

PRIME MINISTERABOLITION OF THE GREATER LONDON COUNCIL AND THE
METROPOLITAN COUNTY COUNCILS: THE ARTS

At their meeting on 5 April the Cabinet asked me to hold a meeting of the Ministers concerned to resolve the outstanding issues on the funding of the arts after the abolition of the GLC and the metropolitan county councils. I have held two meetings with the Chief Secretary, the Minister for the Arts, and the Parliamentary Under-Secretary, Department of the Environment (Mr Waldegrave).

2. The proposals which we published last year have already committed us to increasing central funding of the arts, through the Arts Council and similar bodies, by nearly £18 million. It was accepted by the Cabinet that some increase in this figure would be necessary. After careful re-examination of his proposals, the Minister for the Arts has concluded that a total of £30 million will go a long way to defuse the Arts issue, though not get rid of it altogether: I and the other Ministers concerned accept this as reasonable.

3. The Chief Secretary has naturally been concerned to ensure that too much of the additional burden should not be transferred from the ratepayer to the tax-payer. He has, however, agreed to provide a little more than £3 million additional money, to give a total of £21 million. The remaining £9 million will be found by a transfer of £2 million within the relevant expenditure programme from local government capital to central Government, and by a reduction of £7 million in rate support grant.

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4. Although MISC 95 rejected a reduction in RSG, we consider that it is the only way of resolving the issue. The only alternative would be to increase further the burden on the tax-payer, and this would not be right. £7 million is, of course, quite a small sum in the context of the RSG, and the effects of the reduction on any single authority will not be large.

5. The Ministers concerned will agree the text of an appropriate passage for use during the Second Reading of the Paving Bill on 11 April. In broad terms, the approach will be to stress that the GLC and metropolitan county councils are largely irrelevant to the long-term issue of funding the arts; and that the Arts Council and other central institutions on the one hand, and the boroughs and districts on the other, can work out better and more sensitive policies. However, the Government recognizes that abolition will create some transitional problems and will make £30 million additional central funding available to deal with them. There will be an understanding between the Minister for the Arts and the funding authorities such as the Arts Council that the bulk of this money will be spent in London and the metropolitan areas. But it will not be suggested that it must be confined to them. This would be provocative to opinion elsewhere; it would also be inconsistent with the 'arms length' relationship between the Government and the Arts Council and similar bodies.

6. In my view, this is a satisfactory outcome; and I commend it to you and the Cabinet.

7. I am sending copies of this minute to the other members of the Cabinet, the Minister for the Arts, Mr Waldegrave and to Sir Robert Armstrong.

9 April 1984

Ward

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FILE

Blc: Mr
Letwin

10 DOWNING STREET

From the Private Secretary

11 April 1984

De Janet

ABOLITION OF THE GREATER LONDON COUNCIL AND
THE METROPOLITAN COUNTY COUNCILS: THE ARTS

The Prime Minister has seen the Lord President's minute of 9 April and is content with the proposals which have been agreed under his Chairmanship.

I am sending copies of this letter to the Private Secretaries to the members of the Cabinet, Mary Brown (Lord Gowrie's Office), Joan Dunn (Mr. Waldegrave's Office, Department of the Environment) and Richard Hatfield (Cabinet Office).

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

Miss Janet Lewis-Jones,
Lord President's Office.

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MINISTER FOR THE ARTS

PRIME MINISTER

ABOLITION OF THE GLC AND MCCs: ARRANGEMENTS FOR THE ARTS

I must ask for a very early decision on the funding of the arts after abolition.

2. MISC 95 invited me, in consultation with Peter Rees and William Waldegrave, to consider the financial arrangements urgently. We have not been able to reach agreement. Peter Rees' letter to Patrick Jenkin of 4 April reports the outcome so far.

