

- i. that the bulk of the White Paper should be approved;
- ii. that Lord Gowrie should be asked to amend paragraphs 4.7 and 4.8, to make it clear that the Government supports more private funding and less administrative expense in the Arts Council;
- iii. that we should set up a review of barriers to private funding in the public sector in general, and particularly in museums; and that this review should be foreshadowed in paragraphs 7.4 and 7.5 of the White Paper.

9 December 1983

MR BARCLAY

c Mr Mount

DRAFT WHITE PAPER ON FUNDING THE ARTS

The draft White Paper mainly consists of diplomatic phrases rejecting various silly recommendations made by Christopher Price's Select Committee. These include:

- a new Cabinet Minister for the Arts, Heritage and Tourism
- a new twenty-year programme of increased government funding for the arts
- new tax concessions
- new powers for Regional Arts Associations.

We have no reason to quarrel with the White Paper on any of these issues.

There are two minor points on the Arts Council that are unsatisfactory:

- i. The Select Committee recommended that the Council should take steps to increase private funding (cf. recommendations 19 and 20). In paragraph 4.8 of the White Paper, this receives a lukewarm response. Why? We should surely give an enthusiastic welcome to proposals for more private money.
- ii. The Select Committee also recommended that Regional Arts Associations should be encouraged to spend less on administration (cf. recommendation 34). This, too, gets an unduly lukewarm mention, in paragraph 4.4 of the White Paper. We should surely make clear our support for all reductions in administrative expense.

FUNDING OF MUSEUMS

The most immediately important issue discussed in the White Paper is the funding of museums.

At present, museums do not have much of an incentive to raise private funds. The Treasury decides what amount a given museum can be expected to raise from private sources, and adjusts the government grant accordingly. If the museum raises more than expected, that sum has to be surrendered to the Treasury. At the end of the year the museum is

"credited" with the amount of the surrendered excess; but by that time, the grant for the next year has already been settled; so the museum is "re-voted" the "credit" for the year after next. But, as the grant for that year will not yet have been settled, the "credit" is purely notional.

This absurdly complicated system is widely resented. People in the museum world believe (probably with some justification) that the net effect is to reduce the grant of museums as a whole in proportion to any increases in private funding. This clearly runs counter to our general policy of providing incentives for grant-aided institutions to raise their own funds.

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The problem is not in fact restricted to museums. There are also disincentives against private funding in other parts of the public sector. This is something that needs investigation. Should we not set up a speedy review? This could be foreshadowed in the White Paper, with a clause indicating that the Government is concerned about all grant-aided institutions, not just museums.

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PRIME MINISTER

Funding the Arts

Lord Gowrie is inviting comments on the draft Government response to the Education Select Committee's report on funding for the arts. The draft response is at Flag A, and the recommendations of the Committee are summarised at Flag B.

Advice from the Policy Unit is attached at Flag C. Oliver Letwin recommends:-

- i. that the bulk of the White Paper should be approved;
- ii. that Lord Gowrie should be asked to amend paragraphs 4.7 and 4.8, to make it clear that the Government supports more private funding and less administrative expense in the Arts Council;

- iii. that we should set up a review of barriers to private funding in the public sector in general, and particularly in museums; and that this review should be foreshadowed in paragraphs 7.4 and 7.5 of the White Paper.

We should read the Chancellor's comments

You may feel that iii. goes rather wide, and in particular risks re-opening the whole debate on technical ways of getting private finance into the public sector organisations. In policy terms, this debate has of course been largely overtaken by the Government's programme for actually transferring public sector bodies to the private sector.

You may prefer, therefore, to relate your support for a review of the barriers to private funding directly to the subject matter of the report, i.e., museums and galleries.

Agree this ~~more limited~~ response, in conjunction with points i. and ii. above?

DMS

and own comment

no

9 December, 1983.

Am quite prepared to go wider if Treasury agrees.

RECOMMENDATIONS

13.8. Our recommendations are as follows:

1. The Manpower Services Commission, when sponsoring artistic ventures under the Youth Opportunities and the Community Enterprise Programmes, should allocate the funds in consultation with the major arts funding bodies. The Regional Arts Associations would be the appropriate organisations to take on such a role. (paragraph 4.3.)
2. To ensure co-operation between arts organisations and public tourist bodies, the Arts Council and all the regional arts associations should establish committees on which the appropriate tourist bodies should be substantially represented. (paragraph 4.7.)
3. Those responsible for the enterprise agencies and inner-city programmes should further exploit the arts, both publicly and privately funded, in the process of regenerating the social and economic life of the city. (paragraph 4.13.)
4. In determining the appropriate levels of public funding for the performing arts and for the museums, full account should be taken of their vital importance to the tourism industry. (paragraph 5.7.)
5. A Ministry for the Arts, Heritage and Tourism should be created to absorb the work of the Office of Arts and Libraries and to concentrate in the hands of one minister of Cabinet rank all central government responsibility for the arts, libraries, film, broadcasting, heritage and tourism. (paragraph 5.8.)
6. The Minister should produce an annual Arts White Paper for presentation to and discussion by Parliament, and the first such paper should be presented not later than the 1984-85 Session of Parliament. (paragraph 5.9.)
7. The Ministry for the Arts, Heritage and Tourism should be responsible for publishing comprehensive statistical information on all aspects of arts funding and provision in the UK, and until the new Ministry is established this should become the immediate responsibility of the Minister for the Arts, as should all the other recommendations which fall within his jurisdiction. (paragraph 5.13.)
8. A minimum of six months' formal notice should be given to an arts organisation if significant alteration to its level of public grant is under consideration. (paragraph 5.18.)
9. Every effort should be made to ensure that the announcement of grants for the arts take place as early as possible. 1 October should be regarded as the desirable target date for these announcements, with 30 November as the latest possible date. (paragraph 5.19.)
10. The "re-vote" procedure should be abolished and where national organisations engage in successful trading they should have the right to retain their profits. (paragraph 5.22.)
11. The Minister should undertake a review of the relationship between the Property Services Agency and the major arts institutions for which it has responsibilities. The review should be completed no later than 1 January 1984. (paragraph 5.23.)
12. The capital transfer tax concession on the surrender of an object of art should be raised from 25 to 75 per cent. (paragraph 5.26.)
13. The present practice of regarding the tax foregone in respect of property accepted in lieu as public expenditure which has to be met from the Vote provisions for the protection of the heritage should be abandoned. (paragraph 5.28.)

14. The Minister should make a full statement to Parliament about the arrangements for the preservation of works of art and of all heritage items in the event of war or national emergency. (paragraph 5.31.)
15. Although the Arts Council of Great Britain will no longer be the sole channel of central government funding of the performing and creative arts, its role as the main national adviser on the distribution of funds should be maintained. (paragraph 6.3.)
16. The Arts Council should co-operate closely with the Minister in an advisory capacity on matters of policy concerning the performing and creative arts, and accordingly should give more attention than it has in the past to long-term policy issues. (paragraph 6.4.)
17. In conjunction with the Minister, the Arts Council should make special arrangements to administer a separate grant for the national companies as earmarked by the Minister. (paragraph 6.10.)
18. The Arts Council should accelerate the hand-over of routine responsibility for its clients, other than the national companies, to the regional arts associations and the local authorities. These new relationships should be established within the next five years. (paragraph 6.11.)
19. The Arts Council should play a more active role in promoting sponsorship. (paragraph 6.14.)
20. The Arts Council should undertake to fund important new developments with "challenge money" on a pound-for-pound basis. (paragraph 6.14.)
21. The Arts Council should transfer its promotional activities and its responsibility for initiating exhibitions and concerts to the appropriate existing national and regional performing organisations, museums and galleries. (paragraph 6.16.)
22. The Minister should reconsider the place of the Arts Council's collection and the role of the Hayward and Serpentine Galleries in relation to the proposed Tate of the North and the needs for a Museum of Twentieth-Century Art and for a Museum of Art Now. (paragraph 6.16.)
23. The Minister should review the methods by which the Arts Council is constituted and come forward with proposals when he replies to this Report. (paragraph 6.17.)
24. The Arts Council should establish a Committee, with the responsibility of monitoring regional provision, composed entirely of representatives of each of the regional arts associations. (paragraph 6.18.)
25. The Chairmanship of the Arts Council should be a paid executive position. (paragraph 6.19.)
26. The recurrent funding by the Ministry for the Arts of performing and creative arts organisations should continue to be through the agency of the Arts Council of Great Britain, the Scottish and Welsh Arts Councils and the regional arts associations. (paragraph 6.27.)
27. There should be a wider geographical representation on the committees of the Crafts Council. (paragraph 6.30.)
28. Artist craftsmen should do more to increase popular access to their work and local authorities should give more financial assistance to that end. (paragraph 6.30.)

