PM/79/99

PRIME MINISTER

Interdepartmental Review of the British Council

1. I attach a copy of the report of the Interdepartmental Review.

2. The Review Committee was unable to agree on recommendations to Ministers but listed options for Ministers to consider (paragraphs 15 - 22 of the report). Since a decision on the level of funding of the British Council must be reached before the White Paper on expenditure in the years after 1980/81 can be published, I would propose, subject to your agreement, to invite the Chancellor of the Exchequer, Lord President of the Council, Secretaries of State for Trade and Education and Science and the Minister for Overseas Development to meet me as soon as possible to consider the options with a view to making a recommendation either to you or to the Cabinet, whichever you would prefer.

C

(CARRINGTON)

Foreign and Commonwealth Office

7 December 1979

CC: Chancellor of the Exchequer, Lord President of the Council, Secretary of State for Trade, Secretary of State for Education and Science, Minister for Overseas Development.

7 DEC 1979

REPORT OF THE INTERDEPARTMENTAL REVIEW OF THE BRITISH COUNCIL

INTRODUCTION

1. The Interdepartmental Review was established by agreement between Ministers with the following terms of reference:

> 'to review the activities of the British Council with a view particularly to securing further net savings /ie in addition to those made in 1980/81/ by functional changes, and to make recommendations.'

The Review Committee consisted of representatives of the FCO (in the chair) and Overseas Development Administration, H M Treasury, Department of Education and Science, Department of Trade and Civil Service Department.

2. The period to be covered was the financial years 1981/82 to 1983/84. Reductions in the Council's expenditure for 1980/81 did not fall within the ambit of the Review, but they had obvious relevance to the Review's conclusions.

3. The Committee held a number of meetings between September and November. Since it was clear from the outset that the close cooperation of the British Council would be required, representatives of the Council participated by invitation in several of the discussions though not in those meetings which formulated conclusions. The Council's Staff Side also attended one meeting, and expressed their concern that cuts beyond those to be made in 1980/81 would cause a serious redundancy problem and have a disastrous effect on career structures.

STATUS OF THE BRITISH COUNCIL

4. The British Council is incorporated by Royal Charter. The key sentences in it are as follows:-

(i) From the preamble, its purpose is given as "promoting a wider knowledge of our United Kingdom.... and the English Language abroad and developing closer cultural relations between our United Kingdom.... and other

/countries

countries for the purpose of benefitting the British Commonwealth of Nations."

(ii) From paragraph 1(c), the Council is authorised to "accept, hold and dispose of money, including sums voted by Parliament to that end."

(iii) From paragraph 4, "all powers of the British Council shall be vested in a Board."

The disposal of the Council's resources is a matter for formal decision by its Board (on which FCO, ODA, the Departments of Education and Science, and Trade and the Welsh and Scottish Offices are represented: but officials are in a minority). In practice however there is close consultation between the FCO, ODA and the Council over allocation of the Council's funds. There is no obligation on Government to fund the Council at any particular level, but funds from non-governmental sources would not maintain the Council in anything like its present form.

Sources of Funds

5. The Council will spend over £100 million in the current year. The sources of finance are the FCO's information and overseas aid votes (the Permanent Under-Secretary FCO and the Permanent Secretary ODA respectively being the Accounting officers) and the Council's own earnings. The breakdown in the 1979/80 Estimates is as follows:-

	£ million at 1979 Prices	
"Mixed money"		
FCO Grant-in-Aid	26.2	
ODA Grant	14.5	
ODA Aid Administration	5.9	
Total of the three above (known as the core budget)		46.6
Agency money administered on behalf of:		
ODA	37.5	
International Organisations etc	5.5	43.0
General receipts		11.6
Total		101.2

6. The core budget of £46.6 million comprises mainly staff pay, and general costs of the whole range of Council activities at home and overseas. It is funded by grants from the FCO and ODA, known as the "mixed money", together with a separate ODA contribution to cover the additional administration costs of certain technical cooperation schemes which the Council manages on its behalf. The "mixed money" is apportioned between the sponsors on the basis of a formula which derives an overall weighted average from the proportion of aid work to information work in individual countries overseas. Agency money is handled by the Council on behalf of the ODA and various international organisations, for example, to pay stipends and allowances to students in this country. General receipts come mainly from the Direct Teaching of English and Paid Education Services. In the latter the Council acts as the paid agent of such bodies as the World Bank and foreign governments in organising and carrying out educational projects abroad.

