

PREM 19/2586

10/16

Confidential Filing

Prime Minister's meeting with Lord  
Sieff to discuss the possible  
acquisition of the Royal Dental  
Hospital site by the National  
Portrait Gallery.  
The future of the National Portrait Gallery

ARTS AND  
AMENITIES.

August 1986.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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<del>26.11.86</del>							
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13.4.89							

PREM 19/2586

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OFFICE OF ARTS AND LIBRARIES  
 Horse Guards Road  
 London SW1P 3AL  
 Telephone 01-270 5929

From the Minister for the Arts

C89/1961

The Rt Hon Nicholas Ridley MP  
 Secretary of State for the Environment  
 2 Marsham Street  
 LONDON  
 SW1P 3EB

MBR  
 REC  
 13/4

13 April 1989

Dear Michael,

THE NATIONAL PORTRAIT GALLERY AND CANARY WHARF

Thank you for your letter of 14 March in reply to mine of 16 February. I am grateful also for John Major's comments in his letter of 24 February.

In the light of your views, which I well understand, and further clarification from the Gallery of just what is on offer from Olympia and York, I have come to the conclusion that this scheme cannot be regarded as feasible. The funding gap is just too wide to bridge.

I believe it was right to explore what could perhaps have been a unique opportunity for the National Portrait Gallery to solve its problem of space but, equally, I think the position is now sufficiently clear for me to tell the Chairman, Owen Chadwick, that these discussions are best brought to an end now, and for the Gallery to concentrate its efforts instead on the development of the recently acquired Orange Street properties. I propose to do this early next week.

There is of course the possibility that there will be a public campaign over this. I understand that Sir Roy Strong, who is acting for the developers, and Lord Sieff, who is a Trustee, are enthusiastic. But that could no doubt be dealt with should it arise.

Top 3 papers }

RESTRICTED

Copies of this letter go to the Prime Minister, John Wakeham,  
John Major and Sir Robin Butler.

RICHARD LUCE

W  
—  
Rich  
—

RESTRICTED

13.11  
P. 109



*CCPD*

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-276 3000

My ref:

Your ref:

The Rt Hon Richard Luce MP  
Minister for the Arts  
Office of the Minister for the Civil Service  
Horse Guards Road  
LONDON  
SW1P 3AL

14 March 1989

*MBPM*

*McG  
ref*

*Dear Richard*

*Arts*

Thank you for your letter of 16 February about the interest of Olympia and York in attracting a major Gallery to its Canary Wharf development.

It is for the Trustees to decide whether they would be interested in the prospect of the National Portrait Gallery being located at Canary Wharf. If they decide to take matters further, I would like to be kept in touch with the discussions.

I can see why Olympia and York are attracted to this proposal, but I share John Major's reservations. On your figures there would be a funding gap of at least £37m. I very much doubt whether the private sector would be willing to contribute £37m towards such a project. The LDDC could not and should not contribute; ~~and~~ there will be definitely no public money available.

I am copying this to the Prime Minister, John Wakeham, John Major and Sir Robin Butler.

NICHOLAS RIDLEY

ACTS + AMENITIES : National Portrait

Gallen <sup>5</sup> / 1986

*cefu*



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Richard Luce MP  
Minister for the Arts  
Office of Arts & Libraries  
Room 62/2  
Government Offices  
Great George Street  
London  
SW1

*NBM*  
*PRCG*  
*27/2*

*24<sup>th</sup>* February 1989

*Dear Richard,*

**CANARY WHARF AND THE NATIONAL PORTRAIT GALLERY**

*at Prop*

Thank you for copying to me your letter of 16 February to Nicholas Ridley, suggesting that the developers of Canary Wharf might still be prepared to find a site there for the National Portrait Gallery.

Like you I appreciate the attractions of this idea. However, as you recognise, there will be no additional resources available as there was in the case of the Thyssen collection. While I would not want to stop the idea being explored on this basis, I think you are right to express considerable scepticism. It may be that finance can be put together from the developers and others but my basic position on the availability of resources remains unchanged from last July.

I know that the initial view rests with the Trustees of the National Portrait Gallery, but I felt it best to appraise you of my views at this stage.

I am copying this letter to the Prime Minister, John Wakeham, Nicholas Ridley and Sir Robin Butler.

*Yours Ever,*  
*John*

JOHN MAJOR

ARTS + Amen: Ktne or NR

A-586



From the Minister for the Arts

C89/844

The Rt Hon Nicholas Ridley MP  
 Secretary of State for the Environment  
 2 Marsham Street  
 LONDON  
 SW1P 3EB

OFFICE OF ARTS AND LIBRARIES  
 Horse Guards Road  
 London SW1P 3AL  
 Telephone 01-270 5929

cc to Callford  
 Prime Minister  
 To be aware

AT  
 21/2

16 February 1989

Dear Nicholas,

**CANARY WHARF AND THE NATIONAL PORTRAIT GALLERY**

I wrote to you on 18 July last year, in the immediate aftermath of the Thyssen discussions, about the possibility of securing a new home for the National Portrait Gallery in Canary Wharf. As you know from your talks with him, Paul Reichmann of Olympia and York was keen to have a major Gallery as part of the Canary Wharf development and was prepared to contribute to the capital cost.

For reasons which I fully understood, neither you nor John Major felt able to support any proposal which involved diverting the funds earmarked for the Thyssen Collection for any other purpose.

Since we last discussed this, however, Mr Reichmann has renewed his offer of a site for a public gallery and, while no detailed figures have been put forward, there are some indications that Olympia and York might provide a substantial proportion of the construction costs as well. I thought that you, and colleagues to whom I am copying this letter, should be aware of the proposal as it has been outlined to me.

The plan again involves the National Portrait Gallery. The proposition that has been put to the Gallery is this. Olympia and York would put up a building, to the National Portrait Gallery's specification, on a prime site on the river front which is said to be worth some £5 million. The cost of the building itself would depend on a number of factors, not least of course the size of the gallery display space included. Olympia and York reckon that a purpose built Gallery of 18,000 sq metres in that area would cost around £50 million. This would provide the National Portrait Gallery with about one and a half times the space available at its present site including the Orange Street extension. The idea is that the building would be funded by a combination of a Government contribution, an appeal by the Gallery itself and a contribution from Olympia and York.

The broad proposal is to be considered by the National Portrait Gallery Trustees. It may be that they will conclude that the location of their existing historic building in St Martin's Place is more important than the possibility of rather more space at Canary Wharf. That remains to be seen but there are obviously very significant points of principle that the Trustees will have to consider before the proposal gets taken any further.

I have discussed the matter, at their request, both with Owen Chadwick (Chairman) and John Hayes (Director) of the Gallery and also with Roy Strong who is advising Olympia and York on the arts element of the Canary Wharf scheme. I have made quite clear to them, and this is well understood, that there is no special source of funding available as there was in the case of the Thyssen collection. It was put to me that one way of raising the Government's contribution to such a scheme would be by selling the National Portrait Gallery's existing buildings. Olympia and York had done their own assessment of their value and had concluded that this would raise of the order of £13 million. Needless to say, this idea is being discussed only in the strictest confidence.

I have of course made no commitment on any of this and, so as not to raise expectations, have indeed expressed scepticism about the proposal. It may be that an arrangement could be devised which would enable the scheme to be undertaken at no significant cost to the public sector. But there are a number of uncertainties which would need to be resolved: about Olympia and York's preparedness to contribute to the costs of the scheme and the Trustees' ability to raise the balance; and about the value that could be realised for the existing site, assuming our preparedness to contemplate its sale at all which would, I understand, require primary legislation. I believe however that Mr Reichmann's interest is genuine and it may be that there is an opportunity here which we should explore further. The immediate next step, as I say, is for the Trustees themselves to take an initial view. I shall of course keep you in touch with any further developments but thought it would be useful to alert you at this stage.

A copy of this letter goes to the Prime Minister, John Wakeham, John Major and Sir Robin Butler.

RICHARD LUCE

ARTS + AMENITIES: National Portrait

Galleries 1986





cc *PR*  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:  
Your ref: *nbpm*

The Rt Hon Richard Luce MP  
Minister for the Arts  
Office of the Minister for the Civil Service  
Horse Guards Road  
LONDON  
SW1P 3AL

16 August 1988

*Dear Richard*

Thank you for your letter of <sup>*19*</sup> July with the suggestion that, failing the Thyssen collection, the promoters of Canary Wharf might be prepared to find accommodation for the National Portrait Gallery.

I agree with John Major about this. There seems little to be said for a move of the National Portrait Gallery to provide more elbow room for the National Gallery just as the Sainsbury extension becomes available.

However, I did have a quick word with Paul Reichmann to see for how long his firm would keep open the chance of a gallery site being made available on the riverside of Canary Wharf. He said he thought the Gallery prospect could be held open until the autumn. He and I agreed to meet to discuss this in late September/early October. I still have in mind a possible second chance to house the Thyssen collection and not solutions to the space problems of the National Portrait Gallery.

Copies of this letter go to the Prime Minister, Nigel Lawson, John Major and Sir Robin Butler.

*Yours em  
Nicholas*

NICHOLAS RIDLEY

ALTS + AMENITIES: Dakota Plaza  
Calver Ave. 1976



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OFFICE OF ARTS AND LIBRARIES  
Horse Guards Road  
London SW1P 3AL  
Telephone 01-270 5929

From the Minister for the Arts

C88/3719

The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment  
2 Marsham Street  
LONDON SW1

*Per*  
*Prime Minister*

*To see the house's  
bid for a new site*

18 July 1988

*Dear Nicholas,*

*for the National Portrait  
Gallery. W.C.U*

THE THYSSEN COLLECTION AND CANARY WHARF

Now that the Thyssen negotiations have been brought to an end, I believe that Canary Wharf could still offer a major opportunity for enhancing the attractions of London Docklands which it would be a great pity to miss. <sup>18.7</sup>

As you know, Mr Reichman, the developer, was enthusiastic about making a site available for the prospective Thyssen Gallery and indicated that he would probably be ready to make a substantial contribution to its construction. This would be in keeping with his experience of making a large financial contribution to community projects in his New York development. I suggest therefore that we should explore whether the possibility of providing for an art gallery in Docklands at an advantageous cost is still open, rather than simply let it go by default.

The National Portrait Gallery has outgrown its building in Trafalgar Square and has for some years been seeking a new home. No suitable existing building has been available and the cost of providing a new one has seemed prohibitive. The Gallery has therefore fallen back on a much less than optimal plan for spilling over into some buildings in Orange Street, and hopes shortly to launch an appeal to raise funds for that purpose.

In fact a new purpose-built Gallery in Docklands (which the trustees would welcome) would provide a much better setting for this major national asset and tourist attraction. In addition the present building in Trafalgar Square could then be used to relieve the considerable pressures of space that confine our other national museums and prevent them from showing their collections to full advantage.

CONFIDENTIAL

Work would clearly have to be done to establish what such an initiative would cost, and how we could maximise the private sector contribution. I suggest that we should now agree to explore this without any commitment at this stage, to see whether it is worth pursuing. The key point here would be to establish whether this is an opportunity not to be missed.

Copies of this letter go to the ~~Prime Minister~~, Nigel Lawson, John Major and Sir Robin Butler.

RICHARD LUCE

*u*  
Rob J

18.11.1988  
10.11.1988  
10.11.1988  
10.11.1988



OFFICE OF ARTS AND LIBRARIES  
 Great George Street  
 London SW1P 3AL  
 Telephone 01-270 5929

MFA  
 Ra.

From the Minister for the Arts

C87/3163

P A Bearpark Esq  
 10 Downing Street  
 LONDON SW1

1. NW F see  
 2. CDP F see  
 The GHF have cleared this  
 with FCO.  
 MFA 24/7  
 3. Mr Calver  
 22 July 1987  
 to see as well  
 WLD  
 27-4

Dear Andy.

**NATIONAL PORTRAIT GALLERY**

I am writing to let you know that my Minister will act as host at an event in November which is likely to attract some publicity. If carefully presented, the publicity should be favourable, but you will want to be aware of the background.

From 20 October to 10 January 1988 the National Portrait Gallery is holding an exhibition of the works of Francis Xavier Winterhalter, who was Queen Victoria's favourite painter. The exhibition will include some 20 paintings lent by The Queen and The Queen Mother, others by the King of Belgium, and many more from international and British collections. The exhibition, which is generously sponsored by United Technologies Limited, will be opened by HRH Princess Alexandra.

In conjunction with the exhibition, the National Portrait Gallery are organising a historic ball in Victorian costume at Lancaster House. The precise date of the ball has yet to be fixed, but is likely to be in the period 9 - 20 November. Princess Alexandra has been invited to attend. The costs of this event also will be met by United Technologies. My Minister will act as host, and the Government Hospitality Fund have agreed to make the detailed practical arrangements.

It is not a new departure for a Government building such as Lancaster House to be used for an event not paid for from public funds (indeed there was a fund-raising event there last month on behalf of the Courtauld Institute), but this is likely to be an event of greater public interest. My Minister has agreed to act a host on the following basis:

- a. it is a Ministerial event, on behalf of a major publicly-funded national institutions whose trustees are appointed by the Government;
- b. no costs fall on public funds;
- c. the invitation card makes no mention of the sponsoring company;
- d. the ball is directly connected with the exhibition it relates to, and the sponsors are meeting the costs of both; the sponsors cannot therefore be misrepresented as wasting their money on a glamorous event rather than contributing directly to the arts.

I am sending copies of this letter to the Private Secretaries to the Lord President (who is a Trustee of the NPG) and Lord Glenarthur (as the Minister sponsoring the Government Hospitality Fund).

Yours ever,

Michael

M C STARK  
Principal Private Secretary



CONCERNING

~~Professor Brian Griffiths~~

~~for~~ Natural Portrait  
Gallery.

~~With the Compliments of~~

~~Godfrey Bradman~~

53-55 Queen Anne Street London W1M 0LJ Telephone 01-486 7100

COPY

# ROSEHAUGH STANHOPE DEVELOPMENTS PLC

53-55 Queen Anne Street London W1M 0LJ  
Telephone 01-486 7100 Telex 28167  
Fax (Group 3) 01-935 0277

GEJ:TB

23rd March 1987

Regional General Manager,  
South West Thames Regional Health Authority,  
40 Eastbourne Terrace,  
London W2 7QR

Dear Sir,

ROYAL DENTAL HOSPITAL  
31-36 LEICESTER SQUARE  
AND 21 IRVING STREET  
AND 6 LONGS COURT

We enclose a completed form of tender, for the acquisition by us, subject to contract, of the freehold interest in the above properties.

We would explain that our primary objective in submitting a tender is to assist the National Portrait Gallery. Our intention is to secure the freehold interest in the properties involved and without charge to grant the National Portrait Gallery a legally binding call-option, under seal, permitting it within a specified period to acquire the freehold interest from us at total cost to us. This is intended to give the Gallery an opportunity to conduct a national appeal to obtain sufficient funds to enable it to proceed with redevelopment of the site to provide new gallery accommodation thereby realising its long cherished ambition to have additional space to display its unique collections. The Gallery regards the prospect of developing the properties for its own purposes as a once only opportunity, which must be seized. The development of a gallery on the site will also assist materially in the major facelift of Leicester Square now proposed by Westminster City Council.

Our tender is not conditional upon the Gallery exercising its call-option. If, at the expiry of the option, the Gallery has not been able to raise sufficient funds by way of national appeal, or from other sources, to enable it to acquire the freehold interest from us and proceed with development for Gallery purposes, the properties will be redeveloped for commercial purposes and/or sold.

Rosehaugh Stanhope Developments (RSD) is one of the largest property development companies in the United Kingdom and is engaged

Directors: S Adam, D M Blackburn, G M Bradman, A S Browne, D J Dickinson, R A Green,  
R C Howson, P J C Kershaw, S A Lipton, P W Rogers, J G West

Registered Office 53-55 Queen Anne Street London W1M 0LJ Registered in England number 1769078

Regional General Manager,  
South West Thames Regional Health Authority

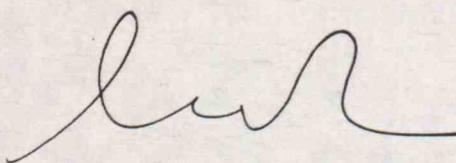
23rd March 1987

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in a number of major commercial developments including Broadgate in the City of London which is, in financial terms, the largest commercial office complex in Europe. RSD has ample funds at its disposal for acquisition of the properties.

This submission is made by us following meetings with Trustees and the Director of the Gallery and is submitted to you with the Gallery's enthusiastic support. We would welcome the opportunity of having a meeting with you as soon as possible to discuss the financial and other terms of our submission and we confirm that we would, in principle, be prepared to modify these to some extent if needs be in order to secure the property for the Gallery.

Yours truly,  
for Rosehaugh Stanhope Developments PLC,



Godfrey Bradman  
Director

Donaldsons for themselves and for the vendors of this property whose agents they are give notice that:-

- 1 The particulars are set out as a general outline only in the guidance of intending purchasers and do not constitute, nor constitute any part of, an offer or a contract.
- 2 All descriptions, dimensions, references to condition and necessary permissions for use and occupation, and other particulars are given in good faith and are believed to be correct but any intending purchasers should not rely on them as statements or representations of fact but must satisfy themselves by inspection or otherwise as to the correctness of each of them.
- 3 No person in the employment of Donaldsons or of the Health Authority has any authority to make or give any representation of warranty whatever in relation to this property.

