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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
 Secretary of State for Foreign Affairs
 Foreign & Commonwealth Office
 King Charles Street
 London
 SW1A 2AH

CDP
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 21 May 1990

Dear Foreign Secretary.

FCO DIPLOMATIC WING: POTENTIAL RESERVE CLAIMS

Thank you for your *at first* minute of 10 May about potential Reserve claims of up to £15.17 million on Diplomatic Wing expenditure.

2. I was disappointed by your minute, especially in view of your earlier undertaking to do all you can to keep expenditure within existing plans and to absorb any additional requirements. You will recall that I said at Cabinet on 19 April that the 1990-91 Reserve was virtually fully committed already, as a result of the additional costs of community charge benefit and a large number of other claims. Additional expenditure cannot therefore be afforded, so it is vital to pursue vigorously all possible measures, however unpalatable, to produce offsetting savings.

3. It is helpful to see the total extent to which you are facing pressure on Diplomatic Wing expenditure. Having considered the situation further, I am prepared to agree exceptionally, in principle, to a Reserve claim of up to £3 million to cover the costs of the Nato summit. I should be grateful if you would let me have a more precise proposal as soon as the figures become clearer, which I hope we can keep to an absolute minimum.

4. I still do not consider that a Reserve claim would be justified for the remaining items on your list. In particular, the largest element, Vietnamese Boat People, has been subject to numerous fluctuations in the pattern and extent of expenditure. Thus, I am sure that it would be quite wrong to increase the expenditure plans for 1990-91 by the £5 million that was not spend last year on improving accommodation.

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5. I accept that the other items are all matters on which expenditure was not envisaged when we settled our 1990-91 expenditure plans. Nevertheless, I must ask you to continue to explore every possible avenue to offset this expenditure and thus avoid any further claims on the Reserve later in the year. Accordingly, if you need to take provision in the Summer Supplementary Estimates for the various new services, to gain the necessary Parliamentary authority for the expenditure, I hope you will do so without further additions to your existing programmes at this stage, by making a preliminary allocation of offsetting savings elsewhere on your Votes. We can adjust the allocation as necessary at a later round when the overall position is clearer and we are better placed to assess the impact of these items of expenditure on your programme as a whole.

6. I am copying this letter to the Prime Minister and to Sir Robin Butler.

Yours sincerely

Normen Lamont

NORMAN LAMONT

*Approved by the Chief Secretary
and signed in his absence*

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Govt. Buildings, Richmond
- [Signature] -
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