

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

N.B.P.M.

m.
30 November 1985

Dear Michael,

RUNNING COSTS

Thank you for your letter of 18 November.

I regret that I cannot accept that the Ministry of Defence should be exempt from the Cabinet decision to limit running costs or that the application of such a limit need frustrate your ability to secure value for money.

Colleagues decided collectively on 3 October that limits should be applied to all departments and I have only accepted that a transitional period is justified in your case because of the major change in coverage which I have agreed should be made to help you.

However, we have already settled what should happen for 1986-87. We can return to the question of longer-term arrangements ahead of next year's Survey.

I am copying this letter to the Prime Minister and Sir Robert Armstrong.

Yours,
JH

JOHN MacGREGOR

CONFIDENTIAL

Civil Service P 18

Lay Term

0724