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# FORM OF TENDER COPY

## SUBJECT TO CONTRACT

To: South West Thames Regional Health Authority and Others  
The Vendors

1 I/We ROSEHAUGH STANHOPE DEVELOPMENTS PLC  
of \_\_\_\_\_

whose registered office is situated at: 53 - 55 QUEEN ANNE STREET  
LONDON W1M 0LJ

hereby offer to buy from the above named vendors the  
properties described in the foregoing particulars for the sum of:

£ 4,000,000  
( FOUR MILLION pounds)

and I/We agree that in the event of this offer being accepted  
I/We will pay the deposit and the balance of the purchase monies  
and will carry out and complete the purchase in accordance  
with the foregoing particulars.

2 I/We submit evidence of our financial standing and proposed  
source of finance for the development.

Signed WITHIN COVERING LETTER

Dated \_\_\_\_\_

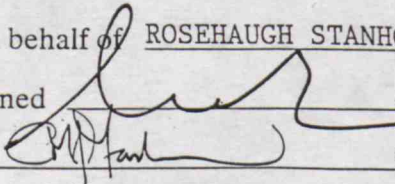
If signed by an agent:

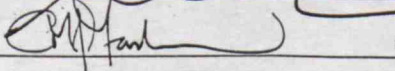
I/We enclose the authority of our Principal (Name):  
\_\_\_\_\_

to sign and submit this tender.

In the case of a company:

On behalf of ROSEHAUGH STANHOPE DEVELOPMENTS PLC

Signed  GODFREY BRADMAN

 DIRECTOR  
CHRISTOPHER FORSHAW  
SECRETARY

Date 23RD MARCH 1987

2  
MG  
PRIME MINISTER

NATIONAL PORTRAIT GALLERY

You should be aware that Godfrey Bradman made a proposal which he thought might allow the National Portrait Gallery to buy and redevelop the Royal Dental Hospital School site in Leicester Square. Lord Sieff sent a copy of the proposal to Number 10.

Mr Luce has turned down the proposals, with regret, and he was right to do so. In essence, they were a way for the National Portrait Gallery to borrow the money from the private sector, and the actual and potential calls on public funds were little different from direct funding by the Office of Arts and Libraries.

I have suggested to Mr Luce's office that he should call Lord Sieff to explain the position to him.

DW

D R NORGRÖVE  
19 March 1987



C/SO

Treasury Chambers, Parliament Street, SW1P 3AG

M C Stark Esq  
Private Secretary to the Minister for the Arts  
Office of Arts and Libraries  
Great George Street  
London  
SW1P 3AL

NBM.

19 March 1987

Dear Michael,

**NATIONAL PORTRAIT GALLERY**

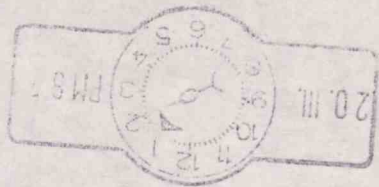
The Chief Secretary has seen your letter to me of 11 March about Mr Bradman's proposals for financing the purchase and development of the Royal Dental Hospital site on behalf of the National Portrait Gallery.

The Chief Secretary notes that your Minister does not feel able to recommend Mr Bradman's proposition. He is sure that Mr Luce is right not to do so, for all the reasons set out in the penultimate paragraph of your letter. In particular, with reference to the point about intervening in the sale process, the government would surely not wish to involve itself, or the NPG as a public body, in any proposal which might lay it open to public criticism on propriety grounds.

I am copying this letter to David Norgrove and Brian Griffiths (10 Downing Street), Joan MacNaughton (Lord President's Office) and Geoffrey Podger (DHSS).

Yours sincerely,

JILL RUTTER  
Private Secretary



ARTS + AMERICA

NATIONAL

POSTCARD

CALIFORNIA

AVC



OFFICE OF ARTS AND LIBRARIES  
Great George Street  
London SW1P 3AL  
Telephone 01-270 5929

CCB

From the Minister for the Arts

C87/1337

John Hayes Esq  
Director  
National Portrait Gallery  
St Martin's Place  
LONDON WC2H 0HE

NBA.

19 March 1987

Dear John,

Thank you for your letter of 10 and 12 March, and Godfrey Bradman's of 9 and 10 March. I have consulted my Ministerial colleagues in other Departments, including the Treasury, as I undertook to do when we met, and I am sorry to have to tell you that Mr Bradman's proposals do not remove the actual and potential calls on public funding which have been the basic cause of difficulty from the outset of our discussions last autumn.

... I enclose a copy of my reply to Godfrey Bradman. I appreciate that this will be disappointing for you.

I am very sorry that we are not able to help you with what I know you consider to be a historic opportunity to expand the Gallery on to an adjoining site. Nevertheless we are, as you know, helping the Gallery to obtain the Orange Street properties which will give you a net addition of 30% space, and we are contributing to the refurbishment costs of those properties. I realise that those properties do not as presently planned provide any additional display space, but they will release space in the main building which could be used for display purposes. My office stand ready to assist in consideration of any proposals you may have for developing these properties to make best use of them.

h  
Richard

RICHARD LUCE



OFFICE OF ARTS AND LIBRARIES  
Great George Street  
London SW1P 3AL  
Telephone 01-270 5929

*From the Minister for the Arts*

C87/1336

Godfrey Bradman Esq  
Chairman and Chief Executive  
Rosehaugh Public Limited Company  
53-55 Queen Anne Street  
LONDON W1M 0LJ

19 March 1987

*Dear Mr Bradman,*

I am grateful to you for outlining in some detail at our meeting on 9 March, and in your letters of 9 and 10 March, your suggested approach to financing the acquisition and development of the Royal Dental Hospital site for the National Portrait Gallery.

As I undertook to do, I have consulted my colleagues in other Departments including the Treasury on your proposals. Our conclusion, as I indicated it probably would be when we met, is that the government cannot contemplate an initial investment in the purchase of the site, nor a long-term guarantee of annual payments to service privately-raised finance. As I explained, I and my colleagues had already considered last year a number of different approaches to financing the purchase and development of the site and had reluctantly to conclude that we could not contribute to them, whether by capital investment or by guaranteeing annual payments. I am grateful to you for setting out and explaining your proposals, but I am afraid they do not resolve our fundamental concerns about competing priorities within the overall level, already settled, of public funding for the national museums and galleries in 1987/88, and about the uncertain but real potential commitments which are inherent in your proposals.

I appreciate that this reply will disappoint you, given the great attractions we all see in the idea of the National Portrait Gallery acquiring the Royal Dental Hospital site. But my colleagues and I do not feel that we can give priority to this project over other pressing needs within limited overall resources for the arts.

RICHARD LUCE

*Richard Luce*

Mr. NORGROVE

FCBG

010



OFFICE OF ARTS AND LIBRARIES

Great George Street

London SW1P 3AL

Telephone 01-

2705929

From the Minister for the Arts

NBPN at this stage

C87/1171

Miss Jill Rutter  
PS/Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
London SW1P 3AG

11 March 1987

Dear Jill,

NATIONAL PORTRAIT GALLERY

I am sorry to burden you with a further letter on this subject.

2. You will recall that Ministers decided last autumn that the Government could not accord sufficiently high priority to allow the NPG to acquire, at a cost of some £6 million, the site of the Royal Dental Hospital in Leicester Square. This decision was confirmed by the Prime Minister when she met Lord Sieff, who is a Trustee of the NPG, on 26 November. The Prime Minister made it clear that the owners of the building (the South West Thames Regional Health Authority and two charitable trusts), having delayed the sale for some time at the request of the Gallery, were about to put the building on the open market; thereafter there could be no question of the Government intervening in the tender process, and any NPG offer would have to compete with others on market terms.

3. The closing date for tenders was 27 February, and tenders were opened on 10 March. I understand from the DHSS that five tenders were received: quite properly, officials are not revealing the sums tendered, since these will be discussed at a meeting of the owners scheduled for 23 March. At any rate it is clear that there are offers on the table in accordance with the tender arrangements.

4. At the request of the Lord President, my Minister received a call on 9 March from Mr Godfrey Bradman, Chairman of Rosehaugh plc, together with the Director of the NPG. Mr Bradman put to the Minister a proposal based broadly on his letter of 9 March, of which I enclose a copy. In summary, what he proposed was roughly as follows:

- a) Mr Bradman would try to establish (he did not specify how he would do this) what amount was needed in order to beat the existing tenders. He would then raise 70% of this sum from a consortium of banks, while the Government would put in the balance (which he estimated at £2 million). The site would then be purchased on behalf of the NPG.
- b) The NPG would then raise a national appeal. The Government would set a fixed period for this, at the end of which it would assess the amount raised in the appeal, and judge whether it was adequate to finance the cost of the site plus development. If not, the Government would force the resale of the site; the banks would recover their 70% of the purchase price, and the Government would get the balance (suffering a loss or pocketing a gain on its own "investment").
- c) Assuming that the appeal had been successful and development of the site went ahead, the Government would guarantee "rent" payments of £1m a year (indexed to inflation) for every £20m borrowed. These would however be gross amounts, which could be reduced in two ways: i) by subletting part of the building; ii) by repaying capital from money raised in the appeal. If the building and its redevelopment cost £20m in total and the appeal raised £10m then the "rent" need only be £½m pa, or zero if subletting raised £½m pa. The building project would be undertaken by Mr Bradman's company, at cost - he sought no profit.

Mr Bradman has now sent a further letter dated 10 March which expands on this proposal, though not all details are identical with what he said at the meeting. The Director of the National Gallery has also written, supporting Mr Bradman's proposal. Copies of both these letters are attached.

5. My Minister replied that he thought it highly unlikely that the Government could contemplate an initial investment in purchase of the site, or a long-term guarantee of annual payments to service privately-raised finance. Ministers had considered last year a number of different mechanisms for financing purchase and development of the site and had concluded that the Government could not afford to contribute to any of them, whether by capital investment or by guaranteeing annual payments. The Government had said then that if the Trustees were to acquire the site it could only be on the basis of their own fund raising; the money they raised would have to be in advance, because the Trustees had no powers to raise loans. Nevertheless, in view of the fact that Mr Bradman was now putting forward a somewhat different proposition, Mr Luce said that he would consult his colleagues quickly to see

whether it was possible to reach a more favourable view.

6. In the light of Mr Bradman's discussions with the Prime Minister's Office and with the Lord President, my Minister feels bound to put this proposition to you, but at the same time he is unable to recommend it. He recognises that acquisition of this site is a rare, indeed unique, opportunity, but with limited overall resources for the arts he feels unable to give it higher priority than other pressing needs. He could not find the capital sum required from within his own programme, either for the current or the next financial year. He doubts whether the fact that the immediate capital sum is now apparently only £2m (rather than £6m when the proposition was last considered by Ministers) changes the argument sufficiently to justify a call on the Contingency Reserve. Although the immediate capital sum required is lower, he is unconvinced that Mr Bradman's approach would, in the longer term, represent better value for money than a straight purchase - more likely the reverse. He is in any case of the view that it would be wrong at this stage, after the date when tenders have closed, to intervene in the sale process. He is aware that the figures Mr Bradman quotes for rents and returns, and above all the amounts which an appeal might raise, are speculative and the scheme is not watertight, whereas the NPG and Mr Bradman are seeking immediate unconditional and long-term Government guarantees. He would be most grateful to know what view the Treasury takes of this method of funding and of the possibility of a subvention of £2 million this year from the Contingency Reserve.

7. I am sending copies of this letter to David Norgrove and Brian Griffiths (10 Downing Street), Joan MacNaughton (Lord President's Office) and Tony Laurance (DHSS).

Yours ever,

Michael

M C STARK  
Private Secretary

M.S.

# ROSEHAUGH PUBLIC LIMITED COMPANY

53-55 Queen Anne Street London W1M 0LJ

Telephone 01-486 7100 Telex 28167

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GB:AR

9th March 1987

1640

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

Dear Mr. Luce,

## NATIONAL PORTRAIT GALLERY

We shall be meeting later today to discuss the possibility of the Royal Dental Hospital site in Leicester Square being secured for use by the National Portrait Gallery.

I should explain that at a very late stage I was invited by the Head of the Policy Unit at No. 10 to consider whether means might be found to enable the Gallery to secure this site and I have had discussions with Professor Brian Griffiths, and Viscount Whitelaw and Lord Sieff (in their capacities as Trustees of the Museum) about the issues involved. I have commissioned reports from two firms of chartered surveyors to obtain an indication of the costs involved, and I have spoken with our merchant bankers and brokers about whether the capital required for Gallery redevelopment might be met from institutional rather than public sources.

I enclose a copy of a letter which I sent to Brian Griffiths on 20th February which sets out:-

- (a) an assessment of the value of the Royal Dental Hospital site given that it was out to tender with an existing planning consent for commercial use. Against that background, site value was assessed with reference to the price that a developer might be prepared to bid to secure the site for commercial redevelopment. The conclusion, based on prices of the Gallery's Quantity Surveyors was that a bid in the region of £5 million may be necessary.
- (b) an assessment of the cost of providing accommodation for the National Portrait Gallery on the Dental Hospital site on three alternative bases (refurbishment behind existing facade (i) with and (ii) without some office space for Gallery use; or (iii) demolition and provision of purpose-built Gallery accommodation).

continued/...

The cost estimates prepared by the Gallery's Quantity Surveyors indicated construction costs ranging from £7.2 million to £8.3 million. The total estimated costs, allowing for site acquisition interest and professional fees, ranged from £19.4 million - £21.2 million. Since 20th February further cost estimates have been prepared by our own Quantity Surveyors and I believe it will be possible to make savings in construction costs of some £2-3 million below the Gallery's estimates, though the value of the site has to be considered against the background of a buoyant commercial market. In round terms, therefore, the total cost of the redevelopment of the Hospital site for the Gallery is likely to be of the order of £20 million. It should be noted that I undertook to organise the construction for the Gallery without profit.

In my letter of 20th February, I also provided an indication of the cost of redeveloping 39-45 Orange Street and the rebuilding of 1 Charing Cross Road, including the construction of bridge and tunnel links into the main Gallery. Total project costs were estimated at just over £9 million and later cost estimates by our Quantity Surveyors do not differ significantly from this figure. So, we are looking at total costs of up to £30 million.

I also described in my letter the means by which capital costs of this order might be provided from institutional rather than public sources. In essence the approach I propose is to procure the capital sums required by undertaking an annual rental. The stream of rental can in effect be sold for the capital sum and the arrangement can be structured in such a way as to provide guaranteed income to the investing institutions at a yield over index-linked stock. The formulation that I put forward was that the Portrait Gallery would pay rent for 35 years, index-linked to the RPI throughout, and at the end of that term the Gallery would be able to acquire the freehold for a nominal sum. At the present time, the markets would be prepared to provide £20 million on the basis of an annual rental of around £1 million indexed. Moreover, any capital sums raised by the Gallery as part of a national appeal to finance the redevelopment would be used to reduce the sum required from the money markets and hence the annual rental payable. On this basis, the additional rental costs arising to public funds for the whole redevelopment (including Orange Street) would be likely to reduce to zero provided the Gallery could mount a successful national appeal to raise £30 million.

Unless the National Portrait Gallery is able to secure the Royal Dental Hospital with the forthcoming tender, they will have no opportunity of raising funds under a national appeal for the redevelopment and refurbishment of the whole site. Provided care was taken to ensure that the price of the bid by the National Portrait Gallery was not materially greater than any other commercial bids submitted, this would give the Gallery an opportunity of a period of say 3 to 6 months to mount a national appeal.

The Rt. Hon. Richard Luce, M.P.

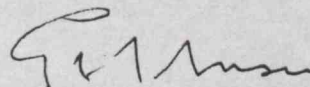
9th March 1987

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During that period of time if they were not successful in raising sufficient monies to satisfy the Department, it would be necessary for the Gallery to put the premises back on the market either by way of a tender or private treaty disposal. Hopefully, this should not involve them in any great loss. In the meanwhile, a clear indication is urgently required as to whether you would be prepared to provide finance for the Gallery to bid on this basis and in addition, if possible, to obtain some indication of the portion of the total cost of redeveloping property to which you would be prepared to contribute in the event that the national appeal fell short of the total figure of £30 million.

I look forward to seeing you later today. I am copying this letter to Dr. Hayes, Director of the Gallery.

Yours sincerely,

  
for Godfrey Bradman

Encl.

COPY

## ROSEHAUGH PUBLIC LIMITED COMPANY

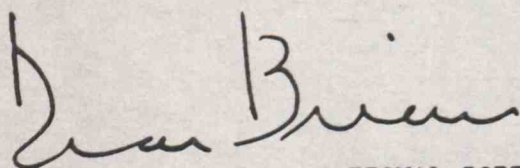
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**GODFREY BRADMAN**  
Chairman and Chief Executive

GB:AR

20th February 1987

Professor Brian Griffiths,  
Head of Policy Unit,  
10, Downing Street,  
London. SW1



NATIONAL PORTRAIT GALLERY

Following discussions last week, I have been giving further consideration to the means by which the National Portrait Gallery might obtain additional space in the Royal Dental Hospital site in Leicester Square, and in properties in Orange Street.

I enclose a report prepared by Montagu Evans, Chartered Surveyors, which covers all the properties involved. The Surveyor's report covers the present position on ownership of the various properties and existing leasehold interests (pages 1 - 3) and sets out relevant planning considerations (pages 4 - 5). The report also contains the Surveyor's estimates of site values (pages 6 - 7) and costs of various proposals for extending the Gallery into the Royal Dental Hospital site and/or additionally into Orange Street (pages 8 - 9).

### The Royal Dental Hospital site

As we know the Dental Hospital site is now on the open market with an existing planning consent for mixed development (office/residential) and bids are due by next Friday. Our Surveyors expect considerable interest in this site and, have considered the price that a developer might be prepared to bid to secure the site for commercial redevelopment. They conclude that a bid in the region of £5 million may be necessary to secure the site.

cont/...

