



Foreign and Commonwealth Office

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31 March 1980

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The British Council: Expenditure Reductions

Thank you for your letter of 14 February. I hope you had a useful tour and a well earned holiday in North Africa.

As you know, the reduction of £3.9 million in the Government grants to the Council was determined after detailed consideration by the Interdepartmental Review. The decision was made jointly by all those Ministers whose Departments are concerned with the Council's work, and was approved personally by the Prime Minister. You can be sure that the Council's position received very careful consideration.

We await a final decision on the Council's position under the 2½% cash limit to be applied to the public service in 1980/81. We must also await decisions on the ODA's contribution for Aid Administration from 1981/82 - 1983/84. The latter must depend upon the amount of Agency work undertaken by the Council for ODA. It is for that reason that the Aid Administration contribution has always been negotiated annually. ODA would have trouble with its own auditors if they were to pay the Council for the Administration of work which it is not doing. Just how much Agency work the Council will be asked to undertake for ODA in the future will depend upon how the reduced Aid Programme is to be used.

/The fact

Sir Charles Troughton CBE MC TD





The fact is that we are a prisoner of our financial circumstances. In a different financial climate I would be in favour of expanding the Council's work and our overseas presence generally. But as things are, I am convinced that the present level of funding, even with the doubts which still remain over the question of cash limits and the future pattern of the Aid Programme, is the best that can be achieved.

I fully understand your view, and that of the Board, that the reductions in your grants will inevitably involve difficult decisions. It may well be that the Council will need to withdraw from a number of countries or abandon one of its traditional functions altogether. I fully understand the Board's feelings about the reductions but in the final event it must be for the Government to determine how much it can afford to spend and to take the hard decisions as to where the necessary savings must be found.

Our officials have already begun discussions about how to implement the reductions in such a way as to minimise the damage to the Council, while taking account of FCO and ODA priorities. I am convinced that, however difficult it may be to accept, that is the best way forward.

(CARRINGTON)