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FCS/85/259

CHANCELLOR OF THE EXCHEQUER

Pay Assumption and Running Cost Limits

1. While I can well understand the reasoning underlying the proposal for avoiding a pay assumption made in your minute to the Prime Minister of 25 September, in practice the presentation envisaged seems likely to cause us problems with Parliament. It involves abandoning the longstanding practice of having pay subheads in the Estimates. I agree with George Younger (his minute to John Macgregor of 16 September) that if we are pressed by our Select Committees we can hardly refuse to give them the information they require.

2. There is a particular problem so far as the Overseas Representation Vote Class II is concerned. In the absence of programme expenditure, under the proposed arrangements, the Vote would contain only a few lines of figures. I am sure that the Foreign Affairs Select Committee, which has been diligent in pursuing its investigations of my spending down to sub-sub-subhead level, would not be satisfied and would demand sufficient information to enable a detailed comparison to be made between the Estimates for 1986/87 and those for the current year. On past form the Committee's request for information, including oral examination of the Accounting Officer, will come well before the Supply is Voted and before a Civil Service pay settlement is reached. Similar problems would be encountered with the Overseas Aid Administration Vote, although in the past the Foreign Affairs Committee has not investigated the Vote in great depth.

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3. I recognise the importance of preventing the unions and others from deducing what you now call the "pay component". But I believe it will be necessary to devise some method of providing Select Committees with the degree of information which they are entitled to expect before approving Supply. For example, one might spread the expected pay increase pro-rata across all sub-items in one "Pay and General Administrative Expenditure" subhead. Another approach might be to move the pay round so that it can be completed before Parliament examines the Estimates.

4. I am copying this minute to the Prime Minister, Members of the Cabinet and Sir Robert Armstrong.

Foreign & Commonwealth Office
7 October 1985

GEOFFREY HOWE

CIVIL SERVICE

LONG TERM MANAGEMENT

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