

PRIME MINISTER

I attach a rather long background note by the Office of Arts and Libraries for your meeting tomorrow with Lord Gowrie to discuss Clive Priestley's report on the Royal Opera House and the Royal Shakespeare Company.

There are two main issues:

- (i) Priestley's recommendation that the level of funding for the ROH and the RSC, and for the English National Opera and the National Theatre, should be decided by Ministers and not by the Arts Council. Grant would be paid either direct or by "earmarking" a proportion of Arts Council funds. Sir William Rees-Mogg is bitterly opposed to direct grant, but would apparently be prepared (just) to live with an earmarked grant.
- (ii) Priestley's view that, whatever the grant mechanism, additional funding for the ROH and the RSC is required. Lord Gowrie is contemplating a bid for an extra £5 million in 1984/5.

Priestley's recommendations have not been taken into account in the current public expenditure round, in which Lord Gowrie has settled for an additional £6 million in 1984/5, £10 million in 1985/6, and £13 million in 1986/7. Any attempt by Lord Gowrie to reopen this by seeking a further increase for the ROH and the RSC is likely to meet considerable resistance from the Treasury.

DMB

3 November 1983



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

2 November 1983

Robin Butler Esq
10 Downing Street
London SW1

Dear Robin,

LORD GOWRIE'S MEETING WITH THE PRIME MINISTER,
10.30 AM, FRIDAY 4 NOVEMBER

As you know, Lord Gowrie is coming to see the Prime Minister to talk about the financial implications of Mr Priestley's scrutiny of the Royal Opera House and Royal Shakespeare Company. Lord Gowrie has asked me to send ... you the enclosed background note which the Prime Minister may find helpful in advance of the meeting.

Yours sincerely,

Mary Brown.

MRS M E BROWN
Private Secretary

PRIESTLEY REPORT:

BACKGROUND NOTE FOR THE PRIME MINISTER'S MEETING WITH LORD GOWRIE

Lord Gowrie has asked to come and see the Prime Minister, to seek her guidance about the political handling of the Priestley Report on The Financial Scrutiny of the Royal Opera House (ROH) and the Royal Shakespeare Company (RSC). This note is designed to provide a background brief to the matters which Lord Gowrie wishes to discuss with the Prime Minister but does not offer advice on the policy of the issues; Lord Gowrie would like to explain his thoughts on the policy when he sees her.

2. Clive Priestley's main report was submitted to the Minister and published at the end of September. The two detailed annexes on the two houses are still awaited, but the two houses know in some detail what they will contain, and there are not expected to be any surprises.

3. Clive Priestley has done an immensely thorough, professional and comprehensive job in a very short space of time. His findings and conclusions cover not just broad issues but also many matters of considerable detail; but his main conclusions are as follows:

1. The job which the two houses do - the functions they seek to fulfil and the way they set about fulfilling them - is worth doing and ought to go on being done.

2. The two managements are doing the job to high standards of artistic achievement and without significant extravagance or waste.

3. There is scope for improvements to be made in management, particularly at the ROH, and there is scope over time to make some small but worthwhile savings.

4. But both houses have been and continue to be underfunded for what they are expected and trying to do, and the gap is much bigger than can be met by improvements in management or detailed savings.

5. If it is willed that the ROH and the RSC should continue to provide the level and standard of activities they have been providing - and Clive Priestley makes it clear that his view is that they should - the accumulated debts of both houses should be cleared and the level of funding increased for future years by something of the order of 17 per cent.

6. A greater degree of stability for the future should be provided by means of a system of "targeted funding" which would give the two houses a solid basis for future planning.

CONFIDENTIAL

7. The two houses and the other two national companies (the National Theatre and English National Opera) should in future be funded either direct from the Office of Arts and Libraries (OAL), not via the Arts Council; or by means of a grant to the Arts Council which is earmarked for the national companies (in other words, the Minister for the Arts, not the Arts Council, should be responsible for deciding on the allocation of grant as between the national companies and the regions).

4. Lord Gowrie invited comments from the Arts Council and from the two houses, and has just received their replies. They disagree about the funding route - the RSC favours direct funding from the OAL, cutting out the Arts Council; the ROH favours a grant earmarked for the national companies but routed via the Arts Council; and the Arts Council are passionately against direct funding and not thrilled with (but prepared to settle for) earmarking. But all three agree with Clive Priestley that the two houses are both underfunded. Indeed, the Arts Council have publicly said that the ROH needs even more than Clive Priestley has recommended, and not surprisingly the Opera House endorse this. The Arts Council have also said that the funding crisis of the ROH and the RSC is not unique but reflects the degree of underfunding of their clients up and down the country.

5. Lord Gowrie judges that an additional grant of £5 million in 1984-85 would be sufficient to deal with Priestley's recommendations for the ROH and the RSC, and with the most pressing problems of other Arts Council clients: he feels that it would be very damaging to the Government to do what Priestley recommends for the ROH in particular and do absolutely nothing for English National Opera and the regional opera companies.

6. The arts lobbies and pressure groups are now mobilising for the defence of arts institutions that are thought to be under threat as a result of the decision to abolish the Greater London Council and the metropolitan county councils. Apart from the arguments on merit for implementing the Priestley recommendations on funding for the national companies, there would be political advantage in limiting the length of the front along which the Government is or will be under pressure.

7. The Priestley recommendations were not available in time to be taken into account in the current public expenditure round. Lord Gowrie put in an additional bid for £12 million in 1984-85, which included provision for the new British Library on which there was a commitment in the Election Manifesto; there was nothing in this bid for the Priestley recommendations. He has settled with the Chief Secretary for an addition of £6 million in 1984-85 (£10 million in 1985-86 and £13 million in 1986-87): again, there is nothing in these figures for the Priestley recommendations.

CONFIDENTIAL

8. Lord Gowrie would like to take the Prime Minister's mind on the idea of an additional £5 million in 1984-85 (and corresponding figures in later years) on account of the Priestley recommendations. If she agreed in principle that this sum should be found, he would also like to consult her on the mechanics and timing of an approach to the Treasury.

9. Though the figure is of great significance for the bodies concerned, it is relatively very small in a public expenditure programme measured in hundreds of billions of pounds. The issues are tactical and political rather than economic. Hence Lord Gowrie's desire to go over them with the Prime Minister.

2 November 1983

CONFIDENTIAL

ARTS AND AMENITIES: Policy:

March 83

COTTONWOOD