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foreign RM.
Policy

10 DOWNING STREET

From the Private Secretary

3 June 1980

Dear Paul,

British Council

As you know, the Chairman of the British Council, Sir Charles Troughton, called on the Prime Minister this afternoon to discuss the question of the reductions in the British Council's budget. The Prime Minister subsequently held a Ministerial meeting which was attended by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Chief Whip, the Ministers of State at the Foreign Office, Civil Service Department and Department of Trade, and Sir Robert Armstrong.

Sir Charles Troughton told the Prime Minister that he regarded the British Council as an extremely economical way of promoting British views and attitudes. He cited the role of the British Council Library in Warsaw, the interest expressed by the Algerians in having a British Council presence (for which they had offered to pay) and the work done until very recently by the British Council in Iran. The British Council were not "do gooders". They did useful work indirectly in promoting exports, e.g. through the interest they created in British goods through the training of foreign engineers and other specialists. The Russians, the French and the Germans were eager to replace every scholarship that the British Council cut and every book that they failed to send. In the final analysis, the British Council was a vital part of the nation's defences.

/ Sir Charles said

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Sir Charles said that he had always made it clear to his colleagues on his Board that the Council would have to take its share of the cuts. He had volunteered, to Mr. Blaker, to make economies of 16-18 per cent over the next two to three years and to do so in a way that would benefit the Council. He did not think that the way the cuts were being made this year was sensible. What he wanted was a three-year plan under which the Council could work towards a floor figure for its core budget. (Sir Charles referred to a three-year programme: elsewhere he referred to the 1983/84 budget as being that for which he wished to establish a floor figure. Presumably he regards the three-year programme as starting next year.) The floor figure could be set at once. If the figure was set at a reasonable level, which he regarded as being £38 million (in 1979 survey prices), he would ensure that the Council achieved it. Painful cuts would have to be made, e.g. in regional centres in this country and in the Students Centre in London. But the Council would accept the challenge in good heart, and morale would be restored. A figure of £38 million, as against the comparable figure of £35 million with which he was at present faced, would give an invaluable breathing space. A phased approach to it would mean that the staff reductions imposed on the British Council would be reduced from 25 per cent to 17/18 per cent. It would also mean that the Council would have to disburse less money on paying for redundancies.

The Prime Minister gave Sir Charles Troughton no undertaking. She said that she would ponder on the representations he had made. However, when she met her Ministerial colleagues immediately after Sir Charles Troughton's departure, she told them that she had been much impressed by what he had said. Sir Charles was clearly a man who was determined to co-operate with the Government if given the opportunity to do so. In this respect he was quite different from those responsible

/ for the B.B.C.

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for the B.B.C. External Services. If, on the other hand, he were to decide to stimulate opposition to the cuts being imposed on the British Council, the Government would be in great difficulty. A number of influential backbenchers were in any case opposed to the cuts. The Prime Minister said that she was therefore inclined to the view that the Government should meet Sir Charles Troughton's wish to have a floor of £38 million put on the British Council's core budget.

It was pointed out that the main cuts to be taken by the British Council had already been agreed inter-departmentally and that the original purpose of the present meeting had been to consider whether or not the British Council should be exempt from the 2½ per cent cash limits squeeze. It was important not to unstitch a carefully worked out agreement on the basis of possibly incomplete information. Moreover, it would set a damaging precedent if a fringe organisation like the British Council were to be exempted from the cash limits squeeze.

The Prime Minister agreed that officials should get together to define exactly what would be implied in setting a floor of £38 million on the British Council's core budget for 1983/84 and how this objective could best be achieved. Officials should also consider how any difficulties involved in reconciling this objective with the British Council's observance of the cash limits squeeze should be surmounted.

I am sending copies of this letter to John Wiggins (H.M. Treasury) Murdo Maclean (Chief Whip's Office), Colin Munro (F.C.O.), Geoffrey Green (C.S.D.), Keith Long (Department of Trade) and to David Wright (Cabinet Office), who will be setting up the meeting referred to in the previous paragraph.

Yours ever

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Richard Alexander

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For P.S.

From The Chairman
Sir Charles Troughton CBE MC TD

THE BRITISH COUNCIL
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For Mrs

(2)

The Rt Hon Margaret Thatcher MP Prime Minister
10 Downing Street
London SW1

Mrs

4 June 1980

ms

RS

Dear Prime Minister

I write to thank you for your kindness in seeing me yesterday; and for giving me the chance to tell you why I believe the Council's work is profoundly important in winning people's minds to our country's beliefs and attitudes; and why I believe that the proposed cuts would leave us inadequately supported in this vital work.

May I add to my thanks my very sincere good wishes to you in your battle for the revival of this country's greatness.

Yours sincerely
Charles Troughton