TASKS

7. The Council listed, for the Review Committee, how it saw its main tasks, in both functional and geographical terms /Annex 1/. These were essentially the promotion of the English language abroad, the promotion of British books and educational material, the demonstration of British artistic and scientific achievement and the furthering of personal contacts and exchanges among those working in education and other professions. For this work to proceed efficiently and to promote British interests most effectively the Council considered that its overseas network should be maintained and that changes to it should be made only in response to foreign and aid policy considerations. The Council's establishment at 1 April 1979 was 4,466 staff. 2,250 of these were UK-appointed, of whom 520 were liable for service abroad with 360 actually serving overseas. The remaining 2,216 were locally engaged staff overseas.

8. In 1979/80 the British Council is represented in 83 countries abroad and maintains 25 regional offices in this country. The

/breakdown

breakdown of expenditure from the core budget, at 1979 prices, is as follows:-

		£ million
I	Poor less-developed countries	11.2
II	OPEC countries	4.9
III	Other less-developed countries	6.4
IV	Eastern European countries, Soviet Union and China	2.6
V	OECD countries	9.9
VI	Other countries	1.4
VII	General/Global expenses (including capital expenditure, fine arts, VAT, headquarters control departments, films, general exhibitions, printing and publications)	10.6
		46.6

9. It is difficult to determine the cost of any particular function or activity, partly because many members of the Council's staff, particularly overseas, are engaged in a number of different functions. The Committee considered that the Council's system of management accounting should be improved to enable the cost of particular functions, and their sources of funding, to be readily identified.

DEPARTMENTAL PRIORITIES

10. The priority tasks of the British Council as seen by FCO and ODA are listed in Annexes 2 and 3. The FCO considered that the British Council played a distinctive and important role in projecting Britain abroad, in furthering relationships with other countries and in expanding the use of the English language. It was the only body capable of conducting Britain's cultural relations, and its wide range of contacts with educational and professional organisations abroad were of great value. The FCO considered that the Council should retain the capability to carry out the main tasks summarised in paragraph 7 above; and that its main aim during a period of reduced funding should be to maintain its pattern of overseas representations as far as possible, while ensuring overall cost effectiveness. In the Council's administratio

/of

of aid for education and training the ODA give priority to the training of overseas students in Britain and to services relating to English language teaching, books and libraries, educational media and aspects of tertiary, vocational and technical education. For certain other aid financed functions at present carried out by the Council, the ODA propose to use other organisations and institutions (see Annex 3(i)b). Both FCO and ODA considered that it was important for the Council to maintain the capacity to respond reasonably quickly to changes in foreign and aid policy requirements. The Department of Trade valued the Council's work as regards the general climate for British exports it created, the direct help given to exporters of books and educational equipment and the indirect help given on occasion by identifying other export opportunities. The Department of Education and Science emphasised the value to them of the Council's contacts with a selected number of developed countries from which the UK could learn in the field of education.

11. The Treasury considered that the lowest priority should be given to educational and cultural work in developed Western countries particularly in Western Europe, Scandinavia and the English speaking world. The people of those countries had ready access to British culture, and their educational institutions already had strong and varied links with their British equivalents. There were also numerous privately organised facilities for teaching English to those in non-English speaking countries who wanted to learn it. The Treasury believed that it could reasonably be expected that private initiative would sustain the essentials of the activities in question if they were not funded by the taxpayer.

12. The Committee noted that FCO and ODA had a range of requirements of the Council, and that the Council itself had views of its own priorities which did not fully coincide with these. The Committee considered that, in view of this, and of the fact that the priorities of the FCO and ODA were liable to change, particularly in geographical terms, consultation between FCO, ODA and the Council should be strengthened and further formalised. The extract from the paper on machinery for liaison between the Council and FCO and ODA

/(Annex 4)

(Annex 4), which was enclosed with the Foreign Secretary's minute of 16 August to the Chancellor of the Exchequer, about arrangements for setting up the Review should form the basis for this closer consultation.

REVENUE EARNING

13. The Review Committee discussed with the Council the latter's revenue earning activities. The Review Committee concluded that while these were a useful supplement to the Council's regular activities they could not be expected to finance a significant proportion of Council activity or to reduce the need for government funds. These activities in general required a considerable injection of initial capital and in many countries even the most promising prospect, the teaching of English, could never be profit-making or self-financing. Government regulations and market conditions in many countries prevent the Council from charging economic fees or repatriating the proceeds. The Review Committee nevertheless considered that the Council should be encouraged to maximise its revenue from existing services.