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The Surveyor's report also considers the cost of providing accommodation for the National Portrait Gallery on the Dental Hospital site. There are a number of ways in which this accommodation might be provided. The Surveyors have excluded the possibility of providing acceptable accommodation with minimum structural alteration to the Hospital as the existing space is not well suited for Gallery purposes as on many of the floors height is limited. They have, therefore, considered three main possibilities.

- (a) Major refurbishment of the building to include some office accommodation for use by the Gallery;
- (b) Major refurbishment of the building with galleries throughout;
- (c) Demolition of the existing building to provide purpose-built gallery accommodation.

The construction cost of these proposals, set out on page 8 of the Surveyor's report, range from £7.2 million to £8.3 million. The total estimated costs for providing accommodation on the Dental Hospital site, including the estimated cost of land acquisition (£5 million), interest and professional fee are set out on page 9 of the Surveyor's report and range from £19.4 million - £21.2 million.

#### Orange Street Properties

The Surveyors have also provided an indication of costs for the redevelopment of 39 and 45 Orange Street to include the rebuilding of 1 Charing Cross Road behind retained facades and the construction of bridge and tunnel links into the main Gallery. They estimate total project costs at just over £9 million (not allowing for site acquisition). In this connection we understand that the freeholder are the Crown Estate Commissioners who, in principle, would be prepared to grant a lease at a rental.

The total costs of providing new accommodation for the National Portrait Gallery are likely to be, therefore, some £20 million, for the Royal Dental Hospital site, and some £10 million for the Orange Street properties. No appreciable difference in cost is estimated to arise if the Gallery were to contemplate the demolition of the Dental Hospital and the construction of a purpose-built Gallery in its place. My own view is that this is the best solution as it would be most likely to suit the Gallery's requirements and would enable an impressive building to be constructed which would substantially enhance the local environment. The present facade of the Dental Hospital is not particularly attractive.

Professor Brian Griffiths.

20th February, 1987

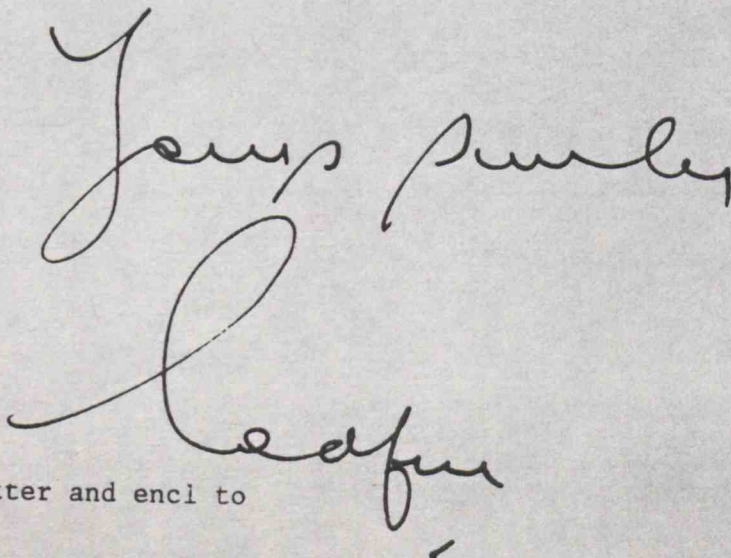
Funding

I have given consideration as to how the Gallery's redevelopment programme might be funded and I believe that we might develop an approach on the following lines. The Gallery would be granted a lease of 999 years at a rental for the first 35 years linked to annual increases in the RPI, payable in advance at quarterly intervals with a peppercorn rental thereafter with the lessee having the right to buy the freehold reversion after the 35th year for a nominal sum. Prior to the grant of the lease the lessee having the right to buy down the rental in whole or in part.

The rent would be calculated by reference to a margin over the most comparable Government index-linked stock and our Merchant Bankers, Warburgs, and Brokers, Rowe & Pitman, have confirmed that it should be possible for the stream of income receivable from the tenant to be disposed of on the market at about 100 basic points over the comparable Government stock. This would mean that at a cost of £20 million the initial rent would amount to around £1 million. If the plans for the extension of the National Portrait Gallery were to be subject to a national appeal all sums thereby achieved could be used to reduce capital over the 35 year term.

My preliminary view therefore is that it should be possible to provide the accommodation that the National Portrait Gallery requires on a basis which I hope would find general acceptance and I confirm that we would be prepared to organise the construction without profit. The key, however, is to secure the Royal Dental Hospital site, and we need an early meeting with you to discuss how we might best proceed in that.

I am sending a copy of this letter and the enclosed report from Surveyors to Dr. Hayes at the National Portrait Gallery.



Original plus copy of letter and encl to  
Prof. Griffiths

c.c. letter and enclosure Lord Sieff  
Dr. Hayes

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G Bradman Esq  
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A P Musto FRICS FRVA	J C Pagella BSc FRICS
J Montgomery BA FRICS FRVA	N P How BSc FRICS
N J R Braybrook FRICS FRVA	C A Riding ARICS
I M Collinson FRICS	R G Thomas MA BSc ARICS
J R Clark FRICS	Associates
G M Skelley BSc FRICS	D C Weightman ARICS
C C Campbell FRICS	S R W Harris BSc ARICS
A J Payne MA FRICS	A H D Hoffbrand BSc ARICS
E F Durman FRICS	P L Kersten ASVA ARVA
J B Hermiston FRICS Dip TP MRTPI	C A Springall ARICS
D H Taylor BSc FRICS	C M M Whyte BSc ARICS
J N Gibbins BSc FRICS	G S Davey BSc ARICS
W C O'Hara FRICS	P H Graves BSc ARICS
Consultants	M J Kerr LLB ARICS
T J Nardocchia OBE BSc FRICS	P T H Lowe ARICS
R H Stanley FRICS	P S Vernon BSc ARICS

Secretary M J Bryant FCA

Your reference

Our reference

GSD/LJH/PD.NF

20 February 1987

Dear *Mr Bradman*,

NATIONAL PORTRAIT GALLERY

ROYAL DENTAL HOSPITAL, 31-36 LEICESTER SQUARE, 21 IRVING STREET, 6 LONGS COURT

39 & 45 ORANGE STREET AND 1 CHARING CROSS ROAD

Further to your recent instructions and our meetings on site and in your office we have carried out investigations and appraisals and are setting out below our findings:

Ownerships

We are attaching hereto an Ordnance Survey extract upon which I have edged red the Regional Health Authority freehold ownership which is being offered for sale by tender. Edged blue is that area of land and buildings also being considered for the extension of the National Portrait Gallery.

The ownership edged red is to be offered with vacant possession upon completion with the exception of two leases as follows:

(i) 31 Leicester Square : part basement, ground and first floor let to Gaincroft Ltd for a term expiring on 25 December 1992.

Rent passing £30,000 pax reviewable in December 1987.

(ii) 33/36 Leicester Square : part basement and ground floor let to Monsignor Grills for a term expiring on 25 December 1992.

Rent passing £52,000 pax reviewable in December 1987.

This unit is not currently trading and we understand that Monsignor Grills - a subsidiary of United Biscuits - closed a poorly-performing operation and have opted to delay reopening or disposing pending the outcome of the present disposal. No requests for Licences to Assign have been received by the landlords.

With respect to the other properties comprising the block between Leicester Square, St Martins Street, Orange Street, Charing Cross Road and Irving Street, we understand the ownerships are as follows:

Central Reference Library, 35A Orange Street

Freehold owned by Westminster City Council.

WCC have been considering relocation and would be prepared to discuss selling their interest.

Congregational Church, 37 Orange Street

Believed to be owned freehold by the Church.

We are not aware of any discussions with Church and it is believed that they are not "willing sellers".

Dental School, 39 Orange Street

Freehold owned by the Crown Estates Commissioners subject to a lease to the South West Regional Health Authority having some 30 years unexpired. We understand that the lease contains a clause restricting the user absolutely to use in connection with the teaching of dentistry. The Health Authority have taken legal advice and have concluded that the restriction is enforceable. The Crown Estates Commissioners wish to take a surrender of this lease in order to relet to the PSA for use by the National Portrait Gallery.

45 Orange Street

Freehold owned by the Crown Estates Commissioners subject to a lease to the Secretary of State for the Environment having about 30 years unexpired.

With respect to the above two properties it is generally understood in the "market-place" that neither the Crown nor the PSA will enter into negotiations given the discussions with the National Portrait Gallery.

1 Charing Cross Road

Believed to be owned freehold by the Crown Estates Commissioners, subject to a lease to the Secretary of State for the Environment as above.

3/5 Charing Cross Road/11-13 Irving Street

Believed to be owned freehold by the Crown Estates Commissioners. Subject to a lease to the National Environmental Research Council (PSA) expiring in March 1993. The leasehold interest is currently being offered for sale.

14-18 Irving Street

Believed to be owned freehold by the Prudential, subject to a variety of leases. The ground floor frontage is predominantly retail units with office and residential upper parts.

The Prudential will consider disposing of their interests although they would prefer to sell for "full" prices to their tenants.

19/20 Irving Street

Freehold owned by Garfunkels who purchased the interest subject to their own lease from the Prudential about 4 months ago.

Garfunkels would be interested in purchasing 21 Irving Street from the successful bidder for the Health Authority's interests.

Due to the number and nature of the above interests the assembly of the overall site is not an obviously attractive proposition and we do not believe that bidders for the Hospital site will assess the property's potential from this stand-point.

## PLANNING

It is not within the scope of this report to comment exhaustively on Planning Policies as they affect the subject properties. The main issues are however mentioned below:

(1) 31-36 Leicester Square, 21 Irving Street & 6 Longs Court

This site is situated within the Soho Conservaton Area and whilst none of the buildings are listed, planning policies contain a presumption against demolition. Policy also contains a presumption that any commercial development of this building, (not having the benefit of established commercial uses with the exception of the restaurant units,) should include certain "planning advantages". The most recent and most important Planning Permission reflects these facts, being a refurbishment to provide a significant residential content of about 16,000 sq ft gross and the retention of existing restaurant accommodation extending to about 14,300 sq ft gross in addition to office accommodation of about 33,433 sq ft gross.

There is also an existing Planning Permission for an hotel on the upper floors with the existing restaurant units being retained.

In assessing the value of this site we have examined the possibilities of redeveloping the main building, 31-36 Leicester Square, behind a retained facade in order to achieve a slightly improved gross to net floor area efficiency and to create a building of increased attractiveness to both tenants and investors. We consider that there is a possibility of a commercial developer obtaining such a Planning Permission without recourse to Appeal procedure although a significant period for negotiation with the Planning Authority should be allowed.

With respect to the National Portrait Gallery's proposed use of the premises, Westminster City Council indicated in February 1986 that it would raise no objection to a scheme which included the tender site and 39 Orange Street, subject to the project being a "conservation based scheme in which primary elements of structure of 31-36 Leicester Square will be retained." We assume that the Gallery's proposals would be equally acceptable without the inclusion of 39 Orange Street and consider that subject to negotiation with the City of Westminster a new construction behind the facade to Leicester Square may obtain permission. Later in this report mention is made of the desirability of a new Gallery development without the retention of the facades: it is our opinion that a commercial development on this basis would be strongly opposed; such a development for the Gallery's purposes may however receive more favourable consideration and is therefore worthy of study.

(2) 39 & 45 Orange Street and 1 Charing Cross Road:

As mentioned in the foregoing section, Westminster City Council has indicated having no objection to a proposal by the National Portrait Gallery which included 39 Orange Street.

The Gallery propose including all the above properties in their extension plans as illustrated and described in the Study produced in November 1984 by the PSA, and it is suggested that all three properties should be demolished and new accommodation constructed principally on ground and three upper floors extending to approximately 42,000 sq ft gross. We see no overwhelming reasons for the Planning Authority objecting to the inclusion of these properties within a scheme or to the demolition with the exception of 1 Charing Cross Road. This is an attractive period building which we understand to be listed.

It is suggested in the aforementioned report that the building should be rebuilt behind retained facades: in principal this offends against Planning Policy which would demand the buildings complete retention. An argument on the ground of structural unsoundness may prove successful but this would need to be investigated further.

SITE VALUES

1. 31/36 Leicester Square, 21 Irving Street & 6 Longs Court

We are enclosing herewith two residual development appraisals which we have discussed and agreed with Simon Farrow calculating a site value on the basis of

- (i) A refurbishment of the existing buildings in accordance with the existing Planning Permission and using building costs supplied by your office,
- and (ii) A redevelopment behind the facade with a slightly reduced residential content assuming that Planning Permission can be obtained by negotiation over a 9 month period.

Again building costs have been supplied by your office.

The site values generated are respectively £3.2m (reserving a developers profit of 15% = £1.8m) and £3.6m (using a developers profit of 15% = £2.4m).

As you will recall, the District Valuer gave a value of £6.175m in May 1986 for these properties and it would appear that this figure was optimistic.

We would point out that having discussed the matter at length with the vendors' agents we learnt that many interested parties have expressed concern that bids lower than this figure would not therefore be acceptable: we are informed that this is not the case and that the vendors will sell at the best price achievable through the tender exercise, within reason.

Having analysed a number of recent site-purchases in prime central London locations we are of the opinion that many trading developers would bid at a level that would erode a significant proportion of their profit in order to secure this site. Under competition, therefore, bids in excess of the above figures might be expected.

We would further point out that a 6 month rental void has been included in both the above cases and we would expect some developers to take a view on achieving lettings within this period.

Terry Amos has asked us to point out that whilst the construction cost figures are considered fair and accurate, a developer under competition may well achieve a saving in this respect through negotiated tenders and this would be reflected in this bid for the site.

With respect to the hotel Planning Permission, this was in fact obtained by clients of this firm, The Pastoria Hotel, and they concluded that the scheme was only viable at a site cost of about £2.5m. Whilst we understand that there has been considerable interest in the site from hotel operations it is our opinion that the office, retail and residential Permission is the most valuable.

In conclusion, therefore, we would expect that a bid in the region of £5m may be necessary in order to secure this site.

2. 39 & 45 Orange Street and 1 Charing Cross Road

We understand that discussions relating to the inclusion of these properties within the National Portrait Gallery's scheme are continuing and in the absence of any detailed information with respect to the existing buildings, passing rents and other lease commitments, etc, we are not able to comment on any rental or capital payments which may be demanded of the Gallery.

The costings for the Gallery's proposals given below do not therefore make any allowance in this respect.

COSTS OF NATIONAL PORTRAIT GALLERY PROPOSALS

1. 31-36 Leicester Square, 21 Irving Street & 6 Longs Court

Whilst this site must be acquired as a single lot, costings have been considered with reference to the report prepared by Powell Moyd in July 1986 the brief for which excluded 6 Longs Court. This unit may therefore be considered as a source of revenue through sale-on but has not been reflected in the following figures due to its small relative size and value.

Figures have been agreed on the following bases after discussion between your colleague Terry Amos and Quantity Surveyors, Monk Dunstone Associates.

Option (i) Refurbishment with a minimum of structural alteration:  
this option is deemed inappropriate under all the circumstances.

Option (ii) Refurbishment with extensive structural alterations:

a) To include 1st and 2nd floors as offices - £7.2m (£121 ft<sup>2</sup>)

b) To include the above floors brought up to gallery  
standard - £8.3m (£140 ft<sup>2</sup>)

Option (iii) New building to gallery specification - £8.25m (£139 ft<sup>2</sup>)

We would point out that Option (iii) above assumes building within 'reasonable cost limits': were the premises to be constructed to cost levels equivalent to those employed on the National Gallery the final figure would be in the order to £11m. (£185 ft<sup>2</sup>)

The above costs exclude the following:

- (i) Site acquisition costs in include tenants compensation where appropriate.
- (ii) Professional fees.
- (iii) Legal and financing costs.
- (iv) VAT where appropriate.
- (v) Planning application fees etc.
- (vi) Telephone installations.
- (vii) Loose furniture and fittings.
- (viii) Fluctuations in buildings costs.
- (ix) Any necessary additional foundation works to retained structures.

Monk Dunstone Associates will be writing to you confirming the above figures. Whilst MDA have suggested that the figures should be considered to be as at July 1986, following discussions with your office we have taken these figures to be current costs and inflation allowed for from now over the project period.

In order to derive estimated total project costs we have taken into account the following:

- (i) Site Acquisition at £5m.
- (ii) Tenants compensation (Option (iii)) at £500,000.
- (iii) A two-year construction programme.
- (iv) 9 months to obtain Planning Permission.
- (v) Professional fees at 15% of construction costs to include project management.
- (vi) Inflation on construction costs at 5% per annum.
- (vii) Interim financing at 12%.
- (viii) VAT on refurbishment costs at 15%.
- (ix) Contingency on building costs of 5%.
- (x) Legal and financing fees at 1.5% of project costs.

The total estimated costs on the above basis equate to:

Option (ii)(a)	-	£19,400,000
Option (ii)(b)	-	£21,200,000
Option (iii)	-	£20,100,000.

2. 39 & 45 Orange Street and 1 Charing Cross Road

The construction costs agreed for the redevelopment of the 39 & 45 Orange Street to include the rebuilding of 1 Charing Cross Road behind retained facades and the rebuilding of 6 Longs Court and also to include the construction of Bridge and Tunnel links as described in the aforementioned PSA report are as follows:

6 Long Court		£270,000
39 Orange Street	-	£2,799,360
45 Orange Street	-	£1,944,000
1 Charing Cross Road	-	£172,800
Tunnel Link	-	£500,000
Bridge Link	-	£200,000
<hr/>		
		£5,886,160 : say, £5.9m

The above figure is subject to the same exclusions listed above save for VAT and after allowing for the factors also listed above but excluding any allowance for site acquisition we calculate:

Total estimated Project cost: £9.2m.

