

✓ cc R. H. H. 2.

It was the big four that were coming down the road I believe in 3 months this money on a solely

Prime Minister

PRIME MINISTER

Jacob Lavis

and I very much regret my part in

reversing the grant for 1982-83 for the big 4's deficits (but the to make it available.

The big 4, it seems, got only £1.75m of the £5m. This suggests that the Arts Council didn't need £5m for

Royal Opera still has problems in 1983-84

1. Thank you for your minute of 31 January about the arts grants. As you will recall, the £5 million made available to the Arts Council in 1982-83 was to remedy the political difficulties we foresaw in an inadequate financial provision for the Arts, and in particular for the four National Companies.

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and what the money was for the big four in need.

2. At our meeting you laid down that any additional money must be allocated in 1982-83 and that there must be no increase in public expenditure for 1983-84. As you know, under Government accounting rules payment cannot be made in advance of need. Within these constraints I believe that the £5 million has been sensibly used. Apart from the direct grants to the National Companies, they are benefitting additionally in 1983-84 because some of the supplementary money has been used this year to reduce claims by others for 1983-84.

??

£850,000

3. Of the four National Companies, the Royal Shakespeare Company received £850,000 of the supplementary grant. This went towards reducing the very large existing deficit built up during the year. Their basic grant in 1982-83 had been £3.275 million. In 1983-84 they will receive a basic grant of £3.975 million. Taken together with the £850,000, the total allocation has risen by some 47 per cent to £4.825 million.

£250,000

4. The English National Opera Company received £0.25 million. Lord Goodman has told me that he is delighted with the grant and we shall certainly have no complaints from them.

£200,000

5. The National Theatre received £.2 million of the extra. This has dealt with their deficit problem and they are delighted.

... / ...

6. The Royal Opera House received £450,000 of the supplementary grant. Their basic grant in 1982-83 had been £9.550 million. In 1983-84 their basic grant will be £10.445 million. Taken together with the £450,000, their total allocation has risen by some 14 per cent to a total of £10.895 million.

£450,000

Total £1.75m

7. The Royal Opera House problem arises because of a forecast - not an actual - deficit of £1.2 million in 1983-84 using their own financial assumptions. Their problems therefore are quite different from the Royal Shakespeare Company who had a large actual deficit. The Royal Opera House's actual deficit in 1982-83 has been met in full.

8. The Royal Opera House potential deficit is obviously very serious. William Rees-Mogg has now written to the Royal Opera House indicating that what he finds "most worrying is that the financial planning at the ROH does not seem to proceed on realistic assumptions." It is a matter of concern that an organisation in receipt of large amounts of public money should contemplate a potential deficit of £1.2 million if they do not receive a 25 per cent increase in their grant. This seems unreasonable at a time of public expenditure constraint.

9. As you know, I do not settle the detailed arts grants in this field. That is for the Arts Council. From the reactions that I have received from all the Arts organisations that I meet, however, the House of Commons and the Press, I believe that, in fact, this Government's standing in the Arts world throughout the country has never been higher.

10. Certainly some of the Directors of the ROH feel that they have been treated handsomely. John Sainsbury told me that he believes that the great majority of his colleagues feel that they could not have expected more generous treatment.

Mark
↑
then
do it!

This is misleading. There is not a sudden increase in Covent Garden's deficit. A progressive deterioration has been marked by

... / ...

i. using up reserves from previous years, which have now been exhausted;

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ii. an unusually low number of new productions

in 1982-83. I attach (in confidence) a copy of Sir Claus Moser's letter to the Chairman of the Arts Council on the arithmetic.

11. In addition to the problems of the National Companies, we have also resolved all the major regional problems which I referred to in the note I sent to Ian Gow on 13 December. In particular the collapse or serious financial insecurity of the Welsh National and Scottish Opera Companies and some of the leading regional theatres and orchestras would have caused very great political embarrassment.
12. With William Rees-Mogg and the new Secretary-General, I am determined that we obtain value for money and get the Arts bodies to make realistic plans for the future. You will recall, that, for the Royal Opera House and the Royal Shakespeare Company, we are to have special financial scrutinies, the details of which I hope to announce next week.
13. All the indications are that as a result of the Government's action in December we have resolved the immediate crises that would otherwise have faced us in the Arts.
14. I am sending a copy of this minute to the Chief Secretary.

P.C.

3 February 1983

Arts & Amenities ; Policy towards the
Arts March '80



huc

RW7

10 DOWNING STREET

ARTS AND
AMENITIES.

From the Private Secretary

7 February, 1983

The Prime Minister has seen your Minister's minute of 3 February about the arts grants.