29. The skill and expertise of the Crafts Council should be called upon by the Manpower Services Commission when devising schemes for the training of the unemployed and of young apprentices. (paragraph 6.30.)
30. The National Film Archive should be funded directly by the Minister and should be established as an independent organisation responsible to its own trustees. (paragraph 6.33.)
31. A statutory right of acquisition of film and TV material should be introduced, as exists in the United States and other countries, and the Archive should explore the practicalities of this idea with the Minister. It should also seek to establish effective professional and institutional collaboration with the British Library. (paragraph 6.33.)
32. The Minister should consider designating the National Film Theatre as a "national company" for the purpose of giving it earmarked funding and independent status. (paragraph 6.34.)
33. The future role of the British Film Institute with regard to servicing the art of film, fostering its appreciation and study and allocating grants to non-national organisations should be assured. (paragraph 6.34.)
34. The regional arts associations should exert their best endeavours to ensure that their administration costs are firmly controlled within reasonable bounds. (paragraph 7.34.)
35. Private funding should be encouraged in every possible way and every effort should be made to maximise box-office earnings, within a framework that allows access by all sections of the community. (paragraph 7.46.)
36. Since private funding will never account for a majority of the necessary arts budget, the level of public funding should be substantially increased over the next five years and thereafter in order to give arts organisations, the full confidence to make long-term plans free from damaging economic constraints and in line with the artistic needs of their public. (paragraph 7.46.)
37. In collaboration with selected local authorities in each region of the country, on a basis of shared funding, the Minister should initiate, not later than 1984, a twenty-year programme of arts development. (paragraph 8.6.)
38. Funding should be provided by the government, in conjunction with the local authorities where appropriate, to ensure that in every public museum and gallery the exhibits are properly displayed and conserved and that all major items in public collections are on view to the public at least one year in five, unless such exposure would endanger their survival, in which case they should always be accessible, in properly controlled conditions, to bona fide scholars and students. (paragraph 8.15.)
39. The government, in line with the recommendation of the Drew Report, should designate a number of provincial museums as "national museums" and should recognise the special status of the major university museums and galleries. (paragraph 8.16.)
40. Museums and galleries should be encouraged to expand their trading activities. Their trustees or managers should never be compelled to charge entrance fees, but allowed to do so, provided they arrange for two "free days" of entry each week and free admission for bona fide scholars and students and those in receipt of pensions and other long-term benefits. They should have total discretion over the expenditure of funds generated in this way and, furthermore, such funds should not be off-set against any public subvention. (paragraph 8.27.)

41. In keeping with its standing as a national institution the Royal Academy of Arts should receive some recurrent public funding for its exhibitions and for the Royal Academy Schools, and the Department of the Environment should take responsibility for the maintenance of the buildings. (paragraph 8.29.)
42. The performing companies should consider extending the scope of their marketing schemes with a view to attracting a greater proportion of the lower income groups and those who do not normally patronise these arts. (paragraph 9.11.)
43. Every publicly subsidised organisation should give at least one free performance each year, specifically directed towards the creation of new audience groups. (paragraph 9.18.)
44. All arts organisations in receipt of public funds should report annually on their achievements and intentions in respect of increasing public awareness of and participation in their ventures. (paragraph 9.19.)
45. The Ministry for the Arts, the arts councils, regional arts associations and the local authorities should take the achievements mentioned in Recommendation 44 into account when determining levels of subsidies. (paragraph 9.19.)
46. The Government should take immediate steps to set up appropriate machinery to coordinate policy directed to the improvement of the quality of the environment and the sound and economical provision of public transport with a view to improving the availability of and access to the arts. (paragraph 9.20.)
47. Performing companies and museums should initiate marketing schemes in co-operation with public and private transport authorities in the spirit of recommendation 42 above. (paragraph 9.20.)
48. The experience of the Scottish Arts Council with regard to funding amateur provision of the arts should be closely studied by both central and local government, by the ACGB and the RAAs. (paragraph 9.21.)
49. There should be a more flexible interpretation of the barrier between amateurs and professionals on the part of the performers' trade unions. (paragraph 9.22.)
50. Local education authorities should make a practice of charging only the marginal cost of the use and not try to make a profit out of letting school halls for arts purposes. (paragraph 9.24.)
51. Local authorities should be given a statutory responsibility to ensure that all levels and ages of the community shall have access to the arts in regard both to need and to expressed interest. (paragraph 10.6.)
52. Each local authority should make an annual return in detail to the Minister of its expenditure in respect of the arts as a part of a statutory duty to consult with the Minister. (paragraph 10.9.)
53. Local authorities, in addition to retaining the prime funding responsibility for non-national public museums and galleries, should assume similar responsibilities with respect to professional theatres, orchestras and opera and dance companies in their areas. (paragraph 10.10.)
54. An indicator which expresses the special requirements of local authorities for expenditure on the arts should be included in the formula for calculating the grant-related expenditure for each authority. (paragraph 10.13.)

55. Business companies should be exempted from tax on a percentage of their pre-tax profits for all donations to the arts. (paragraph 11.24.)
56. Encouragement should be given by the arts councils and regional arts associations to business companies, trades unions, government departments and local authorities to promote the arts. (paragraph 11.25.)
57. Business companies, local authorities and government departments should devote up to one per cent of new building budgets to purchases of works of art by contemporary artists. (paragraph 11.26.)
58. Business companies should provide facilities for the display of works of art and for theatrical, and orchestral performances. (paragraph 11.26.)
59. Donations from individuals to non-profit arts organisations up to ten per cent of pre-tax income should be tax-deductible on an annual basis. (paragraph 11.31.)
60. The Treasury should produce a document on tax deductibility and the purchase of works of art which outlines the appropriate arrangements that will have to be made by the Inland Revenue for its introduction and in order to avoid abuse. (paragraph 11.33.)
61. The Minister and the Arts Council should investigate ways and means by which artists might market their work at the early stages of their careers. (paragraph 11.35.)
62. The Independent TV companies should contribute to the live arts an annual sum equivalent, before deduction of levy and tax, to half of one per cent of the companies' advertising revenue. (paragraph 12.4.)
63. Responsibility for the medium by which programmes are broadcast should *not* lie with the Minister for the Arts. (paragraph 12.5.)
64. The responsibility for policy with regard to programmes should remain with the BBC and IBA, but the sponsoring minister should be the Minister for the Arts. (paragraph 12.5.)
65. The BBC should have a statutory responsibility annually to report to the Minister for the Arts on its achievement with respect to the arts. (paragraph 12.5.)
66. In order to monitor the costs and quality of the artistic output of independent broadcasting the programme companies should produce an annual report on their arts achievements for the IBA, a copy of which should go to the Minister for the Arts. (paragraph 12.5.)
67. Investment in feature films by ITV companies should be exempt from the IBA levy irrespective of whether they are intended first to be shown on television. (paragraph 12.13.)
68. A levy of at least 0.25p per viewer, based on audience research figures, should be imposed on the showing of feature films on all television channels, including cable and satellite TV, from 1 January 1984. (paragraph 12.15.)
69. The first-year capital write-off on investment in all film production should be reinstated on a lasting basis and it should be restricted to "British productions" in order to avoid abuse. (paragraph 12.16.)
70. Public funds for the financing of feature films should be allocated through one organisation, an expanded and reorganised National Film Finance Corporation. (paragraph 12.17.)

71. The proceeds of the Eady levy, apart from the contribution to the National Film School, should be entirely devoted to future film finance and allocated by the reorganised NFFC. (paragraph 12.17.)
72. The present discussions on the possibility of a levy on video tape to assist the feature film industry as a whole should be treated with much greater urgency. (paragraph 12.17.)
73. The special agreements designed to promote the production of "non-commercial" films which were negotiated between the BFI and the ACCT should be encouraged and applied to the section of the reorganised NFFC which is devoted to the work of new and experimental film makers, as well as to Channel 4 productions. (paragraph 12.18.)
74. A levy on blank audio tapes should be introduced, and consideration given to how the proceeds should be allocated so that a new Recording Investment Fund could be established to finance new recordings of artistic merit, both commercial and non-commercial projects. A share of the proceeds of this levy should also be devoted to musical education, the music schools and the music academies. (paragraph 12.22.)
75. It should be possible for losses from "casual" investment by a private individual in commercial artistic production, including theatre investment, to be offset against general tax liability. (paragraph 12.24.)
76. The Theatre Investment Fund should be refinanced on a sound basis, once and for all, with a substantial injection of money, in which the Minister for the Arts should take the lead. (paragraph 12.25.)
77. No building which is used mainly for the provision of cultural services should be required to pay local authority rates at their full value. (paragraph 12.26.)

CQ/NO

FROM: CHIEF SECRETARY
DATE: 8 December 1983

PRIME MINISTER

Prime Minister

To note the settlement reached by the Chief Secretary and Lord Gowrie on additional funding for the ROH, the RSC, and the four national opera companies.

MS

THE PRIESTLEY REPORT

You will recall that, at our discussion of public expenditure on 10 November, colleagues agreed that additional funding should be provided for the Royal Opera House (ROH) and the Royal Shakespeare Company (RSC) in the light of the recommendations of the Priestley Report, provided that the institutions accepted the recommendations on potential savings and on improvements in financial management. In addition, they asked me to discuss with Grey Gowrie his proposals for parallel increases for certain other operatic companies.

DWB
9/12

I am glad to say that I have reached agreement with Grey on the sums to be added to his programme in respect both of the ROH and RSC and of the other companies concerned, namely Scottish Opera, Welsh National Opera, English National Opera, and Opera North. As you know I was originally very doubtful of the case for additional assistance to this latter group, but Grey feels that it would not be defensible or equitable, against the increase which Cabinet agreed for the ROH and RSC, to refuse a modest increase in their funding now coupled with a writing-off of their present deficits. Otherwise, indeed, he is sure that the companies will inevitably run into further difficulties and seek more help in future. I have made it clear that I regard our settlement as final; I will not be prepared to entertain any future bids on this score.

CONFIDENTIAL

CONFIDENTIAL

We have agreed to provide for an additional £3.5 million in 1983-84 to eliminate the deficits which the companies would otherwise have incurred by the end of the year; this will necessitate an increase in the relevant cash limit and a spring supplementary estimate. We will provide a further £4.1 million in 1984-85 and £4.0 million in each of 1985-86 and 1986-87. These figures make allowance for efficiency savings to be secured by the companies and for the likelihood that the Arts Council would in any event have made some increase in its ordinary grant to the companies. For 1984-85, we propose that £2.8 million of the total be allocated to the ROH and RSC and £1.3 million to the other companies. To the extent that greater efficiency savings are achieved in the ROH and RSC in the later years, the increases for the remaining four will be correspondingly larger in those years. The money will be channelled through the Arts Council in the ordinary way, but Grey will ensure that they allocate it to the six companies concerned and to no others.

