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Sir Peter Middleton KCB
Permanent Secretary

Covering SECRET

N L Wicks Esq
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MD Norgrove

R dx

including ltr

*briefing of
Professor Griffiths.*

5 February 1986

N.L.W.

7.2

Dear Nigel

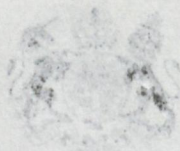
... I attach a copy of the pre-Budget Economic Forecast. It is for your personal use and for that of David Norgrove. It must in no circumstances be passed to anyone else or the contents disclosed. I am sending another copy on similar conditions to Brian Griffiths.

... We are approaching the point when the Chancellor will wish to provide the Prime Minister with Budget and Budget-related material. You might therefore like to have a copy of the Budget Security instructions. Unless I hear to the contrary I shall assume that you deal with any such papers with an equivalent degree of security. In particular, I shall assume that the No 10 list for these papers is yourself, David Norgrove and Brian Griffiths - and no one else. I should be grateful if you could ensure that Brian, who is new to all this, is briefed on the handling of Budget material.

Yours,

*Kieran Mungby
(private secretary)*

PP
P E MIDDLETON



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10 DOWNING STREET

From the Private Secretary

10 February 1986

Nigel Wicks has passed to me your letter of 5 February and the copy of the latest forecast which you sent him. He has asked me to deal with Budget and Budget-related papers. I have briefed Brian Griffiths on Budget security.

David Norgrove

Sir Peter Middleton, K.C.B.,
H.M. Treasury.

SKW

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H M TREASURY

OFFICE NOTICE

~~Professor Griffiths~~~~Would you read this
please, initial, and
return?~~~~DRW
10/2~~~~DRW~~~~DRW~~ON (GENERAL) (85) 127
20 DECEMBER 1985~~10/2~~**BUDGET SECURITY**

I attach a note setting out this year's Budget security instructions. They apply without exception to Ministers, advisers and officials. Breaches of these instructions will be treated as a serious matter.

2. The special arrangements for Budget security are designed to give additional protection to information about Budget decisions. This year's instructions follow the general lines of last year's instructions, although some points have been clarified. The instructions have been approved by the Chancellor of the Exchequer.

3. All members of the department should recognise the sensitivity of Budget material, and take every care to ensure that its integrity is preserved. Heads of Divisions and Private Offices should ensure that staff who are likely to handle Budget papers understand the instructions. The Assistant Budget Security Officer in EOG2 will also help ensure that the staff most heavily involved understand the procedures and have the equipment to carry them out.

4. All members of the department should also note that the Budget Security instructions contain guidance (paragraphs 144 to 147) on contacts with journalists, in the period from the beginning of January to Budget Day, which apply whether or not you have any involvement with Budget work. The term "journalist" should be interpreted widely to include contributors to specialists publications, brokers circulars, newsletters etc; indeed anyone who is in a position to make easy contact with the media. Most staff will not have any such contacts. But if you do you must observe these instructions, to protect your own position and that of the department against suspicion. In any contacts, you must take particular care, as inferences can be drawn from the most casual remark or refusal to comment.

5. The major changes in this year's instructions compared with last year are:

(a) the use of Budget classification has been extended to cover any public expenditure changes to be announced in the Budget, not just social security changes - all staff working on any such change should familiarise themselves with the Budget Security instructions; and

(b) **BUDGET SECRET: BUDGET LIST ONLY** documents are to be prepared on plain paper and copied on to the special paper bearing printed security markings - it is essential that close security be maintained over the typed original (paragraph 158(b) and (c)).

6. There are a number of other points in the instructions to which I would draw particular attention:

(a) The rules for handling Budget Secret: Budget List Only documents set out in paragraph 158 must be adhered to strictly. In particular, documents for which this classification is appropriate must not be sent or shown to anybody who is not on the authorised list of recipients (the "Budget List") which has been approved by me. Any alterations to the list require my prior approval.

(b) Care should be exercised in applying the right classification to Budget documents, in accordance with the guidance of paragraphs 151 and 152. In particular, a reply to or comments on a minute should not automatically be given the same classification as the original minute.

(c) Great care should be taken to ensure that titles of Budget Secret documents and above are not themselves revealing of the contents of the Budget, as they may be seen by staff not authorised to have access to Budget information (paragraph 158(a), 160(a)).

(d) A minute containing Budget classified material should not be written unless it is strictly necessary and, if it is, should not be circulated to those who do not have a real operational need to see it. If a person only needs to see part of a document, he should only be sent that part, not the whole document (paragraph 155).