The Prime Minister's conclusion is that the decision to make available £5 million to the Arts Council for 1982/83 was taken on a totally false basis. It was her understanding that the £5 million was required to extinguish the deficits of the big four national companies. But it now appears that the big four received only £1.75m. The Prime Minister has also commented that she is extremely sceptical about the suggestion that some of the Directors of the Royal Opera House feel that they have been treated handsomely: most of them, she considers have no such feeling.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office, HM Treasury) and to Richard Hatfield (Cabinet Office).

M. G. SCHOLAR

Miss Mary Giles,
Office of the Minister for the Arts,
Department of Education and Science

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ROH38

From Sir Claus Moser KCB Chairman

Royal Opera House

Covent Garden London WC2E 7QA
Telephone: 01-240 1200
Cables: Amidst London WC2

as from

New Court
St. Swithin's Lane
London EC4P 4DU
Telephone ~~8145264256~~ 01-280 5000

Sir William Rees-Mogg
Chairman
Arts Council of Great Britain
105 Piccadilly
LONDON W1

27th January 1983

Dear William,

As I said on the telephone, we are very grateful for the increased grant for 1982/83 and 1983/84, though it still leaves us with a large deficit. We shall try to reduce the deficit, but I see no prospect of eliminating it.

It is therefore unfortunate that the impression has been conveyed, and widely reported, that the deficits of the large companies have been wiped out by the increased grant. I hope we can correct this impression publicly, as well as in the minds of the Government and the Arts Council.

What has happened is this:

- (i) We informed you in November and December that our likely deficits were
£200,000 for 1982/83
£1,020,000 for 1983/84
and that we were not able to make further changes to reduce these.
- (ii) Our serious problem, the size of our deficit and the Manchester cancellation, became central elements in the public debate; and undoubtedly contributed to the Government decision to find extra money for the arts generally and for those in major deficits in particular.
- (iii) Indeed, when the Minister spoke to me on the day he made his statement in Parliament, I had the impression that the £5m. for 1982/83 was intended principally to clear the deficits of the large

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companies, including the Royal Opera House, although I recognise that no specific figure was promised to us at that stage;

(iv) It was evident that we were expected to go to Manchester, helped by the extra money. This we immediately decided to do, knowing that, even with a special grant of £200,000 from the Arts Council, we should have to find a further £225,000 extra (£175,000 as known to you plus £50,000 for five London performances we cannot now put on). In deciding to go to Manchester, we expected that our deficit would be largely covered by increased funding.

(v) In fact the arithmetic is now this, taking the two years together:-

We start with <u>deficits</u> of	£1,220,000 (above)
We add <u>Manchester</u> unfunded cost	£ 225,000
	<hr/>
	£1,445,000
	<hr/>

You have added to our grant

£450,000 (for 1982/83)
£265,000 (on next year's anticipated grant)
<hr/>
£715,000
<hr/>

Leaving us with at least £730,000 unbridged deficit.

(vi) These figures represent the most favourable position and do not take into account some recent doubts we have had concerning the sustainable level of private funding.

The unbridged deficit arises because we received less than half as much out of the £5m. than we had hoped for. I understand the pressures on the Arts Council, but we must now make clear that our deficit has not by any means been cleared. Otherwise we are put in an impossible situation publicly and with our own staff and unions.

I am sending a copy of this to Paul Channon

Yours sincerely

Claus Moser

Sir Claus Moser



*file 15
Arts & Amenities
C.O.*

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. 5 **183**

MINISTER FOR THE ARTS

We agreed the additional £5 million for the Arts Council this year in order that they could deal with the problems of the four big companies.

I now gather that the Arts Council have decided to spread the money widely among their clients, and that as a result the problems of the four big companies are not being properly dealt with, despite Press reports that they are. That seems to put all concerned - the Government, the Arts Council and the companies concerned - in a false and difficult position.

183 I should be grateful if you could let me have an urgent report on exactly what is happening, and what we can now do to sort things out. I am displeased to put it mildly - the money was given for a specific purpose only.

I am sending a copy of this minute to the Chief Secretary, Treasury.

*answered
by phone*

Margaret Thatcher

31 January 1983

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PERSONAL



*Pl. type attached
minute for PM*

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A083/0333

31st January 1983

Dear Robert,

*Robert
I agree - splendid.*

Thank you for your letter of 28th January.

I absolutely agree with your comment on the Priestley proposal. I have minuted Tim Flesher accordingly (copy attached).

I don't think that it is the Office of Arts and Libraries that has loused up the operation, but the Arts Council. They have not used the extra money just for the four big houses but have spread it around some forty of their clients, great and small. The result is that nobody is satisfied.

Do you think that the Prime Minister should send a minute on the lines of the attached?

*Yours ever
Robert*

F.E.R. Butler, Esq

PERSONAL

PERSONAL AND CONFIDENTIAL

DRAFT MINUTE FROM THE PRIME MINISTER

URGENT

MINISTER FOR THE ARTS

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^{put it rudely - the money was given for a}
4. I am sending a copy of this minute to the Chief Secretary, Treasury.

Precedence purpose only.