PREM 19/3610

PART 4

MT
JM

BOX 43

Confidential Filing

Policy towards the Arts

Private Sponsorship of the Arts

Folder: Opera House Annual Report
European Arts Festival Event Guide

ARTS and AMENITIES

Part 1: March 1980

Part 4: May 1990

PREM 19/3610

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~1.5.90~~							
~~19.6.90~~							
~~28.9.90~~							
~~3.10.90~~							
~~21.11.90~~							
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~~9.12.91~~							
~~20.12.91.~~							
~~16.1.92~~							
~~13.2.92~~							
23.6.92							
PT4 BNDS							

● PART 4 ends:-

Sir A Stirling to PM 22.12.92.

~~HMT to DNH 9.12.92~~

PART 5 begins:-

SS|NH to SS|WALES 25.1.93

Published Papers

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

European Arts Festival, July-December 1992: A Nationwide Event Guide
Forward by the Prime Minister
Printed by Dewynters PLC, London

Royal Opera House: Annual Report 1990-91
Published by Royal Opera House Covent Garden Limited, London WC2E 9DD

Signed J. Gray Date 27/9/2017

PREM Records Team

Prime Minister

You will recall that Phillip Harris raised this with you. I will take forward.

Pl. refer

A. Abbott

Box 4

23/12

√ file.

ROYAL OPERA HOUSE
Covent Garden

Royal Opera House
Covent Garden London WC2E 9DD
Telephone: 071-240 1200
Cables: Amidst London WC2 Telex: 27988 Covgar G
Fax: 071-836 1762

From: Angus Stirling *Chairman*

As From
36 Queen Anne's Gate
London SW1H 9AS
Telephone: 071-227 4865

The Rt Hon. John Major, M.P.
10 Downing Street
London S.W.1.

22 December 1992

Dear Prime Minister,

I have just received, through the good offices of Sir Philip Harris, confirmation of a donation to the Royal Opera House, spread over three years, of £2.5 million from Dr Stanley Ho of Hong Kong.

I know that you personally played a crucial part in steering this exceptionally munificent contribution in our direction. I want you to know how much my colleagues on the Board and I appreciate your concern and your support for our work, which contributed so much to making this private donation possible. While we shall not allow this private contribution to diminish in any way our efforts to make prudent and economic use of all our resources, it will significantly help us to reduce our accumulated deficit and to underpin the standards which we are determined to maintain in these difficult times.

I hope very much that you may find the opportunity during the coming year to enjoy one or more evenings with us.

With my very best wishes to you and your family for a peaceful Christmas and good fortune in the coming year

Yours ever,
Angus

cst.ps/let/18mp8.12

UNCLASSIFIED

Copy

file

Treasury Chambers Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

Mrs Susan Hadland
Assistant Private Secretary
Department of National Heritage
Horse Guards Road
London
SW1P 3AL

9 December 1992

Dear Susan,

ARTS COUNCIL: DELEGATION

Thank you for your letter of 8 December covering a draft of the statement your Secretary of State proposes to make to the House on Friday 11 December.

2. The Chief Secretary has seen the proposed statement and is content with the draft.

3. I am copying this letter to Mark Adams (No 10), Tim Sutton (Lord President's Office), Joan Bailey (Lord Privy Seal's Office), Judith Simpson (Welsh Office), Alan Fraser (Scottish Office) and Melanie Leech (Cabinet Office).

Yours,

Peter

PETER WANLESS
Private Secretary

→ F/b

MR ADAMS DECEMBER 9th, 1992

cc Mrs Hogg

ARTS COUNCIL DELEGATION

The draft statement on the Arts Council seems broadly satisfactory. There is one issue, though, that may be worth exploring with DNH.

Many of the companies whose funding is being delegated to the Regional Arts Boards are very high profile (the Notting Hill Carnival, the Royal Exchange Theatre, Manchester). Can we say that the act of transferring their funding from the Arts Council to the RABs does not in itself mean that their future funding will be lower? If this is the case, then it will be worth making the point in the statement, so that future cuts cannot be automatically blamed on the Government's administrative changes. (If it is not the case, then DNH's defensive briefing had better be good.)

D. G.

DAMIAN GREEN

272.DG

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→ File

cc PU
Q
WEC
Press

DEPARTMENT OF NATIONAL HERITAGE
Horse Guards Road, London SW1P 3AL
Telephone: 071-270 5925
Facsimile: 071-270 6026

From the Private Secretary

Mark Adams Esq
Private Secretary
10 Downing Street
London
SW1

8 December 1992

Dear Mark,

ARTS COUNCIL: DELEGATION

... I enclose a draft of a statement my Secretary of State proposes to make to the House of Commons on Friday 11 December on the delegation of certain responsibilities from the Arts Council for Great Britain to the Regional Arts Boards. This announcement has been some time in the making and is eagerly awaited in the arts world. This approach has been discussed with Treasury officials, and the territorial departments are aware of it, although it has no direct effect upon them. It refers back to a Manifesto commitment to review the Arts Council. I should be grateful to receive any comments on the text by noon on Thursday 10 December.

I am copying this letter to Tim Sutton, Joan Bailey, Judith Simpson, Alan Fraser, Peter Wanless and Melanie Leech.

Yours

Susan

Mrs S M Hadland
Assistant Private Secretary

dec92\4statement

DRAFT STATEMENT

With permission, Madam Speaker, I should like to make a statement about the funding of the arts.

Over the last two years there have been a number of significant developments or commitments in relation to the funding of the arts. First, at regional level, Arts Associations have been replaced with incorporated Regional Arts Boards and the development of a system of integrated planning and accountability. My Rt Hon Friend, the member for mid-Sussex, announced in December 1990 that final decisions on the extent of funding responsibility for RABs would be taken after the new Boards had had time to establish themselves.

Second, a National Arts and Media Strategy, entitled, "A Creative Future", has now been completed by the Arts Council. I am grateful to all those who contributed to the extensive consultations involved in its preparation. It will form an important point of departure for future decisions.

Third, in its Election Manifesto, the Government also committed itself to re-examine the role of the Arts Council.

I must say that it is a difficult decision to decide the right balance between local and central decision making. I have consulted arts organisations widely and found that there is no clear consensus on the way forward. Indeed, when it met to consider the issue on 3 November, the Arts Council itself did not reach a unanimous view. However, we are now in a position to be clear about the roles and responsibilities of those who operate the funding system, and there is need for a firm decision after such a long period of expectation.

I should like to confirm the earlier decision taken by my Rt Hon Friend, the former member for Shoreham, that the Arts Council should retain its funding responsibility for the Royal Shakespeare Company, the Royal National Theatre, the Royal Opera

House, the English National Opera and the South Bank and for those clients with a nationwide distribution base, either because they tour or publish.

However, at a time of public expenditure restraint, I do not want to add to administrative costs by duplicating unnecessarily staff at central and regional levels. I have therefore decided that the Arts Council should retain funding responsibility for those other arts organisations whose comparators are so few and far between that they can only be properly assessed at national level. All other clients will be delegated to the Regional Arts Boards.

I am arranging that lists of both sets of organisations, drawn up in line with these criteria on the basis of Arts Council advice should be tabled in the Official Report. In all, a further [43] clients will be delegated in addition to the 23 already delegated on 1 April this year.

Within this system, I, as Secretary of State, will remain accountable to this House for the way in which the Arts Council decides to spend the grant-in-aid. In particular, I have a close interest in the economy, efficiency and effectiveness with which that money is spent; on the appropriate balance between public and private sector funding, and on such matters as the emphasis to be given to touring, access for disabled people, or educational work by arts organisations.

As a result of these decisions, the Regional Arts Boards will have responsibility for a wider range of clients. It is right that decisions should be taken as close as possible to those affected by them, within an overall policy framework. The Arts

Council will continue to have a central role in providing that framework and in managing the funding system. It will continue to fund a number of clients directly. It will decide how much of its grant-in-aid should be allocated to each Board on the basis of the corporate plans submitted by the Boards. The Council will also continue to play a crucial role in monitoring developments in each region, in setting standards, in joint assessments of clients and through its continuing involvement in periodic in-depth appraisals of delegated clients.

These conclusions carry organisational implications for the size and organisation of the Arts Council. The Council also needs to consider what scope it has for introducing further market testing and subsequent contracting out of those services which do not constitute its core functions of grant allocation and client assessment. In addition, I shall very shortly be announcing the implications of the new National Lottery for the work of the Arts Council. I am therefore commissioning consultants to examine the Council's existing structures and to make proposals for change to be implemented progressively from April 1993. I shall also be asking the Council to report to me by the end of next June on whether the existing Regional Arts Board staffing and structures offer the expertise and value for money needed to operate the new funding system effectively. I expect the new system as a whole to produce administrative savings.

These organisational changes need to be completed before delegation is introduced, if the exercise is to be successful. I have therefore decided that delegation should now take place one year later than originally envisaged: that is, on 1 April 1994.

The debate over delegation has been prolonged and the resulting uncertainty has not been helpful. However, I believe that in current circumstances the decisions I have announced will best meet the longer term interests of the arts organisations which the funding system has been created to serve. In order to provide a much needed period of stability, I do not plan to re-open this issue in the lifetime of this Parliament.

Annex D

Arts Organisations for which funding responsibility will be retained by the Arts Council.

In addition to the National Companies, including the South Bank, touring companies and publications with a nation-wide remit the following will continue to be directly funded by the Arts Council:

Northern Ballet Theatre
City of Birmingham Symphony Orchestra
London Philharmonic Orchestra
London Symphony Orchestra
Philharmonia
Royal Philharmonic Orchestra
Halle Orchestra
Royal Liverpool Philharmonic Orchestra
Western Orchestral Society
Opera North
Northern Sinfonia
City of Birmingham Touring Opera
Serpentine Gallery
Whitechapel Art Gallery
Museum of Modern Art, Oxford
Arnolfini Gallery Bristol
Ikon Gallery Birmingham

Annex E

Funding responsibility for the following arts organisations will be delegated to the Regional Arts Boards.

Kokuma	West Midlands Arts
Ipswich: Wolsey Theatre	Eastern Arts
Watford Place Theatre	Eastern Arts
Leicester Haymarket	East Midlands Arts
Nottingham Playhouse	East Midlands Arts
Alternative Theatre Company (The Bush)	London Arts
Black Theatre Forum	London Arts
Caryl Jenner Productions (Unicorn Theatre)	London Arts
English Stage Company (The Royal Court)	London Arts
Greenwich Theatre	London Arts
Hampstead Theatre	London Arts
London International Festival of Theatre	London Arts
Lyric Theatre Hammersmith	London Arts
Polka Children's Theatre	London Arts
Soho Theatre Company (Soho Poly)	London Arts
Talawa Theatre Company	London Arts
Young Vic	London Arts
Royal Exchange Theatre, Manchester	North West Arts
Bolton Octagon Theatre	North West Arts
Liverpool Repertory Theatre	North West Arts
Merseyside Everyman Theatre	North West Arts
Oldham Coliseum Theatre	North West Arts
Manchester Young People's Theatre (Contact)	North West Arts
Tyne and Wear Theatre, Newcastle	Northern Arts
Salisbury Playhouse	Southern Arts
Nuffield Theatre, Southampton	Southern Arts
Bristol Old Vic	South West Arts
Northcott Theatre, Exeter	South West Arts
Plymouth Theatre Royal	South West Arts
Birmingham Repertory Theatre	West Midlands Arts
Belgrade Theatre, Coventry	West Midlands Arts
New Victoria Theatre, North Staffs	West Midlands Arts
West Yorkshire Playhouse, Leeds	Yorkshire and Humberside Arts
Sheffield Crucible Theatre	Yorkshire and Humberside Arts
York Citizens Theatre (Theatre Royal)	Yorkshire and Humberside Arts
Bath Festival	South West Arts
Eastern Orchestral Board	Eastern Arts
Wigmore Hall	London Arts
Notting Hill Carnival Enterprise Committee	London Arts
Photographers' Gallery	London Arts
Wolverhampton Art Gallery	West Midlands Arts
Stoke City Museum and Art Gallery	West Midlands Arts
Walsall Art Gallery	West Midlands Arts

END

PRIME MINISTER

SIR RICHARD ATTENBOROUGH AND RADA

You will remember that Sir Richard Attenborough asked to see you this week to discuss the level of the Government contribution to RADA's fundraising campaign. He came to you because you had suggested he do so if he had a problem, and he feels that he now has such a problem.

RADA had approached the DFE for a contribution towards their fundraising efforts. Although not obliged to make an offer, DFE were able, in conjunction with DNH, to offer £100,000 to help the fundraising campaign.

Sir Richard is most dissatisfied with this offer. Nigel Forman is planning to write to Sir Richard confirming the Government's offer, and Mr Patten wanted you to be aware of this in advance. It may be wise for you to keep out of the fray at present, so I suggest it best that mention of your prior knowledge of Mr Forman's letter is not included in it. Whether included or not, I suspect Sir Richard will still ask for a meeting with you on his return in three weeks' time.

Mark Adams
1 October 1992

home\attenborough.mfj

file

PRIME MINISTER

Sir Richard Attenborough's office telephoned. In discussing RADA funding with you at your Arts Reception in July, Sir Richard apparently understood you to say that if, after going through the normal channels, he had any difficulties, he should come to you. He now says he has difficulties, is leaving for the States at the weekend, and would be most grateful for a meeting this week. I have warned that with a very full diary, in advance of next week's conference, it looked impossible.

John Patten has seen Sir Richard and offered £100,000 to get fund-raising efforts underway. Although the Government is not in fact under any obligation to help RADA, Sir Richard does not consider this sum sufficient. Mr. Patten will be clearing with you a letter he intends to send to Sir Richard, but if you agree, I shall confirm to Sir Richard's office that you very much regret it is impossible to see him this week?

S.

SANDRA PHILLIPS

28 September 1992

DIARY/ATTEN.DCA

PRIME MINISTER

LORD SAINSBURY AND THE ROYAL OPERA HOUSE

Lord Sainsbury is planning to catch you for a brief word at the reception at the Royal College of Art after the EC Prom on Sunday. He wants to tell you of his plans to give a large sum to the Royal Opera House redevelopment programme. Hayden Phillips will be bringing forward various people to talk to the Prince of Wales and yourself, and will engineer this.

It is not clear exactly what Lord Sainsbury plans, nor what his objective in speaking to you will be. The request for a word came via Robin Butler. The Royal Opera House need a massive sum ff90) and are planning a major appeal from the private sector. The Government has made it very clear that it cannot make a direct contribution itself. It seems possible that Lord Sainsbury may be planning to fund a very large portion of the money Convent Garden needs while pressing the Government to make up any gap.

You should certainly avoid any commitment on Sunday. This is something you will need to discuss with David Mellor. There may be scope to provide some funding from the National Lottery but that is still to be decided.

Alex Allan
4 September 1992

c: Sainsbury (MJ)

Y SWYDDFA GYMREIG
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WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switsfwrdd)
071-270 0538 (Llinell Union)
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Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switchboard)
071-270 0538 (Direct Line)
Fax: 071-270 0561

From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

CT/3472/92

14th July 1992

Dear David

EUROPEAN ARTS FESTIVAL

You copied to me your letter of 23 June to Douglas Hurd about the European Arts Festival and I was most interested to see the Festival Programme which you enclosed.

I have been keen from the outset to support the Festival and I was delighted that my Valleys Live 92 initiative has received support. I shall be performing the official launch of the event on 8 September at one of the venues and plan to attend others. My Parliamentary Secretary, Gwilym Jones, already has commitments in respect of other events on the list. We shall certainly all look for opportunities in our constituencies and elsewhere during the period of the Festival to do everything possible to exploit the publicity potential of the events and, of course, the Presidency connection.

I note that the programme of educational and youth events will be published later in the year and I look forward to receiving it.

I am sending a copy of this letter to the Prime Minister, members of the Cabinet and other Ministers in charge of Departments and to Sir Robin Butler.

Yours ever

The Rt Hon David Mellor QC MP
Secretary of State for National Heritage
Department of National Heritage
Horseguards Road
LONDON
SW1P 3AL

ARGS: Policy pt 4

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon David Mellor QC MP
Secretary of State for
National Heritage
Department of
National Heritage
Horse Guards Road
LONDON
SW1P 3AL

2nd July 1992

Dear David:

EUROPEAN ARTS FESTIVAL

Thank you very much for sending me a copy of your letter to Douglas Hurd of 23 June.

I understand that the Festival Programme for Northern Ireland includes a variety of arts activities and should have a wide appeal. My colleagues and I will certainly look for opportunities to maximise publicity for the Festival and for its connection with the Presidency of the European Community. My Press Office will keep yours informed.

I look forward to receiving copies of the nationwide programme of educational and youth events and to discussing ways in which education Ministers can help to promote the Festival.

I am sending a copy of this letter to the Prime Minister, members of the Cabinet and other recipients of yours.

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone 071-270 0101 *Facsimile* 071-270 0208

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robin Butler GCB CVO

Ref. A092/1845

25 June 1992

c- M. Wall (No10)
L. Sandra
2. Stephen ar.

Dear John,

Many thanks for your letter of 22 June enclosing the programme book of the European Arts Festival. It looks terrific, and it is a remarkable achievement in a very short time.

I will certainly do what I can to encourage the Prime Minister to come to something. I doubt whether he will need much persuading: it is the time which is lacking.

With best wishes,

Yours sincerely,

Robin

John Drummond Esq CBE
Artistic Director
European Arts Festival
354 Euston Road
London NW1 3BL

EUROPEAN ARTS
FESTIVAL
JULY-DECEMBER 1992

European Arts Festival
354 Euston Road
London NW1 3BL
Telephone: 071-383 5750
Fax: 071-383 5745

Artistic Director
John Drummond CBE

Pl. copy this letter to Mr. Wall. I have acked. PERS 24/6

CABINET OFFICE
A 7850
24 JUN 1992
FILING INSTRUCTIONS
FILE No. .....

c- M. Wall (No10)

22 June 1992

Sir Robin Butler
Cabinet Office
10 Downing Street
London
SW1A 2AA

The S/S for National Heritage has written to Cabinet colleagues to encourage attendance (copy of his letter below). RLP 24.6

Dear Robin

I enclose a copy of the programme book of the European Arts Festival and also a copy of the letter I have addressed to the Prime Minister.

I do hope, despite pressure, that he will be able to attend something. A recent meeting in David's office suggested this seems unlikely, with the possible exception of the European Prom. Manet it seems has been ruled out and also Viaggio at Covent Garden. The Edinburgh Gala seems unlikely, and I am now told not New Year's Eve at the Barbican. I suggested the Strehler Company at the National Theatre, to be greeted by a senior civil servant with a cry of 'what, and see a play in Italian'. It is all very depressing.

I have worked my socks off to get this thing together and what we really need is a bit of support from your quarter. The journalists are proving very reluctant. Even a passing reference to the Festival in a press conference or elsewhere would be helpful.

Yours sincerely

John Drummond CBE
Artistic Director

European Arts Festival is a registered charity
Funded by the Department of National Heritage

DEPARTMENT OF NATIONAL HERITAGE
Horse Guards Road, London SW1P 3AL
Telephone: 071-270 5925
Facsimile: 071-270 6026

From the Secretary of State for National Heritage
THE RT. HON. DAVID MELLOR QC MP

C92/3625

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
King Charles Street
LONDON
SW1A 2AH

23 June 1992

EUROPEAN ARTS FESTIVAL

As you know, the Government has invested £6 million in a major European Arts Festival in the UK on the theme of the richness of Europe's art and culture to mark our forthcoming Presidency of the European Community.

The Festival is the biggest of the special events in our Presidency programme, and has an important part to play in raising the profile of the Presidency and our role in Europe. I am therefore anxious that we should maximise its impact, and it is for that reason that I am writing to you and other colleagues.

For those who have been less closely involved with the Festival, I should explain that it will run for the full period of the Presidency in the four countries of the United Kingdom and will extend to the English regions. The Festival has been deliberately designed to be popular and accessible. It contains over 600 events in all the art forms, traditional and new, and should appeal to all ages and tastes. The Festival will also place a special emphasis on our young people and schools through an unprecedented education and youth programme. All state schools have been approached with invitations to participate, and so far over 2,000 have expressed interest.

... I enclose copies of the Festival programme and very much hope that you and colleagues will be able to attend some of the events in and around your constituencies, as well as more generally. In any event I should be grateful if all colleagues could look for opportunities, in their constituencies and in their regional visits, to exploit to the maximum the publicity potential of Festival events and the Presidency connection. This will give added weight to the promotional effort in which I, the Festival office and promoters of individual events will be involved throughout the Festival. The programme is helpfully arranged by region, and my officials will be happy to offer further advice and information, if necessary. It would be helpful if colleagues could ask their press offices to keep mine informed of any involvement.

The nationwide programme of educational and youth events will be published nearer the start of the Autumn school term, and I shall arrange for you and colleagues to receive copies of this too later. Once that programme is firmer, I shall discuss with John Patten, David Hunt, Ian Lang and Patrick Mayhew ways in which education ministers might particularly help to promote it.

I am sending a copy of this letter to the Prime Minister, members of Cabinet and other Ministers in charge of departments, and to Sir Robin Butler.

DAVID MELLOR

Arts Policy

AA

c f arts

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Welcome to the European Arts Festival, which marks and coincides with the six months of the United Kingdom's Presidency of the European Community. The Festival is built around the theme of the rich European cultural heritage of which we in the United Kingdom have always been such an important part.

I would like the Festival to be a popular one. And the rich and varied programme in "Discover the first language of Europe" shows that it is. There will be events throughout the country in all the art-forms, traditional and new with something for everyone to enjoy over a six month period. Whether you like opera or folk music, classic theatre or street festivals, whether you are young or old, there is something here for you. And you do not need to live in London or other big cities. There are over 600 Festival events stretching from Aberdeen to Weymouth and from Rhyl to St. Helier. But my greatest hope for the Festival is that it will encourage people to try the arts for the first time, to discover what they like, and to spark a lasting interest in them. The artistic events in this magnificent Festival really are accessible to every single person.

I do hope that you enjoy this feast of art and culture.

April 1992

PRIME MINISTER

cc Mr. Adams

CALL BY MR. MELLOR: EUROPEAN ARTS FESTIVAL

One of the issues Mr. Mellor may raise with you this afternoon is how to give a good send off to the European Arts Festival at the start of our Presidency on 1 July.

The opening event of the festival is a Manet exhibition in the Sainsbury wing of the National Gallery. John Drummond, the organiser of the festival, is very keen to give this a heightened profile. One suggestion that has been made is that Monsieur Delors and the EC Commissioners, who are due in London on 1 July for a meeting with you and Cabinet colleagues, should be involved. Possibilities are:

(i) a dinner at the Gallery on the evening of Tuesday 30 June;

(ii) a photocall at the Gallery before your talks begin on the morning of Wednesday 1 July;

(iii) to hold your lunch for the EC Commission at the Gallery rather than at No.10.

None of these options is especially attractive. The third one (lunch at the Gallery) would mean closing it to the public. That would probably cost us money in compensation to the Gallery and seems guaranteed to produce bad publicity. The other two options would be more practicable. But, if you were going to host a dinner at the National Gallery, you would probably need to turn it into a fairly glitzy event and I am not sure whether the European Commission is a sufficiently attractive base on which to build.

Options (i) or (ii) above would certainly be possible. If you went for (ii) (the photocall) you and Delors could in effect open the exhibition together immediately before it was opened to the public on the morning of 1 July. That would take up a minimum amount of your time and would probably secure some publicity.

Mr. Mellor may also ask you to sign a foreword to the Arts Festival programme. That is a good idea.

J. S. WALL

22 April 1992

c:\foreign\arts (pmg)

CONFIDENTIAL

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File 2 bc: PU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 March 1992

Dear Nicholas,

ENGLISH NATIONAL OPERA (ENO): FREEHOLD OF THE COLISEUM

The Prime Minister has seen the Chief Secretary's minute of 6 March, describing the proposed purchase of the freehold of the Coliseum by the ENO. This will require a call on the Reserve approaching £10 million.

The Prime Minister has noted the Chief Secretary's minute without comment.

I am copying this letter to Vaughan Rees (Office of the Minister for the Arts) and to Sonia Phippard (Cabinet Office).

Yours ever,

Barry

BARRY H. POTTER

Nicholas Holgate,
Chief Secretary's Office,
H. M. Treasury

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CONFIDENTIAL

Prime Minister

You are already aware. The difficulties of a £10m claim on the Reserve are clear. The timing of the announcement is unclear. But it will attract attention if it comes, or expected, during an Election campaign.

BTP 6/3

FROM: CHIEF SECRETARY
DATE: 6 March 1992

PRIME MINISTER

ENGLISH NATIONAL OPERA: FREEHOLD OF THE COLISEUM

I have today given the Minister for the Arts my agreement that he should tell the English National Opera (ENO) that we are prepared to support their purchase of the freehold of the Coliseum.

2. The purchase price is £12.8 million. The Foundation for Sport and the Arts has agreed to contribute £2 million towards this. The remaining £10.8 million will be covered by a grant from the Arts Council, and will be a claim on the Reserve. The ENO will find their legal and other costs out of the money which they would otherwise have paid in rent next year.

3. The ENO will need to raise a further large sum - estimated at around £16.5 million - for renovation of the Coliseum, once they own the freehold. They accept that it is their responsibility to raise this money from the private sector without approaching the Government for further special financial support.

4. The Minister for the Arts has agreed to find an offsetting saving of £1 million from his provision for next year. He will also avoid any further call on the Reserve in 1992-93, subject to continuation of the existing Gowrie arrangements for access to the Reserve for major acceptance-in-lieu cases.

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5. We shall be seeking a late Spring Supplementary to increase the Arts Council's grant. It will however be important to avoid any public indication of the extent of Government support for the purchase until it is too late for the vendors, Stoll Moss, to try to increase their price.

6. Announcement of the purchase may therefore come during a General Election. The actual announcement will be a matter for the ENO themselves. If any formal comment on the Government's contribution is required, this will be left to the Arts Council. They will be able to explain that the ENO is the only national company which does not have its own home; that this is a unique opportunity; and that they have accordingly provided £11 million, as part of the £30 million which the ENO will need to buy and renovate the Coliseum. Any questions direct to Government can be answered in the same way.

7. Enabling the ENO to acquire the Coliseum is an exciting development. I believe it will be widely welcomed.

8. I am copying this minute to Tim Renton and Sir Robin Butler.

DAVID MELLOR

cst.ps/dr/19dm6.3

CONFIDENTIAL

Barry,
Received by fax on Friday I believe
Robert
9/3.

FROM: CHIEF SECRETARY
DATE: 6 March 1992

PRIME MINISTER

ENGLISH NATIONAL OPERA: FREEHOLD OF THE COLISEUM

I have today given the Minister for the Arts my agreement that he should tell the English National Opera (ENO) that we are prepared to support their purchase of the freehold of the Coliseum.

2. The purchase price is £12.8 million. The Foundation for Sport and the Arts has agreed to contribute £2 million towards this. The remaining £10.8 million will be covered by a grant from the Arts Council, and will be a claim on the Reserve. The ENO will find their legal and other costs out of the money which they would otherwise have paid in rent next year.

3. The ENO will need to raise a further large sum - estimated at around £16.5 million - for renovation of the Coliseum, once they own the freehold. They accept that it is their responsibility to raise this money from the private sector without approaching the Government for further special financial support.

4. The Minister for the Arts has agreed to find an offsetting saving of £1 million from his provision for next year. He will also avoid any further call on the Reserve in 1992-93, subject to continuation of the existing Gowrie arrangements for access to the Reserve for major acceptance-in-lieu cases.

CONFIDENTIAL

5. We shall be seeking a late Spring Supplementary to increase the Arts Council's grant. It will however be important to avoid any public indication of the extent of Government support for the purchase until it is too late for the vendors, Stoll Moss, to try to increase their price.

6. Announcement of the purchase may therefore come during a General Election. The actual announcement will be a matter for the ENO themselves. If any formal comment on the Government's contribution is required, this will be left to the Arts Council. They will be able to explain that the ENO is the only national company which does not have its own home; that this is a unique opportunity; and that they have accordingly provided £11 million, as part of the £30 million which the ENO will need to buy and renovate the Coliseum. Any questions direct to Government can be answered in the same way.

7. Enabling the ENO to acquire the Coliseum is an exciting development. I believe it will be widely welcomed.

8. I am copying this minute to Tim Renton and Sir Robin Butler.

DAVID MELLOR

A1192

ind.fv/eno

COMMERCIAL IN CONFIDENCE

ENGLISH NATIONAL OPERA: FREEHOLD OF THE COLISEUM

The English National Opera (ENO) have agreed to buy the freehold of the Coliseum for £13.1 million, subject to contract. The vendors, Stoll Moss Theatres Ltd., wish to know by 2 March whether the ENO will be able to finance their acquisition.

2. The Office of Arts and Libraries (OAL) propose that the Government should buy the Coliseum for the ENO. The purchase would be financed in part by a saving of £1 million on the OAL's budget, a gift of £1-2 million from the Foundation for Sport and the Arts (not yet approved), and a saving of £350,000 in the ENO's annual rental payment to Stoll Moss. The balance would be a claim on the Reserve.

3. There is general agreement that the purchase is a good one for the ENO if they can raise the money. The alternative would be for them to continue with their present lease until it expires in 1996 and to try to renegotiate an extension from that time. The ENO's advisers judge that the market rent thereafter would be likely to be no less than £2 million p.a., with dilapidation liability of a further £2 million. It is not certain that Stoll Moss would agree to extend the lease. There are no alternative theatres on offer at present. Building a new opera house could cost at least £80 million.

4. The case in principle for a Government contribution is strong. The ENO are an important national company, a centre of excellence. Unlike other national companies such as the National Theatre and the Royal Opera House, they have no secure home base. Stoll Moss' sudden willingness to sell the Coliseum, which has only occurred because of financial pressures and may not last, is a unique opportunity to put this right.

6. The question is whether the Government's contribution should be for only part of the purchase price - say, up to £6 million - or all of it as the OAL propose.

COMMERCIAL IN CONFIDENCE

7. If the Government limited its contribution to £6 million, the only other sources of funds open to the ENO would be:

i. The Arts Council. They could find £2 million from their Regional Touring budget but this would give rise to claims that provision for the regions was being cut back to benefit London opera-goers.

ii. A loan of perhaps £3-4 million secured on the theatre. But the Government would be pressed to give the ENO the money each year to help them repay their mortgage. The lender would have a first charge on the building, weakening the Government's position if the ENO had problems servicing the loan. And their ability to raise money for improvements to the Coliseum might be impaired.

8. The alternative would be for the Government to fund the purchase completely, apart from the money provided by the Foundation for Sport and the Arts. The Government's support for the ENO would be widely welcomed, without being clouded by an Arts Council row or criticism that it should have been more generous. And it would leave the ENO free to raise the large sums of money which they need for improvement of the Coliseum, unfettered by existing mortgages.

9. Any claim on the Reserve could be defended on the grounds that it was a capital expenditure, and a prudent one-off investment.

10 DOWNING STREET

Prime Minister

Good. ②

E No

I wrote out as you requested - via Sarah.

The response was instant. The CST telephoned immediately on receipt of the letter. He will speak to you over the phone at the weekend. He believes Sarah H. or Mr Renton had spoken to you too early. (I did not comment).

You should also be aware Treasury officials, who were already aware of the issue, were delighted at the letter. So was the Chancellor.

BHP

14/L

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 February 1992

Dear Nicholas,

ENGLISH NATIONAL OPERA

The Prime Minister understands that the Chief Secretary may be considering a possible contribution from the OAL to the English National Opera, to enable the purchase of the freehold on its building. Any such contribution is not within existing PES provision and would presumably represent a claim on the Reserve.

The Prime Minister has noted that the position on the Reserve is very tight. Indeed, the Treasury has required that the costs of the proposed extension of compensation to non-haemophiliacs suffering from the HIV virus as a result of blood transfusions should be met from savings from within the existing Health Service programme.

Accordingly, and in the light of the position on the Reserve, the Prime Minister would be most grateful for a note from the Chief Secretary. If there is a proposal to help ENO purchase its freehold, what is the sum involved; what would be the size of any proposed Government contribution; and how far would this be a claim on the reserve?

I am not copying this letter more widely at this stage.

Yours ever,

Barry

BARRY H POTTER

Apologies for the earlier error. Had it been the Scottish counterparts...

Nicholas Holgate, Esq.,
H.M. Treasury.

CONFIDENTIAL

Stephen Wall (No 10)

Margaret Maclean (SOED)

Jean Hopkins (WOED)

Pat Higgins (NIO)

John Sawers (FCO, Presidency Unit)

To keep you informed following the Festival Committee meeting

Office of Arts and Libraries

Horse Guards Road, London SW1P 3AL
Telephone 071-270 5870

with compliments

C E Henderson
Head of the Office of Arts and Libraries

C E Henderson
Head of the Office of Arts and Libraries

R T J Wilson Esq
HM Treasury
Parliament Street
London
SW1P 3AG

Office of
Arts and
Libraries

Horse Guards Road, London SW1P 3AL
Telephone 071-270 5870

21 January 1992

Dear Richard

EUROPEAN ARTS FESTIVAL

In his letter of 20 December to the Chief Secretary the Minister said that we would let you see John Drummond's outline plan and budget allocation as soon as it was ready. The Minister's Festival Committee met for the first time on 10 January, and amongst other matters considered a first suggested budget which John Drummond had drawn up, based on the £6m approved by the Chief Secretary, and drawing both on the very wide consultations he has been engaged on and the proposals that have been volunteered to him. I am writing to let you know how the proposed budget now looks, after John Drummond has taken into account the points raised at the meeting, and in the light of further information coming in and the fairly extensive consultations he has already managed.

2. The revised budget is attached at A. Its broad thrust is much as proposed to the Committee. John Drummond has made a number of important general points about this budget which I will set down first, followed by a commentary on the individual items.

3. General points

(i) It is John Drummond's intention to generate activity in all the art forms; with events occurring evenly in each of the six months of the period; coverage in all the English regions and in each of the nations of the Kingdom. (So far London, Birmingham and Glasgow have shown the greatest interest in becoming involved); and with works deriving from each of the member states. The emphasis on youth is a further parameter that he is taking into account.

(ii) He is working on the basis that all the events which the Festival supports should have a clear European (non-British) connection. This view was endorsed by the Committee.

(ii) The budget is drawn up to reflect what is possible in the light of his preliminary investigation and consideration of proposals already put to him. It is inevitable that at this early stage the figures are very broad, but serve a purpose in indicating the magnitude of spend in different areas. Most music and opera schedules are already fixed for the second half of 1992 and there is not much scope for additional events. Drama, Dance and Gallery schedules, however, are much less firmly fixed. Hence the slant towards these elements in the Art Form/Museums and Galleries items.

(iv) Festivals provide quite a bit of scope for enhancement of programmes across all the art forms.

(v) The scope for sponsorship and for broadcasting coverage has still to be investigated.

4. Specific points

(i) Drama. This is the largest 'art form' budget - and includes two visiting companies to the National Theatre; Peter Stein's from Berlin and Luca Ronconi's from Turin, both with remarkable productions of Chekhov; and a number of European plans in the NT's education department. He also has in mind a foreign company visiting Glasgow, and possibly Nottingham.

(ii) Music. The main activities of major orchestras in London and the regions are already set; but there is some scope for enhancement. It is already too late to secure commissions of significant new works - but some small scale compositions are possible.

(iii) Dance. He hopes to bring one major European dance company to the UK. There is scope for music and dance commissions in the medium scale with leading British modern dance companies, for showing in London and on tour. Dance Umbrella with its regional programme could benefit from enhancement. There is also a chance to support dance for young people at the Place.

(iv) Opera. He does not see a case for paying for new productions by the British opera companies. But he is looking for additional performances or subsidising new young audiences within existing touring plans. He is also exploring the possibility of bringing over a Spanish production of an opera based on an English play.

(v) Museums and Galleries. This item allows for support for major proposals like the National Gallery's Manet exhibition. There are also attractive opportunities to facilitate or enhance exhibitions with a European slant at major museums and galleries such as the Natural History Museum, the Manchester Science and Industry Museum, the Fitzwilliam, the Ashmolean and Scottish Sculpture Trust. He is in discussion with Neil MacGregor about a promising scheme to prompt

provincial galleries to mount small exhibitions focussing on the quality of their best 'European' objects.

(vi) Festivals. There are over 40 festivals occurring in the UK in the period. John sees scope for adding to the already planned programmes, to enhance quality, to bring out the European element, and to broaden the scope to bring in wider audiences for some events.

(vii) The community related activities at items 9, 10 and 11 need further investigation with the assistance of the members of the Festival Committee from the LAs. John proposes to employ one person whose main task will be to organise this important aspect of the Festival. One key event under item 9 which he has in mind is the hiring of a mobile auditorium which would be assigned for each weekend of July, August and September to a smallish centre of population - which has no arts venue/facilities at all eg Camborne, Oban, Omagh. The idea would be to put events into the auditorium combining local groups and small scale touring groups including some from abroad; particularly suitable would be small dance groups, jazz, traditional music and youth activities. The Local Authorities and the RABs would be encouraged to take leading roles.

(viii) Opening event. The first night of Viaggio a Rheims at the ROH on July 4th is an apt London opening, but does not need Festival support - except to arrange for the relay to the Piazza big screen in the event of a sponsor not being found. John Drummond is aiming to develop a counterbalancing opening in Liverpool over the same weekend involving the RLPO, the galleries, a street party and possibly the arrival at Albert Dock of the Portuguese sail training ship.

(x) The Closing event is a notional sum at this stage.

(xi) Administration. This budget will cover the full time team (Drummond plus appropriate back-up) and provide, as necessary, for consultants (publicity, marketing), travel and office accommodation/running costs. We are still hoping to get the actual accommodation very cheaply, and some savings may be achievable here. The team envisaged by John consists of two or possibly three assistants, one of whom will be primarily concerned with education and youth activities, an office manager, a part-time finance person and one or possibly two secretaries.

(xii) Advertising and promotion costs are extremely uncertain, and we have asked John Drummond to provide early advice on a range of options within this sum. There is no doubt that if the full benefits of this Festival in terms of raising awareness are to be achieved, then some general publicity is going to be needed in addition to the programme publication. Publicity for individual events would not be covered by

this budget; that would be left to individual promoters of events.

5. To summarise, the Festival Committee felt that the budget and plans outlined by John Drummond conformed well to the guidelines; they recognised the constraints that the short lead time caused; and that the budget would need much refining as work proceeded. They specifically and enthusiastically endorsed the travelling auditorium referred to in 4(vii) above. More work is needed in particular to develop ideas in the Museums and Galleries area, and in the community related activities including the Local Authority dimension. We need to look at the options on publicity.

6. I shall continue to keep you in touch as the budget and plans are refined.

Yours

Charles.

C E HENDERSON

(A)

2.

ART FORMS

		£
1.	Theatre	1,000,000
2.	Music	350,000
3.	Dance	300,000
4.	Opera	250,000
5.	Film	75,000
6.	Literature and Lectures	40,000
		2,010,000

Notes:

1. Theatre provision to include:
   Royal National Theatre (Stein/Ronconi)
   Theatre du Soleil (Glasgow and London),
   Possible - the European Theatre Conference and Performances (Manchester)

2. Music:
   New initiatives and enhancement

3. Dance:
   Dance Umbrella and major regional presence.
   Commissions to 2 middle scale companies (Rambert, LCDT)

4. Opera:
   Enhancement and one possible foreign import

5. Film:
   Festivals and regional touring package

6. Additional funds hoped for from the British Council

3.

		£
7.	Museums and Galleries	850,000
	Note: to include major National Gallery show (£150,000)	
	and up to 20 regional galleries and museums with variable sums for installation, publications or education	
		850,000

EVENTS

8.	Festivals	500,000
9.	Community Initiatives - weekends	850,000
10.	Youth Activities	150,000
11.	Twin-town Enhancement	150,000
12.	Opening Event	150,000
13.	Closing Event	50,000
	Total	1,850,000

4.

ADMINISTRATION

	£
Staff Costs	
Director, Financial Consultant, 3 Assistants, Planning Manager and 2 secretaries	200,000
Casual Staff	
Marketing Consultant, Public Relations, Publication and Project Managers	75,000
Travelling Expenses and Allowances	75,000
	350,000
Office Expenditure	
Business rate	30,000 ?
Equipment	10,000 ?
Running costs, postage, phones	75,000
Design and Logo	30,000
	145,000
Administration Total	495,000

Note:

Office provided rent free. Hoped that equipment will also be donated.

5.

	£
Advertising and Promotion costs	450,000
Publication	140,000
	590,000

TOTALS

Arts Forms		2,010,000
Museums and Galleries		850,000
Events		1,850,000
Administration		495,000
Publications and Promotions		590,000
	Total	5,795,000
Contingency		205,000
	Total	6,000,000

130/2
SH

MINISTER FOR THE ARTS

PRIME MINISTER

ARTS POLICY - 1992 AND BEYOND

I thought you might like an update on my planning on arts policy. The excellent settlement for the Arts Council this year, following upon two good settlements in the previous years, has quietened a lot of knee-jerk opposition to us in the vocal arts lobbies. Now is the time, I believe, to explore publicly some more strategic, even radical, thinking. My plans for this I set out in the paragraphs below.

Arts Council (ACGB)

Ever since the ACGB was founded by Keynes in 1946, its relationship with Government departments, first DES and then OAL, has been one of 'arm's length'. Government, year by year, provided a bulk sum for the performing and visual arts, and the ACGB decided on which company, and in which part of the country, it was spent. This centralised funding arrangement is increasingly inappropriate. The sums involved have become much larger (from £63mn., in 1979/80 to £221mn., for 1992-93), and the decisions made by the ACGB are often both subjective, reflecting the whims of their leading figures, and have considerable political impact.

Regional Arts Boards (RABs)

I reshaped the constitution of the ten English RABs in December 1990 and required them to be up and running by October 1991. That has taken place; overall they have now strong Chairmen and good Boards, and local authority representation is not, as it used to be, dominant since I reduced it to one-third of Board members. A key issue for the past two years has been the question of when delegation of responsibility, together with the appropriate budget allocations, for the regional arts companies should take place. This will inevitably mean a major transfer of funds

and responsibility from the ACGB to RABs. A year ago, I promised to decide on this in Autumn 1992 after the National Arts Strategy had been delivered to me on which the ACGB is now working, and after the RABs had had twelve months to become established in their areas. Such delegation was much favoured by the Wilding Report that Richard Luce commissioned.

I am now of the opinion that delegation should take place in time for the 1993-94 financial year. By then the RABs should be well placed to handle this major responsibility; it will bring them closer to the artistic organisations, big and small, in their different parts of England.

The only exceptions would be the four national companies- Royal Opera House, Royal Shakespeare Company, ENO and the Royal National Theatre - and arguably the South Bank and the two Symphony Orchestras that now have resident status in London, the LSO and the LPO.