3. I am under constant and increasing pressure to announce the Government's solution to the arts problem. It is bound to increase further unless the Secretary of State for the Environment's speech on the second reading of the Paving Bill can state it in general terms. But no announcement which could not be quantified in terms of money would do any good; it would only provoke further anxieties. And there must be further consultations on detail (e.g. further arrangements for some museums) between the announcement and the drafting of the legislation. I hope therefore that we can come to agreement now.

4. I have regarded it as my remit to take the arts out of the abolition issue: that is, to devise arrangements which will be seen to ensure that good arts bodies will not collapse as a result of the disappearance of the GLC and MCCs. This does not mean protecting loony left-wing groups. It does mean protecting the present level of GLC/MCC expenditure on all respectable arts bodies of more than purely local significance.

5. I proposed to MISC 95 that there should be central funding, via the Arts Council, the Museums and Galleries Commission and in one or two cases directly via my office, to the tune of £40m per annum. This £40m was made up as follows:

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- (a) total present arts expenditure by the GLC and MCCs - £38m; less
- (b) that part of this spend which should not be funded by the Government because it is unworthy or purely local, and should be left to the boroughs and districts to decide - £5m; plus
- (c) the sum which I believe to be needed outside the MCC and GLC areas in order to counter the criticism that central money is going, at an electorally sensitive time, only to areas which are hostile to us politically - £7m

6. I have considered with William Waldegrave how the financial effect on central government can be contained. I agree with him that a levy on local authorities is out of the question; it would lead immediately to a justified demand for joint boards or recreated elective authorities. There can, however, be some offset by way of PESC transfers from the local authority side where an identifiable provision exists: the provision for their spending on museums and galleries can be reduced by £9m current and £2m capital, though we cannot guarantee that the saving on current will be delivered. The grant distribution effects of this change for the non-metropolitan areas would be negligible, and the transfer is acceptable to the DOE and OAL. Apart from that transfer, what is made available has to be new money.

7. In order to reach an immediate settlement, I have offered to defer a decision on the £7m for the other areas (para 5(c)). I think it probable that I shall have to come back to that, since the shire counties are fully alive to the inequity involved.

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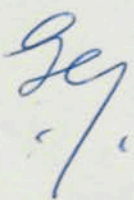
So I must put up a marker. But if colleagues so decide, we can wait to see how the pressure builds up and come back to it later.

8. I do however emphasise that the remaining £33m is the necessary price for delivering the objective of taking the arts out of the abolition issue. It divides between museums and galleries (£15m) on the one hand and performing arts bodies (£18m) on the other. It is the sum of detailed costings for individual bodies and institutions. If the £33m is agreed, I can also make a small contribution from it to meet the problems of Scotland, where the transfer of arts responsibilities from the regions to the second-tier authorities has already led to a diminution of local authority support for the arts. But I cannot reduce the sum further without putting at risk the reputable bodies listed at Annex A and so frustrating the policy objective.

9. I propose that we should now agree on central funding to the tune of £33m, offset by the sums referred to in paragraph 6 and that the Secretary of State for the Environment should announce our decision in broad terms in his speech on the second reading of the Paving Bill. I can then get down to the hard grind of reassuring this most anxious and articulate constituency.

10. Peter Rees is of course right to say that the Arts lobby will always ask for more resources; that is their nature. But there is an essential difference between maintaining the Government's policy for restraining public expenditure, which I fully support, and reducing public support for the arts as a direct result of local government reorganisation. I believe that £33m will enable us to demonstrate that we are prepared to protect the worthwhile part of the arts spend. A lesser sum would not.

