

CONFIDENTIAL

010
Southwick
Scouting

PA Arts committee

Mr. Fleisher
Thanks.
19.1
cc for information
Mr Fleisher
Sir Robert Armstrong
Mr Cassels
Mr J W Stevens

Mrs BROWN

Mr Byker:
You might like
to be aware of this.

JF
19/1

SPECIAL FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND
THE ROYAL SHAKESPEARE COMPANY

Just before Christmas the Government announced that it was making a supplementary grant of £5 million to the Arts Council for the current financial year to enable it "to reduce deficits and contribute towards other expenditure currently being incurred by many performing arts companies"; and that the Arts Council grant for 1983-84 would be £92 million.

2. Simultaneously, the Minister (Mr Channon) announced that he would be having a special financial scrutiny of the operations of one or more major companies. These will be the Royal Opera House and the Royal Shakespeare Company.

3. The Arts Council announced last week that it had used a large part of the £5 million to cancel the losses of the four major arts institutions which are, in addition to the ROH and the RSC, the English National Opera and the National Theatre.

4. The Office of Arts and Libraries has discussed with the Treasury and me the way in which the scrutiny would be conducted. It does not have the staff to do it itself. Nor does it wish to pay for consultants if it can help it. So it would like us to do the job.

5. I have given this a lot of thought and have consulted Sir Derek Rayner who thinks, as I do, that the ROH and RSC are a minefield and whose views on the right method are captured in (2) below. I have now written to OAL as follows.

- (1) One method - which I have already outlined to the OAL and Treasury - would be for me to lead a small team consisting of Mr Ian Trumper, FCA, the chartered accountant on secondment to

us from Deloitte's, and of Mr David Allen, formerly a Treasury Economic Adviser, private secretary to Lord Lever when CDL, staff officer to Sir Derek Rayner, May 1979 - November 1981 and now working as a free-lance. MPO could carry Mr Allen's costs, which - for a 6-month scrutiny on a 3 day a week footing - would be £11,700 plus travel and subsistence. Mr Trumper and I would work part-time, although the feasibility of this will be clearer when we have been able to talk to the ROH and RSC. (The travel element would be important. Quite apart from travelling in the UK, it would be necessary to visit some of the leading international performing companies to make comparisons.) The team would need to be supported by access to a leading figure in the arts world, who would act as a wise man/woman.

(2)

A second method would be to employ a firm of consultants and to associate Mr Allen with them on the same or similar terms as above. This method would avoid the criticism which might be levelled at the team under (1), namely that we were insufficiently expert in financial matters; that we were tainted by the alleged attack on the Theatre Museum and the Museum of Childhood in last year's museums scrutiny by Mr Gordon Burrett; and that we were too part-time. (The possibility of the first of those criticisms is attributable to the number of top business people, accountants and others associated with the ROH and RSC, including Sir Kenneth Cork, Lord Goodman, Sir John Sainsbury and Sir Francis Sandilands.) This would be a more expensive method than (1).

and artistic matters!

If two consultants and Mr Allen were employed, it could cost up to £70,000 plus travel and subsistence. I have told OAL that I could not undertake that MPO would be willing to pay for more than Mr Allen's costs. (DES has a budget of £32.4 million this year for staff and general expenses and it is hard to believe that none of this could be released for a scrutiny which has an obvious importance.)

- (3) Mr Channon would be well advised to consider the choice between (1) and (2). But as ROH/RSC objections may be much less than implied in (2), it would be useful if the head of OAL and I could explore informally with the heads of the Arts Council, the ROH and the RSC the probable scope of the scrutiny and the most sensible way of conducting it, with a view to advising Mr Channon on how best to proceed.

6. If in the light of (3) above, the Minister wishes us to be involved, he will no doubt write to the Prime Minister, given her earlier involvement, and to the LPS, seeking their consent.

7. The Prime Minister was involved in the discussions leading to the decisions noted in paras. 1 and 2, as was - I understand - the Paymaster-General. She is likely to be interested in how the exercise is conducted.

8. There is nothing for the LPS to do at present, but if she wishes to convey any preliminary points I should be glad to have them.


C PRIESTLEY

18 January 1983



Arts +
Armenian *Wm*
20/1

From the Private Secretary

MR PRIESTLEY

cc Mr Flesher ✓
Sir Robert Armstrong
Mr Cassels
Mr J W Stevens

SPECIAL FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND THE
ROYAL SHAKESPEARE COMPANY

Thank you for your minute of 18 January which I have shown to the Lord Privy Seal. She does not have any points to make at present on the alternative approaches to the scrutiny which you have set out. She would, however, like to have a general word with Sir Robert Armstrong and Mr Cassels when she next sees them about the implications of Option 1 for MPO's workload. I will let you know if she has any comments in the light of that.

Mary Brown

MARY BROWN

20 January 1983

Arts & Amenities

Policy

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