These major companies, all of whom tour internationally, would then become funded directly by the OAL rather than by a residual ACGB. There are many reasons for this. The principal ones are that the sums involved are now quite substantial (ROH, including the two ballet companies, £17.8 mn., ENO £10.4 mn., RNT £9.9 mn., RSC £7.8 mn.): if one of these companies gets into serious difficulty - as happened in 1990 with the RSC - the flak comes back very quickly to the OAL and the Minister, although some of the difficulty may well arise as a result of capricious thinking by the ACGB; and some very difficult decisions lie immediately ahead regarding the future of the ROH and the ENO, which will in the end have to be taken by the Minister rather than by the ACGB. OAL's practice in regard to the major artistic companies will in effect become the same as our direct dealings with the National Museums and Galleries.

The steps I outline will leave the ACGB with little positive to do, and it will then be appropriate either to

wind it up or to leave it as a consultative body. In large measure, it will have outgrown its function and usefulness and we will be removing a tier of administration. The existing panels of experts on drama, music, dance and the visual arts could be asked to advise the OAL Minister and the RABs directly - in order to help them shape their strategy - rather than the ACGB.

A decision to wind up the ACGB will be criticised in some quarters as a sign of Government interference, but welcomed by others who fear, rightly, a duplication of bureaucracy between the ACGB and the RABs and who consider the ACGB as an expensive administrative luxury that has already, in some sense, lost its way. Some of their staff will be redeployed within OAL, but the overall cost of administering the arts budget should be substantially less than the total at present. Ministers will have a more direct say in the key funding and policy decisions.

European Community

As you will know a cultural article was added to the Treaty of Rome at Maastricht. This article is full of pleasant generalities, but will inevitably lead to an increase in EC spending in the cultural field. Current forecasts suggest this will rise from 50 MECU pa now to 400 MECU by 2000 AD, but this is an imprecise estimate. I and my successors will have to see that a good proportion of that money is spent on suitable cultural projects in the UK, with a European flavour. This is another argument in favour of the view that OAL must in future be hands-on and more actively involved in the assessment of where money should be spent in the arts field than it has been under the arm's length policy of the past.

Arts Fabric Fund

The purpose of this Fund will be to repair the interior fabric and the backstage facilities of active local theatres. It will be financed by matching monies from private charities and from Government, up to a maximum of

£2 mn. a year from us. I have so far been promised £1 mn. for each of the next two years from the Wolfson Charities. I plan to announce the Fund in February. It fills an evident need and it should be well received.

European Arts Festival

I chaired last week the first meeting of the Festival Committee. We endorsed a tentative budget for the division of the available Government monies between different art forms and activities. John Drummond has been extremely busy as Director and, despite our late start, is working on innumerable suggestions for a very busy programme. We hope to be able to make our first announcements within the next few weeks. The idea of the Festival has caused a lot of pleasure and excitement.

I am speaking in a debate, chaired by Richard Eyre, at the RSA in February on future arts policies. I propose then to put forward some of the points I have mentioned above. Two further matters:

The Role of the OAL

With my thoughts for the Manifesto, I sent Sarah Hogg a short paper last March in which I argued that I strongly believed that responsibility for film, English Heritage, and the export of works of art should be concentrated in OAL. This would enable OAL to take an overview of the British cultural scene which is, simply, now missing. Currently, the responsibility is diffused over DTI, Department of Environment and OAL and, notably in the area of the film industry, this has led to a lacuna in overall policy. In brief, DTI regard film-making as another industry which in their eyes is not worthy of subsidy. OAL, who provide money for the National Film and Television School and the British Film Institute, regard it as a cultural activity and one that is, like the crafts, music and the arts, worthy of some central Government support, alongside the private sector and sponsorship.

Unfortunately, Labour have themselves adopted the idea of an extended Arts ministry in their Policy document 'Arts and Media' which has been well received. Nonetheless, I hope we will pursue this as part of our clear and growing commitment to the role of the arts and of culture as central to the quality of life for our citizens and vital to the regeneration of cities such as Liverpool, Cardiff, Hull and Bradford.

The National Museums and Galleries (NMGs)

The Arts Council did very well out of this year's PES settlement. The NMGs did not, and the British Museum, the Tate and the V & A, to name but three, remain short of funds for the necessary work of restoring their buildings to their former glory. If we have a National Lottery within the next few years - and I assume we will - it will be important for a proportion of the Lottery proceeds to be dedicated to the repair of our famous buildings and, I hope, to designing some great new ones to celebrate the year 2000. That surely should be part of the Lottery's appeal.

I would very much like to discuss any of these points with you when you have some spare minutes.

Tim Renton

TIM RENTON

16 January 1992

CF cc:PA

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
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Fax No: 071-270 6026

From the Minister for the Arts
THE RT HON TIM RENTON MP

C91/5548

Rt Hon David Mellor QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AE

20 December 1991

Dear Chief Secretary,

EUROPEAN ARTS FESTIVAL

I was grateful for your agreement to the announcement of the Festival and the appointment of the Director in your letter of 9 December. The announcement has attracted a good deal of enthusiastic interest from a variety of arts organisations. I am now proceeding with arrangements to organise the Festival programme.

... I enclose a copy of the revised Guidelines for the Festival which take account of the points in paragraph 3 of your letter. I have issued these to John Drummond. You said that we must avoid using the Festival budget to pay for events that would have happened anyway. I quite agree and have emphasised that the agreed £6 million is for additional events or to secure those of suitable standing which have not so far attracted sufficient funding. In a few exceptional cases a Festival contribution may be needed to attract participants of Festival stature or to provide a European element eg., through loans to an exhibition, which would not otherwise be available.

I accept that you are only able to commit funding of £6 million and that no commitments can be made above that at this stage. Once John Drummond's plans have developed further, should there be a case for a small amount of extra funding for certain well-targetted actvities, I could perhaps come back to you.

I have asked John Drummond as his first priority to prepare an outline plan and budget allocation for the Festival. I expect to have that in January and will ensure that your officials see it. The Festival Committee has now been set up and the first meeting will be on 10 January. It has a good mix of people representing different art forms and from the regions.

My officials are also in touch with yours about an appropriate structure of financial control and accountability for Festival expenditure.

I am copying this letter to the Prime Minister, Douglas Hurd, Ian Lang, David Hunt, Peter Brooke and to Sarah Hogg.

Yours sincerely

Jayne Edgehan

TIM RENTON

pp (Approved by the Minister and signed in his absence)

EUROPEAN ARTS FESTIVAL: GUIDELINES

The Festival is to mark the UK Presidency of the European Community from 1 July - 31 December 1991.

Its aim is to heighten public awareness (both in this country and Europe) of the significance of this event, given the ever closer relationship between the UK and its European Community partners, and to celebrate the richness of British artistic achievement within a European context.

The Festival must be broadly based and designed to encourage wide popular participation. It should have a UK-wide coverage and involve all the main art forms, culminating with the celebrations in Scotland for the Heads of Government meeting in Edinburgh.

In addition to events of major artistic standing or significance, it should also embrace local arts and cultural exchanges eg, between twinned towns in the UK and other EC Member States.

There should be competition between local authorities to host events.

It should particularly aim to involve young artists and young people.

In so far as resources allow, it should also include visits to this country from leading European companies and artists, but not visits by UK to companies to other European countries.

If time allows, a small number of new works should be commissioned to celebrate the Festival. The aim should be for these to be widely performed.

A significant number of events related to the UK Presidency and completion of the Single Market are already in preparation. These can be included in the Festival programme if the Festival Director considers them appropriate and of sufficient standing.

The available moneys must be devoted to facilitating additional events and exchanges, as well as to enhance the quality of some events already in preparation.

The Festival programme should not be susceptible to accusations of elitism or of overdue metropolitan orientation.

Additional or complementary funding will be sought from the EC Commission and the Foreign and Commonwealth Office's Presidency budget.

Opportunities should be sought to increase public enjoyment of Festival events through broadcasts and TV relays.

ARTS: Policy pt 4

cst.ps/dr/4dm6.12

UNCLASSIFIED

nbpm

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

The Rt Hon Tim Renton MP
Minister for the Arts
Office of Arts and Libraries
Horse Guards Road
London
SW1P 3AL

9 December 1991

file w.c DM

EUROPEAN ARTS FESTIVAL

Thank you for your letter dated 5 December.

2. I note that you want to make an announcement on Monday. I am sure this is right: time is short and we need to get on with the arrangements. I would be grateful if in doing so you would bear the following points in mind.

3. First, there were a number of suggestions in the letter of 31 October from No.10 which are not reflected in your guidelines but in my view ought to be included unless there are good reasons why not.

i. The intention is to hold the December European Council in Edinburgh. The culminating events of the Festival should fit in with this.

ii. We want to encourage local sponsorship and commitment to events, for instance through a competition between cities to host particular parts of the Festival. Your letter of 12 November envisaged "substantial local authority contributions" being secured in this way but the guidelines make no reference to this.

UNCLASSIFIED

iii. We want to avoid spending the Festival budget on events which would happen anyway. I am not sure what you have in mind in your reference to using the money "to enhance the quality of some events already in preparation".

4. More generally I assume that you are making separate arrangements to ensure that there is proper accountability for the substantial amount of public funds involved in the Festival. The guidelines make no reference to this.

5. Second, I have agreed a budget of £6 million, not "at least" £6 million. I have done so on the basis set out in my letter, despite the absence of any clear proposals, in order to help you make progress. But I would not wish there to be any misapprehension that any further sums will be available in a similar manner. Neither of us can be in the business of giving the Festival a blank cheque, and I will not be prepared to agree retrospective provision for commitments already made or for expenditure already incurred, beyond the budget of £6 million.

6. Third, following on from this, I still think it is highly desirable, both politically and from the point of view of accountability, to have some idea of how John Drummond proposes to use the money before he plunges in and spends it. It is of course right that he should have the freedom, within your guidelines and subject to proper accountability for public funds, to plan the content and artistic character of the Festival and to make commitments within the £6 million budget. But the figure of £6 million was not based on any clear set of proposals, let alone any proper financial costing. In these circumstances it is not unreasonable to ask for a quick overview before everything goes ahead. You rightly draw attention to the accountability which you and your Accounting Officer have to Parliament. We in the Treasury also need to be satisfied that a call on the Reserve is justified in this case. For that reason we shall need to be assured that the commitments are realistic in relation to the overall budget and that they offer good value for money. I also attach importance to the point about breaking even in paragraph 6 of my letter.

7. Finally, I am grateful for your agreement that your officials should keep in touch with mine. I made no suggestion that Treasury officials should scrutinise detailed programme plans. But it is important that the Festival is a success, and I shall be glad to consider any difficulties which may arise.

8. I am copying this letter to the Prime Minister, Douglas Hurd, Ian Lang, David Hunt and Peter Brooke and to Sarah Hogg, together with a copy of my letter of 3 December for those who did not receive it.

DAVID MELLOR

cst.ps/dr/19dm29.11

UNCLASSIFIED

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

The Rt Hon Tim Renton MP
Minister for the Arts
Office of Arts and Libraries
Horse Guards Road
London
SW1P 3AL

3 December 1991

EUROPEAN ARTS FESTIVAL

Thank you for your letter of 12 November about the funding of a European Arts Festival.

2. As you know, the idea of a Festival on the lines set out in the letter of 31 October from the Prime Minister's private office, has my support. A project of this kind, demonstrating the richness of our artistic achievement could be a very effective way of marking the UK Presidency. Coming on top of the creation of the Foundation for Sport and the Arts and the generous settlement which you were able to announce following this year's Public Expenditure Survey, it would also be a vivid demonstration of our support for the performing arts.

3. It is essential however that the Festival is a success, and is generally judged to be a success, not just by a few expert commentators but by the public at large. We do not want to mark the UK Presidency with a series of artistic flops and empty halls. We would be better off not staging it at all if that were to be the likely outcome.

4. My main concern with the proposals in your letter, therefore, was with the suggestion that you were prepared to accept that £3 million should be set aside to provide guarantees against loss through low ticket sales on the part of those organising the Festival events. This seems to me the wrong spirit in which to approach the Festival. It may of course be desirable to include an element of experiment at the margin, but I would have expected the great majority of the events to be ones which would attract a high degree of public interest and attendance. Many of the

bodies organising them already receive substantial subsidies. To anticipate that on top of that they will not break even in the Festival suggests considerable pessimism about the appeal of the programme.

5. As to the funding of the Festival, we agreed in the Survey that this could be settled as a claim on the Reserve once you had a clearer picture of the form which the Festival would take. It seems to me that we are still some way from that position. I appreciate that the list attached to your letter was illustrative; and there are certainly some attractive ideas in it, such as the European Theatre Festival at the Royal National Theatre. But it is hard to see some of the other suggestions having the public appeal which we are seeking: in particular the three new operas prepared by the English National Opera. My preference therefore would be to defer settling a firm figure until your thinking is further forward and a reasonably reliable estimate of the costs can be made. I would not in any event be prepared to contemplate a sum as high as £10 million which could lead to damaging criticism that the Government was being spendthrift on the Arts.

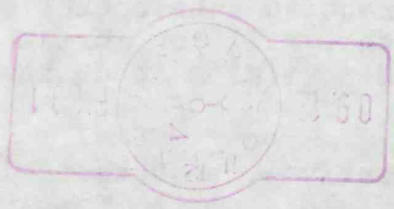
6. I recognise nonetheless that time is short and that there is an urgent need to get things moving. In the interests of cutting through the difficulties, I am therefore prepared to give my agreement now to the provision of £6 million for the Festival to enable you to secure the services of the Festival Director and to draw up proper plans. This is on the understanding that the events in the Festival will be selected on a basis which gives reasonable confidence that they will do better than break even financially after taking account of the support provided by the Festival, and that they will have the right public impact in the context of the UK Presidency.

7. This figure of £6 million is not of course based on any proper financial costing. We will need as soon as possible to consider the overall shape of the programme, with more reliable costings based on urgent advice from the Festival Director, in order to be sure that the Festival is broadly acceptable, affordable and good value for money, before it is finalised. I would be grateful if your officials could keep closely in touch with mine as your plans develop and if you could come back to me with a firm set of proposals as soon as you are ready to do so, and, subject to two exceptions, before any final commitments are made to the Festival's organisers. The two exceptions are the National Theatre and the National Gallery where I understand that immediate commitments may be necessary in order to secure their proposed events for the Festival. I am content for these to go ahead without further discussion if you consider this essential. If there are any other specific difficulties of this kind, I would be glad to consider them urgently as well.

8. I am copying this letter to the Prime Minister and Sarah Hogg.

DAVID MELLOR

ARTS : Policy Pt 4



OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929
Fax No: 071-270 6026

From the Minister for the Arts
THE RT HON TIM RENTON MP

C91/5309

Rt Hon David Mellor QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

5th December 1991

Dear David

EUROPEAN ARTS FESTIVAL

Thank you for your letter of 3 December.

It is helpful to have your agreement to a budget of at least £6m for this Festival and to immediate confirmation of two key events in it.

Before getting to the main substance could I first clear up two possible misunderstandings. First, on the offer of guarantees against loss. Far from seeing this as a way of underwriting half-empty halls and endless Stockhausen, I put the idea up, at Neil MacGregor's suggestion, simply as a way of making the money go further by enabling promoters to go ahead now confidently with booking the finest British and European soloists and companies for events with wide appeal. Only in the rare evant of a miscalculation would I have expected the guarantee to be called. But, as you do not think it an appropriate way of funding the Festival, I shall drop the idea.

Secondly, on the scope of the events to be covered, the annex to my earlier letter was intended only to give examples of possible costings for a handful of events in London. These are not firm proposals nor would I want costings put forward by the companies themselves accepted without question. They need to be expertly scrutinised by the Festival Director and his team.

We are agreed that the Festival needs to be wide-ranging and popular and that, in general, we should aim for very high capacity (higher indeed than the European Theatre Festival at the Royal National Theatre whose costings are based on a maximum capacity expectation of 75%).

I have drawn up the enclosed Guidelines setting out the nature of the Festival we want. They are closely based on the letter from No 10 of 31 October, and your view, which I wholly share, that the Festival should be a popular success, not be elitist, and be as broadly based as possible.

I have also spoken at some length to John Drummond. He is very concerned that so little time is now available for planning the Festival and that the firm budget so far agreed is less than he expected for a first rate Festival. Nonetheless, he and Michael Checkland have very helpfully agreed his early release from the BBC (apart from the Proms) and he will be prepared to start as Festival Director on 1 January.

Before finally committing himself, however, he wants to be sure that he will have the freedom, within these guidelines and subject to proper accountability for public funds, to plan the content and artistic character of the Festival and to make commitments within the £6 million budget. I think this is an entirely reasonable request. He is clearly the best man for the job and there is no way that we could find anyone else of comparable stature at this late date. Time is now extremely short and we must allow him to get on with the work for which he is being paid. If I cannot offer him the reasonable degree of responsibility and management freedom he needs I shall well understand if he feels unable to take this on.

Given how long it has taken us to get this far, I am concerned about your suggestions that Treasury officials should scrutinise detailed programme plans before any commitments are made to individual companies, apart from RNT and the National Gallery. This goes well beyond our normal practice in the artistic field; detracts from my own accountability responsibility to Parliament and that of my Departmental Accounting Officer; and will lead to further damaging delays while busy officials consider detailed proposals. (As you may have heard, the Schaubuhne Theatre in Berlin has already had to withdraw from the RNT Festival because of RNT's inability until now to make a firm commitment to them.)

I propose, instead, formally to issue to John Drummond the enclosed guidelines on the sort of Festival he must prepare.

It will then be for him to consult quickly but very widely and prepare detailed plans. As you know, the Prime Minister has decided that I should be Chairman of the Festival Steering Committee. This will mean that I shall keep in regular contact with Mr Drummond as his plans develop, so as to ensure that the money goes as far as it possibly can and that the Festival programme is developing within the agreed guidelines. I shall also quickly appoint members of the Steering Committee to assist us in the organisation of the Festival and to promote its visibility.

My officials will need to be in touch with yours about provision for immediate start-up costs and financial reporting arrangements by the Festival team. I am also asking them to keep yours informed of Festival plans as they are developed.

As you may know, I am under pressure from arts organisations to say whether the Festival is to go ahead. So, following a further and I hope confirmatory meeting with John Drummond, (and subject to clearance from the No 10 Press Office in the light of developments from Maastricht), I would like to announce his appointment on Monday, 9 December. Mr Drummond will then get in touch with the RNT, the National Gallery and others immediately to firm up their contribution to the Festival.

I am copying this to the Prime Minister, to Douglas Hurd, Ian Lang, David Hunt and Peter Brooke and to Sarah Hogg.

Yours

Tim

TIM RENTON

EUROPEAN ARTS FESTIVAL: GUIDELINES

The Festival is to mark the UK Presidency of the European Community from 1 July - 31 December 1991.

Its aim is to heighten public awareness (both in this country and Europe) of the significance of this event, given the ever closer relationship between the UK and its European Community partners, and to celebrate the richness of British artistic achievement within a European context.

The Festival must be broadly based and designed to encourage wide popular participation. It should have a UK-wide coverage and involve all the main art forms.

In addition to events of major artistic standing or significance, it should also embrace local arts and cultural exchanges eg, between twinned towns in the UK and other EC Member States.

It should particularly aim to involve young people.

In so far as resources allow, it should also include visits to this country from leading European companies and artists, but not visits by UK companies to other European countries.

If time allows, a small number of new works should be commissioned to celebrate the Festival. The aim should be for these to be widely performed.

A significant number of events related to the UK Presidency and completion of the Single Market are already in preparation. These can be included in the Festival programme if the Festival Director considers them appropriate and of sufficient standing.

The available moneys must be devoted to facilitating additional events and exchanges, as well as to enhance the quality of some events already in preparation.

The Festival programme should not be susceptible to accusations of elitism or of overdue metropolitan orientation.

Additional or complementary funding will be sought from the EC Commission and the Foreign and Commonwealth Office's Presidency budget.

Opportunities should be sought to increase public enjoyment of Festival events through broadcasts and TV relays.

ARTS + AMENITIES. POLICY PTY.

cst.ps/dr/19dm29.11

UNCLASSIFIED

SH is writing separately.

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

The Rt Hon Tim Renton MP
Minister for the Arts
Office of Arts and Libraries
Horse Guards Road
London
SW1P 3AL

3 December 1991

Dear Tim,

EUROPEAN ARTS FESTIVAL

Thank you for your letter of 12 November about the funding of a European Arts Festival.

2. As you know, the idea of a Festival on the lines set out in the letter of 31 October from the Prime Minister's private office, has my support. A project of this kind, demonstrating the richness of our artistic achievement could be a very effective way of marking the UK Presidency. Coming on top of the creation of the Foundation for Sport and the Arts and the generous settlement which you were able to announce following this year's Public Expenditure Survey, it would also be a vivid demonstration of our support for the performing arts.

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ARTS: Policy Pt 4.

bodies organising them already receive substantial subsidies. To anticipate that on top of that they will not break even in the Festival suggests considerable pessimism about the appeal of the programme.

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8. I am copying this letter to the Prime Minister and Sarah Hogg.

DAVID MELLOR

CONFIDENTIAL

File

PRIME MINISTER

Thanks!

3 December 1991

The Euro Arts Festival

Both sides are being pretty silly, and I would advise you to steer well clear. This morning, after our conversation, I rang Richard Wilson (who has been charged by David with sorting this one) and asked him to get on with it as Tim Renton has been appealing to you and to the Foreign Secretary; Andrew spoke to David's private office, and a letter has been issued.

Tim Renton inevitably wants more than David Mellor will provide, but the difference between them is narrow. Tim Renton scaled his demands down from £25m (including box office guarantees) to £10m. David Mellor is prepared to offer about £8m. But he has only put £6m on the table, because he thinks Tim Renton's ideas are too "arty". He doesn't want to offer box office guarantees because he thinks this will only encourage OAL to put on unpopular things.

I share his suspicions. But he can't be arts minister as well as Chief Secretary, and has a distressing tendency to try to be both. And he has been dilatory about this, keeping Tim Renton hanging about. On the other hand, OAL ought to be able to go ahead with £6m on the understanding there will be a bit more for worthwhile projects; they have known this is the situation for a week, but keep on pretending it is otherwise. Since the two ministers seem incapable of settling with each other, Richard Wilson and Charles Henderson have to sort this out. And they can. At least this overdue letter should stimulate action. There is no need for you to do anything, if lobbied by either, other than tell them to sort it out between themselves.

Sarah

SARAH HOGG

(178)

CONFIDENTIAL

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copy

From the Minister for the Arts
THE RT HON TIM RENTON MP

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929
Fax No: 071-270 6026

C91/

Rt Hon David Mellor QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

12 November 1991

Dear Chief Secretary,

EUROPEAN ARTS FESTIVAL

Now that the Public Expenditure round has been settled I would be grateful if we could agree quickly on the funding for the European Festival. At our second Bilateral, you helpfully said that, once the broad shape of the Festival had been agreed, you would be prepared to find the resources needed from the Reserve.

You will have seen Dominic Morris's letter of 31 October to Vaughan Rees. I have also had a meeting with Sarah Hogg. As a result, we are, agreed that the Festival should last throughout our Presidency; that it should have a UK-wide focus; that it should go beyond events which are already planned and include some that are specifically commissioned; that it should include the best of British as well as visiting European companies; that young people should be closely involved; and that John Drummond should be invited to act as Festival Director.

As you know I have been talking to some of the heads of the National Companies and getting their assessments of the sums needed to fund the kind of events they think would be appropriate for the Festival. The indicative cost of these alone comes to close on £4m (please see Annex). These figures are however estimates and can only be substantiated fully when all details of specific projects have been settled. But there certainly should be other major events around the country for which further funds will be necessary. Inviting major cities to vie for the honour of hosting them should ensure substantial local authority contributions but some additional funding will be needed both for this and for youth events, exchanges and festivals involving towns that do not normally have much access to the arts.

I am adamant, however, that Government should not meet the total costs of all events and that the Festival does not just become a way for arts companies to obtain additional public funds.

Some of the funding for events in the Festival could come in the form of guarantees against loss, from a call on the Reserve as you suggested. There will be up-front costs, however, on for example commissioning new works, and booking artists and companies from the Continent. If the Festival is to happen at all we must now get started very quickly indeed. That will require a supplementary in the present financial year of at least £150,000 towards the costs of setting up and running a Festival office, for commissions and for unavoidable early expenses.

I understand that a figure of £5 - 7 million for the Festival is now being considered, though whether as a grant or as a guarantee against loss is not clear. Although I agree that we need to control the expenditure carefully, I fear this amount will not be adequate to mount the range of events the Prime Minister would like.

I believe that a figure of £10 million is necessary and a call on the Reserve up to this amount is the minimum needed to mount a memorable Festival. I would be prepared to accept that £3 million of that should be for guarantee against loss in (ticket sales etc) in the expectation that a well-run and tightly administered Festival will not make unnecessary calls on Government funds. If we announce anything less than £10 million for the Festival, though, not only will we be unable to do the job properly but we will face the usual accusations of trying to do things with the arts too cheaply. That can only detract from the splendid settlement for the Arts Council I was, with your strong backing able to announce last week.

A general idea of the Budget could look as follows:

£6m	-	major events throughout the UK
£1m	-	exchanges with EC youth bands; student drama groups etc
£1-2m	-	city competitions within the UK, with prizes
£1-2m	-	youth competitions (playwriting; composing; art) with prizes
£250,000		Administration

I have discussed informally with John Drummond the possibility of his taking on the role of Festival Director. He will shortly let me have his decision, but he is strongly of the view that £10 million represents an appropriate level of funding.

From your own experience, you will appreciate that a series of large scale public events requires considerable expenditure. Glasgow's year-long City of Culture celebrations cost in excess of £40 million, the Salzburg Festival which lasts two months receives a public subsidy of £5 million and the recent G7 Summit which lasted a week cost £6.6 million.

We now need to settle this very quickly. If there are any details on which you require further clarification, I would be happy to discuss these with you. Alternatively, our officials could pursue.

I am copying this to the Prime Minister and to Sarah Hogg.

Yours sincerely

Jayne Edgehaw

pp **TIM RENTON**

(Approved by the Minister
and signed in his absence)

EUROPEAN ARTS FESTIVAL

Royal National Theatre: (mid Oct. - late Nov.)

European Theatre Festival

£1.7m sought as guarantee against loss for
2 weeks of Schaubuhne Theatre Berlin,
("Cherry Orchard" by Peter Stein)

2 weeks of Piccolo Theatre, Milan
("Faust" by Giorgio Strehler)

2 weeks of Theatre Nationale Populaire
(eg a Patrice Chereau production)

+ 6 weeks at Cottesloe of 3 small scale, experimental theatre companies

Notes: possibility of visiting companies performing elsewhere eg., in Glasgow.

National Gallery: Manet Exhibition (July - September)
Total cost £385,000
Sought: either a grant of £190,000
or underwriting guarantee £155,000

Note: NG would continue to seek sponsorship
Admission charge £4 per capita, £2 for concessions.
Exhibition means collaboration with France, Germany (Mannheim) and US. Spain (Prado) may be involved if Goya is included for comparison.

ENO: Contemporary European Opera and Music Festival
(? July)
Premieres of 3 new operas:
Terrible Month - Life of Goya - Nigel Osborne
Mario and the Magician - Thomas Mann story - Stephen Oliver
Mary of Egypt - John Taverner
associated workshops and concerts, including a Spanish season

Total cost: £419,419
Funding sought: £143,053

Note: ACGB may offer something.

Possibility of further performances at European Festivals

Private funding also being sought

The Barbican: £310,000 sought for: July - December season

(i) 2 concerts already contemplated for July (LSO and Tippett)

(ii) 2 autumn concerts including two new British works

(iii) Concerts organised around a Classical Music Trade Exhibition in September

(iv) A European film season

(v) 31 December Big Bang concert (£100,000 sought)

ROH: July - December season

(i) £50,000 sought for a Gala performance of Il Viaggio a Rheims on 4 July to launch the Festival
Possibility of European Chamber Orchestra or ECYO providing the Orchestra at extra cost of £75,000

(ii) £250,000 for two further performances in Edinburgh, one for Heads of Government

(iii) £150,000 (after ticket sales into account) for a celebrity European ballet and opera gala in late September or October

(iv) Piazza screenings of "Il Viaggio" or Pavarotti "Tosca" £65,000 a night.

Total bid c £655,000

Notes: These are extra costs of organising special events.
Ticket sales are taken into account except at (ii).
4 July Gala a good way of launching the EAF
Piazza screenings, free of charge, important from an access point of view.

South Bank: July - December season

(i) £125,000 sought for a variety of concerts, including a Harrison Birtwistle premiere, a Purcell series, Les Arts Florissants, performance by Wexford Opera, Xenakis series,

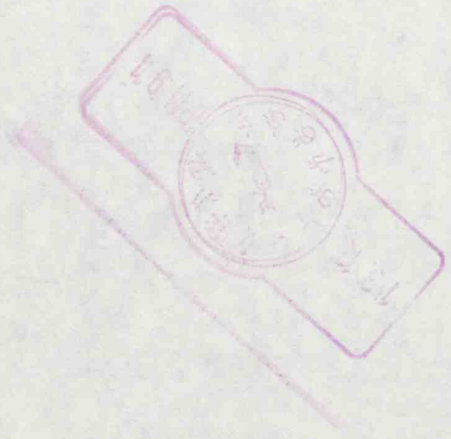
(ii) £200,000 for contemporary dance festival with leading French, German, Dutch, Belgian and Swedish companies

(iii) £50,000 for European Writers Conference

(iv) £350,000 for three art exhibitions, including one involving European artists in regional venues

Total bid: £750,000

Total bids: £3.70m (say £4m)



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

31 October 1991

Jean Vaughan

EUROPEAN ARTS FESTIVAL

The Prime Minister has seen the Minister for the Arts' minute of 17 October setting out initial ideas for the Festival. He agrees with your Minister that the Festival should put emphasis on involving young people and more young artists, covering all art forms. He agrees too that it should be a Festival covering the whole period of our Presidency. As you may know, the intention is to hold the December European Council which we would host in Edinburgh. Your Minister will no doubt want to see that the culminating events of the Festival fit in with that. The Prime Minister endorses the view that several of the towns and cities around the country should also be involved. The Prime Minister recognises that the list annexed to your Minister's minute was only a first outline. He was concerned at the limited geographical spread of events and at the risk that the Festival will be seen to be "badge engineering" of events that were already planned to take place. Some of this might be necessary but the Prime Minister's hope is that the Festival would support and encourage a series of genuinely new events.

One possibility which he would like your Minister to consider is that of competition between cities to host particular parts of the Festival since that offers the prospect of local sponsorship and local commitment to making the Festival events a success.

The Prime Minister is content with the administrative arrangements proposed by your Minister and that he should approach Mr Drummond to be Administrator of the Festival.

As far as the Steering Committee is concerned, the Prime Minister would be entirely content for your Minister to chair it himself.

As regards Government financing of the Festival, I understand that your Minister and the Chief Secretary discussed this during the PES bilateral last week. The Prime Minister thinks that is the right way forward.

I am copying this letter to Nicholas Holgate (Chief Secretary's Office).

Yours sincerely

Dominic

(DOMINIC MORRIS)

Vaughan Rees, Esq.,
Office of the Minister for the Arts.

10 DOWNING STREET

Dominic

Sorry the PM wasn't more enthusiastic about this. I like your idea and don't think it's impossible to combine it with the establishment.

Stephen

[illegible]

cc Dominic.

Repackaging for excellence

cc: Sir Brian Corby.

THE SOUTH BANK CENTRE

PATRON: HER MAJESTY THE QUEEN

Royal Festival Hall
London SE1 8XX

Telephone: 071-921 0600
Telegrams: Festhall London
Telex: 929 226 SBB G
Fax: 071-928 0063

21 October 1991

Dr Sue Brown
Head of Arts & Heritage
Office of Arts and Libraries
Horse Guards Road
LONDON
SW1P 3AL

BRITISH FESTIVAL OF EUROPEAN ARTS

Thank you for inviting me to your meeting on 15 October 1991 to discuss with the Minister possibilities for a European festival of Arts to take place in Great Britain from July to December 1992.

I attach some suggestions of events which the South Bank Centre would be particularly well placed to contribute to such a festival. This consists both of high quality European work which we should be bringing to British audiences, and British work, in particular new commissions, to be performed in a European context.

We already put an emphasis on hosting high quality European arts at the Centre, so the following suggestions mix work which we are already programming with work that would complement and enhance our programme in a manner appropriate to such a festival.

I find the whole project most exciting and hope that the South Bank Centre will be able to participate in a number of art forms.

NICHOLAS SNOWMAN
General Director (Arts)

Chairman: Sir Brian Corby General Director (Administration): Richard Pulford General Director (Arts): Nicholas Snowman

The South Bank Centre is a Charitable Foundation (Registered Charity No. 298909)
Trustee: The South Bank Board Limited.

GOVERNORS

Sir Brian Corby (Chairman). Hon Sir Victor Garland, KBE (Vice Chairman). David Gordon (Vice Chairman). Colin Southgate (Vice Chairman). Beverly Anderson. Sir Gordon Brunton. John Gunn. Pamela, Lady Harlech. Lorin Maazel. Lord Rayne. Martin Smith. Lady Soames, DBE. Hon Edward Streator. Sir John Tooley. Nigel Walmsley. Lord Weidenfeld.

SOUTH BANK CENTRE CONTRIBUTION TO A BRITISH FESTIVAL OF EUROPEAN ARTS

I. MUSIC PROJECTS

In the period July to December 1992 we are already planning to host or promote a number of projects which could make up part of a British festival of European Arts. The following represent projects which we think would be particularly strong as part of such a festival and which we do not currently have sufficient resources to programme, or whose suitability for the festival could be considerably enhanced by a small injection of further resources.

i. Andras Schiff and Friends

We are already programming a series of three concerts devised by pianist Andras Schiff and oboist Heinz Holliger combining great classics of the past with twentieth century classics. The concerts will involve leading European artists - Bruno Canino (piano), Aurele Nicolet (flute), Elmar Schmid (clarinet), Klaus Thunemann (bassoon) and Radovan Vlatkovic (horn) in addition to Schiff and Holliger. The series will include two UK premieres of works by Elliott Carter and Heinz Holliger.

An extra **£5,000** would finance the commission of a new quintet by Harrison Birtwistle, enabling us to promote a concert where a new piece by a leading British composer would be performed by leading European artists, in a programme featuring the greatest European composers.

ii. South Bank Purcell Project

As part of a series of events leading up to Purcell's Tercentenary in 1995, Gustav Leonhardt will be directing the Orchestra of the Age of Enlightenment in a< weekend event. These events will involve leading European artists celebrating through performance the works of one of the greatest British composers.

Cost £70,000 of which **£35,000** is not yet found.

iii. **Premiere Ensemble**

This excellent young British ensemble, directed by Mark Wigglesworth, has been engaged by us to perform two to three concerts a year featuring a first performance of a new work by a British composer. A concert in this period could include Dominic Muldowney's new Trumpet Concerto on payment of a **£7,000** commission fee.

iv. **Les Arts Florissants**

We are bringing this superb Paris-based ensemble of musicians and singers to London to perform a programme of choral and instrumental works by Monteverdi directed by William Christie. Cost £15,000.

For a further **£30,000** we would be able to invite the ensemble to perform Rameau's Castor et Pollux, a large-scale work involving a larger orchestra. This performance would be part of a European tour with appearances in Paris and at least one other European venue.

v. **Lannis Xenakis 70th Birthday**

We would like to present, but currently could not fund, three concerts with the Philharmonia, London Sinfonietta and the Arditti Quartet in honour of the composer's 70th birthday. Cost **£30,000.**

vi. **Wexford Festival Opera**

We have not been able to bring any production from the summer festival in Ireland to London since 1989. The cost of one performance would be £30,000, of which we have set aside **£15,000;** we need an additional £15,000 to realise the project.

vii. **City of Birmingham Touring Opera**

An important part of any European festival would be a suitable proportion of top quality British work. We would like to bring the City of Birmingham Touring Opera, the best touring opera group in Britain today, to the Purcell Room to give semi-staged performances of the Britten Canticles in the Purcell Room. Cost **£2,500.**

The full list of music projects we are programming for the period is attached. The total cost of supplementing these in the ways described above to create a coherent European programme would be: **£124,500.**

II. DANCE PROJECTS

The South Bank Centre has become over the last five years one of the leading presenters of international and contemporary dance work in London, and this year won a Time Out Award as promoter of the year. We have the facilities to promote the best of contemporary European dance, but to bring such companies to Britain is very expensive, with the fee for a company for four performances being about £50,000. We would recommend bringing four such companies to London as part of a festival, selected from the following:

France

Ballet de l'Opera de Paris (small company)
Group Emile Dubois
Philippe Decoufle

Germany

Wupperthales Tanztheatre (Pina Bausch)
Frankfurt Ballet Company (William Forsythe)

Netherlands

Nederlands Dans Theatre

Belgium

Monnaie Dance Group (Mark Morris)
Ultima Vez (Wim Vandekeybus)

Sweden

Callberg Ballet (Mats Ek)

Cost **£200,000**

III. MAJOR EUROPEAN WRITERS CONFERENCE

Our literature programme has long wished to include more European work with the active participation of European writers. For cost reasons this has been difficult to achieve.

A European conference of writers could be held at the South Bank, using both smaller concert halls (the Queen Elizabeth Hall and the Purcell Room) and the Voice Box facilities. We are confident that a substantial audience would attend any such conference. Writers such as Umberto Eco, Christa Wolf, French post modernists and so on could be invited to the Centre both to take part in the conference and to give public readings. The conference would require translators.

Cost £50,000

IV. VISUAL ARTS

i. We are already planning a major retrospective of the works of the Belgian surrealist painter Rene Magritte (1898-1967), to open at the Hayward Gallery from 21 May - 2 August 1992. Thereafter it is to tour the United States until June 1993, showing at the Metropolitan Museum of Art in New York, the Menil collection in Houston and the Art Institute in Chicago.

The exhibition, selected by David Sylvester and Sarah Whitfield, acknowledged authorities on Magritte, brings together over 150 of the artist's most important paintings, collages, sculptures and other objects, and will be the largest and most authoritative showing of Magritte in Britain or the US for a generation.

Total exhibition expenditure is estimated at £744,000 of which £414,000 is common costs and will be shared equally by the four participating institutions.

ii. Another exhibition which we are already putting together, which could be presented in the context of the Festival, is a touring exhibition bringing together the prints and multiples of Marcel Broodthaers. Broodthaers was a Belgian artist who lived in London for much of his life, and who questioned through his art our understanding of our own culture.

The exhibition will be opening in London at the Institute of Contemporary Arts 2 June - 12 July 1992 and going on to the Museum of Modern Art, Oxford, and possibly to Norwich and Sheffield.

iii. Specifically as part of a British inspired European arts festival, we would like to organise an exhibition using regional galleries and other spaces such as ruined abbeys, industrial buildings and open spaces throughout Great Britain, involving several European artists in making art work especially for the various sites, with an understanding of each site's cultural background.

Potential contributors would be Rebecca Horn (Germany), Mario Merz (Italy), Lothar Baumgarten (Germany), Jannis Kounellis (Greece/Italy), Guiseppe Pennone (Italy), Rainer Ruthenbeck (Germany) and Daniel Buren (France).

This project could include collaborations with the Henry Moore Trust, English Heritage, the National Trust and the UK Tourist Board.

Cost **£350,000.**

LIST OF SOUTH BANK MUSIC PROJECTS

JULY TO DECEMBER 1992

DATES	PROJECT	EXTRA FUNDING REQUIRED
1-2 July	Opera North: "Caritas" First London performance(s) of Robert Saxton's new opera, which will receive its' world premiere in Wakefield this Autumn.	
14-16 July	City of Birmingham Touring Opera Rare semi-staged performances of the Britten **Canticles** in Purcell Room.	£2,500
August	Premiere Ensemble Second of a regular series of concerts the ensemble will give during Opera Factory seasons at the Queen Elizabeth Hall as co-promotions with the South Bank Centre. This concert will include the premiere of Muldowney's Trumpet Concerto. Commission fee to be found.	£7,000
Aug/Sept	Opera Factory The first revival of Sir Harrison Birtwistle's highly successful opera **"Yan Tan Tethera"**	£35,000
8/10/12 Sept	Orpheus Chamber Orchestra A 'mini-residency' project with the American conductor-less orchestra featuring music of the first and second Viennese schools, with Alfred Brendel playing a Beethoven Piano Concerto. We hope the project will also have an educational dimension with open rehearsals and, possibly, some workshops, depending on finance.	£10,000

15/17/19 Sept	Andras Schiff and Friends A series of three concerts in the Queen Elizabeth Hall devised by Andras Schiff (piano) and Heinz Holliger (oboe) which will counterpoint 'old and new' - Bach, Beethoven, Mozart, Schubert and Schumann with 20th century classics by Ligeti, Berio, Kurtag and Boulez. Involves leading European artists - Bruno Canino (piano), Aurèle Nicolet (flute), Elmar Schmid (clarinet), Klaus Thunemann (bassoon) and Radovan Vlatkovic (horn) in addition to Schiff and Holliger. Series to include a world premiere by Birtwistle (South Bank Centre commission) and UK premieres by Elliott Carter and Holliger. Funding sought for Birtwistle commission.	£5,000
17/18 Sept	London Philharmonic/Franz Welser Möst Opening concerts of the South Bank Centre's orchestral residency. Funding required for hoped for performance of a new British work and extra rehearsal costs.	£10,000
5 October	Music Theatre Wales First London performance of "Ubu" by the young British composer Andrew Toovey. Based on the Jarry play, with libretto by Toovey and Michael Finnissy.	
29 October	Alfred Brendel Recital Part of a recital series of Beethoven piano sonatas by the world famous pianist between 1992 and 1995.	
Oct/Nov	Young Brahms Series Five mixed chamber and vocal recitals in the Queen Elizabeth Hall and Purcell Room presenting music written in Brahms' younger years - music with "envy, expansiveness and strength". Devised by Roger Vignoles with Graham Sheffield, with artists such as Sarah Walker, Andreas Schmidt, Lindsay Quartet, Peter Donohoe and Roger Vignoles himself.	

4 November	Maurizio Pollini Recital A piano recital in the Royal Festival Hall by the great Italian pianist.	
11 November	Wexford Festival Opera Project under discussion. Repertoire to be determined - possibly a Mascagni opera.	£15,000
20-22 Nov	Purcell Weekend Gustav Leonhardt directs the Orchestra of the Age of Englightenment in the first annual weekend event leading up to the Purcell Tercentenary in 1995. Project to involve leading European artists over the period from 1992 to 1995.	£35,000
3/24 November	Scottish Chamber Orchestra Series First two concerts in a series featuring contemporary works in addition to standard repertoire. Part of a European tour involving an education programme.	£10,000
2 December	Vienna Philharmonic/James Levine Royal Festival Hall concert forms part of a European tour.	
3 December	Les Arts Florissants The Paris-based early music ensemble directed by William Christie gives a programme of Monteverdi choral and instrumental works, including "Il Combattimento di Tancredi e Clorinda".	

