



CONFIDENTIAL

(1)

PM/80/38

PRIME MINISTER

*Yes please
not*

*Premier Minister: You may want to have
a small meeting (Foreign & Commonwealth Sec,
Chancellor, Chief Whips, Mr. Channon, Sir R. Armstrong)
to discuss whether or not to exempt the Council
from the cash limit squeeze. It is a question, obviously,
of balancing the credibility of budget policy as a whole against
The British Council the possibility of defeat in the House.*

1. You will have seen copies of recent correspondence between Geoffrey Howe and me on this subject ending with Geoffrey's letter of 3 April. *15/5*

2. The point is essentially a political one and was spelled out in my minute of 1 April to Geoffrey, a copy of which I enclose. Briefly, the Council propose to mount a campaign against the reductions in their grants and I am concerned that we may find ourselves facing defeat in Parliament on the issue.

3. I accept that the Council should continue to meet their own redundancy costs. This was part of the package which we agreed in January. The package provided for a cut of £3.9 million over the years 1981-84 (over and above the £5.2 million cut in 1980/81 and an expected additional reduction of between £1.5 million and £2 million in Aid Administration payments in 1981-4). The application of the cash limit squeeze did not form part of this package and was not a factor in the minds of the Ministers who agreed it.

4. Over the period 1980-84 the reduction in the government grants to the Council will amount to £9.1 million (over 19.5%), excluding the additional Aid Administration reductions. In staff terms, the Council's establishment will fall from 4,466 in 1980 to about 3,250 (over 25%) in 1984. Even if Geoffrey Howe's figure of 13% cut is correct, and it can be no more than a guess, it is still a very large percentage for actual redundancies. We will certainly be asked why we are imposing such disproportionate cuts on one of the most important means of spreading support for Britain and the free way of life when you are calling for a propaganda offensive against the Russians.

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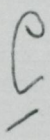
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4. In 1980-81 the Council already face involuntary redundancies. They estimate that the cash limit squeeze would cause over 40 more. No other department or public body affected by the squeeze faces cuts on this scale; few are so politically sensitive; and the relevant statement envisaged some exceptions. Exemption for the Council from the squeeze should not therefore create an unacceptable precedent. In cash terms the squeeze would save the Government about £400,000. But, if the saving had to be made on manpower related expenditure alone, redundancy payments would cost the Council about a further £300,000.

5. I doubt if relief from the 2¹/₂% squeeze would enable me to persuade the Council to call off their campaign. It might, however, help to avoid resignations from the Board. You will recall that in Michael Jopling's view (his letter to me of 4 March) this would be the critical factor in causing a major row in Parliament.

6. Finally, we really cannot try, as Geoffrey seems to suggest, to prevent the British Council from lobbying against the Government's decision on expenditure reductions. The Council is an independent body and only a small minority of the Board are appointed by Ministers. Any attempt to muzzle the Council would lead to even more trouble than that which the expenditure reductions will cause.

7. I am sending copies of this minute to Geoffrey Howe, Paul Channon, Cecil Parkinson, Michael Jopling and Sir Robert Armstrong.


(CARRINGTON)

Foreign and Commonwealth Office

15 May 1980

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

16 May 1980

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THE BRITISH COUNCIL

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 15 May about the likely impact of the 2½% cash limit squeeze on the British Council. She would like to discuss the problem with the Foreign and Commonwealth Secretary and the other recipients of his minute. We shall be arranging a meeting shortly.

I am sending copies of this letter to John Wiggins (HM Treasury), Geoffrey Green (Minister of State's Office, CSD), Keith Long (Minister of State's Office, Department of Trade), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

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