



FCS/80/68

CHANCELLOR OF THE EXCHEQUERThe British Council

1. I have seen your minute of 20 March to the Prime Minister and you will have seen my reply to Paul Channon of 27 March accepting his proposals with regard to the FCO and the Passport Office. I said that I would minute separately about the British Council.
2. I am sorry that you do not feel able to treat the British Council as a special case in exempting it from the 2 $\frac{1}{2}$ % cash limits. I have set out in previous correspondence the difficulties in which the British Council finds itself as a result of successive decisions on its funding over the years 1980-84. By the end of the financial year 1983/84 the Council's core budget will have been cut by some 19.5%. The Council estimate that these cuts will oblige them to reduce their staff complement from 4466 on 1 January 1980 to 3450 by 1984. I do not know of any public department that is already expected to reduce its staff complement by 22 $\frac{1}{2}$ % by 1984.
3. I have also warned that we would be likely to find ourselves in political difficulty if we were not able to make some kind of alleviating gesture. There is now clear evidence that the Council intend to mount a sharp campaign against us. They have a powerful lobby, including the whole of the intellectual establishment and the publishers on their side. The effective support which they can mobilise was demonstrated at the time of the CPRS Review. We shall probably now be faced with the resignation of the British Council Board and with a first class row in Parliament and in the country.

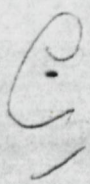
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4. This would be all right if we could win through. But I am not at all sure that we shall be able to. We must be able to demonstrate to Parliament and to the country that the Council has not been the victim of reductions quite out of line with those imposed on the rest of the public sector. Under the present proposals we certainly could not now do this.

5. Remission from the $2\frac{1}{2}\%$ cash limit squeeze might just serve our purpose. But I am inclined to think it would be better if the Council could be released altogether from the requirement to meet their own redundancy costs. I know that this is something to which they attach very great importance and this gesture, if we could make it, might just serve to tip the balance.

6. I am copying this minute to the Prime Minister, Michael Jopling, Paul Channon, Cecil Parkinson (with previous correspondence) and Sir Robert Armstrong.


(CARRINGTON)

Foreign and Commonwealth Office

1 April 1980

1 APR 1980

