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CBG

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ



SECRETARY OF STATE
FOR
NORTHERN IRELAND

1. ^{EDP} EDP to see.
2. Prime Minister 2
for bid relating to the
contents of the Anglo-Irish agreement,
described on the second page.
DLV
6/6.
6 June 1986

Rt Hon John MacGregor OBE MP
Chief Secretary of the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

mt

Dear Chief Secretary,

1986 PUBLIC EXPENDITURE SURVEY

The guidelines for the 1986 Public Expenditure Survey require that any proposal for additional resources should be sent to you. I apologise for being rather behind.

I have considered the expenditure requirements of the Northern Ireland Block on the basis of a preliminary assessment of prospects for the 1986 Public Expenditure Survey. Although the fall in the price of oil will reduce our requirements for the tariff subsidy to the Northern Ireland Electricity Service, at least in the short term, I am faced with difficulties, in some cases very severe, on practically all other aspects of Block expenditure, including in particular law and order, industrial development and support, education, and health and personal social services. However, taking account of your request that colleagues keep to an absolute minimum any bids for additional resources in this year's Survey, I have decided not to seek any addition other than that described below. This is on the specific assumption that public expenditure classifications in the 1986 Survey remain in line with those underlying my existing Survey baseline.

It will consequently be necessary for me, as also proved necessary in last year's Survey, to make what are likely to be very uncomfortable adjustments in order to balance my books but I am prepared to do my utmost to that end, as my contribution to keeping the Government's Public Expenditure plans on course.

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Anglo-Irish Agreement

There is however one area where, for political reasons, it is necessary to make a bid. This concerns the costs arising from the Anglo-Irish Agreement and you are familiar with this problem. When we corresponded last winter, we agreed that the question of additional costs arising from the Agreement in the years after 1986/87 should be handled in the 1986 Public Expenditure Survey. My letter of 5 December 1985 set out the case for special treatment of this expenditure and the points remain valid. Unionist hostility to the Agreement has not in any way diminished and we must avoid letting them claim that the costs of implementing the Agreement were being met at the expense of and to the detriment of social and economic areas where progress needs to be made in Northern Ireland. I therefore find it necessary to lodge a bid to cover the cost of servicing the Secretariat, its security, static guarding for the Secretariat premises and extra police costs to guard the Conference on the days it meets as well as the additional policing costs in relation to the reaction to the Agreement.

The attached table sets out our current projections of costs. These are, of course, subject to further refinement during the course of the year. We are still looking at two options, one of which involves significant capital expenditure, mainly in respect of the improvement of security at existing premises used by the joint Secretariat. The expenditure in the first line of the table is in the main within Departmental Running Costs and I will therefore need to increase the NI running cost limit by this amount.

Departmental Running Costs

My officials have already indicated to yours that as part of the Survey process I will be reviewing Departmental Running Costs in the NIO and the NI Departments for 1987/88 onwards, bearing in mind the objective of living within the existing published target. It is much too early to say what the outcome of the review is likely to be but I will of course let you know in due course if I see a need for any change in the level of running cost provision.

I am copying this letter to the Prime Minister, The Lord President, the Foreign Secretary and to Sir Robert Armstrong.

Yours Sincerely
N Howard
(Private Secretary)

for TK
(Approved by the
Secretary of State
and signed in his
absence)

JLD

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E.R.

1986 PES: ANGLO/IRISH COSTS

	£m	1987/88	1988/89	1989/90
(1) A/I Secretariat pay of 12 staff, gae, and communications capital (net of ROI contribution)		0.4	0.4	0.4
(2) Capital Works Maryfield		0.2	0.1	0.1
(3) Static police guard Maryfield		0.5	0.5	0.6
(4) Intergovernmental Conferences policing costs		1.1	1.2	1.3
(5) Additional expenditure at Joint Secretariat premises				
a) Major Capital		1.0	-	-
b) Minor Capital		0.3	0.1	0.1
c) Static police guards		0.5	0.5	0.6
(6) Additional Policing Costs		4.8	4.8	4.6
		—	—	—
TOTAL BID		8.8	7.6	7.7

NOTE:- If item 5 above does not go ahead the bid would reduce to £7.0m, £7.0m, £7.0m.

Handwritten notes:
 B3 / SO S (B) m
 PS / Dr Boyson (LEB) (DFP) m
 PS / PUS (LEB) m
 Am Bloomfield m
 Dr Quigley m
 Miss Pease
 Mr Costan m