REDUCTIONS ALREADY DETERMINED BY THE GOVERNMENT

14. Ministers have decided that the FCO contribution to the British Council's core budget should be reduced in 1980/81 and each subsequent year by £3 million at 1979 prices. In addition, mainly because of cuts in the Aid Programme, the ODA have also decided to make a reduction of £2.2 million in their contribution to the Council's core budget. This reflects the lower levels of aid activity in the areas in which the Council operates. This reduces the core budget from £46.6 million to £41.4 million. As a result of these reductions the Council will have to abolish in 1980/81 a total of 368 UK-appointed posts (32 of them overseas) and about 180 locally-engaged staff abroad. Almost all cuts in UK-appointed staff will be found from unfilled posts and natural wastage. The reductions involve the closure of some offices abroad and three regional offices in the United Kingdom. Otherwise the effect will be to maintain the general spread of Council activities, but at a much reduced level.

/OPTIONS

OPTIONS FOR REDUCTIONS

15. The Committee considered the following options:

A. Maintaining 1980-81 levels

16. Although the Review Committee was instructed to 'secure further net savings by functional changes' Ministers may consider that the Council should not be asked to accept reductions beyond those made for 1980-81, when it will already have taken an 11% cut in its core budget, at constant prices, compared with 1979/80. The Board of the British Council have made clear their grave concern at any reduction below the 1980/81 level.

17. The costing of the options in paragraphs 18 and 19 below is in gross terms. In other words the savings to be secured from these options would initially be diminished because of redundancy payments (see paragraphs 25 and 26 below).

B. £37½ Million Option

18. Council officials have prepared at the request of the Review Committee a paper (Annex 5) showing a possible pattern of further reductions to bring the Council budget down to a level of about £37½ million. This would involve the Council's complete withdrawal from a further four countries in addition to the three closures in 1980/81, and major reductions, which would in most cases necessitate closures of regional directorates, in a further eight countries. The Council's present functions would continue but at a much reduced level, and fourteen regional offices out of 22 remaining in the United Kingdom would be closed.

C. £33½ Million Option

19. The Committee considered that their remit required them to present at least three broad options for consideration by Ministers. This third option was discussed briefly with the Council, but was not costed or otherwise examined in detail by them. The rationale of this option is that, taking the Council's own figures for the £37½ million option, some £7.8 million would still be spent on operations in 'OECD countries' (broadly Western Europe, the English-speaking countries and Japan). The £33½ million option

/implies

implies that this expenditure would be reduced by some 50%, or say £4 million, by reducing the scale of the Council's operations in these countries generally (other than Japan).

20. The approach in paragraph 19 envisages across-the-board reductions in activity in developed countries, except perhaps Japan. As a variant such reductions could be concentrated on particular countries or activities; the Council have costed certain specific suggestions. First, a cessation of support for the Arts abroad, except in Eastern Europe, the Soviet Union and China, would save about £2 million. This would entail an end to officially sponsored cultural events, which are an important element of the projection of British achievements abroad. The Committee attached importance to support for the Arts in the developing world and Communist countries, but gave a lower priority to such work in Western Europe, and the developed English-speaking world. Second, complete withdrawal from the developed English-speaking world would save £0.8 million. One argument for such a withdrawal would be that support for the English language is unnecessary in those countries. The withdrawal would, inevitably, reduce the educational and academic interchange between the UK and four of its closest allies (the United States, Canada, Australia and New Zealand).

Other Possibilities

21. Withdrawal from ten more countries. The Council also costed the savings that would result from substantial reductions in activity or withdrawal from ten countries beyond those implied in option B. These savings would amount to some £1.5 million. Some closures would be in developed and some in developing countries. An example of this might be:

Complete withdrawal from:

Finland	Tunisia
New Zealand	Philippines

and the closure of regional directorates in:

Greece	Iran
Yugoslavia	Nigeria
India	Malaysia

/22.

22. Closure of five more UK offices. If all the Council's regional offices in the UK save those in Belfast, Cardiff and Edinburgh were to be closed, this would result in a further saving of £0.6 million. In the ODA's view cuts at this level would greatly diminish the Council's effectiveness in carrying out its priority task of placing and administering students. Most of the £0.6 million comes from the Aid Programme and ODA would prefer to consider this option in the light of future aid policy on overseas students from developing countries.