I am copying this letter to our Cabinet colleagues, to Grey Gowrie and to Sir Robert Armstrong.



PETER REES

CONFIDENTIAL

ECON POL: Public expenditure: P626.

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10 DEC 1983

Sir John TOOLEY

FIN

JH

① 19/12



16/12

Reminded FW regarding back. 21/12

10 DOWNING STREET

From the Principal Private Secretary

7 December, 1983

I enclose a self-explanatory letter from Sir John Tooley, from which you will see that the Soviet Embassy are pressing for a visit by the Bolshoi Ballet to Covent Garden. Sir John Tooley wants to know whether, and to what extent, he should continue to resist this.

Since Sir John has asked me to obtain the Prime Minister's view, I will do so, but I should be grateful if I could let the Prime Minister have your advice and that of OAL.

I am copying this to Mary Brown (Office of Arts and Libraries) and I should be grateful if you and she could let me have advice by Friday, 16 December.

E. E. R. BUTLER

B. Fall, Esq.,
Foreign and Commonwealth Office

JC

FILE 54



10 DOWNING STREET

From the Principal Private Secretary

7 December, 1983

Many thanks for your letter of 2 December. I do indeed remember our discussion about Anglo-Soviet cultural relations, and will raise with the Prime Minister the point in your letter. I will let you know her view about it when I have done so.

E. E. R. BUTLER

Sir John Tooley



OFFICE OF ARTS AND LIBRARIES
 Great George Street
 London SW1P 3AL
 Telephone 01-233 8610

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fm
 7/12/83

From the Minister for the Arts

5 December 1983

The Rt Hon The Viscount Whitelaw PC CH MC
 Lord President of the Council
 Privy Council Office
 Whitehall
 SW1

John Hill

GOVERNMENT REPLY TO THE SELECT COMMITTEE REPORT ON PUBLIC AND PRIVATE FUNDING OF THE ARTS

*will request
 is required*

Last October the Education, Science and Arts Committee, under the Chairmanship of Mr Christopher Price, published a lengthy report on public and private funding of the arts, which concluded with 77 recommendations (Eighth Report from the Education, Science and Arts Committee, Session 1981-82, Vol 1).

It has taken us some time to prepare an adequate response to this report, given the large number of bodies we felt obliged to consult, and the number of departmental interests involved. ... However we now have the attached draft reply, which has been agreed interdepartmentally by officials. I would like to arrange for this to be printed and laid before Parliament as a White Paper as soon as possible, and I should therefore be grateful to know by 16 December whether you or copy addressees have any comments on it.

I am sending copies of this letter and attachment to the Prime Minister, members of H Committee, Norman Tebbit and Sir Robert Armstrong.

*Low
 E/ny*

LORD GOWRIE

RESTRICTED

Draft 2 December 1983

PUBLIC AND PRIVATE FUNDING OF THE ARTS
DRAFT OBSERVATIONS BY THE GOVERNMENT ON THE EIGHTH REPORT FROM THE EDUCATION
SCIENCE AND ARTS COMMITTEE. SESSION 1981-82

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ANNEX 1

BUSINESS SPONSORSHIP

ANNEX 2

PUBLIC AND PRIVATE FUNDING OF THE ARTS: GOVERNMENT RESPONSE TO INTERIM REPORT ON VALUE ADDED TAX AND THE ARTS

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- 2. EC Obligations
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ANNEX 3

LETTER FROM THE RT HON PAUL CHANNON MP, MINISTER FOR THE ARTS, TO CHRISTOPHER PRICE ESQ MP CONCERNING THE THEATRE MUSEUM AND THE BETHNAL GREEN MUSEUM OF CHILDHOOD.

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1. INTRODUCTION

The Scope of the Report

1.1. The Eighth Report from the Committee is an encyclopaedic document, its subject matter interwoven with many aspects of the country's economic, social and personal life. As the Committee found, it is by no means easy to find an unequivocal and sufficiently comprehensive definition of "the arts". The Government agrees that it is right to consider the arts in the broad context set out by the Committee in paragraph 2.1 of their report, and our reply reflects this approach.

1.2 The Government welcomes the Committee's report as providing, perhaps for the first time, a serious and informed discussion of the whole area of arts funding and of the views and wishes expressed by the many authorities, public and private bodies, interest groups and individuals who are connected with the arts. Wide interest has been shown in the report and there was a large response to the Government's request for comments. We are grateful for these, and they have been taken fully into account in the preparation of this White Paper.

1.3. We wish to make three general points at the outset. First, just because the arts form so important a part of our national life, the Committee's recommendations touch on many groups and interests outside the direct purview of central government for instance the local authorities, the Arts Council, the trustees of our major museums and art galleries. In formal terms, the report was made to the House of Commons and this reply is addressed to the Committee and the House by the Government. But many of the recommendations made by the Committee should in practical terms be addressed to these individual organisations. It will be for them to make decisions within their own independent areas

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of responsibility on whether and to what extent they will act on the proposals put forward. There is every sign that such bodies regard the Committee's report most seriously and will take it fully into account in their future operations. For our part, the Government will ensure that continued attention is paid to the Committee's views.

1.5 Some of the bodies concerned, and indeed the Office of Arts and Libraries itself, came to feel over the period of the Committee's work that the subject was so wide, and the Committee's involvement so extensive, that there was often insufficient time or opportunity for full and adequate evidence to be given and for some matters to receive the close attention they deserved. The report refers (in paragraph 5.2) to the Office of Arts and Libraries' evidence being "slight", but it should be said that this evidence was, by express agreement with the Committee, offered in January 1981 to serve as no more than a preliminary introduction to the Office's work and areas of interest. It was expected that later in the Committee's work this would be followed by an indication of matters of special interest to the Committee and a request for detailed evidence on them. In the event no such further evidence was invited expect in the field of safeguarding works of art, on which the Committee reported separately.* The Office of Arts and Libraries and a number of the arts bodies affected by the recommendations would welcome the opportunity to put more detailed information before the Committee on matters which the Committee might wish to pursue in future reports.

1.6 Then there have been a number of important developments since the Committee reported: notably the publication of the Government's White Paper "Streamlining the Cities" and the

* See "Interim Report on Works of Art: their retention in Britain and their acquisition by public bodies", HC 275, 6 April 1981 and the "Observations by the Government" in response to this, Cmnd 8538, April 1982

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consultation paper on the arts which was issued at the same time⁽¹⁾; and the publication of the financial scrutiny of the Royal Opera House and the Royal Shakespeare Company by Mr Clive Priestley.⁽²⁾ This reply does not discuss these documents substantively, since they were not available at the time the Committee itself reported. The Government has announced its intention to consider these issues when public consultations have taken place. They have important implications for the question of arts funding generally and the Committee and the Government will need to take them into account in their future discussions.

General Principles

1.7 The Committee's present report is a most useful document. The Government would like to congratulate them on it. A particularly valuable part is the statement of principles set out in paragraph 2.2. The Government agrees with this statement of principles insofar as they refer to the importance of plural funding, the division between public and private funding, the need to acknowledge the role of self-financed provision, and the significance of greater access and devolution. We turn to questions of funding in paragraphs 1.9-1.10 and 1.15-1.17 below.

1.8 The Committee did not include in their statement of principles any endorsement of the "arm's length principle", as explained in paragraph 3.11 of the Committee's report. However such an endorsement should rank high in the Committee's list. In paragraph 3.11 the Committee appear to draw a distinction between the indirect funding of the performing

(1) "Streamlining the Cities" Cmnd 9063 and "The Government's proposals for the Arts" issued on October 1983.

(2) "The Financial Affairs and Financial Prospects of the Royal Opera House, Covent Garden Ltd and the Royal Shakespeare Company"; report to the Minister for the Arts, September 1983.

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arts and the funding of museums. However these things are operated in practice, it should be recognised that the arm's length principle applies in both cases. Within the broad overall limits set by the availability of resources - provided in the main by Government, but supplemented by private sponsorship - the museums are as free to operate curatorial policies based on their own professional assessment as are the arts to follow the artistic policy which seems appropriate to them in the light of their own independent judgement. The Government attaches great importance to the principle and intends to ensure that it is maintained.

The State of the Arts

1.9 The Committee follow their statement of general principles with a comment on the problems of the arts, and the Government note with regret what is said about "the degree of dissatisfaction and disarray" revealed in the evidence. The Committee refer particularly to the fear of imminent closure of great institutions. The Committee will by now be aware of the £8m extra financial provision referred to above which was made by the Government at the end of the financial year 1982-83 (announced in the House of Commons by the then Minister for the Arts on 20 and 22 December 1982). This helped to deal with a number of specific problems of accumulated deficits and certain other special needs.

1.10 In more general terms it is unlikely that any Government will find itself able to provide the arts with the level of public funding which would enable all artists and arts organisations to fulfil all their hopes and ambitions. The volume of public support to the arts has nevertheless increased year by year.

Comparisons with our continental neighbours cannot be made without taking into account different levels of existing provision, different patterns of funding and different levels of economic prosperity. It is also relevant to consider the very different tradition of private and business support for the arts which

exists in other countries, notably the USA. Business sponsorship is increasingly recognised in the UK as well as making an important contribution to arts finance, and there has been a steady growth of sponsorship in recent years (see footnote to paragraph 1.16).