All the above costings include for air conditioning and humidity control in gallery areas.

FUNDING

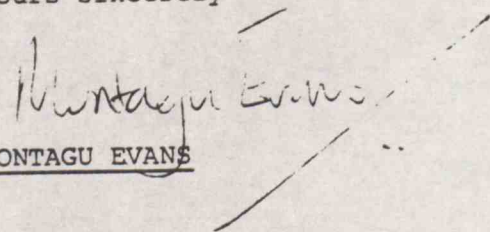
You have briefly described to us the methods by which you are considering this project might be funded and we understand that in essence these proposals might demand a return to an investor based on a decapitalisation factor of approximately 18.51, equivalent to a return of 5.4%. We have set out below in tabulated form the costs of the project elements described above together with the return that would be required on this basis:

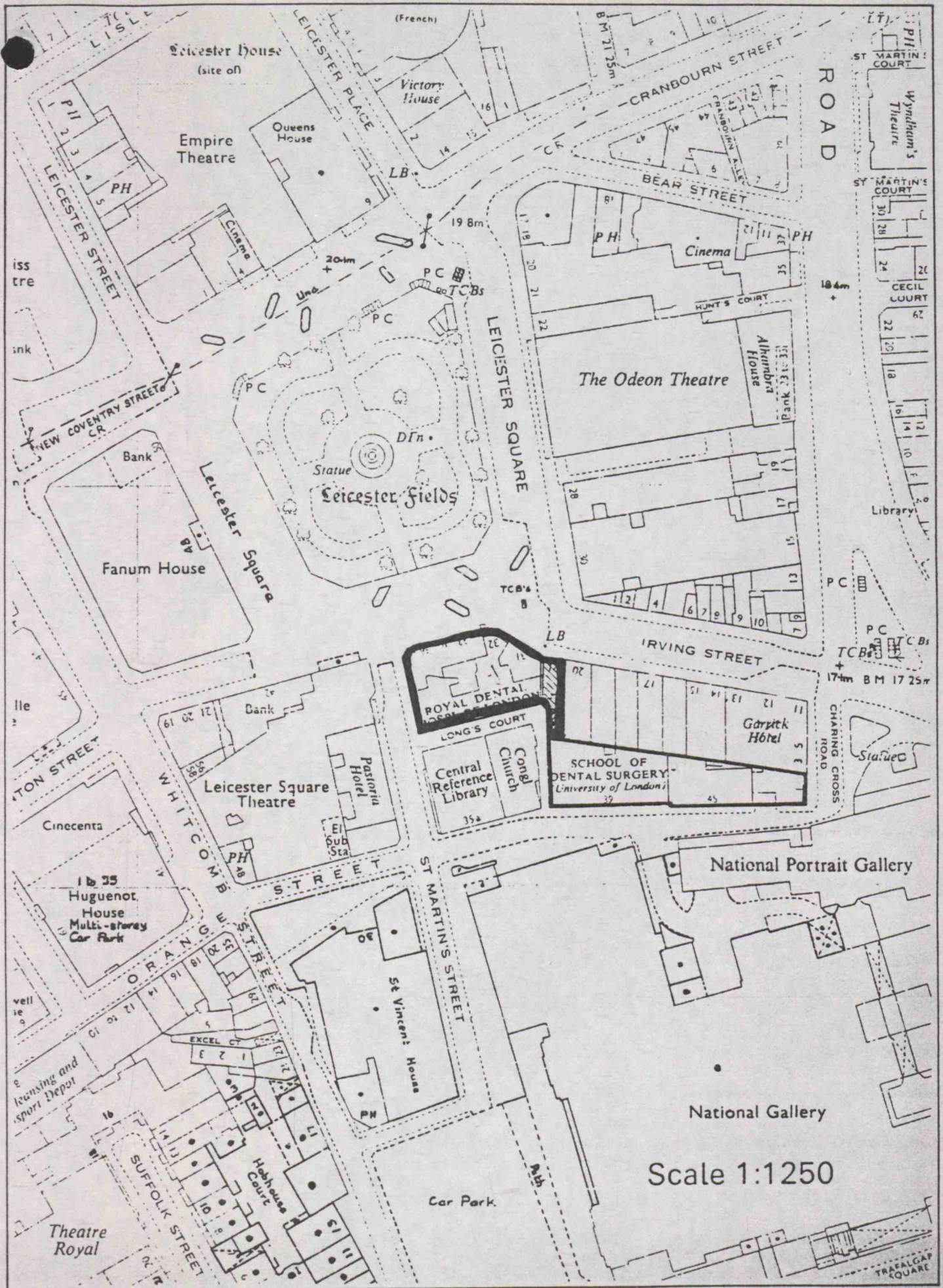
	Cost	Return
Leicester Square/Irving Street		
Option ii(a)	£19.4m	£1.048 per annum
Option ii(b)	£21.2m	£1.145 per annum
Option iii	£20.1m	£1.085 per annum
Orange Street/Charing Cross Road	£9.2m	£0.0497 per annum

It should be noted that with respect to the National Portrait Gallery's annual outgoings they would be responsible for Rates and the usual costs of maintenance and servicing of the buildings.

We trust the foregoing provides a useful initial appraisal and summary of the situation and should you require any further advice or information hope you will not hesitate to contact us.

Yours sincerely

  
MONTAGU EVANS



Scale 1:1250

# NATIONAL PORTRAIT GALLERY

ST MARTIN'S PLACE  
LONDON WC2H 0HE 01-930 1552

10 March 1987

The Rt Hon Richard Luce Esq MP  
The Minister for the Arts  
Office of Arts and Libraries  
Great George Street  
LONDON SW1P 3AL

OFFICE OF ARTS AND LIBRARIES  
ACQUISITION

CALL ( )

MINISTER OF ARTS  
PRIVATE  
C. 1710  
10 MAR 1987  
FILING INSTRUCTION  
FILE NO.

*Dear Richard,*

With the concurrence of my Chairman, Lord Kenyon, I am writing in full support of Mr Godfrey Bradman's most imaginative scheme for the acquisition and redevelopment (or reconstruction) of the Royal Dental Hospital as the much needed extension to the Gallery for our rapidly expanding Twentieth Century Collections, of which a fraction only can be displayed at present, and then only in very cramped conditions.

As you know, as soon as the possibility of acquiring the Royal Dental Hospital arose in 1984, my Trustees were extremely enthusiastic about it as the best possible long-term solution to our needs. They at once realised that the acquisition of this property would obviate the need for a new building for the entire Gallery, which was agreed in principle in a Government White Paper in 1972, when Lord Eccles was Minister for the Arts.

Our present premises in St Martin's Place are immensely popular. Attendance figures have risen steadily, and reached 625,000 last year. We expect to raise 29.1% of our running costs from receipts and sponsorship in the forthcoming financial year. The Trustees have no wish to leave this location; extension onto the Royal Dental Hospital site as well as the smaller Orange Street properties will solve our present desperate need for extra space once and for all. The Trustees see the acquisition of the Royal Dental Hospital as a golden, never-to-be-repeated opportunity, and everyone to whom I have spoken agrees that it is an opportunity which must not be lost.

It has always been clear to me that it would be impossible to mount a campaign for raising the necessary capital unless the site was in our hands. Mr Bradman's carefully prepared scheme overcomes this problem, and I am confident that, having acquired the site, it will be possible to raise the necessary funds.

The Wolfson Foundation is strongly in favour of supporting the redevelopment of the Dental Hospital for the Gallery with a substantial financial commitment. We have the invaluable support of Lord Sieff in his capacity as a Trustee. Mr Bradman has promised to help all he can in persuading donors to contribute

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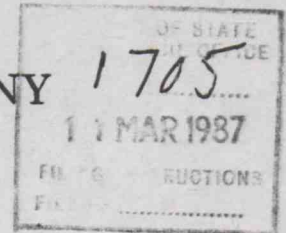
substantial sums. It is my belief that, with the prospect of a magnificent new Gallery rising in such a prestigious location, in the context of Westminster City Council's planned redevelopment of the whole of Leicester Square as an attractive public amenity, it will be possible to attract a number of wealthy benefactors after whom the floors of the galleries in the building could be named.

Yours,  
John

JOHN HAYES  
Director

# ROSEHAUGH PUBLIC LIMITED COMPANY

53-55 Queen Anne Street London W1M 0LJ  
Telephone 01-486 7100 Telex 28167  
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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

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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

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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

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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

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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

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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 B. Luce.



SUBJECT CC MASTER



hli

bc BG

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

22 December 1986

**MEETING WITH SIR WILLIAM REES-MOGG**

Your Minister came to see the Prime Minister a quarter of an hour before Sir William Rees-Mogg arrived. Mr. Luce explained that no good alternative to Sir William as Chairman of the Arts Council was yet available. He was however considering Professor Peacock as a possible candidate.

On other matters, Mr. Luce said it now seemed that Sir John Sainsbury would be willing to take over the Chairmanship of the Royal Opera House. However he would wish to change the management structure, to replace Sir John Tooley and to receive some form of Government assurance about funding. Mr Luce further said that he had not received quite enough extra money in the PES settlement in the Autumn. However, he would live within his budget for 1987-88. Looking further ahead it would be essential to find a solution to the problems of the British Library. (The Prime Minister suggested that some money might be raised by the sale of existing book stores used by the British Library.) If such a solution could be found a further £10 million for the Arts would be a tremendous help. Finally it seemed likely that Lord Carrington would lead a delegation to the Prime Minister in the Spring to make representations about funding for the Museums and Galleries. Mr. Luce said his own ambition was to break the link between the Civil Service and staff in the Museums and Galleries, though there was a Treasury rule which at present would prevent this.

Sir William Rees-Mogg then joined the meeting. The Prime Minister urged him to agree to stay for a further two years rather than a further year. Sir William readily agreed, on the understanding that if a suitable replacement came along he would be ready to stand down. Sir William then gave an account of various matters in the arts world. There was not much fat now left in arts budgets. Companies had tightened up and now no longer expected to be bailed out from overspending. A cash standstill had been set for the Royal Shakespeare Company and the National Theatre. The Royal Opera House was a particular problem. Sir John Tooley and Sir Claus Moser were both coming to the end of their terms of office and a major redevelopment was in prospect. Sir John Sainsbury was the

OTS

preferred replacement for Sir Claus Moser but he was urging the need for extra Government help for which there was only limited scope. He might ask to see the Prime Minister. The Royal Opera House needed resources for redevelopment and to meet a shortfall in current receipts. It was likely that seat prices would be increased, but costs would also need to be cut perhaps by moving to one ballet company and two opera seasons. The English National Opera was at present performing best of the major companies. The policy of maintaining standards in London but raising standards in the regions should continue. Sir William agreed with the Prime Minister on the importance of maintaining London as a centre of excellence but also pointed to the way in which particular institutions outside London could also attain the highest standards: the City of Birmingham Symphony Orchestra was now probably better than the London orchestras. To maintain the living arts in this country would require some continuing public funding. The Government could help the arts world feel more secure for the future by suitable expression of future funding policy. It would be a particular help to the major companies if they were able to plan three years ahead on a stable basis.

The Prime Minister agreed that the ability to plan for the future on a stable basis was important, whilst noting that a full real terms guarantee could not be given in the face of very sharp movements in prices. She concluded by thanking Sir William most warmly for his agreement to stay on for a further two years as Chairman of the Arts Council.

(DAVID NORGRIVE)

Michael Stark, Esq.,  
Office of Arts and Libraries.

CONFIDENTIAL

PRIME MINISTER

MEETING WITH SIR WILLIAM REES MOGG

You will be seeing Mr. Luce for a quarter of an hour before Sir William Rees Mogg comes in. Mr. Luce is likely to tell you about the position on the British Library and the National Portrait Gallery, to mention the Manifesto and to say that the museums and galleries are building up to make representations to you possibly in March. (The delegation is likely to be led by Lord Carrington who held a dinner about their funding recently.)

Sir William Rees Mogg is willing to serve another year as Chairman of the Arts Council but he apparently needs a supportive gesture from you. The brief below suggests that this would take the form of encouraging words in the meeting followed by a letter from you. A draft of the letter is attached. Sir William would like to be able to release it to the Press and say why he is staying on. (I assume the reason he would give is that the small role for the Arts Council which is threatened by other political parties has made it difficult to find a good successor during the run-up to the next election.)

The draft letter is included for your signature, *at the back.* and you could give it to Sir William at the meeting if you wished. (I amended the original version provided by the OAL to reduce still further any impression that the Government was inclined to accept the Cork Report.) I suggest you should agree with Sir William what he would say as the reason why he is being asked to stay on.

You will also wish to look carefully at the suggested line for the Manifesto.

DNS

DAVID NORGROVE

19 December 1986

## MEETING WITH SIR WILLIAM REES-MOGG: CHAIRMANSHIP OF THE ARTS COUNCIL OF GREAT BRITAIN

### Background

Sir William Rees-Mogg's 5-year term as Chairman of the Arts Council ends at 31 March 1987. He has had a difficult time satisfying the demands of an expanding arts world within limited grants, although these have more than kept pace with inflation:

Arts Council	<u>1979/80</u> £m	<u>1987/88</u> £m	<u>%</u> inc	<u>%</u> inc (real terms)
Total grant	61.5	138.4	125	30
less GLC/MCC abolition money		114.4	86	8

Other political parties are committed to major changes in the structure of arts funding, involving a diminution of the role of the Council. This has made it difficult to find a good successor during the run up to the next Election. The Minister for the Arts feels that by far the best solution would be to ask Sir William to serve for one more year. Sir William has indicated that he would be prepared to do so if he felt he had top-level support. He hopes that the Prime Minister will give that support at their meeting, and ideally in a subsequent letter such as the Prime Minister sent him on 9 April 1984 when the Arts Council's regional development proposals ("The Glory of the Garden") were published.

### Present meeting

Sir William will no doubt take the opportunity to say how hard it has become to satisfy the funding ambitions of all arts clients. He is convinced that the policy of devolution must be continued, and he would like to see this through. He also would like to go out on a positive note, such as implementing some of the ideas in the Cork Report on the theatre. This has a number of expenditure proposals including the creation of six major regional theatre companies at a cost of £5m pa; but the Arts Council have as yet made no proposals to Government and it would be premature to comment.

Sir William may refer to the current crisis at the Royal Opera House (ROH), which is facing a deficit of £3m in the 1987-88 financial year because artistic expectations have again outstripped its management controls. The Arts Council have no wish to fund this deficit, which will have to be brought under control in other ways. The ROH also have plans for a major rebuilding scheme, costing £56m, to be funded entirely by commercial development and private sponsors.

Whether their proposals (which need the approval of the Minister for the Arts) are realistic is currently under consideration. The possibilities of private donations have recently been demonstrated by the Sainsbury family's gift of over £20m to build an extension to the National Gallery.

#### Line to take

Sir William can be complimented on the way that the Arts Council has handled the GLC/MCC abolition. The Government increased central funding by £25m in 1986-87 and £24m in 1987-88 to compensate for the loss of metropolitan arts support; the Arts Council have used this increase well to obtain matching local authority funding. As a result no major arts body has gone to the wall.

Sir William may argue that the manifesto for the next Election should say at least as much as that in 1983, namely that the Government undertook to 'maintain the level of its support for the arts', otherwise the arts world is bound to be critical. This is a reasonable point and the Prime Minister may wish to agree. Whether the government can deliver such a pledge may depend in part on a solution to the problems of funding and managing the British Library St Pancras project, on which the Minister for the Arts is consulting Treasury and other Ministerial colleagues.

The Prime Minister might also note the Arts Council's allocations for 1987/8, announced on 19 December (a copy of their press release is enclosed). The main themes are: some further shifts of resources towards bringing excellence in the arts to the regions; rewarding successful arts institutions (like the English National Opera); and tighter managerial scrutiny of all funded bodies. Grants to the Royal Shakespeare Company and the National Theatre will be held to the previous year's level: that to the ROH is still under consideration.

It would be helpful if the Prime Minister could say that the Government would like Sir William to stay on for a further year to see through the policies he has begun, and to acknowledge the relevance of the Cork Report proposals, though no promise can be made of additional funding in 1988-89. Sir William has indicated that he would be willing to stay on if he can make public the Government support and the reason for the additional year. A

draft is attached which the Prime Minister might send after the meeting; and the Prime Minister might make it clear that she would be prepared for him to release it.

OFFICE OF ARTS AND LIBRARIES

19 December 1986

MR WRIGHT

cc Mr Stark  
Mr Wilding  
Mrs Brown  
Mr Lodge  
Mr Grubb

ARTS COUNCIL: ALLOCATION OF GRANT IN AID 1987-88

I attach the Arts Council's Press Notice. The allocation is in very broad terms: art forms only apart from the implicit figures for South Bank, NT, and RSC (standstill) and ENO (small increase). The detailed figures for individual arts companies will not be released until January. Little can be deduced from the announcement about the position of individual companies: in respect of the ROH it is said that 'discussions are continuing'.

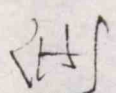
Line to take

The Minister welcomes the Arts Council's early announcement of their broad allocations to art forms. He is pleased that within overall constraints the Council have been able to find a little more for touring, successful regional companies, the English National Opera and regional development through the RAAs.

ROH

If asked about the ROH situation specifically we should say that "We note discussions between the Council and the ROH are continuing, and have confidence that a solution to present difficulties will be found".

The ROH revenue crisis is unlikely to be resolved until the New Year.

