

RESTRICTED



MT
cc Sir P. Cradock
N. Owen.

10 DOWNING STREET

From the Private Secretary

3 May 1984

Dear Peter,

British Council Finances

The Prime Minister has seen the exchange of minutes between the Foreign Secretary and the Chief Secretary. Although a meeting was arranged with Sir Charles Troughton, the Prime Minister was, in the event, prevented from seeing him. She considers that £4m. should be made available to the British Council in 1984-85 to cover the increased rent of Spring Gardens and the increase in risen costs. She has noted that the problem of compensation for differential inflation rates, which goes beyond the British Council is to be considered further between the two Departments.

The Prime Minister has commented that at least part of the extra cost should be found from other FCO programmes, with the rest being met from the Reserve. She would be grateful if further discussion could take place between the Foreign Secretary and the Chief Secretary on how this should be shared.

I am copying this letter to John Gieve (Chief Secretary's Office) and to Janet Lewis-Jones (Lord President's Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

Peter Ricketts Esq
Foreign and Commonwealth Office

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PRIME MINISTER

Prime Minister

An urgent decision is needed on the £4million. If this is not settled, the dispute will spill out at the Foreign Affairs Committee. If the Council does not receive the finance, the probability must be criticism for the Government, followed by an ignominious retreat. AT 3/5

BRITISH COUNCIL

You were prevented by the preparations for the statements on Libya from seeing Sir Charles Troughton yesterday. We were unable to locate him before he set out and, as a result, he came to Downing Street. I spoke to him, which gave him a chance to set out his concerns about the finances of the Council. He has followed this up with a letter.

The Annex to the letter sets out three headings under which the Council is seeking additional finance. It is agreed between the FCO and the Treasury that item 3. should be looked at as part of a wider problem affecting the whole Diplomatic Wing of the FCO programme. The amount at issue is therefore £4m under items 1. and 2.

Although Sir Charles is now going on leave until around 17 May, he would like to see this issue settled before his return. I agreed with him that if items 1. and 2. were conceded, with a review of item 3., there would be no need for him to come to see you. If, however, you felt unable to agree to this, he would be given the opportunity to present his case to you before decisions were made, travelling from Scotland if necessary.

Do you agree that £4m should be made available to the British Council, with a review of the mechanism for compensating for differential inflation?

If so, should the FCO be asked to find the £4m from within the rest of its programme (a total of £1.8b)?

Or should the FCO be allowed a claim on the reserve?

AT

Andrew Turnbull
1 May 1984

020

THE BRITISH COUNCIL
10 SPRING GARDENS LONDON SW1A 2BN
01-930 8466

From The Chairman
Sir Charles Troughton CBE MC TD

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

1 May 1984

Dear Andrew

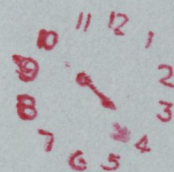
Thank you for listening to me last evening. I have written to the Prime Minister, as you suggested I might. Of course if she wants to see me, I will come at once.

The time element for a decision is important to us for three reasons:

- 1) We are already one month into our financial year and we cannot risk an over-run and we would have to start implementing serious cuts.
- 2) The Council is giving evidence before the Foreign Affairs Committee on 14 May.
- 3) Our Annual Report, and my lecture, with Lord Carrington in the chair, to the Royal Society of Arts, have to be with the printers in the next few days. I do not want to have to withdraw or retract all the things that have been written about support etc if there is going to be no need to do so. That would be very embarrassing indeed.

Musemann
Mike IV 65

1 - MAY 1984



THE BRITISH COUNCIL

THE BRITISH COUNCIL
10 SPRING GARDENS LONDON SW1A 2BN
01-930 8466

Prime Minister (4)

AT

14/6

From The Chairman
Sir Charles Troughton CBE MC TD

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

13 June 1984

Dear Prime Minister

I wrote to you on 1 May setting out some of our problems, and I have now been able to report formally to the Board the decision of Ministers on our budget for 1984/85. The Board asked me to write to the Secretary of State to thank him for his support, which I have done, and to you for the assistance of the Government in meeting most of our basic needs as set out in various documents including my letter to you.