23. The effect of these options on Departmental contributions to, and the totals of, the British Council's core budget in gross terms would be:

	£ million at 1979 prices			Percentage reductions (Column 3)	
	1 FCO	2 ODA	3 TOTAL	1979-80 base	1980/81 base
1979-80	26.2	20.4	46.6		
1980-81 cuts	- 3.0	- 2.2	- 5.0	11.2	-
	23.2	18.2	41.4		
£37½ million option	- 2.2	- 1.7	- 3.9	19.5	9.4
	21.0	16.5	37.5		
£33½ million option	- 4.0	-	- 4.0	28.1	19.1
	17.0	16.5	33.5		
Further possibilities:					
Further 10 post closures	- 0.8	- 0.57	- 1.5		
Further 5 UK office closures	- 0.2	- 0.4	- 0.6		

The savings would be reduced by redundancy payments (see paragraphs 25 and 26).

IMPLICATIONS OF THE OPTIONS

A. Redundancies

/24.

24. As indicated in paragraph 14 above, the 1980/81 level of expenditure is expected to involve only minimal redundancies, since the sum of UK-appointed posts which are already vacant together with wastage is expected to exceed by a figure of some 90 posts the reductions actually required. Involuntary redundancies of less than fourteen are expected in only a few middle-ranking grades where sufficient savings are not available.

25. The £37½ million option would be likely to involve the abolition of a further 152 UK-appointed posts, and 250 locally-engaged posts. The Council estimate that this could involve redundancy payments of about £1.5 million if implemented in one year or £0.3 million a year over the three years 1981/82 to 1983/84. In addition there would be continuing compensation payments to be met from the Council's budget outside the superannuation scheme of up to £0.2 million a year.

26. The Council estimate that reduction to the £33½ million option would cost approximately £4 million in redundancy payments if implemented in one year. The annual cost over three years to 1983/84 might therefore be at most £1.3 million. There would also be continuing compensation payments, again outside the superannuation scheme, of unknown amounts.

27. As to the operational effects of the £33½ million option on the staff structure and prospects of Council personnel, the Council have expressed very serious concern about the scale of such a permanent reduction in staff numbers, with a resultant disruption in recruitment, promotion, morale and viability of the organisation. It is relevant that Council staff have no right of transfer to the Civil Service. While the Council may have exaggerated the effects of the various options, the Committee accepted that there would inevitably be transitional problems in adjusting to a much lower level of activity.

B. Aid Programme Implications

28. Almost half (£20 million in 1979/80) of the Government's direct financial support for the Council has come from the Aid

/Programme

Programme and in all the options Aid Programme finance will continue to be needed on a substantial scale, ie at least some £16 million a year. However, the precise level of aid finance in future years will need to be determined in the light of aid policy, the funds available and the scope for further reductions in British Council activities.

REVIEW OF THE COUNCIL'S ADMINISTRATION

29. The Committee were agreed that a review of the Council's administration should be undertaken in conjunction with FCO and ODA. The purpose would be to examine the organisation and the system of manpower control; and, for the reasons set out in paragraph 9 above, financial control and monitoring. The review should include some test inspections both at home and abroad. The review team should be led by a member of the Staff Inspection and Evaluation Division of the Civil Service Department and should include a suitably qualified accounting adviser. For inspections abroad the assistance of the Diplomatic Service Inspectorate should be sought.

CONCLUSIONS

30. Paragraphs 16 yo 23 list the range of options considered by the Committee. The Committee could not arrive at an agreed view of which option or options to propose to Ministers.

31. It therefore agreed to recommend that the Foreign and Commonwealth Secretary circulate this report to his colleagues proposing that it should form the basis for early Ministerial discussion.

32. The Committee recommended that a review of the Council's organisation should be carried out on the lines set out in paragraph 29

Lord Nicholas Gordon Lennox
Chairman

ANNEX 1

EXTRACT FROM BRITISH COUNCIL PAPER IDENTIFYING ITS MAIN TASKS

Functional

(i) the promotion of the English language abroad;

(ii) facilitating to mutual benefit the transfer of knowledge and skills between the peoples of Britain and other countries over the range of educational and professional disciplines considered most appropriate to those countries;

(iii) the promotion of British books and other resource materials;

(iv) contributing to British standing overseas by ensuring access to and demonstrating British achievements in the arts, letters, education, sciences and technology;

(v) fostering of personal contacts in all these areas to match British resources to need in support of educational aid, cultural exchange and commercial initiatives.

