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10 DOWNING STREET

*From the Private Secretary*

5 March 1986

PRIME MINISTER'S MEETING WITH THE CHAIRMAN OF THE  
BRITISH COUNCIL

The Prime Minister had a meeting this morning with Sir David Orr during which he reported on his first year as Chairman of the British Council.

Sir David Orr remarked how much the interest taken by the Prime Minister in the British Council's activities was appreciated and particularly her practice of visiting British Council offices during her overseas tours. He hoped that she would continue this practice in future.

In describing the British Council's activities, Sir David drew particular attention to the opening of new offices in Brunei, Penang and Shanghai, to the establishment of an educational counselling service and the extra ELT Centre in Japan. He believed that the Council could do more on the commercial and economic side citing as an example India where they hoped to get the consultancy contract for the new Open University as well as contracts for the supply of materials. Sir David also referred to the paid educational service which should earn £4 million in 1986 and £5 million in 1987. While none of this was profit at least the money came back to the United Kingdom.

Sir David Orr gave an account of his recent visit to India and referred in particular to two problems. The first was the need to build new premises in New Delhi where the Council had an excellent site. He hoped that the Foreign Secretary would be able to give an indication of the intention to develop this site during his forthcoming visit to India. The second was the proposal for a Festival of Britain in India. This should be well prepared and there was no great hurry to arrange it. The Prime Minister was not entirely convinced of the value of such a Festival and gave priority to the development of more practical British Council activities in India.

Sir David commented finally on the British Council's financial position. A particular problem had arisen over the need to provide improved security for British Council /premises

SKW



premises overseas. This would involve a once-off cost of some £3 million. The British Council could absorb the day-to-day costs of additional security measures in their budget but not this sum for works. He hoped that the Prime Minister would look favourably on the bid when it came up in the PES. The Prime Minister took note.

Sir David commented that the arrangements negotiated for Overseas Price Effect between the Foreign Office and the Treasury had been very helpful, particularly in planning the British Council's forward expenditure. However, the combination of cash limits and inflation was steadily eroding the British Council's resources to the tune of some £4 million a year. The Council believed that they could absorb some £2.7 million through improved efficiency. But this still left a gap of some £1.3 million a year which they had to cover. Unless they received help with this there would be no alternative to cutting their representation abroad. Once again he hoped that the Prime Minister would look favourably on this when the bid came forward in the PES. The Prime Minister again took note.

CHARLES POWELL

Len Appleyard, Esq., C.M.G.,  
Foreign and Commonwealth Office.



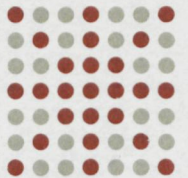
Date 10 March 1986

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Your ref

Tel ext 2065

The British Council



Promoting cultural, educational and technical co-operation between Britain and other countries

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PRIVATE AND CONFIDENTIAL

From the Chairman  
Sir David Orr MC LLD

*Prime Minister*  
*Some further*  
*lobbying.*  
*COP 11/3*

*Dear Prime Minister* *mb*

I have been thinking about the discussion we had on Wednesday 5 March and I am concerned that I may unwittingly have misled you when describing the effect of the cash limit system on the British Council's basic budget. I do not wish to bother you further but I should make the position absolutely clear.

We estimate that the effect of the cash limit system on the Council's basic budget during the three year period 1987/88 to 1989/90 will be to reduce its spending power steadily at home and overseas, and that this reduction will have reached £4.2 million by 1989/90.

As I said, we believe we are going a long way to counter-balance these reductions through efficiency savings and increased revenue, and that we will be able to find £2.7 million of the total of £4.2 million in 1989/90.

But in each year there will be a gap which we will only be able to fill by closing Representations or cutting posts or activities at home and overseas, and we estimate that this gap will rise from £0.9 million in 1987/88 to £1.5 million in 1989/90.

I may not have explained the basis of these calculations clearly enough when we spoke. I hope this clears up any possible doubt and I am very grateful for your sympathetic hearing.

*Yours sincerely*  
*David L.*



CCP



Foreign and Commonwealth Office  
London SW1A 2AH

7 March 1986

CDP  
FB.

Dear Charles,

Prime Minister's Meeting with the Chairman of the  
British Council

Thank you for your letter of 5 March giving an account of this meeting.

We have been asked to make clear one tiny point of detail. In your final paragraph there is a reference to the Council's resources eroding to the tune of £4 million a year. For the record that figure is roughly the amount the Council estimate their annual spending power will decline by 1989/90, not each year.

Yours ever,

(R N Culshaw)  
Private Secretary

C D Powell Esq  
PS/10 Downing Street



Review of British Council; FOR. POL.

Aug 1979.





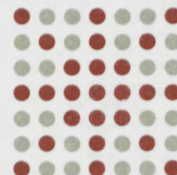
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**PRIVATE AND CONFIDENTIAL**

From the Chairman  
Sir David Orr MC LLD

EDP  
7/3

*Dear Prime Minister*

I am most grateful to you for sparing the time to see me this morning. As I said to you our staff do value your interest in the Council and the time you give to us on your overseas visits.

I hope I was able to convey some flavour of the good work which is being done for Britain, not only in the normal Council activities, eg the libraries, book promotion, cultural events and high level exchanges, but also in activities which should have a direct commercial benefit to Britain. On the paid educational services I think we have some exciting developments and I was glad you liked the list of projects on the back cover of the booklet "Using Britain".

I think I stuck to my promise not to over pitch the financial case. However, I did feel I had to mention the point about the one-off costs of security precautions and also the damage which would follow any further erosion of our disposable income, despite your very constructive help on compensating for the overseas price effect.

I will mention these matters to the Foreign Secretary when I am talking to him about his forthcoming Indian tour.

On the matter of Northern Ireland - of course the response and the lack of any constructive leadership

The British Council



there must be bitterly disappointing for you. However, I can repeat that as far as public opinion in Britain is concerned, there is absolutely no doubt that you have taken the right action in that the Agreement is a constructive step forward for all communities. As I said, I believe that the mindless re-action we saw on Monday will be self destructive and may even flush out some moderates if there are any left in the Province!

With many thanks for your kind interest,

Yours sincerely

David.