(e) Each copy of every document classified Budget Secret or above must be individually numbered, in sequence (paragraph 158(c), 160(f)).

(f) Documents which are classified Budget Secret or above must always be sent in double envelopes, even if they are being sent within the Treasury. The inner envelope should bear the appropriate address label with all details fully completed (paragraph 158(d), 160(a)).

(g) Budget classified papers may not be filed by allocated Clerks (or Sector Registries) until after Budget Day, unless specifically authorised. Until then, such papers which have been passed to a Principal must be kept by him so that other staff do not have access to them (paragraph 158(f), 160(d)).

(h) Additional security furniture will be required by some staff. It is essential that requisitions for this be made as soon as possible from the Assistant Budget Security Officer in EOG 2 (extension 7861) (paragraph 158(g), 160(d)).

7. A copy of the Budget list is being sent today to those persons whose names are included on it.

8. The system of special spot checks on Budget classified documents (paragraph 161) will continue. These checks are carried out on my authority. I ask all members of staff to co-operate so that the checks can be carried out with the minimum of disturbance.

9. Further guidance on any aspect of the Budget security instructions can be obtained from the Budget Security Officer, Mr Romanski, the Principal in FP (Indirect taxation branch - extension 5237), who will be assisted in the performance of his duties during the Budget season by Mr Rees, EOG2 (extension 7861).

10. Please insert these instructions in the copy of "HM Treasury Security Instructions" in your possession and destroy the previous version.

PETER MIDDLETON

XIII. BUDGET SECURITY**Relations with the Press**

144. This first subsection applies to all Treasury staff in the pre-Budget period, including officials who are not involved in work connected with the Budget. References to 'journalist' in this section are to be interpreted widely to include contributors to specialist and academic publications, brokers' circulars, newsletters and other similar publications. References to the pre-Budget period should be taken to mean the period between the beginning of January and Budget Day itself.

145. Formal contacts with journalists in the pre-Budget period may only be undertaken with the prior authority of the Permanent Secretary or, in his absence, either the Under Secretary (Central Unit) or one of the Second Permanent Secretaries. If permission for such contact is granted, a report should be submitted immediately after it takes place to the head of IDT, copied to the Permanent Secretary and the Budget Security Officer, whatever the subject matter of the discussion.

146. Telephone calls from journalists are to be referred in the first instance to IDT. If any conversation takes place directly with a journalist in the pre-Budget period a report is to be sent to IDT copied to the Budget Security Officer, whatever the subject matter of the conversation.

147. If any other contacts take place with journalists in the pre-Budget period, no matter how informal, a report of the fact is to be made to IDT copied to the Budget Security Officer, together with a very brief account of any discussion of official matters.

Budget classification and its use

148. Special security arrangements apply to certain information connected with the Budget. The arrangements apply in addition to the normal departmental security procedures and are intended to provide additional protection for information about Budget decisions. It is the responsibility of every person involved in Budget work to be familiar with, and operate, these instructions. EOG will ensure that those most heavily involved understand the procedures.

149. The recipient of a Budget classified document is, at all times, personally responsible for its security. This applies even if custody of the document is entrusted to another member of his or her staff (where this is permitted).

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150. The Budget security arrangements apply to information concerning Ministerial decisions on:

- (a) the Budget judgement and in particular the PSBR;
- (b) all taxation matters connected with the Budget; and
- (c) any social security or other public expenditure changes to be announced in the Budget.

In addition, the Budget classification may be applied to papers which are regarded as particularly sensitive despite the fact that no decisions are recorded - where, for example, the very fact that a matter is being discussed is sensitive, or where the total contents of a document might reveal the approach to the Budget likely to be adopted by Ministers. Care and common-sense are needed in applying the classification in such cases. In any cases of doubt over the use of the Budget classification the Treasury Budget Security Officer (see paragraph 165) should be consulted.

151. There is a special security classification to be used for certain Budget documents, ie for those papers which reveal the contents or probable contents of the whole, or a very substantial or particularly sensitive part, of the Budget. The Chancellor may also decide that papers dealing with particular subjects be given this classification. The classification is "BUDGET SECRET - BUDGET LIST ONLY". Strict rules are laid down for access to, and handling of, documents with this classification. These are set out in paragraph 154 and 158 below. Examples of papers which are to be given this classification include:

- papers, including records of meetings, which give an overall picture of Budget strategy;
- complete drafts of the Budget speech (and the most sensitive extracts such as complete drafts of the tax sections);
- full drafts of the Budget Brief, or particularly sensitive parts of it;
- full draft of the FSBR (and early drafts of the sections dealing with Budget proposals); and
- the Budget Resolutions, as a whole.