  
R H STONE  
19 December 1986  
enc

19 December 1986

## ALLOCATION OF GRANT-IN-AID 1987/88

The Arts Council at its meeting on Wednesday (December 17) agreed the broad allocation of its grant for 1987/88 and today (Friday) announced allocations to the Scottish and Welsh Arts Councils and the South Bank Board, and the grants to English National Opera, the National Theatre and the Royal Shakespeare Company, as well as to the 12 Regional Arts Associations. Discussions are continuing about the grant to the Royal Opera House.

Faced once again with an inadequate level of grant from the Government, the Council, following advice from its panels, has adopted a flexible approach to the allocation of funding. The Council has ordered a review of its own overheads and those of the Regional Arts Associations. Some companies - for example the National Theatre and the Royal Shakespeare Company - will be given a cash standstill. However the Council's flexible approach will enable it to offer an increase to English National Opera and to some of the more successful regional companies. Individual grants will be decided and announced in due course.

The government's £1 million reduction in funds available to replace arts spending by the GLC and the metropolitan County Councils will be passed on to the organisations affected, including the Regional Arts Associations. However there will be no reduction for clients given a cash standstill in their basic Arts Council grant.

The Secretary-General, Luke Rittner, said: "This year many arts organisations, already working at peak efficiency, will have to use all their ingenuity and management skills to stay in business. Some of our companies face the prospect of alarming deficits if, on a diminishing income, they are to meet the continuing demand for their activities. In a bid to help companies to plan their future in these difficult circumstances we are proposing to hold talks with the Office of Arts and Libraries and the national companies to see whether for planning purposes, we can enter into three-year funding arrangements initially for major companies".

Base line grants to the Regional Arts Associations and allocations to the Scottish and Welsh Arts Councils reflect the general increase in the Arts Council's own base grant. In addition the Council has found an extra £159,000 to distribute among the non-metropolitan RAAs.

Notes

Comparable figures for the current financial year have not been included because, the allocations are being issued in a new format to conform to the Council's recently re-organised structure, and comparisons are effected by devolution and abolition.

- 2 For the first time the funding to the four national companies is included within the relevant art form allocation (i.e. The Royal Opera and English National Opera within Music, the National Theatre and Royal Shakespeare Company within Drama, the Royal Ballet and Sadler's Wells Royal Ballet within Dance & Mime). There will be additional money for touring by the RSC and Sadler's Wells Royal Ballet.
- 3 The Arts Council's total grant-in-aid for 1987/88 is £138.4 million. This includes £24 million for abolition replacement funds (a reduction of £1 million on the current financial year) and £600,000 for the Scottish Arts Council, following local government re-organisation. Abolition replacement funding is included in the figures attached.

ARTS COUNCIL ALLOCATION OF GRANT 1987/88

	£
ART	1,899,000
COMBINED ARTS	997,000
DANCE	10,783,500
DRAMA	<u>26,220,000</u>
FILM, VIDEO AND BROADCASTING	447,500
LITERATURE	462,500
MUSIC	<u>22,745,000</u>
TOURING	7,608,000
REGIONAL ARTS ASSOCIATIONS	<u>27,472,750</u>
PLANNING/DEVELOPMENT	903,400
MARKETING AND RESOURCES	140,000
DEVOLUTION OF CLIENTS/ACTIVITIES	2,722,500
ADMINISTRATION & SERVICES	4,719,350
CONTINGENCY	360,500
SURPLUS BROUGHT FORWARD	<u>(1,000,000)</u>
SUB TOTAL ACGB	106,481,000
SOUTH BANK	8,758,000
SCOTLAND	14,120,000
WALES	7,880,000
HOUSING THE ARTS	1,161,000
	-----
Total Grant in aid	£138,400,000
	=====

\* This includes provision for the Council's Education, Training, Ethnic Minority Arts, Disability, and Research units.

GRANTS TO REGIONAL ARTS ASSOCIATIONS 1987/88

	£
EASTERN ARTS	1,686,000
EAST MIDLANDS ARTS	1,819,000
GREATER LONDON ARTS	7,745,000
LINCOLNSHIRE AND HUMBERSIDE ARTS	882,000
MERSEYSIDE ARTS	1,086,000
NORTHERN ARTS	3,510,500
NORTH WEST ARTS	1,994,500
SOUTHERN ARTS	1,317,500
SOUTH EAST ARTS	1,265,000
SOUTH WEST ARTS	1,582,500
WEST MIDLANDS	2,276,000
YORKSHIRE ARTS	2,068,000
	-----
	27,232,000
additional funds for non-metropolitan Associations	159,000
additional funds for devolved clients' accumulated deficits	81,750
	-----
TOTAL	£27,472,750
	=====



10 DOWNING STREET

D&N

Re your minute to Michael  
Stark 26/11/86 (ad-flec):

Michael feels that the National  
Portrait Gallery realise that there  
is no chance of raising the money  
and that the sale will therefore  
go ahead.

Also see PQ attached.

Content?

No. I think the PQ  
will want to know more  
precisely ~~is~~ that  
the Portrait Gallery  
have failed to raise  
the money.

S:U  
17/12.

D&N

M. Stark speaking to D&N.  
(PTO)

(see over)

DRN,

National Portrait Gallery

I understand you have  
spoken to M. Stark on this  
and that he will be writing  
to you in the New Year.

Content to BF for  
5-1-87?

No need to

check this. S:U  
17/12

## THE ARTS

## National Portrait Gallery

**Mr. Faulds** asked the Minister for the Arts whether he will take steps to acquire the site of the former Royal Dental hospital in Leicester square, to enable the National Portrait Gallery to extend the number of paintings on public display.

**Mr. Luce:** I have informed the trustees of the National Portrait Gallery that no public funds are available for the acquisition of the site of the former Royal Dental Hospital in Leicester Square.

The National Portrait Gallery will gain some 29 per cent. net additional space (to be used for a variety of purposes) when it moves into the Crown-leased Orange Street properties, which are being rented and refurbished with the help of public funds.

I am in touch with the trustees of the gallery about further action they might take on the matter.

## News International

**Mr. Dobson** asked the Minister for the Arts whether he has anything to add to his answer on Monday 24 November, *Official Report*, column 13, when he stated that certain named local authorities had maintained their ban on News International newspapers in libraries in defiance of sound legal advice.

**Mr. Luce:** I refer the hon. Member to the Answer I gave to my hon. Friend the Member for Ealing, North (Mr. Greenway) on Thursday, 3 December 1986 at column 729

**Mr. Dobson:** asked the Minister for the Arts what was the source of the information he gave in his answer on Monday 24 November *Official Report*, column 13, about News International newspapers in libraries.

**Mr. Luce:** Information regarding the lifting of the ban and the intentions of News International was obtained from the solicitors acting for News International and press reports.

Information about Camden, Ealing, and Hammersmith and Fulham having maintained their ban in defiance of advice received was obtained from the draft judgement of Lord Justice Watkins in the High Court judicial review proceedings brought by News International.

## NATIONAL FINANCE

## Taxation

**Mr. Nicholls** asked the Chancellor of the Exchequer what proportion of total tax revenues was paid by the top 5 per cent. of taxpayers in the years since 1973-74.

**Mr. Norman Lamont:** I assume that my hon. Friend is referring to income tax paid by individuals. Information is given in the table. The analysis is of single people and married couples and the quantiles are determined by reference to income tax liability. The figures are based on the surveys of personal income for years up to 1984-85. For subsequent years, they are based on projections from the 1984-85 survey and are therefore provisional.

## Quantile shares of Income Tax

Per cent.

Year	Quantile group of tax units <sup>1</sup> Top 5 per cent.
1973-74	28.6
1974-75	26.9
1975-76	24.7
1976-77	24.6
1977-78	24.9
1978-79	24.0
1979-80	23.4
1980-81	24.4
1981-82	24.8
1982-83	25.4
1983-84	25.4
1984-85 provisional	26.0
1985-86 provisional	26.5
1986-87 provisional	27.0

<sup>1</sup>ie counting married couples as one and combining their incomes.

## Public Spending

**Mr. Tony Lloyd** asked the Chancellor of the Exchequer what assessment he makes of (a) the share of public spending going to the north-west region, (b) the per capita share of public spending going to the north-west region, and (c) the per capita share of public spending for the nation as a whole.

**Mr. MacGregor:** I shall let the hon. Member have a reply as soon as possible.

## Value Added Tax

**Mr. Tim Smith** asked the Chancellor of the Exchequer when he expects to take decisions on the range of options set out in the consultation document on value added tax input tax dated 7 August.

**Mr. Brooke:** My right hon. Friend the Chancellor hopes to make an announcement before the end of 1986.

## Money Transactions

**Mr. Dobson** asked the Chancellor of the Exchequer in what circumstances a financial institution is obliged by regulation to inform the police of international money transactions.

**Mr. Ian Stewart:** I shall let the hon. Member have a reply as soon as possible.

## Bank of England Notes

**Mr. Tony Banks** asked the Chancellor of the Exchequer when the guidelines relating to the use of reproductions of Bank of England notes are next due to be reviewed.

**Mr. Ian Stewart:** These guidelines are entirely a matter for the Bank of England.

## Johnson Matthey Bankers

**Dr. McDonald** asked the Chancellor of the Exchequer if he will publish in the *Official Report* his latest estimate of the total loss to the Bank of England, arising out of its investment in Johnson Matthey Bankers.

**Mr. Ian Stewart:** This is a matter for the Bank of England. As I indicated to the hon. Member on 28



*file to*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

2 December, 1986.

**NATIONAL PORTRAIT GALLERY**

Thank you for your letter of 1 December reporting the latest position on the National Portrait Gallery. The Prime Minister has noted this.

I am sending copies of this letter to Jill Rutter (Chief Secretary's Office, HM Treasury), Giles Denham (Department of Health and Social Security) and Robin Young (Department of the Environment).

(David Norgrove)

M.C. Stark, Esq.,  
Office of Arts and Libraries.

*lw*



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

Our ref: C086/39

From the Minister for the Arts

David Norgrove Esq  
10 Downing Street  
London SW1A 2AA

Prime Minister<sup>2</sup>  
for information.

1 December 1986

DRS  
2/12

Dear David,

NATIONAL PORTRAIT GALLERY

Thank you for your letter of 26 November recording the discussion between the Prime Minister and Lord Sieff.

Following the meeting, Mr Luce has spoken to Lord Dainton and to Mr Koch's UK agent, Mr Peter Trumper.

Lord Dainton's initial response was fairly positive. Although he did not mention the Goldsmith Foundation (and nor did Mr Luce), Lord Dainton thought that the Wolfson family might be interested in a project of this kind. He suggested that Lord Sieff should pursue this possibility directly with him. This is now in hand.

Mr Trumper, having consulted Mr Koch in America, reported back to Mr Luce that Mr Koch was not able to contribute himself to the purchase or redevelopment of the Royal Dental Hospital building, but wondered whether the Crown Estate Commissioners (CEC) might be interested in purchasing the site, developing it and leasing all or part of it to the Gallery. This is not in fact a new proposal; it was discussed between Lord Kenyon, Chairman of the Gallery Trustees, and the CEC in September of last year. We have been in touch with the CEC again; they have reaffirmed what they had told Lord Kenyon then, namely that they were ready to consider such a proposition, and could do so at short notice if necessary, but they were bound to ask the Gallery to pay a full commercial rent. This presents a similar problem to that of outright acquisition and would only be feasible in the unlikely event that within the next two weeks the Gallery can find a private donor who would agree to give regular annual funds to the amount of the rent.

Mr Luce has informed Lord Sieff of the outcome of these various approaches. We have also reminded the Gallery, to avoid any

misapprehension, that it would not be proper for the Trustees, as Trustees, to seek to borrow capital or raise loans. They have no statutory powers to do so, and to allow the national museums and galleries to raise money in this way would imply an unacceptable contingent liability on public funds, either directly or on publicly-funded assets such as the collections themselves. This is not to say, though, that Lord Sieff, or other Trustees, could not raise loans on their own personal account if they so wished.

The owners of the Royal Dental Hospital have now advertised the property on the market. The first advertisements appeared in the specialist press this last weekend. At the same time the Property Services Agency are pressing ahead with the negotiations to obtain the leasehold of the Dental School building in Orange Street for the Gallery's use.

As requested, I will keep you informed of significant developments.

Copies of this letter go to Jill Rutter (Chief Secretary's Office, HM Treasury), Giles Denham (Department of Health and Social Security) and Robin Young (Department of the Environment).

*Yours ever*  
*John Rutter*

*R* M C STARK  
Private Secretary

Arts & Amenities National Portrait Gallery August '86



COULD NOT

10



10 DOWNING STREET  
LONDON SW1A 2AA

MT  
COAL  
HMT  
DHSS

THE PRIME MINISTER

1 December 1986

Dear Marcus,

Thank you for your letter of 28 November.

I can understand the reluctance to move the Gallery's archives out of London, though the benefits of having the archives close by need of course to be assessed against with the benefits of extra gallery space.

The question of the value of the site would be a matter to take up with the DHSS and the trustees.

I am glad Mr Koch and Lord Dainton are considering the help which might be given. Is there also a prospect of encouraging commercial developers to participate in the project?

Yours  
Raymond

The Lord Sieff of Brimpton, OBE.

rk

PERSONAL

PRIME MINISTER

NATIONAL PORTRAIT GALLERY

As you know, the Wolfson Foundation are considering giving some money to the Gallery. I understand that Lord Dainton is in favour, Lord Wolfson against. The trustees are to have a further discussion on Tuesday.

Letter for your signature to Lord Sieff below.

*DKS*

David Norgrove

28 November 1986

GR

*Please see this  
Correspondence to*

OAL

DHSS

Tsy

*DKS*

9FPPS

Telegrams: Marypena London  
Telex No. 267741  
Telephone: 01-935 4422

Michael House,  
Baker Street,  
London, W.1.

From Lord Siff of Brimpton

28th November 1986

Dear Prime Minister,

I much appreciate your finding the time together with your colleagues to discuss with me the problems of the National Portrait Gallery; I know how busy you are.

I raised the various points you made at the meeting with the trustees of the NPG, who were by chance meeting that day. I spoke strongly about the location of the archives and was told by the Director of the NPG and Lord Kenyon, the Chairman of the trustees, that the archives are in daily use and it would greatly improve the efficiency of the NPG if the archives were located alongside the Gallery. I said we must get our priorities right but they said to house the archives some distance away from the Gallery would be costly in time and personnel.

Lord Wolfson told me last night that Edward Erdman valued the site at slightly under £4 million, not at the £6.1 million that the government surveyor, I forget his correct title, valued it; I do not know who is right.

Contd.

I much appreciate Mr. Luce telephoning me last night to say he had talked to Mr. Koch's representative and was further pursuing the suggestions made at the meeting. He also gave me the telephone number of Lord Dainton of the Goldsmiths and Silversmiths, whom I gather would like to be helpful.

I hope that we shall be able to help the National Portrait Gallery. I am sending a copy of this letter to Richard Luce.

*with all good wishes  
and warm regards,*

*Harold*



B.R.  
PRIME MINISTER

NATIONAL PORTRAIT GALLERY

Mr. Luce has spoken to Mr. Koch's representative in London and Lord Dainton.

Mr. Koch's representative said he would discuss the proposal for support for the National Portrait Gallery with Mr. Koch. He did not dismiss the possibility. Lord Dainton said he would approach the Wolfson Foundation and Lord Sieff will be taking this up with them direct.

I shall keep you in touch.

ms

DW

DAVID NORGROVE

26 November 1986

SUBJECT  
CC MASTER



DSS

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

26 November 1986

Dear Michael,

NATIONAL PORTRAIT GALLERY

The Prime Minister this afternoon met Lord Sieff to discuss the position of the National Portrait Gallery. Mr. Luce and Professor Brian Griffiths were also present.

Lord Sieff pointed to the priority which successive reports on the arts had accorded to the National Portrait Gallery. He asked for help from the Reserve to buy the Royal Dental Hospital site. He accepted that the pressures on public expenditure were very great, but argued that private money would not be forthcoming to enable one part of the public sector to buy a building from another part of the public sector.

The Prime Minister expressed sympathy for Lord Sieff's objectives, but said that no money could be made available from the Reserve.

After discussion, Lord Sieff agreed that it would be worthwhile for the National Portrait Gallery to investigate the possibilities for turning over part of the Royal Dental Hospital site and possibly also part of the Orange Street site for commercial development to help provide finance. This would need to be done within the next two weeks in order to meet the timetable of the Trustees for the Dental Hospital. Potential benefactors should also be approached whether to provide outright donations or interest free loans to enable the Gallery to develop the sites before money came in from commercial sources. Lord Sieff indicated that he would approach Mr. Robert Maxwell, Lord Hanson and Mr. Godfrey Bradman. Mr. Luce said he would approach Mr. Fred Koch and Lord Dainton (for money from the Goldsmiths Foundation), and report the result to Lord Sieff. Lord Sieff further agreed that it would be worth considering moving archive and library material to cheaper accommodation outside London, rather than into the Orange Street buildings. Mr. Luce said that in that event he would be willing to reconsider the application of £400,000 which he had offered towards conversion of the Orange Street buildings.

EC

BP  
The Prime Minister will, I am sure, wish to be kept in touch with progress on this.

I am sending copies of this letter to Jill Rutter (Chief Secretary's Office, HM Treasury), Bruce Calderwood (Department of Health and Social Security) and Robin Young (Department of the Environment).

*J*

*David.*

David Norgrove

Michael Stark, Esq.,  
Office of the Minister for the Arts.

CC BTUP



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

From the Minister for the Arts

David Norgrove Esq  
10 Downing Street  
LONDON SW1

25 November 1986

Dear David,

Prime Minister  
Why is there no possibility  
of bringing in some commercial  
development to fund what the  
Gallery wants, as Covent Garden  
are doing? JLS 25/11

NATIONAL PORTRAIT GALLERY

Thank you for your letter of 20 November. As requested, I  
... enclose a short brief for the Prime Minister's meeting with  
... Lord Sieff at 12.45 on Wednesday 26 November. Attached to the  
brief is a map of the National Portrait Gallery/Dental Hospital  
area.