MINISTER FOR THE ARTS

PRIME MINISTER

THE EUROPEAN ARTS FESTIVAL

I warmly welcome your proposal that we should mark our Presidency of the European Community next year with a European Arts Festival. So far as I am aware, no other Member State has done this. A broadly based Festival will be an exciting way of bringing home to people here and in Europe both the strength of our commitment to the Community and our justifiable pride in the richness of our artistic achievement.

I had a meeting yesterday to talk over the idea in a very informal way with Jeremy Isaacs, Peter Jonas, Richard Eyre, Neil MacGregor, Detta O'Cathain and Nick Snowman (General Director of the South Bank Centre). All are extremely enthusiastic and would have major events to offer. As you will have seen from your postbag many others are also writing in with suggestions for the Festival. I am sure, too, that some of our major cities will want to be involved.

The Festival should, I suggest, cover all the art forms. It should put a particular emphasis on involving young people and those who cannot always get to arts events; commissioning some new work on European themes; inviting some of the best European companies to perform alongside our own; getting British towns to involve their European twins, and exchanges of youth orchestras, drama and dance groups.

I have been thinking about whether we should concentrate on a three or four week Festival or spread the celebrations across our Presidency. The strong advice yesterday was that it should be a six-month Festival. To go for a shorter time would mean excluding important events which are already being planned from next July to December.

But time is now very short. There are only eight months in which to prepare the Festival; it would normally take one to two years. This means that we need very early agreement on funding. Sponsorship must, of course, play a part, and some has already been offered, but that takes time to firm up.

It was clear to me at yesterday's meeting that our leading companies will make a major contribution to the success of the Festival if they feel that the Government is genuinely committed and prepared to offer adequate funding. A long wrangle over public and private sector contributions will delay planning and get the Festival off to a sour start.

How good a Festival we can mount must, in part, depend on what resources we can commit. As a benchmark, Glasgow District Council and the Strathclyde Regional Council contributed nearly £50m (with a further £40m for capital projects) to Glasgow's very successful year as EC City of Culture. As you will know, it goes against the grain for me to press for extra public expenditure. But my sense, having now talked to a number of people in the arts world, is that we shall need a basic figure of about £10m to get everything rolling with access to a further £10 - £15 million to be used as a guarantee against loss by the promoters of events.

I should like to appoint a Chairman of the Festival Committee and an Administrator very soon. The unanimous feeling at my meeting yesterday was that John Drummond would be an ideal Administrator. He ran the Edinburgh Festival with great success and now organises the Promenade Concerts. His European contacts are particularly wide. He retires as Controller of Radio 3 next March. I should like to approach him. I have a number of names in mind as Chairman and you may like to discuss these. They include Lord Harewood (our informal group's first choice) Lords Carrington, Callaghan and Gowrie, Robert Gavron and David Attenborough. Alternatively, I could chair it myself. I would relish this and think I would have the confidence of the leading figures in the arts world. But it might be seen as too political a move.

Planning for the Festival needs to start as soon as possible and some costs will arise in the present financial year. I have no contingency in OAL to cover these and my officials are in touch with Treasury about an early supplementary of £100,000.

I attach a note showing some of the main events of the Festival which I can already identify. This has a metropolitan bias reflecting only the interests of those I have spoken to so far. But, equally, they are very concerned that the Festival should not be confined to London and I am sure that there will be many more exciting events to add to the calendar all around the country.

I would be glad to know that my thinking about the Festival is in line with yours and to have your early agreement to what I am proposing. I am copying to David Mellor only at this stage, but doubtless Ian Lang, David Hunt and Peter Brooke will want to be involved early on.

Tim Renton

TIM RENTON

17.10.91.

EUROPEAN ARTS FESTIVAL: A FIRST OUTLINE OF SOME MAIN EVENTS

National Music Day - will launch the Festival Emphasis on young people, popular participation and a very wide range of music making. This already has a good momentum of its own.	28 June
English National Opera at the Almeida Theatre: 3 new operas on European themes.	July
The Edinburgh Festival - to be given a special European flavour.	August
Gala Promenade Concert (Berlin Symphony Orchestra in presence of EC Culture Ministers: Beethoven 9).	6 September
EC Gala Concert - music and dance - in Birmingham.	7 September
European Theatre Festival at the Royal National Theatre.	October-November
EC Summit Celebrations in Edinburgh (including Il Viaggio a Rheims by Royal Opera, with singers from every EC country).	December
European Community Youth Orchestra at Barbican (youth audience from the EC, Lighting of Single Market beacons all over the EC).	31 December

The National Archives

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Enter the department and series,
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MR MORRIS

14th October 1991

cc Mrs Hogg

EUROPEAN ARTS FESTIVAL

I attended a meeting called by Charles Henderson to discuss this idea. Present were HMT (Richard Wilson), FCO (Nigel Sheinwald and John Sawyer), Douglas Slater, SO, Arts Council, British Council and a number of OAL people. It was not quite the small ad hoc group which your letter had called for.

There was a degree of floundering from the Arts representatives who said it was late in the day to organise such an initiative. They also made great play on the need to specify the budget up front.

In the end, we agreed:

i) A festival should be arranged. It would focus on British art in Europe with an emphasis on youth and newness. It would run through the Presidency, with a climax in December, would be geographically spread across major cities and would include both 'relabelled' events and a number of specific additional ones.

ii) OAL would propose a committee to preside over the event, but it would succeed or not depending upon the Director who was found to arrange it. Time was of the essence in appointing these people.

iii) Henderson would write to No 10 outlining this.

We need this week to come up with names for Henderson to consider. We mentioned at lunch: Eyre, Puttnam, Drummond, Palumbo, Branagh and Fry. Any other thoughts?

ALAN ROSLING

201.ar

CONFIDENTIAL

ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

K/11/10

→ CF?

Dominic Morris Esq
10 Downing Street
LONDON
SW1A 2AA

10 October 1991

Dear Dominic,

EUROPEAN FESTIVAL OF THE ARTS

You copied to Jim Gallagher your letter of 30 September to Vaughan Rees about a European Festival of the Arts.

My Secretary of State supports the suggestion that The Scottish Office be represented in the ad hoc group proposed in your letter. As you note, the European Council will be held in Edinburgh in December 1992; we are keen to explore the possibilities for cultural events in Scotland connected with this and more widely with the UK Presidency.

I understand that a first meeting of the ad hoc group is to take place on Friday 11 October. We are in touch with OAL about attending.

I am copying this letter to recipients of yours.

Yours sincerely,

ALAN FRASER
Private Secretary

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MD

c: Rees.

cc D.S./H.L

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 October 1991

I attach a copy of a letter I have received from Douglas Slater. I understand that Mr Henderson is chairing a meeting at official level tomorrow, which is being attended by Alan Rosling of the Policy Unit here. I am sure the Prime Minister would be happy for the Chief Whip Lords to be kept closely informed of developments on this initiative and I should be most grateful if you could arrange for Mr Slater to be invited to the meeting.

Dominic Morris

Vaughan Rees, Esq.,
Office of the Minister for the Arts.

ds

R10/10

FROM THE PRIVATE SECRETARY TO THE LEADER OF THE HOUSE
AND THE CHIEF WHIP

7 October 1991

Dear Dominic,

ARTS FESTIVAL TO MARK THE UNITED KINGDOM PRESIDENCY OF THE EUROPEAN COUNCIL

As I think you know, the Government Chief Whip in the House of Lords, Lord Hesketh expressed some interest in this idea before he left to go on his trip last week. He retains responsibility for the Arts in the House of Lords, but perhaps more importantly, he is most concerned about the divergence between the House of Lords' very strong European lobby and the Government's stance in Europe. I need hardly add that he would like to bring the former more into line with the latter by whatever tactful means he can, commensurate with the principle of the independence of Select Committees etc.

In those circumstances, I wonder if it would be useful for me to hold a watching brief on any early developments in the idea? That way I can brief the Chief Whip on the proposal, which may prove to be useful all round.

I am not copying this letter to anybody: I hope you will feel free to do so if you feel this suggestion should be taken forward.

Yours ever

Douglas.

D F SLATER

Dominic Morris Esq
Prime Minister's Office

SUBJECT MASTER

Filed on:

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JD

bcc CWO

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 September 1991

Dear Vaughan

EUROPEAN FESTIVAL OF THE ARTS

When the Prime Minister saw Sir Ian McKellen on other matters on 24 September, there was a brief discussion of the idea of a possible European Festival of Arts, about which Mrs. Hogg has already spoken to your Minister. The Prime Minister made clear to Sir Ian that the Government would be prepared to help within reasonable limits. He understood that because of the existing constraints on theatre programming, some of the ideas being floated were for 1993, but there would be much better opportunities in the second half of 1992 when the UK hold the Presidency of the European Council. The Prime Minister invited Sir Ian to speak further to Jeremy Isaacs and Richard Eyres. This Sir Ian was happy to do.

Your Minister may have seen from this weekend's Sunday Telegraph that news of this discussion has got out. In the expectation that there will be further press interest, we need to be geared up ready to respond quickly to proposals which come in from the arts world (and encourage them to get on with putting forward their proposals). Your Minister is, I understand, meeting national theatre figures tomorrow where this may come up.

The Sunday Telegraph article also mentioned Sir David Puttnam who, I understand, is familiar with the concept of the Festival. Certainly it is worth thinking in terms of including film in the art forms covered.

In order to ensure that the Government's response is structured, there may well need to be a small ad hoc group, perhaps chaired by OAL, to process and carry forward those proposals as they come in. The group would need to include besides OAL, a representative from the No.10 Policy Unit, someone from the Treasury and from the Presidency Unit in the Foreign Office, and, in view of the likely European Council in Edinburgh next year, someone from the Scottish Office.

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I am copying this letter to Richard Gozney (Foreign and Commonwealth Office), Jim Gallagher (Scottish Office), Nicholas Holgate (Office of the Chief Secretary, HM Treasury), Tim Hitchens (Mr. Garel-Jones' Office, Foreign and Commonwealth Office), and Sonia Phippard (Cabinet Office).

Yours sincerely

Dominic

DOMINIC MORRIS

Vaughan Rees, Esq.,
Office of the Minister for Arts and Libraries.

The Sunday Telegraph

SEPTEMBER 29 1991 * PRICE 60p

rbachev hesitates as nuclear cuts begin

by **Christy Campbell** in London, **Marcus Warren** in Moscow and **Xan Smiley** in Washington

the United States back on nuclear erday after the rms reduction President Bush on Moscow, President it was too soon to oposals of his own. too hasty on our vincing for every- chev said on Soviet ne the less, from we can say it is a , although it raises in my mind."

, the Defence Sec- itain had already removing" nuclear m Royal Navy war- irbases in line with ve, which provides on of all battlefield is as well as the removal of nuclear cruise missiles from warships and submarines.

In Washington, Mr Richard Cheney, the US Defence Secretary, announced that he had signed an order taking the spearhead of the American strategic nuclear bomber command off alert.

Mr King said warheads from short-range weapons in Germany, including the Royal Artillery's Lance missiles and atomic shells would be handed over to US custody for disposal "as soon as we can — certainly no more than a few months".

More details emerged yesterday of cuts in US nuclear weapons based in Britain. Stockpiles of nuclear depth charges and some tactical free-fall bombs at US airbases would be withdrawn, along with the ageing Poseidon submarines based at Holy Loch on the Clyde with their 1,100 nuclear warheads, as already planned within the next two years.

But the Prime Minister and Mr King yesterday emphasised the Government's unbroken commitment to the Trident programme, with US-supplied missiles due to be fitted to Royal Navy submarines. These weapons, described by Mr Major as "the bedrock of our security", were excluded from the Bush blueprint.

"We have got to move the British deterrent on to Trident," Mr King insisted yesterday. "Maintaining one nuclear armed submarine at sea at any one time is the absolute minimum deterrent which could not be reduced."

He predicted the Labour party would hail the Bush initiative as a vindication of its policy at its conference this week — "but we would not have got here by unilateralism," he said.

Mr Kinnock, the Labour leader, called yesterday for "a ready and positive response" to the Bush plan from Moscow. "There will have to be negotiations on details but there must be an opportunity for new initiatives to prevent proliferation and to end testing." He called for Britain to join the US in the next round of negotiations.

Before Mr Gorbachev's television appearance, his spokesman had described the Bush initiative as a major and historic move. "Generally the reaction is unconditionally positive," he said. The Soviet Union was ready to reciprocate.

No one will benefit more from an end to the arms race than the Soviet Union, whose economy suffers deeply from the burden of military spending. Mr Gorbachev will demand more cuts in the arms budget, and press home his advantage against the diehards who supported last month's attempted coup against him.

Mr Cheney said that America's long-range land-based Minuteman-2 nuclear missiles, as well as the nuclear bomber command, had been taken off alert.

Some 40 bombers, carrying an undisclosed number of nuclear bombs, can be on alert within 24 hours but are no longer poised to strike at targets within the Soviet Union from 12 bases around the world, including Britain.

Noting that "the [Soviet] republics are gaining increasing influence over weapons and deployments", he implied that the US expects its initiative to encourage the Kremlin to bring nuclear weapons back to Russia from Ukraine, Byelorussia and Kazakhstan.

He emphasised that the US remains committed to its Strategic Defence Initiative, vociferously denounced by the Soviet Union in the early years of the Gorbachev government and still officially opposed by the Kremlin.

Comment — P21

ock trails in leadership polls

ories pull

JUDAH PASSOW

day, giving the Conservatives a one-point lead, and by MORI for the *Sunday Times*, putting the two main parties neck and neck on 39 per cent. Harris in the *Observer* gives Labour a one-point lead.

After today's mixed news Labour will be anxious to make a sharp impact on voters this week.

Mr Kinnock said yesterday: "We are confident, eager for the election, fit to serve and ready to lead," and in his speech on Tuesday he will stress Labour's commitment to long-term investment in the economy, education and training, and health.

He believes he can rise above the row over Labour's suspension of the two left-wing MPs, Mr Dave Nellist and Mr Terry Fields, because of their links with Militant, concentrating instead on what aides said would be a "patriotic" theme.

A motion today condemning the suspensions is

Con.	40	40	38	40
Lab.	38.5	39	39	41
Lib. Dem.	16	16	17	13
Others	5.5	5	5	5

ered by party leaders next year.

Shadow Cabinet members undertake to set up devolved Scottish and Welsh assemblies, introduce a Freedom of Information Act, replace the poll tax with "fair rates" and spend the money from higher taxation for those earning more than £20,000 on pensions and child benefit.

Mr Robin Cook, the party's health spokesman, published an eve-of-conference list of 150 hospitals and other health service units that have shown interest in joining the third wave of "opt-outs", due to be implemented in 1993.

He said in Brighton that if

down from plans to dilute the influence of unions over the selection of MPs. Mr Todd wants instead a fundamental rethink of the role of union members in the party.

But Mr John Edmonds, leader of the GMB general workers' union and a supporter of Mr Kinnock's plans. urged Labour to abandon the union block vote at party conferences within three years. There must be an "irreversible shift of power" to individual delegates, he said. The Labour leader has been pushing for mandatory reselection of sitting MPs to be scrapped after the election and be replaced by a "trigger mechanism" in which union members would have no vote.

● March and May are 2-1 joint favourites for the election, bookmakers William Hill said yesterday. The Conservatives are 8-13 favourites, with Labour 6-5 and the Liberal Democrats 150-1.

Poll details — P8

Brighton breezy: Mr and Mrs Kir

The people's

AS DELEGATES assembled at Brighton night an answer to the burning question unfurled. "Yes, we will continue to sing *Red Flag*," said a Labour spokesman. Or the last couplet puts it: *Come dungeons o or gallows grim, This song shall be our par hymn.*

There had been suggestions that Labour match its newly massaged image, should d its melodic link with its dour and strugg past. Yesterday's editions of *The Sun* carri teasing full-page advertisement placed Conservative Central Office.

"The Labour party always close their c ference by singing *The Red Flag*. Now with collapse of the Iron Curtain, the Berlin W and Soviet Communism, are the Bri Labour party Karl Marx's last hope?" asked. "Will they be singing his tune at

Major calls for EC arts festival

by David Wastell and John Gaskell

IN A MOVE which could boost the Prime Minister's credibility as a powerful patron of the arts, John Major has invited leading film, theatre and opera directors to set up a festival celebrating Britain's presidency of the European Community next year.

The prospect of government backing for the festival, regardless of the outcome of the Maastricht summit in December, came after Downing Street talks with the actor Sir Ian McKellen last week.

The cloak of culture, worn so proudly by both François Mitterrand and Jack Lang, would help correct the impression that Mr Major is merely a cricket fan who grudgingly accompanies his wife to the opera.

"It shows the commitment to the arts which we know the Prime Minister has," said Lord Palumbo, chairman of the Arts Council, last night. "This will reinforce the image of Renaissance Man. He has a very rich palette from which to choose in every art form."

Mr Major is also keen to ensure that Britain's six-month presidency of the EC, which begins next July, is marked by something more inspiring than wrangles over the Common Agricultural Policy and contributions to the Brussels budget — the main items on the agenda once negotiations over political and monetary union are complete.

Sir David Puttnam the film director and Richard Eyre, artistic director of the National Theatre, are being encouraged by Downing Street to put forward a package of ideas for the festival. Mr Major has requested that the English National Opera should also be involved. Among other suggestions which the Prime Minister may back is a plan commissioning new plays on a European theme by young British playwrights.

A suggestion by one Cabinet member is to perform orchestral works which link Britain with Europe. Beethoven's Ninth Symphony, the EC's anthem, was commissioned by the London Philharmonic Society. Debussy's *La Mer* was written while the composer was in Eastbourne.

Mr Major is considering inviting Vaclav Havel, the playwright president of Czechoslovakia, to open the festival — which would underscore Britain's commitment to widening the EC to include the newly democratic states of Eastern Europe.

However, Government sources say that Mr Havel is unlikely to be asked to contribute a play of his own.

Uncommon Market — P13

39

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'Actually, I'm thinking of going into Party Political Broadcasts'

IN BRIEF

Optimism over jailed Briton

THE wife of Mr Ian Richter, the British engineer jailed in Iraq five years ago, returned from Baghdad last night expressing cautious optimism about his release. Mrs Shirley Richter said he was coping but had been under a lot of mental stress.

VC under hammer

AN Army officer's VC from the First World War and his DSO from the 1939-45 War are expected to make up to £30,000 at Christie's in London next month. Brig Manley Angel James of Bristol won the VC during the 1918 spring offensive.

The weather

COLD and windy; heavy rain in the east and south.

Weather Guide — P30

Gulf alli from Sa

by /

SAUDI ARABIA has refused to allow British and French military aircraft to use its bases for operations that might be needed to provide protection for United Nations inspectors who are trying to investigate Iraq's nuclear weapons capabilities.

The decision has effectively blocked a show of strength against Saddam Hussein, who has been trying to stop UN officials from using helicopters to visit sites where weapons of mass destruction might be manufactured.

The idea of a joint operation known as "Determined Resolve" was proposed by President Bush 10 days ago and was immediately supported by Mr King, Defence Minister, and Mr Hurd, Foreign Secretary, as well as the French Government.

But Defence Ministry sources say that when the Saudi government was approached for permission to use its air bases, it rejected Britain and France.

The Saudis acceded to America's request to send more troops and aircraft only after President Bush agreed to provide 100 Patriot Missiles to beef up Saudi defences against possible retaliation by Iraq.

Saudi Arabia's refusal to offer wholehearted cooperation to its former allies in the Gulf war stems, according to Saudi sources, from its concern that too much military involvement with Western countries could jeopardise its

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CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 September 1991

→ Dominic

For your letter from Lolita 30/9

HOMOSEXUAL RIGHTS

The Prime Minister met Sir Ian McKellen on 24 September. The Prime Minister opened the discussion by referring to the possible Arts for Europe Scheme. The Government would be prepared to help within reasonable limits. Ideas currently being floated were for 1993 but there would be much better opportunities in the second half of next year when the United Kingdom held the Presidency of the European Council. He would be grateful if Sir Ian could speak to Jeremy Isaacs and Richard Eyres. Sir Ian said that he would be very happy to help.

The Prime Minister expressed the hope that the advanced publicity about the meeting had not embarrassed Sir Ian. He did not know where it had come from. He himself was robust about it. He wanted Sir Ian to talk about issues on which he knew less than he should. This was not a meeting to take decisions but he wanted to hear about the problems so that he could discuss them in a more informed way with colleagues and others.

Sir Ian said that a lot of people were expecting great things from the meeting but he realised they were wrong to do that. He did, however, think that they were right to be hopeful. Many people had already been given great hope by the Government's recent announcement about the Security Services.

Sir Ian explained that he belonged to the Stonewall Group, although he was not representing them officially. The Group wanted equality under the law for lesbians and gay men. This was a very simple principle. Society was changing in its attitudes but, as the changes grew, so did the protests from those who resisted the changes. But change was slower in the UK than in the USA and much of Europe, and there was of course no movement at all in the Isle of Man. Society would benefit if gay men and lesbians were more at ease with themselves; there would be an immense and beneficial release of energies. The quality of individual lives would improve tremendously. People were increasingly aware of the issues and more sympathetic. There was a growing constituency for equality; this did not include homosexuals and lesbians only, but relatives and friends as well.

The Prime Minister asked Sir Ian to outline the main areas of discrimination and inequality.

CONFIDENTIAL

Sir Ian raised the subject of the criminal law. The position was not as good as it was in Europe, although he was not arguing for doing everything in the same way as in continental countries. But after 1992 there could be considerable awkwardness for the United Kingdom; if gay couples moved here from Europe they would lose many of the rights which they currently enjoyed in their own countries. He pointed out that, after Wolfenden, homosexuality had still not been made legal. It was still illegal unless practised in a private place to which no-one else had access - so that, for example, if a gay couple made love in a hotel room, the manager was technically guilty of procuring. If two men liaised or held hands in public they could be charged under the gross indecency laws or for a breach of the peace. This was an extreme reading of the law but the police sometimes used it, or were thought to use it as an excuse for harassment. It also encouraged public abuse and gay bashing. The only way round it was to consider revision of the laws on consenting behaviour. He was not, of course, arguing for liberalisation of the laws on coercive behaviour.

Sir Ian pointed out that almost every other country in Europe accepted the principle of equality between the sexes as a basis for legislation on the age of consent. The current position in the United Kingdom made many people under twenty-one technically criminals and discouraged openness on their part. This was particularly important in the medical field, where it could be said that the law indirectly encouraged the spread of HIV. Referring to the Government's acknowledgement of the principle of equality in its announcement on the Security Services, Sir Ian said that he would like to see a Manifesto commitment to a Government-sponsored Bill on the age of consent early next Session, subject to a free vote.

Sir Ian mentioned his concern over police harassment in the streets. The police had made efforts to improve communications with gay groups in some areas. These were welcome. However, monitoring of attacks on gay men were still too slow and insufficiently thorough, and there was distrust over the investigation of murders of gay men. He would welcome a thorough Home Office inquiry into relations between the police and the homosexual community.

The Prime Minister noted that no prosecutions had been brought recently on the privacy point and that there was a pilot project underway on homophobic assaults. The Home Office had also issued guidance on entrapment.

Sir Ian raised the question of the recommendations of the Select Committee on the Armed Forces Bill. It would be good if the Government could accept the committee's recommendation. Regulations covering most NATO forces were different. It was misguided to think that homosexuals could not make good soldiers or that homosexuality would harm the armed forces. Similar sorts of objections had been raised when the recruitment of women was first mooted and they had proved largely groundless.

The discussion then turned to general discrimination. The Prime Minister agreed that the Stonewall Group could send their draft Bill officially to the Home Office.

Sir Ian sketched in the areas where discrimination raised particular problems - especially wills; tenure; and abusive language in the press. Sometimes legislation could be circumvented, for example, by a gay couple entering into a contract, but this was not always possible. Whereas it was possible for a husband to bring in a foreign wife, for example, this was not necessarily the case with two lovers of the same sex. There was little confidence that the Press Complaints Authority would deliver. The Citizen's Charter made it plain that significant advances could be made without great fuss or expenditure. The Charter made clear that there should be no discrimination on the grounds of sex or race - he would like it to add "sexuality". Some modest but specific amendments to discriminatory laws could make a significant difference. Finally, Sir Ian hoped that ways could be established in which the views of responsible homosexuals and lesbians could be fed into official thinking.

The Prime Minister thanked Sir Ian for coming to see him. He wanted to reflect on what Sir Ian had said and discuss the matter further with colleagues and others.

The Prime Minister and Sir Ian agreed a press line, which Sir Ian followed when questioned by journalists on leaving.

The Prime Minister would be grateful to see the outcome of the police pilot project on homophobic assaults. He would also be interested in any comments which the Home Secretary might wish to make on the points made by Sir Ian falling within the Home Office remit.

The Prime Minister would also be grateful for a factual note from the MoD on progress in preparing the Government response to the Armed Forces Bill Select Committee.

I am copying this letter to Paul Ahearn (Department of Health) and to Bryan Wells (Ministry of Defence).

W. E. CHAPMAN

Paul Pugh, Esq.
Home Office

cst.ps/let/8sb18.9

cc BL

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

William Chapman Esq
Private Secretary
10 Downing Street
London
SW1A 2AA

20 September 1991

Dear William

PRIME MINISTER'S MEETING WITH LORD SAINSBURY

I have seen Jayne Colquhoun's letter of 17 September, and the draft reply to Lord Sainsbury that was attached.

We would like to suggest two small changes. In the third paragraph, "more can and should be done" should be replaced by "more can always be done". In the fourth paragraph the first two sentences should read: "I do, however, share your wish to extend the base of support for the Arts. The enhancement fund which David Mellor introduced last Autumn had this objective very much in mind."

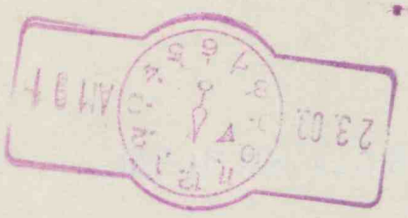
I am copying this letter to Jayne Colquhoun (OAL).

Yours

SBC

STEPHEN BOWDEN
Assistant Private Secretary

Lor. Govt: Corresp. from Sir J Saunders 1748



PRIME MINISTER

Good!

Richard Eyre and Jeremy Isaacs are on the guest list for Sunday lunch at Chequers. It is possible that one or other will informally float with you a proposal for a National Theatre/Royal Opera-based European Festival of Art.

I have discussed this possibility with Sarah Hogg. We both think that if they do float the idea it is worth responding to enthusiastically:

- The Government needs in electoral terms to make a high profile gesture to the arts; and one which is directly associated with Government (rather than at arms length, through the Arts Council, for which we never get any credit). Picking up this proposal could at least neutralise several disproportionately articulate Labour supporters in the arts world.

- It would also be an imaginative 'Euro gesture' to mark the UK Presidency of the Community in the second half of 1992. It should not, of course, be limited to British and Community theatre/opera. We would also want some productions from the new democracies in Eastern Europe, and possibly the Baltic and Russia; perhaps with President Havel, himself a playwright, doing some high profile opening.

Jeremy Isaacs is already planning to produce the opera, 'Il Viaggio di Reims' by Rossini (a Euro Canterbury Tales) at the Royal Opera in the second half of next year. Some of the best of British could be represented by bringing some of the good Edinburgh stuff down to London and on tour in England. Ian McKellen is attracted to the idea of promoting plays by new playwrights, both British and European, to lift the Festival out of the usual rut. There is thus a very rudimentary nucleus already there.

Sarah has spoken to Tim Renton, who is far from hostile to the

PERSONAL

idea. He was heard to mutter that money was needed for the fabric of buildings rather than festivals - though that is an easily solvable problem, see below.

I have spoken to Richard Wilson at the Treasury, who in turn has spoken to the Chief Secretary, who is very attracted by the idea. First, he too wants an arts gesture. He also wants to get more direct Government control over arts spending and less simply swilled through the Arts Council. This could be the thin edge of a wedge to that end. Richard Wilson's view, at this stage of progress with the spending bilaterals, is that, without denting Tim Renton's arts budget, up to £10 million over two years could be made available for such a London-based European Festival. That £10 million figure would include money that already needs to be spent on National Theatre refurbishment and possibly a little extra for the RSC. Again, we get greater credit if that money is allocated into the 'Euro Festival' spending envelope.

I understand that Richard Eyre's thinking is that the bulk of activity might have to come in 1993 (simply because of existing National Theatre programme constraints).

If you see some attraction in principle to the idea of a Festival, and they raise it on Sunday, you could encourage Eyre, Isaacs and McKellen to see themselves in the lead in putting forward proposals which the Government was in principle prepared to give a fair wind to. You would also want to emphasise the importance of links with the UK Presidency in the second half of 1992.

DOMINIC MORRIS
20 September 1991

c:\parly\arts (eam)

Q10

File

From the Minister for the Arts
THE RT HON TIM RENTON MP

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929
Fax No: 071-270 6026

C91/4219

William Chapman Esq
Private Secretary
10 Downing Street
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SW1A 2AA

17 September 1991

Dear William,

PM'S MEETING WITH LORD SAINSBURY

... I attach a commentary on Lord Sainsbury's paper on 'The Long Term Funding of our National Arts Institutions' for your
... internal use. I also attach a short reply to Lord Sainsbury confirming the government's commitment to the arts and picking up one or two of the specific points made by him. My Minister does not feel it would be appropriate to reply in detail to his paper as many of the points he raises will need further consideration within government.

I am copying to Nick Holgate.

Yours

Jayne

JAYNE COLQUHOUN
Assistant Private Secretary

PRIME MINISTER'S MEETING WITH LORD SAINSBURY

FILE WITH WBC

You asked for our comments on the paper on arts funding which Lord Sainsbury left with the Prime Minister. We have also now seen Nick Holgate's letter of 27 August to you.

Royal Opera House Development

I should quickly bring you up-to-date. The final planning permission needed for work to start has just been given by Westminster Council. We hope to issue the Government consents which are needed within the next few days. These have been agreed with the Chief Secretary on the basis set out in Nick's letter. This will, of course, leave the Royal Opera House with a very substantial fund-raising task. The commercial development of the properties gifted to ROH by previous Governments will also need very skilful management to raise the balance that is needed. We shall monitor progress closely.

Lord Sainsbury's Paper

We do, of course, have a lot of sympathy with his concern that provision is failing to keep pace with the capital needs of arts organisations and museums and galleries. Treasury has referred to a variety of new galleries and museums opened in recent years, most as a result of very generous private support. This is most welcome. But, understandably, potential donors are much less likely to foot the bill for repairing roofs and drains in existing buildings. The maintenance backlog in the national museums and galleries is considerable. When they were taken over from PSA in 1988, Richard Luce set a target of getting them in good shape by the end of the century. £60m a year is currently allocated as a result. The Wolfson charities provide a further £2m a year matched by Government for the Museums & Galleries Improvement Fund. But a detailed study just completed by Arup of the fabric of the museums and galleries suggests that the existing allocation will need to be increased substantially if the target for 2000 is to be met.

If anything, the situation for the arts is worse since the Arts Council has no funds for fabric maintenance, repair and new building. A recent survey by the Council confined to its main clients in England estimates the immediate capital need at £85m. Local authorities can help in some cases and a little EC funding has been attracted for larger projects. The Foundation for Sport and the Arts is an important new player which has helpfully decided to put about £10m a year towards capital projects in the arts. But a large funding gap remains and there is a limit to what private sector appeals can raise.

Nick Holgate's letter refers to some of the important achievements in the arts in the last twenty-five years which are overlooked in Lord Sainsbury's paper. The very successful establishment of ENO at the Coliseum is, indeed, one. Close on half a million people a year now attend performances there. It also raises £9.2m a year out of total turnover of £18.4m. But its lease on the Coliseum runs out in 1996 when it faces a dilapidations bill of £12m. Discussions have now begun with Mrs Holmes a Court, the owner, on what will happen thereafter. If the lease is renewed, it will doubtless be at a much higher annual figure.

Similarly, the Royal National Theatre, which is doing very good work, is unwilling to take on the lease of the Theatre until extra money is found to repair major defects in the building at the time it was constructed. The Prime Minister is familiar with ROH's capital problems. Backstage, the building is very close to the end of its working life, and front of house conditions are far from ideal.

To set alongside this gloomy picture, it is, of course, true that Government support for the arts has increased by 40% in real terms since 1979-80 (though rather less if the £25m built into the Arts Council's baseline from 1985-6, to replace money previously spent on the arts by the former Metropolitan County Councils and the GLC, is excluded). The Arts Council's grant-in-aid of £195m now supports a wider range of companies and galleries throughout the country, artistic standards are generally very high, and some of the companies outside London, like City of Birmingham Symphony Orchestra, Welsh National Opera, the Ikon Gallery, the Oxford Stage Company and Opera North are in the top rank. Under the stimulus of Government policies, arts organisations have moved away from the "dependency culture" and have been very successful in increasing their own earnings and sponsorship. Across the board, Arts Council grant now amounts to only 37% of total revenue.

Lord Sainsbury is concerned that the funding of the National Companies has not kept pace with the increase in Arts Council's budget. As he says, they now get 23% of the total compared with 30% in 1984-5. Perhaps, more tellingly, their grant-in-aid has fallen by 0.8% in real terms compared with a 26% increase overall. (ROH and RNT have fared worst with cuts of 5.2% and 7.0% compared to a 16.5% increase at ENO which is the replacement of funds withdrawn by Westminister Council last year.)

It is currently for the Arts Council to determine the overall balance of allocations to individual arts organisations. (We would not, incidentally, agree that Arts Ministers have breached the long-established principle of arm's length funding as Lord Sainsbury claims, though we <u>are</u> insisting on increased accountability and demonstrable value for money in the Arts Council's use of grant-in-aid.) Nor do we detect a deliberate bias in the Arts Council in favour of the regions. Quite simply, it now has to provide for an increasing number of strong companies outside London.

This leaves all of the National Companies having to work very hard to keep afloat financially. Both ROH and RSC have to rely more on the box office than the Arts Council for income and this makes them vulnerable in a recession.

Lord Sainsbury's idea of funding the Nationals directly by OAL is, of course, designed to give them priority over the rest of the Arts Council's clients. The idea is worth considering, even if the parallel with the National Museums and Galleries is not exact, though we do see difficulties. It could be very divisive unless it is generally agreed that there is enough money to go round fully to meet the needs of all clients. It reduces the role of the Arts Council to a point where it may no longer relish its task. And putting the Minister in a much more direct relationship with some companies than others could be invidious. It would, of course, mean an addition to the numbers directly employed by OAL, and some sort of advisory panel, especially on subjective questions of artistic quality, would surely be necessary.

The most objective way of measuring the needs of the National Companies is through the Arts Council's appraisals. These are periodic, in-depth reviews by recognised outside experts of all aspects of the financing, running and artistic standards of the Arts Council's main clients. Lord Sainsbury does not like the system and thinks it detracts from a Board's responsibility to manage. Most clients welcome it. On the basis of an appraisal of RSC which identified a funding gap of £2.6m, the Arts Council was able to offer an extra £1.3m a year which the City of London matched under the Enhancement Fund which Mr Mellor introduced in consultation with the Arts Council last year. The Royal Opera is currently being appraised. We wait to see whether the team led by Lady Warnock will conclude that it is under-funded. Our sense is that it is, but the appraisal team will be able to give an authoritative view.

I hope these comments are helpful.

DRAFT LETTER FOR THE PM TO LORD SAINSBURY

I was grateful to you for taking the trouble to tell me about the developments at the Royal Opera House at our meeting on 26 July. I was also interested to read your paper on the Long Term Funding of our National Arts Institutions which I have discussed with Tim Renton.

I appreciate your deep and informed concern about the arts and I know that you have committed very considerable time and resources of your own in support of a wide range of important artistic enterprises. The magnificent Sainsbury Wing at the National Gallery is a shining example of the generosity of you and your family and I am delighted that you and your brothers will be joining me for dinner in celebration of this on December 2nd.

You raised some interesting points in our discussion and in your paper about the future of government support for the arts. I am conscious that despite the very good record of this government more can and should be done. You will also understand the perennial pressures on resources and the competing demands from many different and worthwhile activities.

I do, however, share your wish to extend support for the arts. Specifically, I shall explore how best government can stimulate further and match the generous gifts of private individuals and companies. Your idea of funding the Nationals directly from the

OAL is also worth exploring, as long as the position of other organisations is not jeopardised. I shall bear this in mind in any future restructuring we might undertake.

I think you will understand that at this juncture it is difficult to say more. Your views will not go unheeded, however, and will help form our views over the next few months.

ARB + AMENITIES:
Policy 1T4

cst.ps/dr/4nh27.8

CONFIDENTIAL

CCPO

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

OR

William Chapman Esq
10 Downing Street
London
SW1A 2AA

27 August 1991

Dear William,

PRIME MINISTER'S MEETING WITH LORD SAINSBURY

Agree with AT

Thank you for sending me a copy of your letter of ~~26~~ July to Jayne Colquhoun, recording the Prime Minister's discussion with Lord Sainsbury.

Royal Opera House Development

2. Lord Sainsbury asked the Prime Minister to consider the possibility of a Government financial contribution to the ROH's proposed development project. The Royal Opera House has already been told repeatedly by Ministers that no such financial contribution will be forthcoming. The Government has, of course, already made a substantial contribution in the form of donated land and property earmarked for the scheme, but - as Lord Sainsbury knows - the costs of the development itself must be raised from non-public sources. The Chief Secretary has also agreed with Mr Renton that the Government's consent to the ROH proceeding with the project can only be on the basis that there will be no call on public funds, and that the scale of improvements to the House itself must be determined by the proceeds from the commercial development and appeal.

Lord Sainsbury's Paper

3. Your letter also asked for comments on Lord Sainsbury's paper on the long-term funding of the four national companies. It is for Mr Renton to consider whether responsibility for their funding should be transferred from the Arts Council to OAL. While the Treasury has no fundamental objection to the idea, it would, of course, need to be made clear that additional resources would not be provided to facilitate any transfer. The funds would have to

come from an abatement of the Arts Council's grant-in-aid. The Chief Secretary does, however, see dangers in setting up an Advisory Body to advise the Minister in the way which Lord Sainsbury suggests. This would be bound to develop into a vocal pressure group - which is, presumably, why Lord Sainsbury suggested it ! It would be sufficient for the Trustees of the four companies to determine their own needs and resources and to submit a bid to OAL through the Corporate Planning process - as already happens with the National Museums and Galleries and the British Library.

4. The paper also contains a number of contentious claims which should not pass without comment. First, Lord Sainsbury seems to ignore many of the achievements made in the arts in recent decades. Of the four national companies, three have acquired new premises since the 1960s : the ENO moved to the Coliseum in 1968; the National Theatre complex opened in 1976; and the RSC moved to its newly built London base at the Barbican (which also includes a new concert hall) in 1982. In each case, the move brought a significant increase in the amount of seating available and - in the case of the RNT and RSC - additional smaller theatres too. Success stories also abound in the regions, of which Birmingham's brand new Symphony Hall is only the latest example.

5. There have been similar developments in the visual arts. The last decade has seen the opening of the Clore Gallery, extending the Tate, and a new gallery at the Barbican; while within the last few months the magnificent Sainsbury Wing - which Lord Sainsbury was too modest to mention - has been opened at the National Gallery, and the new Sackler Gallery has been added to the Royal Academy. Again, art lovers outside the capital have already benefited from the opening of the Tate Gallery North on Merseyside, the extension of the National Museum of Wales in Cardiff, and the Burrell Collection in Glasgow. They will soon too be able to enjoy the new Museum of Scotland. Finally, the new British Library building at St.Pancras, which is due to be completed in the mid-1990s, will be the largest (and most expensive) public building constructed since the Second World War.

6. Lord Sainsbury also claims that there has been long-term underfunding of the arts, but since 1963-64 Government grant to the Arts Council has risen by almost 600 per cent in real terms. Since 1978-79, the grant has risen by around 40 per cent in real terms. It is true that the proportion of total Arts Council grant which is given to the nationals has fallen - but this is a result of a conscious decision to distribute funding more evenly throughout the country. It is, however, also the case that the national companies have greatly increased their income from other sources and become more self-reliant, in line with the Government's strategy for the arts.

7. Despite the shift in emphasis, however, per capita spending by the Arts Council in Greater London still far exceeds that of any other region. If there is a problem then it rests with the failure of the London local authorities to maintain their share of arts funding - as witnessed by Westminster's recent removal of grant to the ENO and English National Ballet; and by the dispute between the boroughs earlier this year over the budget for the

London Boroughs Grants Scheme. This is in sharp contrast to the much more positive attitude to the arts demonstrated by provincial authorities such as Birmingham.

7. I am copying this letter to Jayne Colquhoun (OAL).

Yours ever,

Nicholas

N I HOLGATE
Private Secretary

ARTS + AMENITIES: POLICY PT4

MR. TURNBULL - on return

We briefly spoke about the action following the Prime Minister's meeting with Lord Sainsbury to discuss arts funding. He has two concerns:

- the need of the Royal Opera House for more funds if its redevelopment is to proceed expeditiously from 1993;

- the need of the arts fabric generally and the great national institutions for more money.

We agreed that these should be considered in the context of the Millennium Report when this goes to the Prime Minister. I should be grateful if you could do this if the report goes forward while I am on leave.

The Millennium idea as it stands is obviously ideally suited to meet the fabric element of the second of Lord Sainsbury's concerns; it would need some expansion if it were to provide subsidies for performance long-term. I have asked OAL to provide a supplementary note on the ROH and whether the Millennium could be of help. This should be with you by your return from leave.

WILLIAM E. CHAPMAN
5 August 1991

c:\wpdocs\home\arts.dca

10 DOWNING STREET

~~SR~~ CF

MBW 2/8.

WEC

30/7

- see WEC to PM 28.7.91

NB. agreed with AT that we could feed these concerns into the millennium report. (although the Post may be more suitable for separate treatment!).

SUBJECT
~~MASTER~~

Filed on:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 July 1991

Dear Jayne,

MEETING WITH LORD SAINSBURY

The Prime Minister met Lord Sainsbury today. What follows is a record of their discussion.

Lord Sainsbury explained that there was a desperate need for the redevelopment of the Royal Opera House to bring it up to modern international standards. The Board had originally expected to finance the project from commercial development of properties gifted to it by the Government. However, at a time of falling property values a gap between the cost of the scheme (£200 million) and the money available had opened up. A total of approximately £80 million was needed to make up the difference. It would be helpful if the Government could offer £40 million to match and encourage private donations on a pound for pound basis. The money would probably be needed over a period of three or four years starting in 1993. Otherwise the development was likely to take until the early years of the next century to complete. He himself was willing to loan the ROH £2 million but it was not realistic to expect the private sector to make the necessary contributions, in the current climate, especially without some further commitment from Government. He hoped that the Prime Minister would consider this possibility seriously after the next election.

