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NB/M AT 8/10

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CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

G K Sandiford Esq
Private Secretary to the
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
London SW1A 2AZ

5 October 1984

Dear Private Secretary,

I enclose a note of the Chief Secretary's meeting with your Secretary of State on 1 October. I should be grateful if you could ensure that this is circulated on a strict need to know basis.

2 As the minutes record the Chief Secretary and your Secretary of State agreed at their bilateral discussion that the next step in relation to public expenditure should be further work on needs assessment in Northern Ireland with the aim of providing the evidence for a comprehensive discussion of the overall position in next year's Survey. In parallel with those discussions Neil Ward wrote (his letter to 1 October) to Andrew Turnbull about separate but not unrelated matters of the level of financial support for Northern Ireland.

3 I am copying this letter to Andrew Turnbull.

Yours sincerely,
Paul Jeger
R J BROADBENT

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COMMUNICATIONS

DEPARTMENT OF TRADE & INDUSTRY

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NOTE OF THE CHIEF SECRETARY'S MEETING WITH THE SECRETARY OF STATE FOR NORTHERN IRELAND AND THE MINISTER OF STATE ON OCTOBER 1 1984

Those present:

Chief Secretary
Mr A N Ridley
Mr G W Watson
Mr P R C Gray
Mr W J E Norton
Miss C Evans
Mr R Broadbent

Secretary of State
Minister of State
Dr W H Quigley
Mr S G Norris
Mr I M Burns
Mr P J Small

MANPOWER TARGETS

The Chief Secretary welcomed the Secretary of State. He suggested that manpower targets be taken first. The Secretary of State said that he would be coming forward shortly with proposals to increase prison staffing and it was agreed therefore that these grades should be excluded from the discussion. The Chief Secretary accepted his offer of a reduction of 10 in Home Civil Service posts in the Northern Ireland Office to be achieved by measures to increase efficiency including the implementation of staff inspection reports.

2. Turning to Northern Ireland Civil Service posts in the NIO the Chief Secretary accepted the reduction of 30 offered, but noted that the NICS group had been exempt from the central scrutiny and reductions to which other UK departments had been subjected in the period 1979-1983. Accordingly he thought that a further reduction of some 65 posts would be reasonable.

In response it was pointed out that although these posts had not formed part of published manpower totals they had been subject to scrutiny by Northern Ireland Ministers and as a result manning was very tight. The Treasury had already registered its interest in NICS staff inspections which formed part of the scrutiny process. Following a discussion agreement was reached on a reduction of 50.

LOCAL AUTHORITY UNALLOCATED MARGIN

3. The Secretary of State said that he felt strongly that the principle of comparability formed an indispensable tool of the Government of Northern Ireland. Changes in public expenditure were monitored closely by the Northern Ireland Assembly but in the past the unallocated margin had appeared to be a minor item which might go unnoticed in the province. However, now that this had become a major and identifiable figure in the PEWP it was impossible to defend treating Northern Ireland differently from Scotland.

4. The Chief Secretary said that the principle was the same as in previous years. The unallocated margin was necessary because of the government's limited control of expenditure by local authorities in GB. Since this expenditure was under central Government control in Northern Ireland the need for unallocated provision did not arise.

5. The Secretary of State said that although Northern Ireland did not have the same local government structure the pressures on spending eg on major items such as teachers' and firemen's salaries were the same as in GB. Without receiving a share of unallocated provision Northern Ireland Departments had to meet these pressures by making cuts in other programmes. This meant that Northern Ireland was being penalised for the limited success in controlling local government expenditure in GB.

6. The Chief Secretary asked for clarification of the figure of £6m in respect of unallocated provision in 1986-7. It

was explained that this was ^{derived from} the amount included in the 1984 White Paper. The figure which would be published in next year's PEWP had not yet been decided - the figure of £6m was not a firm bid but simply an indication of the effect on that year based on last year's figures.

NORTHERN IRELAND BLOCK

7. The Secretary of State reiterated the importance of the principle of comparability which enabled public expenditure totals to be settled largely without controversy and to be defended on the grounds that people in Northern Ireland were getting broadly the same treatment as in GB. While he could not object to the principle of a needs assessment study he was concerned at the practicalities of implementing reductions if over provision was identified. There was a public expectation that public expenditure in Northern Ireland would increase broadly in line with the total in GB and deviations from this trend would be very difficult to explain. As far as the current Survey was concerned he was not prepared to accept a reduction on the basis of an assessment which in his view underestimated the needs of Northern Ireland. If it were proposed to seek a reduction "on account" pending completion of the study he could equally well press for an increase on the same basis.

8. The Chief Secretary said that there was a need to distinguish between the principle of having a study, and the practicalities of responding to its findings. The question of relative standards of provision amongst the territories would not go away and there was considerable merit in examining the evidence objectively without the pressures which had arisen during devolution. The objective was to move towards broad parity between provision in England and the territories and he was convinced that the proposed further study would prove worthwhile. The Treasury had an open mind on the outcome - the results might show under or over provision - but it was important to establish the scale of discrepancy and identify areas of agreement and of dispute, as a basis for discussion

in next year's Survey. The further study should therefore have a deadline of June 1985. As to the proposed reduction of £50m the Treasury was confident that work done so far gave convincing evidence of over provision well in excess of this figure; but he would not press this if the Secretary of State would agree to withdraw his bid for a share of the unallocated margin. The Secretary of State agreed to this on the understanding that the unallocated margin question could be reconsidered in the context of the exercise to codify the rules on comparability of local government expenditure.

SUMMARY OF CONCLUSIONS

9. It was agreed that:

i. The NIO's 1.4.1988 manpower targets should be reduced, in respect of the HCS element by 10 to 176, and in respect of the NICS element (excluding the prison service) by 50 to 1260.

ii. Additional bids in respect of a Northern Ireland consequential of the unallocated margin should be dropped, on the understanding that the question would be further studied in the context of codification of the block ground-rules.

iii. Northern Ireland would participate in further work on needs assessment. The modalities to be discussed in the first place between officials.

H M TREASURY
3 October 1984

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NOTE FOR THE RECORD

DTI: Expenditure Programme

Before the meeting between the Prime Minister, the Chancellor of the Exchequer and the Chief Secretary, the net addition to base line for DTI's main programme, excluding regional policy was:

+115 +110 +21

At the meeting Mr. Tebbit offered further savings of:

10 43 50

In her personal minute of 4 October the Prime Minister asked him to extend these savings to:

13.4 53 60

Mr. Tebbit's Private Office (Ruth Thompson) 'phoned today to say that he had accepted this proposal. The agreed position, in relation to base line is therefore:

+101.6 +57 -39

In addition Mr. Tebbit will pursue savings on ECGD bilaterally with the Chief Secretary.

I advised Ruth Thompson that the next stage was for Mr. Tebbit to reply to the Prime Minister signifying his agreement to her proposals, and copying his letter to the Chief Secretary. Meanwhile I have informed Sir Robert Armstrong's that the way is now clear for Mr. Tebbit to serve on MISC 106.

AT

5 October 1984