



PM/83/49

PRIME MINISTER

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Do you want to make an exception

for :-

(a) the intelligence services :

(b) the BBC External Services :

(c) the British Council :

} May we have a word with them? Yes

A.F.C. 15/7

Public Expenditure

1. When we talked on Tuesday about the succession to Dick Troughton, we touched briefly on the position of the British Council in the light of the expenditure cuts which we agreed upon in Cabinet last week. It may be helpful if I set out in a little more detail the problems which I see here, and in relation to the intelligence agencies and the BBC External Services which also have certain special features.

2. To take the agencies first, it can be argued that they should take their share of what was deliberately conceived as an across the board cut. But the fact that total expenditure on the agencies is concealed means that we could decide to make an exception without any significant risk to the expenditure exercise as a whole. If you thought such an exception justified on its merits, I would be content.

3. In the case of the British Council and the BBC, we are dealing with organisations whom we know from experience to be adept at mobilising public and Parliamentary support. I would expect both to argue strongly against the cuts. But if exceptions are made, they will become public and this may serve to encourage other special pleaders.

4. In my view, we should take a firm line with the external services - not least because there are general grounds for anxiety about lax control of costs in the BBC. The External Services should be required to make cuts on the same basis as others affected, and we should see to it that these cuts are made in such a way as to do the minimum of damage in the national interest. The BBC, if past form is any guide, will

/propose





propose those cuts likely to provoke the largest possible outcry and will suggest that the Foreign Office are insisting on them in order to preserve their own patch. This is a nettle which must be grasped some time, and my own instinct would be to grasp it now. But I shall need the support of my colleagues and I hope that this will clearly be presented as a decision of the Government as a whole.

5. My inclination would be to recommend that we take the same line on the British Council. But we both recognise that this is an area where we would come under even stronger pressure than in the case of the BBC: there is here the special difficulty of the commitment which we made to Dick Troughton to maintain his programme in real terms until the end of 1984. No explicit reference was made to the possibility of having to reduce this in exceptional circumstances. Normally I would regard it as axiomatic that all Government spending commitments should be so understood. But we need to think carefully about whether we would be able to maintain that position in this case. If we felt obliged to exempt the British Council, I fear that it would not be possible for me to make up the short-fall from other votes for which I am responsible. This would follow the pattern originally set when the commitment was made.

6. I should be grateful for an indication of your views before I take this up more formally with Nigel Lawson.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

14 July, 1983