Lord Sainsbury then outlined his concerns about the arts estate generally. Mr Luce had indicated his desire to bring all the major arts institutions up to date by the end of the decade. The Government needed to signal its determination to carry this out. It would hold out hope to the arts and would encourage private and corporate donations. The Arts Council was no longer able to respond to the needs of the great national institutions which were being under-funded. The arms length principle had broken down. It was quite natural that the Minister for the Arts should be interested in public expenditure of the size concerned but a new system of funding was needed. Lord Sainsbury handed over the enclosed paper to the Prime Minister.

The Prime Minister thanked Lord Sainsbury for coming to see

him. The Prime Minister recognised the demands that had been made on private and commercial donors in recent years and the generosity with which they had responded. The Prime Minister pointed out that the Sports and Arts Foundation would be providing £20 million a year for the arts but he acknowledged that this sort of sum did not measure up to the needs with which Lord Sainsbury was concerned. The Prime Minister indicated that he had some sympathy with the case which Lord Sainsbury had made and he would consider it further.

I should be grateful for your comments on the paper. I will be in touch about any further follow-up action when I have had a chance to speak to the Prime Minister about it.

I am copying this letter to Nicholas Holgate (Chief Secretary's Office).

Yours sincerely,

William Chapman.

(WILLIAM E. CHAPMAN)

Ms. Jayne Colquhoun,
Office of Arts and Libraries.

Prime Minister ①

You asked to have the attached note of your meeting with Lord Salisbury, before you saw Mr Renton on Monday. You indicated that you would probably not discuss it with him [then] and I have told his Private Office as much - but I have also told them the gist of the conversation (the attached won't have reached Mr Renton yet) just in case the topic crops

up.

As you requested, I have not referred to your mention of Millennium 2000. Hence, I think the best way forward might be to feed ~~it~~ Lord Sainsbury's concerns into the Millennium 2000 process. (And I might pass a sub rosa copy of the attached to Chris Patten.)

Agree?

WTR 26/7.

Tate

26.7.91

TO: The Prime Minister

FROM: Lord Sainsbury

THE LONG TERM FUNDING OF OUR NATIONAL ART INSTITUTIONS

1. This paper is written in the belief that the mechanism for funding the nation's greatest art institutions is in need of reform. This is not on account of any short-term crisis or the result of any single government's policy. It is on the basis that during the post war era and, in particular in the last 20 years when there has been a massive increase in public interest in the arts, we have failed to adequately maintain, protect and enhance the institutions that should be our national centres of excellence.

2. It is those centres that should serve the whole nation through their influence in setting standards and helping educational initiatives. Through the use of media, in particular TV, they should be able to make their art form available to all it interests.

3. There have of course been major achievements since the war, most notably in the performing arts by the creation of the Royal National Theatre, the Royal Shakespeare Company and the development of the Royal Ballet and Royal Opera. In the plastic arts there has been the extension of the Tate Gallery that was the part funded by private donations, as well as the privately funded Clore Gallery.

4. However, alongside these achievements there has been long term under-funding of our greatest art galleries and performing companies. This has created a huge backlog of necessary maintenance of buildings, an inability to respond to increasing demand from the public and very great difficulty in keeping our artistic standing to the highest international standards.

5. London, in the early years of the Arts Council, was the centre of a great proportion of the nations cultural life and it is not surprising that it also became the recipient of a large proportion of the Arts Council's funds. As the cultural life of the nation expanded and developed through the 60's and 70's, so the pressure, both political and artistic, to invest more in the regions increased. However there remained the need to improve funding of the London based national institutions, and provide the resources required to maintain and enhance their buildings.

6. By the 1980's, with levels of government funding almost at a standstill, the pressures on the Arts Council reached unprecedented levels. The whole decision taking process became increasingly bureaucratic and more and more committee bound.

7. In 1989 Richard Luce recognised action was necessary and instigated a review of the structure of Arts Council funding in England. In March 1990 he announced his own plan for the reorganisation of the Arts Council and the Regional Arts Associations. This plan involved delegation of funds and decision making from the Arts Council to the regions on an unprecedented scale.

8. These new arrangements are consistent with what appears to be a developing bias against the metropolis and the Arts Council's inability to maintain an adequate balance between the centre and the regions. This difficult balancing act has inevitably created conflict within the funding structure. As a result the London-based national companies are likely to be at a more permanent disadvantage in the allocation of funds.

9. Ear-marked funds have become a regular feature of the annual government grant to the Arts Council. Incentive funds, GLC abolition funds, enhancement funds have all been designated by government for a specific purpose. In the case of Enhancement funding, the Minister felt it right to ignore the arms length principle and directly influence who should receive funds from this source.

10. As part of the government's drive for efficiency and value for money, new and far more detailed forms of assessment were demanded by the Arts Council of its client organisations. Covering every aspect of an organisation's operation from artistic policy to facilities for the disabled, from organisational structure to finance, the assessment procedure has become a bureaucrats' nightmare while arts groups struggle on inadequate resources and inadequate staffing to satisfy the assessors' demand for a vastly greater amount of detailed information. The assessment reports also breached the arms length principle in intervening frequently in a detailed way by laying down the policy to be followed in artistic matters.

11. If the arms length principle is in decline, and funding responsibilities more divided between the Arts Council and the Government, this should be recognised and and a new system devised to replace it.

12. It is suggested that after the next General Election a major review of arts funding throughout the United Kingdom should be held, with particular emphasis on how decisions on the funding of the major institutions of international standing in London and elsewhere in both the performing and plastic arts are made.

13. In 1991/92 the Arts Council grants to the four national companies will be £46 million, or just over 23% of the Council's total grant-in-aid. This compares with 30% seven years ago. If the Arts Council were no longer responsible for funding the nationals it would leave it free to concentrate on regional/national development without the continuous conflict that every increase in funding of London institutions has to be at the expense of the regions and visa versa.

If the Office of Arts and Libraries directly funded the four national performing companies, they would be in the same position as the Museums and Libraries are presently.

14. In order that well informed and independent advice be available to the Arts Minister and an influence on Parliament and public opinion, there should be established a standing Advisory Board, whose members would be appointed by the Prime Minister on the advice of the Minister for the Arts. The Advisory Board would be responsible for assessing and reporting on the capital and revenue needs of the major museums, galleries and performing companies and recommending to the Minister the appropriate levels of funding and the priorities that should be observed in division of total funds that are made available. It should be composed of up to seven members all of whom should be distinguished, widely respected and highly knowledgeable of the arts.

15. Such a new arrangement would enable Government to have valuable independent advice on the funding of the greatest national art institutions. This would be given free of the pressure for regional funding of the arts and limited funds would be divided more wisely than is possible by the Arts Council (given its composition and regional pressure). The needs of adequate maintenance of their buildings would be taken into account, as well as the case for extension or new facilities.

16. Such an arrangement would clarify and simplify accountability and end the division of responsibility evident in recent years between the Arts Council and the Minister in matters effecting national companies. It would place the Minister for the Arts in a more direct relationship with the performing companies while maintaining the arms length nature of artistic assessment. This would in effect put national art institutions, be they museums, galleries or the performing arts, in a similar position in their relationship with the Minister. In this way the best parts of the post-war system would be maintained while recognising the changed circumstances of the 1990's.

Lord Sainsbury

MINISTER FOR THE ARTS

PRIME MINISTER

I understand you are seeing John Sainsbury for a few minutes tomorrow. The official briefing from my office is attached. I would only add that he feels very passionately on the issues of Government funding matching private gifts and sponsorship, and has raised this with me many times.

I have tried hard to keep him on side! This is not only because he and his family have been such generous givers, but also because he has some genuine points - for instance, the Government subsidy to the Royal Opera House has substantially reduced as a percentage of their total income over his time as Chairman - and he makes these points with a great deal of publicity.

I hope you can say enough to him that is reassuring against the background of an obviously difficult PES round.

Tim Renton

TIM RENTON

25 July 1991

BRIEFING NOTE ON LORD SAINSBURY'S CALL ON THE PRIME MINISTER

1. Lord Sainsbury, who finishes as ROH Chairman at the end of this month, wishes to discuss the problems now facing the Royal Opera House development. He will also want to raise the Government's commitment to working in partnership with the private sector to restore the fabric of arts buildings and museums and galleries.

2. Lord Sainsbury is, as the Prime Minister will know, a very generous patron of the arts. Potentially, he is also a very substantial donor to the Royal Opera House development scheme.

Royal Opera House Development

3. A substantial improvement of the Royal Opera House is long overdue. The existing backstage facilities are close to the end of their working life and there are concerns about safety. They also require heavy manning. In addition, audience facilities are under pressure with poor access for the 750 people in the Amphitheatre, no air-conditioning and inadequate facilities for sponsors (who contribute £6m a year to ROH's running costs). The Royal Ballet has to rehearse elsewhere and facilities for scenery storage and preparation are dispersed in various sites around London.

4. In 1975, the then Government gifted to ROH a number of properties close to the Opera House with the intention that these should be commercially developed to provide funding for major improvements in the House. These will provide it with first-class backstage and scenery-handling facilities, bring all the House's operations onto the main site, offer a single entrance through the restored Floral Hall and improve audience facilities. One hundred seats will be installed in the Amphitheatre and it will be possible to provide up to 100 more performances a year. As a result, ROH will be more accessible and amongst the finest opera houses in the world.

HMT comment
Made consistently clear that the gifted properties were the Govt's only contribution to the improvements.

Cost of the Scheme

5. The cost could be as high as £150m. A bid to Treasury by my Minister's predecessor last year for £33m over three years did not succeed. ROH,

HMT comment
Plans have become more grandiose. Costs have doubled in 4 years.

HMT comment
In fact, Mr Mellor (then Arts Minister) withdrew Mr Luce's bid.

therefore, reconsidered their plans and proposed last December a modified version which defers some technical installations and costs £120m. The intention was that this should be done without public funds. With some staging of work up to the end of the century, the commercial development could, even on current market valuations, raise up to £90m. The rest would be met from an appeal by ROH in 1992. But the scheme would not be completed before 2001.

6. The first stage of the commercial construction is now very close to starting and all the necessary consents (Charity Commission, Westminster Council, etc) are in place or achievable. ROH has borrowed £10m to get the project this far. It now needs to roll over its borrowing and find an additional £4m to get the scheme through the next twelve months until the appeal fund comes in. In the present state of the property market the banks are only prepared to make a loan of £12m against the undeveloped properties ROH holds. Anonymous donors (who may include Lord Sainsbury) may be prepared to offer £2m as a subordinated loan to bridge the gap.

7. Given the current depressed state of the property market and the uncertainties arising with an Election Lord Sainsbury is hesitant about backing the short term funding needed to keep the development scheme alive. He is also nervous about committing himself to raising a substantial appeal without greater certainty about the Government's willingness to play a part.

Government contribution to the ROH

8. In addition he feels that the subsidy ROH gets from the Arts Council is inadequate and that, as a result, it is forced into a vicious spiral of higher seat prices and more restricted access. His views were set out on Tuesday, in his characteristically forceful way, in the attached press notice. As a proportion of total income, grant to ROH has indeed declined - from 53% to 41% since 1985, (38% if support for touring is

HMT comment

ROH production costs rising well ahead of many other art venues' costs.

HMT comment

In 1989/90 ROH got £14m
ENO got £7m
Opera North got £2.2m

excluded). This compares to 49% at ENO and 70% at Opera North. Subsidy per seat is less at ROH than at most comparable opera houses both in this country and abroad.

Government Attitude to the Arts

9. Lord Sainsbury is also increasingly concerned about what he sees as the inadequate commitment of Government to major refurbishment and building projects in the arts. He is now likely to seek from the Prime Minister a commitment, perhaps in the Manifesto, to a public/private sector partnership to tackle some of the major fabric problems both in the arts and the national museums and galleries, including the ROH. Once the Election is over he will again seek a Government contribution to add to the £30m the appeal will raise and thus enable the full development scheme to be realised more quickly. We have made no commitment but pointed out the importance of the ROH scheme going ahead with or without public funding. Mr Renton advised him not to seek to force the immediate funding requirement with Treasury now.

HMT comment

Govt. has committed £189m to fabric over 3 years, starting 91/92. In 1991/92 the private sector committed only £2.3m to fabric of museums etc.

Line to take

10. The Prime Minister may wish to:

- give Lord Sainsbury a sympathetic hearing and point to the existing Government commitment to bring the museums and galleries into good shape by the end of the century. (A recent survey suggests that at least an additional £30m to £40m pa to the end of the decade will be needed on top of the £60m pa already going into their building programme. A bid for this has been made in the forthcoming PES round, but prospects do not look very good.);

- mention the role that the new Sport & Arts Foundation could play for smaller arts projects; and possible assistance in due course from a National Lottery;

- say that the ROH Scheme itself is attractive and much needed and that it would be very damaging for it to be abandoned now that work is close to starting, particularly if this means selling off the properties gifted to ROH by previous Governments. All that is at issue now is bridging finance of £2m;

- recognise difficulties under which ROH has to operate, of which the Arts Council are now seized;

- offer appropriate assurances about the Government's commitment to the arts and the need to restore the fabric of our great buildings. If appropriate, say he will consider including this commitment in the Manifesto.

Office of Arts & Libraries
25 July 1991

PRIME MINISTER (1)

MEETING WITH LORD SAINSBURY

You are meeting Lord Sainsbury for quarter of an hour tomorrow morning at his request. He wishes to raise the problems now facing the Royal Opera House (ROH) development. He may want to seek a greater Government commitment to the arts generally, including the ROH, in particular the need for repairs to the fabric of museums, galleries and historic buildings.

I attach a minute from Mr Renton and briefing from the Office of Arts and Libraries, with Treasury comments written in as appropriate for ease of reference.

Of the two issues - ROH, crumbling fabric - Lord Sainsbury's complaints about the latter are more justified (and I write this despite being an opera fanatic!).

The ROH already receives more subsidy, via the Arts Council, than any other artistic institution in Britain. In 1991, it is receiving £15.7 million (well over double English National Opera's subsidy). The Royal Opera House is heavily subsidised and yet still caters largely for the rich and affluent. Too many of its productions are less than top rate.

As to the fabric of museums and galleries, this has been neglected for a long period. The Government is, however, starting to make amends. It has committed £189 million over three years (starting this year) to repairs. The Foundation for the Arts and Sports should also help.

Chris Patten is convinced that the Party has to give a positive Manifesto Commitment to deal with fabric (estimated total cost: £1,000 million needed by 2000!).

Despite the above reservations about the ROH, you will wish to be sympathetic to Lord Sainsbury, as a munificent donor to the arts, without giving any firm commitment to more Government money. You may want to:

- express gratitude for what Lord Sainsbury has done for artistic life in Britain, especially chairmanship of ROH from which he will shortly retire; hope that he will not scale down his magnificent patronage; Government consistently keen to encourage private support and Lord Sainsbury the exemplar beyond all others;

- explain that the Government already makes a substantial commitment to the arts - in particular, bigger subsidy to the Royal Opera House than any institution; £189 million over three years to the fabric of museums and galleries;

- the new Sports and Arts Foundation will provide £20 million a year for the arts;

- nonetheless, you will carefully consider any suggestion from Lord Sainsbury - after all, who better qualified to speak on this subject;

- glad to see close contacts between Tim Renton and Lord Sainsbury, but you would be very happy to feed Lord Sainsbury's concerns into Government (and Party) thinking yourself; Lord Sainsbury will understand you can make no firm commitment at this stage;

- grateful to Lord Sainsbury for making you aware of his concerns.

If Lord Sainsbury raises the question of the National Lottery, you will wish to say there are attractions but difficulties too. The possibility is being kept under review.

I have briefly discussed this with Nick True who is in broad agreement.

WILLIAM E. CHAPMAN

25 July 1991

C:\HOME\SAINSBUR.EAM

NEWS *from the* Royal Opera House

EMBARGOED UNTIL 0001 HRS WEDNESDAY 24 JULY

*** THE ROYAL OPERA HOUSE BREAKS EVEN IN YEAR OF RECORD ATTENDANCE - BUT LONG-TERM FINANCIAL POSITION REMAINS CRITICAL**

*** CHAIRMAN WARNS AGAINST FAILURE TO INVEST IN NATION'S ARTISTIC HERITAGE**

The Royal Opera House succeeded in achieving a break-even result on current operations in the last financial year, after ending the previous year, 1989/90, with a deficit of £2.9m.

Attendance at the Royal Opera House was higher than ever before, The Royal Opera achieving 94% capacity - an all-time record - while The Royal Ballet at 89% reached one of the highest levels in the past ten years.

Whilst acknowledging that this attendance record was "the most encouraging single fact" in the Annual Report for 1990/91 published today (24 July) the Chairman, Lord Sainsbury, points out in his statement that the improved result for the past financial year and forecast for 1991/92 came in part from a number of "unwelcome and undesirable measures". These included redundancies and unfilled vacancies in the work-force, increasing the number of performances in an already overburdened production schedule, and, "most regrettably", a further increase in seat prices.

cont....

The House's underlying financial position remains critical, the Chairman states, with a substantial accumulated deficit which has to be extinguished over 1991/92 and the two succeeding years. "The crux of the problem is under-funding. The Arts Council grant has fallen from 53% of our revenue in 1985/86 to 38% in 1991/92, representing less than half the subsidy per performance generally received by comparable European opera houses."

"When I became Chairman in 1987 I believed that the Government and the Arts Council would recognize the real need of the Royal Opera House, while expecting that a greater proportion of our revenue would come from the box office and from private sponsorship." Although the Priestley Cabinet Review had resulted in an increased grant from the Arts Council in 1984/85, in subsequent years the grants had not kept up with inflation, falling even further behind Priestley's recommended level in real terms. Substantial increases in box office revenue and sponsorship income had been achieved but seat prices continued to be increased by more than inflation and by "more than we wished", whilst sponsorship levels had been adversely affected by the current economic climate.

Referring to the development of the Royal Opera House, the Chairman writes: "I believe it is urgent that the Royal Opera House is brought up to 20th century standards before we reach the 21st century. We appreciate the part the Government has played in considering our plans and in making land available for the

cont...

Development Scheme. However, public funds have so far been denied us.... I hope that after the general election this position will be reassessed and that funds will be found (perhaps from a national lottery) that will at least match private money on a pound-for-pound basis."

Lord Sainsbury, who retires as Chairman of the Royal Opera House at the end of this season, said today: "If the Royal Opera House is to retain its high standards and its position as one of Europe's great opera and ballet houses, increased public funding in the years ahead is a real necessity. The problem is not just one for the Royal Opera House. London is one of Europe's outstanding artistic centres, but if it is to remain so into the next century then we must invest in our artistic institutions to a much larger extent than we have in the past 20 years. Failure to invest adequately in the nation's performing companies, museums and galleries will result, in time, in irreparable damage to our artistic heritage, from which the whole nation will suffer."

- ends -

* A list of the Year's Highlights is attached

For further information, please contact:

Helen Anderson
Press Officer, The Royal Opera House
Tel: (071) 240 1200 Ext. 132/149

22 July 1991

HIGHLIGHTS OF THE FINANCIAL YEAR 1990/91

FINANCE

* Royal Opera House breaks even
  (a deficit of £1.9m had been predicted)

* Record-breaking attendance for The Royal Opera, 94%

* Attendance for The Royal Ballet, 89%

* Box office receipts 16% up at £16.6m
  This represents 43% of total revenue,which for the first time, is a higher percentage than that from public subsidy (40%)

* Public subsidy for the three Royal Opera House companies, £15.7m:
  This represents, 40% of total revenue, which compares with 56% ten years ago (1980/81)

The Royal Opera	£ 7.0m
The Royal Ballet	£ 5.2m
The Birmingham Royal Ballet	£ 3.5m
	£15.7m

* The Royal Opera received an additional 0.1m incentive funding, and The Birmingham Royal Ballet received an additional 0.6m for its relocation from London to Birmingham.

PERFORMANCES

* The Royal Opera House (three companies) gave 380 performances, far more than any comparable European lyric theatre, all of which are subsidized at a higher level (typically 70-80%)

* The Royal Ballet: 135 performances
  5 world premieres

* The Royal Opera: 122 performances
  8 new productions

* The Birmingham Royal Ballet: 123 performances
  3 world premieres

ROH SEAT PRICES

* Average: £48.87 opera, £24.21 ballet

* Public subsidy per seat: £27.28 opera, £16.54 ballet

* 800 seats at or under £34 opera, £20.50 ballet

cont...

REACHING NEW AUDIENCES

* Six productions televised.
  Die Fledermaus, Hobson's Choice and The Cunning Little Vixen seen by more than 3 million over Christmas 1990

* Midland Bank Proms Week and Westminster Hamlyn Week opened up opera and ballet to thousands at bargain prices

* 6 Nissan UK Schools Matinees introduced 12,000 children to opera and ballet

* 10,000 enjoyed La Boheme by lakeside at Kenwood

AWARDS AND APPOINTMENTS

* Barry Wordsworth appointed Music Director of both Royal Ballet companies

* Sir Edward Downes, Associate Music Director of The Royal Opera from September 1991, and Darcey Bussell win the 1990 Evening Standard Opera and Ballet Awards

BIRMINGHAM BASE

* Sadler's Wells Royal Ballet moved to its permanent new home at the Hippodrome and became The Birmingham Royal Ballet

For further information, please contact:

Helen Anderson
Press Officer, The Royal Opera House
Tel: (071) 240 1200 Ext. 132/149

22 July 1991

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929
Fax No: 071-270 6026

From the Minister for the Arts
THE RT HON TIM RENTON MP

C91/3450

William Chapman Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

19 July 1991

Dear William,

ARTS FUNDING

I mentioned to you the other day that we understand Lord Sainsbury hopes to have a few minutes private discussion with the Prime Minister about arts funding and the Manifesto when they meet on Sunday. I thought you would appreciate warning of this, so that the Prime Minister is not caught unawares.

As you know, the Sainsbury family are major patrons of the arts. They have not only built the fine National Gallery extension that has just opened but, through the Sainsbury Foundation, have set up the Arts Centre in Norwich. They provide a good deal of support for the arts and education, sponsorship of a number of youth companies and the very successful Sainsbury Choir of the Year competition.

Lord Sainsbury has been heavily involved in the Opera House and may be a substantial donor to its long overdue development scheme, which will help to make the House accessible to a far larger number of people.

In recent months he has increasingly voiced his frustration at what he sees as the inadequate Government response to private sector generosity, particularly in the restoration and enhancement of the fabric of arts buildings and museums and galleries. There is now a real risk that he will scale down his commitment to major projects if, in his judgement, the Government is not taking sufficient action to deal with the country's heritage.

Lord Sainsbury is an important patron and the Prime Minister will obviously wish to reassure him of the Government's intention to provide resources to look after the arts including the fabric.

Yours
Jayne.

JAYNE COLQUHOUN
Assistant Private Secretary

THE ARTS ESTATE: MUSEUMS AND GALLERIES

The Government's Achievements

- in excess of £188m on National Museums and Galleries (NMGs) building programmes 1991/2-1993/4

- 1991/2 expenditure of £55m is an increase of 115% in real terms since 1979/80

- major series of private benefactions to NMGs (see list attached) including Sainsbury Wing at c£30m

- commitment by Richard Luce in 1989 to refurbish the NMG estate by the Millennium

- OAL about to receive results of independent survey of building needs commissioned from Arup Partners

The Problems

- Arup survey expected to show a shortfall of c30-40m per year in essential repair and refurbishment of NMGs

- sponsors' money not available for basic maintenance, roofs, wiring etc

- most NMGs housed in century-old buildings neglected by PSA and natural wear and tear taken its toll

- Trustees taking over responsibility for their buildings and new problems coming to light

- no real information on local authority museums but suspect similar difficulties

- no prospect of National Lottery in near future (although Pools Foundation may help)

Immediate Action

- OAL has bid in with Treasury to cover part of funding gap

- considering further work on freeing up NMGs to enable them to raise finance more easily, operate in freer market

- encouraging Pools Foundation to look at capital spend as priority area

OFFICE OF ARTS AND LIBRARIES
19 July 1991

SIGNIFICANT RECENT SPONSORSHIPS AND DONATIONS FOR BUILDING WORK

SPONSOR	AMOUNT (£m)	MUSEUM/ GALLERY	PURPOSE
MEPC	1.0	Sir John Soane's Museum	Repairs to fabric of the building (in progress)
Walter Annenberg	$5.0	National Gallery	Refurbishment of Impressionist Rooms (opened 1990)
Nomura Securities Ltd	1.5	Tate Gallery	Refurbishment work (in progress)
Mr T T Tsui ("choy")	1.25	Victoria & Albert Museum	New Chinese Gallery (opened 1991)
Mr Wohl	0.75	National Gallery	Refurbishment of Room 9.
Agnews	0.360	National Gallery	Room 32 (Italian baroque paintings)
Leverhulme Trust	0.200	Science Museum	Flight Lab Gallery (opened July 1991)
Mrs Heinz	2.0	National Portrait Gallery	New Research Centre
Wolfson Foundation	0.15	British Museum	Roman Room (opened June 1991)
BPetroleum	2.5	NHM Ecology	Spring 1991

EARLIER BUT SUBSTANTIAL DONATIONS

Clore Foundation	6.0	Tate Gallery	New Clore Gallery housing the Turner bequest (opened 1987)
Benefaction from the late Sir John Addis	0.66	British Museum	Islamic Gallery (opened June 1989)
Sainsbury Family	0.85	Science Museum	Food for Thought Gallery (opened Oct 89)

THE ARTS ESTATE: PERFORMING ARTS

A survey of fabric of theatres currently in preparation by Theatres Trust. We are aware of many individual cases.

Hopeful that new Sports and Arts Foundation will be able to offer some help with capital work but unlikely to contribute much to major projects.

Buildings in need of repair, restoration or redevelopment

Coliseum (?£12m)
Royal National Theatre (£2.0m)
Belgrade Theatre Coventry (£4.5m)
Portsmouth Theatre Royal
Liverpool Philharmonic Hall
City Varieties, Leeds
Stephen Joseph Theatre, Scarborough (£6m)
Theatre Royal Stratford East
Grand Theatre, Leeds

Lyceum - now in commercial ownership but a possible national dance house.

OFFICE OF ARTS AND LIBRARIES
19 July 1991

R22/3

dti

the department for Enterprise

~~N/T CAR~~

CF ?

With the Compliments of the Private Secretary to the Secretary of State

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTIHQ G
Fax 071-222 2629

NB: DTi to come back re State of Pm — relevant to this letter

The Rt. Hon. Peter Lilley MP

The Rt Hon Tim Renton MP
Minister for the Arts
Office of Arts and Libraries
Horse Guards Road
LONDON
SW1P 3AL

Department of Trade and Industry

1-19 Victoria Street
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Enquiries
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Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071 215 5623
Our ref JW3271
Your ref
Date 21 March 1991

Will request if required

Dear Tim

Thank you for your letter of 20 March in which you ask me to agree to a further delay in my licence decision. I understand your point abut the delay in getting a national appeal off the ground and Mr Getty's natural desire not to be rushed. Nevertheless, I remain unconvinced that what remains of the one month extension which you propose will enable definite progress to be made towards an offer to purchase. The possibility of more recommendations for deferrals seems very real. I am reluctant to risk this issue dragging on.

What I propose is a two month extension. This would give Mr Getty ample time and provide a reasonable chance for the public appeal. I would ask you to recognise that I should not be minded subsequently to agree to a further extension unless the appeal was very close (say within 10%) of the target figure.

I hope that you see my suggestion as helpful. If you can agree to it I should be very happy to consider the terms of a press release.

Yours ever

Peter

COPY

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 071-270 5929

From the Minister for the Arts
THE RT HON TIM RENTON MP

Prime Minister

You may recall that you asked about this in your meeting with Lord Palumbo.

C91/815

Ms Caroline Slocock
Private Secretary
10 Downing Street
LONDON
SW1

CAB 18/2

14 February 1991

Dear Caroline

GIFT AID

In your letter of 24 January reporting the Prime Minister's meeting with Lord Palumbo, you asked for a note on the impact of Gift Aid on the arts and arrangements for publicising the scheme.

... We do not have a comprehensive survey, but the attached note covers information available at present. You might also like to note that in his letter to the Chancellor covering suggestions for inclusion in the Budget, my Minister proposed the extension of Gift Aid to include the gift of works of art and museum quality objects to institutions. Such gifts would be properly valued and could then be offset against the donors' income or corporation tax.

Yours ever
Martin

MARTIN LE JEUNE
Private Secretary

GIFT AID

The Minister for the Arts takes every opportunity to refer to Gift Aid in speeches, particularly at our regular award ceremonies for the Business Sponsorship Incentive Scheme and at gatherings of arts sponsors. In addition, there have been two major initiatives to publicise the availability of Gift Aid and a third is planned.

With encouragement from this Office, the Arts Council and the Museums and Galleries Commission jointly published in October a 'Guide for Fund-Raisers to Tax-Effective Giving to the Arts and ... Museums'. (A copy is attached.) This was timed to coincide with the introduction of Gift Aid. It not only explains how Gift Aid works but places it in the context of the range of tax concessions now available, eg payroll-giving for smaller sums and covenanting for longer-term commitments. The booklet is particularly aimed at arts organisations and museums and galleries rather than potential donors, to ensure that they publicise the advantages of Gift Aid amongst their supporters.

In addition, the National Art Collections Fund, a voluntary body which receives support from OAL, has very usefully compiled a register of the current needs of museums and galleries, including items they might be enabled to acquire through the use of Gift ... Aid. (Please see second attachment.) This has been widely publicised, as has the Tate Gallery's recent acquisition of "Vesuvius in Eruption" by Joseph Wright of Derby, made possible through a Gift Aid donation from John Ritblat. NACF are also organising visits to the London Art Fair in April for area museums with an imaginative scheme to encourage the purchase of contemporary art. The cost will be made up from 15% from the museum, 15% from the dealer, 50% from NACF and 20% from a Gift Aid donation from visitors to the Fair and/or individual NACF members.

We also understand that a gift of £1m from Mr J P Getty to enable the Hereford Cathedral Mappa Mundi and Chained Library to be properly housed and displayed will be made via Gift Aid. This is not yet public knowledge and should be treated in confidence.

The Association for Business Sponsorship of the Arts (which also receives some support from OAL) is preparing a special section on Gift Aid for its 1991 Tax Guide.

As the new Scheme has only been in operation for three months, it is a little early to assess its full impact. Arts Council will be conducting a full survey amongst all of its clients later this month and this will be repeated in 1992. The Aldeburgh Festival, English National Opera, English National Ballet, Institute of Contemporary Arts and Royal Shakespeare Company are already known to have received gifts in the £600-£2000 range under the Scheme and demand for Gift Aid forms from Inland Revenue has been heavy.

OFFICE OF ARTS AND LIBRARIES

THE NATIONAL ART COLLECTIONS FUND
GIFT AID FOR ART REGISTER

The National Art Collections Fund is pleased to announce the establishment of a central register recording current financial needs and appeals in the field of fine and decorative art. The NACF, as this country's leading art charity helping museums and galleries nationwide, is fully aware of the acute financial plight of many of our public art institutions. It has responded with the creation of a unique, impartial service which will offer an up-to-date and comprehensive choice designed to help both fundraiser and donor.

The idea for an NACF register was inspired by the Gift Aid Scheme which was announced in the Chancellor of the Exchequer's 1990 Budget and which came into operation in October last year. The new scheme offers attractive tax incentives to private individuals and companies who wish to give between £600 and £5 million to charity annually.

All public art museums, galleries and historic houses are invited to register. Appeals eligible for registration will include acquisitions of works of art, new gallery and display schemes, conservation, research and educational projects. The National Art Collections Fund will work closely with the museums and galleries so that appeals on the Register are regularly up-dated.

The NACF Register will not deal with sponsorship needs such as for art exhibitions. Nor will it affect the normal National Art Collections Fund grant application procedure where its Committee awards grants from the General Fund towards the purchase of selected works of art.

Professional advisors will find the register invaluable in their work and we hope that many companies and private individuals will choose to support the arts and benefit from the Gift Aid Scheme. Jane Stancliffe is happy to assist with all registration enquiries from museums and galleries. Mary Potter and Charlotte Farquharson will be co-ordinating the corporate and professional liaison in the search for potential donors and are available for consultation by appointment. For more information please contact:

The Gift Aid for Art Register,
National Art Collections Fund,
20 John Islip Street, London SW1P 4JX.
Tel: 071-821 0404 Fax: 071-630 7715

WHAT IS THE NACF?

The National Art Collections Fund is the oldest and largest visual arts charity in the United Kingdom. Its aim is to assist in preserving the nation's art heritage by helping museums, galleries and historic houses to acquire by purchase, gift or bequest selected works of art.

Since 1905, when it launched a successful appeal for Velazquez' *Rokeby Venus*, the NACF has assisted in the purchase of many thousands of works of art, including the Leonardo Cartoon, *Virgin and St Anne with the Infant Christ and St John* and Titian's *Death of Actaeon* as well as works by major British artists, including Stubbs, Gainsborough, Turner and Spencer. The NACF contributes to art of all periods and all countries, not only paintings but also sculpture, glass, ceramics, furniture, metalwork, textiles and jewellery.

The NACF is not a government-financed body. It depends for financial support upon its 29,000 members, on legacies and corporate and private donations. Currently the NACF gives some £2 million in grants each year towards works of art, but against the background of ever increasing prices in the market place, the NACF's resources are coming under increasing pressure.

HOW CAN YOU HELP THE WORK OF THE NACF?

One of the ways you can help is by giving money or art to the NACF either during your lifetime, or on your death under the terms of your Will.

Such gifts and bequests of works of art may, of course, be made anonymously, or be attributed to the donor, or designated as a memorial to another individual.

The NACF is always particularly grateful for financial bequests. A legacy however small, on the residue of your estate or a share of it can make a crucial difference to our ability to offer help.

HOW THE NACF CAN HELP YOU

Some donors know where they want to place a bequest of their works of art, whilst others are uncertain which museum to choose and who to approach. If you have a work of art, or a collection, however varied, and it is of museum quality, the NACF offers a unique advisory service and will help you place your art in an appropriate public art collection, where it will be most valued.

If you are uncertain whether works of art in your possession are suitable for acquisition by a museum, the NACF would be happy to view the work and advise accordingly. In addition, pre-eminent works of art may be offered to a public institution through the NACF in lieu of tax. As this may affect the amount of estate duty being paid it is important that this possibility is considered.

The NACF undertakes to protect for posterity any works of art which have been given through it to a museum or gallery. It requires all museums and galleries in receipt of a grant or bequest to give an undertaking not to sell and to make the bequest available for public viewing.

TAX INCENTIVES

No Capital Gains Tax is payable during your lifetime when you give assets to the NACF. However, such exemption does not apply if assets are sold and the cash subsequently given to the NACF.

Income tax concessions have recently been announced for one-off gifts of money to charities during your lifetime, made after 1st October 1990.

There is no Inheritance Tax payable on estates left to the NACF under your Will. Couples who wish to help the NACF after their own and their partner's death may leave their estate to their partner for life and thereafter to the NACF.

We recommend that you consult your solicitor or other adviser as to any changes that you make to your Will. We shall be pleased to discuss such matters with your advisers if you so wish.

More detailed information about legacies, gifts and bequests of works of art may be obtained from the NACF. It is naturally helpful if you are able to notify us in advance of your wishes, with some basic details, particularly in the case of bequests of works of art.

For free, impartial and confidential advice please contact:

Sir Peter Wakefield, Director,
20 John Islip Street, London SW1P 4JX
Tel: 071-834 7183 Fax: 071-630 7715

Arts: Policy Pt 4

A GUIDE FOR FUNDRAISERS

TAX EFFECTIVE

Giving To the Arts & Museums

Tax Effective Giving
To the Arts and Museums

A Guide for Fundraisers

This guide is correct to the best of our knowledge and belief at the time of going to press. It is, however, written as a general guide to personal donation and we recommend that you refer to your finance specialist or advisor if in any doubt.
October 1990

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Introduction

"It is important that children grow up being able to relate to the arts. It is important to human life."

These are the words of a respondent to a research project carried out in 1989 to discover what people in the UK felt about donating to the arts.

In the 1980s and 1990s, arts organisations (by which are meant organisations in the performing and visual arts field, and museums and galleries) have had to rely increasingly on public donation and corporate support for their survival; and many organisations are very skilled at raising large sums of money. At the same time, the public is beginning to come to terms with the increasing demands on their pockets. So now is the right time to look to the future and make the best possible use of all the fundraising options available. But how many organisations are geared up to do so?

Sponsorship and membership/friends' schemes are the most commonly used fundraising methods, but there are a number of other — very effective — methods available. Key among these is making full use of the tax system, the subject of this booklet.

In his 1990 Budget speech, the Chancellor of the Exchequer specifically mentioned arts organisations when he introduced his new Gift Aid scheme.

The climate is undoubtedly right for people in the arts to make the most of the opportunities that exist.

This booklet aims to explain the various methods of tax effective giving which can be used by individuals, the advantages which can accrue from such giving, the work involved in administering such schemes effectively, and the results which might be obtained from the various schemes.

It is not about sponsorship, advertising, members' or friends' organisations or any of the other non-tax effective methods of giving — these are all well documented and reference sources are provided at the end.

Nor is it about company giving, which is covered in an excellent complementary booklet produced by ABSA, available from the address in the reference section.

One of the reasons arts organisations give for not taking full advantage of the tax system is that they see it as the province of the 'caring' charities. There is also a belief that donors to the arts want tangible recognition — and there is some truth in this. But as the public becomes more conscious of the need to support the arts, particularly in local areas, and as arts charities become more sophisticated in deploying schemes to attract new donors, this is slowly becoming less true.

The advent of the Gift Aid scheme means that now should be an ideal time to add tax effective methods to your fundraising repertoire, using Gift Aid as the peg on which to hang all the other methods of tax effective giving you wish to promote. Often all the public needs is a bit of encouragement, and a clear, straightforward explanation of why you need the money and what the advantages of tax breaks are. Tax incentives, if used correctly, can play a useful role in stimulating interest and making supporters feel that the value of their contribution is enhanced.

Tax breaks do, after all, increase every donation by one third. And 100 people donating £100 using a covenant or another tax effective method would net your charity £13,333 instead of the £10,000 it would receive from straightforward donations. On a smaller scale, 25 people donating £50 each would realise over £1,650 instead of a mere £1,250. This is based on the current 25% basic rate of tax.

Remember that your organisation is not unique in this context — rivals, competitors and friends are all looking for success. It is the effectiveness with which you use all the weapons to hand that will determine how much money you raise in the coming years.

Aims and objectives

This book aims to dispel some of the myths which appear to surround tax-effective giving to the arts. It explains clearly how the various options work, and it encourages fundraisers to take advantage of those options.

Before embarking on a fundraising campaign using tax advantages, it is important to realise that it is time consuming. It is hard work. And it is not simple. Only individuals who pay income tax can be targeted and donors will appreciate you having some understanding of their tax position. Also, your organisation *must* be a registered charity.

Don't be put off by the apparent complexity of the subject — the West Yorkshire Playhouse raised almost £200,000 in three years by exploiting the tax system, and it is not alone. The new Gift Aid scheme should open up new, user-friendly opportunities for spontaneous giving in this field — some people do not like the idea of long-term commitments, like covenants, but if they do wish to give generously, tax relief is the one way their gift can be made more valuable to their chosen charity.

Why should people give?

Perceptions Appraised

Charitable giving by individuals and companies is easier now than it has ever been. Since 1986, the government has introduced a series of measures designed to encourage charitable giving by individuals and companies. These include removal of the ceiling for higher rate of tax relief for donations by deed of covenant; the introduction of a payroll giving scheme and in 1990 an increased ceiling of £600 per donor per year for that scheme; and tax relief for single donations by companies up to 3% of ordinary dividend. In the 1990 Budget the new Gift Aid scheme aimed at individuals and companies making single cash donations of between £600 and £5m was announced, with the aim of encouraging greater and more flexible giving; and the change in the law relating to the taxation of married couples now means that each tax payer can donate tax effectively in their own right.

All these measures apply to charities across the board; there are no specific incentives for arts organisations. In his Budget speech in 1990 the Chancellor did, however, say that the measures he was announcing should benefit the arts as much as the social charities. This recognition of the place of the arts in society is something which should be exploited by organisations — people give because it makes them feel good and gives them a sense of commitment to their favourite cause. There is no reason why the same psychology should not be applied to donors to the arts; and there is no law that says donors should only give to 'caring' charities or only give to the arts.

Why give to the arts?

"I don't mind paying to go to something, but when it comes to drawing extra from you, you've got your priorities. You've got to give to Ethiopia or Armenia or sickness or things like that before the theatre and dance companies. They're not in the same league."

"You're paying a lot for the seat price. That should be enough."

"They get a lot from the government anyway so they should be able to manage."

These are all quotes from the market research survey mentioned at the beginning of this book, and reflect some of the attitudes people adopt to giving to the arts. And these attitudes often appear to be echoed by the organisations themselves, many of whom are somewhat apprehensive of inviting their supporters to give more money through taking advantage of the available tax breaks.

It's worth having a look at some of these perceptions — there is no point in going to a lot of time and effort to set up a scheme which starts off with low expectations and an unclear overall strategy. But there is point in addressing the public's concerns and countering them in promotional literature which advertises the many options available to fundraisers.

There is the perception that because the arts are often centrally funded, they should rely solely on that funding for their survival, and where that fails, tap the cheque books of their illustrious wealthy supporters. In practice, central and local authority funding plays an important role in the life of many arts organisations in the UK. But these resources are finite, and the majority are dependent on the goodwill and support of individuals and companies for the additional finance to keep them going. It can be a useful ploy to point out to individual donors that their donation could enable them to have more say in the direction of their chosen group — these fears about the influence of central and local government could be made use of by skilfully worded literature.

"When the firms move in they'll just go for the tried and trusted. It'll be Shakespeare all the time and they won't want feminist politics or things like that."

The same fears about 'undue influence' appear to apply to large corporate donors, although there are also many people who think that the arts should mainly be supported by big business. It is a balance which needs to be struck carefully, but there is no reason why individual donors should not be encouraged to play a valuable role in their chosen arts organisation — even if it is only to criticise the company's current policy. Again, this could be made clear in literature.

Finally, there is the theory that the arts are elitist, that they don't 'do good' in the way that many expect of charitable organisations. Current evidence now suggests that this attitude is changing — people are no longer so single-minded in their giving, preferring to diversify their commitments. And there is also evidence to suggest that the growth of shows like the telethons has encouraged a completely new audience to be aware of charitable needs — and not just in the 'caring' world.