11. Copies of this minute go to members of the Cabinet, other members of MISC 95 and Sir Robert Armstrong.



LORD GOWRIE
4 April 1984

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I. PERFORMING ARTS TO BE CENTRALLY FUNDED

i. Theatres

National Theatre
Royal Exchange, Manchester
Newcastle Theatre Royal
Sunderland Empire
Leeds Playhouse
Sheffield Crucible
Contact Theatre, Manchester
Oldham Colisem
Bolton Octagon
Empire Theatre, Liverpool
Playhouse Theatre, Liverpool
Everyman Theatre, Liverpool
Tyne and Wear Theatre Trust
Sadlers Wells Theatre
Riverside Studios
London Contemporary Dance Theatre
Almeida Theatre
Theatre Royal Stratford East
Half Moon Theatre
Greenwich Theatre
Polka Children's Theatre
Unicorn Theatre
Tara Arts Group

ii. Orchestras

London Orchestral Concerts Board
The Hallé Orchestra
Royal Liverpool Philharmonic
Northern Sinfonia

iii. Opera

Opera North
English National Opera

iv. Ballet

London Festival Ballet
Northern Ballet Theatre

v. South Bank

II. MUSEUMS AND ART GALLERIES

i. London

Museum of London
Kenwood (incl. Marble Hill & Rangers)
Horniman & Geffrey Museums
Photographers Gallery
Whitechapel Art Gallery

ii. Merseyside

County Museum Service
Walker etc Art Gallery

iii. Manchester

Whitworth Art Gallery
Manchester Museum
G.M.M. Science & Industry

iv. Tyne and Wear

Museum Service

v. S. Yorkshire

Museum Service



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File on
GLC/MCC
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10 DOWNING STREET

AT

Herewith, my bit on GLC
Arts. Please hold it until
7:30, by when I shall have
heard about the CST's discussions
with Gornie.

NB. PES reductions in this case
will have less effect on actual LIA
spending than in the case of NAFE
because:

- i. in the first year for NAFE,
the MSC will provide exact
substitution; no need for LAs to spend;
- ii. in subsequent years, ^{any} switch
will have an obvious rationale,
leading to all but the most

recalcitrant LAs to cut their
spending ~~for~~ accordingly.

- iii. general reductions in PES
to match Ed. Gornie's Arts
funding will have neither
of these features; LAs will
rightly feel that they are being
cut to help someone else, and
will \therefore be v. bolshevik.

(The Treasury — Fairhurst, Culpin, Rutter
et al. — think that I'm being too
optimistic; and they may be right.)

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Policy Unit
4 April 1984

MR TURNBULL

ABOLITION OF GLC AND MCCs: ARRANGEMENTS FOR THE ARTS

The Chief Secretary opposes Lord Gowrie's new plans. He is right to do so. Lord Gowrie's method would cause a £10-15 million net increase in public expenditure following abolition.

The Problem

At present, the GLC and the MCCs spend £38 million on the Arts. About £18 million of this goes to major national institutions. The remainder goes to endeavours of varying quality. Lord Gowrie originally proposed to replace this spending with £18 million from central funds, to cover only the major institutions. This raised a storm of protest from the Arts lobby.

Lord Gowrie now proposes to increase his central spending by £33 million.

This method of pacifying the Arts lobby has three disadvantages:

1. The urban boroughs are unlikely to reduce spending enough to offset the £33 million. Even Lord Gowrie and William Waldegrave do not hope to reduce their spending by more than £11 million.
2. We could not effectively compensate for the £33 million by reducing the PES provision for general Local Authority expenditure, because (1) we do not know what the PES provision for 1986/87 would otherwise have been, and (2) Local Authorities would in practice continue to spend a large proportion of any cut.
3. As Lord Gowrie admits, a transfer to central funding for the GLC and MCCs would lead other authorities to

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call for similar funding: indeed he wants another £7 million for this purpose in the long run.

As a result, Lord Gowrie's proposals to give the Arts in London £33 million will cost the taxpayer and ratepayer about £50 million - some £12 million more than the present GLC/MCC arrangements.