You also have, as background, the following correspondence:

- a. Lord Sieff's letter of 26 August to the Prime Minister;
- b. Paul Thomas's letters of 1 and 8 October to you;
- c. Mr Luce's letter of 10 October to Lord Kenyon;
- d. The Prime Minister's letter of 13 October to Lord Sieff;
- e. My letter of 20 November to you.

Mr Luce remains firmly of the view that it would be impossible for him to contribute from his existing programme towards either purchase of the Dental Hospital Building or its renovation. For this reason he would advise caution in responding at all positively towards any variant of the proposal which Lord Sieff may come up with at the meeting (eg that the Government should fund part of the purchase costs, guarantee a loan, or take on

some other contingent liability). In his view we should rest on what we are already doing for the Gallery.

Copies of this letter and its attachments go to Jill Rutter (Chief Secretary's Office), Giles Denham (Department of Health and Social Security) and Robin Young (Department of the Environment).

*Yours ever,*

*Michael*

MICHAEL STARK  
Private Secretary

PRIME MINISTER'S MEETING WITH LORD SIEFF: 12.45 ON 26 NOVEMBER

NATIONAL PORTRAIT GALLERY AND ROYAL DENTAL HOSPITAL SITE

LINE TO TAKE

1. Recognise that the National Portrait Gallery has long wanted more display space. Fully understand why Gallery was keen to acquire the Dental Hospital building.

2. We looked very carefully at your proposition that the Government should transfer the Dental Hospital to the Gallery. Ministerial colleagues in OAL, DHSS and Treasury were all consulted in arriving at the decision. As explained in my letter of 13 October, building is not wholly in Government's gift. It has three owners: Crown (whose interest is administered by South West Thames Regional Health Authority) and two independent charitable Trusts. REAL money involved (£6.1 million) which would have to be found from somewhere.

3. Arts budget for survey period (next two years) is fully committed. Looked at possibility of drawing on Contingency Reserve; but this is already under pressure. Existing national museum and gallery buildings need money for repair and maintenance; these had to come higher in Government's priorities. Regret that could not regard capital costs of this level for a new extension as of sufficiently high priority. Have to confirm that Government cannot contribute either towards purchase of Dental Hospital building or renovation costs.

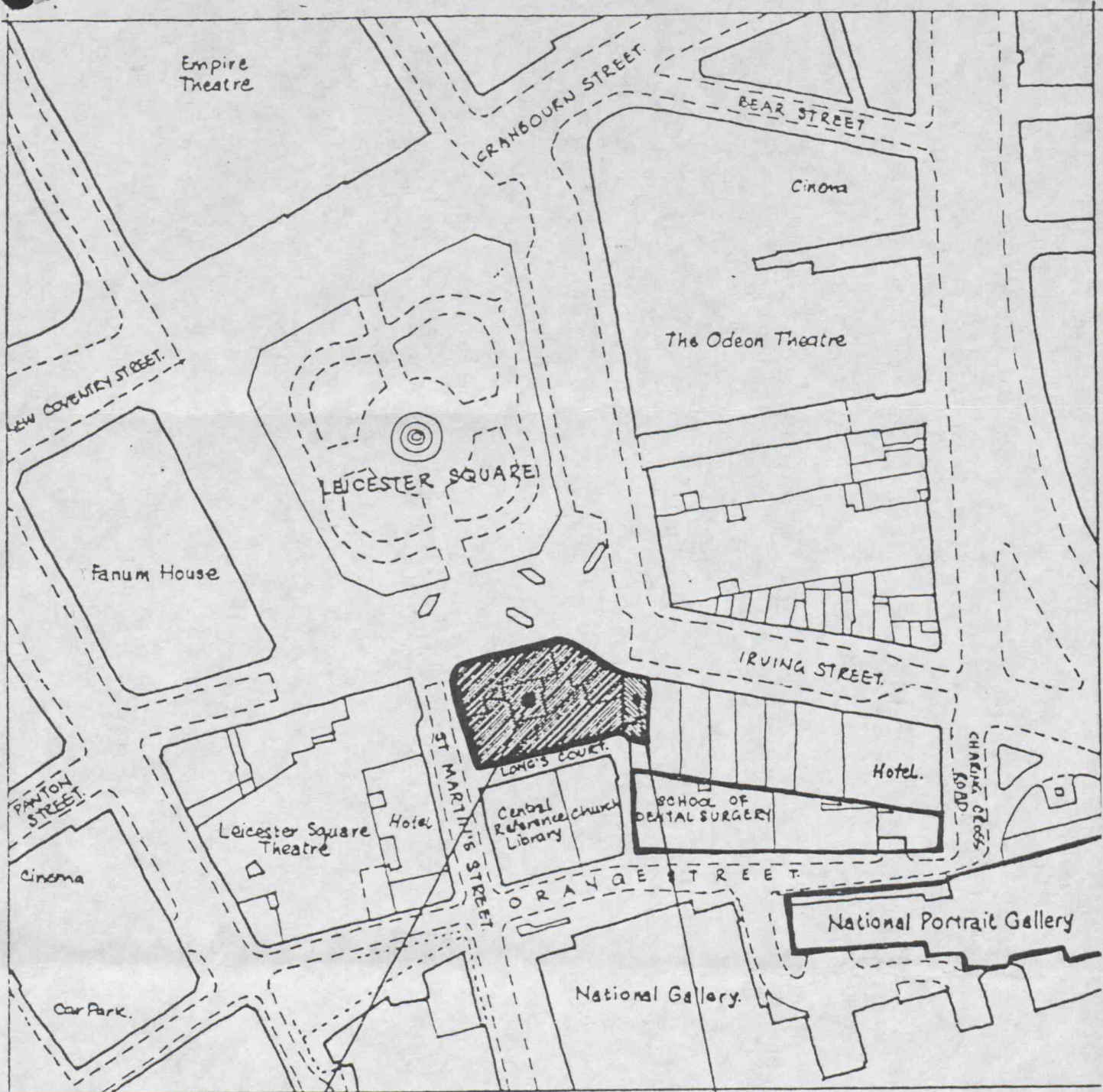
4. Realise this decision was disappointing. But Government has already done a good deal to expand space available to Gallery, by leasing for it and meeting refurbishment costs of three Orange Street leasehold properties. These add 3,200 sq metres (substantially more than the 1,200 sq metres at Carlton House Terrace which Gallery are now to vacate) to Gallery's main building space of 6,000 sq metres. Once Orange Street is occupied, total space available to Gallery will be 9,300 sq metres, a net 2,100 metres (29%) more than at present. Government is investing net £70-100K more in rents, and £300-400K in refurbishment costs (starting probably late 1987), in order to achieve this.

5. Regret Government cannot fund more than this. If Trustees would like to achieve still more display space, will have to be on basis of more intensive use of existing properties: development of Orange Street and/or main building. Would still need injection of privately raised funds but avoids prohibitive costs of site acquisition. Richard Luce discussed this with Lord Kenyon; he is very ready to look into this further with the Gallery. Know that Trustees would have preferred expansion using Dental Hospital building, but believe you should now consider detailed proposals based on existing site.

6. If Lord Sieff insists on Dental Hospital site and promises to raise £6.1m from private sources: wish you well in fund-raising, but as you will be aware, Regional Health Authority have now taken steps to market Dental Hospital property. First advertisements due to appear later this week. Understand that owners would be prepared to abort marketing process up to second week in December, on condition that Gallery can come up by then with full valuer's price of £6.1m; thereafter, other bidders likely to have committed themselves to expenses and Gallery would therefore have to compete on market terms (probably higher than £6.1m).

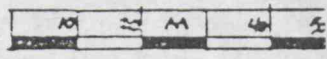
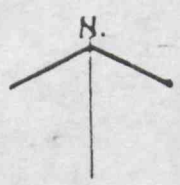
7. If Lord Sieff says he has hopes of producing £6.1m but not likely to be able to do so by mid-December: Understand that owners have taken view that they cannot delay longer without guarantee of compensation for loss if sale to Gallery does not result. Arrangements for such compensation would be for Gallery to negotiate with Regional Health Authority (acting on behalf of all three owners). Compensation on basis of market interest payable on £6.1m might be one possible formula, but cannot guarantee such an arrangement would in fact be acceptable to owners, nor how long they would be prepared to hold off even on such a basis.

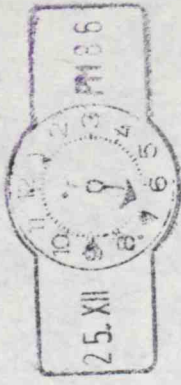
Office of Arts and Libraries  
25 November 1986



THE ROYAL DENTAL HOSPITAL.

No. 21 IRVING ST.







JAZAGG.  
bc&g

BM

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

20 November 1986

Dear Michael,

NATIONAL PORTRAIT GALLERY

The Prime Minister has agreed to meet Lord Sieff next week to discuss the possibility of the National Portrait Gallery purchasing the Royal Dental Hospital School site. Mr. Luce will, of course, be invited to attend this and we shall be in touch to arrange a time.

I have spoken to Lord Sieff to ask what he intends to raise with the Prime Minister. His intention, apparently, is to seek her agreement that the cost of the site, £6.1 million, should be met from the Reserve. He argues that private benefactors would not be willing to give money to enable one part of the public sector to buy a building from another part of the public sector. (You will also wish to see his letter of 17 October, attached *in*). I said I thought the Prime Minister would be very sympathetic to what he is trying to achieve but that, in view of the pressures on public expenditure, I thought it most unlikely that the Prime Minister would be able to agree to his proposal.

Lord Sieff also said that the possibility of a loan from the National Gallery to buy the site has fallen through. He recognises that, even if the National Gallery had been willing to buy the site, the question would immediately have arisen how the Portrait Gallery would have been able to guarantee that in due course it could buy the site from the National Gallery without public money.

I should be grateful for a short brief to be received here the day before the meeting with Lord Sieff.

I am copying this letter to Jill Rutter (Chief Secretary's Office) and Bruce Calderwood (Department of Health and Social Security).

*Yours,  
David.*

(DAVID NORGROVE)

Michael Stark, Esq.,  
Offie of Arts and Libraries



DW

Travels  
pa

10 DOWNING STREET

~~Caroline~~

12.45 -  
13.15 on  
Wed 26<sup>th</sup>

CR

Could you fix 26/11

half an hour next  
week please for

Thomas Sift  
and Richard Luce to  
come to see the P.N.?

The P.N. has agreed.

Wed 26<sup>th</sup>  
12.45  
13.15

DW  
26/11

CONFIDENTIAL

GR'S

CCB/OP



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

*From the Minister for the Arts*

David Norgrove Esq  
10 Downing Street

20 November 1986

*Dear David,*

You asked for advice on Lord Sieff's request to call on the Prime Minister to put to her a request that there should be a delay before the Royal Dental Hospital site is put on the market.

The Prime Minister's letter of 13 October to Lord Sieff said firmly that the government could not transfer the property to the National Portrait Gallery without charge. This confirmed the message which Mr Luce had conveyed the previous week to Lord Kenyon (see Paul Thomas's letter to you of 8 October). Since that date we have had no firm indication from Lord Sieff that he would be able to find the purchase price from private funds, and informal suggestions that the National Gallery might purchase the property and share its use have not so far been spelt out.

Mr Luce would therefore recommend that any meeting or further contact with Lord Sieff on the matter should be on the basis that there is no question of reopening that decision; the government has no funds to put towards the £6.1 million purchase price; nor the estimated £7.2m redevelopment costs which Lord Sieff planned all along to raise from private benefactors; nor, finally, could we make any commitments about contributing to the increased maintenance and running costs, which the National Portrait Gallery have said that they would aim to meet out of generated income.

The present position is that the South West Thames Regional Health Authority (RHA), who are only part-owners of the property (some two-thirds of its value being owned by two independent charitable trusts), are now preparing to put the property on the market, the eventual price to be split between the three owners. Any delay in selling the property will postpone the owners' access to the capital value and could conceivably reduce the capital value realised. One way of measuring the opportunity cost of such a delay would be in terms of the interest which that capital sum might otherwise earn. You and I therefore discussed

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CONFIDENTIAL

the proposition that Lord Sieff might agree to compensate the owners to the tune of the current market interest rate on £6.1m - very roughly, £50,000 per month - for the period which he needs in order to mount his campaign with private benefactors.

I have been in contact with Giles Denham in the DHSS. I gather that the RHA and the charitable trusts had given the Gallery until 14 November to indicate whether they would be prepared to pay compensation in the event of no purchase taking place. The Gallery did not take up this offer within the deadline, and the RHA has therefore now taken steps to market the property. The Gallery are aware of this. If they now wish to reopen the question of a delay, they should put a specific proposal for compensation arrangements to the RHA and the trusts, who will I am sure be ready to consider it carefully. The interest rate formula would be one possibility, but I cannot say whether the owners would in fact agree to it. The detailed arrangements would be (as they always have been) for him to negotiate with the DHSS; the Office of Arts and Libraries would not wish to be involved in that, nor I expect would No. 10.

If however the Gallery could come up, by the second week of December, with the full purchase price of £6.1m, the owners would be ready to abort the sale arrangements which are now going ahead; thereafter other bidders would have committed themselves to expenses and the Gallery would have to compete on market terms.

It may be that there is no need for the Prime Minister to see Lord Sieff in order to put this limited proposition to him. But if she decides to do so, Mr Luce would of course be very willing to be present at the meeting.

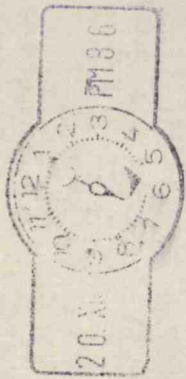
I am sending a copy of this letter to Giles Denham.

*Yours ever,*

*Michael*

M C STARK  
Private Secretary

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CONFIDENTIAL

11

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*file*

*bc:BG*

*BM*

*(Cl's have some papers on this under Lord Sieff)*

PRIME MINISTER

NATIONAL PORTRAIT GALLERY

Lord Sieff has again asked to see you about the National Portrait Gallery, if possible before the end of next week.

You will remember that, as one of the Trustees of the National Portrait Gallery, Lord Sieff lobbied you for extra funds so that the Gallery could buy the Royal Dental Hospital site by Leicester Square. Mr. Luce refused their request on the grounds that the Gallery will already be getting the benefit of another extra building, that the Gallery could not afford the extra running costs even if they were to be given the money for capital costs, and that in any case the arts budget could not give acquisition of the site a high enough priority to warrant giving the Gallery the necessary capital.

There is now, apparently, a new proposal. The National Gallery would use some of its 'Getty' money to buy the site which it would then rent to the National Portrait Gallery.

At first sight this seems to me a dubious proposition. The National Portrait Gallery might still be unable to meet the current costs, including the rental, without further money from the arts budget and who would find the capital cost to buy out the National Gallery when they wanted their money back?

I would urge you not to see Lord Sieff. This is a matter for Mr. Luce, and Lord Sieff is not even Chairman of the Trustees of the National Portrait Gallery. You are unlikely to be able to give him any encouragement.

Agree not to see Lord Sieff?

DAVID NORGROVE

19 November 1986

Telegrams: Mariposa London  
Telex No. 267141  
Telephone: 01-935 4422

Michael House,  
Baker Street,  
London, W.1.

*hw*  
From Lord Siff of Brimpton

17th October 1986

Jean Prime Minister.

Thank you for your letter of 13th October regarding the Royal Dental Hospital site which we trustees hoped might become available for the National Portrait Gallery development.

I appreciate, but naturally regret, the reasons why the National Portrait Gallery cannot be given the Royal Dental Hospital site. Thank you for the trouble you have taken over this problem.

I appreciate what you write about the development of the Dental School and the two adjoining properties in Orange Street. However, this is not really much addition to our space as the properties are to house the library and archives of the National Portrait Gallery, which are presently housed in Carlton House Terrace, when the lease runs out in 1992. I think they may provide a little, very necessary, office space.

With all good wishes  
and warm regards,  
Marcus





JE VC CCF/OP  
COM

10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

13 October 1986

Jean Narans.

When I wrote to you on 9 September about the National Portrait Gallery I said that I had asked Richard Luce to pursue the question of the Royal Dental Hospital site with Lord Kenyon.

Richard Luce saw Lord Kenyon on Thursday and had to tell him, I am afraid, that it would not be possible to transfer the property without charge. Richard Luce did consider this very carefully and I wanted to explain to you myself why he came to this decision.

The building is not wholly in the Government's gift. It has three owners: the Crown (whose interest is administered by the South West Thames Regional Health Authority) and two independent charitable Trusts. The two charitable Trusts would have to be fully recompensed for their interest in the property. Nor would it be right for the National Health Service to forfeit the benefit of their share of the building; the money is needed for their programme of funding capital projects by disposing of redundant buildings.

What this means is that, if the building were to be acquired for the Gallery, the District Valuer's price of £6.1 million would have to be met from the Arts budget. Richard Luce has re-examined his programme very carefully with this in mind and has discussed the problem with other Ministerial colleagues. He has had to conclude, with great regret, that

VC

he cannot give this project priority over other calls on his budget, including repair and maintenance of existing national museum and gallery buildings.

