



Foreign  
Foreign and Commonwealth Office

London SW1A 2AH  
Blair

2 June 1980

Dear Uridael,

Thank you for your letter of 29 May asking for a brief for the Prime Minister for her meeting with Sir Charles Troughton on 4 June.

/ I enclose some points to make, together with background material.

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(G G H Walden)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street



POINTS TO MAKE

1. Overriding need to reduce Government expenditure
2. We value work of Council as an effective arm of British policy: but it must take its share of cuts
3. The cuts are phased over three years: they are not disproportionate.  
Government grants represent under 50% of Council's total budget.  
Cuts will reduce Council's staff to level of early 60's.
4. Some savings have already been found  
The Council's biggest cut was in 1980/1. But the Council's savings this year exceeded the target they were aiming at, and this means that the savings for 1981/82 will be easier to find.
5. Need for Council to tighten its administration, and maximise revenue earnings  
We hope that the 'Wise Man's' review will help achieve both aims.



BACKGROUND

1. Sir Charles Troughton was appointed Chairman of the Board of the British Council in January 1977. A biographical note is attached.
2. His objectives will be:
  - (a) to persuade the Prime Minister that public expenditure reductions imposed upon the Council are greater than those demanded of other organisations, and to seek a reduction in the size of these reductions;
  - (b) to be able to advise his Board and the staff of the Council that he has pursued their case at the highest level.

THE BRITISH COUNCIL

3. The British Council was incorporated by Royal Charter in 1940. Its main tasks are:

- (a) the promotion of the English language abroad;
- (b) facilitating the transfer of knowledge and skills between Britain and other countries;
- (c) the promotion of British books, teaching aids etc;
- (d) ensuring access to, and demonstrating abroad, British achievements in the arts, letters, education, science and technology;
- (e) administering educational and technical co-operation elements of the aid programme on behalf of the ODA.

4. Most of these activities help promote exports. The precise priorities of the Council's work are determined on a country by country basis, as a result of consultation between the Council and the FCO (including the ODA).

FINANCE

5. Finance for the British Council is derived from:

	<u>1979/80</u> (£m)
(a) grants from FCO and ODA (known together as 'mixed money')	40.7
(b) aid administration funds from ODA (to cover administration costs of (c) below)	5.9
(c) ODA agency funds (costs of actual work done as an agent for and at request of ODA)	37.5
(d) revenue generated by its own activities (mainly English language teaching)	11.6



(e) Agency funds from other organisations, 5.5  
eg overseas governments, the UN, World Bank etc

Total Budget 101.2

PUBLIC EXPENDITURE REDUCTIONS (All figures at 1970 Survey Prices)

6. (a) In 1980/81 the Council's grants from the FCO and ODA will be reduced by £5.2 million;
- (b) In the three years 1981/84:
- (i) the Council's FCO/ODA grants will be reduced by a further £3.9m (a small element of this will be Aid Administration money);
  - (ii) there will be a further reduction in ODA Aid Administration funds of between £1.5 million and £2 million, reflecting a decreased level of agency work resulting from cuts in the Aid Budget.
- (c) (Still the subject of Ministerial discussion).  
There may in addition be a cash limit squeeze of 2.5% in 1980/81: this would involve a further reduction of about £400,000;
- (d) Unlike Government Departments, the British Council is required to finance redundancy payments from its own resources;
- (e) In order to be sure of meeting the cuts required in 1980/81 the Council produced more savings than were in the event needed, and this should help them to find the savings demanded of them in 1981/82.

EFFECTS ON STAFFING

7. The Council estimates that by 1984 its establishment will be reduced from 4,466 at 1 January 1980 to approximately 3,200. Of these losses approximately 50 would be attributable to the cash limit squeeze in 1980/81, if this is applied. The Council already face 65 redundancies in 1980/81, of which about 15 will be involuntary.

EFFECTS ON ACTIVITIES

8. The Council is represented in 78 countries. They may have to withdraw completely from some countries (the Council estimate up to eight) and reduce activities in many others. They also expect to have to close a number of the regional offices in the UK (of which there are 22 at the moment).



9. The Board have decided to mount a public campaign against the reductions. They can deploy a significant lobby, which includes the artistic and educational establishments and the Publishers. The Council's Board object in principle to the scale of the cuts; they are particularly concerned about redundancies (for which they must pay from their own resources); they see a cash limit squeeze as the last straw. Council sources say that Board members may resign in protest. The Chief Whip has warned that this would lead to a major Parliamentary row.

#### POSSIBLE SAVINGS AND INCREASED REVENUE

10. The Council's revenue generated by its own activities has increased markedly over the last few years, and amounted to £17 million in 1979/80. The Council should be encouraged to help it grow. English language teaching (ELT) is a principal earner. There is room for the Council to adopt a more commercial attitude in some cases in this area: eg better market surveys, and greater readiness to co-operate with the private sector.

11. Modest savings could also be achieved in some countries by the Council being prepared to co-locate their premises with the Embassy and/or accrediting their home-based representatives as members of an Embassy or High Commission staff. There can be no hard and fast rules, but the Council should be encouraged to look at all the possibilities.

#### 'WISE MAN'S REVIEW'

12. With the approval of Ministers, Lord Seebohm (Barclays Bank) has agreed to undertake an independent review of the Council's activities. He will have Lord Chorley (Cooper Lybrand) and Mr Auty (ex British Council) to help him. The Civil Service Department will be associated with the review and FCO and ODA will be consulted about the terms of reference. The review should consider ways for the Council to make savings and increase its revenue, as well as an overhaul of its existing accounting procedures.

*Sub  
Foreign  
Policy*

29 May 1980

*BF 3. 6. 80*

Michael Alexander wrote to you on 21 May, confirming that the Prime Minister was ready to meet the Chairman of the British Council.

Sir Charles Troughton has now been in touch, and the meeting is scheduled for 1430 on 4 June.

I would be grateful if you could arrange for a bréef to reach us by 1800 hours on 3 June.

M. A. PATTISON

*SP*

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

Foreign  
Policy

21 May 1980

British Council: Sir Charles Troughton

The Prime Minister has seen your letter to me of 16 May and has agreed that a meeting with Sir Charles would be useful. I should be grateful if you could arrange for Sir Charles to get in touch with Miss Stephens of this office to arrange a time for his visit. We will arrange this so that it precedes the Ministerial discussion referred to in my letter to George Walden of 16 May.

M. O'D. R. ALEXANDER

Paul Lever Esq  
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

You have agreed to hold a Parliamentary meeting on the British Council. It may not be possible until after the recess. It might be best to see Sir Charles, if you agree to do so, before the Parliamentary meeting.

16 May 1980

(✓)

Dear Michael,

Yes mt. I had - 16/5

British Council: Sir Charles Troughton

When Sir Charles Troughton, the Chairman of the British Council, called on Peter Blaker on 23 April he said that he would like to see the Prime Minister to raise the question of the reductions in the British Council's budget. We support his request.

The background is that Sir Charles is very unhappy about the cuts in the Government grants to the Council. He does not himself want a confrontation with the Government, but the British Council Board has decided to mount a campaign against the reductions being imposed. They, and Sir Charles, consider that the cuts are disproportionately heavy compared with those suffered by other organisations. Sir Charles considers that his position, vis a vis his Board and the Council staff, will be much stronger if he could tell them that he has been given an opportunity to put the Council's case in person to the Prime Minister.

If the Prime Minister would be prepared to see him, we will ask him to get in touch with you to arrange a time.

Yours truly

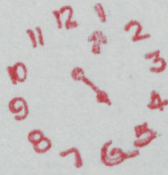
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16 MAY 1980



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