Not insignificant in relation to the £120 million the whole policy is meant to save.
Possible Solutions

One solution is to offer smaller amounts of central funding, on Lord Gowrie's model. This would not really get us off the hook because we would still have local authority 'leakage'; to achieve the same total public expenditure as under the GLC/MCCs, even on the most optimistic assumptions about local authority behaviour, we would have to offer central Arts funding of less than £25 million. This would give the Arts lobby an addition of only £7 million over the first proposal, which might well not satisfy them; and no money would be saved by abolition.

A better solution is to keep the present GLC/MCC arrangements for precepting the boroughs, but hand over GLC/MCC Arts functions either to the Arts Council or to a sub-committee of the "residuary" Joint Board. This would remove the need to tamper with general local authority expenditure, and would thereby eliminate the unpleasant side effects of Lord Gowrie's scheme. The Government could allow the Arts Council or a residuary Joint Board to raise as much as £35 million in Arts funds from the boroughs, and still reduce present expenditure by £3 million.

We recommend:

- that the Prime Minister should press for Arts functions on the GLC/MCC areas to be carried out either by the Arts Council or by the residuary Joint Board, precepting from the boroughs, up to a limit of £35 million;

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- that, failing this, she should press for a smaller amount of central Arts funding on Lord Gowrie's model, up to a limit of £25 million.

Oliver Letwin.

OLIVER LETWIN

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PRIME MINISTER

ABOLITION OF THE GLC AND MCCs: THE ARTS

I have now seen the Secretary of State for the Environment's minute of 3 April, which will be discussed at Cabinet tomorrow, and the minute which the Minister for the Arts sent you today about the funding of the arts.

As you know, I strongly share your view that there would be great political advantage in defusing the arts issue at an early stage because it could prove such an influential weapon in the hands of those who are generally opposed to our policy of abolition. It is clear from Grey Gowrie's minute that the necessary financial arrangements are proving difficult to settle, and it strikes me as unlikely that we shall reach firm conclusions on them in Cabinet tomorrow. I do, however, think the Government would save itself a great deal of trouble if Patrick Jenkin could in his speech on the second reading of the Paving Bill on 11 April make a pretty definite statement on the future arrangements for the arts. You may think it best that there should be a further meeting before 11 April to try to settle the matter; if you were not able to chair this yourself I would of course be willing to do so.

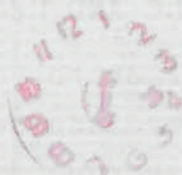
I am sending a copy of this minute to Sir Robert Armstrong

hwlw

4 April 1984

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4 APR 1984





Treasury Chambers, Parliament Street, SW1P 3AG

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

4 April 1984

A handwritten signature in dark ink, appearing to read "Patrick Jenkin".

ABOLITION OF THE GREATER LONDON COUNCIL AND THE METROPOLITAN
 COUNTY COUNCILS - REVISED ARRANGEMENTS FOR THE ARTS

At MISC 95(84)3rd meeting Grey Gowrie, William Waldegrave and I were asked to consider urgently how much should be provided for central funding of arts bodies in metropolitan areas and how this should be financed. I am sorry to say that we have not yet been able to agree revised proposals.

The Options

The GLC and metropolitan counties have been spending about £38m a year on the performing arts, museums, and the galleries. Of this, nearly £18m goes to the bodies of national or international importance listed in the consultative paper issued last summer. Some supports activities which are of regional significance and the remainder goes to bodies of purely local interest. The figure includes, of course, some well-publicised subsidies (usually small) for activities of little discernible merit. Most of the money comes from ratepayers.

The two issues are to what extent we should try to ensure the continuation of this spending by providing for central funding and how such central funding should be financed. In effect, we have to decide what balance there should be between four routes of funding:

- i) the individual boroughs and districts, as the natural successor authorities, decide what support to give;
- ii) collective provision within the metropolitan areas financed by the ratepayers in those areas; this might take the form of funding by the Arts Council and the Museum and Galleries Commission financed by a levy or

precept on the ratepayers in metropolitan areas, on the analogy of the Metropolitan Police and London Regional Transport; or giving the "residuary bodies" a responsibility for funding major arts bodies, or replicating for the arts the funding machinery MISC 95 have agreed in principle for the voluntary bodies;

iii) central funding through the Arts Council and the Museum and Galleries Commission financed by the taxpayer but offset by a reduction in the provision for local authority expenditure and grant;

iv) increased central support financed by the taxpayer with no offsetting reductions elsewhere.