Educating the public

"We can afford to do things with our children but for those parents who can't, you want the arts to go more towards schools and the community centres so that everyone can benefit," is an increasingly popular attitude, as is: "I think we should dip into our pockets for museums. That's our knowledge and we should be able to get it any time."

So public perception of the need to fund the arts is changing as more organisations, particularly local ones to which people can relate, are closing due to financial crises. And an increasing number of arts groups and museums and galleries are expanding their fundraising repertoire to include areas other than sponsorship and friends' groups; central funding is rarely sufficient to provide the extras that make an organisation attractive to its members. And the public is beginning to realise this; to realise that a balance has to be created between statutory money and their gift if they want their favourite arts group not only to survive but also to prosper.

But there is still an educational job to be done — the donors are out there. They simply need to understand why their donation is so valuable, and how the tax system can be exploited to increase the value of their gift.

"I want my little girl to appreciate what the arts are . . . They don't get any of this in schools at all and I think it is very important for them."

Organisations which are seen to promote the arts as educational appear to be especially popular — many potential donors consider theatre, art galleriesmuseums, dance and all the other art forms as an important part of their children's future and their heritage. There is also an increasing awareness of the important role which local arts organisations can play in local communities, and this has been successfully exploited by a number of groups through their literature. A clear, simple statement of the contribution that your organisation can make to the community could unlock cheque books previously only opened by the 'caring' charities.

There may not be the need to go to the extent of the Bournemouth Symphony Orchestra, which announced at the start of concerts that without public donation the concert would have to cease two-thirds of the way through or, for example, that the orchestra would be playing without it's double bass section or it's wind principals. But public perceptions do need to be challenged effectively, and the goodwill that exists for charities which work for social causes can also be exploited by the arts. If an individual is prepared to consider donating money in the first instance, it is up to you, the organisation, to persuade them that your cause is as worthy of support as is the local orphans home, and that supporting both caring and arts organisations is an important investment in the future.

The very fact of going out to invite people to support you, of being seen to dirty your artistic hands in the grubby world of fundraising, will provide you with a credibility in the eyes of the general public that a dozen dinners for wealthy supporters will not.

There can also be a certain amount of status for the donor from being seen to be generous to the arts — as someone said: *"I won't pretend that I don't like the invitations and the blurb. Mine come to work and it gives colleagues something to think about."*

But the arts are not just about education. They are also about giving pleasure — the prospect that a well-known local museum or theatre group may be under threat of closure will often generate a positive reaction even among people who rarely visit the places. Tapping the merits of the arts, the benefits which they offer to your target audience, is very important.

"I think you need to talk to people about giving the change in their pocket — the £2 or the £5 donation — and also the bequest of £50 or £100."

People like to feel wanted and to feel they have contributed to a worthwhile cause — there is no reason why the 'caring' charities should have the monopoly on this. And there is no reason why donors should not be encouraged to give to both types of organisation, especially if they perceive that through the tax system they are giving added value.

But the crucial thing is to target carefully, make absolutely sure that all the details of the scheme you are promoting are in place before going public — and treat your donors with respect.

The funding mix and the tax system

A good funding mix, using all the available opportunities and relying on a wide base of support, is more likely to secure the future. This mix can, and frequently does, include sponsorship, central and local funding, company donations and individual gifts. (For example, the Traverse Theatre in Edinburgh survived its leanest years by exploiting every conceivable method of fundraising available.) Couched in simple terms, the majority of the giving public are likely to understand this.

Part of this funding mix, as organisations as diverse as the Ironbridge Gorge Museum and Ballet Rambert have discovered, are the opportunities offered by the tax system to increase donations substantially without too much extra work.

Exploiting the full potential of tax effective options involves understanding the procedures and explaining them simply and clearly. The initial work in pulling a system together, producing the right literature, and printing the right sample forms and letters is what takes the time and what daunts many administrators, particularly if they have already heard that most arts donors don't like tax breaks. But it is worth persevering, as the Whitechapel Art Gallery in London has proved by raising over £180,000 in one year.

Ten people giving £600 each under the Gift Aid scheme would net the organisation £2,000 on top of the £6,000 already achieved. Five people making four-year covenants of £100 per annum would mean that the Inland Revenue would increase their £2,000 by another £666. And supporters being persuaded to donate money to the arts organisation of their choice could make a crucial difference to the cash flow.

In the words of a respondent to a survey carried out on giving to the arts: *"If a dance group or theatre company can be bothered to come to the community centre, then a lot of people would be well disposed towards giving them financial support."*

The happy-to-give need to be encouraged by the happy-to-receive. And these are the sort of donors who would probably appreciate the additional benefits which tax effective giving can bestow on a company or business — if they are clearly explained (see the case histories in Chapter 5).

So what is the secret of success? A clear long-term funding strategy, carefully targeted at the different types of supporter. But to make such a scheme work, it is necessary to explain clearly and simply:

- why the organisation is asking for donations;
- what the money will be used for;
- why tax effective giving is so important;
- how the schemes work;
- what the public will get from its donation.

The 25% rule

On the last point, a certain amount of care is needed as some tangible benefits immediately make the donation ineligible for tax breaks. To be eligible a donation must be a gift, with no strings attached. This rule is always applied to payroll giving. However, where small subscriptions are paid by covenant, a benefit to the donor of less than 25% of the value of the subscription can be ignored. In practice, the judgements the Inland Revenue make can vary case by case. If you are starting a new scheme we suggest you discuss it first with your finance officer or advisor and decide between you whether the Inland Revenue need to be involved at an early stage. The situation is slightly different for the Gift Aid scheme, which is explained in the next chapter.

Using the system

Effective fundraising demands not only determination and imagination but also a clear strategy and an understanding of the various methods of deploying tax breaks.

The following chapters explain the different types of tax incentives in detail, before looking at the different challenges faced by small to medium (up to £20,000 in annual donations) and medium to large (over £20,000 in donations) organisations.

Tax effective giving can be broken down into three categories: one-off gifts; regular gifts; and legacies. Each of these is discussed in a separate chapter.

Individual Giving – one-off donations

This category applies to individual donations of money given on a one-off basis as a simple gift. Within this section there are two options which can be taken separately or used as part of a package.

The Gift Aid Scheme

CHAPTER 2

This new scheme, which came into operation on 1 October 1990, is for one-off single payment donations for sums between £600 and £5m per year. It is not yet possible to provide examples of it in operation, but its introduction was broadly welcomed by the many charities, including the Arts Council and the Museums & Galleries Commission, which had campaigned for such a scheme. Like all schemes involving tax incentives, it applies generally to the charitable world, not specifically to arts bodies.

The aim of Gift Aid is to allow potential donors to make straightforward one-off gifts of money which are then topped-up by the Inland Revenue to the tune of £33.33 for every £100 donated. In practice, this means that the minimum amount a charity can receive under Gift Aid will be £800 — a one-off donation of £600 from the individual or company, plus a tax refund of £200 which the charity claims back from the Inland Revenue.

Higher rate relief

Individuals who are eligible for higher rate tax relief (i.e. for the 90/91 tax year, those with a chargeable income of more than £20,700 per year after allowances) are able to claim tax relief on their donation which reduces the cost of the gift to the donor by 20% — provided they fill in their tax return and the higher rate tax charge remains at 40%.

It is too early to guess how effective it will be, but the potential is considerable, for the arts as well as the caring charities.

Anyone who pays income tax and who lives in the UK is eligible to take part in this scheme. The benefit for arts groups is likely to be that people who want to give generously, but do not wish the four-year commitment of a Deed of Covenant, can be encouraged to take advantage of it. Gift Aid's other benefit is likely to be that it is simpler to administer and easier to explain. For smaller organisations in particular, successful application of this scheme could make a crucial difference to their fundraising effort.

The disadvantage is that it only applies to donations of £600 or more, which means that the smaller donor has only the tax effective options of covenanting and payroll giving.

How will it work?

A simple straightforward explanation to potential donors of how the scheme works will be crucial. The following wording offers some guidance:

The Gift Aid scheme

"If you would like to donate generously to ..... (name of organisation/company/group), and you are a regular UK tax payer resident in the UK, why not take advantage of the Gift Aid scheme ? For every £100 you give us, we can claim £33.33 from the Inland Revenue — and Gift Aid allows you to give as little as £600 or as much as £5m in any tax year.

All you need to do is send us a single cash payment, together with a completed Certificate of Gift Aid (R185). Your donation will be worth one third more to us because we can claim back the basic rate tax you have paid on the gross amount. And if you pay tax at the higher rate, you can save 20% of the value of your gift in tax relief. For example on a gift of £600 (gross equivalent £800) you get tax relief of £120. So the gift only costs you £480."

The Gift Aid scheme has the great advantage of only requiring a Certificate, which charities can obtain from their local Inland Revenue Inspector, in addition to the cheque and covering letter. The Certificate, which will need to be completed by the donor, states that the individual has met the various requirements of the scheme as laid down by law.

Because Gift Aid is linked to the tax year, donors can take advantage of it year after year, on a one-off basis, if they wish.

The following is an example of a covering letter for the donor to use in connection with Gift Aid:

"To ..... (name of charity/organisation/company) I hereby donate £ ..... under the terms of the Gift Aid scheme to be used for general purposes providing it does not involve acquisition of property or benefit to myself or my connections."

Restrictions

Restrictions on its use are also very clear. Financial donations to charities are not eligible for relief under the Gift Aid Scheme if:

- the money is a loan or in any way subject to repayment;
- the money is paid under covenant or through the payroll giving scheme (see next section);
- the donor or someone connected to the donor (e.g. spouse, child, business partner etc.) receives benefits from their donation valued at an amount greater than 2.5% or £250 whichever is the smaller;
- the money is used by the charity to buy something from the donor or a person connected to the donor;
- the donation is in kind, not cash;
- the donation is less than £600 or more than £5m in any one tax year;
- the donor is not resident in the UK.

Other possibilites under Gift Aid

It would be possible under Gift Aid to give £600 or more per year on an informal basis, and claim Gift Aid relief. In practice, however, anyone wishing to make that regular a commitment to one company would probably prefer to take advantage of the four-year Deed of Covenant (see next chapter), which would also have the benefit of allowing the organisation to forward-plan.

Gift Aid and charitable foundations

With an upper limit of £5m per person plus £5m from the spouse in the Gift Aid scheme, it is theoretically possible to get a maximum donation of £13.33m. In those circumstances, the donor would almost certainly have professional advisors who would recommend that a charitable foundation be set up to benefit the charities of the donor's choice — but it would obviously by very useful for organisations to be aware of such a development, and persuade the donor of the value of their charity.

Conclusion

It may appear slightly complicated, but in practice the Gift Aid scheme promises to be simpler to administer and easier to keep track of than any of the other tax effective forms of giving. It is also more likely to appeal to donors who want to give one-off donations, especially if they are persuaded by the organisation that there is a good, urgent and valid reason for them to donate. And, if properly publicised and administered, it could play an important part in long-term financial planning.

In terms of giving to the arts, it is reasonable to assume that individuals who wish to give a fairly substantial donation to the organisation of their choice will find the scheme simple to understand and will be happy to allow their donation to be topped-up by the Revenue.

To help further, the Inland Revenue have produced their own guidance on the Gift Aid scheme. The booklet, IR 113, is available free of charge from any tax office.

Central Register for Gift Aid

The National Art Collections Fund is creating a central register of museum and gallery appeals in the visual arts. It believes that, while many potential donors know exactly to whom they would like to give money in the visual arts, others (and companies in particular) are unsure how to go about it. From its register of appeals, the NACF should be able to offer potential Gift Aid donors a comprehensive choice (see reference section). Gift Aid donors will need to check that the organisation they are giving to is a registered charity or accepted as a charity by the Inland Revenue.

Deposited Covenants

Deposited covenants allow donors to make lump sum donations on which tax benefit can be claimed by the organisation. Although technically the amount could be anything the donor chooses, in practice the Gift Aid scheme limits the relevance of this type of donation to amounts less than £600.

Deposited covenants are most likely to be relevant to arts organisations when immediate access to lump sums of money is required for specific projects or when there is an urgent need to tide the organisation over a difficult period. In order to make the most of this opportunity, it is very important to provide simple explanations of how the scheme works, and give potential donors good reasons as to why such a lump sum is required.

An example of a situation where a campaign to attract deposited covenants might be relevant is if a local museum were given the opportunity to purchase exhibits which would enhance its collections. By asking donors to make deposited covenants, the museum could use the lump sums to purchase the exhibits, and as the tax relief was claimed over the next four years, use the additional money for other activities. The names of the donors could be displayed on the exhibit, which could add to the attraction for them.

The disadvantage of the deposited covenant is that in order to claim the tax, the lump sum must be given as a loan over a period of at least four years. The money itself can be used immediately, but to meet legal requirements, a percentage of the loan would technically be deducted annually and the tax claimed on that amount each year until the full amount of the basic rate tax on the loan was claimed. In other words, a deposited covenant of £400, the capital of which would be used for immediate purposes, would be translated into four annual payments of £100, each eligible for annual tax relief of £33.33. At the end of the four years, the organisation would have received over £533. As with all other forms of tax effective giving, the donor could be eligible for higher rate relief.

A possible form of words to explain the scheme could be as follows:

Deposited Covenant

"If you are thinking of donating a lump sum of between £50 and £600 to . (name of organisation/company/group) and you are a regular UK tax payer, why not give us a Deposited Covenant? For every £100 you give us up to £600, we can claim over £33 from the Inland Revenue. That means a donation of £100 would net us over £133; a donation of £450 would let us claim an additional £150, giving a total of £600. But as lump sums of less than £600 are not eligible for tax breaks, in order for us to claim the tax we have to ask you to provide the sum in the form of a loan. To meet the legal requirements, we will deduct four equal payments on an annual basis, and claim the tax on each of those four amounts."

The following forms are suitable examples of words acceptable to the Inland Revenue which can be provided for the donor. The donor should be asked to complete the Deed of Covenant as if it was a four year annually payable amount, i.e. the amount of the loan to be deducted each year should be entered next to the date. The Letter of Loan is the only document which should contain the full amount of the lump sum gift. Such covenants are not valid unless the Deed of Covenant and Letter of Loan forms are signed and returned, and the date of the payment must be the same, or later, as that of the Deed. The donor must also contribute a Certificate of Deduction of Tax.

As the legal systems in Scotland and Northern Ireland are somewhat different to that of England and Wales, standard forms of wording for people living in Scotland or Northern Ireland are available from the Claims Branch addresses given in the reference section.

Deposited covenant — form for use in England and Wales

Deed of Covenant

To ..... [name of organisation/group/company]

I promise to pay you in the year ending 5 April 19 . . and in the three following years ending 5 April (or during my lifetime if shorter) such a sum as after deduction of Income Tax at the basic rates amounts to £ [the amount due in any one year i.e. the total amount divided by four]

Signed and delivered .....

Date .....

Your name and address .....

.....

Signed in the presence of:

Witness' signature .....

Witness' name and address .....

.....

Letter of Loan

To ..... [name of organisation/group/company]

I hereby deposit the sum of £..... [the full amount the donor wishes to give] with you free of interest, so that such sums may be deducted by you from this sum and constitute the four annual payments due to you under my Deed of Covenant to which this letter is attached.

In the event of my death, I hereby waive repayment of and give absolutely any amount of the deposit outstanding at that time.

Signed and delivered as a Deed .....

Date.....

Witness' signature .....

Witness' name and address .....

.....

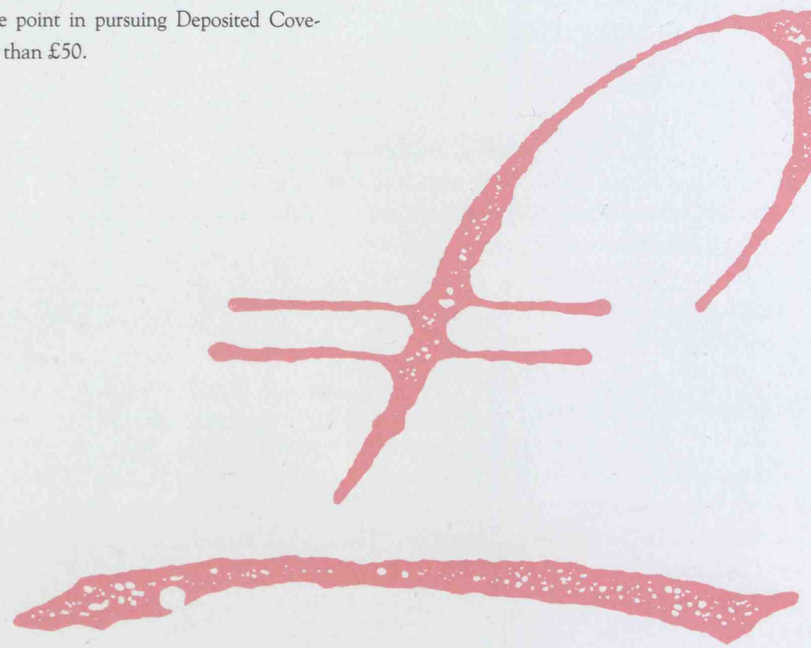
Conclusion

Gift Aid and Deposited Covenants are the two options for individuals wishing to make one-off gifts, the value of which is increased by one-third when the charity reclaims the tax paid by the donor on the amount of the gift — simply by filling in a couple of forms, the donor can ensure that their chosen arts organisation is one-third better off than it would otherwise have been.

The Gift Aid scheme in particular has considerable potential for the arts, especially for organisations like museums and galleries which require lump sums to purchase exhibits. It should, however, also benefit other arts organisations, particularly if there is a need for an urgent injection of a large lump sum.

But to be effective, it will be necessary to target the donor audience with discrimination and attract their attention so that your project stands out from the myriad others on offer.

It is also worth bearing in mind the balance between the value of the donation and the administrative costs — obviously Gift Aid has to be cost-effective, but most people have found that there is little point in pursuing Deposited Covenants of less than £50.



Regular giving

Regular tax effective giving has the potential to play an important role in longer-term financial planning, and can provide effective back-up to fundraising schemes for specific projects. There are three options available in this category: Deeds of Covenant; Subscription Covenants; and Payroll Giving.

Deeds of covenant

In relation to the arts, this appears to be the most popular option, and one which a number of arts organisations have exploited successfully — in 1989 the Whitechapel Art Gallery in London's East End raised over £180,000, largely through covenanted donations.

It also appears that the public, because they understand how the scheme works and are more familiar with it, are favourably disposed towards donating through Deeds of Covenant. And one of its great values is that the scheme allows people who want to give little and often, or little and not quite so often, the chance to do so and increase the value of their gift by one-third each time they donate.

How do Deeds of Covenant work?

A Deed of Covenant is a legal document which commits the individual to pay an amount per year (or more often), for a period of over three years — most covenants are set up for four years. The organisation concerned can then claim the tax relief on an annual basis provided the donor makes the covenant payment.

The level of tax relief is the same as for the other tax effective giving options, £33.33 for every £100 donated: an annual covenant of £50 would yield additional income of £16.50 p.a.; a £500 covenant over £166 p.a. in tax relief; and a £2,000 covenant over £650.

To obtain the tax relief, the organisation must provide the donor with a Deed of Covenant form and a Certificate of Tax Deduction (wording available from the Inland Revenue but many organisations can provide forms). These forms must be signed, witnessed and returned by the donor. Organisations should also advise the donor that payments must be dated on or after the date of the Deed if they are to be valid. In most cases a covenant will be paid by banker's order, which is much the easiest way for all concerned.

Individuals donating £400 p.a. or less usually need to complete only one Certificate of Tax Deduction for the duration of the covenant; larger amounts require an annual Certificate, and it is the responsibility of the organisation in receipt of the covenant to ensure that these are filled in. Donors who pay higher rate tax (currently people with a taxable income of £20,700 or more) should be advised that they are eligible for 20% relief on their donation provided they include mention of the donation in their tax returns, and all donors should be advised to put the net amount of their covenanted donation on their tax return forms.

The following forms are standard Deed of Covenant Forms, agreed with the Inland Revenue, and groups are advised to stick to the wording on them. Again, there is a slight variation in the legal requirements in Scotland and Northern Ireland.

Deed of Covenant Form for England and Wales

To ..... [name of organisation/group/charity]

I promise to pay you for four years (or during my lifetime if shorter) such a sum as after deduction of Income Tax at the basic rate amounts to £ ..... [insert amount you wish to give] each month/quarter/year from the date shown below.

Signed and delivered .....

Date .....

Your name and address .....

.....

Signed in the presence of:

Witness' signature .....

Witness' name and address .....

Banker's Order

To ..... [name of bank]

of ..... [bank's address]

Please pay to ..... [organisation's bank]

of ..... [address of organisation's bank]

for the account of ..... [name of organisation]

(Account no ..... Sort code .....)

The sum of .... pounds (£ .....)

On the .....

and the same sum on the same day of each month/quarter/year for a period of four years starting today (making a total of ..... payments in all) [insert number of payments: 48 for monthly payments; 16 quarterly; 4 annually]

Signed .....

Date .....

Please complete and return the Deed of Covenant and Banker's order to: [address of organisation]

Further Information

As mentioned previously, Deeds of Covenant seem to be the most popular tax effective option in the arts, possibly because the companies which have exploited them successfully have targeted their audiences carefully and have enticed them with small incentives: the Yorkshire Playhouse offers a 'Buy a Seat Covenant'; the Rambert Dance Company tied their fundraising programme to a specific project; and the Ironbridge Gorge Museum has cultivated a very personal relationship with the covenantors. However the rule that tax effective donations of all kinds should not benefit the donor applies to covenants as to everything else.

It is also very important to remember that people who donate by covenant should be reminded that their period of payment is coming to an end before that actually happens. They need sufficient time to respond, either by setting up a new covenant for another four years or cancelling their payment if they wish.

Developing a good relationship with the Inland Revenue is crucial to any tax effective fundraising campaign — they are not ogres, in fact quite the opposite when it comes to dealing with charitable bodies of all kinds.

But, as the case histories make clear, a definite strategy linked to future planning is the secret of successful fundraising using tax incentives. Clarity, simplicity and imagination are the key to persuading individuals to give by covenant.

Small donors

People who are only able to give small amounts, rather than lump sums, over the years (as with Deposited Covenants) are ideal to target for Deeds of Covenant. Because the Deeds are sufficiently flexible to be monthly, quarterly or annually, it is quite possible for someone to pay £5 a month for four years and at the end of that time the organisation would find it had received an amount of £320. To invite small donors who are tax payers to give through covenant can provide a very useful drip-drip-drip effect for many organisations.

Subscription Covenants

Subscription Covenants, where the individual pays their subscription to an organisation by Deed of Covenant (see previous section), are very important for arts organisations as many operate membership and friends' schemes — the additional administration of a Subscription Covenant is slight, and it is only a small step for arts organisations to invite members and friends to pay by Deed of Covenant, especially if an attractive membership package is provided. Organisations which offer such schemes to their patrons include the English National Opera and the Dunkeld Amateur Dramatic Society.

Members who pay their subscription by covenant need to be informed that their subscription was due at least three weeks in advance of the date, and they will also need to be informed of the new subscription rate (if it changes).

The tax breaks on this scheme may only be exploited if the donor receives 'no appreciable benefit' in return.

Museums and museum friends' organisations are likely to find this especially relevant as the rules relating to 'heritage' charities were changed in 1989 in their favour — members of organisations which come under this heading are now entitled to free entry to view the properties without jeopardising their ability to pay their subscription by covenant.

The following form is a standard Subscription Covenant which allows for changes in the cost of subscriptions.

Subscription Covenant

Deed of Covenant

I promise to pay ..... [name of organisation/group/company] hereby know as 'the Charity', for four years, such a sum as after deduction of income tax at the basic rate is equivalent to the annual membership subscription of the charity as at the date on which the payment falls due. The first such payment to be made today, and subsequent payments to be made on the same day in each year thereafter.

Signed and delivered .....

Date .....

Signed in the presence of: .....

Witness' signature .....

Witness' name and address .....

Direct Debit Mandate

To ..... [name of your bank]

of ..... [address of your bank]

I/we authorise you, until further notice in writing, to charge to my/our account with you unspecified amounts which ..... [name of charity] may debit thereto by direct debit in respect of my/our membership to them.

Signed .....

Date .....

Account number to be debited .....

Name .....

Address .....

Payroll Giving

Payroll giving was introduced in 1987 and raised about £1m in the first year of operation. But it is not an option that many people have taken up, to a large extent because it has never been widely promoted.

Yet it does have considerable potential if the organisation is prepared to devote enough time to selling it effectively. It is an easy, trouble free way for small donors to give generously, virtually without realising it.

One way of taking advantage of the scheme — and at the same time getting a bit of free publicity — would be to make contact with local businesses to explain how payroll giving works and invite them to set up a scheme in their workplace. Contact with local supporters could provide useful background information as to which companies might be most interested. And even if the visit did not result in a scheme being set up, the business would be more aware of your organisation and its needs.

In practice, both for the arts organisation and the commercial company, the administration is negligible as payroll giving is operated through charity collection agencies who manage the bureaucracy and then pass the donation onto the charity — a major selling point.

The Office of Arts and Libraries has produced a detailed handbook explaining how payroll giving works, and the Charities Aid Foundation has developed a number of systems for people wishing to donate in this way.

How does payroll giving work?

The payroll giving scheme enables employees to donate money to charity tax-free by having regular sums deducted from their gross income by their employer — the maximum amount they can donate is £600 p.a. However the scheme can operate only if the employer agrees to allow it to go ahead. All the payroll giving schemes are administered by charity collection agencies approved by the Inland Revenue, who initially receive the donation before passing it to the donor's chosen charity.

An employee who pays basic rate tax of 25% and who donates £100 a year through the scheme is not taxed on £100 of their income, and will save £25 on their annual tax bill. Because the agencies which operate the schemes may levy a small handling charge, a donation of £100 will cost the donor £75 and will net the charity £95: i.e. the value of the donation is increased by 33%, less the agency handling charge.

It is a cost-effective way to raise money, and it is possible for charities to produce their own payroll deduction forms which include their name, and even the amount they wish to receive. A donor whose employer is running a payroll giving scheme only has to complete this and pass it onto the collection agency which does the rest of the paperwork (names and addresses of collection agencies are in the reference section at the end).

Although it may be some time before the arts take real advantage of the scheme, it is an option which is worth considering for regular supporters who already contribute to other charitable organisations through their work.

Legacies

"It's not something I've given any thought to, but I get so much enjoyment from the Black Country Museum that I suppose I could think of leaving them £50 or £100. You just need somebody to prompt the idea."

Donating by legacy is becoming an increasingly worthwhile option for arts organisations — and after all, it doesn't cost the donor anything during their lifetime! Although some people are reluctant to commit themselves to making a will, in general it appears that members of the public who enjoy visiting local museums or galleries, going to the theatre or the opera or whatever, are willing to contemplate leaving some money to their favourite organisation.

It also seems that people who are committed to arts associations are not put off by a direct approach. Leaflets inserted into programmes, or with priority booking forms for members and friends, seem to be perfectly acceptable provided that the supporter is not addressed by name. If a leaflet is couched in general terms, mentioning legacies as something about which supporters might care to think, the response can often be favourable. And bequests do provide people with the chance to thank an organisation for past pleasure with no strings attached.

However, it is wise to target these mailings carefully, as there is a danger of offending people who are not really involved with the organisation.

But it is not just elderly supporters who should be targeted — in fact that might be counter-productive. Many people make their wills when they are young, particularly when they start to have children. And while it might not be the most effective time to approach them in terms of the size of the donation, the seed is sown and could bear greater fruit in later years.

How to increase income from legacies

There are a number of ways in which people can be encouraged to leave money to an organisation as part of a fundraising strategy:

- mention legacies in literature;
- write a general letter to committed supporters inviting them to remember you in their will;
- contact local solicitors — many lawyers are happy to be given the chance to recommend certain charities to clients if they are aware that the individual is interested, and it is also a good way of letting it be known more widely that the organisation is in the market for bequests;
- advertise in the annual Solicitor's Journal issue on charities (see reference section);
- invite younger supporters, who may have benefited from a parent or relative's will, to remember the legator in a tangible way. Money donated from residuary legacies (i.e. the amount left over once the main beneficiaries have received their bequest) is normally a tax free donation.

As with all the other methods of donation, it is important to have the necessary documentation available on request. A leaflet explaining how to leave money to the organisation is an effective way of attracting interest (an excellent one is available from the Directory of Social Change). A codicil form is also important, and can be attached to existing wills to update them, saving the trouble of having to completely redo the document from scratch. The following is a legally acceptable codicil:

Codicil

I ..... [insert name]

of ..... [address]

declare this to be a codicil to my Will dated and made the

..... [day, month and year of will]

In addition to the legacies given by me in the said Will, I bequeath free of tax the sum of ..... pounds

as a charitable legacy absolutely to .....

.....

[name, address and charity registration number of the chosen charity]

hereinafter called "the charity", for the general purposes of the charity, and I direct that a receipt of the Honorary Treasurer or other authorised officer for the time being of the charity shall be a good and sufficient discharge to my executors for the payment of this legacy. In all other respects I confirm my said Will. In witness whereof I have hereunto set my hand this

..... [insert the date]

Signed .....

In the presence of us both together present at the same time who at the request and in the presence of the signatory to this Codicil and in the presence of each other have hereunto subscribed our names as witnesses.

First Witness	Second Witness
Signature	Signature .....
Name	Name .....
Occupation	Occupation .....
Address	Address .....

Donors should be advised to leave the completed Codicil with their Will.

In whatever form donors may choose to leave money to their favourite charities, it is essential that it is made absolutely clear that the bequest is being made "free and clear of tax, and is taken from the estate regardless of taxation". If that qualification is not included in the will, the beneficiary organisation will be liable for tax on the amount.

Additional ammunition

Another way of taking advantage of bequests is to offer some form of memorial for the living to remember the dead by, and it appears that people do like to be told what has been done with previous legacies — a leaflet outlining past activity may well encourage future donations.

Estates, the value of which when transferred to legatees is more than £128,000, are subject to inheritance tax of 40% over that sum. Exceptions to this tax include money left for charitable purposes, a fact that should be included in leaflets produced for supporters on this issue.

Finally, it will help your organisation to be aware of the bequests you can expect. Inviting your donors to let you know if you are a beneficiary is one way, but obviously you can't predict when you will receive the legacy! Another method is to use the services of an agency which examines all Wills when they become publicly available — subscribers are notified when their organisation is mentioned, as described in the case history for the Rambert Dance Company, and can then ensure that the legacy comes through as quickly as possible (details of the firm are in the reference section).

Case Histories

Covenants — a key to success

The West Yorkshire Playhouse

Chapter 5

If an arts organisation plays an integral role in the community, it will always receive donations, however small. But when a major project comes on stream, the system has to go into overdrive — or that at least is the conclusion of the staff of the West Yorkshire Playhouse.

For when they had to find the money for the new two-theatre venue which replaced the old Leeds Playhouse, they were looking at a project which would cost an estimated £12.5m to complete.

The organisers began raising money from a variety of funding bodies (including the Arts Council, Leeds City Council and West Yorkshire County Council), but also set themselves a public fundraising target of £1m to bridge the capital gap.

The public arm of the campaign was centred around the idea of selling seats in the new theatre by Deed of Covenant. They came up with a single deal — for just £50 a year over four years, individuals or members of the business community could buy a seat in the new theatre and have it permanently named after them or someone of their choice. Paying by Deed of Covenant meant that once the Playhouse claimed back the tax relief on the donation, each seat was worth a valuable £270 to the theatre appeal.

As the campaign started before planning permission was granted in 1987, the organisers had to generate enthusiasm for a project still on the drawing board. Now, three years later, they have sold just over 700 of the 1,100 seats, have raised £190,000 — and are confident that they can sell the rest.

The "Buy a Seat" campaign was primarily targeted at individuals, but the Playhouse also used the idea of donating by Deed of Covenant as a positive selling point in the corporate fundraising campaign, which involved much larger donations from the business community.

Money has come from all sorts of businesses, large and small, regional and national. The list includes companies with a strong local profile, like paint company The Kalon Group, brewer Joshua Tetley and Yorkshire Television; and those with a national spread like British Telecom and British Gas.

In order to be able to claim tax on a charitable donation, the Playhouse was unable to offer many tangible benefits like free seats, so its campaign was based on selling the idea of joining an elite club.

Major donors (companies providing £10,000 or more) are given permanent recognition in the foyer of the new theatre, kept regularly informed of events there, and receive the Playhouse's new executive newsletter, 'Centrestage' (sponsored by British Gas North Eastern). They also have access to some of the best seats in both theatres from a block reserved for use by major donors and sponsors.

The Playhouse's strategy was based ultimately on good communication and creating a sense of involvement with the theatre. It extends to holding two special events a year for major donors and sponsors.

As Liza Stevens, Playhouse Head of Marketing and Development, explained: "We like to provide opportunities for our donors and sponsors to come into the building, meet the staff and artists and see behind the scenes. The theatre presents them with a pleasant and interesting change of environment and provides yet another occasion for them to make contact with one another! It also gives us a chance to talk to them face to face about the theatre, our plans for the future, and how they could be fruitfully involved with them."

Liza Stevens has made a point of targeting accountants and solicitors, a healthy proportion of whom contribute, and who also operate a networking system which works in the Playhouse's favour — if clients mention that they donate to "so and so", the company often takes the hint and signs up as well.

The key to the success of this scheme seems to be careful planning, clever administration and a clear understanding of the tax system and the difference between patronage and sponsorship.

But a word of warning from Liza Stevens: "Donating by Deed of Convenant can be a rather complicated affair for both the donor and the theatre. The relevant form can be a bit of a bar to selling them, so it is important to make them as clear and straightforward as possible," she said.

"After that it is a matter of keeping track of them. We made a mistake by not putting a closing date on the standing order form, so we then had to write to everyone at the end of four years to either get them to buy a second seat (which many did) or to cancel their standing order. It can be the source of much confusion and bad PR. It is important to ensure that the procedure for dealing with covenants is carefully thought through before you even start, to avoid time wastage and much frustration!"

The Personal Touch

Ironbridge Gorge Museum

The Ironbridge Gorge Museum is a unique venture started 22 years ago which spans a vast area of Shropshire with 30 different sites. It stands as a monument to the Industrial Revolution and as such is familiar to schoolchildren all over the country.

The museum is an independent charitable trust which receives no substantial funding from the government, and it operates on two levels: the Museum Trust runs the sites and employs around 250 people; the Development Trust concerns itself with fundraising for new developments and employs just three members of staff.

According to Stuart Smith, Museum Director, the fundraising started 18 years ago. "In fact the first sums raised paid the salaries of the first director (myself), a secretary and one workman," he recalled.

Things have changed considerably since then. Ironbridge currently brings in an estimated 60% of its capital funding from gifts and 40% from sponsorship. But Stuart Smith does not underestimate the problems involved in attracting donations. "The only thing, I think, that will make a difference is when this whole area is better known."

Ironically, the main problems seem to stem from the smaller companies, particularly in the areas of recognition. But the museum has attracted a hard core of company and individual supporters. And the large company donors can play an important role in attracting other donors.

"We have a fundraising committee which operates out of London, Birmingham and Shropshire, and which is serviced by full time staff," he explained.

But he highlighted a couple of problems. One was that museums are low profile compared with sports such as football and motor racing — although this may also be their strength. "There is a definite move towards backing more green and charitable issues, which has already affected our short term funding."

Another problem was the difficulty of getting the balance right between attracting donations eligible for tax relief and the natural desire of the donors to be recognised. "If you are in the middle of a Victorian museum, the last thing you want is a modern day notice," he said.

The museum's covenanting has yet to be computerised, but it appears to have no problems running smoothly. "We do it by card and by hand," said Margaret Gray, the administrative assistant. The key to a successful operation, in her eyes, lay in having a good relationship with the Inland Revenue.

Despite the lack of computer facilities, Ironbridge manages to provide a personal touch in its mailings. Everyone who covenants sums to the museum gets a personal letter once a year on the anniversary of their donation, thanking them for their contribution and bringing the donor up to date with developments over the past year.

Margaret Gray is fatalistic about the problems of getting donations, and echoes Stuart Smith's view that there is a need to advertise the benefits of tax effective donations: "If an accountant or someone else understands about giving to charities then at least you get a sympathetic hearing. But if the person who makes the decisions has no idea — it can be a disaster."

The Rambert Dance Company

The Rambert Dance Company's reputation was built on its ability to bring new talent to the stage, along with its standards of excellence. But there are also bills to pay...

Kieron Kawall, the company's Development Director, is confident that donations can increase its finances substantially. He views the introduction of the Gift Aid scheme, however, with a certain amount of cynicism. "It is a big step forward from the charities' point of view, but I don't know whether it will work as a general drive."

In his experience, for a scheme to attract the attention of donors, it needs to be linked to a specific project — such as the Frederick Ashton Memorial Commission. Launched last year, this is an endowment fund with a target of £350,000 with which to commission a new ballet every year, bearing Ashton's name.

"People feel they are making a specific artistic contribution to a specific cause," Kawall said. In 1989 the fund got a very good response, between £120,000 and £150,000, from mailings which were as personalised as the company could make them.

Donors were invited to attend preview performances of the new work by Ashley Page in Mold and York, the premiere at Sadler's Wells and performances on tour. Their names also appeared in souvenir brochures and in programmes wherever the ballet was performed. They were also invited to pre-performance talks on Sir Frederick Ashton and on the commissioned work free of charge.

Kieron Kawall recognises, however, that it is a hard core of enthusiasts who sustain the fundraising drive. "I know I can always call on them, so I treat them well," he said.

His success in attracting covenanted donations does not mean that he ignores other forms of fundraising. He has hired an agency to send him details of any legacies and explains why they should support Rambert rather than any other charity mentioned.

Out of 12 letters to date, he has received two donations, which have covered the agency's fee, but he is confident of better results in the future. "The Americans seem to have it off pat," he said. He intends to meet American Ballet because he said they seem to have evolved a far more sophisticated system, whereby people are encouraged to make out wills which specify that the residue should go to the arts.

Rambert is also a beneficiary of the Charities Aid Foundation voucher scheme, which takes away all administrative duties from the company, since all the donor has to do is fill in the name of the charity of their choice. "We like to encourage this," said Kawall.

And for the future, he offered four golden rules:

- avoid blanket mailings;
- be wary of mailing lists from other organisations;
- make sure all the details on covenant forms are correct; they should be double checked by an accountant and a tax consultant before they are printed;
- most importantly, proof read the form properly.

The Whitechapel Art Gallery

The Whitechapel Art Gallery holds a unique position in its community. For over 90 years it has tried, successfully, to increase public awareness and enjoyment of modern and contemporary art through its activities.

Its programme includes exhibitions of top artists, intermingled with smaller shows of young British artists and those of particular interest to the local community. It holds annual exhibitions of local artists' work and puts together small shows in local venues. It also arranges workshops for local schools and community groups, and provides an 'artists-in-schools' scheme.

The Whitechapel is a registered charity and depends on the local community and business for the income it needs to support those activities not provided for in its core funding. In the year up to March 1989, this support provided £128,233 in donations from trusts and individuals for specific events, and another £58,838 in donations towards general activities.

Although fundraising is operated under many guises, "generally we go for covenants," says Urszula Kossakowska, the gallery's administrator. "It is quite cost effective because we deal with the Charities Aid Foundation which copes with all the paperwork. This relieves us of much of the administrative burden."

Since June 1989, the Whitechapel Gallery has also operated an individual membership scheme to provide it with an additional source of support through members' subscriptions and goodwill. For £250, payable by cheque or Banker's Order/Deed of Covenant, members subscribe to a yearly programme of events. They also receive regular updates on gallery activities, concessionary use of its facilities for private entertaining, and access to a venue where they can meet artists, collectors and critics.

The venture was so successful that it recruited over 50 members within one month of the launch, with the goal of 100 in the first year. It has now been extended to include friends and supporters outside Britain, particularly those living in the US.

Schemes like the Whitechapel's demonstrate how tax effective forms of giving can operate simultaneously in more than one country. Gifts in the US can be given to the American friends of the Whitechapel Art Gallery Foundation, Inc, a New York not-for-profit corporation exempt from taxation.

The only argument with Whitechapel, it appears, as with other arts organisations, is what part tax effective schemes play in influencing a donor's decision. "These things are very difficult to measure as to whether people would donate if there was no tax benefit," said Urszula Kossakowska. But at least Whitechapel have proved that tax benefits can be made to work.

How big are your pockets ?

GUIDANCE FOR ORGANISATIONS

SMALL AND MEDIUM SIZE ORGANISATIONS

"The big national companies can look after themselves but it's the little struggling ones — the ones that go round the country — that need our money."

The local approach is the most effective for smaller organisations. Research suggests that not only do they receive support from individuals and local companies in their area, but also that it is easier to target locally.

Individuals are more likely to donate if they know the recipient well, and especially if they feel they are contributing towards the future. In a survey conducted in 1989, 56% of the contributed income of small-to-medium size organisations came from single donations — but not necessarily tax effective ones. There does not, however, appear to be the same interest in a long-term commitment: only a very small percentage of the smaller groups succeeded in attracting covenants. But to some extent this may be attributable to a lack of determination to push what some see as a complicated and time-consuming way of raising money.

It is, however, also a lucrative method which allows organisations to plan for the future, and it is one which small organisations in particular should start to promote.

Although small and medium groups appear mainly to have targeted individuals for one-off, non-tax effective donations (and after all, captive audiences are not to be ignored), local companies do appear to be more interested in covenanted donations: over 46% of the income of the smaller organisations comes from these sources.

In the longer term, however, it would be in the interest of small-to-medium organisations to take greater advantage of the tax system. It seems a bit perverse to turn down the chance to increase your income by one third, and if individual donors prefer to make one-off gifts, Deposited Covenants or the Gift Aid scheme would be possible solutions.

It should also be possible for membership organisations to promote Subscription Covenants more strongly, especially those with a hard core of dedicated local supporters who are unlikely to be put off by additional requests for money.

For the long term future of any organisation, as the case histories demonstrate, covenanted giving does provide an essential backbone for any organisation. And once the Gift Aid Scheme has had a chance to prove itself, it is very likely that it will prove to be a valuable tool through which small and medium organisations can encourage their wealthier patrons to increase the value of their donation. It also has the benefit of being a one-off lump sum which could be very useful.

In summary, small-to-medium organisations would increase their annual income if they were to exploit the tax system as fully as possible. Obviously some methods of fundraising will prove more practical than others, and it is important to take into account the income/administrative burden ratio.

But on the whole, small and medium arts groups would be advised to put together a funding mix involving tax incentives — as so much of their income comes from donations, an additional one third would make a healthy difference.

In terms of the various tax effective options, Gift Aid only applies to donations of £600 and over. Deposited Covenants become an administrative burden for less than about £50 per year. Deeds of Covenant provide an excellent opportunity for people who want to give little and often tax effectively, but less than £5 per month is not really a practical proposition. Subscription Covenants only apply to organisations with a healthy membership or friends' scheme. Payroll Giving, because all the work is done by the collection agencies, is a simple scheme to take part in, the only real work being in the initial promotion.

