

PRIME MINISTER

MS 31/3

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LONG-TERM PUBLIC EXPENDITURE:
ARTS AND LIBRARIES

- ... I attach a note I have drafted, in consultation with the Chief Secretary, in response to your minute of 4 February about public expenditure in the long term.
2. There is one other matter which could be of special importance in reducing public expenditure on my programme, but goes much wider. This is the advantage of introducing an American-style provision for tax relief on single donations to the arts. The Chief Secretary rightly observes that such a provision would be hard to confine to the arts and would have some implications for the PSBR which would need to be taken into account. But I am convinced that by this means further large sums of private money could become available to the arts. There would be a difficult period of transition but, once this was over, I believe there could be further savings in direct public expenditure.
3. I am sending a copy of this minute, and the enclosed note, to the Chief Secretary.

P.C.

31st March 1983



PRIME MINISTER

LONG-TERM PUBLIC EXPENDITURE
ARTS AND LIBRARIES PROGRAMME

1. Your minute of 4 February invited each Minister with responsibility for public expenditure to review his programme for the longer term critically in consultation with Treasury Ministers and to report to you. This response concerns the arts and libraries programme.
2. My Central Government expenditure - 40% of the total OAL programme - consists mainly of three large blocks: the National Museums and Galleries, the Arts Council, and the British Library. This £230m generates a considerable spin-off in terms of tourism and employment. There is also local government expenditure - 60% of my total programme - on local libraries and museums.
3. I believe that we should aim for more private money and for more efficiency in all these fields. These should lead to savings in public money. But in general I do not think that it would be consistent with our policy of providing underpinning support for the arts to consider more radical steps, which would inevitably mean, for example, reducing the standards of excellence in our national institutions, like the British Museum, or cutting substantially the overall support for the Arts Council with the damaging implications this would have for the big national institutions - such as the National Theatre or the regional organisations like, say, the Halle Orchestra.
4. On efficiency, we have started scrutinies of the Royal Opera House and the Royal Shakespeare Company. Lessons from these scrutinies can be applied elsewhere. What we must do is to prevent organisations increasing their level of activity on the assumption that if they run deficits they will be bailed out. I believe too that the box office return must be maximised

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in all artistic organisations, recognising however that this cannot cover the whole cost.

5. On the provision of more private funds, I believe that the growth of business sponsorship is very important. First, there is scope for a significant increase in business sponsorship of the arts. The sums involved here have roughly doubled over the past four years, with the help of the efforts put in by my predecessor and myself, from about £4m to at least £8m a year. Changes in the management of the Arts Council, together with the gradual changes in attitude on the part of the arts bodies as a result of our persistent pressure, should make possible substantial further advances. I cannot name a firm figure, but it would be disappointing if a further significant increase in business sponsorship were not achieved by the next Government. It will not happen overnight, however. It will require a lot more effort both from the OAL and from other central bodies, which I hope will pay off handsomely within the next few years. Care will be needed in presentation. Sponsors and recipients are very sensitive to the fear that sponsorship is achieving nothing but a saving to public funds, and we shall have to play down this aspect while emphasising the positive benefits of sponsorship in bringing the arts and the business community in close touch with each other's needs.

6. There is also the prospect of introducing private financing into some areas which so far have been financed solely from public funds. The British Library should offer significant opportunities for this. New developments in technology, together with changes which are likely in the next two to three years, in the Library's organisation and pattern of services, should open up some interesting possibilities of investment by publishers and/or other "information providers", particularly in the provision of services to industry and commerce. I would hope over a period of time to be able to reduce the public expenditure costs of running the British Library by some 5%. At present it costs about £50m a year net.

7. As regards the local library and museum services, the pattern of public expenditure will presumably reflect local authorities'

priorities within the total amount of money the Government think appropriate for local government to spend. From time to time there are suggestions that charges should be introduced for local library services that have traditionally been free. I believe this would arouse resentment and opposition out of all proportion to the income achieved, and I do not see it as a practical proposition. It would require legislation. However, my officials have put in hand research on other ways of generating income in local libraries, and I have every hope it will produce useful results.

8. I believe, therefore, that over the lifetime of the next Parliament, by a combination of attracting private funds and by increased efficiency - coupled with a special effort in the case of the British Library - it might be possible ^{to make modest real cuts} in public expenditure on parts of the arts programme without damaging effects. There would be inescapable needs relating to the capital cost of building the new British Library from the mid 1980s onwards. But within my small programme I believe I could, over the next Parliament, cut the real level of the Arts Council grant by a small amount. This will be much easier if sponsorship grows. I could also make savings in the running cost of the British Library, plus whatever savings in local library and museum services follow from our general policies on local government expenditure.

9. I am copying this minute to the Chief Secretary and the Secretaries of State for Scotland and for Wales.

P.C.

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