Geographical

(i) that the overseas network should be maintained and that changes in it should be considered in response to long-term foreign policy considerations only;

(ii) that there should be full regular consultations between FCO, ODA and the British Council on priorities as between the major categories, eg

major allies and trading partners
key suppliers of raw materials
potential adversaries

emerging markets and emerging powers of political influence

major aid countries

other

and as between countries in these categories.

ANNEX 2

ROLE AND FUNCTIONS OF THE BRITISH COUNCIL - FOREIGN AND COMMONWEALTH OFFICE PRIORITIES

ROLE

The British Council is the agent for the cultural, educational (including scientific and technological) and English language aspects of British Foreign Policy.

FUNCTIONS

1. Administration and Review of Cultural Agreements.
2. (Based on 1) the Administration of cultural educational and scientific exchanges, visits etc with countries with whom privately arranged exchanges are all but impossible.
3. Administration in Britain of Multinational award schemes eg UN and its Specialised Agencies, Commission of the European Development Fund (Lome), OECD and Council of Europe.
4. English language teaching, providing broad political and commercial advantages.
5. In depth contact with education ministries and institutions overseas.
6. Country financed training schemes and paid educational services, foreign government scholarships (part of British Council's Scholarships Department).
7. Specialised overseas trade promotion work (especially books).
8. Visitors (sponsored, official or private).
9. Support for British cultural artistic events abroad, less priority being given to support for activities in Western Europe and the developed English speaking world.
10. Advice to potential students on educational possibilities in the United Kingdom.

11. Advice to Heads of Mission on educational and cultural matters.

The above are not in order of importance as priorities among functions necessarily vary from country to country.

ANNEX 3

ROLE AND FUNCTIONS OF THE BRITISH COUNCIL: ODA PRIORITIES

The British Council, on behalf of and under the policy control of Ministers, administers those aspects of aid for education and training which may be entrusted to it as HMG's agent in respect of specified countries. In that context the ODA give priority to the following functions:

i. Council in UK

a. Placement and general care of overseas students financed under the ODA's training programmes;

b. Providing advice, information and acting as a resource centre in following specialisms:-

English Language Teaching,

Books and Libraries,

Education Media,

Technical and Vocational education) (at present shared
Tertiary education,) with Inter University Council and the Technical Education and Training Organisation for Overseas Countries)

ODA will not look to the Council for specialist services in other fields:

general education,

curriculum development, including maths and science education,

non-formal education,

education planning and administration,

parts of education media work,

medicine,

agriculture,

veterinary science.

c. Recruitment of teachers in the above specialisms.

ii. Council Overseas: In major recipients of education aid only; the Council

a. help draw up and manage Training programmes and various other functional schemes such as Key English language Teaching and Books Presentations;

b. provide advice to Posts and ODA on management of UK aid to education;

c. provide back up to ODA supported staff in the education sector;

d. identify possible future aid in education field.

The above are not in order of importance as priorities necessarily vary from country to country.

The choice of countries in which Council representations should be maintained reflects the relative size and importance of ODA's education and training inputs; and these relate to historical, political and developmental factors determining the priority attached to British aid for individual countries.

ANNEX 4

MACHINERY FOR LIAISON BETWEEN THE BRITISH COUNCIL AND ITS SPONSORS, FCO AND ODA

1. There will need to be regular consultations between the British Council, FCO and ODA about the practical arrangements for fulfilling the Council's role and the provision of Government finance.

2. An important part of the procedure should be a planning meeting at senior level between the British Council, FCO and ODA, probably in May or June each year, ie in good time to allow the plans to be taken appropriately into account in the preparation of the British Council budget. The aim of this meeting would be to give guidance on the scale and the distribution of British Council activities in the light of the policy priorities of its sponsors. The FCO representative would be in the Chair.

ANNEX 5

THE CONSEQUENCES OF REDUCING BRITISH COUNCIL NET PROVISION TO £37½ MILLION (1979 SURVEY PRICES)

1. The following paragraphs outline ways in which the Council's mixed money and aid administration budget might be reduced to £37½ million from £46.6 million. The figures in brackets in the right-hand column show the cuts included in the 1980/1 Estimates.