LARGE ORGANISATIONS

The larger groups (those with a donated income of more than £20,000) appear generally to have more success in attracting corporate membership and sponsorship than they do covenanted donations, although there are exceptions. The main disadvantage with using tax effective methods is that the benefits for the donor are not really tangible in the sense of up-front recognition of generosity, although companies in particular (but also individuals) do like to be recognised. But one-off lump sum gifts do appear to be an attractive option for larger organisations, which suggests that Gift Aid in particular might be very useful to the larger arts organisations.

Museums and galleries could be particular beneficiaries of Gift Aid, especially if the additional one third claimable in tax was necessary to make up a crucial sum needed to purchase a special exhibit. But equally, Gift Aid could prove extremely useful to the performing arts as a contribution towards a capital project, or as an injection of cash at a time when a lump sum was urgently needed. Any large donation, increased in value by one-third, could make a great difference at a crucial time.

Covenanted donations also play an important role in providing a constant, long-term source of income on which future plans could be based. And the larger arts charities with a healthy list of subscribers would be well advised to take advantage of subscription donations for the same reason.

The 'London effect' is also important: organisations based in the city do, inevitably, have a bigger, wealthier pot to draw from. But local organisations which have targeted people and companies in their area seem to have built up a firm base when they have used imagination and determination.

In terms of the ratio of income to administrative burden, the same applies to the larger organisations as to the smaller ones, and these are outlined in the previous section. But the advantage that bigger groups have is that they are more likely to have a fairly comprehensive fundraising strategy in place, onto which could be bolted without too much effort the additional work of building up a strong structure founded on tax effective giving.

Additional ways of donating

The Charities Aid Voucher Scheme

CHAPTER 7

The Charities Aid Foundation operates a voucher scheme for charities — both the Rambert Dance Company and the Whitechapel Art Gallery take advantage of this (see Chapter 5). It applies only to covenanted giving (i.e. that which is eligible for tax relief from the Inland Revenue) and covers all the methods described in this booklet.

Donors make out their covenants to an account in their name which is held by the CAF. The CAF recovers the tax and pays it into the donor's CAF account, effectively increasing its value by 33%. All the donor has to do is complete one covenant, the CAF Master Covenant, which covers all their giving.

Donors are given a personalised cheque book from which donations can be made from their charitable account, or they can pay by standing order from the account. Every donor decides how much they wish to donate to their chosen charities each year, and CAF does the rest.

As all the hard work involved in the administration of covenants is done by CAF, the burden on charities is reduced greatly. Individuals who wish to take advantage of this scheme should apply to CAF for the relevant form (see reference section).

There is no charge to the donor for this service, but they are asked to give 3% of their donations to the National Council for Voluntary Organisations which set the scheme up — in practice, £2 is deducted annually from their CAF account to cover this.

Although the scheme does not appear to be very widely used by arts organisations, it has obvious advantages in terms of administration, and could play an important part in increasing tax effective income. All the organisation would need to do is to publicise the scheme, explain how simple it is to operate, and invite supporters to include them on their list of chosen charities. It would also appear to be a good way of encouraging people who already give to the 'caring' charities in this way to extend their giving to the arts.

Acceptance in lieu

This scheme can benefit organisations such as museums and galleries by placing with them objects which have been accepted in whole or part settlement of inheritance taxes. It is a valuable resource, bringing millions of pounds worth of objects into public ownership each year. It lies outside the scope of this publication to explain the details.

Fundraisers simply need to be aware that sometimes objects of importance, either in a national or a local context, can be accepted by the Inland Revenue in this way. The threshold at which Inheritance Tax becomes payable is £128,000 and since the value of a house can be quite high, many inheritors will face a tax bill. Tax, at 40%, is payable on balance of the estate over £128,000, so it is worthwhile to consider using heritage objects to pay the tax bill. Acceptance in lieu does not only apply to fine art. Scientific instruments, or a collection of books, or indeed any musuem object which is regarded as being an important addition to a public collection, could be accepted. Inheritors and executors like Acceptance in lieu because it is tax efficient and it reduces the cash needed.

Museums and galleries like it because it improves their collections at no cost to themselves. Ideally, it is something which should be considered at the time a will is drawn up.

Details are available from the Museums & Galleries Commission (see reference section).

Further Sources of Information

The following organisations are all able to provide help and guidance to charities wishing to take advantage of the tax system:

Arts Council
14 Great Peter Street
London SW1P 3NQ
071 333 0100

Association for Business Sponsorship of the Arts (ABSA)
Nutmeg House
60 Gainsford Street
Butlers Wharf
London SE1 2NY
071 378 8143

ABSA has produced *Corporate Support of the Arts — A Tax Guide* which complements this booklet.

The Charities Aid Foundation
150 High Street
Tonbridge
Kent TN9 1BB
0732 771333

The Directory of Social Change
Radius Works
Back Lane
London NW3 1HL
071 435 8171
071 431 1817

The Directory of Social Change provides advice, information and publications, including *Covenants:* a practical guide, £7.95 post free, and *Legacies:* a practical guide. It also produces sample covenant forms, letters to donors etc.

Another useful book on taxation and giving is *Charitable Giving and Taxation*, available from Craigmyle & Co, The Grove, Harpenden, Herts AL5 1BR, £29.90 post free including updates.

Inland Revenue (England, Wales and Northern Ireland)
Claims Branch (Charity Division)
St. John's House
Merton Road
Stanley Precinct
Bootle
Merseyside L69 4EJ
051 922 6363 x 5623

Inland Revenue (Scotland)
Claims Branch
Trinity Park House
South Trinity Road
Edinburgh EH5 3SD
031 552 6255 x 2415

The Inland Revenue have produced a number of free leaflets, available from the above addresses or any tax office, about charities and charitable giving. They are **IR64** and **IR65** on company and individual giving to charity; **IR75** on tax reliefs for charities; and **IR113** on Gift Aid. The Inland Revenue cannot however give detailed planning advice to individual charities.

MacIntyre Hudson
Chartered Accountants
28 Ely Place
London EC1N 6RL
071 242 0242

MacIntyre Hudson specialise in charity taxation. The partners to contact are Noble Hanlon or John Bamford.

Museums & Galleries Commission
16 Queen Anne's Gate
London SW1H 9AA
071 233 4200

Grants Officer
National Art Collections Fund
20 John Islip Street
London SW1P 4JX
071 821 0404

Office of Arts and Libraries
Horse Guards Road
London SW1P 3AL
071 270 6355

Tax Effective Giving

THE SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS
18-19 Claremont Crescent
Edinburgh EH7 4QD
031 556 3882

CAF and SCVO also provide advice for charities. In addition they administer a payroll giving scheme, Give As You Earn. The CAF also administers the Voucher Scheme detailed in Chapter 7.

SOLICITOR'S JOURNAL
21-27 Lamb's Conduit Street
London WC1N 3NJ
071 242 2548

WILL AND DISCRETIONARY LEGACY NOTIFICATION SERVICE
Smee & Ford
82 The Cut
London SE1 8LW
071 928 4050

PAYROLL GIVING: the following firms act as accredited payroll giving agencies in addition to CAF and SCVO:

CHARITIES TRUST
J M Centre
100-110 Old Hall Street
Liverpool L70 1AB
051 928 6611 x 245

NICVO
2 Annandale Avenue
Belfast BT7 3JR
0232 640011

UNITED WAY OF MERSEYSIDE
Box 14
8 Nelson Road
Edge Hill
Liverpool L69 7AA
051 709 8232

Tax Effective Giving

Gift Aid - Certificate of a single payment by an individual to a charity

Instructions
1. Please use BLACK ink 2. Please fill in boxes as shown below

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5 6 7 8 9 0

I certify that I enter your name

have made a single payment to enter charity name

in the sum of £ enter sum paid to the charity, not less than £600

on Day Month Year

and that
- I am resident in the UK and have paid or will pay basic rate tax on the gross amount of the gift (see note A overleaf)

and that the payment
- was made in money and was not subject to a condition that any part of it can be repaid
- was not due under a deed of covenant nor was it paid under a payroll giving scheme
- was not paid for any benefits beyond the limits described overleaf (see note B overleaf)
- was not linked with the acquisition of property by the charity except by gift (see note C overleaf)
- when added to others I have made under the Gift Aid scheme in the same income tax year does not total more than £5 million

All these conditions must be satisfied for the payment to qualify for tax relief

Signature **Date** Day Month Year

Address
Flat No. Or name
House No. OR name
Street Name
District and/or town
County
Postcode

Tax District
Tax Reference / **National Insurance No.**

SPECIMEN

When you have completed this certificate please return it to the charity

For charity use Donation record number

For Inland Revenue use Donor record traced Tax District notified

Inspector Other action

R190(SD)

DRS DATA & RESEARCH SERVICES PLC/U33550890/BYKG

Deposited covenant — form for use in England and Wales

Deed of Covenant

To ..... [name of organisation/group/company]

I promise to pay you in the year ending 5 April 19 . . and in the three following years ending 5 April (or during my lifetime if shorter) such a sum as after deduction of Income Tax at the basic rates amounts to £ [the amount due in any one year i.e. the total amount divided by four]

Signed and delivered .....

Date .....

Your name and address .....

.....

Signed in the presence of:

Witness' signature .....

Witness' name and address .....

.....

Letter of Loan

To ..... [name of organisation/group/company]

I hereby deposit the sum of £ ..... [the full amount the donor wishes to give] with you free of interest, so that such sums may be deducted by you from this sum and constitute the four annual payments due to you under my Deed of Covenant to which this letter is attached.

In the event of my death, I hereby waive repayment of and give absolutely any amount of the deposit outstanding at that time.

Signed and delivered as a Deed .....

Date .....

Witness' signature .....

Witness' name and address .....

.....

Deed of Covenant Form for England and Wales

To ..... [name of organisation/group/charity]

I promise to pay you for four years (or during my lifetime if shorter) such a sum as after deduction of Income Tax at the basic rate amounts to £..... [insert amount you wish to give] each month/quarter/year from the date shown below.

Signed and delivered .....

Date .....

Your name and address .....

.....

Signed in the presence of:

Witness' signature .....

Witness' name and address .....

Banker's Order

To ..... [name of bank]

of ..... [bank's address]

Please pay to ..... [organisation's bank]

of ..... [address of organisation's bank]

for the account of ..... [name of organisation]

(Account no ..... Sort code .....)

The sum of .... pounds (£ .....)

On the .....

and the same sum on the same day of each month/quarter/year for a period of four years starting today (making a total of ..... payments in all) [insert number of payments: 48 for monthly payments; 16 quarterly; 4 annually]

Signed .....

Date .....

Please complete and return the Deed of Covenant and Banker's order to: [address of organisation]

Subscription Covenant

Deed of Covenant

I promise to pay ..... [name of organisation/group/company] hereby know as 'the Charity', for four years, such a sum as after deduction of income tax at the basic rate is equivalent to the annual membership subscription of the charity as at the date on which the payment falls due. The first such payment to be made today, and subsequent payments to be made on the same day in each year thereafter.

Signed and delivered .....

Date .....

Signed in the presence of: .....

Witness' signature .....

Witness' name and address .....

Direct Debit Mandate

To ..... [name of your bank]

of ..... [address of your bank]

I/we authorise you, until further notice in writing, to charge to my/our account with you unspecified amounts which [name of charity] may debit thereto by direct debit in respect of my/our membership to them.

Signed .....

Date .....

Account number to be debited .....

Name .....

Address .....

Codicil

I ..... [insert name]

of ..... [address]

declare this to be a codicil to my Will dated and made the

..... [day, month and year of will]

In addition to the legacies given by me in the said Will, I bequeath free of tax the sum of ..... pounds

as a charitable legacy absolutely to .....

.....

[name, address and charity registration number of the chosen charity]

hereinafter called "the charity", for the general purposes of the charity, and I direct that a receipt of the Honorary Treasurer or other authorised officer for the time being of the charity shall be a good and sufficient discharge to my executors for the payment of this legacy. In all other respects I confirm my said Will. In witness whereof I have hereunto set my hand this

..... [insert the date]

Signed .....

In the presence of us both together present at the same time who at the request and in the presence of the signatory to this Codicil and in the presence of each other have hereunto subscribed our names as witnesses.

First Witness	Second Witness
Signature	Signature .....
Name	Name .....
Occupation	Occupation .....
Address	Address .....

Donors should be advised to leave the completed Codicil with their Will.

MEETING RECORD
subject cc MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 January 1991

Dear Martin,

MEETING WITH PETER PALUMBO, 23 JANUARY

Mr. Palumbo came in yesterday at his own request for a short meeting with the Prime Minister. Mrs. Sarah Hogg was also present.

Mr. Palumbo said that he had wanted to see the Prime Minister to underline the importance that the arts should have in the Government's future strategy. The success story of the arts had been slightly undervalued, he thought, and there was still a feeling that this was a philistine Government. There was a body of backbench opinion that felt that the Government might be missing a political trick in this area. The arts were a "safety valve" for the expression of feeling and the direction of ability. Britain had such an enormous range and depth of artistic talent, he said, which was unmatched anywhere in the EC and possibly the world, and we should not be self-deprecating about it. There was a role for celebration in the arts and the Arts Council was already doing its best to encourage this. It would be nominating a UK City of Culture for each year, highlighting a particular area of the arts. This built on the idea of the European City of Culture. In 1992 Birmingham would be the City of Music and in 1993 there would be a City of Dance. In subsequent years drama, then the visual arts, would be marked in this way. The year 2000 would be the year of the Artist.

Mr. Palumbo said he was also anxious to up-grade London in design terms. London had the competitive edge over European cities at the moment, but he was not sure that would be true in five years' time unless specific efforts were made. Transport and general cleanliness were not areas within his control. But he did think that more might be done on the design of signs and the layout of cities.

These kind of initiatives did not in general mean huge additional resources, he said. It was largely a question of directing money in the right way. More generally, he said that the funding of the Arts Council was something for the Minister for the Arts and the Chief Secretary to consider and not something he wanted to raise at this meeting. The Prime Minister asked about the extent of private sponsorship. Mr. Palumbo said it was £36 million this year and, although some people were worried that sponsorship might dry up in the current economic climate, he saw no signs of this. But Government must give the right lead, then the private sector would follow. The private sector would be happy to <u>supplement</u> Government money but not to <u>substitute</u> funds for it: we did not have the same culture of sponsorship as the United States, he thought. The Prime Minister

asked whether the tax changes had begun to have an effect. Mr. Palumbo said it was too early to say, although this was undoubtedly a very positive move. Another possibility being explored by Mr. Renton was that of lotteries which might bring a great deal of additional money to the arts. The Prime Minister wondered whether Mr. Renton was taking any initiative to publicise the gift aid scheme to sponsors. He thought this might be helpful.

Mrs. Hogg mentioned Mr. Palumbo's proposals for the millennium. Mr. Palumbo explained that there would be a programme on this screened on television tonight. He said that we had a unrivalled stock of buildings which had suffered from decades of neglect. He would like to see a commitment to refurbish the fabric of the nation, including cathedrals, which would probably need to be preceded by an audit. Possibly some new building work might be done: for example Wales needed an opera house, he thought. The Prime Minister asked if there had been any costing done of these proposals. Mr. Palumbo said he had made a rough calculation that it would cost £1 billion over 10 years, half from Government and the remainder from the private sector. But he admitted that this calculation had been made before the tax changes and therefore the Government contribution could be less. Mrs. Hogg thought it might be difficult to raise so much from private sector sponsorship and the Prime Minister wondered whether this would end up reducing the amounts given to other sponsorship of the arts. But Mr. Palumbo said that he thought that this would not necessarily be so. The sponsors would probably be different. He thought that multi-nationals might be prepared to support this idea because of their concern for the quality of life of their employees. He conceded that the Government was already taking action in this area, referring to the decision to use English Heritage money to repair the fabric of cathedrals; and the £180 million building programme for national museums and galleries sponsored by OAL. But he thought that this just "nibbled" at the problem and might not be cost effective.

Summing up, the Prime Minister said that he found Mr. Palumbo's ideas intriguing and he certainly agreed with him that we did undervalue what we had and what we had achieved in this country. But the Prime Minister did not make any undertaking to pursue the idea of the Millennium further.

I would be grateful if you could send me a short note on the use of the gift aid scheme in the arts. Is there any initiative to publicise it to arts sponsors?

I am copying this letter to Sarah Hogg (Policy Unit) and Tancred Tarkowski (HM Treasury).

Yours sincerely,
Caroline

(CAROLINE SLOCOCK)

Martin Le Jeune, Esq.,
Office of the Minister for the Arts.

MISS JUDITH CHAPLIN

cc Mrs. Hogg

MEETING WITH PETER PALUMBO, 23 JANUARY

Peter Palumbo came in yesterday to see the Prime Minister and I am attaching a copy of the note. I think the real purpose behind his visit was to register his interest in helping on the work for the next Manifesto. He certainly said that he wanted the arts to be seriously considered in the Manifesto and said that if there was any help he could give he would be happy to give it.

CAROLINE SLOCOCK
24 January 1991
c:\wpdocs\home\chaplin

CC Bishop

PRIME MINISTER'S MEETING WITH MR PALUMBO ON WEDNESDAY 23 JANUARY

We understand that Mr Palumbo will want to explain his ideas for a Millennium Initiative and press the case for a significant increase in funding for the Arts. There are a number of other current issues he might raise.

Mr Palumbo assumes the title of Lord Palumbo of Walbrook on 4 February. His peerage was awarded it with deserved recognition of his role as Chairman of the Arts Council. Since his appointment in April 1989 he has proved an exceptionally enthusiastic Chairman who has gone to great trouble to visit a very wide range of arts organisations throughout the country. He works virtually full time at the Arts Council without payment. He is full of imaginative ideas and has done a great deal to bring the arts community together. He is a advocate of the quality of the arts in this country and generally takes an optimistic view of their future.

The Millennium Initiative

2. A personal enthusiasm of Mr Palumbo. His proposition is that the Millennium represents a rare opportunity to bring together the nation as a whole, to achieve a common objective. He has proposed a national audit of the cultural estate which would lead to the refurbishment of our cathedrals, theatres, art galleries and museums. He has acknowledged that this work would not be completed by 2001, but with cross party support, and the costs being shared equally between the Government and the private sector, a worthwhile start could be made. Mr Palumbo has, apparently, discussed the project with Mrs Hogg.

3. The idea in principle has a good deal of imagination behind it, but the Minister in recent meetings with Mr Palumbo has pointed out that it would involve a substantial increase in public spending at a time when there were many competing claims on arts funding. OAL has already launched a comparable audit of museums and galleries and, by including the cathedrals, Mr Palumbo's proposal would extend beyond our remit.

Arts Funding

4. Mr Palumbo will, inevitably, want to suggest that the arts in Britain deserve more Government funding. In range and quality they are unrivalled; they contribute to national confidence and identity; and with an increase in Arts Council funding from £195 million per annum to £250 million the cultural life of the country could, Mr Palumbo will argue, be transformed.

Since 1979 the Arts Council grant-in-aid has increased by one third in real terms. Since the late 1960s (thought of as the Golden Age of public subsidy) support has grown by over 200%. but it now has to cover a far large number of arts organisations eg the rapid growth of opera in the regions, many of which are running substantial deficits eg £5 million at Royal Opera House, £3 million at Royal Shakespeare Company, £0.8 million at Welsh National Opera, £1 million at English National Opera with many regional theatres in trouble too.

At +12% this year's settlement was intended to be further ahead of inflation, than has proved to be the case. For 1991-92 a settlement of +11% has not only enabled Arts Council to pass on average running cost increases of 8% but also to establish the Enhancement Fund. However the demands multiply; as the number of customers /clients increase, our buildings decay.

Arts Council Enhancement Fund

5. Mr Palumbo is known to have been upset by an article in Monday's 'Times', copy attached. The Fund is intended to provide additional support for a concentrated number of arts organisations, and the Arts Council has had to make difficult choices. Inevitably, this has led to criticism from companies that have not benefitted. The present Minister approved the criteria applied by the Arts Council. He saw the Arts Council's list of recipients in advance of its publication. He is satisfied that in general terms informed and balanced decisions have been taken.

Welsh National Opera

6. WNO is funded jointly by the Arts Council of Great Britain and the Welsh Arts Council. In 1991/92 the Company will receive an ACGB grant of £3.1 million (up 11%) and a WAC grant of £2.1 million (up 8%). WNO will receive an additional £175,000 from the Welsh share of the new Enhancement Fund, but will not benefit from the English (ACGB) element. The Company is in financial difficulties and claims that without additional ACGB support it will have to close. WNO are mounting a public and Parliamentary campaign. The Minister has explained in the House that this is a matter for the ACGB. ACGB have had detailed talks with WNO and a satisfactory increase in WNO funding now seems likely.

The Liverpool Playhouse

7. The affairs of this well known theatre recently passed into the hands of an appointed Administrator. It has three months in which to secure its future. The theatre is funded by the Arts Council which has been seeking to negotiate a reasonable funding partnership with the Merseyside local authorities. But the Arts Council still provide £500,000 to the local authorities £100,000. Discussions involving the local authorities and other local interests are continuing. The Government has no direct locus in the matter, but the Minister has met Merseyside MPs and the Playhouse Board.

OFFICE OF ARTS AND LIBRARIES

22 January 1991

Arts fund changes 'anger' Mellor

By Simon Tait, Arts Correspondent

DAVID Mellor, the former arts minister, is believed to be deeply upset at the way in which the enhancement fund he created has changed course. The fund was devised to provide extra grants for the most excellent companies, some of which were in financial difficulties because of subsidy shortfalls and others which had important new projects.

Although Mr Mellor, now Chief Secretary to the Treasury, has refused to comment, friends indicated last night that he was angry that, in the list published a month ago, regional theatre has been ignored, the Welsh National Opera and National Theatre got nothing and money appears to have been lavished on the Barbican Centre at the expense of the South Bank Centre.

An original draft list of Arts Council clients to benefit from the £22.5 million fund was altered to include the Royal Opera House, increase a proposed grant to the Royal Shakespeare Company and exclude the London Philharmonic Orchestra. The changes are thought to have been made after Mr Mellor was promoted in November. He has resumed the vice-chairmanship of the LPO, which he relinquished on becoming arts minister last July.

The LPO, first resident orchestra for the South Bank Centre, had been pencilled in for an extra £250,000 in the original draft. However, not only was it excluded from the final enhancement list, but its basic revenue funding was reduced. By contrast, the London Symphony Orchestra, based at the Barbican, received £400,000 in the enhancement list.

Elliott Bernerd, chairman of the LPO, said: "The eventual list doesn't make sense. The Barbican is supposed to be the responsiblity of the City of London and the South Bank is funded as a national flagship by the Arts Council. Why have the LSO and the Barbican been singled out for special treatment and the LPO and South Bank ignored?

"To prepare for the residency in 1992 we have major up-front commitments, such as extra principal players, a new salary structure and an education programme which will cost £50,000 to £60,000. At the moment I can't see how we will pay for them." Also missing from the final list of 45 clients was a £1 million allocation to regional arts associations for provincial theatres.

Last night, the Arts Council denied that the lists had been changed. Guidelines were drawn up early in November and were not altered, it said. "There was only one final list, compiled by a special committee on December 17, based on the submissions of both our specialist panels and the regional associations, and approved by the full council on December 18," a spokesman said.

Meanwhile Welsh National Opera has said it will have to close because it has received no enhancement grant. Talks between the company and the Arts Council, in an attempt to find a rescue formula, are continuing.

PRIME MINISTER'S MEETING WITH LORD PALUMBO, 23 JANUARY 1991: ADDITIONAL BRIEFING

EXPANSION OF OFFICE OF ARTS AND LIBRARIES RESPONSIBILITIES

At present there are 3 main areas for which OAL has partial responsibility but which are usually under the aegis of Ministries of Culture in European countries: Heritage; Film; and Broadcasting. The possibility of integrating all or some of these into a single UK Ministry has been considered in outline at official and Ministerial level from time to time. It is also Labour party policy.

1. **Heritage**

(i) At present the export of works of art is shared between OAL, which administers the export review system for important items; and DTI which issues export licences. Recent work at official level has proposed the transfer of DTI responsibilities to OAL. This would affect only 4 or 5 staff. OAL believes that this would lead to greater administrative efficiency and confidence in the system, without affecting the interests of the Trade, which has gone on record as welcoming the possibility. Discussions with DTI have reached Ministerial level, but DTI Ministers have not agreed.

(ii) DoE is responsible for English Heritage and, broadly speaking, the fixed heritage, listing of historic buildings, Royal Palaces, etc. OAL and DoE share responsibility for acceptance of heritage in lieu of inheritance tax (AiL) and the funding of the National Heritage Memorial Fund. Mrs Thatcher concluded in 1985 that responsibilities should remain as before. OAL believes that the present system works sufficiently well to rule out tinkering at the margins. A more radical transfer of all heritage responsibilities would create difficulties with the Planning system (of which listing is a part) but should be considered as part of any creation of a fullscale Ministry of Culture/Arts with its consequent economies of scale.

2. **Film**

Pressure for a single Government focus on film is industry-led. At present OAL has responsibility for the 'arts-orientated' British Film Institute (BFI) and National Film & Television

School (NFTS); DTI deals with Film as an industry. OAL believes that DTI is well placed for this given its knowledge of the regulation context, export, and business support mechanisms. The difficulty lies in the fact that we are widely perceived as falling back in film production in comparison to many of our EC competitors (eg France, Italy).

3. **Broadcasting**

Broadcasting is shared between Home Office and DTI, the latter dealing with technical matters. OAL has little or no interest at present, in contrast to its equivalents in European countries (eg France) where the Cultural Ministry has responsibility. The transfer of this function to OAL has not been considered in detail in the past, but the present Minister, having been responsible for broadcasting at the Home Office, feels strongly that we need to take a strategic view of the future of broadcasting in the next few years, before the BBC Charter is renewed. An expanded Ministry of Culture/Arts would be the right place for that overview.

4. **Summary**

OAL believes that, taken seriatim, there are strong arguments in favour of a partial transfer of heritage responsibilities from DTI and DoE to OAL. Transfers of responsibility for Film and Broadcasting (and by extension, Publishing and Media generally) would fit in with a decision to create an expanded Ministry of Culture/Arts if this was also desirable on political grounds. The result would have presentational attractions, would emphasise the Government's commitment to the arts, and would assist co:operation with our European partners. It has not yet been considered in detail.

OFFICE OF ARTS AND LIBRARIES
23 January 1991

PRIME MINISTER

MEETING WITH PETER PALUMBO, 16.00, 23 JANUARY

You have agreed to see Mr Peter Palumbo (Lord Palumbo from 4 February). He is likely to:

(i) press for a significant increase in Government funding for the Arts.

Although he will doubtless underline the increase in private sector sponsorship, OAL say he will also suggest that more Government help is needed to transform the arts (perhaps an increase from £195 to £250 million a year) and to draw greater sponsorship. He may suggest this would be an excellent investment, pointing to invisible exports from all UK arts-based activities of some £4 billion a year. When he last saw Mrs Thatcher in September 1989 he also argued that the arts were victims of their own success: prosperity had meant that demand was outstripping their capacity; and further private sector sponsorship would only follow if the Government showed it was also willing to give the arts proper support.

Mrs Thatcher replied that greater prosperity meant that there was greater potential for sponsorship without further Government support. She also thought that funding for the Arts - which has grown by over 200% since the 1960s - had been spread too thin. She wanted to see Government funds concentrated more on centres of excellence; and to get better value for money from arts organisations through, for example, more realistic trade union agreements.

But that said, the arts then received a very generous PES settlement. This year's was at 12%, well above inflation, and next year's settlement of 11% has not only enabled the Arts Council to pass on average running cost increases of 8% but also

to establish an Enhancement Fund to provide additional support for a concentrated number of arts organisations.

You might question whether there really a case for increasing Government funding further, particularly given the current economic climate. You might ask Mr Palumbo how well he thinks the Arts Council Enhancement Fund will work; and what potential there is for increasing private sector sponsorship. There are a number of related points which may come up in the discussion: briefing on these is given in the enclosed note from OAL.

(ii) <u>His ideas for a Millenium initiative.</u> He wants to see a national audit of the cultural estate with the aim of refurbishing our cathedrals, theatres, galleries and museums. This work - which would be underway but not complete by 2001 - would have cross party support and be funded jointly by Government and the private sector. I understand that Sarah Hogg may have already mentioned this to you.

Some of this is already in hand, although it has not been specifically linked to the Millenium. The Environment White Paper announced that for the first time English Heritage money would be available to supplement private donations to cathedrals for repairs to their fabric. The White Paper also pointed out that £180 million had been allocated over the next three years for building programmes for the national museums and galleries sponsored by OAL. It also said that the Museums and Galleries Improvement Fund - a joint initiative by Wolfson charities and the Government - will provide £12 million over the next three years.

Mrs Thatcher had privately asked Sir Robin Butler to give some thought to what might be done to celebrate the Millenium but she was also distrustful of the public expenditure implications of such initiatives. She discouraged Mr Luce as Arts Minister from making any announcement in this area.

The public expenditure arguments are equally strong if not stronger now. You might also say that it is really too early to

talk of the Millenium - this might be best left until after the next election. And how would such a - cross party - initiative be managed and by whom? Should it be restricted to the arts? Isn't there as strong a case to improve our sports facilities or to mark the Millenium through a national event?

(iii) <u>An extension of the Office of Arts and Libraries responsibilities</u> to cover television and film. You may recall that there were newspaper reports recently that you were considering such a change. Andrew thinks these may have been inspired by Peter Palumbo. You are awaiting advice from Sir Robin Butler on the merits of such a change and may want to listen to any points Mr Palumbo wants to make without commitment.

(iv) <u>an initiative led by Brian Rix to increase the access of the disabled to the Arts.</u> You may recall some recent correspondence on this with Mr Palumbo, which is attached. He had wanted you to send a letter of appointment to Sir Brian. OAL advised that you should welcome the initiative but, as this is something being organised by the Arts Council, they thought it would be odd for you to take direct responsibility for Sir Brian's work.

Fuller briefing from OAL is attached. A further OAL note on an extension of their responsibilities is expected but will not now arrive until tomorrow.- attached to briefing.

I will attend the meeting. I have not been able to get hold of Sarah Hogg tonight but the OAL briefing suggests that Peter Palumbo has already raised some of these points with her. Would you like her to attend if she is available?

CBS

Caroline Slocock
22 January 1991

~~Caroline~~ Debbie

He already is. ORS 3/1

JM to take on?

C/F

Debbie

Sandra's finding a date. This request was to MrST. But Peter Palumbo has made a new (oral) request to see Mr M. ORS

Sorry, Caroline,

But do you recall when this engagement has been scheduled for?

DA 4/1

BF on 3/1 to me CAB 21/12

10 DOWNING STREET

Amanda

The announcement is tomorrow morning

CAB 8/11

AMANDA

Please could you have a word with me baout this.

DSG.

pp Caroline Slocock
7 November 1990

see CAS to Palumbo 6-11-90

Pa

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 071-270 5929

From the Minister for the Arts
THE RT HON TIM RENTON MP

C90/6887

Ms Jenny Turnbull
PS/Lord President
Privy Council Office
Whitehall
LONDON
SW1A 2AT

17 December 1990

Dear Jenny

My Minister was very grateful for the Lord President's agreement to a statement being made on the future of arts funding on Wednesday 19 December.

... I attach a near-final draft of what he intends to say, which I am copying to Dominic Morris at No 10 and Murdo Maclean in the Chief Whips Office.

Yours ever

Martin

MARTIN LE JEUNE
Private Secretary

MINISTER OF STATE
PRIVY COUNCIL OFFICE

DRAFT PARLIAMENTARY STATEMENT: 19 DECEMBER 1990

With permission, Mr Speaker, I would like to make a statement on the structure of arts funding in England.

I much endorse the principles of the reforms of the structure of arts funding in England set in hand by my predecessors, Richard Luce and David Mellor. These include the principle of significant delegation of funding responsibilities to the new Regional Arts Boards. But I recognise the real concerns of some arts organisations about being transferred to bodies not yet properly established. It is of fundamental importance that these reforms secure the confidence of all whose interests the arts funding system exists to serve: consumer, artist and taxpayer alike. I have therefore decided that delegation should take place in stages.

The initial stage of delegation will go ahead from 1 April 1992, and I have asked the Arts Council to advise me by 1 April 1991 on the scale that would be appropriate. During 1992 the Arts Council will advise me on the scale and timing of further delegation of grant-giving responsibilities. This staging will ensure that the major decisions on delegation can be taken in the light of the new national strategy for the Arts, and I see a key role for the RABs in the development of this. It will also enable me to satisfy myself that the newly constituted RABs will have the capacity to take on further responsibilities; that there will be a reduction in administration costs of the system as a whole; and that standards of arts provision will benefit.

I have further decided that the new Regional Arts Boards should be as small as possible within a range of 12 to 18 members. I will consider in exceptional circumstances boards of no more than 24 members. I have decided that a maximum of one-third of the

places should be reserved for local authority nominees and I am content for local authorities to select their own members as best suits regional circumstances. Other board members will be selected by a panel of regional and Arts Council representatives, and their appointment will require Arts Council approval. The Chairmen of Boards will be selected in a similar way, but my consent will be required for their appointments. Senior executives will sit on Boards at regional discretion within the limits on the size of Boards I have described. The new Boards should be in place no later than 1 October 1991.

I have also asked the Arts Council and the RAAs to undertake an urgent review of the staffing needs and costs of the system and to report to me by 1 April 1991.

My aim is to ensure that Boards are balanced and effective for the tasks in prospect, with proper regard to the need for regional ownership, effective accountability, the maintenance of artistic standards and value for money.

I have today written to the Chairman of the Arts Council setting out my decisions in greater detail and a copy of my letter has been placed in the Libraries of both Houses.

File

MFJ

cc: OAL

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

26 November 1990

Dear Mr. Cass,

I wrote to you on 30 October about the Royal Shakespeare Company and promised a further letter in due course.

You will have seen by now that the Government was able to announce a very generous settlement for the arts in early November, including an additional £19 million for the Arts Council and the creation of an enhancement fund of £22.5 million over the next three years.

I know that both David Mellor and Peter Palumbo are aware of your concerns and have discussed them extensively with you. I am sure that these discussions will be fully taken into account when the Arts Council announces its allocations in the next few weeks.

Yours sincerely

Margaret Thatcher

Geoffrey Cass, Esq.

DSH

R22/4

From the Minister for the Arts
THE RT HON DAVID MELLOR QC MP

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 071-270 5929

GR PC tyH

C90/6337

Andrew Turnbull Esq
Private Secretary
10 Downing Street
London
SW1A 2AA

21 November 1990

Dear Andrew

We spoke on the telephone recently about the reply owed by the Prime Minister to Geoffrey Cass about the Royal Shakespeare Company.

... I attach a rather pedestrian draft which is all that can be said at the moment. If you would prefer to stall until the precise allocations are announced (in late December), let me know.

Yours
Martin

MARTIN LE JEUNE
Private Secretary

DRAFT

SCANNED

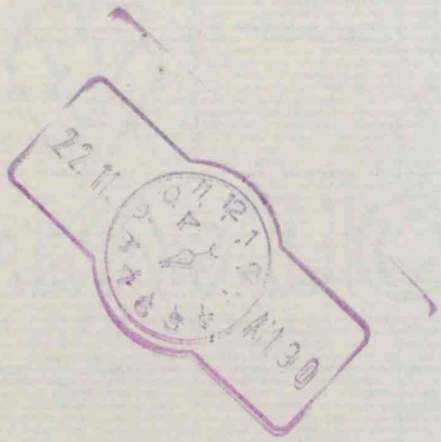
Geoffrey Cass Esq
Chairman
Royal Shakespeare Company
The Edinburgh Building
Shaftesbury Road
CAMBRIDGE
CB2 2RU

I wrote to you on 30 October about the Royal Shakespeare Company and promised a further letter in due course.

You will have seen by now that the Government was able to announce a very generous settlement for the arts in early November, including an additional £19 million for the Arts Council and the creation of an enhancement fund of £22.5 million over the next three years.

I know that both David Mellor and Peter Palumbo are aware of your concerns and have discussed them extensively with you. I am sure that these discussions will be fully taken into account when the Arts Council announces its allocations in the next few weeks.

MARGARET THATCHER



PALUMBO
3/1
c/hane/Palumbo

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 November 1990

Thank you for your letter of 26 November to the Prime Minister. I know she was very pleased to receive the photograph of her visit to the Arts Council last March and looks forward to looking at the video cassette on the life of Jessye Norman just as soon as she has a quiet moment.

You mentioned that you would like to see the Prime Minister to bring her up-to-date on what is happening. Perhaps Mrs. Amanda Ponsonby here could get in touch with your secretary to find a suitable time.

(CAROLINE SLOCOCK)

Peter Palumbo, Esq.

CONFIDENTIAL

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FILE
DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

30 October 1990

FUNDING OF THE ROYAL SHAKESPEARE COMPANY

I attach a copy of the holding reply which the Prime Minister has sent to Mr. Cass' letter of 23 October. She has commented that she has great sympathy with his case. She believes the RSC uses its money better than any of the other major companies. She hopes, therefore, that Mr. Mellor will be able to persuade the Arts Council to respond to the RSC's plea in deciding how to allocate the additional funds at its disposal. As you will see, the Prime Minister has promised to write to Mr. Cass again. Please could you provide a draft reply when the announcements have been made.

ANDREW TURNBULL

Martin Le Jeune, Esq.,
Office of Arts and Libraries.

CONFIDENTIAL

DCA

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

30 October 1990

Dear Mr. Cass

Thank you for your letter of 23 October setting out the Royal Shakespeare Company's case for greater funding. I will, of course, study it carefully.

As you are aware, the funding for the arts will be announced in early November as part of the Autumn Statement, and the allocation for the RSC within that will be announced shortly afterwards. I will write again when the decisions have been announced.

Kind regards.

Yours sincerely

Margaret Thatcher

Geoffrey Cass, Esq.

ARTS COUNCIL

14 Great Peter Street
London SW1P 3NQ

071-333 0100

FROM THE CHAIRMAN

Prime Minister ①

You will not want to see Mr Palumbo until after the allocation of Arts funding has been announced – shortly after the autumn Statement. Would you like to see him then?

Yes no

CAS 24/10

* in flat separately

26 October 1990

The Prime Minister,
10, Downing Street,
London SW1.

Dear Prime Minister,

I hope that you will accept the enclosed photograph as a memento of your visit to the Arts Council last March.

I am also taking the liberty of sending you a video cassette film on the life of Jessye Norman which has been produced by the Arts Council. — being sent up to flat. CAS

I know how busy you are and how committed in all sorts of directions, but there are so many good and exciting things happening in the Arts, - not least the recent report from the British Invisible Exports Council confirming that total foreign earnings from all UK arts-based activities add up to some £4 billion a year, - that I would welcome the opportunity to bring you up to date on what is happening if you could spare me a few minutes of your time.

Yours sincerely,
Peter Palumbo

P.G. Palumbo

COVERING LETTER

Royal Shakespeare Company

Incorporated under Royal Charter as
The Royal Shakespeare Theatre

Stratford-upon-Avon Warwickshire CV37 6BB
Telephone (0789) 296655

Patron Her Majesty The Queen

Chairman of the Council Geoffrey Cass
Vice-Chairman Dennis L. Flower
Advisory Direction Dame Peggy Ashcroft, Peter Brook, Trevor Nunn
Artistic Director Terry Hands
Direction Bill Alexander, John Barton, John Caird, Ron Daniels, Terry Hands, Barry Kyle, Adrian Noble
Director Emeritus Trevor Nunn
Secretary to the Governors David Brierley

From The Chairman
The Edinburgh Building Shaftesbury Road
Cambridge CB2 2RU *Telephone* (0223) 312393

23 October 1990

Dear Prime Minister,

This letter is most urgent. I very much enjoyed our discussion at Peter Palumbo's lunch earlier this year, and I warmly appreciated the splendid opportunity you gave me to put my case. I felt confident before we met that, if I could once acquaint you with the facts, you would see that appropriate action was taken.

I believe I convinced you that the RSC's case was very strong indeed, and fell into a category of its own, completely outside the normal run of arts funding problems.

Your Government Scrutiny of the RSC in 1983 did indeed sort out our problems, but failure to carry the implemented policy beyond the first year has put us back to square one.

The RSC gives more performances, of more productions, in more theatres, in more locations, to a far bigger total audience, than any of the other national companies, but it has by far the lowest public subsidy. The RSC's Public Subsidy per Customer is less than half that of the nearest national company; and the RSC's Box Office Income for each £1 of Public Subsidy is double or treble that of any other of the three national companies. The facts about the RSC's comparative efficiency and productivity, outlined in the attached letter, are quite startling. We are also the only company to win The Queen's Award for Export Achievement.

We have been the arch-exponents of Conservative arts philosophy, leading the way in every aspect of box office income, sponsorship deals, and revenue from commercial transfers. Our robust self-help, enterprise, and self-reliance have been unmatched. Our cultural diplomacy abroad and our overseas marketing of Britain have been outstanding.

RSC deficits and financial problems have been entirely caused by failure to maintain the real value of the public subsidy carefully established in 1983.

We have now been forced to close our Barbican activities temporarily for 4 months to reduce the generation of deficit. That was a responsible business-like decision, and appreciated as such by the Minister, though the pressures which necessitated that closure were wholly unfair, as the attached letter proves conclusively; and the repercussions of the closure are entirely damaging and counterproductive.

In the absence of some positive assurance of help on the required scale before the end of November (our deadline for giving notice), I shall have to announce that we will not be able to re-open at all in London next year, in view of the size of the existing accumulated deficit, and the need to prevent it from growing larger. This would be disastrous, because the existence of the dual base system (Stratford/London) is the main reason for the RSC's unique levels of productivity and efficiency, as the attached letter shows. To let that dual base structure go would be business lunacy.

Prime Minister, the matter is of extreme urgency. I believe it can only be sorted out as a special case, with a modest special injection of funds. It would scarcely be fair to a new Minister and to a new Arts Council Chairman to be saddled with the problem of trying to resolve this senseless historical injustice from normal resources. Nor would it be fair to the Arts Council's other clients, who are all trying very hard.

The funds required are modest, and they are outlined in Section 18 of the attached letter. In a nutshell, we need a 1991/92 annual subsidy of £9.9 million, and relief from our accumulated deficit of £2.1 million.

I believe that special extra funds to rectify the RSC's anomalous situation would have to be earmarked for the RSC, as was the case in the single year of 1984/85 immediately following the Government Scrutiny. There is a tendency in the arts for funds of all types to be averaged over all cases, irrespective of anomaly or specific commitment.

I fully realize that your working schedule is the toughest in the United Kingdom, and that the attached letter is fairly long. However, I have personally worked on it for weeks. It is concerned with the survival of our Royal Shakespeare Company - the theatrical cultural flagship of the world - and it is British.