The consultative paper implied that some £18m would be provided through (iii) or (iv) and that the rest should be left to (i).

Grey Gowrie now proposes that only £5m of activities which he has identified as of solely local interest should be left to route (i) and that the remaining £33m should be routed through the Arts Council and the Museums and Galleries Commission. Provided he can say that additional funds of £33m are to be made available to these bodies to support the flow of funds in the metropolitan areas, he would be content with either (iv) or a combination of (iii) and (iv) as the financing route.

Grey has also given notice that he thinks the increase in central funding for arts and metropolitan areas will give rise to great pressure for increased funding of arts elsewhere and that he thinks this will require a further addition of some £7m in the Arts Council budget. However, he agrees that no decision on this needs to be taken now.

William Waldegrave favours early announcement of a firm figure for central funding, he is less certain that this needs be the full £33m. His primary concern, however, is the method of financing. He strongly opposes giving any further precepting or levying powers to non-elected bodies and does not feel that the funding machinery proposed for voluntary bodies can be extended to the Arts. He therefore opposes route (ii). He also argues that no reduction in the provision for local authority expenditure or grant should be made that would allow non-metropolitan areas to claim that they are being asked to pay for arts in the metropolitan areas. He points out, however, that reductions of £2m (capital) and £9m (current) could be made in the provision for local authority expenditure without running that risk. He acknowledges that the reduction in provision for local authority current spending would not guarantee a significant reduction in the spending itself.

In my view, the amount of central funding and the method of finance need to be considered together. Given the nature of our controls on local authority current expenditure, it is highly unlikely that increased central funding will be fully offset by reduced local authority spending under any of the options. But if the rate-payers in metropolitan areas remain the ultimate source of funding, as in route (ii), we can afford to be relatively generous. If, on the other hand, the taxpayer is to foot the bill our room for manoeuvre is much reduced.

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As Chief Secretary, I have three related concerns.

First, we really cannot afford to increase the burden on the taxpayer by the £30-40m which Grey proposes. Abolition may not be about the arts; but it is not about increasing taxes either.

Second, we cannot afford to adopt a solution which will increase public expenditure substantially.

Third, we cannot afford to adopt a solution which will be repercussive. If we make taxpayers throughout the country pay for the arts in London and the metropolitan counties we are bound to provoke renewed pressure on other fronts: voluntary bodies, sports bodies, historic buildings, and so on; and we are only starting a legislative process which will extend over two sessions. It is also bound to reduce the credibility of our case that there is no need for metropolitan authorities and that their abolition will lead to substantial savings. Moreover, long experience of the Arts lobby in the tax as well as the expenditure fields leads me to doubt whether even the concession Grey wishes to make would still their protests and pressure for yet more resources. As Grey acknowledges, it is likely to lead to howls of protest from our supporters outside the metropolitan areas (which will become all the louder if we hint that there may be some more cash for them too). But we must also expect continuing pressure from arts bodies within our cities for greater certainty and greater funding (as well as the continuing involvement of well known artists in the campaign against abolition). The most we can hope to establish is a defensible position on the Arts, we cannot hope to take them out of the debate altogether.

For that reason, I am still attracted to route (ii). If that is ruled out, I could agree only to a modest advance on the £18m implied by the consultative document (£11m of which would be offset on the lines William Waldegrave indicated). I could not agree to a figure approaching £33m.

I am sending copies of this to the Prime Minister, members of Cabinet and other members of MISC 95. A copy also goes to Sir Robert Armstrong.

Ym wv
hth

PETER REES

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