Functional changes	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
2. Promotion of the English Language	394	(-)

The Council will limit its activites to support for

- the key English Language Teaching programme
- direct teaching operations which have either already achieved self-sufficiency or which merit a subsidy for political reasons (ie some of the newer ventures which will require 2-3 years to show a profit will have to go now)
- host government supported English language teacher training programmes in priority countries
- English language work associated with paid educational services

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
As a consequence, direct teaching operations will be closed in Costa Rica, Maracaibo (Venezuela), Morocco and one of the centres in Germany. In addition a number of English language specialist posts overseas will be suppressed.		
3. Libraries and Books Work	876	(814)

The Council will restrict lending library services to those countries where they form an effective means of providing information to key sectors of the public. Elsewhere services will be restricted to reference services in support of other Council activities; promoting the use and sale of British books; and helping the development of public sector library services in the developing world.

As a consequence, 7 libraries in Northern Europe will be reduced to a reference function only. Elsewhere overseas 9 libraries will be closed and a number of London-appointed librarian posts will be suppressed. Allocations for purchase of books and periodicals will be reduced by 40%.

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
4. Arts		
The Council will limit its role in the arts to that of promoting British achievements overseas in countries of major commercial or political importance to Britain, on a basis of minimum financial support. Geographically this change will mean that Council arts work will in the main be restricted to the countries of the Soviet Bloc, China and the OECD. The Council considers it vital to sustain activity in Western Europe where commercial interests are strong and where analogue countries rate the arts highly in national life and in cultural relations; where receptivity is high, logistical problems low, and where the Council's own contributions to arts manifestations frequently secure overseas financial backing five times as great (or more) and are therefore extremely cost-effective. Co-operation with the third world, including developing Commonwealth countries, will be heavily reduced.	308	(308)
5. Education and Sciences	264	(264)
The Council will have to restrict its role of ensuring that British achievements in education, science and technology are known to those people whose knowledge of		

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000

them is most likely to benefit Britain and their own country. It will continue to provide professional support for the Council's role in paid educational services.

As a consequence

- there will be a general cutback in exchanges, eg the Younger Research Workers Interchange Scheme, the Academic Interchange with Europe and the Commonwealth University Interchange Schemes will cease
- publications such as the British Medical Bulletin and British Medicine will also cease to receive a subsidy from the Council. The BMB, as a highly valued journal, must be hived off to a commercial publisher
- the advisory function provided by Headquarters to ensure the successful placing of technical cooperation trainees will be cut to match an assumed substantial reduction in the Technical Cooperation Training Programme.

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
6. Geographical effects	3,709	(2,506)

The functional reduction already detailed will reduce some operations so far that ther is little point in sustaining them as operations deprived of worthwhile resources. In consequence of this, of the views of our sponsors on relative priorities, and of the need to achieve further savings, the Council will withdraw from the following 7 countries:

Austria
Costa Rica (1980/81)
Ethiopia
Malta (1980/81)
Mauritius (1980/81)
Morocco
Zaire

In addition the Council will make major reductions, which will in most cases necessitate the closure of regional directorates in the following 9 countries:

Brazil
Germany
Ghana
Guinea-Bissau
India
Kenya
Nigeria
Pakistan
Venezuela

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000

Beyond this it will be necessary to effect further savings by reducing London appointed and locally-engaged staff establishments, and by decreasing functional activity across the board in the following countries:

Algeria	Iran	Portugal
Argentina	Iraq	Qatar
Australia	Israel	Saudi Arabia
Bahrain	Italy	Senegal
Bangladesh	Japan	Sierra Leone
Belgium	Jordan	Singapore
Brazil	Kenya	Spain
Cameroon	Korea	Sri Lanka
Canada	Kuwait	Sudan
Chile	Lebanon	Sweden
Colombia	Lesotho	Syria
Cyprus	Malawi	Tanzania
Denmark	Malaysia	Thailand
E Jerusalem	Mexico	Tunisia
Egypt	Nepal	Turkey
Finland	Netherlands	United Arab Emirates
France	Norway	USA
Germany	Oman	Venezuela
Greece	Pakistan	Yemen
India	Peru	Zambia
Indonesia	Philippines	

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
7. Reductions in Britain	2,109	(1,599)

Functional and geographical cuts already detailed include elements of support services provided at Headquarters. Further reductions at Headquarters and in Britain will be made as follows:

- cuts in specialist tours (16%)
- cuts in Council scholarships which could amount to a 57% reduction in volume (if risen costs are not provided in 1980/81 to cover the recently accounced increase in overseas students' fees)
- closure of London Overseas Students' Centre
- withdrawal of Council support from Commonwealth Youth Exchange
- reductions in Educational Contracts Department
- suppression of posts in administrative and operational departments
- cuts in staff training and other running costs
- a reduction in the UK area network from 25 to 8 offices.