The letter makes out an unshakeable case. The Minister, the Chairman of the Arts Council, and Richard Luce are solidly behind that case. I would very much appreciate it if you could find time, somehow, to read the letter. I have not asked to see you personally again. Our last meeting, and the attached letter which confirms what I told you then, constitute my case for the RSC. I cannot believe that your brand of leadership will allow such a conclusively-provable major injustice to bring the Royal Shakespeare Company's superbly effective structure to disintegration.

In business terms, it would be plain silly to let go to the wall the organisation which is the most efficient and the most productive and has the largest nationwide coverage on the lowest public subsidy.

Please put your special weight behind the conviction of the Minister and of the Arts Council Chairman that the financial affairs of the RSC should be restored to a sound and equitable footing.

Yours sincerely,

Geoffrey Cass

Royal Shakespeare Company

Incorporated under Royal Charter as
The Royal Shakespeare Theatre

Stratford-upon-Avon Warwickshire CV37 6BB
Telephone (0789) 296655

Patron Her Majesty The Queen

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Director Emeritus Trevor Nunn
Secretary to the Governors David Brierley

From The Chairman
The Edinburgh Building Shaftesbury Road
Cambridge CB2 2RU *Telephone* (0223) 312393

23 October 1990

Dear Prime Minister,

I very much enjoyed our discussion at Peter Palumbo's lunch earlier this year. I am writing now to confirm the information I gave you then, to acquaint you directly with the situation now facing the Royal Shakespeare Company, and to seek your **most urgent** help.

I am sure that David Mellor, Richard Luce and Peter Palumbo will confirm that I have always conducted the RSC's relationship with the Arts Council and the Government in a level and businesslike way. As chairman of the executive sub-committee of the Council of the RSC since 1982, I have run the RSC as a business, and as an extremely efficient and successful one. We have taken necessary business decisions (including the temporary closure of the Barbican) exactly in the way required by the Minister, as I know he will confirm, even though the pressures necessitating those decisions have not been equitable.

I have consistently taken the view that a Conservative Government will respond to a strong case temperately presented. Accordingly, under my chairmanship, the RSC has always relied on the business facts of the case, not on emotion or bluster. I now very badly need some Government action as a just recognition of the RSC's unique performance, its unique efficiency, and its robust self-help, so that previous investment by your Government in this great flagship of the British arts is not wasted. **The RSC does not have a square deal; and the figures which follow prove that conclusively.**

1. The Anomaly of the RSC's Situation

To put the anomaly in a nutshell at this stage:

> **If the annual output, audience, and subsidy figures for the RSC, the National Theatre, the English National Opera, and the Royal Opera House are grand-totalled together, the RSC in a year gives 49% of the Grand Total Performances, in front of 38% of the Grand Total Customers, but receives only 16% of the Grand Total Subsidy.**

The largest single anomaly, by a very large margin, in the world of arts funding, is the public subsidy received by the Royal Shakespeare Company. I know that the Minister, the Chairman of the Arts Council, and Richard Luce will endorse that statement, and that they will also confirm that there is no good reason whatever for that anomaly. We appear to be simply 'locked in' to a historical pattern of subsidy. The facts speak for themselves:

The Royal Shakespeare Company has a Public Subsidy per Customer of £5.33. The average Public Subsidy per Customer of the other three national companies is £17. The RSC is 69% less costly.

The Royal Shakespeare Company earns £2.57 through its own efforts for every £1 of Public Subsidy. The other three national companies earn an average of £1.47. The RSC earns 75% more.

The Royal Shakespeare Company has 27% of its Total Annual Costs covered by Public Subsidy. The other three national companies have an average of 40% of their Total Annual Costs covered by Public Subsidy. That percentage is 48% higher.

No wonder the Government's own Scrutiny of 1983 gave the Royal Shakespeare Company a clean bill of health, and confirmed that the RSC was underfunded.

This situation is fundamentally and absolutely inequitable. The RSC is clearly on a different quantum level of effectiveness and efficiency (particularly in the use of subsidy) and is, and always has been, the arch-exponent of Conservative self-help arts philosophy. It therefore deserves proper support, on its business merits. At the moment, it is the charitable artistic enterprise which operates most like a business, but it gets the least support. **The RSC at the moment has got a raw deal.**

The scale of the injustice is completely outside the normal run of arts funding problems, and it needs treating as a genuine special case.

2. Nationwide Public Service

The RSC gives more performances, of more productions, in more theatres, in more UK locations, to a far bigger total audience, than any of the other three national companies, but has a much smaller public subsidy than any of them.

And the other three national companies are fundamentally metropolitan London companies, **whereas 700,000 (63%) of the RSC's total annual audience of 1,103,000 see the RSC in performance elsewhere in the UK, outside London** - in Stratford-upon-Avon (3 theatres throughout the year), in Newcastle-upon-Tyne (5 weeks in 2 theatres), and in 1990/91 at least a week each (via the RSC's two national tours) in Liverpool, Nottingham, Manchester, Glasgow, Bristol, Birmingham, Sheffield, Leeds, Edinburgh, Oxford, Great Yarmouth, Luton, Worksop, Macclesfield, Boroughbridge, Berwick-on-Tweed, Workington, Belfast, Barrow-in-Furness, Grimsby, Walsall, Newton Abbot, Spalding, Cirencester, Bodmin, Stoke-sub-Hamdon, and Halstead - a unique and truly national public service.

It must be stressed that the RSC's nationwide scale of operation is quite unique among the major national companies. The Royal Opera, and the English National Opera, operate solely in central London; the National Theatre has been minimally outside central London in recent years; and the Royal Ballet averages only 13% of its performances outside London; only the Sadlers Wells Royal Ballet has a comparable touring record, but it exists basically in order to tour.

3. Scale and Output (1989/90)

The overall scale and output of the Royal Shakespeare Company are also unique:

	Annual Total Customers	Annual Total Performances	Geographical Bases in the UK	Number of Permanent Theatres
Royal Shakespeare Company	**1,103,000**	**1816**	**2**	**5**
National Theatre	675,000	1133	1	3
Royal Opera House	643,000	474	1	1
English National Opera	473,000	254	1	1

4. Public Subsidy (1989/90)

Public subsidy figures are almost in reverse order to those of scale and output. **The Royal Shakespeare Company has the largest nationwide scale and output, but the lowest public subsidy:**

	Public Subsidy
Royal Opera House	£13.7 million
English National Opera	£ 8.4 million
National Theatre	£ 8.1 million
Royal Shakespeare Company	**£ 5.9 million**

5. Efficiency in the Use of Public Subsidy (1989/90)

It is self-evident from the scale and output figures, and from the subsidy figures above, that the Royal Shakespeare Company is an outstandingly efficient business operation, making the very most of its relatively small public subsidy.

	Public Subsidy per Customer	Public Subsidy per Performance
Royal Shakespeare Company	**£ 5.33**	**£ 3,240**
National Theatre	£11.94	£ 7,114
English National Opera	£17.71	£32,980
Royal Opera House	£21.34	£28,949

If the RSC had received the same Public Subsidy per Customer as the National Theatre, the RSC's subsidy for 1989/90 would have been £13.2 million, not £5.9 million.

If the RSC in 1989/90 had had the same Public Subsidy per Performance as the National Theatre, the RSC's subsidy for 1989/90 would have been £12.9 million.

I need not elaborate on the size of the RSC's public subsidy if the indices for the English National Opera and the Royal Opera House had been substituted instead.

The anomaly is quite outrageous, and no-one seems to have the will or the power to sort it out as a special case. It has been swept under the carpet.

The RSC only got £5.9 million in 1989/90, and not unnaturally felt unjustly treated. However, because of the effectiveness of the RSC's operating model and of its management, the RSC did not need or ask for £13.2 million, or for £12.9 million, for 1989/90.

£7.6 million would have done the trick, leaving the RSC still with the lowest subsidy, despite its larger scale, and still with the lowest Subsidy per Customer (£6.89, compared with the National Theatre's £11.94). And £7.6 million is the figure which would have been produced by following through the recommendations of the Government Scrutiny of 1983.

6. Cost Efficiency (1989/90)

If the Total Annual Costs of each organisation are brought into the picture, the Royal Shakespeare Company has the lowest cost indices, when Total Annual Costs are divided by the number of customers and the number of performances:

	Total Cost per Customer	Total Cost per Performance
Royal Shakespeare Company	**£20**	**£12,019**
National Theatre	£28	£16,946
English National Opera	£40	£73,713
Royal Opera House	£64	£86,614

This is particularly remarkable, and a tribute to the RSC's efficiency, when one remembers the scale of the RSC operation, with two geographical bases 100 miles apart, and five working sites.

This is due to the special productivity and efficiency of the RSC's operating model (described later). If the National Theatre's Cost per Customer, or Cost per Performance had applied to the RSC, RSC costs for 1989/90 would have been £31 million, not £22 million.

7. Income Efficiency and Self-Help (1989/90)

Consideration of the Box Office Income figures of the four organisations confirms that the Royal Shakespeare Company has a far higher proportion of directly earned income:

	Box Office Income as a % of Total Costs
Royal Shakespeare Company	**50%**
National Theatre	27%
English National Opera	30%
Royal Opera House	34%

8. Earned Income in relation to Public Subsidy (1989/90)

The Royal Shakespeare Company is clearly far more self-reliant, and is much less dependent on public subsidy:

	Box Office Income per each £1 of Public Subsidy
Royal Shakespeare Company	**£1.84**
National Theatre	65p
English National Opera	67p
Royal Opera House	£1.01

Even when all types of income are taken into account, including sponsorship, transfers, donations, and catering (in addition to box office income), the relative situation is still the same:

	Total Self-Generated Income per each £1 of Public Subsidy (1989/90)
Royal Shakespeare Company	**£2.57**
National Theatre	£1.38
English National Opera	£1.24
Royal Opera House	£1.78

These figures confirm my earlier statement that the Royal Shakespeare Company has been the arch-exponent of Conservative arts policy.

However, the global figures above do not reveal the RSC's specific record achievements in the area of self-help.

The RSC responded, as always, positively and entrepreneurially to the challenge presented by undersubsidy.

The RSC secured the individual record sponsorship in the performing arts of £2.1 million from Royal Insurance.

The RSC also achieved the individual record financial return from a production transferred into the commercial sector of well over £1 million a year from LES MISERABLES.

No other company has come near either of these two record individual achievements. It was the national and international reputation of the RSC which made them possible.

9. Subsidy as a Reward for Self-Help?

The figures in the table in Section 8 above are probably more interesting if the index is reversed, and the reciprocal of it is examined.

The table below shows the allocation of public subsidy to a national company in relation to the total income generated by the company itself.

	Amount of Public Subsidy received per £100 of SELF-GENERATED income (1989/90)
Royal Shakespeare Company	£39
National Theatre	£72
English National Opera	£81
Royal Opera House	£56

If the RSC had received the same Amount of Public Subsidy per £100 of Self-Generated Income as the National Theatre, the RSC's subsidy for 1989/90 would have been £10.9 million, not £5.9 million.

10. Public Subsidy in relation to Total Costs - The Inequity

Another parameter which reveals the inequity of the RSC's situation is Public Subsidy as a % of Total Costs. **This shows what proportion of the RSC's Total Costs are supported by Public Subsidy compared with the other major national theatre company.**

The figures for the National Theatre throughout this letter are projections based on their 1988/89 published accounts. Figures for 1989/90 are not available, as they are for the other three companies. It is very unlikely that more accurate figures would significantly change any of the relationships or proportions relative to the RSC. The comparisons have been very consistent for a number of years. (For instance, the National Theatre's actual Percentage of Total Costs Subsidised in 1988/89 was 44.4%.)

	The % of Total Costs that are Subsidised (1989/90)
Royal Shakespeare Company	**27%**
National Theatre	42%

The National Theatre had 42% of its costs subsidised in 1989/90 compared with the 27% of the RSC.

If there had been an equitable situation in 1989/90, and the RSC had had the same percentage (42%) of its costs subsidised as the National Theatre, the RSC's subsidy for 1989/90 would have been £9.17 million, not £5.9 million.

The Government Scrutiny of 1983 had the effect of endorsing a percentage of 41% for the RSC (38% basic subsidy, plus 3% touring subsidy). 41% was the actual percentage in 1984/85 - the first (and only) year of implementation of the Government Scrutiny's recommendations. 41% is a reasonable target.

If 41% had still applied in 1989/90 (as was the general intention of the Scrutiny), the RSC's subsidy in 1989/90 would have been approximately £9 million, not £5.9 million.

The income-earning pressure on the two great theatre companies is totally and inequitably different. To anyone who attempted to argue that comparisons are not straightforward or that the projections are not quite accurate, I would say that the margins of difference in favour of the RSC are so great that they swallow any reservations or provisos.

11. The Cumulative Effect Over the Years

Although the Royal Shakespeare Company was the proto-national theatre, is 80 years older, has more theatres, more geographical bases, does more productions, more performances, and more touring, to bigger audiences, **the National Theatre has received £21,424,000 more public subsidy than the RSC over the last 10 years.**

If I had had at my disposal the National Theatre's public subsidy over the last 10 years, I would have had an accumulated RSC surplus of over £19,000,000 last March, not an accumulated deficit of £2,100,000.

The RSC did not need the full amount of extra subsidy received by the National Theatre over the 10 years, in order to break even, **but only 10% of it.** That fact reflects the efficiency of the RSC's operating model.

Despite its greater scale and productivity, the RSC gets the actual amount of public subsidy today which the National Theatre got 7 years ago.

Let me emphasize that the RSC does not seek any part of the National Theatre's present subsidy. It would be quite wrong to conclude that these figures show the National Theatre in a bad light or suggest that the National Theatre gets too much subsidy. I have always made this very clear to the Arts Council and to the Minister. In my view the National Theatre's scale, output, and brilliant quality, and its particular model of operation, more than justify its present level of public subsidy. It is the RSC which is under-funded, as the 1983 Government Scrutiny confirmed.

I use the National Theatre simply as a comparison from which to ask: **If the National Theatre can be nearly properly subsidised, why cannot the RSC?** There is a great inequity here.

12. Erosion of the Subsidy Baseline, and the RSC's Response

I realized from our conversation earlier in the year that you had not been made fully aware that the conclusions of the Government Scrutiny Report on the RSC of October 1983 had not in fact been followed through. **You yourself remarked that you thought you had sorted out the RSC's problems in 1984. You did sort them out, Prime Minister, but the authorities responsible for carrying through the policy did not do so, and ducked the whole issue in the subsequent years.** The real value of the RSC's relatively small public subsidy was not maintained after the first year, contrary to the Scrutiny's recommendations.

During the Government Scrutiny, an investigating staff of ten people exhaustively examined the RSC for 9 months, pronounced us thoroughly efficient, endorsed our scale and operating model, and in effect reported: **"Look, the RSC are doing a marvellous job, and they are very efficient in their use of resources, but they are palpably underfunded, absolutely and relatively. Let's get their baseline subsidy right, and keep it right, providing they keep their side of the bargain in respect of self-generated earnings and general efficiency. Let's establish a funding system which will prevent this absurdly debilitating cycle from constantly recurring."**

The Arts Council itself supported the Government Scrutiny's conclusions. In the Council's 1983/84 Annual Report, the Chairman referred approvingly to the 'exhaustive enquiry'; and the Secretary-General of the Arts Council, in the Preface, asserted that the Scrutiny Report confirmed the Council's belief that the Royal Shakespeare Company was underfunded.

In Parliament, the Arts Minister, Lord Gowrie, stated:

> **"The Government broadly accept the findings and conclusions of the Scrutiny."**

The Minister confirmed that the recommended extra subsidy for the RSC would be implemented and that it was **"to establish a satisfactory baseline"** for the future operations of the RSC.

The Minister added:

> **"Provision will also be made for subsequent years."**

You may remember that, when we met at lunch in March, Lord Gowrie confirmed that a 'bargain' had been struck in 1984, and that the RSC had more than kept its side of the bargain, but the new 'baseline' of public subsidy had not been maintained.

The new overall baseline subsidy which took effect in 1984/85 was £5.29 million (£4.9 million basic, plus £0.39 million touring). £5.29 million was 41% of the RSC's Total Costs.

Your Government had responded admirably to the Government Scrutiny in the first instance. It was no accident that, in a new climate of stability and confidence, the RSC had its most successful artistic year ever, and it also finished 1984/85 with a small surplus.

In its Annual Assessment of the RSC's performance in that year, the Arts Council commented:

> "There is strong evidence that the programme of 1984/85 at the funding level which underpinned it largely substantiated the Priestley thesis. The Company's ability to focus additional investment was tellingly realized both in the achievement of very fine artistic work, in increased output and, gratifyingly, in the response of audiences. Gross box office increased by almost £1 million, or more than 15%. This remarkable outturn deserves warm congratulations."

Unfortunately, whether financial provisions for subsequent years were made or not, they did not reach the RSC. The recommendations of the Government Scrutiny were not implemented in the years that followed.

The RSC's deficits and financial problems have sprung entirely from failure to maintain the baseline subsidy.

The changes over the five years between 1984/85 and 1989/90 were as follows:

Increase in Theatre Costs Index	**+ 43%**
Increase in RSC Public Subsidy	**+ 11.3%**

It is easy to see how the deficit gap developed as the real value of public subsidy sharply declined. **If the 1984/85 subsidy of £5.29 million had been uplifted in accordance with the increase of 43% in the Theatre Costs Index, the RSC's 1989/90 subsidy would have been £7.6 million, not £5.9.**

By comparison with the increase of 43% in the Theatre Costs Index, the Royal Shakespeare Company's own performance over the same period (1984/85 to 1989/90) was:

RSC Box Office Revenue	**+ 78%**
RSC Other Revenue	**+ 151%**

The movement in RSC Other Revenue included:

RSC Sponsorship Revenue	**+ 251%**
RSC Commercial Transfers Revenue	**+ 403%**

Because of the size and gearing of the various components (and because of structural changes affecting costs and income which were neutral in respect of net costs), even this massively-effective response could not compensate for the annual and cumulative reduction in the real value of the RSC's public subsidy.

The RSC's 1989/90 subsidy of £5.9 million, was £1.7 million short, compared with the £7.6 million which represented the real value in 1989/90 of the 1984/85 subsidy established by the Government Scrutiny.

£1.7 million was of course the shortfall in the single year of 1989/90. There was a proportionate shortfall in every other year between 1984/85 and 1989/90.

The cumulative shortfall in subsidy was about £4.5 million, and it is a miracle that the RSC managed to hold the accumulated deficit at the end of 1989/90 to £2.1 million, by increasing RSC self-generated income by £2.4 million.

A major contributor to that achievement has been the annual income from LES MISERABLES. It must be constantly emphasized that this income is utterly exceptional, and cannot be relied on in the future. Allowance for its gradual loss must be made in future funding. However, it provided a temporary lifeline for the RSC.

The pressure to control and eliminate deficits and increase earnings has been intolerably high and pervasively damaging to the RSC's artistic endeavours. Necessarily excessive efforts to increase extraneous earnings from transfers and musicals have been very distracting. We have been forced to budget for unrealistically high attendance figures (about 60% higher than West End theatres manage to average), and seat prices have had to be increased to the point at which they are now undoubtedly a deterrent.

In the desperate search for income to replace lost subsidy, the RSC was compelled to increase its overall average seat revenue (Box Office Income per Customer) by 65% between 1984/85 and 1989/90, compared with the increase in the Retail Prices Index of only 28% over the same period.

The RSC's very top seat price in the provinces at Stratford of £32 is now £7 higher than the £25 top price in London of hit musicals, PHANTOM OF THE OPERA, CATS, LES MISERABLES, ASPECTS OF LOVE, and STARLIGHT EXPRESS.

The RSC's Barbican Theatre is now, at £18.50, the highest-priced straight-play theatre in London. (£16, at the National Theatre.)

Price resistance is now so acute that we are in doubt as to whether we can follow inflation with our seat prices next year. Box office attendances are certainly suffering now.

It is not actually right for the RSC to have such high prices. This is not what a non-elitist charitable national theatrical institution should be forced to do. It is supposed to make its output as accessible as possible. That is one of the prime purposes of subsidy. (By comparison with our 65%, the National Theatre's Box Office Income per Customer only had to increase by 26% over the same period, because of its lower reliance on box office income, and its bigger subsidy.)

It is also worth noting that the RSC's 5-year accumulated deficit in March 1990 could have been extinguished by the actual difference between the RSC's annual subsidy and the National Theatre's annual subsidy in a single year. **The sheer scale of the RSC anomaly must not be forgotten.**

The RSC's response to an unfair challenge has been all the more remarkable because it had by far the lowest subsidy and by far the highest self-generated earnings in the base year of 1984/85 to start with.

Failure to maintain the real value of public subsidy ultimately defeats attempts to increase self-generated revenue. **Sponsors and potential sponsors now frequently tell us that they will not simply step in to fill holes left by reductions in the real value of public subsidy. Sponsors do not wish to be responsible for the actual survival of national companies.** This is a tragedy, in view of the RSC's massive and trail-blazing efforts in attracting and securing sponsors. Similarly, ordinary fund-raising appeals cannot prosper in an atmosphere of gloom and deficit and uncertainty.

13. The Anomaly Demonstrated Six Different Ways

I have highlighted the RSC's inequitable and anomalous situation from at least 6 different angles.

The six different calculations and comparisons all show that the RSC's 1989/90 subsidy was wrong from every standpoint, whether by current comparison with the other three national companies, or by historical comparison with the RSC's own situation in 1984/85.

The factors used in the 6 calculations are not the same, and several of them are quite independent of each other. BUT, although they therefore give different answers, the 6 answers all confirm that the RSC should have received a much larger public subsidy than £5.9 million in 1989/90.

Let me summarise:

Calculation/Comparison	1989/90 Resulting RSC Subsidy
(1) Applying the National Theatre's Public Subsidy per Customer to the RSC's number of customers	£13.2 million
(2) Applying the National Theatre's Public Subsidy per Performance to the RSC's number of performances	£12.9 million
(3) Applying the National Theatre's Subsidy per £100 of Self-Generated Income to the RSC's self-generated income.	£10.9 million
(4) Applying the National Theatre's Percentage of Costs Subsidised to the RSC's costs	£9.2 million
(5) Applying the RSC's own 1984/85 Scrutiny-approved Percentage of Costs Subsidised to the RSC's 1989/90 Costs.	£9.0 million
(6) Applying the Theatre Costs Index to the RSC's 1984/85 subsidy	£7.6 million
RSC ACTUAL 1989/90 SUBSIDY	**£5.9 million**

The National Theatre is the natural comparator. If I had for instance used the Subsidy per Customer and Subsidy per Performance figures for the English National Opera or the Royal Opera House, the Subsidy Results would have been vastly higher.

Calculations (1), (2), (3) and (4) prove conclusively that the RSC has been expected to operate under an entirely different, much tougher, and unrealistic regime of financial expectation.

The calculations address the same problem from different directions but they all come up with the same general answer. The RSC is grossly underfunded in a way that can only lead to its destruction unless the situation is rectified.

It is not a question of cutting one's coat according to the cloth. The RSC has not received a fair or adequate amount of cloth.

It seems to me that it is a major tribute to the efficiency of the RSC's operating model and to the effectiveness of the RSC's management team that none of the 'equitable' subsidy figures of £13.2 million, £12.9 million, £10.9 million, or £9.2 million was needed by the RSC in 1989/90.

Nor is the £9.0 million which results, in calculation (5), from applying the RSC's own Scrutiny-endorsed percentage of 1984/85 to its own 1989/90 costs.

The result of calculation (6), £7.6 million, is the subsidy that was required by the RSC in 1989/90. £7.6 million is the lowest of all the calculation results; and it is produced by simply updating the real value of the 1984/85 subsidy, which was established after a thorough Government Scrutiny.

Comparison of these calculations also shows that the Government Scrutiny was very tough indeed in setting the framework for the Royal Shakespeare Company. It has taken the other companies, under pressure, 5 years to get even within sight of the targets set for the RSC in 1984.

I do not know what else I can do to demonstrate the gross unfairness of the RSC's public funding, and to show that it is a genuine special case which transcends general funding problems. The facts speak for themselves.

14. A Basically Sensible Policy Needs Realistic Targets

Pressure on the four national companies to reduce the need for subsidy by increasing self-generated earnings was, in principle, a salutary and sensible policy. **Unfortunately, and notably in the case of the Royal Shakespeare Company, that policy has been pushed too far.**

The figures below show the percentage of their total costs which the four national companies were required to earn themselves in 1984/85. **59% was the target for the RSC effectively agreed and established for the future by the Government Scrutiny, and implemented by the Government.**

	% of Total Costs required to be earned through own efforts 1984/85
Royal Shakespeare Company	**59%**
National Theatre	45%
English National Opera	42.5%
Royal Opera House	51%

Failure to maintain the value of the public subsidy baseline meant that in 1989/90, the RSC was required to earn no less than 73% of its total costs through its own efforts, instead of the 59% which was fully endorsed by the Government Scrutiny in 1983, and implemented in 1984/85.

That target of 73% is quite impossible. The RSC was already at the head of the league table of self-generated earnings in 1984/85, and 59% is the optimum benchmark.

The other three companies have now come much nearer to the RSC percentage, and that reflects considerable success for Conservative arts policy.

By 1989/90 the National Theatre had improved to 58% (from 45%), and the English National Opera to 55.3% (from 42.5%). The Royal Opera House strove to make the 66.6% required in their case, but produced a deficit on the year of £2.75 million, in achieving 59.5%.

However, it should be noted that although the other three national companies have improved their self-generated earnings, and brought them nearer to 1984/85 RSC levels, the RSC is still way ahead on efficiency and productivity indices, as is demonstrated by the 1989/90 tables of figures in sections 5,6,7,8,9 and 10 of this letter, and the RSC would still have been way ahead if it had received the proper subsidy in 1989/90.

It is unlikely that organisations with a single base, like the National Theatre, the Royal Opera House, and the English National Opera, could ever match the productivity and efficiency figures of the dual-base RSC.

The RSC itself was already setting the standard in 1984/85, and was extremely efficient then, as the Government Scrutiny discovered.

15. Why Is the RSC So Efficient?

The reason lies in the nature of the structure of the Royal Shakespeare Company, of its 'operating model'. That dual-base model is utterly unique in the United Kingdom and, almost certainly, in the world.

The attached visual diagram shows more clearly than any words the origins of the RSC's immense productivity and effectiveness. It demonstrates how the RSC is able to produce so much high quality output at such low cost.

The secret lies in the multiple use of productions and the multiple use of actors, within the dual-base, Stratford/London structure. The capacity of a production to be performed, once it is created and has been paid for, and the capacity of an actor to perform, once he is a member of the Company, are utilised to the utmost.

(a) Multiple Use of Productions

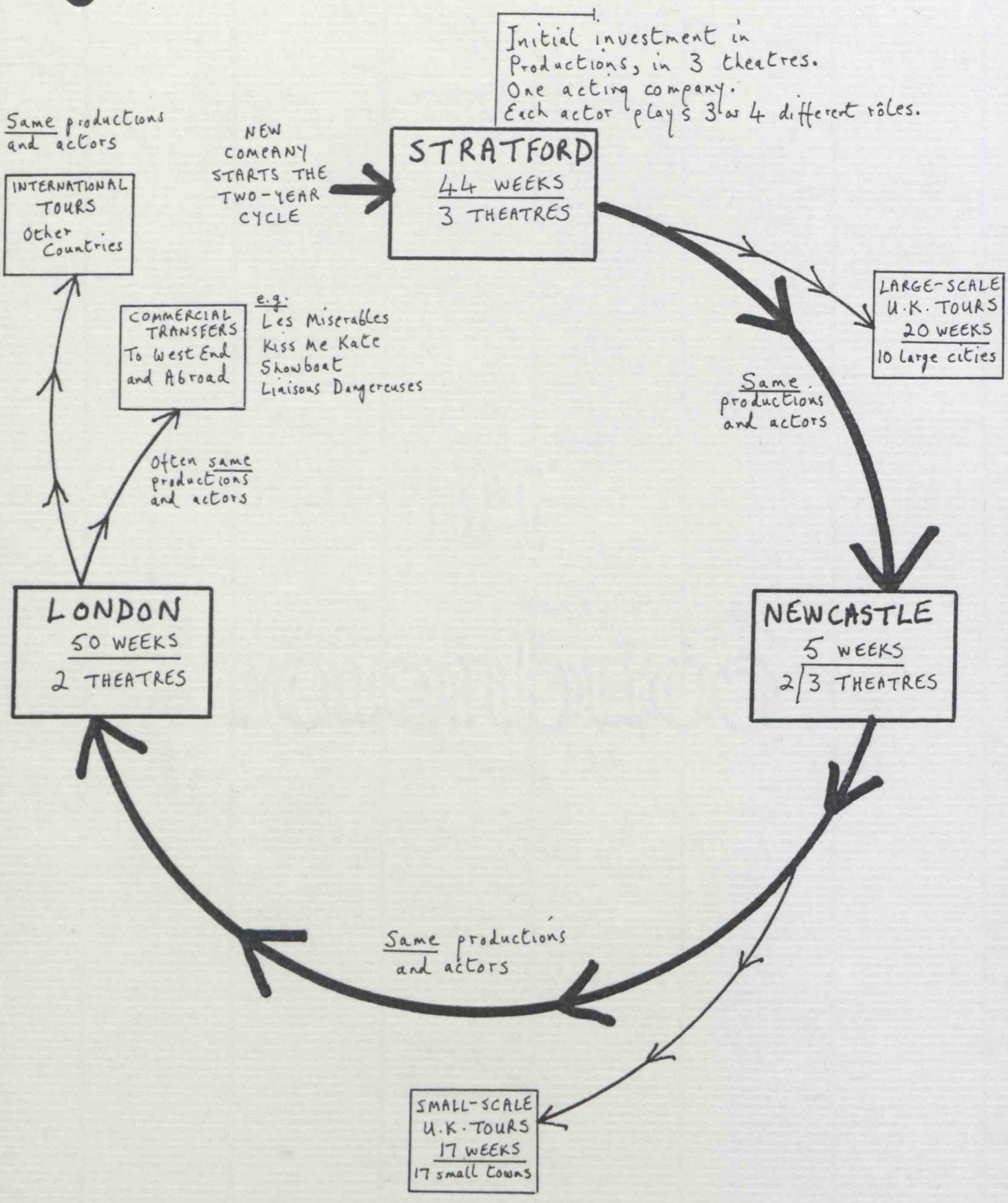
As the simplified diagram shows, productions (plays) are primarily created at the RSC's three-theatre base in Stratford-upon-Avon. The major costs of setting up the productions are incurred there.

However, after a full year's season in Stratford, those very productions, with the same actors, then go to two theatres in Newcastle-on-Tyne for a five-week season. After that, they go to our two theatres in London, at the Barbican, for a second full-year's season. The whole Stratford Company of artistes moves en bloc from Stratford, to Newcastle, and then to London, over the two-year period. (After the production leaves Stratford, of course the whole process starts again in Stratford with a fresh company of actors and directors to begin another two-year cycle.)

The thick black curve on the diagram illustrates the productive continuity of the process, as productions and actors, initially brought together in Stratford, make the maximum use of the initial investment in them, and bring the artistic output of the Royal Shakespeare Company to the widest possible audience, all over the country.

Wheeling off from, and made possible by, the stability of the solid central productivity curve are the RSC large-scale national tour, the RSC small-scale national tour, overseas touring, and commercial transfers. These represent further productive use of productions and actors. Our No.1 national tour visits the major theatres of the big cities with large-scale productions (like MIDSUMMER NIGHT'S DREAM and SHOWBOAT). Our No.2 national tour takes our own theatre with us, and pitches that mobile auditorium in school halls, sports halls, and recreation centres in major population areas which have no normal access to live theatre.

The effect of all this is to make the very best use of incurred costs, to get the most out of every production and every actor, to maximize revenue, and to make the RSC's public service nationally available.



R.S.C. Operating Model

People sometimes say 'Why does the RSC need 5 theatres?', as if the RSC was simply an arbitrary collection of West End theatres, individually run. Often, the implication of the question is that costs could simply be reduced by dropping off a theatre. **This is to misconceive completely the integrated nature of the RSC's operating model.**

In the first place, the theatres are not five identical theatres. In Stratford, **the carefully established structure of a large main proscenium stage theatre, a medium-size thrust stage theatre, and a small flexible studio theatre,** permits the presentation of plays of entirely different types, allowing experimentation without major financial risk, and providing an unparalleled training ground for actors, directors, designers and technicians, as well as variety and excitement for RSC audiences. Many of the RSC's most memorable productions have come from the intimacy of the small studio theatre.

That varied set of theatres is matched in London by the main stage Barbican Theatre and the studio theatre, The Pit. Sometimes, some Stratford productions go to a third theatre of a different size in London, on an ad hoc basis.

Similarly, when the same complex mosaic of productions and actors reaches Newcastle-upon-Tyne each year, they perform in a similar set of different-size theatres, in some years three theatres, in some years two.

The whole point of the complex of RSC theatres is to make optimum use of public subsidy by having an interlocking high-productivity base, which makes repeated and serial use of cost-investment, maximizes revenue, and at the same time maximizes public access to the RSC's subsidised activities.

The successive exposure of the same production at different venues is the key to this.

The dual-base, Stratford/London structure is the prime cause of the RSC's splendid efficiency and productivity. If London, for instance, were dropped (unthinkable for the world's British theatrical flagship), Stratford productions would no longer have multiple utilisation, and the RSC's productivity indices would be instantly hit by the loss of 400,000 customers and 740 performances, resulting in much lower productivity and far worse utilisation of public subsidy, not to mention inferior public service. (Temporary closure of the Barbican for 4 months this year will of course have a similar effect.) Crude lopping off of relatively small costs is no compensation for those massive losses. The RSC already does it all more cheaply than anyone else anyway. **It would be absurd to curtail the activities of the organisation with the highest productivity, and the best utilisation of public money.**

(b) Multiple Use of Actors - the Company/Repertoire System

So much for the multiple use of productions. But the RSC's efficiency, compared with others, also springs from another aspect of the RSC's unique operating model - **the company/repertoire system.**

In almost all other theatre companies, each play or production has its own cast of actors who do nothing else but that play, and only that play is being performed in a theatre over a specific period of time.

This is not the case with the Royal Shakespeare Company.

In order to give audiences choice, range, and accessibility of public service and also to maximize revenue-earning by attracting multiple theatregoing on a given visit, the RSC operates a repertoire system. **This means that different plays with different sets will be staged in the same theatre, not merely in the same week, but often on a single day.** In other words, a number of plays are running in the same theatre, taking turns, in a given period.

In the RSC, each play does not have its own independent cast of actors. The RSC operates its unique 'company' system.

In Stratford, for instance, all the plays in all three theatres in a season are cast from the same company of actors. So that a typical RSC actor at any one time is carrying in his head, and acting, an average of three or four roles.

The actor will play several roles in different theatres in the same week, often playing one role in the afternoon matinee and a different role at the evening performance in another theatre. Many actors are also playing more than one role in the same play. The majority of actors are also rehearsing new roles in the morning, while acting in the afternoon and/or evening.

There is a campus-like intensity of commitment in a small theatre-based town like Stratford which cannot be reproduced in London, where actors and staff live all over the metropolis.

It will not escape you that the structure of three theatres facilitates the utilisation of actors in a way that would be impossible with only one theatre. Shakespeare's plays are large-scale, large-cast productions. **We are able to draw, for several theatres and several productions, from one group of actors, of a necessary size, who are necessarily already there in Stratford.** That productive team moves en masse to Newcastle, and then to London.

The company/repertoire system of the RSC means that RSC actors work very hard indeed, and an unusually high performance output is obtained from them. **Mark Rylance, for instance, was playing the part of Romeo in the Swan Theatre in the afternoon and Hamlet in the Royal Shakespeare Theatre in the evening.**

Furthermore, as we have seen above, their different performances are played in theatres of entirely different size and configuration - the 1500 seat Royal Shakespeare Theatre, the 440 seat Swan Theatre, and the 180 seat studio theatre, The Other Place. Moreover, the plays performed are one-third Shakespeare, one-third other classics, and one-third new plays. **It is not difficult to see why the RSC is regarded as the ultimate training ground, providing unmatched training to generations of actors, directors, designers, musicians, administrators and technicians who will eventually work throughout the British theatre industry. Kenneth Branagh, in a Radio 4 interview, described the Royal Shakespeare Company repertoire system as 'a drama school in itself'.**

When the whole Stratford Company moves to Newcastle, and then to the Barbican, each actor takes his three or four roles, in three plays, in different theatres in Stratford, to different theatres in Newcastle-upon-Tyne, and then to different theatres at the Barbican. This is the essence of the RSC's operating model.

The successive and maximum utilisation of the same groups of productions and actors in different theatres in different venues in the United Kingdom is the key to the Royal Shakespeare Company's high productivity. The RSC is not an unrelated collection of separate casts, doing separate plays, in separate theatres. It is a unique operating synthesis. This is why the RSC's performance is outstanding in the tables of figures above.

And this is why the Governors of the Royal Shakespeare Company have been determined to maintain this unique model of operation.

When the Government Scrutiny endorsed the pattern and scale of the RSC's operations, it was not simply endorsing an arbitrary absolute level of activity which just happened to exist at that time. **It was recognizing that the RSC's pattern and scale and its operating model of two main bases, plus Newcastle, had an inherent logic and congruence which actually made possible the RSC's high productivity and its superb level of public service.** It also recognized that a 'critical mass' of base theatres and basic activity was necessary to support an intensive programme of nationwide and international touring. The Government Scrutiny regarded funds for the RSC as a positive investment in success and in enterprise and in public service, not as a negative propping-up.

The RSC operating model is outstandingly effective.

16. Real Value and Indexing

The concept of protecting the real value of that part of the revenue of an arts flagship which is supplied by subsidy should not be alarming. It becomes so only when the mechanism is misunderstood and the erroneous assumption takes root that the entire costs of operation, whatever they may be, are automatically indexed, and to be paid from public funds.

If a particular operating model is carefully examined and endorsed as efficient and artistically productive and as needing to be an optimum shape and size in order to do its national and international job properly; and if self-generated earnings - within the limitations of an artistic enterprise with charitable objectives - are seen to be maximized, then there is an excellent case for maintaining the real baseline value of the subsidy component of the total income required to support that model.

If the real value of the subsidy baseline is not maintained then all that can follow is progressive disintegration and destruction of the operating model. There is absolutely no way in which self-generated earnings can keep increasing to fill an ever-widening subsidy gap. The growth in self-generated earnings is needed to protect the real value of the self-generated earnings. It cannot cope with protecting the real value of subsidy as well.

By the same token, protecting the real value of subsidy is certainly not writing a blank cheque for all a company's costs. If the Government Scrutiny's recommendations were followed, the RSC would still have to index 59% of its own costs itself. Only 41% of its income would come in the form of public subsidy. So that, of a 10% increase in total RSC costs, only 4% would be borne by uplifted subsidy. 6% would be handled by the RSC. **The RSC is subsidy-aided, not wholly subsidised.**

Another good reason for indexing the subsidy-element of an arts flagship's income is its unique role in the arts scene. The RSC is, as I have pointed out, **a major training ground** supplying the whole industry, not only the subsidised sector but the commercial sector.

The 'graduates' of the RSC are naturally everywhere. Acting experience with the RSC always features prominently in the biographies of actors in theatre programmes all over the United Kingdom. And where would the National Theatre, Renaissance Theatre, Compass Theatre, and the English Shakespeare Company be today without Peter Hall, Kenneth Branagh, Judi Dench, Anthony Quayle, Tim Pigott-Smith, Michael Pennington, and Michael Bogdanov, who all either built, perfected, or confirmed their careers in the Royal Shakespeare Company? Most recently Genista McIntosh has gone to be Executive Director of the National Theatre. **It is no exaggeration to say that there are very few major actors or actresses or directors who did not learn or perfect their art on the stages of the Royal Shakespeare Company.**

17. The International Impact of the RSC for Britain

The Royal Shakespeare Company has been one of the most famous theatre companies in the world for over 100 years, and the most famous for over 20 years. **It has won more national and international awards than any other company, and its worldwide reputation is unique.**

British theatre is the envy of the world. It is one aspect of this country which is indisputably unmatched in any other country. The RSC is the flagship of British Theatre. **It is an international asset, as well as a national asset.**

Shakespeare was a supreme genius of world civilisation, the finest playwright and arguably the world's greatest literary figure. He was British, and he wrote in English. English is increasingly becoming the international language of the world, and that is good for Britain.

The English language clearly links the two great nations, Britain and the United States, but Shakespeare takes English into the Eastern bloc in Europe and Asia and into every part of the world. **Shakespeare is the ultimate cultural missionary.** The Royal Shakespeare Company is welcomed with open arms everywhere on our globe as the supreme embodiment of the Shakespeare heritage, the English language, and British excellence.

The benefits to Britain of the international impact of the RSC manifest themselves in many ways.

(a) Direct Export Earnings

RSC international tours directly earn dollars and other foreign currencies. In 1984/85, for instance, the RSC's triumphant tours of Paris, Berlin, Vienna, Prague, Barcelona, Munich, Hamburg, Warsaw, Wroclaw, New York, Los Angeles, and Washington, **culminated in the winning of The Queen's Award for Export Achievement.**

That was the first Queen's Award to be won by a performing arts company; it is the only one to be won by a national company or by a subsidised company; and it is still one out of only two awarded in the performing arts.

(b) Furthering Britain's Diplomatic and Political Interests

The Royal Shakespeare Company has been in the forefront of the tide that broke Communism in Europe. The RSC's tours and visits have had an enormous impact on the preservation and development of the flame of freedom in Eastern Europe.

The one national company that President Havel insisted on visiting, during his official visit to Britain recently, was the Royal Shakespeare Company. He organised his visit directly with the RSC, not through official channels; and he extended his 36 hour visit to 48 hours in order to join us. Terry Hands and I entertained him for no less than 6 memorable hours at the Barbican Theatre, at a performance followed by a massive and unbelievably moving and exciting reception.

Insistence on that visit was no accident. While Vaclav Havel was a prisoner in Czechoslovakia, the Royal Shakespeare Company staged his play TEMPTATION in Stratford and London; then the RSC director and the leading actor in the play smuggled a video tape of the performance to him in Czechoslovakia. It was the first time he had been able to see a performance of one of his own plays for 18 years. He has not forgotten. And he has invited the RSC to go to Prague again.

