



CABINET OFFICE

With the compliments of

L. B. UNWIN

70 Whitehall, London SW1A 2AS
Telephone 01 233

Mr Nagome

bc/ Mr Wiggins
Dr Walker

SECRET

P 02280

From: J B UNWIN

13 October 1986

LORD PRESIDENT

N BUN

STAR CHAMBER: ARTS AND LIBRARIES

As the position paper (MISC 130(86)2 sets out, Mr Luce is seeking additions of some £20, £29 and £35 million in the three years respectively. Part of this is for the new British Library project and sundry items such as museum building and maintenance; but there are claims of £6.6, £9.8 and £10.4 million for the Arts Council to maintain their present level of activity and to undo the taper agreed last year in post-abolition central funding.

2. The claim for the Arts Council conflicts strongly in spirit, if not precisely in letter, with your deal with Mr Luce last year. I attach copies of your exchange of correspondence with him. You will see that you sought an assurance that he would "not make a fresh additional bid next year on account of the impact on the Arts Council and its clients of the local government changes". He replied that "I shall do everything possible to make this settlement stick so as to avoid having to make a fresh additional bid next year on the score of the impact which abolition has had on the Arts Council and its clients."

HANDLING

3. I suggest you take the bids in the following order:

- British Library;

- grants in aid for arts and national museums and galleries (NMG);

SECRET

- museum building maintenance;
- other bids.

ISSUES

4. British Library. The estimated cost of Stage 1A has been revised from £157 million to £207 million. Following bilaterals officials were asked to review:

- (a) the scope for reducing and/or rephrasing the estimate of costs of Stages 1AA and 1AB;
- (b) the justification for Stage 1B and subsequent stages;
- (c) the management of the project.

Reviews (b) and (c) will be completed by the end of the year. (c) does not involve PES decisions. On (a) a number of options have been identified which require further work. An £0.4 million order for steelwork is about to be placed, but thereafter no further orders are needed for 1AB until January 1987. The Chief Secretary has proposed that the current order should go ahead and that options to confine Stage 1AB to the Science Reference and Information Service (SRIS - a large science reading room) or deferring fitting out of 1AA and 1AB be worked up. Both on (a) and on (b) the Chief Secretary argues that the bids can be withdrawn as re-examination may make them unnecessary. If Mr Luce agrees, he may seek a guarantee about access to the Reserve if decisions on the future of the project require provision over baseline. The Chief Secretary will resist. But if Mr Luce would settle otherwise, you may wish to see if a formula could be found.

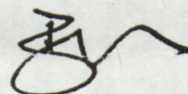
5. Grant in aid for the Arts and NMGs. As noted above, Mr Luce is seeking to abandon the taper agreed last year and to restore the squeeze from rising pay costs. He argues that more private funding can be secured if the Government gives generous support, particularly for recurrent costs. The Chief Secretary will point

SECRET

in reply to improved fiscal incentives and the Government's general record. Given the difficult overall situation, and the absence of any overwhelming public pressure on this issue this year, you may feel that Mr Luce should be held to his last year's undertaking.

6. Museum building and maintenance. The Chief Secretary will argue that provision for new works represents about a quarter of the museum work programme, providing ample scope for phasing to allow adequate repair and maintenance. This seems entirely reasonable in current circumstances.

7. Minor bids can be swept up in any final settlement.



J B UNWIN