1.11 Criticisms of the machinery of funding are dealt with in other parts of this reply. But on funding generally, although the Government has noted the Committee's conclusion in this part of their report that the arts have reached an impasse, it considers that by no means all the evidence points to such a view. In present circumstances there are undoubtedly new constraints which call for changes in attitude and close attention to good financial management, but some constraint on the level of activity and possibly on the opportunity for new development need not, and in the Government's view does not, imply any serious diminution in standards. Our economic performance has for many years not been as good as might have been hoped or as good as that of some of our neighbours, although there are now signs that it is improving. Our artistic standards have however remained very high and the Government is convinced that the level of support for the arts which it has been able to provide will ensure that this continues to be the case.

1.12 Indeed, the Government feels that the Committee's report might have recognised more fully the attainments of the arts in Britain. Not merely are our achievements in the field of theatre, dance, music, art, literature and film of worldwide rather than purely national significance, but the core of subsidised support for the arts is important for the welfare of a much wider artistic estate and a very profitable one. Britain has enjoyed great commercial success in such fields as the development and export of television and film material, popular music, the record and video industries and the publishing industry. The Government feels that credit should be given to the cost effectiveness of the arts in this broad sense, since investment

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in subsidised activities has in many ways provided a seedbed from which ideas and individual talents have emerged, and has maintained a level of artistic quality and interest that has been of great significance.

1.13 The Committee do of course recognise in their report the many benefits of this investment. For example they refer, in paragraph 3.9, to the fact that the Arts Council has become the "lead funder" of most of the major companies. In this sense a planned policy of public support has encouraged both the standards of excellence achieved by these organisations, and a much greater degree of geographical coverage throughout the UK. The Committee make much of the regional need, and inevitably there are still criticisms of the proportion of arts activities in London. This is to some extent inevitable given that London is not only a national capital but also a major world metropolis. Very effective steps have however been taken to ensure that the arts are increasingly accessible to those who live at a distance from the capital: for example through the support given to companies such as English Opera North, and the work of the Scottish and Welsh Arts Councils. The process is by no means one-way. The large number of popular successes in the commercial sector in recent years has stimulated an interest in the arts more generally and increased the demand for publicly supported arts ventures.

1.14 The information collected by the Committee about the contribution of the arts to tourism bears witness to the high international repute of the arts in Britain. So too does the willingness of the best artists in all fields to come to Britain and, conversely, the enthusiasm with which British music, drama, ballet and opera, literature, art and film are received overseas. And there can be no doubt that in the museum field this country has been and remains a world leader. The British Museum, the National and Tate Galleries, the Victoria and Albert Museum, as well as the other national collections are outstanding by world standards.

Arts Finance

1.15 Given the general record of success and achievement in the arts, it is wholly understandable that many in the field, as well as the Committee itself, should feel that further public money would be well spent on the arts, and could provide benefits out of proportion to the expenditure involved. Some have argued that even the clear national need to contain public expenditure and to exercise the strictist economy in all parts of the public sector should not be allowed to affect the arts in any substantial way. In the Government's view, however, such an attitude is unrealistic. The need for orderly control of public spending must for the foreseeable future outweigh the importance which the Committee attaches to substantially higher expenditure on the arts and museums, including changes in the national heritage provision, in local authority expenditure and in the proposed implementation of the Drew Report. Such changes would require an increase in the arts budget of the order of 20 per cent. This is not something which can be contemplated in present circumstances - whether for the arts or for other departmental budgets. If the economy grows at a faster rate than at present, the position might well change.

1.16 This does not mean that present action or improvement is out of the question. Reference has already been made to the special provision made by the Government in the last financial year. This is evidence of the Government's willingness to give as much help as is possible in present circumstances. We have referred, too, to the still growing interest in commercial sponsorship. Since the then Minister for the Arts first promulgated the Government's policy for the increasing use of joint funding*, sponsorship has increased to an estimated £14 million a year. We remain committed to seeing that growth continue, and the present Minister for the Arts has set up a special unit within the Office of Arts and Libraries with responsibility for sponsorship policy. It should be stressed that we see sponsorship as an addition to - not a substitute for - public funding of arts activities

*The Committee of Honour on Business Sponsorship was set up in 1979. A list of the members of the Committee at November 1983, and a table showing the growth in business sponsorship between 1975-76 and 1982-83 is at Annex 1.

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1.17 In the longer run, therefore, the level of support for the arts by central and local government will be crucially dependent on the development of the economy and of other claims on the total of public expenditure. If these allow some increase, the evidence collected by the Committee and their views and recommendations will provide important guidelines for action - both by central government and elsewhere in the public sector. In the meantime, the Government acknowledges the good work of the Committee and the good sense of most of its proposals. We will allow them to guide us in every way that we can as we share most emphatically the Committee's pride in our artistic heritage and in the continuing achievement of British artists working at home or abroad.

The Reply to the Committee

1.18 It is in the light of these general considerations that the Government's reply has been drawn up. It takes as its basis groups of recommendations each relating to a main area of the Committee's report. It deals first with those aspects of the report which affect the structure and activity of central government and secondly those which deal expressly with matters of finance and taxation. There are three sections on the various arts "sectors" including the living and performing arts, the museums, the crafts and so on.

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2. CENTRAL GOVERNMENT

The Recommendations Covered in this Section

2.1 This section deals with those comments and proposals which affect the activities and responsibilities of central government for various sectors in the arts; it deals also with the recommendations for a change in the distribution of responsibilities and their division between Government Departments. The relevant recommendations are numbers 1, 3, 5, 6, 7, 11, 14, 29, 37, 41, 46, 63, and 64, some of which are also referred to in later sections.

2.2 The main direction of the recommendations in this group is towards the tighter co-ordination of central administration of the arts and a form of administration which is more arts orientated. It would appear that the Committee's aim was to ensure that there should be a stronger and more clearly identifiable base for the Government's concern for activities in the arts.

2.3 The Government has already strengthened its support for heritage provision and for the performing arts, and to this end has increasingly emphasised the importance it attaches to a central office concerned with the arts. The Office of Arts and Libraries was created in September 1979 from the Arts and Libraries Branch of the Department of Education and Science, given independence from that Department when Ministerial responsibility rested with the Chancellor of the Duchy of Lancaster from 1979 to 1981, and retained a large measure of its independence when it was formally re-attached to the Department of Education in 1981. In June 1983 the Office of Arts and Libraries again became an independent department under the Minister for the Arts. The Office is linked for certain formal purposes with the Privy Council Office and draws on the Cabinet Office for establishments and other services which could not be provided economically with Libraries itself. Within the general policies of the Government, and subject to the central guidance which all departments are required to follow in financial and personnel matters, its policies are determined independently. Its budget, or expenditure programme, is separately negotiated with the Treasury and shown separately in the Government's expenditure plans, and Ministers answer separately for it in Parliament.

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2.4 The Committee have identified a number of subjects which they believe should come under an enlarged Office of Arts, designated as a Ministry for the Arts, Heritage and Tourism (recommendation 5). The wording suggests that the Committee's objective was a Department of sufficient size to justify a Minister of Cabinet rank. However, such a change is not the only, or even necessarily the best, means of ensuring that arts interests are strongly and effectively articulated within Government. The recent measures to strengthen the Office of Arts and Libraries independence under its own Arts Minister (mentioned above) should be of value in this respect, and the Minister for the Arts is invited to attend the Cabinet and other Ministerial meetings when issues affecting the Office of Arts and Libraries are discussed.

2.5 As regards the detail of recommendation 5, the position of the Government in respect of responsibility for film is dealt with elsewhere in this report. The Office of Arts and Libraries' responsibilities for heritage matters are already well known and have been previously considered by the Committee. In particular the Office is responsible, jointly with the Department of the Environment, for the funding of the National Heritage Memorial Fund and the Vote provision for acceptances in lieu of Capital Transfer Tax. It has also issued guidance to private owners about the taxation arrangements intended to encourage the safeguarding of works of art (a shortened version of some of the arrangements detailed in the Treasury's publication on Capital Taxation and the National Heritage). The Committee have not provided a detailed justification for their various proposals to transfer additional functions to an enlarged Ministry. It would be difficult, for example, to separate the Department of Trade and Industry's work on tourism from that Department's responsibility for the hotel industry, export promotion, and business tourism respectively; while the aim of encouraging the arts through broadcasting is only a minor segment of the Home Office's constituted responsibility for and sponsorship of broadcasting as a whole. Moreover, even if the recommendation were implemented, it would still be necessary to provide for consultation with other departmental interests: for example the Committee themselves noted the close relationship of tourism to other forms of recreation, and to transport. Existing arrangements for co-operation and consultation between the Office of Arts and Libraries and other Departments / seem generally to work well. The Government will continue to maintain a close relationship between tourism and the arts; but, for the reasons given, it is not convinced of the need for organisational changes.

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2.6 This does not preclude some progress with recommendations which, in the Committee's report, depended on the creation of a new Department. Recommendations 6, 7 and 37 deserve separate consideration, particularly recommendation 7 which concerns the collection of statistics. This is an important matter to which the Office of Arts and Librarians had given some attention before the Committee reported. An initiative by the Policy Studies Institute led to co-operation between the Office of Arts and Libraries and the Arts Branch of the Scottish Education Department, the Rowntree Memorial Trust and the Arts Councils in sponsoring a comprehensive collection of arts statistics, the results of which were published in September 1983 as 'Facts about the Arts'. These go some way to filling the gap remarked on by the Committee and confirmed in evidence by the Office of Arts and Libraries. Commissioned studies of this kind avoid the need for an increase in civil service manpower to enable the Office of Arts and Libraries to do similar work internally. Progress will also be made with recommendation 6 which is phased in terms of a White Paper, but in essence refers to the production of an annual report. The Minister for the Arts does already produce such a report on his responsibilities for libraries and information services; and a practice has grown up in the last three years of making statements to Parliament in reply to Questions on the progress of the Office of Arts and Libraries in the preceding twelve months. These, combined with other statements made from time to time by the Minister for the Arts on major matters, such as the annual announcement of grants and any important appointments or development schemes, provide regular material which can serve as a basis for debate on arts matters whenever the House wishes.

