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Foreign
Prime Minister Policy

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

3 April, 1980

To me.
I am sure the
Chancellor's line is
the right one.
AKW
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The Rt. Hon. Lord Carrington,
Foreign and Commonwealth Secretary

ms.

Dr Peter

AKW

THE BRITISH COUNCIL

Thank you for your minute of 1st April.

There really is not much I can add to, or subtract from, what has already been said about the application of the 2½ per cent cash limit squeeze to the British Council. This squeeze is being applied across the public service, with exceptions only in one or two compelling cases, in order to provide a partial offset to the cost of Civil Service pay increases. The British Council's staff will no doubt expect to receive the same pay increases as their Civil Service equivalents, so that I continue to see no case for special treatment.

ms.

Incidentally, while I note that you suggest that the Council are expected to reduce their staff complement by 22½ per cent by 1984, my understanding is that, when allowance is made for vacancies, the actual reduction in staff numbers will be no more than about 13 per cent.

As to your suggestion that we might release the Council from the requirement to meet their own redundancy costs, it was of course part of the package deal on which we agreed in January that the Council should do so. As part of that package deal, I agreed not to press for a larger reduction in the cost of the Council's activities than is now provided for in the Public Expenditure White Paper. I should be very reluctant to reopen that package at this stage. In any event, for us to fund the Council's redundancy costs, as you suggest, would now involve a claim on the public expenditure contingency reserve, which would have to be considered by all our Cabinet colleagues; and they as well as I would need to have in the first instance a clear indication of the potential cost.

/I would only



I would only add that it seems to me wholly improper for a body such as the British Council, which is appointed by the Government and dependent on public funds for its existence, to engage in lobbying against decisions taken in pursuance of the Government's fundamental policies.

I am sending copies of this letter to other recipients of yours.

[Handwritten signature]

GEOFFREY HOWE



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.

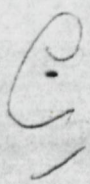
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4. This would be all right if we could win through. But I am not at all sure that we shall be able to. We must be able to demonstrate to Parliament and to the country that the Council has not been the victim of reductions quite out of line with those 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

