

CONFIDENTIAL

CCNYO

010
Local Govt

Pa
DMS
28/3



Prime Minister (2)
This will be argued out at
MISC95 on Wednesday. You
have already seen Lord
Gowrie's Arts Package.

AF
26/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
London SW1

mt

Patrick Jenkin

26 March 1984

MISC 95: INCREASES IN CENTRAL FUNDING

It may be helpful to give notice of a point I should like to raise in MISC95.

We are to consider proposals for greater centralisation on the arts and sports. Similar problems may arise on support for voluntary bodies.

I have considerable reservations about this. It runs counter to our general policy of pushing responsibility down to local level. It means more central bureaucracy, and may encourage local authorities to dump more of their problems on us. It limits the scope for savings, by guaranteeing that certain expenditure will be maintained.

However, Grey Gowrie has impressed on me that arts funding may just dry up if we leave it to the boroughs and districts - and that the prospect will damage the case for abolition. If colleagues conclude, in such circumstances, that centralisation is the lesser evil, I should not want to stand in the way - providing of course, that there is no suggestion of increasing expenditure.

If we conclude, reluctantly, that we have to channel subsidies through (say) the Arts Council, or the Museums and Galleries Commission, or the Sports Council, instead of the boroughs and districts, it is not obvious to me that we should then make the taxpayer pay for them instead of the ratepayer. Why



should the result of abolition be that taxes go up in Dover to maintain the same spending on, say, the Geffrye Museum?

We could probably live with this if the sums were small. But Grey's proposals are now substantial: and we have also to consider sport and voluntary bodies.

It is tempting to think that if the taxpayer were to give more to (say) the Arts Council, he would face a lower bill for RSG. But we are talking about 1986-87. We have not yet settled the RSG for 1985-86, let alone 1986-87. There is no grant for us to adjust.

The only certainty, at this stage, is that we are being asked to give more of the taxpayer's money to the Arts Council, the Museums and Galleries Commission, and the Sports Council. We have no way of ensuring offsetting reductions either for the taxpayer or for the ratepayer.

Even if there were an RSG to reduce, I am advised that there would be all sorts of distributional problems. To avoid making the taxpayer worse off, we should clearly have to reduce grant by at least the full amount of the transfer to the Arts Council and other bodies (not by a "proportionate" amount as Grey implies in his paragraph 15). But we could probably not confine the RSG reductions to authorities enjoying increased support from the Arts Council. Some authorities would gain, and spend more. Others would lose, and probably maintain their spending.

Grey recognises some of these problems, and proposes that we should meet them by providing additional money to ease the transition. I am bound to say that that is really out of the question.

I should like to suggest that we have another look at the precedent we have already set with London Regional Transport. We have recognised that it will be necessary for ratepayers in London to continue to contribute to the costs of transport in London when responsibility is transferred from the GLC to the Department of Transport. We have said that this will be essential to ensure equity for taxpayers and ratepayers elsewhere. It seems to me that the same arguments will apply if we decide, reluctantly, to channel support for other services through central bodies.



One option might be to introduce a levy along the lines we have agreed for LRT. We might possibly present bills to the "residuary boards" and leave them to raise the money from ratepayers by precepting on the boroughs or districts. In London there might be scope for dipping into the London Rates Equalisation pool. I suggest we ask officials to look at alternative mechanisms, which could apply not just to the arts but to any cases of centralisation.

I claim no expertise on mechanics. But I am quite clear that we are not abolishing the GLC and the metropolitan counties to put up taxes.

I am sending copies of this letter to the Prime Minister, colleagues on MISC 95, and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Peter Rees', with a horizontal line underneath the name.

PETER REES