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Treasury Chambers, Parliament Street, SW1P 3AG

L V Appleyard Esq
 Private Secretary to
 Secretary of State
 Foreign and Commonwealth Office
 Downing Street
 London
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18 January 1985

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PUBLIC EXPENDITURE WHITE PAPER: FCO

You wrote to me on 16 January about the line to take in public on the figures for the FCO (Diplomatic Wing) in the Public Expenditure White Paper.

The Chief Secretary cannot accept that anything should be said which implies that the 1986-87 and 1987-88 figures for FCO programmes are not firmly fixed. The Chancellor made it clear in his minute to the Foreign Secretary of 21 November, accepting the deal for 1985-86 which followed discussion with the Prime Minister, that he expected the Foreign Secretary to plan on the basis of the figures agreed by Cabinet for 1986-87 and 1987-88.

In answering questions on the figures, you may, as you suggest, wish to refer to the special factors affecting them, notably the repayments of the Yugoslav loan; and the Chief Secretary is content that you should say that the position will be affected by further movement in exchange rates and overseas inflation. However the Chief Secretary must ask that, if he is pressed further, the Foreign Secretary should say that if necessary he is ready to make further adjustments to his programmes, although it is too early to say what these might involve.

In this context, I should make it clear for the record that we do not accept that there is any "gap" for 1986-87 onwards of any particular figure, as suggested in Peter Ricketts' letter to me of 28 December; nor that in reaching his settlement with the Foreign Secretary for 1985-86 the Chancellor accepted that savings of £11 million were the maximum feasible.

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I am copying this letter to Andrew Turnbull at No. 10.

Yours ever

Richard Broadbent

R J BROADBENT
Private Secretary

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