I know that this will be disappointing news. I very much take the point that the National Portrait Gallery needs more space, and I was pleased to hear that plans are well along for the Gallery to take over the Dental School in Orange Street and the two properties next to it. I am glad we have been able to help in this way and to provide funds for refurbishment. I gather that the Trustees also have plans for a more ambitious redevelopment of these new properties. Richard Luce discussed with Lord Kenyon whether it would be possible for the fund raising activities you mentioned to be directed towards this and other options for expanding on the existing estate. I do hope that this will be possible.

Yours ever  
Nagant

The Lord Sieff of Brimpton, O.B.E.

CCB/UP



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

*From the Minister for the Arts*

The Lord Kenyon CBE  
Chairman  
National Portrait Gallery  
2 St Martin's Place  
LONDON WC2

10 October 1986

*Dear Lord Kenyon*

Thank you once again for coming in to see me on Wednesday about the question of the Royal Dental Hospital site.

I want to leave you again in no doubt that I and my colleagues recognise the problems under which the Gallery's staff operate in the buildings they at present occupy, and that we fully understand your keenness to acquire the Royal Dental Hospital site. The OAL, the DHSS and the Treasury have considered the position very thoroughly during recent months, and have come to the view, as I explained, that it would not be possible to transfer the property, without charge, in the way you proposed.

The building is not wholly in the Government's gift. It has three owners: the Crown (whose interest is administered by the South West Thames Regional Health Authority) and two independent charitable Trusts. The two charitable Trusts would have to be fully recompensed for their interest in the property. Nor would it be right for the National Health Service to forfeit the benefit of their share of the building; the money is needed for their programme of funding capital projects by disposing of redundant buildings.

What this means is that, if the building were to be acquired for the Gallery, the District Valuer's price of £6.1 million would have to be met from the Arts budget. I have re-examined my programme very carefully with this in mind and have discussed the problem with Ministerial colleagues. I have had to conclude, with regret, that it cannot be afforded.

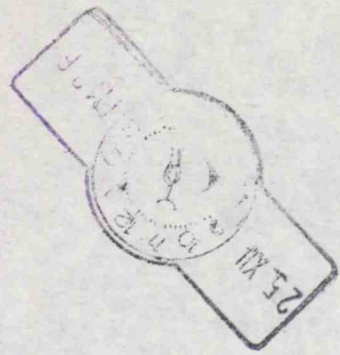
I know that this is very disappointing news for you. I am pleased to have been able to help with the acquisition and basic

refurbishment costs of the Dental School in Orange Street and the two adjacent properties. If any delays have arisen in the process of acquisition on which my officials could help, I hope the Director will let them know. We understood that the Trustees also had plans for a more ambitious redevelopment of these new properties. Since we met my officials have been in touch, as we agreed, with John Hayes to discuss the alternative options for further development of the Dental School/Orange Street properties, and perhaps for infilling areas on the main site, to which the Trustees might consider directing fund-raising activities. I hope that in this way a satisfactory solution can be found.

I will of course take the closest interest  
in all this & would like to help in any way I can.

  
Richard Luce

RICHARD LUCE





Graham Hart  
Alan Bacon.

GR -  
Lord Sieff papers  
CCB/UP

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

*From the Minister for the Arts*

David Norgrove Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

8 October 1986

*Dear David*

NATIONAL PORTRAIT GALLERY

Further to my letter of yesterday's date, I am writing to let you know the outcome of my Minister's meeting today with Lord Kenyon.

Mr Luce told Lord Kenyon that the Government was not able to finance the purchase of the Royal Dental Hospital for the Gallery and encouraged him and his Board to look again at the various other options for expanding the Gallery's display areas by redevelopment of the existing site (including the Dental School).

Lord Kenyon was very disappointed about the Dental Hospital. He regards the chance to purchase this as an unrepeatable opportunity and it is possible that he and his Board will continue to press their case. However it was agreed that the Director of the Gallery and OAL officials should explore urgently the alternative options.

I am copying this letter to Tony Laurance (Department of Health and Social Security), Robin Young (Department of the Environment), and Jill Rutter (Chief Secretary's Office).

*Yours  
Paul Thomas*

PAUL THOMAS  
Private Secretary



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

*From the Minister for the Arts*

David Norgrove Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

7 October 1986

*Dear David*

NATIONAL PORTRAIT GALLERY

Thank you for your letter of 6 October.

... As requested, I enclose a draft letter for the Prime Minister to send to Lord Sieff. Mr Luce has arranged to see Lord Kenyon to explain the decision at 11.00am tomorrow.

I am copying this letter to Tony Laurance (Department of Health and Social Security), Robin Young (Department of the Environment) and Jill Rutter (Chief Secretary's Office).

*Yours  
Paul Thomas*

PAUL THOMAS  
Private Secretary

EL3BICV

~~DRAFT~~ LETTER

Please type.  
DWS

PRIME MINISTER TO LORD SIEFF OF BRIMPTON

In my letter of 9 September about the National Portrait Gallery I said that I had asked Richard Luce to pursue the question of the Royal Dental Hospital site with Lord Kenyon.

Richard Luce saw Lord Kenyon <sup>on Thursday</sup> ~~today~~ and had to tell him, I am afraid, that it would not be possible to transfer the property, without charge, in the way you proposed.

The building is not wholly in the Government's gift. It has three owners: the Crown (whose interest is administered by the South West Thames Regional Health Authority) and two independent charitable Trusts. The two charitable Trusts would have to be fully recompensed for their interest in the property. Nor would it be right for the National Health Service to forfeit the benefit of their share of the building; the money is needed for ~~their~~ their programme of funding capital projects, by disposing of redundant buildings.

X What this means is that, if the building were to be acquired for the Gallery, the District Valuers' price of £6.1 million would have to be met from the Arts budget. Richard Luce has re-examined his programme very carefully with this in mind and has discussed the problem with other Ministerial X colleagues. He has had to conclude, with <sup>great</sup> regret, that <sup>he cannot give this project</sup> it cannot be afforded. <sup>priority over other calls on his budget, including repair and</sup> ~~The Arts budget, like all public expenditure programmes, is tightly drawn and, against that background, he cannot regard new capital costs of this level as of sufficiently high priority. The existing national museum and gallery buildings, as you will know, need more funds spent on them for repair and maintenance and this, among other calls on the budget, has to come higher in Richard Luce's priorities in this field.~~

<sup>maintenance of existing national museum & gallery buildings.</sup>  
I <sup>am</sup> ~~am~~ sorry that this will be disappointing news. I very much take the point that the National Portrait Gallery needs more space, <sup>and</sup> I was ~~therefore~~ pleased to hear that plans are well <sup>along</sup> ~~advanced~~ for the Gallery to take over the Dental School in Orange Street and the two properties next to it. I am glad we have been able to help in this way and to provide funds for refurbishment. I gather that the Trustees also have plans for a more ambitious redevelopment

of these new properties. Richard Luce discussed with Lord Kenyon whether  
it would be possible for the fund raising activities you envisaged to be  
directed towards this and other options for ~~expansion~~ <sup>mentioned</sup> on the existing estate.  
I do hope ~~that this suggestion proves fruitful.~~

that this will be possible,

expanding



GR

Lord SIEFF

10/10

Here

c. B. G.



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 October 1986

NATIONAL PORTRAIT GALLERY

The Prime Minister has seen your letter to me of 1 October about the question of the acquisition of the Royal Dental Hospital site for the National Portrait Gallery.

The Prime Minister has noted that Mr. Luce would have liked to have been able to agree to the proposal, but that neither he nor the Chief Secretary is able to find the money. She has also noted that the Gallery is already to have the benefit of the Dental School and two adjacent properties. The Prime Minister would like to write to Lord Sieff to explain to him the Government's decision and I should be grateful if you could provide a draft in time so that the letter can reach Lord Sieff soon after Mr. Luce has seen Lord Kenyon.

BF ||

I am copying this letter to Tony Laurance (Department of Health and Social Security), Robin Young (Department of the Environment) and Jill Rutter (Chief Secretary's Office).

DAVID NORRGROVE

Paul Thomas, Esq.,  
Office of the Minister for the Arts.

✓

PRIME MINISTER

NATIONAL PORTRAIT GALLERY

Lord Sieff was due to come to see you last month to discuss whether the Government would be prepared to give the freehold of the Royal Dental Hospital site to the National Portrait Gallery. Lord Sieff's illness meant that this meeting had to be cancelled, but you asked departments to consider the proposal quickly and sympathetically.

Mr. Luce concludes that Lord Sieff's request cannot be met. He acknowledges the opportunity the empty site would give to the National Portrait Gallery and the advantages to Leicester Square itself. But DHSS would have to be compensated for the £6.1 million cost of the donation. Mr. Luce says he cannot find this, and the Chief Secretary is not willing to find the money from the Reserve. (Mr. Luce's priorities are shown by the fact that he has not asked for money for this as one of his bids in the Survey.) Even if the site was given to the Gallery Mr. Luce thinks the Government (ie. the Reserve) would have to be prepared also to find, if necessary, money for redevelopment of the site, and for maintenance and running costs. He further points out that the Gallery will anyway be getting the benefit of the Dental School and two other properties.

Mr. Luce proposes to tell Lord Kenyon, Chairman of the Trustees, his decision next week.

*Yes*  
If you are prepared to go along with this I suggest you write a letter to Lord Sieff to explain the position, to arrive with him after Mr. Luce has seen Lord Kenyon. I shall arrange for a draft.

*DN*

*Thankyou*

DAVID NORGROVE

3 October 1986

SL2AJM

CCB/UP



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

*From the Minister for the Arts*

David Norgrove Esq  
10 Downing Street  
LONDON

1 October 1986

*Dear David,*

NATIONAL PORTRAIT GALLERY

As requested in your letter of 10 September, Mr Luce has pursued the question of the acquisition of the Royal Dental Hospital site for the Gallery with the other Departments concerned. The following incorporates the views of DHSS, PSA and the Treasury.

Lord Sieff's proposition, in his letter to the Prime Minister of 26 August, was that the Government should donate the building without charge, and he and his fellow National Portrait Gallery Trustees would then seek to raise the redevelopment costs. The scheme has considerable attractions. The National Portrait Gallery is certainly short of display space and has been for many years. The empty Dental Hospital site provides an opportunity to acquire premises in the immediate vicinity of the Gallery (see ... the attached map), an opportunity that is unlikely to be repeated. The principle of partnership between Government and private sector financing is welcome, and responds to a central theme of the Government's policy for the Arts. And the scheme could also provide the Government with an opportunity to enhance the character of an increasingly run down Leicester Square.

For all these reasons Mr Luce would have liked to have been able to agree to the proposal. He has examined his programme again with this in mind but has had to conclude that, within the resources available to the Arts budget, it is not possible.

Lord Sieff's suggestion is that the building should simply be transferred from the Department of Health and Social Security to the Gallery's use. This however entails the capital cost - £6.1 million is the District Valuer's current price - coming from somewhere. Tony Laurance's letter of 8 September explained the position on the triple ownership of the building. If it were

acquired for the Gallery's use the two charitable trusts concerned would, of course, have to be recompensed for their share. Nor is it in the gift of the DHSS, as the third owner, to forego the benefit of their interest in the building. The money would therefore have to come from the existing Arts budget or an addition to it from the Contingency Reserve.

The Arts budget is fully committed for the current year and there is no scope for making offsetting savings of anything like this magnitude. Even if the capital acquisition costs could be found, this would not exhaust the contingent liability on public funds. If anyone is capable of raising the very substantial sums required for the redevelopment, Lord Sieff is, but one cannot rule out the possibility of a shortfall. Again, the opening of any new gallery extension brings with it additional running and maintenance costs. The National Portrait Gallery have said that they would aim to find these additional costs from generated income but it has to be said that this is more a statement of intent on their part than a fully worked up proposal.

For future years, as part of the current PES round Mr Luce has bid for additional funds for items which have to be regarded as more urgent than expansion of the National Portrait Gallery, desirable though that is. In the museums and galleries field, more funds are needed to maintain and run the existing buildings. These have to take priority.

The conclusion has to be that the Government could only agree to Lord Sieff's proposal if the acquisition cost of £6.1 million was found from the Contingency Reserve for this year, and if additional funds (on top of the PES bid) were made available for capital redevelopment, maintenance and running costs if the Trustees were unable to raise the full amount themselves. The Chief Secretary has made clear that none of these conditions can be met and, crucially, that he could not agree to access to the Reserve this year for this purpose. In present circumstances, therefore, the Government will, with regret, have to turn down Lord Sieff's request.

Mr Luce proposes to invite Lord Kenyon in to explain why he has had to come to this decision. Because of the need to put the property on the market as soon as possible if it is not to be acquired for the Gallery, he proposes to do this within the next week.

This does not mean that there is no prospect at all of expansion of the National Portrait Gallery. Mr Luce has already authorised the acquisition for the Gallery of the Dental School in Orange Street, and the two adjacent properties (the three properties outlined in red on the attached map). These properties will be used for offices, general storage, the archive and library, a conservation studio and, in the longer term, possibly some additional display space. Funds from the Arts programme have been earmarked for a limited amount of essential refurbishment to allow the Gallery to move in. This will itself release some

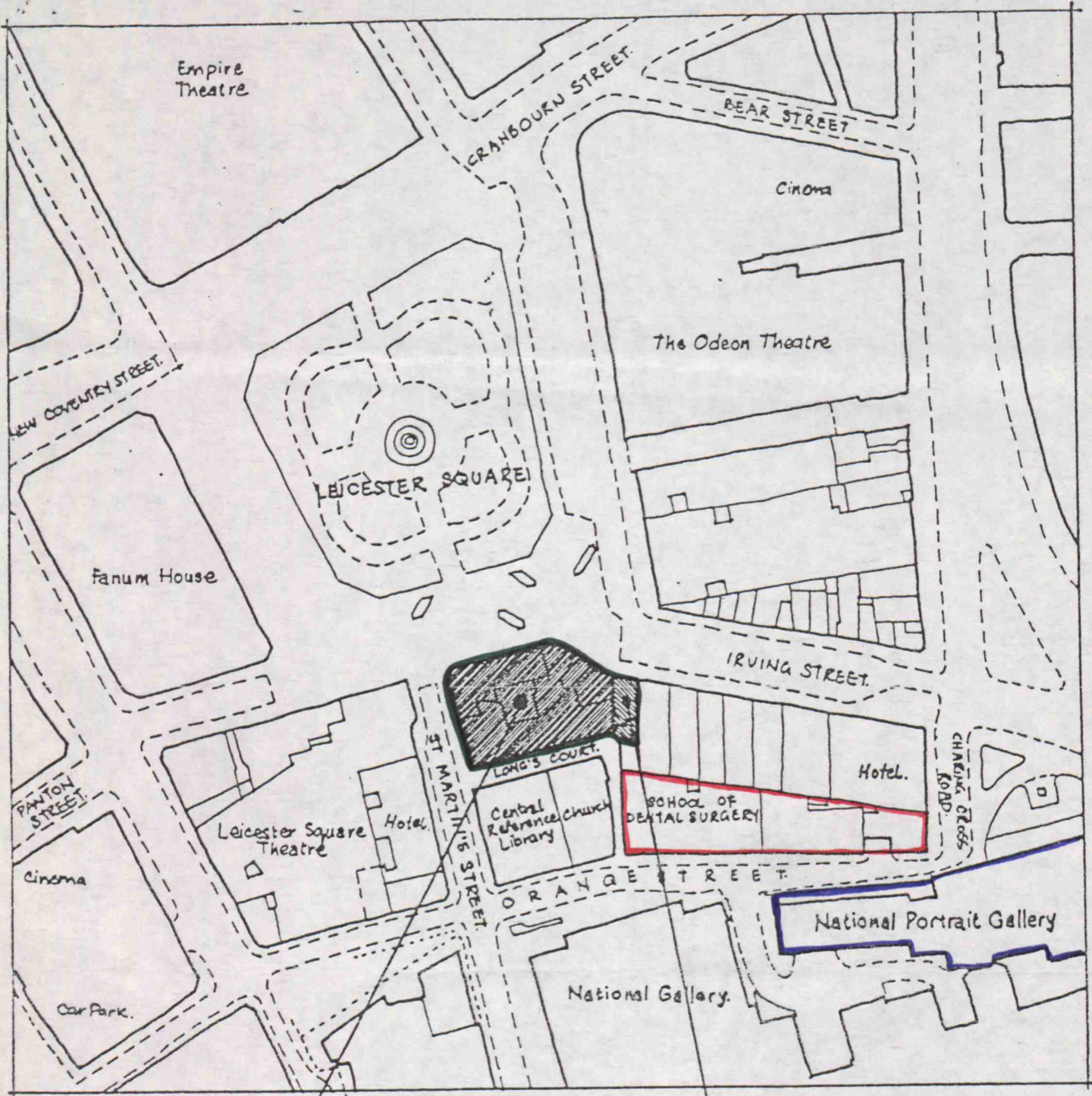
space in the main Gallery building for further public display areas but the Trustees also have more ambitious plans for a radical redevelopment of these three properties. This cannot be afforded from public funds at the moment but a substantial injection of private funds could secure it a place in the programme.

There is also some scope for expansion on the existing site by filling in space above ground at the back of the main building. In telling Lord Kenyon of the decision on the Dental Hospital site, Mr Luce will encourage the Trustees to direct their fund raising activities to these other options, neither of which involve the problem of prohibitive acquisition costs for a new site.

A copy of this letter goes to Tony Laurance (DHSS), Robin Young (DOE) and Jill Rutter (Chief Secretary's Office).

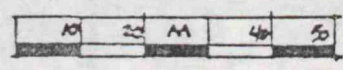
Yours,  
Paul Thomas

PAUL THOMAS  
Private Secretary



THE ROYAL DENTAL HOSPITAL.

No. 21 IRVING ST.





NBPM

Telegrams: Marspenca London  
Telex No.: 267141  
Telephone: 01-935 4422

Michael House,  
Baker Street,  
London, W1A 1DN.

