

PRIME MINISTER

PES: ARTS AND LIBRARIES

You may like to be aware of the attached exchange of correspondence between Mr. Mellor and the Chief Secretary.

In his letter of 6 September, Mr. Mellor doubled the bids which he had inherited from Richard Luce. Although the letter dresses up the argument, it is an attempt to break-through longstanding arts funding problems at a stroke - by a sharp increase in PES provision.

First Mr. Mellor seeks provision to wipe out outstanding deficits of various arts bodies aided through Arts Council grant - even though his predecessor had been obliged to tolerate rising but financeable deficits over a period of time. Second he is seeking to accelerate progress on repairing the fabric of Museums and Galleries.

The Chief Secretary has sent a short and pointed response. His argument rests clearly on the Cabinet remit; it is not the right time for a "break-through" in arts funding. The Chief Secretary has, in effect, cancelled the first bilateral meeting.

Mr. Mellor's approach is quite different from that taken by Mr. Lilley (see separate note in Box) who is making a real effort to get down his spending bids.

It is customary for you not to get involved in the negotiations between Departments and the Chief Secretary at this stage. But, in view of the wider need to avoid Departments submitting higher bids (not least now they appreciate the deteriorating outlook on inflation) you may wish to write in support of the Chief Secretary.

Content to write in support of the Chief Secretary?

OR

Content not to intervene in correspondence?

BHP

*Chief Secretary is doing very well. I will leave it to him.*

(BARRY H. POTTER)

10 September 1990

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