2.7 Finally in this connection reference should be made to recommendation 37 for a twenty years' arts programme. Because, for realism's sake, the Government in all its other spheres of action bases its provisional projections on a three or four year cycle which is then subject to annual review, it is obviously difficult to make exceptions for particular areas and to plan in terms of a period five times as long. It is however true that in specific respects the arts programme does cover a long period, and has always done so in a number of its areas of interest. Thus the Arts Council has for some time operated a number of long term projects: for example plans to provide adequate centres for drama in all parts of Great Britain and to ensure in other respects, such as opera touring, that services and funding are not unduly concentrated in London. Other long term policies operated by the Arts Council are concerned

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with modern painting and with literature, and similarly bodies like the British Film Institute and the Crafts Council have long term plans for their sphere of action. The Government hopes that these and all other arts bodies will take note of the Committee's recommendation and will, when appropriate, do more to make their long term intentions publicly known. It believes that such statements can prove useful in meeting the purpose of the Committee's proposal.

2.8 Two of the Committee's recommendations affect the Manpower Services Commission. Recommendation 1 referred to arts activities under the Youth Opportunities Programme (now the Youth Training Scheme) and the Community Enterprise Programme. The Manpower Services Commission has already issued guidance to the Commission's area offices indicating that the main criteria in selecting projects should be their occupational relevance and the benefit they provide the community. They have also suggested that the area offices may wish to consult the Arts Council ^{or} Regional Arts Association when assessing proposals for sponsorship involving arts and theatre projects. Similarly, as regards recommendation 29, which refers to the crafts, the Manpower Services Commission recognises the skill and expertise of the Crafts Council. The Commission has already had discussions with the Council which had indicated the help and information which can be provided to schemes involving craft activities. The Manpower Services Commission will be writing to area offices inviting them to consult with the Crafts Council in relevant cases.

2.9 Recommendation 14, which refers to arrangements in the event of war, may also be considered within this section. There are long-standing arrangements, reviewed and revised from time to time, for safeguarding the most important of the nation's art treasures against the risk of destruction or damage in case of war. Accommodation is provided some distance from areas likely to be attacked, transport arrangements are made and the directors of national collections are asked to arrange for the earmarking of items to be moved if an emergency should arise. The accommodation and transport available are necessarily limited, and only the most important items can be provided for: their selection is a matter for the authorities concerned with each collection, who are free to revise their list at any time provided that their requirements do not exceed the general accommodation and transport arrangements that have been made. The primary object of the emergency arrangements is to

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protect national treasures, not against enemy action deliberately aimed at them so much as the incidental effects of general military action or its consequences. There is therefore less requirement for secrecy about arrangements for defence reasons. Removing the treasures from their normal locations, however, exposes them to new risks of damage and deterioration and particularly of theft. The storage environment is designed to ensure, as far as possible, that the items stored will not be subject to unacceptable temperature, humidity or other causes of deterioration. The risk of theft is harder to guard against, particularly in the unsettled circumstances in which the emergency arrangements are likely to be activated. The physical security in which these objects are normally kept has therefore to be replaced, to a considerable extent, by restrictions on information as to the location of the emergency storage and as to the arrangements for getting them there and protecting them while in store. It would not be in the public interest to publish further details.

2.10 Finally the Committee make a far-reaching recommendation (number 11) that the Minister should undertake a review, to be completed by the end of this year, of the relationship between the Property Services Agency and the major arts institutions in connection with which the PSA has responsibilities. The institutions concerned are the British Library and the National Museums and galleries in England funded by the Office of Arts and Libraries (separate arrangements apply for the National Library of Wales and the National Museum of Wales). The Office's expenditure programme finances, through PSA Votes, the cost of new works and maintenance for their buildings, which is undertaken by the PSA. The Government accepts the Committee's view that it would be useful to review the relationship. Some preliminary consideration has already been given to this, and it will be completed as soon as circumstances permit, but the scale and range of the issues involved are such that the review is likely to extend well into 1984. Any proposals for substantial changes in the present arrangements, which are more complex than might appear from para 5.23 of the Committee's report, would need to have regard to the balance of advantage and disadvantage both for the institutions and for the PSA, including the implications for their management and financing.

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3. GOVERNMENT FINANCE AND TAXATION

The Recommendations Covered in this Section

3.1 This section deals with various aspects of funding for the arts and relevant matters of taxation. The relevant recommendations are numbers 4, 9, 10, 12, 13, 36, 38, 45, 55, 59, 60, 75 and 76.

3.2 Reference has already been made in the introduction to this White Paper to the constraints on the Government in funding the arts as in all other areas of public expenditure. It is clear, as the Committee has expressly said or in some cases implied, that all areas of the arts could make good and in some cases outstandingly good use of additional funding. The Government's sponsorship campaign has led to the increased provision of private funds which have been put to excellent and productive use. Everyone concerned with the arts will welcome this development and the Government will do all it can to encourage help of this kind. As for the Government's direct contribution, the White Paper on public expenditure (Cmnd 8789) shows the levels of expenditure planned for 1983-84 and the following two years and the Government does not feel able at present to go beyond this forward plan. In the last financial year the Government was able to give certain once for all assistance to a number of major arts bodies as previously mentioned. In addition it has been found possible from time to time to make once-for-all grants, eg to the Covent Garden Development Fund, the English National Opera, the Royal Academy and the Theatre Investment Fund. As the Committee knows, the Government has set up a special enquiry into the finances of two of the major national companies - the Royal Opera House Covent Garden and the Royal Shakespeare Company - and is currently considering what action may be needed in the light of the report of that enquiry.

3.3 The Committee made two recommendations concerning the taxation and related arrangements for protecting works of art which form part of the national heritage (numbers 12 and 13). These were considered in some detail in the Government's Observations on the Committee's Interim Report on Works of Art (see footnote to paragraph 1.5 above). At that time the Government concluded that the situation in respect of acceptance in lieu offers did not justify the

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capital transfer tax concession on the surrender of an object (the *douceur*) being increased to 75 per cent; and it sees no reason now to change its view. Similarly it does not consider that it would be appropriate to accept property in lieu of tax without showing the sums involved on the vote provision of the heritage departments, which brings the matter within Parliamentary scrutiny. Acceptance in lieu is not a tax relief - as the Committee suggest - but a payment in kind. In effect the Government is acquiring heritage property, and such acquisitions are counted as public expenditure. The Government therefore takes the view that reimbursement of the Inland Revenue is a necessary part of the acceptance in lieu system, and that the arrangements are more flexible than the Committee imply. The Government will continue to watch developments closely, but present indications are that the *douceur* system is working satisfactorily. The broad implications of the tax structure insofar as it affects the heritage will continue to be kept under review.

3.4 The Committee made two other recommendations for tax changes designed to increase funding from private sources (number 55 and 59). These have been carefully considered by the Government but it does not feel that the changes proposed, which would have considerable implications for tax revenue, can be accepted. To exempt business companies from tax on a percentage of their profits in respect of donations to the arts would be a concession which it would be difficult, and inequitable, to confine to the arts; moreover the gain to the arts would not necessarily be in respect of a wide range of deserving cases, while the loss of revenue would mean a substantial fall in the sums within the Government's direct control. The Government considers that steps already taken, particularly the taxation advantages enjoyed by charities to whom assets can be transferred, and the reduction in the minimum covenanting period to four years introduced in the 1980 Budget, already offer substantial encouragement to arts donations. Similarly, it would not be possible to allow donations from individuals to arts organisations to be tax deductible without raising the question of a wider application of such a concession, which runs up against the same difficulties. The Government intends to continue its efforts to encourage both companies and individuals to support the arts within the existing tax framework, which is kept under review. The great success of the business sponsorship campaign illustrates how effective these arrangements can be, when properly publicised and utilised. In these circumstances it would not be appropriate for the Treasury to produce a new document on tax deductibility (recommendation 60).

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3.5 The Government has taken note of recommendation 76 in connection with the Theatre Investment Fund, and, as announced in April 1983, has made a special once-for-all grant of £125,000. This will be augmented by contributions by the Arts Council and a matching sum of £250,000 will be raised by the Society of West End Theatre.

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4. THE LIVING AND PERFORMING ARTS AND THE ARTS COUNCIL

The Recommendations Covered in this Section

4.1 This section covers recommendations 2, 8, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 34, 35, 41, 42, 43, 44, 47, 48, 49, 56 and 61.

Decentralising Arts Finance

4.2 The general tenor of the Committee's recommendations under these headings appears to favour a wide degree of devolution and decentralisation of both funds and responsibilities. The most important consequence of such changes would be a fundamental alteration in the present role and scope of the Arts Council. The Arts Council has been in existence for nearly forty years and in that period has served a most useful and indeed an essential purpose by ensuring that government funds for the living and performing arts are effectively and fairly distributed, and distributed in accordance with that arms-length principle which is described in the first section of this White Paper. The Government has confidence in the Arts Council and therefore subscribes to the aim of recommendations 15 and 26 which refer to the Arts Council's duties both as a source of expertise and as a distributor of funds.

