

CONFIDENTIAL

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Foreign Policy

13 March 1980

When the Chancellor called on the Prime Minister this morning, he raised the question of expenditure on the British Council (your letter of 11 March and enclosures referred).

The Prime Minister said that she would be happy for the Chancellor to press the Foreign and Commonwealth Secretary to accept that the British Council should not be exempt from its share of public expenditure cuts, but she did not wish to get involved herself at this stage.

The Prime Minister has asked me to let you have a copy of Sir Derek Rayner's report on the merger of the FCO and ODA. I enclose a copy. The issues in this report are, of course, primarily for CSD, but the Prime Minister nonetheless thought that the Chancellor would find it helpful.

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