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CONFIDENTIAL



cc. PS/Chancellor, PS/CST  
Sir P Muddleton,  
Mr Anson, Mr Phillips  
Mr Monck, Mrs Lomax,  
Mrs Case, Mr Potter,  
Mr Farthing

Treasury Chambers. Parliament Street. SW1P 3AG

Rt Hon Richard Luce MP  
Minister for the Arts  
Office of Arts and Libraries  
Horse Guards Road  
LONDON  
SW1P 3AL

*RL*

4 August 1989

*Dear Minister,*

**COMMUNITY CHARGE: EFFECT ON ENGLISH NATIONAL OPERA AND ENGLISH NATIONAL BALLET**

Thank you for your letter to John Major of 17 July outlining your intention to write to the Chairmen of the English National Opera (ENO) and English National Ballet (ENB) giving an assurance you will take the extent of local authority funding into account in making allocations to the two bodies next year. I am replying as the duty Minister in Norman Lamont's absence.

Although I can, of course, understand the Chairmen's concern, we must continue to put pressure on Westminster and all the other London boroughs to face up to their local responsibilities to the ENO and ENB. I would be most reluctant for anything to be done that implied that our resolve toward achieving this objective had, in any way, weakened.

Nevertheless, I am prepared, on a confidential and wholly exceptional basis, for you to give an assurance that account will be taken of any loss of local authority monies in determining future funding. It would however be helpful for your letter to make it clear that it is the Arts Council - and not the OAL directly - that will be the source of any extra funding. I must also stress that this should be seen very much as a 'one-off' response to the specific circumstance of these two bodies: I do



not expect any similar assurance to be given to any others. This must not be allowed to set a precedent.

There are a number of other points that I should also make clear. First, my agreement does not signify that I am prepared to concede the Survey bid of £m 2.5/2.5/2.5 outlined in your letter of 6 June. Any obligations which flow from the letters, must be met from within the provision which has already been agreed for 1990-91. Second, any increased support should be no greater than the level of local authority grant which is lost - without any notional allowance for inflation. Our officials have been discussing how such support could be offered, if the need arose - and I am of the view that it should be given on a temporary basis, tapering off after, say, two years. This would ensure that the companies would continue to seek local authority - or other form of - support and, to the extent that they were unsuccessful in finding it - would give them time to adjust to their new financial situations.

Third, that the implications of the effects of the Insolvency Act upon the Arts Council and, indeed, upon the Government itself are taken into account and, in particular, that proper measures are taken to avoid the Council or your department finding itself in the position of a "shadow director". I understand that your officials are seeking legal advice on these points following discussions with mine.

I attach a revised version of the letter, which includes a few drafting changes to reflect the points I have set out above.

A copy of this letter goes to Chris Patten.

*Yours sincerely,*

*Richard Ryder*

**RICHARD RYDER**

*(Agreed by the Economic Secretary  
and signed in his absence)*

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**DRAFT LETTER TO:**

- (1) The Rt Hon The Earl of Harewood, KBE  
Chairman  
English National Opera
- (2) Sir Ian Hunter  
Chairman  
English National Ballet

When we met recently you again voiced your concern about the uncertainty facing the ENO and ENB directors over the effect of the local government financial changes on Westminster City Council next year.

As I told you then, I recognise that concern, and the need of the companies to enter into forward commitments for 1990/91 now or later this year which presume that you will have available the present support from Westminster adjusted for inflation. I cannot, of course, anticipate Westminster's decision on funding next year, and you must continue your efforts to secure assurances of support from them and from other London boroughs, and to increase your income in other ways as much as possible. But I can assure you, as I have already said, that I will ask the Arts Council to take the extent of the local authority funding of the company into account when they make their allocations next year.

I hope that this assurance will be sufficient to enable the ENO and ENB to continue planning, and where necessary enter contracts, for the new season.

**RICHARD LUCE**