



Foreign and Commonwealth Office

London SW1A 2AH

8 February 1980

Ronnie Minister

(2)

Dear Michael,

Handwritten initials and date 8/2

INTERDEPARTMENTAL REVIEW OF THE BRITISH COUNCIL

In your letter of 17 December to Paul Lever you expressed the Prime Minister's hope that the Foreign and Commonwealth Secretary could report to her agreed recommendations on the action to be taken following the Interdepartmental Review.

The Ministers concerned met on 28 January and agreed that the level of funding of the British Council from the FCO and ODA grants and Aid Administration monies should be reduced by £3.9m pa to £37.5m pa, a reduction of about 10%. In subsequent correspondence between the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, it was further agreed that the reductions should be phased over the three years 1981/2 to 1983/4, thus avoiding large-scale redundancies, in the following way:

(This is fact is the phasing proposed by the Chancellor. Minis.)

<u>1981/2</u>	<u>1982/3</u>	<u>1983/4</u>
£1.6m	£1.3m	£1.0m

The Interdepartmental Review recommended that a further review be undertaken by the Civil Service Dept into the Council's administration and financial and management control. Sir Charles Troughton, the Chairman of the Council's Board, countered by proposing a review by a distinguished outsider with practical business experience assisted by experts from a commercial company. Ministers preferred Sir Charles' option provided that the CSD was associated with the review. The Foreign and Commonwealth Secretary proposes to take an early opportunity to inform Sir Charles of this decision. Sir Charles will wish to delay the implementation of the review until the new Director-General has taken over at the end of April, and there will accordingly be no announcement about it until then.

I am copying this letter to the Private Secretary to the Chancellor of the Exchequer and to David Wright in the Cabinet Office.

Handwritten signature of G G H Walden

(G G H Walden)

M O'D B Alexander Esq
10 Downing Street

EB FEB 1960

11 12 1
10 11 2
9 10 3
8 9 4
7 6 5



RECEIVED
FEB 1960

For Recd.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

February, 1980

Dear Foreign and Commonwealth Secretary,

NRPA

Am - 4/2

BRITISH COUNCIL

We agreed at our meeting on 29th January to adopt Option B in the report by officials on their review of the British Council's activities - namely that the Government's grants to the Council's core budget should be reduced by £3.9 million (in addition to the reduction by £3 million in 1980-81 and subsequent years which had previously been agreed).

Our meeting, however, left to be resolved subsequently the timing of implementation of this further reduction. As I said at the meeting, I should naturally wish to see it implemented as quickly as possible; but I understand your view to be that the impact on redundancy would make implementation in one year unacceptable, and you propose instead that it should be spread over 3 years. My officials have reported to me the discussions they have had with yours about these questions; and in the light of this I should be prepared to agree to the reduction being phased in in three stages, on two conditions:-

a. that the staging should be loaded towards the front end of the period, so that the move to the full £3.9 million would be achieved by successive reductions of:-

<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>
-1.6	-1.3	-1.0

b. that, as I am assured is your intention, the Council will be required to absorb themselves any costs of redundancy which may arise.

I hope that you will be able to agree to this.

I should also record that, given that this review was initiated in the context of our efforts to secure reductions in public expenditure, and its terms of reference were directed

The Rt. Hon. The Lord Carrington, KCMG., MC.



to securing further net savings, I have taken it as axiomatic that the £3.9 million involved in Option B will produce a corresponding reduction in total public expenditure. I understand, however, that it has been suggested that the component of the £3.9 million which is attributable to the ODA's contribution to the Council's budget should be available to be spent elsewhere via the aid programme, rather than go to reducing public expenditure. I should find this difficult to accept, and would be glad to have your confirmation that you share my understanding of the meaning of adoption of Option B.

We need, of course, to settle these matters very quickly, since the resulting figures must be incorporated in the aggregates of the public expenditure white paper which is due to go to press within the next few days.

I am copying this letter to the Prime Minister and to John Nott, Mark Carlisle and Paul Channon.

Mark Hall

P.P. GEOFFREY HOWE

[Approved by the Chancellor of the
Exchequer and signed in his absence]

- 4 FEB 1960

9 0 11 12 3
8 7 6 5 4

cc HMT
cc For PSI. HS

11 February 1980

The Prime Minister has seen your letter of 8 February to Michael Alexander about the inter-departmental review of the British Council.

She has noted the present position, and is content with the handling which the Foreign and Commonwealth Secretary has in mind.

I am sending a copy of this letter to John Wiggins (H.M. Treasury) and David Wright (Cabinet Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

R