4.3 However the Government considers that the Arts Council's role should not become merely or even mainly advisory. Its success as a skilled and fair distributor of government funds would be seriously eroded if parts of its present duties were placed elsewhere. It is true that a number of arts bodies - both national bodies and regional and local ones - have expressed a preference for a source of funding other than the Council. In the absence of any general increase in resources overall, it is not easy to see what might be the advantage of such a change. One result would be that the use of arts money for any particular institution could be less easily compared either with other similar institutions, or with the distribution of funds between London and the Provinces. This would run a considerable risk that the task of allocating funds would not be improved and might be made appreciably worse. The Government does not therefore feel able to accept recommendations 17 and 18 about the

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distribution of funds to the national companies and of regional funds through the Regional Arts Associations. There may be a case for reconsideration of this response at some future date, but ^{fact remains that the} the Arts Council itself has, over time, made gradual changes in the direction of the more radical alteration recommended by the Committee, and recent discussions have focussed on the need for continued devolution.

4.4 Moreover, during the last five years the Council has already devolved to the Regional Arts Associations routine responsibility for about 150 client organisations and schemes. To some extent the pace of continuing such developments must be dictated by the administrative resources available to the Regional Arts Associations and the Arts Council's advisors are at the moment conducting a study which will require a long term view as to the constitutional, advisory and staffing arrangements within Regional Arts Associations appropriate to further devolution. The Committee may be aware of this change and are aware also of the need for tight financial control, as their recommendation 34 shows. Finally, reference should be made to recommendation 24 for a standing committee to monitor regional provision. The Arts Council has drawn attention to the existence of its own Regional Committee and of regular joint meetings of the Directors of the Regional Arts Associations and those in the Arts Council itself. Regular meetings are also held with Regional Arts Association Chairmen and with those members of the RAA's nominated by the Arts Council. The Government agrees with the Arts Council's view that this appears to provide adequately for the purpose which the Committee had in mind.

The Arts Council

4.5 The Committee made two recommendations about the structure of the Arts Council. The first of these (number 23) was that the Minister for the Arts should give further consideration to the methods of appointing members to the Council. This has in effect been done on a number of occasions since the present Government took office and it will be seen that the present Council has a wider regional spread than has been the case in the past. The Government agrees with the Committee's opinion that no system of election of members is likely to be practicable and hopes that the Committee's views have been met by

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the nature of recent appointments. Of the Council's present 19 members, 12 have houses outside London. The other recommendation affecting the present membership is that the Chairman should be paid. The Government is not at present disposed to accept this view though it will continue to examine the situation from time to time. The Committee will wish to note that while the Arts Council recognises that there might be a good case for providing an honorarium for a future Chairman, it expressly rejected the appointment of an executive chairman on the grounds that it would confuse to a quite undesirable extent the clear difference of function between the role of the Chairman and the executive work of the Secretary General.

4.6 The Committee made a number of recommendations which are directly the concern of the Arts Council rather than the Government. One of these concerned long term policy (recommendation 16) and the Arts Council, while welcoming this encouragement to give more attention to long term issues, has commented that it is a misconception of the Council's role to assume that it stands in a general advisory relationship to Government. The Council's main task as it has developed over the years is rather to represent to Government the financial and other needs, as it sees them, of the arts activities held for which it is responsible. The Government accepts this description of the Council's role.

4.7 The Committee suggested that the Arts Council should divest itself of promotional activities and of responsibility for initiating exhibitions in favour of national and regional performing organisations, museums and galleries and also that the role of the Council's art collection and directly funded galleries should be reconsidered (recommendations 21 and 22). The Government however believes that the Council's views on direct provision are sensible. These are that while the Council's first duty is to encourage others to provide arts facilities and activities, if it identifies an overwhelming need for arts provision which is not being met in this way, it should be free to promote that itself. Moreover, it is far from clear whether organisations would be able and willing to undertake some other existing Council responsibilities such as the Arts Council shop, the poetry library, or the management of the Wigmore Hall and Contemporary Music Network concerts. As to the Arts Council's collection, this is the basic resource for

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regional touring and for long loans of contemporary works to a wide variety of public galleries and buildings. At any one time 75% of this working collection is on show to the public all over the country and it is the major single source of patronage for younger British artists.

Sponsorship

4.8 A number of other recommendations refer to the relationship between public and private money and urge the Arts Council to adopt measures to increase income from private sponsorship and from box office sources. The Arts Council is alive to the importance of this, and has commented that since its inception it has urged organisations it supports to seek funding from a variety of sources. It has also felt it necessary from time to time to draw attention to some of the practical problems which this may raise, in connection with both sponsorship and the effect of arts policy on box office receipts and other income. On the Committee's recommendation for a free performance to be given by every arts organisation (recommendation 43) the Arts Council felt bound to comment that this was too simple a solution to what it recognises as a difficult and complex problem. On recommendation 20 (which refers to "challenge money") the Council commented that it thought the proposal reasonable but that the Committee were perhaps unaware of the extent to which this was already done. The main limitation on a further extension of the principle was said to be the overall restriction on funds. There are several other recommendations addressed to the Arts Council on which action will be taken in the near future. Thus the Council has commented that a number of companies supported by them and by Regional Arts Associations already promote ticket marketing schemes which take account of transport requirements (recommendation 47); more could probably be done in this direction and the Council will be drawing this recommendation to the attention of the organisations it supports. The Regional Arts Associations and the Arts Council's regional marketing offices are already actively engaged in encouraging the promotion envisaged in paragraph 11.25 of the Report (recommendation 56) dealing with arts in the work place. But the Council accepts that a great deal remains to be done; it intends to return to this important question, and the Government will keep in touch with developments.

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4.9 The Council also welcomes the recommendation about marketing the work of artists (number 61) and will be urging advisors and assessors to consider with the organisations supported by the Council what positive steps might be taken towards implementation. To end this section, the Committee will wish to be aware of a view expressed by the Chairman of the Arts Council in commenting on the report to the Minister for the Arts. The Chairman said that he expected the Council to return in the fairly near future to the issues raised in the Committee's report and to publish a positive general statement of the Council's position. The Chairman described this as a response leading on from the report and not simply a response to it. The Committee will no doubt welcome this development.

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5. THE CRAFTS AND THE CRAFTS COUNCIL

The Recommendations Covered in this Section

5.1 Only three of the Committee's recommendations relate to the crafts. These are numbers 27, 28 and number 29, which has already been referred to in section 2.

The Crafts Council

5.2 The Government's response to the recommendation about a wide geographical spread of membership of the Crafts Council is similar to the response already made in connection with the Arts Council and recommendation 23. The Government has had in mind the point raised by the Committee: recently 10 out of the total membership of the Crafts Council of 24 members were wholly or mainly resident outside London. Again this included the Chairman. The Crafts Council itself also commented on this recommendation and accepted that there was scope for increasing the geographical representation of its Committees. The Council said that it would bear this in mind when considering appointments, but wished to point out that there was evidence of a geographical imbalance in the distribution of craftsmen and women throughout the country and that the Council also needed to balance differing types of experience and crafts disciplines. Guidelines are being produced for Committee members which will include a note on the criteria applied when making appointments.

5.3 Recommendation 28 referred to the provision of greater access by craftsmen to their work and this is a matter of which the Council has expressed itself well aware and which it has now enshrined in its Royal Charter. The Council has been doing appropriate work through its education section publications, exhibitions and information, "meet the makers" tours and the recent increase in its marketing activity. The second part of this recommendation affects local authorities and is dealt with in part 8 of this reply.

5.4 Finally the Committee will wish to know that the Crafts Council in its comments on the report declared itself disappointed that in a number of comments

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and recommendations on the arts there was no specific reference to the crafts, to which these recommendations might have applied equally strongly. The Crafts Council made this comment even though it was aware that the very wide scope of the Committee's report made it difficult to cover all aspects of the subject.

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6. FILM AND TELEVISION AND THE BRITISH FILM INSTITUTE

The Recommendations Covered in this Section

6.1 This section deals with all those recommendations concerned with films and television, including the Committee's consideration of the activities of the BBC and the Independent Television Companies as well as a number of aspects of the use of video and audio tapes. The relevant recommendations are numbers 30, 31, 32, 33, 62, 65, 66, 67, 68, 69, 70, 71, 72, 73 and 74.

A Review of the Film Industry

6.2 The recommendations of the Committee under the general heading of this section are particularly far reaching and would produce great changes in both the arrangements for the film industry and the support for the production of films as well as in the scope and activities of the British Film Institute. There would also be important consequences for broadcasting and television.

6.3 The recommendations are being ^{carefully} considered in the context of the review of Government policy towards the film industry, which is being conducted by the Department of Trade and Industry in close consultation with the Office of Arts and Libraries and other Departments concerned. The review was delayed by the Election, but it is now hoped to complete it around the turn of the year. As stated in the Prime Minister's Parliamentary reply on 8 March, the question whether any changes are called for in Ministerial responsibilities for film matters - raised by recommendation 5 - will be decided in the light of the review.

6.4 The Committee will be aware, in respect of recommendation 69, that the first year capital write off on investment in film production has been extended until 1987 for British films. Recommendation 31 on a statutory right of acquisition of film and television material is also a matter to which the Government continues to give attention, including further consideration of the possibility of a realistic scheme for selective statutory deposit, coupled with the encouragement of voluntary donations.

