



FCS/84/102

CHIEF SECRETARY, HM TREASURY

CCNO

NBPM

AT 2/4

Public Expenditure Survey

1. In your minute to the Prime Minister and colleagues of 21 March you proposed an uplift of 2.5% in the cash provision for 1987/88 and indicated that this would mean a real reduction in some programmes. Such a low uplift coming after fairly low levels in the preceding two years, confirms the importance for us of reaching a satisfactory arrangement to deal with the higher overseas inflation rates and the exchange rate fluctuations which affect some 40% of FCO (Diplomatic Wing) expenditure. I emphasised these points in my minutes to you of 23 January on sterling and 19 March on the British Council's finances.

2. We need to take special account of how the cash planning system affects the Government's foreign policy objectives. In the second year of the system, 1983/84, the adverse sterling depreciation effect on the Diplomatic Service Vote 1 was £7 million. In addition, higher overseas inflation cost Vote 1 at least as much as the British Council Vote 4 which was given Supplementary provision of nearly £3 million to offset its effects. This comes on top of a trend of a 4% reduction in the Overseas Representation programme between 1978/79 and 1983/84 and a 5.5% reduction in the gross provision for the British Council, both in constant cost terms. These figures are based on the GDP deflator which of course derives from our success in combatting inflation at home and thus understates the substantial further reduction in volume terms caused by higher price rises overseas.

3. Over the same period Diplomatic Service manpower provision has been reduced by 7.6% and there is to be a further reduction of 5.2% by March 1988. However, whilst resources are declining, the demands on the FCO Diplomatic Wing are increasing, as the attached table shows. In order to plan ahead for the implementation of foreign policy and the provision of consular, commercial and other



services, I and the line managers who report to me need some assurance that our efforts will not be disrupted by movements in overseas prices or by an unrealistic annual uplift in sterling terms.

4. I am sending copies of this minute to the Prime Minister, Grey Gowrie and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

2 April, 1984

CALLS ON RESOURCES: FCO (DIPLOMATIC WING)

	1965	1968	1979	1982/3/4 (latest year)	% Change
Number of Countries Covered	124	136	156	164	+ 32
Number of Britons Travelling Abroad	N/A	5.4m	15.5m	20.6m	+ 281
Number of Passport Issues Overseas	155,555	151,933	211,968	223,007	+ 43
Number of British Business Visitors	N/A	N/A	65,998	72,939	+ 11
Number of Market Information Enquiries	N/A	N/A	42,849 (1980)	58,983	+ 38
Number of Trade Fairs	N/A	N/A	377	391	+ 4
Number of Firms in Outward Missions	N/A	N/A	4,909	5,875	+ 20
Visits by Parliamentary Committees (days spent overseas)	N/A	N/A	77 (1978-80 Av)	156	+ 100

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