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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Geoffrey Howe QC MP
 Secretary of State
 Foreign & Commonwealth Office
 King Charles Street
 London
 SW1A 2AL

14 October 1985

NBM.

Dear Geoffrey,

PAY ASSUMPTION AND RUNNING COSTS LIMITS

Thank you for your minute of 7 October to Nigel Lawson. I agree that the legitimate interests of Select Committees in departmental Estimates should be respected; and, as Nigel indicated in his minute of 25 September to the Prime Minister, presentation of the proposed format will be important. However, I believe that Select Committees will see the advantages of a format which focusses on the total cash provision for running costs, disaggregated where appropriate by function or responsibility centre, and which reflects the way departments will now be planning and controlling their running costs. Parliament has pressed us in the past to ensure that its scrutiny and control of Supply is in line with the way the executive operates in practice.

The Treasury and Civil Service Committee and the Committee of Public Accounts will be consulted about the proposals, as endorsed by Cabinet on 3 October, as soon as the House returns from the summer Recess. If, as I hope, they agree to them, it would be surprising if the Foreign Affairs Committee pressed a different view when it came to consider your Estimates. But if your Committee did dissent, you could point to the advantages of the new arrangement, and to the fact that it has already been the subject of consultation with Parliament. Moreover, you could draw their attention to the doubtful value of the comparisons for which you have been asked in the past; within FCO's running costs there has in recent years been a substantial underspend and a switch to pay from provision for other running costs. I could not justify presenting your department's Estimates in a format different from others'.

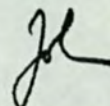
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I will shortly⁺ be circulating some suggestions on the information that might in future be given to departmental Committees. The key point is to stress that running costs expenditure is planned and controlled in total. However, detailed monitoring information will be available, and you could therefore offer the Committee outturn figures split into the categories that they would find helpful. Once pay rates have been negotiated (and I am afraid I see no prospect of bringing forward the pay round), the Committee could also be given forecast outturn on a similar basis. (I see little point in giving them a breakdown on the notional basis you suggest, which might further encourage them to explore the pay assumptions you have made). More relevant will be the total running cost of each main function or responsibility centre, and I hope your developing budgetary control system will enable you to show a breakdown along these lines in your 1986-87 Estimates, as will most other departments.

I am copying this letter to the Prime Minister, members of Cabinet and Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR

⁺now today, in a letter to George Younger.

Civil service Pt 18

Langton