I am very grateful to you and deeply conscious of your constant interest and vital support for our work.

Yours as
usual

Foreign Pol: Review of British Council
August 7th



cc/K (2)
Prime Minister.

A.T.C. 2/5.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Geoffrey Howe QC MP
Secretary of State
Foreign & Commonwealth Office
Downing Street
LONDON
SW1A 2AL

21 May 1984

Geoffrey Howe

mt

BRITISH COUNCIL : TIMES ARTICLE OF 18 MAY

copy attached

No doubt you have seen the article in the Times on 18 May referring to the Prime Minister's decision to add a further £4m to the British Council's cash limit for 1984-85. I assume that this leak came from the Council, a fairly safe assumption on past form.

I am disturbed to see yet another example of this kind of publicity which we both agree does nothing to help the British Council's cause. It is not long ago that they were reminded that such leaks to the press are unacceptable. I very much hope you will now raise the matter personally with their chairman, Sir Charles Troughton and seek a categorical undertaking from him that this unacceptable behaviour will cease.

I am copying this letter to the Prime Minister.

Peter Rees

PETER REES

Extract from Times 18/5/84

Thatcher orders £4m for British Council

By John O'Leary
of *The Times Higher Education Supplement*

Mrs Margaret Thatcher, the Prime Minister, has intervened personally in an inter-departmental dispute over the size of the British Council's budget, ordering the addition of £4m to the amount allocated in the Government's published spending plans.

Most of the money was claimed as compensation for overseas inflation, which is running on average well above that in the United Kingdom. Although the amount involved was relatively small, Mrs Thatcher's decision would have costly ramifications if the principle was applied to other larger departments.

The Foreign and Commonwealth office, which put the British Council's case as its sponsoring department, still has its own claim pending, and the Ministry of Defence could multiply the cost several times if it was accorded similar treatment. All suffered from the under-estimation of costs incurred abroad during 1983-4.

After a four-year economy drive which cut its budget by 18.5 per cent in real terms, the council had been led to expect level funding for 1984-5. But February's Expenditure White Paper set a budget of £74m meaning the loss of £2.6m through higher overseas inflation and of a further £1.4m from a rent increase following the expiry of the 10 year agreement on the council's headquarters off Trafalgar Square.

The effect would have been to enforce the closure of some representations abroad as well as new cuts at home.

Protracted talks between the Foreign Office and the Treasury produced no agreement

Subject
with H.A.

Prime Minister

SIR CHARLES TROUGHTON

Following the lunch at Chequers, Sir Charles Troughton is coming in to see you. As you know he is retiring as Chairman of the British Council, and wanted to talk to you about one or two points before going. He leaves to go abroad on Tuesday, and so we have had to fit him in the diary on Monday evening at 6.15 p.m.

It means that your diary for that day seems very crowded, but you will only have to look in at the Newspaper Press Fund Reception, and so your departure time can be a little flexible. Sir Charles will only need 15 minutes.

He may also raise the subject of finance for the British Council. Briefing papers for this are attached.

MA

This is not so. I have
to make a speech
there - every year

MICHAEL ALISON

27.4.84



10 DOWNING STREET

From the Private Secretary

Prime Minister

The argument about the British Council finances takes place at two levels

- (i) Should the Council receive an extra £4 million in 1984-85? You may feel there is no political mileage in resisting this
- (ii) Should Sir Geoffrey find this from elsewhere in his programme? On this the Treasury are on much stronger ground.

In your meeting with Sir Charles Troughton you do not need to make any promises.

You can say you are aware of the difficulties that ~~be~~ have arisen and will take account of the points he makes in resolving them.

ml

AT

27/4