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The British Film Institute

6.5 It is possible for the Government to respond separately to the two recommendations affecting the structure of the British Film Institute: numbers 30 and 32 on the National Film Archive and the National Film Theatre. The Government, which welcomes recommendation 33 on the future of the BFI, would not wish to alter the scope of that body as it is at present constituted. Insofar as the recommendation on the National Film Archive is intended to strengthen the basis for and functioning of that unit, the Committee will be interested to know that the proportion of the British Film Institute's grant received by the National Film Archive has risen over a decade from 14% to 30% and reached £2 million last year. In addition, the special financial provision for the arts at the end of the 1982/83 financial year referred to in paragraph 1.8 above enabled a once-for-all contribution to be made to the Archive of a further £ $\frac{3}{4}$ million.

6.6 Finally reference should be made to a recommendation in this section which affects trade union activity. The Government have noted recommendation 73 which is however entirely a matter for the ACCT, to whom it is addressed.

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7. MUSEUMS

The Scope of the Report

7.1 Four recommendations fall to be considered in this section; they are numbers 10 and 40 (the latter partly repeats number 10 and extends its scope); and numbers 38 and 39.

Museum Finance

7.2 All four of these recommendations have the same aim, to increase the volume of resources available to museums. To that extent they are already covered by what is said in general terms about arts finance in section 3 above and what is said there covers in particular recommendation 38 for further funding. It should be noted that this recommendation is addressed in part to local authorities as well as Government though no doubt the same considerations are likely to apply.

7.3 Special reference should be made to recommendation 39 which suggests the implementation of one of the major recommendations in a report made by the Museums and Galleries Commission in 1979. This was that a number of the most important provincial museums should be specially designated and should be in receipt of earmarked government funds for capital development. Such a recommendation raises the overall question of the division between the government and local authorities, and this will need further consideration in the light of proposals to abolish the responsibilities of the Greater London Council and the Metropolitan County Councils. But in general terms the main obstacle to special action in support of local museums throughout the country is the need for continuing financial constraint. The Drew Report made certain estimates of the cost of implementing its recommendations and while these have never been fully tested and evaluated it is certain that at present price levels action on the lines of the Committee would cost several tens of millions of pounds. As was said in the opening section of this White Paper, such an addition to arts funds cannot in present circumstances be contemplated.

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7.4 As regards recommendation number 40 about trading activities of museums and galleries, the Government has considerable sympathy with the Committee's intention and will whenever possible take steps to help museums to expand their activities in the way suggested by the Committee. The Committee will have noted that in the statutory provision for the setting up of the Victoria and Albert Museum and the Science Museum as trustee museums, Government amendments were put down to ensure specifically that the legislation should suitably cover the setting up of trading companies. As regards to charging of admission fees, statutory powers for charging such fees exist in all cases but the Government entirely shares the views of the Committee that museums should not be compelled to make such charges and that it is for their own trustees to make decisions in this matter. The museums will no doubt note the views of the Committee on free days and on the admission of students and pensioners.

7.5 The "re-vote" arrangement which is the subject of recommendation 10 is a little more complex than might appear from the Committee's report. Any income earned by the national museums and galleries, in excess of an estimate of what could reasonably be expected to come without special effort ("netted off" the annual vote for the institution concerned), which remains unspent at the end of the year must be surrendered to the Treasury but may be added back to the institution's vote in the next year but one. The purpose of this arrangement is to encourage museums and galleries to increase their earnings.

This is in line with the general intention of recommendation 40. Under existing arrangements, however, all revotes must be provided within a previously fixed total expenditure limit for the Office of Arts and Libraries budget, with the effect that they must be found at the expense of other Votes. The Government intends to examine possible alternative arrangements which would be consistent both with the broad principles of public expenditure planning and accounting and with the need to provide incentives to maximise earnings.

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8. BODIES NOT IN RECEIPT OF ARTS GRANTS

The Recommendations Covered in this Section

8.1 This White Paper has inevitably concentrated on those areas of the arts where there are direct Government grants to such bodies as the Arts Council, the Crafts Council and the British Film Institute. A number of the Committee's recommendations are concerned with bodies which do not receive such grants on a regular basis. Local authorities, which are included in this section, do of course receive government funds but in the area of the arts only museums and art galleries, and not the performing arts, are separately identified in the government's expenditure plans and the annual rate support grant settlement. The recommendations relevant to this section are numbers 28, 41, 50, 51, 52, 53, 54, 55, 57, 58 and 77.

The Royal Academy

8.2 Recommendation 41 relates to the Royal Academy. Since the Committee's report was produced the Royal Academy, which had launched an appeal for a fund to enable it to carry on its independent existence, has had substantial success in attracting additional support, and has made it clear that this is the preferred method of securing its own future. The Government welcomes this approach to the financing of the Academy and has itself made a special contribution of £½ million towards this fund. The Government considers that this is the most suitable way of ensuring the continued existence and independence of this body.

Local Authorities

8.3 The recommendations addressed to local authorities (numbers 50 to 53) are entirely a matter for them and it is not for the Government to respond on their behalf. Nevertheless the Government invited the local authorities associations to comment on the report and has had detailed comments from two of them. Both welcome the Committee's conclusions in broad terms but made a number of detailed comments, many of them indicating a preference for the maintenance of local discretion in those areas where the Committee were inclined towards the

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introduction of new general and statutory duties. The Committee may wish to pursue these matters with the local authorities direct.

Industry and Commerce

8.4 Two of the Committee's recommendations (numbers 57 and 58) were specifically addressed to businesses and the comments received by the Government, in much the same way as those received from local authorities, stress the need for local discretion and do not accept the application of quantified rules. But the Government would not wish to lose the opportunity of stressing the great and increasing assistance to the arts given by businesses over the last four years, particularly in response to the Government's campaign for encouraging business sponsorship of the arts. As is said earlier in the report, such sponsorship is estimated to have greatly increased in the last few years and is now thought to be running at around £14 million per annum.

This assistance is invaluable to the arts and the Government greatly welcomes the increasing signs of willingness on the parts of the arts community to seek, and the readiness on the part of business to provide, the means to ensure dual funding from public and private sources. In more general terms, the Government warmly welcomes the constructive approach of the Committee to the complex relationship between public and private support for the arts as a whole; it hopes that this response will be a contribution to the informed debate which the Committee have engendered.

General

8.5 Reproduced as attachments to this reply are two earlier responses to the Committee, on VAT and the Arts, and on the Theatre Museum and the Bethnal Green Museum of Childhood.

BUSINESS SPONSORSHIP

The level of business sponsorship of the arts is estimated by the Association of Business Sponsorship of the Arts (ABSA) as:-

	£m
1975-6	0.5
1977-8	3.0
1980-1	6.0
1982-3	13.5

The Minister for the Arts has been advised since 1980 by a Committee of Honour on Business Sponsorship of the Arts; the members at 1 November 1983 were:

Christopher Bosanquet Esq	Peter Moores Esq	Sir William Rees-Mogg
Philip Chappell Esq CBE	N A S Owen Esq	Sir Francis Sandilands CBE
The Lord Forte FRSA	The Lord Polwarth TD DL	Peter Sanguinetti Esq
The Lord Goodman CH	The Lord Pritchard DL	The Countess Spencer
Sir Joseph Lockwood	Luke Rittner Esq	Lyon Roussel Esq OBE FRSA FRGS
Sir Nevil Macready Bt		

Office of Arts and Libraries

November 1983

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ANNEX 2

Christopher Price Esq MP
Chairman
Education, Science and Arts Committee
Committee Office
House of Commons
LONDON
SW1A 0AA

29 June 1982

I am sending you herewith the attached Memorandum in response to the Third Report of the Education, Science and Arts Committee, Session 1981-82 on VAT and the Arts.

JOCK BRUCE-GARDYNE

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PUBLIC AND PRIVATE FUNDING OF THE ARTS: GOVERNMENT RESPONSE TO INTERIM REPORT ON VALUE ADDED TAX AND THE ARTS (HO PAPER 239)

Introduction

1. The Committee recommended that the provision of all cultural services which are in the public interest, theatre, concerts and other cultural events should be exempted from VAT by 1985 and in the meantime should bear a special VAT rate 5 points below the standard rate in force. The proposal has to be considered not only in relation to the Government's general policy toward the arts but also in the context of our EC obligations in regard to VAT and our domestic policy for the tax.

2. The Government's policy towards the arts is to maintain the overall programme of activities which has been developed in recent years, including provision for the performing arts through the Arts Council. Successive Governments have taken the view that this can best be done by means of direct grants which, insofar as limited resources permit, enable assistance to be channelled to those activities and organisations most deserving of support. Nevertheless in the light of the Committee's recommendations the Government have very carefully reconsidered their policy in this area.

3. Although the Committee took evidence from a variety of arts interests, it did not invite the views of Treasury Ministers, or seek the technical views of Customs and Excise, which is the Department responsible for the administration of VAT. As a result the Committee has misunderstood the United Kingdom's obligations in the EC context, to which it attaches much weight in its report, and has ignored the UK's domestic policy for VAT followed by successive Governments.

EC Obligations

4. The Committee points out that the United Kingdom's VAT obligations in the EC context are governed by the provisions of the Sixth Directive on VAT, which sets out the harmonised rules for the application of VAT in all EC Member

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States. Although Article 13A1(n) of the Directive provides for an exemption for certain cultural services, the Committee is in error in supposing that the United Kingdom is currently under an obligation to pass legislation to bring this provision into effect. In fact, there is no such obligation because the exemption is subject to the transitional derogations set out in Article 28 of the Directive, which are likely to continue for some time.

5. Moreover, the scope of the exemption is not clearly defined, and it is the Government's view that a more precise definition would be required before its implementation could be considered. It is evident, however, that the Committee's proposal for an exemption goes significantly beyond that envisaged by the Directive because Article 13A2(a) clearly implies that the exemption is not intended to extend to commercial activities, such as those supplied by the commercial theatre. It is the Government's understanding that commercial bodies providing cultural services are not generally granted any exemption from the tax in other Member States.