When the RSC enraptured Czech audiences in Prague in 1984 with its performance of MUCH ADO ABOUT NOTHING, in the temporary security of the British Ambassador's reception a Czech actor told the RSC's star, Derek Jacobi:

> **"We are like caged birds. We see you wild birds and know what we are missing."**

In its Annual Report, the British Council commented:

> **"The arts programme for the year was dominated by tours by the Royal Shakespeare Company. The Company was everywhere acclaimed."**
> **"The most significant event was the Royal Shakespeare Company's MUCH ADO ABOUT NOTHING, which received unusually wide media coverage and was seen by Czechs and western embassies as perhaps the most important cultural event since the 1960s."**

In 1985, the Royal Shakespeare Company made the first visit to Poland by a major British theatre company for 10 years. The plays featured the RSC's superb touring company in THE CRUCIBLE and A WINTER'S TALE.

At a morning seminar at Warsaw Polytechnic, RSC Company Director, Barry Kyle, addressed an audience of several hundred actors, teachers, and students (including one hundred who had set out by train from Gdansk at 4.0 a.m.). They were all, including the British Ambassador, squatting on the floor of the Students' Club. Barry Kyle's message about THE CRUCIBLE was not lost upon his audience:

> **"This play tells us why people believe lies, why some people remain silent, and why some people have to be sacrificed."**

There was no doubt that his audience, like the audience at the electrically-charged first night, strongly identified Miller's play about religious and political oppression in the seventeenth century with the situation in Poland.

> **"We were all holding back our tears", said one Polish girl, "it means a great deal to us here."**

After a week in Warsaw, the RSC moved on to Wroclaw, where over half the population was under thirty. People travelled great distances from all over Poland in arctic conditions (in January) to see the RSC, and massive audiences regularly crammed into a space designed for half their number.

The political impact of these tours, particularly in closed or repressed societies, is stunning. The British Council quoted one Pole summing up for his countrymen:

> **"All Poland knows the RSC is here. We know we are not forgotten."**

The British Council representative in Warsaw reported to us:

> **"In your people we could not have wished for better ambassadors for the British theatre and for Britain."**

In his internal office report, he said:

> "On a purely personal note I can say that it is the most exciting and worthwhile cultural manifestation that I have been involved in during my Council career."

The official report of the Council concluded:

> **"It could be argued that the Royal Shakespeare Company's visit to Poland has achieved as much as any recent diplomatic initiative."**

A British Ambassador commented:

> **"I have seen the disproportionate impact made by a touring British theatre company on the hearts and minds of the recipients, and it was worth it."**

Cultural diplomacy has a powerful and persuasive role to play. Attitudes and decisions at all levels are affected by emotional and psychological factors, by affinities and sympathies. The RSC commands considerable respect and affection abroad, which work very much to the benefit of Great Britain.

Another British Ambassador remarked, in a lecture:

> "It is really dazzlingly obvious. If you are thoroughly familiar with someone else's language and literature, if you know and love his country, its cities, its arts, its people, you will be instinctively disposed, all other things being equal or nearly equal, to buy goods from him rather than from a less well-known and well-liked source, to support him actively when you consider him to be right and to avoid punishing him too fiercely when you regard him as being in the wrong."

The RSC abroad is regarded as Britain at its best, representing and disseminating British excellence, British values, and the English language.

(c) Britain's Prestige Abroad. Selling Britain

It is impossible to overestimate the tremendous boost given to British prestige abroad by the Royal Shakespeare Company's foreign tours and foreign productions: and the favourable impact on Britain's foreign currency earnings from visiting tourists, particularly from North America, must be very substantial indeed.

The direct attraction of the Royal Shakespeare Company's performances in Stratford and London scarcely needs stressing. However, visitors to Britain are primarily attracted in the first place by British heritage and culture, and RSC overseas tours are living advertisements which speak for themselves and stimulate tourism naturally.

As the British Council's Annual Report commented:

> **"The RSC's visit to the Olympic Festival in Los Angeles did more than acres of advertising or other printed propaganda to convince Americans that a visit to Britain would be worthwhile."**

In the USA, the invasion of Broadway by Britain has been led by, and inspired by, the subsidised British theatre. The Royal Shakespeare Company production of LES MISERABLES broke all Broadway box office records with a record advance before the show opened. Clive Barnes, the influential drama critic of the New York Post, commented with the headline:

> **"WHY THE BRITS ARE BLITZING BROADWAY"**
> "[I watched] LES MISERABLES on Broadway...thrilling once more to its spectacle and human pageantry. LES MISERABLES is the stuff of theatrical legend."

He went on:

> "Imagine 40 or so years ago, and the arrival in London's West End in one week of, say, OKLAHOMA and ANNIE GET YOUR GUN. Things have pretty much come full circle. For years the Broadway musical dominated the English-singing world, and quite a few other theatrical places to boot. But now that boot is on the other foot - **and Britannia rules the musical."**

Clive Barnes concluded:

> **"The heroes of the evening are undeniably Trevor Nunn and John Caird, the directors, and the designer John Napier, the same creative team that supervised the Royal Shakespeare Company's epic NICHOLAS NICKLEBY."**

But the RSC is not a one-man show, and the RSC has regularly had this effect. One is reminded of the tremendous impact on Broadway in 1984/85 of Terry Hands' brilliant RSC productions of MUCH ADO ABOUT NOTHING and CYRANO DE BERGERAC. Frank Rich, the powerful New York Times critic, said:

> **"A beguiling CYRANO. Derek Jacobi's Cyrano - a noble amalgam of poetry and fire - floods every corner of the RSC's throbbing theatrical tapestry. Director Terry Hands' virtuosity is as impressive as his star's. Pure old fashioned magic!"**

Dennis Cunningham, WCBS-TV's drama critic, confirmed:

> **"With MUCH ADO and CYRANO the Royal Shakespeare Company returns to America in full abundant glorious theatrical bloom".**

British dominance on Broadway, and elsewhere in the United States and the world, owes a great deal to the Royal Shakespeare Company.

In one week last month, LES MISERABLES, ASPECTS OF LOVE, CATS, and PHANTOM OF THE OPERA, actually accounted for 41% of all theatre attendances on Broadway.

The RSC of course created LES MISERABLES, and three of the four hit musicals were directed by 'graduates' of the Royal Shakespeare Company, as were CHESS and STARLIGHT EXPRESS as well.

The RSC's contribution to Britain's prestige abroad has been immense, although its international touring has had to be curtailed somewhat in the last year or two because of the distracting pressures caused by underfunding. The RSC's impact is powerful and undeniable.

When the RSC opened its European tour in Paris in 1984, the headline in LE FIGARO proclaimed:

> **"God save Shakespeare! The RSC is totally brilliant!"**

A British diplomat in Europe, commenting on the RSC's tour of European capitals, reported:

> **"We bid for the RSC because we needed a blockbuster to raise our cultural profile - to make those who only hear or read about it understand that Britain is still committed enough to send the best."**
> **"It is difficult to imagine an event which could have achieved this in a more stunning fashion."**

Note to the next section: The Action Urgently Needed

It was impossible to separate touring from the figures of other companies for the purposes of this letter, so all subsidies quoted in the letter include touring subsidy as well as basic subsidy.

In the case of the RSC, touring subsidy has averaged about 3% of total costs. Where I quoted the RSC's Percentage of Total Costs Subsidised in 1984/85 as 41%, that figure of 41% was composed of 38% basic subsidy, and 3% touring subsidy.

Touring subsidy is dealt with separately by the Arts Council, and need not concern us when considering the RSC on its own.

In this final section, I will deal only with basic subsidy, which is what is of primary importance.

18. THE ACTION URGENTLY NEEDED

The Royal Shakespeare Company needs a Basic Subsidy, excluding touring, of £9.9 million in 1991/92.

The RSC's total costs in 1991/92 will be of the order of £26 million for a full normal programme of operation.

A basic subsidy of £9.9 million would therefore be about 38% of those total costs - **exactly the same percentage which applied in 1984/85 after the recommendations of the Government Scrutiny were implemented.**

£9.9 million (actually £9.96 million) is also the figure in the RSC's 3-year plan already presented to the Arts Council, and supported with detailed budget calculations and explanatory text.

The figure of £9.9 million also reconciles well with the increase in the real value of the 1984/85 subsidy in line with the Theatre Costs Index, with the proviso that our 1991/92 need has to take account of the fact that we feel we cannot follow inflation in 1991/92 with our seat prices because of severe price resistance (see Section 12) and we also have to make some provision for gradual reduction in income from LES MISERABLES.

I trust that my letter has provided overwhelming evidence that £9.9 million is a reasonable basic subsidy for the RSC for 1991/92. The evidence in this letter of course relates to 1989/90 - a period two years earlier - although half of the calculations in Section 13 resulted in subsidy figures larger than £9.9 million, even for that year.

I would suggest that the shortfall between the RSC's actual 1990/91 basic subsidy of £6.05 million and a 1991/92 basic subsidy of £9.9 million should be tackled in two phases:

(1) A special injection of £1.90 million in this year 1990/91 - to produce a total 1990/91 basic subsidy of £7.95 million, which will largely prevent the generation of further deficit this year.

(2) An incremental injection of £1.95 million in 1991/92 which will bring the RSC up to a new and more equitable baseline of £9.9 million.

The £2.1 million accumulated deficit must also be tackled. I believe we have the right to ask the Government to write it off, but we could carry it a little longer (if that were helpful) if the basic annual revenue funding was brought up to a proper level, so that the deficit did not increase.

If action cannot be taken, or at least promised, before the end of November on all of these fronts (£1.9 million relief in the current year; a £9.9 million baseline subsidy for 1991/92; and the £2.1 million deficit), the RSC will have no alternative but to announce that it will not be able to re-open its Barbican operations at all after the temporary closure from November to March. The end of November is our deadline for giving the required notice to staff etc.

Our accumulated deficit of £2.1 million, as at March 31st 1990, is increasing because of our undersubsidy this year (1990/91), and may reach a total of £4 million by the end of March, unless the first phase of help is provided. (By comparison, the accumulated shortfall in the real value of our 1984/85 baseline subsidy measured by the Theatre Costs Index up to 1990/91 is £6.13 million.)

We could not possibly carry on into 1991/92 with a deficit of the order of £4 million without the certainty that there was the guarantee of its being eliminated or radically reduced, and that there was a 1991/92 baseline subsidy which would prevent its re-growth.

To put the suggested phases of help into perspective, the first phase consisting of £1.9 million in this year, 1990/91, would bring the RSC's total 1990/91 basic subsidy up to £7.95 million. A 'real value' subsidy would have been £8.2 million. The National Theatre's actual basic subsidy this year is £8.9 million, and the Royal Opera House has £15.2 million.

The second phase of help consisting of £1.95 million in 1991/92, bringing the RSC total basic subsidy up to £9.9 million, would still leave the RSC with a Subsidy per Customer of £8.98 (compared with the National Theatre's £11.94 in 1989/90) and with a Subsidy per Performance of £5451 (compared with the National Theatre's £7114 in 1989/90). Naturally, the RSC's Public Subsidy per £100 of Self-Generated Income would still be unmatched.

This whole issue is of the most extreme urgency, and rapid action is needed. I believe it must be treated as a special case. It would scarcely be fair to a new Minister and to a new Arts Council Chairman to be saddled with the problem of trying to resolve this senseless historical injustice from normal resources. Nor would it be very fair to the Arts Council's other clients who all have their problems and who are all trying very hard.

I also believe that special extra funds to rectify the RSC's anomalous situation would have to be earmarked for the RSC, as was the case in the single year of 1984/85 immediately following the Government Scrutiny. There is a tendency in the arts for funds of all types to be averaged over all cases, irrespective of anomaly or specific commitment. That merely entrenches major injustices; it does not solve them. Leadership and positive decision-making are needed to resolve this anomaly once and for all.

It is vital to preserve the Royal Shakespeare Company's dual base structure for the compelling reasons I have outlined. The dual base structure (plus Newcastle) is the cornerstone of the RSC's unique productivity and of its efficiency in the use of subsidy. To let that go would be business lunacy. The dual base structure is threatened only because of failure to fund it fairly and consistently.

In any case, in business terms it would be plain silly to let go to the wall the organisation which is the most efficient and the most productive and which has the largest nationwide coverage on the lowest public subsidy.

It is difficult to avoid the conclusion that the RSC's efficiency and its resilient ability to respond to pressure have been rods for its own back.

NOTES TO THE TABLE

(1) National Theatre figures are estimated for 1989/90, projected from 1988/89 Published Accounts. No details were made available for 1989/90. Subsidy is the actual figure. As there was no UK touring in 1988/89, projections for 1989/90 also exclude any UK touring.

(2) Includes estimate at 95% capacity for 41 performances by Bolshoi Ballet.

(3) RSC catering activity is franchised in Stratford to a separate company. At Barbican the RSC has no participation in bars and catering. For comparability, the figures shown here consolidate RSC published results and those of the Stratford catering company.

(4) Estimate assumes, in the absence of the published accounts, a break-even position on the year.

(5) Figures have been provided orally from the unpublished accounts for 1989/90. We are led to believe ENO achieved a virtual break-even position.

(6) Includes City of Westminster grant which in 1990/91 has been substantially taken over by the Arts Council.

GENERAL NOTES

(1) Where estimates have had to be made, it is most unlikely that more accurate figures would significantly alter the general relationships between companies.

(2) The Theatre Costs Index is weighted: two-thirds of the Average Earnings Index and one-third of the Retail Prices Index. (Roughly two-thirds of theatre costs are wages.)

1989/90

	Total Costs £000s	Paid Admissions (Customers) 000s	Number of Performances	Subsidy £000s	Surplus/ (Deficit) £000s	Total Self-Generated Income £000s	Total Box Office Income £000s
Royal Shakespeare Company[3]	21,827	1,103	1,816	5,883	(882)	15,125	10,850
National Theatre[1]	19,200	675	1,133	8,060	-	11,140[4]	5,203
English National Opera	18,723	473[2]	254[2]	8,377[6]	-	10,346[5]	5,631
Royal Opera House	41,055	643	474	13,722	(2,751)	24,442	13,873

Figures include UK Touring, and Catering. Overseas Touring, and platform and fringe performances, are excluded for all companies.
Also, see Notes to the Table.

In the future, it is vital that the maintenance of the value of public subsidy to the national companies in real terms is recognized as essential to their ability to continue to do their national jobs.

I believe that this letter presents an unshakeable case for help. The Minister for the Arts, the Chairman of the Arts Council, and Richard Luce, the previous Minister, are solidly behind that case.

The Royal Shakespeare Company is unique in nature, artistically fruitful and coherent, a major theatrical training ground, highly successful nationally and internationally on a long-term basis, and providing an unparalleled level of public service at very low cost.

Please give us the help I believe we have well merited.

Yours sincerely,

Peter Cox.

Rt.Hon. Mrs Margaret Thatcher, PC, FRS, MP,
The Prime Minister
10 Downing Street
LONDON

(2)

PRIME MINISTER

FUNDING OF ROYAL SHAKESPEARE COMPANY

When you had lunch at the Arts Council, you had a fierce debate with Geoffrey Cass, the Chairman of the RSC. You came away acknowledging the force of many of the points he had made.

He has now written you a blockbuster letter setting out the RSC case. The timing is deliberate. The money the RSC receives is decided in three stages:

- the Minister for the Arts agrees with the Treasury the funding for OAL;
- OAL divides this between Arts Council, Museums and Galleries, British Library, etc.;
- the Arts Council divides up the money between its clients.

The results of the second and third stages are announced a day or so after the Autumn Statement. Normally the Arts Council is given a free hand to divide the money between its clients, but this year Mr Mellor will be seeking to push Mr Palumbo in specific directions, including the RSC.

Mr Cass's letter is in four parts:

- pages 1 to 14 produce various indicators for public funding, eg subsidy per seat or per performance, the proportion of revenue generated through the Box Office, etc. These indicators are compared with those for the other three national companies. He also illustrates the development of funding over time. In the five years since the Priestley review in 1984-85, the RSC subsidy has gone up by 11 per cent while inflation has risen by over 30 per cent. On all the measures chosen the RSC is shown to be

better performing and more poorly funded than the other companies;

- pages 15 to 18 explain the RSC's operating system and why it maximises efficiency;

- pages 18 to 24 set out the wider case for supporting the RSC (this can be skimmed);

- pages 24 to 27 set out the RSC's bid for finances in 1991-92.

I have acknowledged the letter and asked OAL for advice. One approach would be for you to send an interim reply, promising to write after the Autumn Statement. You can then refer in the second letter to whatever additional funding has been agreed.

AT

I have great sympathy with his case. He was his money better than any of the other substantial recipients, not

ANDREW TURNBULL
23 October 1990

c:\wpdocs\pps\rsc.eam

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

TEMPORARILY RETAINED

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

23 October 1990

ROYAL SHAKESPEARE COMPANY

You have received a copy of the letter which Mr. Geoffrey Cass has written to the Prime Minister on funding of the RSC, together with a copy of his covering letter. I have acknowledged receipt of these letters but would be grateful for advice on the terms in which the Prime Minister should reply. One possibility would be for her to send an interim letter undertaking to study the documents and promising to write again once the autumn expenditure announcements had been made. This would be followed by a second letter after the Autumn Statement commending whatever funding was agreed for the RSC. Could advice on the first letter reach me by Wednesday 31 October.

ANDREW TURNBULL

Martin Le Jeune, Esq.,
Office of Arts and Libraries

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

23 October 1990

This is to acknowledge receipt of your letter to the Prime Minister of 23 October which I will be putting to her shortly.

ANDREW TURNBULL

Geoffrey Cass, Esq.

COVERING LETTER

Royal Shakespeare Company

Incorporated under Royal Charter as
The Royal Shakespeare Theatre

Stratford-upon-Avon Warwickshire CV37 6BB
Telephone (0789) 296655

Patron Her Majesty The Queen

Chairman of the Council Geoffrey Cass
Vice-Chairman Dennis L. Flower
Advisory Direction Dame Peggy Ashcroft,
Peter Brook, Trevor Nunn
Artistic Director Terry Hands
Direction Bill Alexander, John Barton, John Caird,
Ron Daniels, Terry Hands, Barry Kyle, Adrian Noble
Director Emeritus Trevor Nunn
Secretary to the Governors David Brierley

From The Chairman
The Edinburgh Building Shaftesbury Road
Cambridge CB2 2RU *Telephone* (0223) 312393

23 October 1990

Dear Prime Minister,

This letter is most urgent. I very much enjoyed our discussion at Peter Palumbo's lunch earlier this year, and I warmly appreciated the splendid opportunity you gave me to put my case. I felt confident before we met that, if I could once acquaint you with the facts, you would see that appropriate action was taken.

I believe I convinced you that the RSC's case was very strong indeed, and fell into a category of its own, completely outside the normal run of arts funding problems.

Your Government Scrutiny of the RSC in 1983 did indeed sort out our problems, but failure to carry the implemented policy beyond the first year has put us back to square one.

The RSC gives more performances, of more productions, in more theatres, in more locations, to a far bigger total audience, than any of the other national companies, but it has by far the lowest public subsidy. The RSC's Public Subsidy per Customer is less than half that of the nearest national company; and the RSC's Box Office Income for each £1 of Public Subsidy is double or treble that of any other of the three national companies. The facts about the RSC's comparative efficiency and productivity, outlined in the attached letter, are quite startling. We are also the only company to win The Queen's Award for Export Achievement.

We have been the arch-exponents of Conservative arts philosophy, leading the way in every aspect of box office income, sponsorship deals, and revenue from commercial transfers. Our robust self-help, enterprise, and self-reliance have been unmatched. Our cultural diplomacy abroad and our overseas marketing of Britain have been outstanding.

RSC deficits and financial problems have been entirely caused by failure to maintain the real value of the public subsidy carefully established in 1983.

We have now been forced to close our Barbican activities temporarily for 4 months to reduce the generation of deficit. That was a responsible business-like decision, and appreciated as such by the Minister, though the pressures which necessitated that closure were wholly unfair, as the attached letter proves conclusively; and the repercussions of the closure are entirely damaging and counterproductive.

In the absence of some positive assurance of help on the required scale before the end of November (our deadline for giving notice), I shall have to announce that we will not be able to re-open at all in London next year, in view of the size of the existing accumulated deficit, and the need to prevent it from growing larger. This would be disastrous, because the existence of the dual base system (Stratford/London) is the main reason for the RSC's unique levels of productivity and efficiency, as the attached letter shows. To let that dual base structure go would be business lunacy.

Prime Minister, the matter is of extreme urgency. I believe it can only be sorted out as a special case, with a modest special injection of funds. It would scarcely be fair to a new Minister and to a new Arts Council Chairman to be saddled with the problem of trying to resolve this senseless historical injustice from normal resources. Nor would it be fair to the Arts Council's other clients, who are all trying very hard.

The funds required are modest, and they are outlined in Section 18 of the attached letter. In a nutshell, we need a 1991/92 annual subsidy of £9.9 million, and relief from our accumulated deficit of £2.1 million.

I believe that special extra funds to rectify the RSC's anomalous situation would have to be earmarked for the RSC, as was the case in the single year of 1984/85 immediately following the Government Scrutiny. There is a tendency in the arts for funds of all types to be averaged over all cases, irrespective of anomaly or specific commitment.

I fully realize that your working schedule is the toughest in the United Kingdom, and that the attached letter is fairly long. However, I have personally worked on it for weeks. It is concerned with the survival of our Royal Shakespeare Company - the theatrical cultural flagship of the world - and it is British.

The letter makes out an unshakeable case. The Minister, the Chairman of the Arts Council, and Richard Luce are solidly behind that case. I would very much appreciate it if you could find time, somehow, to read the letter. I have not asked to see you personally again. Our last meeting, and the attached letter which confirms what I told you then, constitute my case for the RSC. I cannot believe that your brand of leadership will allow such a conclusively-provable major injustice to bring the Royal Shakespeare Company's superbly effective structure to disintegration.

In business terms, it would be plain silly to let go to the wall the organisation which is the most efficient and the most productive and has the largest nationwide coverage on the lowest public subsidy.

Please put your special weight behind the conviction of the Minister and of the Arts Council Chairman that the financial affairs of the RSC should be restored to a sound and equitable footing.

Yours sincerely,

Geoffrey Cass

PRIME MINISTER

THE ARTS: AUDIENCE ATTENDANCE FIGURES

John Whittingdale said that you wanted figures on increases in attendance at theatre and opera. The most recent are from the Arts Council's 1990 Report. This showed that the total audience for the arts was 17 million (1 million more than four years ago); 15 per cent more are attending the opera than 4 years ago; and 10 per cent are attending ballet.

In total nearly 25 per cent of the adult population now go to the theatre each year.

Two other little nuggets:

> 1.12 million Sun readers go to galleries and exhibitions each year. And 6.5 million of those in the C2, D and E categories (i.e. the working class loosely defined) go to the theatre.

(DOMINIC MORRIS)
8 October 1990

c:\parly\arts

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 071-270 5929

From the Minister for the Arts

C90/5330

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
London
SW1A OAA

28 September 1990

Dear Andrew

CHANGES IN THE STRUCTURE OF ARTS FUNDING

... I attach a briefing note on the progress by the Office of Arts and Libraries on the changes in the structure of Arts Funding as requested in your telephone call to Martin Le Jeune.

Yours sincerely

Andrew Brewster

A P BREWSTER
ASSISTANT PRIVATE SECRETARY

CHANGES IN THE STRUCTURE OF ARTS FUNDING

NOTE ON PROGRESS BY THE OFFICE OF ARTS AND LIBRARIES

Introduction

The central thrust of the changes in the structure of English arts funding announced by Mr Luce on 13 March this year was to strengthen the accountability of the English regions to the Arts Council for their spending of taxpayers' money. This in turn offered the prospect of a major transfer of responsibility for the administration of regionally-based clients from the Arts Council to the regions. The existing allocation of funding responsibilities was complex and led to wasteful duplication and overlap, with the Arts Council administering centrally, at some expense in terms of its broader strategic responsibilities and at greater cost, the grants paid to a large number of regional arts clients. Moreover the accountability of the Regional Arts Associations further spending of taxpayers' money was somewhat blurred and indistinct.

Any transfer of grant-giving responsibilities was, however, conditional on the Arts Council and the Office of Arts and Libraries (OAL) first being satisfied that the regions had in place board-level and staffing structures capable of assessing and monitoring devolved clients, and thus maintaining and enhancing standards of excellence. Mr Luce announced a number of changes to achieve this, including fewer, smaller, better-balanced, regional boards guaranteeing minority local authority involvement, and a national arts strategy and supporting systems of planning, budgeting and control for which the Arts Council would be responsible and which would strengthen accountability throughout the system.

The overall changes were very much in line with the Government's policies on public sector financial management in the Civil Service and in health and education. But they also had to strike a sensitive balance. The regional bodies are independent, autonomous, organisations which the Arts Council had over the years chosen as vehicles for delivery of a proportion of its regional funding. The regional bodies had built very successful partnerships with local government and were, with relatively small sums of grant, able to lever substantial local authority direct investment in the arts which now exceeds central government spending.

Progress so far

The Arts Council and the regional arts bodies have achieved a remarkable degree of co-operation in implementing the changes, under the overall guidance of an OAL-led Steering Group advising the Minister for the Arts.

On accountability, the Arts Council is now drawing up in consultation with a wide range of interests the national arts strategy to whose objectives the efforts of the combined funding structure will be bent. The Arts Council is similarly leading on work in developing the detailed planning, budgeting and monitoring systems which will hold the regions to account for delivering the objectives of the strategy in a cost-effective way. One of the common misconceptions in some arts organisations is that regional bodies will not appreciate and preserve their excellence and that once devolved their funding will, over time, be used to support alternative regional arts objectives. The national arts strategy and underpinning systems of accountability will not allow this. Regions will be held to account for achieving objectives contained in plans that conform with the national strategy and which will require Arts Council approval annually as a condition of grant.

On devolution, the Arts Council and the regional bodies have agreed in principle those bodies which could in future be funded by regional boards. The Arts Council will be publishing later this week a list of these bodies for consultation before final decisions are taken in November. Devolution will not take place before 1 April 1992 at the earliest, and then only if the full range of systems and structures are in place to guarantee continued excellence in devolved clients.

Mr Mellor has also now taken stock of progress in implementing his predecessor's reforms and earlier this week endorsed in a letter to the Chairman of the Arts Council his support for the development of a more strategic role for the Arts Council, the delegation of clients to the regions, greatly strengthened regional accountability and the reduction and restructuring of the present regional bodies. He attaches particular weight to the maintenance and improvement of standards of excellence, and has concluded that in some respects he can and should go further in strengthening regional accountability. He has therefore asked the Arts Council to report to him by December on the scope for further changes in three important issues.

The first is that the boards of directors of the new regional boards should be reduced from the present planned maximum of 24 to around 12. In this process local authority representation, already in a minority, would be further reduced to one-third, still a high representation, to reflect the important role local authorities play in funding the arts. The second is that senior executives of the regional boards should serve as members on equal terms with non-executive members. The third is that the other members of the new regional boards should be appointed by the Arts Council, while the Chairmen are appointed by the Minister after consultation with the Chairman of the Arts Council. To ensure that the new boards are staffed to assess and monitor devolved clients, the Minister has also asked the Arts Council to advise on the possibility of setting centrally established criteria against which regional staffing structures can be assessed.

Conclusion

The original changes, as now modified, will provide a unitary funding structure and a sound long-term basis for the cost-effective administration of Government spending on the arts without the detriment to standards of excellence. Many of the country's major orchestras, theatres and art galleries will in future be administered regionally and it is crucial particularly in London where major clients are in a majority that proper structures are in place to ensure that they continue to flourish. Not all clients are by any means opposed to their devolution, which is not in any case a new process: Lord Rees-Mogg for example presided over the largest previous exercise in 1985 with "The Glory of the Garden". But some clients, the regional orchestras and galleries in particular, have opposed devolution, and may continue to do so notwithstanding the further refinements now proposed. With the range of safeguards for excellence which are being put in place, however, it would not be a sensible financial model (indeed it would be wasteful of money that could otherwise be spent on the arts) for regional clients to be administered centrally at the expense of strategic development when a regional structure existed which could perform the function as effectively and more economically.

OFFICE OF ARTS AND LIBRARIES

26 September 1990

fdy pa

ANDREW TURNBULL **19 June 1990**

CHANGE IN THE WAVERLEY SYSTEM

Apparently, the recent decision to allow private buyers the same chance as national institutions to bid for art objects subject to export ~~d~~elay is most unpopular with the trade.

This is quite counter intuitive - I would have expected them to be delighted because of increased domestic sales activity. This letter argues the contrary case and presumably has the backing of Christies, Sotherby's etc. You may care to draw it to the Prime Minister's attention especially if she is seeing anyone from the arts.

Louise Ashton
for/

GEORGE GUISE

NB: The letter was sent to me by Julian Agnew not the OAL.

18 June 1990

43 OLD BOND STREET
LONDON W1X 4BA

Telephone: 01-629 6176

Julian Agnew, who is abroad this week, has asked me to send you a copy of the following. Please phone me if you have any queries.

WITH THE COMPLIMENTS

OF

THOS. AGNEW & SONS LTD

Sue Graves

THE SOCIETY OF LONDON ART DEALERS

Chairman JULIAN AGNEW. 43 Old Bond Street. London. W1X 4BA
Vice-Chairmen DAVID JUDA. 11 Tottenham Mews. London. W1P 9PJ
DESMOND CORCORAN. 30 Bruton Street. London. W1X 8JD
Hon Treasurer JOHN PARTRIDGE. 144 New Bond Street. London. W1Y 0LY

19 March 1990

Mr Richard Luce, MP
Office of Arts & Libraries
Horse Guards Road
London SW1P 3AL

Dear Minister

EXPORT OF HERITAGE ITEMS

I am writing on behalf of the Society of London Art Dealers in reply to the letter of 5 March from Mrs Lynne Gates with the enclosed copy of the Secretary of State for Trade and Industry's announcement of 2 March.

I was most surprised, I am sure in common with many others, that an announcement of this sort should have been made in this way. No major change to the Waverley system has been made since its origin, and what minor changes there have been, have been made after full consultation at the Advisory Council between representatives of owners, the Trade, the museums and the Reviewing Committee itself. It seems therefore extraordinary that a major change such as has been proposed should be announced without apparently any prior consultation at all.

Had the Society been consulted before the announcement, I would have been able to report that the Executive Committee had carefully examined some two years ago the possibility of recommending to the Reviewing Committee a proposal that private offers should be considered in cases of export licence delay, but had concluded that such a proposal, though superficially attractive, would in practice be unworkable. This still remains our opinion for the following reasons:

1 While apparently relieving the national museums from the burden of having to finance matching offers by transferring this to the private sector, the proposal is in our opinion more likely to increase the burden than to diminish it. Most private offers would be motivated by a desire for profit rather than a disinterested wish to help the national interest. Since the majority of works of art the export of which is delayed, have been previously offered at auction or by dealers, it would be

.../...

surprising if there were a large number of new private disinterested buyers in this country until now unknown to the Trade. A potential private buyer will obviously know that in nearly all cases the fair market price is substantiated by a sale to an overseas purchaser and that the work of art is of national importance under the Waverley criteria and therefore of interest to a national museum as well. Given the presence of two such purchasers, he will presume almost certainly correctly, that the value of the work of art, even if the maximum attainable at the time, is bound to increase in the future. If he makes a successful offer, he will be in a position to resell later at a higher price, probably abroad. Such offers are therefore likely to encourage repeated applications for export licences at increasing prices, and therefore would only compound rather than solve the initial problem.

2 While the vast majority of owners are prepared to co-operate with the present system in the national interest, they mihgt take a very different view if private offers were to be considered. While they are in general prepared to accept offers from national museums, they might not be prepared to sell to other private buyers. On the other hand, they would presumably be penalised under the present system if they refused.

3 In the case of multiple offers, either the owner or the minister responsible would have to choose either between public or private offers, or between a number of private offers. This would introduce an arbitrary element into the Waverley system which would be entirely against its spirit.

For these reasons, we believe that it would be counter-productive to introduce the proposed change without immediate and extensive consultation to see whether any of the objections outlined above could be overcome. The Society would of course be happy to take part in any such consultations.

Yours sincerely

JULIAN AGNEW
Chairman

01 215 5468

Prime Minister

ANNEX A

I am told the Reviewing Committee, which is made up grandees of the art world, contemplated resigning, though this seems less likely now. Obviously they just want taxpayers money and if it is not available they would rather the piece went to California. The effect of the decision is to retain the Canova in this country, though it may be that the current owners or the prospective owners (Getty) may prefer to own it in this country rather than allow it to go to the Barclays

DRAFT DRAFT DRAFT

90/312 :DATE:

AT 4/5

NICHOLAS RIDLEY APPLIES PRIVATE OFFERS POLICY ON EXPORT OF WORKS OF ART TO "THE THREE GRACES"

Trade and Industry, Nicholas Ridley today announced that he had refused a licence for the export of "The Three Graces" by Canova. In reaching his decision he took into account the advice of Rt Hon Richard Luce, the Minister for the Arts, as well as representations made by various interested parties.

This decision followed his announcement that he would consider offers to an owner from any source, public or private, when deciding on an export licence application for a work of art of heritage value.

In a pursuant answer to a written Parliamentary Question from John Bowis MP (Battersea), Mr Ridley said:

"On 2 March I announced that in considering whether or not to grant an export licence for heritage items I proposed from now on to take account of an offer to buy the object from any source, whether public or private. I then invited representations from people who might be affected by this change of policy. I received a number of comments on the proposal and, with my Rt Hon Friend the Minister for the Arts, have considered them very carefully. I can now confirm that offers to an owner from any source, whether public or private, will be taken into account in making the decision on the export licence. I believe that it would be useful now to set out in some detail the context of this change of policy and the reasons for it.

"The purpose of the policy for controlling the export of heritage items is to provide a balanced system for retaining the most important items of our cultural heritage in this country. Retention has been the main consideration underlying the policy and will continue to be so in the future. The policy which I am confirming today will ensure that our export control system provides reasonable protection for our heritage in an increasingly competitive world art market.

MORE/...

"The Export of Goods (Control) Order 1989 prohibits, with very limited exceptions, the export without a licence of goods manufactured or produced more than 50 years before the date of export. The responsibility for granting or refusing a licence is mine, as the Secretary of State for Trade and Industry; however in exercising these functions I am advised by my Rt Hon Friend the Minister for the Arts who in turn receives valuable advice from the Reviewing Committee on the Export of Works of Art.

"Our system is based on the procedures recommended in the Report of the Waverley Committee in 1952. This report proposed criteria for determining whether an object is of national importance. Where an individual licence is required and the Reviewing Committee considers that the item meets any of the Waverley criteria the policy up till now has been to defer consideration of the application for the licence for a short period (usually up to six months). The purpose of this deferral was to give a public institution in the UK the chance to make an offer to the owner at a specified price which the Reviewing Committee had recommended as the fair market price. The aim has been that an export licence should not normally be refused unless the owner has received an offer at the fair market price, or has made it clear that he would not accept such an offer were it to be made.

"The assumption in the Waverley Report was that such offers would be financed from public resources. But it has always been possible for an offer to come from a private source. At all stages in the consideration of an application for a licence the applicant is free to accept, or indeed reject, an offer from any source at any price. There has never been any question of the Government having power to accept or reject offers or to make anyone else do so.

"The new policy is much the same as the old, with one important difference. Under the new policy there will be, as there is now, a deferral to enable an offer to be made to the owner at the fair market price recommended by the Reviewing Committee. It may be an offer from a public institution or from a private source. As now, the owner will be free to accept or refuse any offer. He may also, if he chooses, make it clear that he would not accept an offer from any source. If he does this or if there is an offer in existence following deferral, whether from a public or private source, this will be taken into account and normally a licence will be refused. Of course if he accepts an offer the application for a licence will lapse. The new elements are that the existence of an offer from a private source will be taken into account when the decision on the export licence is made, as will a general refusal to consider offers from either source in advance of their being made.

MORE/...

"So the existence of any offer from any source will influence my decision on whether or not an export licence should be granted. I should emphasise that the only decision I am empowered to take is whether to grant an export licence or not. I have no power to decide who is to be the owner of the item.

"I must emphasise too that where a private offer for a heritage item is successful and the new owner then, at any time, wishes to sell or take the object abroad, he will be subject to the procedures and outlined here, which apply to all such objects which require an export licence.

"The consequence of public ownership, which was assumed and encouraged by the Waverley Report, has been to ensure public access to the objects purchased. Obviously I am keen that the public should have access to important heritage items, and I know that my Rt Hon Friend the Minister for the Arts would wish to encourage most warmly private offers which involve some kind of arrangement enabling the public to have access. But I must reiterate that the main purpose of the controls is to retain these few important items in this country. And even where a private offer does not involve any kind of public access we should not presume that ultimately such access would never occur or that the item in question would never be publicly owned. Where an owner of a heritage item wishes to export it and refuses an offer from a private source, even with no public access arrangement, I believe that normally he should not be gratned a licence to export the item. Retention in the UK must be the major consideration.

"I believe that this extension of our policy to take account of private offers can only enrich our heritage. We have a long and continuing tradition in this country of private collections of antiques and works of art. Private ownership in this as in all other spheres is to be encouraged. It is neither possible nor desirable for the retention of major items of our heritage to be dependent on one source of funding - the taxpayer. By encouraging the continuing injection of private money into the acquisition of heritage items, will be creating a greater funding base for them. I am confident that this will enable a larger number of these outstanding heritage items to remain in this country.

"It is my intention in due course to issue a revised "Notice to Exporters" containing guidance on the detail of procedures which will be put into effect as a result of the change of policy outlined above. When issued, a copy of this Notice will be placed in the libraries of both Houses.

MORE/...

"I have carefully considered all the circumstances of the application for a licence to export "The Three Graces" by Canova, including the representations made by interested parties. I have noted the existence of the offer by Messrs Barclay to purchase the statue at the price recommended by the Reviewing Committee. The choice before me, as I have said, is to refuse or to grant an export licence.

"I have taken into account also the recommendation of my Rt Hon Friend the Minister for the Arts, that a licence be refused. In all circumstances, I have decided that the new policy should apply to this export licence application and decided to refuse the licence."

NOTES TO EDITORS

1. The application to export "The Three Graces" was first made in March 1989. In June last year the then Secretary of State for Trade and Industry, Lord Young, on the advice of Arts Minister Richard Luce, deferred a decision on an export licence application for the statue for six months.

2. In December 1989, Mr Ridley, again on the advice of Arts Minister Richard Luce, deferred for a further three months a decision on an application for a licence to export "The Three Graces". This deferral was intended to provide an opportunity for a public collection in the UK to offer to buy the statue.

3. On 2 March 1990, Mr Ridley announced a further deferral until 4 April 1990, after consultation with Arts Minister Mr Luce. Mr Ridley also announced that, following a review of export control procedures, he proposed to take into account offers to an owner from any source, public or private, when considering an application for an export licence for a heritage item. He said he was ready to consider representations by persons affected by this change of policy.

4. "The Three Graces" was commissioned from the Italian sculptor Antonio Canova in 1814 by John Russell, 6th Duke of Bedford, and was installed at Woburn Abbey in 1819 in a temple built specially for it.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

1 May 1990

Dear Martin,

MEETING WITH MR. LUCE

Mr. Luce came to see the Prime Minister today to give her a report on the current state of play in the Arts world. He thanked the Prime Minister for the interest she had shown in the Arts; her recent visits had been very well received. The generous settlement agreed for the Arts last autumn had helped a great deal and had encouraged the private sector to respond. He gave as an example the donation from the Wolfson Trust as matching funding for the fabric of museums. The Gift Aid scheme would also be of tremendous value.

Mr. Luce then turned to the position on the heritage. The recent doubling in the price of works of art made it very difficult to secure major pieces using public funds. He was working with Mr. Ridley to produce a statement which would allow private citizens, as well as public institutions, to acquire works of art which were subject to an export stop. The museums and galleries world were being rather churlish about this but he believed it was right to facilitate the private sector in retaining major works of art in this country. It would, however, be necessary to ensure that the system was not abused by those wishing to speculate in works of art.

The Prime Minister said she shared many of the concerns about the way the Wilding Report was being implemented. She doubted whether it was right for the major arts bodies who were based regionally to be devolved to the regional arts associations. The latter would be unlikely to give them high priority. Mr. Luce said the differences which Lord Rees-Mogg had highlighted were not as great as it might appear. He did not want to leave the regional arts authorities dealing solely with minor grants as this would simply encourage them to indulge their fancy-fringe bodies and would do nothing to encourage them to be more accountable. Equally, he did not envisage a situation in which the Arts Council was left with nothing but the four major companies. He had given an assurance that responsibility for the major regional bodies would not be

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devolved unless he was satisfied that their standards of excellence would be maintained. He would be talking further to Lord Rees-Mogg about this.

The Prime Minister said she had been invited to visit the British Library which she would probably do in August, though she retained doubts about the merit of the whole concept. Mr. Luce assured her it would be an excellent facility, as it ought to be, as it was the largest investment in a cultural building in Britain this century.

Discussion then turned to the position of the other major national companies. The Prime Minister said that, following her discussion with Mr. Geoffrey Cass at the Arts Council Lunch over the funding of the RSC, she felt some sympathy for the RSC's position. Of the four companies, it received the smallest grant but was doing a great deal to run itself along lines which the Government approved. She doubted whether the promises made after the Priestley Report had been delivered. Mr. Luce felt the Priestley Report was the wrong way to tackle such problems: it had dealt with only two of the four companies and had involved the by-passing of the Arts Council. Although the Arts Council's grant had been increased by 13 per cent in the current year that for the major companies had gone up by only 11 per cent. Their financing would need to be looked at again the the near future. However, the behaviour of the Royal Opera House was making things more difficult. By budgeting for a deficit, they were trying to blackmail the Government into supporting them when the inevitable financial crisis occured. He had therefore stated publicly that the Government would not respond to such tactics.

This situation was regrettable as he wanted to be in a position to argue within Government for public support for the ROH development. Quite rightly ROH were not seeking to follow the Paris example where £250m of public money had been spent in building a new Opera House. The figure for the re-development of Covent Garden was much less and the bulk of it would come from either commercial re-development or through public appeal. He doubted, however, whether it would be possible to raise the whole £175m in this way. He was considering whether to offer £20-£25m paid over five years on a matching basis. The Prime Minister said she had some sympathy with the arguments that the ROH was a major national facility which deserved some public support but she agreed this could not be offered against the background of the ROH's current tactics. Mr. Luce said he would be talking to Lord Sainsbury and Mr. Isaacs to tell them how unacceptable their present tactics were.

Mr. Luce reported on his ideas for encouraging either BBC 2 or Channel 4 to devote a whole day to cover all the Arts across the whole country.

At the conclusion of the meeting the Prime Minister and Mr. Luce started to draw up an inventory of major developments,

eg, new museums or gallery extensions and new or refurbished theatres. Finding the list rather impressive, they agreed that OAL should produce a document, suitably illustrated, setting out the record. Mr. Luce agreed to put work on this in hand. He also suggested that the Government's record on the Arts might be the subject of a Party Political Broadcast.

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Martin Le Jeune, Esq.,
Office of Arts and Libraries

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AT to PM 30.4.90

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AT to OAL 1.5.90
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