From Lord Sieff of Brimpton  
10th September 1986

Dear Pene Minith

I much appreciate the trouble you took in ringing Lily to enquire about my health.

I am making excellent progress and hope to be out of hospital in a few days.

with all fond wishes  
and warm regards  
Yours  
Marcus

① 30/9

Lord Sieff

24/9

CONFIDENTIAL

24/9/86



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

10 September 1986

NATIONAL PORTRAIT GALLERY

The Prime Minister is, as you know, unable to see Lord Sieff this evening. It may be some while before the meeting can be re-arranged but this need not delay the Government's consideration of the proposal which Lord Sieff has made for the Government to give to the National Portrait Gallery the freehold of the Royal Dental Hospital site. There is in any case a need for an early decision in order to avoid the complications if financial penalties accrue through a delay in disposal beyond the end of September.

The Prime Minister in replying to Lord Sieff has said that she has asked Mr. Luce to pursue this matter with Lord Kenyon, Chairman of the Trustees of the National Portrait Gallery. She has asked that Departments should consider the proposal quickly and sympathetically.

I am copying this letter to Tony Laurance (DHSS), Robin Young (DOE) and Jill Rutter (Chief Secretary's Office).

DAVID NORGROVE

Paul Thomas, Esq.,  
Office of the Minister for the Arts.

CONFIDENTIAL

BM



cf CAS  
COB.

10 DOWNING STREET

THE PRIME MINISTER

9 September 1986

Dear Marcus

I am very sorry that we shall be unable to meet tomorrow as planned to discuss the National Portrait Gallery. But I have read your letter carefully, and I am very aware of your concern about this. As there is some urgency, I have asked Richard Luce to pursue this with Lord Kenyon.

I phoned Lily this evening and was so pleased to hear that you were making progress. The world doesn't seem quite right if you are not in full health and strength.

Yours ever

Lord Sieff of Brimpton, O.B.E.

Raymond

\_\_\_\_\_

vk

PRIME MINISTER

## NATIONAL PORTRAIT GALLERY

Lord Sieff was intending to come to see you tomorrow evening to lobby your support for a transfer from the DHSS to the National Portrait Gallery of the freehold of the Royal Dental Hospital. The value of the freehold is put at £6.1m. The National Portrait Gallery would then mount a campaign for £7.2m from private benefactors needed for developing the extension.

Lord Sieff's illness need not delay the Government's consideration of this proposal.

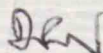
DHSS are rightly saying there is no reason why they should forgo the £6.1m. Mr Luce argues that OAL cannot find the money and says the Reserve should pay. In other words he attaches higher priority to other things.

I imagine you will wish to push this along but if you do so the likelihood is that some if not all of the £6.1m will have to be found from the Reserve.

Agree nevertheless that this proposal should be considered sympathetically and quickly?

Yes

You will also want to reply to Lord Sieff, and a draft is below for your signature. You could if you preferred, and if you have not already written, add this to any personal letter you are sending to Lord Sieff, or enclose it. (Lord Kenyon is Chairman of the Trustees of the National Portrait Gallery.)



DAVID NORGROVE  
9 September 1986

CAJAHX



DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY  
Telephone 01-407 5522

*From the Secretary of State for Social Services*

P A Bearpark Esq  
Private Secretary  
10 Downing Street  
London SW1

8 September 1986

Dear Andy,

Paul Thomas' letter of 29 August to Mark Addison sought confirmation from this Department that the mid-September deadline in respect of the possible purchase of the Royal Dental Hospital site could be extended, without financial penalty to the National Portrait Gallery.

The Dental Hospital site is jointly owned by the Crown and two sets of trustees. The Crown's interest in the site is vested in my Secretary of State who has delegated responsibility for managing that interest to the South West Thames Regional Health Authority. In selling the site, the RHA is acting on behalf of the two sets of trustees, as well as my Secretary of State, and must necessarily act with the consent of the trustees, who in turn are bound to act in the best interests of the trusts they administer.

The RHA and trustees agreed in principle many months ago to sell the Dental Hospital site to the NPG at the District Valuer's valuation. (And this in itself is something of a concession on the trustees' behalf, as experience suggests that it is by no means improbable that a figure in excess of the DV's estimate would result from placing the site on the open market).

The Gallery has had nearly nine months to fund the purchase, and has so far failed to do so. In response to an approach by Lord Sieff, the RHA and the two sets of trustees have offered to give the NPG Trustees until 31 December to raise the purchase price, provided the Trustees undertake that, in the event of them not buying the site, they would compensate the joint owners for the financial loss resulting from a delayed sale.

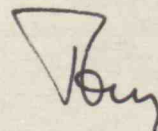
That offer, which the RHA hopes to discuss with representatives of the NPG Trustees later this week, was made on the assumption that the Trustees needed time to raise the purchase price from private sources. Although the conditions on which the deadline is to be extended until 31 December are subject to negotiation, I am advised that it is most unlikely that the two sets of trustees would agree to it without provision for financial compensation. To do so would not be to act in the best interests of the trusts they administer.

**E.R.**

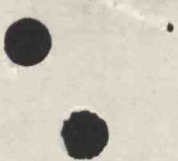
Paul Thomas' letter, raising the possibility that the purchase price might be met from the Contingencies Fund, adds a new dimension. (We could not agree to forgo the estimated value of the site - the SW Thames' share of the proceeds is crucial to funding the Region's hospital building programme). The RHA will, of course, agree an unconditional extension of the mid-September deadline to enable Ministers to reach a decision, and they believe that the two sets of trustees will also agree, provided the extension is a modest one. The RHA does not believe that the trustees would be likely to agree an extension much beyond the end of September without provision for financial compensation if the NPG does not go ahead with the purchase.

We hope, therefore, that consideration within Government of whether the site is to be purchased by transfer from the Contingencies Fund can be completed speedily.

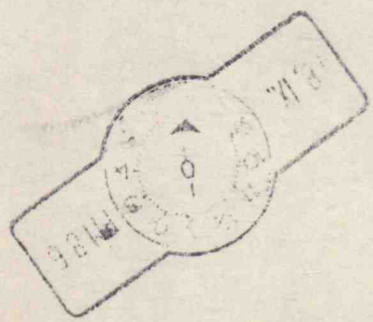
*Tom*



TONY LAURANCE  
Private Secretary



CONFIDENTIAL



●  
Telegrams: Marspenca London  
Telex No.: 267444  
Telephone: 01-935 4422

Michael House,  
Baker Street,  
London, W1A 1DN.

From Lord Sieff of Brimpton

8th September 1986

PERSONAL

Jean M Beaupark,

Just a note to confirm my meeting  
with the Prime Minister at No. 10  
on Wednesday 10th September at 7.00 p.m.

John Leach,  
Marcus Sieff

briefs requested for Tues 9.6.00



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

Mark Addison Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
LONDON  
SW1

My ref:

Your ref:

5 September 1986

*Dear Mark,*

NATIONAL PORTRAIT GALLERY

Thank you for copying to Robin Young your letter of 26 August to Paul Thomas enclosing one from Lord Sieff to the Prime Minister about the proposed expansion of the National Portrait Gallery. I have now also seen Andy Bearpark's letter of 2 September to Lord Sieff.

Although the terms on which the former Dental Hospital might be transferred to the NPG is primarily a matter for OAL and DHSS, this Department has a direct interest since the Gallery's buildings are at present vested in my Secretary of State, and PSA provides all its works services. Our estate surveyors have been closely involved in the negotiations that have taken place so far.

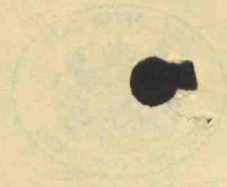
We should therefore be involved in briefing for the meeting with Lord Sieff and my Secretary of State or Sir George Young would be glad to attend any Ministerial discussions that may be arranged on this matter. Equally, officials in the PSA's Museums and Galleries Group would like to be involved in discussions at that level.

I am copying this letter to the other recipients of yours.

*Yours sincerely*

*Brian Leonard*

B H LEONARD  
Private Secretary



PRIME MINISTER

LORD SIEFF - NATIONAL PORTRAIT GALLERY

Lord Sieff wrote to you (Flag A) re regarding the development of the National Portrait Gallery. Before putting this to you we got advice from Richard Luce's office which I attach at Flag B.

Under normal circumstances, <sup>expert</sup> you would like to see Lord Sieff as he is such a good friend. But following the diary meeting on Monday would you please confirm that you would like to do so?

Alternatively, as you are seeing him at the Sourcing in Britain dinner on 29 September, perhaps you could have a word with him about it then?

*CR.*

CAROLINE RYDER

3 September 1986

*Yes not*  
*No - the decision has to be left. Put him in someone's hands well not*

*1900, Wals 10*



cc OAL  
DIT&S  
DOE  
C&T

DA

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

2 September 1986

The Prime Minister has asked me to thank you for your letter of 26 August.

The scheme of development which you describe for the National Portrait Gallery is an ambitious one and would have significant financial implications for the Exchequer and the Trustees.

The Prime Minister would be pleased to meet you to discuss this. We will be in touch with you to arrange a meeting.

(P.A. BEARPARK)

The Lord Sieff of Brimpton, O.B.E.

CA.

Can you please arrange a time when  
Sieff can come in and see how proceed,  
with the arrange briefing etc.

POB

CAJ

B.R.

1. Miss ~~Davis~~<sup>JD</sup> - to be aware of this.

2. PA Bearpark?

MR. WICKS

The PM's door is ever open  
to Lord Sieff. W.L.U

Please see the attached papers about a possible call on the Prime Minister by Lord Sieff to discuss the development of the National Portrait Gallery. I assume the Prime Minister would not wish to turn him down, and the sensible solution then seems to be to arrange a call with Mr. Luce present.

Do you agree?

PA

G.R.

PA type

P. A. Bearpark

1 September 1986

107/2/9



N/T CF  
GR?

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

*From the Minister for the Arts*

Mark Addison Esq  
Private Secretary  
10 Downing Street  
LONDON SW1A 2AA

29 August 1986

*Dear Mr Addison,*

Thank you for your letter of 26 August enclosing a letter to the Prime Minister from Lord Sieff about a scheme to develop the National Portrait Gallery.

The Office of Arts and Libraries is aware of the Gallery's proposals.

The Trustees are asking the Government to transfer the freehold of the Royal Dental Hospital from the DHSS to the Gallery, and to forego the £6.1 million estimated value of the Hospital freehold in the commercial market. If the Government agreed, the Trustees would then mount a campaign to raise from private benefactors the £7.2 million estimated cost of redevelopment.

The Trustees judge, we think rightly, that private sponsors would not be willing to give the £6.1 million to pay the Exchequer for what is already a public building. The Trustees have no funds for this purpose themselves, nor has OAL a possibility of finding any part of this within our Vote for 1986/87 or our bids for future years. For the transfer to go ahead, the DHSS would need to forgo the estimated value of the site, or receive a transfer from the Contingencies Fund, with Treasury agreement.

The Trustees seem confident of being able to raise the costs of redevelopment which they estimate at £7.2 million. The Gallery has also suggested that the running costs of the extension could be met from income from commercial developments incorporated in the building. We are inclined to think that it should be a condition of redevelopment - if the Government

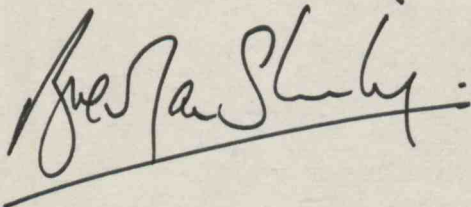
agreed to provide the site - that the Trustees should raise all the costs of redevelopment and should plan the scheme in such a way as to fund running costs from income.

Officials of OAL and PSA have already had some discussion about the scheme with the Gallery. It seems desirable for Lord Sieff to have an opportunity to present the Trustees' view. Mr Luce as Minister for the Arts is of course ready to meet Lord Sieff in place of the Prime Minister or in addition, depending on your views as to whether and when the Prime Minister might wish to be involved.

We understand that the DHSS are willing to extend their 13 September deadline for disposing of the Hopsital. This seems essential if the Gallery's proposals are to be given full consideration, and if the Trustees' commitment to fund redevelopment and running costs is to be tested. But I should be grateful for DHSS's confirmation of their willingness to extend the deadline, without any financial penalty which the Gallery has no means of funding. I attach a draft reply to Lord Sieff.

I am copying this letter to Tony Laurance (DHSS), Robin Young (DOE) and Jill Rutter (Chief Secretary's office).

Yours sincerely,



PP. PAUL THOMAS  
Private Secretary

DRAFT FOR PRIME MINISTER

The Lord Sieff of Brimpton  
Michael House  
Baker Street  
LONDON W1

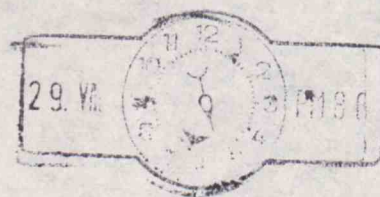
*The P.M. has asked me to*

Thank you for your letter of 26 August.

The scheme of development which you describe for the National Portrait Gallery is an ambitious one and would have significant financial implications for the Exchequer and the Trustees.

*The P.M. would*

I ~~should~~ be pleased to meet you to discuss this. (~~OR I suggest that you might discuss this with Richard Luce as Minister responsible for the National Portrait Gallery.~~) My office/his office will be in touch with you to arrange a meeting.



Lord Sieff  
29/8



lute

SS

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 August 1986

all

I attach a copy of a letter to the Prime Minister from Lord Sieff about the future of the National Portrait Gallery. You will see that Lord Sieff is seeking a meeting with the Prime Minister to discuss this.

I should be grateful for urgent advice, by the weekend if at all possible, so that the Prime Minister can consider Lord Sieff's suggestion at a diary meeting early next week.

I am copying this letter to Tony Laurance (Department of Health and Social Security), Robin Young (Department of the Environment) and Jill Rutter (Chief Secretary's Office).

MARK ADDISON

Paul Thomas, Esq.,  
Office of Arts and Libraries

BM

●  
Telegrams: Marston London  
Telex No. 267141  
Telephone: 01-935 4422

CCBLYP

Michael House,  
Baker Street,  
London, W.1.

From Lord Siff of Brimpton

26th August 1986

Dear Prime Minister,

I am writing to you in my capacity as a trustee of the National Portrait Gallery (N.P.G). The Gallery is desperately in need of additional space.

In 1964 the trustees of the N.P.G. agreed to cede the land which it had been allocated to the National Gallery for its northern extension; in return the N.P.G. was allocated the Hampton site. Feasibility studies carried out by the Department of the Environment proved that the Hampton site was not suitable for the N.P.G. The site was given to the National Gallery.

In June 1972 the government in a White Paper agreed in principle that a new building should be provided for the N.P.G. This was supported by the Standing Commission on Museums and Galleries in its Report for 1965/73 - "It is the Commission's view that a new building for

Contd.

the National Portrait Gallery should be regarded as a first priority after the end of the 12-year programme in 1976." The Museums and Galleries Commission in November 1983 agreed that the N.P.G.'s new building must be given top priority in the government's capital expenditure on museums and galleries.

During this time Gallery attendances have been steadily rising, peaking in 1984 at 581,000. In 1986 we expect attendances to exceed 600,000. The building and its facilities are very inadequate.

In 1984, as a result of the amalgamation of the Royal Dental Hospital and School with Guy's Hospital and their departure for South London, the N.P.G. was provided with a wonderful opportunity to expand its present site in the heart of historic London. This is a far more desirable solution than a new building on a new, and possibly remote, site. The opportunity has become one of wider importance in terms of urban renewal through the decision by Westminster City Council to provide funds for the revitalising of Leicester Square.

---

The Royal Dental School, 30 Orange Street,

Contd.

occupies premises held by the trustees of the School on a 54-year lease (from 1963) from the Crown Estate Commissioners. The adjoining properties, between the Dental School and the Charing Cross Road (45 Orange Street and 1 Charing Cross Road), are both held by the Secretary of State for the Environment on a lease of identical term from the C.E.C; both are to be allocated to the N.P.G, when, in the near future, the existing government occupiers vacate. There would be links across Orange Street to the existing N.P.G. building by a bridge.

Lord Gowrie, when Minister for the Arts, agreed to commit funds in the order of £400/600,000 towards the acquisition for the N.P.G. of the lease of the Dental School. Arrangements for a lease from the C.E.C. are dependent upon decisions about the sale of the Royal Dental Hospital.

A feasibility study, including a structural appraisal, carried out by Powell Moya and Partners, was completed in July 1986. The structure of the building would be eminently suitable for the N.P.G, though a considerable amount of work would be required. The cost of this

Contd.

conversion is estimated at £7.2 million. There is no possibility for the trustees of the N.P.G. to mount a campaign to raise the £7.2 million until it has the buildings.

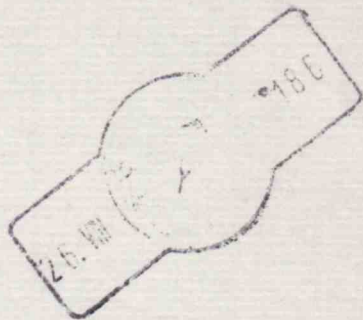
The freehold of the Royal Dental Hospital has been valued at £6.1 million. We are asking the government to transfer the freehold of the Royal Dental Hospital from the Department of Health and Social Security to us. We could then mount a campaign for the £7.2 million needed for development from private benefactors.

Originally we were told we had to have the building by 13th September otherwise it would be transferred or sold elsewhere.

This is a once in a century opportunity. May I come and see you about this.

*with all good wishes  
and warm regards.*

*Maureen.*





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