UK Domestic Policy on VAT

6. There are a number of objections to the introduction of a reduced rate of VAT for "cultural activities" and most of these apply with even greater force to the introduction of an exemption. There would be profound definitional problems. The range of activities which could be considered "cultural" is potentially very wide, but judgements of what are and what are not cultural activities can only be subjective. Wherever the line was drawn there would be complaints from bodies falling outside it that they were being discriminated against. Relief would be difficult to administer and control and this would be most unwelcome at a time when the Government's aim is to keep the tax as simple as possible and to reduce the number of civil servants. Furthermore, cultural bodies are only one class among many related ones which could claim that the application of a reduced rate of tax would act as a stimulus to the services they provide. For example, the recreational sector generally could claim to be equally deserving of relief since it is in competition for custom with cultural bodies and would regard a relief aimed solely at cultural bodies (however defined) as being unfair. The choice confronting the Government would either be

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to draw the borderline in a highly arbitrary way, or to extend the relief so widely that a substantial loss of revenue would result which would have to be made up in other ways. In any case, it must be borne in mind that VAT was deliberately designed as a broad-based tax on a wide range of consumer expenditure. Its main purpose is to raise revenue and many items of essential expenditure are subject to the tax, as well as discretionary expenditure generally. It would be very difficult, if not impossible, to justify singling out cultural activities for special relief.

Influence of VAT on the Arts

7. The Committee records the view expressed in evidence to it that "the present incidence of VAT on theatres, concerts and other cultural events is discouraging and damaging to the arts". However, no real evidence was brought forward to substantiate these claims, and the Government are not aware of any convincing evidence that the incidence of VAT has had a disproportionate effect on the viability of arts bodies. It has been suggested that the decline in theatre attendances is attributable to the increase in the rate of VAT on ticket prices. But there are many other factors which influence the choices made by potential theatre-goers - for example, travel costs, restaurant prices, levels of disposable income, and alternative leisure activities. In addition there has been a significant decline in the number of tourists in recent years. In the Government's view, a straightforward causal relationship between the incidence of VAT and theatre attendance has not been established.

Taxation and Subsidies

8. The Committee suggests that it is illogical and administratively inefficient that activities which receive a public subsidy should bear VAT. One interpretation of the Committee's view is that any relief in this area should be restricted to those bodies which are receiving subsidies, while bodies providing similar services who do not receive a subsidy, such as the commercial theatre, should have to account for VAT. This would rightly be seen by the commercial bodies as highly discriminatory. However, a VAT relief for all cultural services would be a very costly means of providing support: although

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information is not available on which to base a firm estimate, the cost of relieving from VAT admissions to theatres, cinemas and other performances and exhibitions of art alone could amount to something in the order of £100 million a year. It also has to be borne in mind that VAT reliefs impose a charge on the Exchequer no less than a grant or subsidy. Indeed, because of its open-ended nature, a VAT relief is potentially a heavier burden. Relief from VAT on the lines proposed by the Committee would apply thinly across-the-board irrespective of how deserving a body was of support. Grant assistance, on the other hand, can be directed where the effect would be most beneficial - allocations of subsidy to arts bodies are made after an assessment of their total financial circumstances, including the incidence of VAT.

Conclusion

9. The Government do not believe that the introduction of a VAT relief is the best way of sustaining the varied and high standards of cultural activities in the United Kingdom. They believe that this objection can be secured more efficiently and cost-effectively by means of direct assistance in the form of grants. The Government do not therefore intend to introduce a special VAT relief for cultural activities outside the context of any harmonisation which may take place in the future within the European Communities.

29 June 1982

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ANNEX 3

10 August 1982

Christopher Price Esq MP
Chairman
Select Committee on Education
Science and the Arts
House of Commons
LONDON SW1A 0AA

I am replying to the Report from the Education, Science and Arts Committee, Session 1981-82, House of Commons Paper 472, about the Theatre Museum and the Bethnal Green Museum of Childhood.

The Government undertook the Scrutiny of the Victoria and Albert and Science Museums because they were convinced that it was right to examine the Museums' activities in this way. I welcome this opportunity to repeat what I told the House of Commons on 27 May, namely that the Government appreciates the efforts which Mr Gordon Burrett, Mr Tom Hume, Mr Martin Sharpe and their assistants made; we thank them for the very substantial help their valuable report has provided as a basis for the formulation of policy. We are very grateful to Mr Burrett and his colleagues for the detailed and careful way they made their examination. Their Report was fully agreed between them before it was submitted. As you know, I announced on 27 May decisions on two major points in the Report and I was, in particular, glad to note that the Committee agreed with the Government's prompt acceptance of the recommendation to change the status of the

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Museums from departmental to trustee museums. I was glad also to note that the Committee were in agreement with my view that the matter of charging for admission to the general collections of the Museum should best be left for decision to the future trustees of each Museum.

There are many other valuable recommendations in the Report about which the Government will give its considered views at an early moment. Valuable lessons will be drawn from the Report and I was glad to see the recent letter in the press from the Chairman of the Victoria and Albert Museum Advisory Council, putting on record the Council's conviction that there is much in the Report that will assist the Museum in achieving better management and housekeeping.

Two topics in the Report have given rise to considerable controversy. One is the proposal that consideration should be given urgently to abandoning the proposed Theatre Museum (Recommendation 27). The other is the suggestion that admission charges should be introduced at the Museum of Childhood, Bethnal Green, with a view to securing a net income which would cover the Museum's true recurrent costs; should that prove impossible consideration should be given to closing the Museum down (Recommendation 28).

The Government have considered the Report of the Select Committee, the debates in both Houses of Parliament, the Early Day Motions signed by over 100 Members of Parliament, more than 20,000 signatures on the Standard petition and the several hundred letters that I have received on these two topics. There has been overwhelming support for the construction of the Theatre Museum and for the retention of the Bethnal Green Museum of Childhood.

In a fundamental examination of the Victoria and Albert Museum it is clearly right, particularly at a time when resources are inevitably constrained, that the priorities of the Museum should be examined carefully. Indeed it would have been quite wrong if these fundamental questions had not been posed. The personal attacks made on Mr Burrett, who with the support of his colleagues rightly and responsibly raised these matters, are deplorable.

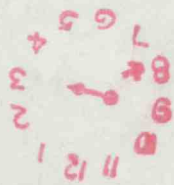
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In the light of all the representations that have been received and in particular the report of the Select Committee, the Government have decided that, subject to the successful conclusion of the outstanding negotiations on the lease, and to the receipt of a satisfactory tender, the project shall go forward as proposed in the old Flower Market in Covent Garden. There will be a careful examination of the best financial basis for the successful running of the Museum. Both the Victoria and Albert and the Theatre Museum Advisory Councils are in favour of admission charges for the Theatre Museum and I note that the Select Committee favours a pattern of plural funding including charges for public admission.

The Museum will not be ready for some years and I shall specifically draw to the attention of the new Trustees of the Victoria and Albert Museum the views of the Committee about admission charges and the need for free days. The cost of constructing the Theatre Museum can be found within the present capital programme for the Arts. The existence of a Theatre Museum will be an extremely exciting development. It is particularly appropriate for it to be housed in Covent Garden in London's theatreland. The present project provides, in my view, the only prospect of achieving a Theatre Museum in this century. We have also to recognise that there are many people who have given valuable and interesting collections for the Museum who would rightly feel affronted should the project be abandoned.

The Committee also turned briefly to the question of the Bethnal Green Museum of Childhood. The government wish to make their position clear now. They would like to see the Museum kept in being. They hope that the new Board of Trustees of the Victoria and Albert Museum will maintain the museum, which gives immense pleasure and is one of the few attractions available in this part of London. I shall ask the Board to look carefully at the recommendations made in Mr Burrett's Report so that its running costs are controlled and covered in ways suitable to the purposes and location of the Museum.

The Government are still considering the other recommendations in the Report including those regarding the other outstations. I hope to announce decisions on these points in the autumn although of course many of the detailed proposals will be more appropriately considered by the new Board of Trustees.



6 DEC 1983



Royal Opera House

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2 December 1983

Robin Butler Esq
10 Downing Street
LONDON
SW1

Dear Robin

You may remember that some months ago I briefly mentioned Anglo-Soviet cultural relations and I then asked if the current Government attitude was likely to remain in force for some time to come. From what one reads and hears, there could well be some change in that attitude and since, at the time of our discussion you were willing to raise this matter with the Prime Minister at an appropriate moment, I am wondering if that moment has now arrived.

I am under constant pressure from the Soviet Embassy to invite the Bolshoi Ballet to Covent Garden, and because of the current position, I naturally have to explain that such a visit is impossible. Obviously, I can go on making excuses but, aware that the scene is perhaps changing, I will probably find myself doing so with less conviction!

Another factor in this, which is of interest to Covent Garden, is that the National Video Corporation, of which Covent Garden Video Production is a subsidiary, has made considerable inroads into the Russian television world with the tele-recording of a number of productions from the Bolshoi and Kirov. Although the relationship between the National Video Corporation and the Soviet Authorities remains good, I am clear that the latter are beginning to show unwillingness to be really active about the further implementation of the NVC/Russian agreement because of the absence of performances by the Bolshoi Ballet in London, and particularly, at Covent Garden.

I am sorry to burden you with this but it is an important question, and it is perhaps one to which the Government might want to respond in a way different from that presently suggested.

Yours ever

John Tooley
John Tooley

PART 1 ends:-

s/s Welsh office to m/s PCO
(Gowrie)

23/11/83

PART 2 begins:-

Minister for the Arts to LPC 5/12



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