



FILE

(RAMABJ)

cc: P/S

10 DOWNING STREET

From the Private Secretary

23 July, 1984

FCO EXPENDITURE

The Prime Minister has seen the minutes exchanged between the Foreign Secretary and the Chief Secretary on this subject, ending with the Chief Secretary's minute of 20 July.

X | As regards exchange rate fluctuation and overseas inflation, the Prime Minister agrees with the Chief Secretary that buying currency forward could help alleviate the problem. Beyond this, while the Prime Minister does not wish to see any breaches of principle of cash planning, she thinks that the Treasury should recognise the special circumstances of the Foreign Office. She suggests, therefore, that additional bids as a result of exchange rate changes should be treated as reflecting revised economic assumptions rather than policy changes. This treatment should not prejudice finding some offsetting savings if possible. | X

On asset recycling and end-year flexibility, the Prime Minister notes that no specific and detailed proposals have yet been put forward. But she thinks the idea is in principle a good one which will lead to better management of the diplomatic estate overseas and therefore hopes that proposals in this sense can be circulated quickly.

As regards the Moscow Embassy, the Prime Minister hopes that this can be discussed further between the Foreign Secretary and the Chief Secretary to find a solution.

The Prime Minister does not now wish to hold a meeting to discuss these matters for the time being.

I am sending a copy of this letter to Len Appleyard (Foreign and Commonwealth Office).

(C.D. Powell)

J. Gieve, Esq.,
Chief Secretary's Office

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