	Total Savings (1979 prices) £'000	Savings of which in 80/1 (1979 prices) £'000
8. Aid Administration	909	(578)

Further savings will be made in the use of Aid Administration funds resulting in reductions affecting Technical Co-operation Training Dept; Books Division, Media Resources Department, Education Medicine and Science Division, and Overseas Students Services Dept.

9. Capital Savings	529	(529)

A general reduction in the level of the Capital Programme. No provision remains for initial investment costs of new Direct Teaching of English operations.

10. Summary of Savings

	£m
Mixed money and Aid Administration provision for 1979/80	46.6
less saving identified above	9.1
	37.5

MAJOR CLOSURES AND WITHDRAWALS IN ADDITION TO THOSE IN 1980/81

Closure of Representations

Austria

Ethiopia

Morocco

Zaire

Major reductions, in most cases necessitating the closure of regional directorates, in:

Brazil	Kenya
Germany	Nigeria
Ghana	Pakistan
India	

Closure of lending Libraries in:

Belgium	Finland
Denmark	Netherlands

Closure of a further 14 area offices in Britain

VB

COVERING SECRET

B/F 14.12.79.

MR. VILE
CABINET OFFICE

We spoke a moment ago about two minutes which had not been copied to you but on which we agreed the Cabinet Office might wish to comment. The minutes deal with:

(a) the strategic foods stockpile; and
(b) the interdepartmental review of the British Council.

I enclose copies of both minutes.

M O'D B A

7 December 1979

cc Defence – Strat. Food Stockpile

For. Pol

Treasury Chambers, Parliament Street, SW1P 3AG

NBPM

Rt Hon Lord Carrington PC KCMG MC
Secretary of State
Foreign & Commonwealth Office
Downing Street
LONDON
SW1A 2AL

12 September 1979

Dear Peter,

INTERDEPARTMENTAL REVIEW OF THE BRITISH COUNCIL

Thank you for your letter of 6 September.

I am content that the review should proceed on the lines you now propose, and I agree that the work should be started without further delay. Your end-November deadline will barely give time for our collective decisions to be reflected in the public expenditure White Paper to be published at the end of this year; and I very much hope that the review can be completed before then.

I am sending copies of this letter to the Prime Minister and the Lord President.

John Biffen

JOHN BIFFEN

13 SEP 1979

For Policy

cc PS Trg
L. Pres
Trade
DES
ODM.

FE

10 DOWNING STREET

From the Private Secretary

17 December 1979

Dear Paul

Interdepartmental Review of the British Council

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 7 December on this subject and the enclosed report.

The Prime Minister agrees that the Foreign and Commonwealth Secretary should invite the Ministers mentioned in his minute to discuss the options listed in the report. The Prime Minister would prefer it if the Foreign and Commonwealth Secretary could report to her, hopefully with agreed recommendations, rather than to Cabinet.

Yours ever

Michael Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Prime Minister
Agree Lord Carrington's proposals.
Yes MT.

Ref. A0968

MR. ~~ALEXANDER~~

Interdepartmental Review of the British Council

The Foreign and Commonwealth Secretary has submitted to the Prime Minister the report of the interdepartmental review by officials of the British Council, set up to seek further net expenditure savings in the years 1981-82 to 1983-84. The Committee identified a range of options but was unable to agree on which of them might be commended to Ministers. The Foreign Secretary therefore proposes to discuss the report with those of his colleagues who are most closely concerned. This seems the right next step. As to whether Lord Carrington should report to the Prime Minister or to Cabinet, although the British Council attracts considerable interest in political circles, the expenditure involved (less than £10 million) does not seem to justify Cabinet consideration. If the Prime Minister agrees, therefore, the Foreign and Commonwealth Secretary might be invited to report, hopefully with agreed recommendations, in the first instance to the Prime Minister.

MV.

(M.J. Vile)

14th December, 1979

14 DEC 1979