Papers dealing with individual taxes would not normally require BUDGET SECRET - BUDGET LIST ONLY classification, unless this is required by the Chancellor.

152. Otherwise, Budget security rules require that the ordinary security classification of documents be prefixed by the word BUDGET. BUDGET: TOP SECRET should only be

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used where the material would fall clearly within the definition of TOP SECRET even if it were not to be included in the Budget. BUDGET: SECRET is the correct classification for all other papers on the main Budgetary items (ie the main tax rates and social security benefits and other major changes in tax legislation or public expenditure). BUDGET: CONFIDENTIAL should be used for papers recording decisions on other Budget matters, including all other decisions on tax items. The classification of a document is not necessarily the appropriate classification for a minute commenting on or replying to it even if the original document is classified BUDGET SECRET-BUDGET LIST ONLY. For example, a submission to a Minister on a minor Budget matter, suggesting a range of options, may properly not have a Budget classification, but a note from a Ministerial Office recording a decision on it should be given a Budget classification. On the other hand, a minute containing comments on a document should bear the classification appropriate to its contents and should only bear the same classification as the original document where it is appropriate.

153. A Budget classification is not, in general, required for papers containing:
- (a) Ministerial decisions relating to economic forecasts, monetary policy, exchange rate policy and other items not directly related to tax or public expenditure decisions, even where these are in the context of a Budget;
 - (b) arguments for and against a particular course of action, or recommendations from officials to Ministers or other Ministers to the Chancellor unless the papers are particularly sensitive (see paragraph 146);
or
 - (c) lists of options in which no decision on any of the matters in paragraph 146 is recorded.

Communication of Budget classified information

154. Documents for which the "BUDGET LIST ONLY" classification is appropriate may only be circulated to persons who are on the "Budget list", a list of recipients of such documents approved by the Permanent Secretary. Under no circumstances are they to be circulated or shown, or the contents communicated in any other way, to a person not on that list. A copy of the Budget list will be made available to each person who is on the list. If it is considered essential to show a BUDGET LIST ONLY document to a person not on the Budget list, the prior approval of the Permanent Secretary must be sought, in writing, to the addition of his name to the Budget list. This applies right up to the Budget Day.

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155. The circulation of all Budget classified documents is to be restricted to the absolute minimum consistent with operational requirements. Before writing Budget classified material all originators must ask themselves:

- (a) Is the document necessary at all? (A private face-to-face conversation is more secure than a written note - paragraph 13 contains guidance on the security of telephone conversations.)
- (b) If the document is necessary, need it be circulated? (Only copy a document to those people who need to be aware of its contents.)
- (c) Need the document quote precise details of decisions eg proposed tax rates?
- (d) Does the document require a Budget classification?
- (e) Is the title likely to be a security risk? (Particularly in the case of BUDGET SECRET and more highly classified documents, the title is likely to be seen by persons who are not authorized to have access to the contents, so it is essential that the title does not reveal any sensitive information.)
- (f) Do all recipients need a copy of the whole document? If a part of the document would suffice, send only that part. It is essential that persons do not see parts of documents containing classified material which they have no operational need to see.

156. BUDGET LIST ONLY documents may not be shown to anybody who is not on the Budget list (except for the normal arrangements whereby the Queen, Prime Minister, certain staff at Number 10 and the Governor of the Bank of England are told the contents of the Budget). Other BUDGET classified information may be communicated to staff in the Chancellor's Departments (and the Office of the Parliamentary Counsel), only if they need to know about it for the efficient performance of their duties.

157. Budget classified information must not be communicated to anyone outside the Chancellor's Departments and the office of the Parliamentary Counsel without prior authority having been obtained from the Budget Security Officer. There are only three general exceptions to this rule. First, FP group have authority to communicate to specified Department of Transport officials Budget decisions on VED and the duties on hydrocarbon oils. Second, the head of FP has authority to communicate to specified officials in the Department of Health and Social Security certain information about Budget changes in personal taxation. Third, as is appropriate for public expenditure

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matters, ST group will discuss any social security changes to be announced in the Budget with DHSS officials. In all these instances the Divisions concerned must ensure that these Departments are aware of the need for particular care in handling the information. Similarly, if a Treasury Minister writes to a Minister in another Department on a Budget classified matter, his Private Secretary should ensure that the other Private Office are aware of the significance of the Budget classification, and in particular of the need to ensure that the letter is shown or copied only to those who need to see it.

Preparation and handling of BUDGET SECRET: BUDGET LIST ONLY documents

158. In addition to the normal security instructions regarding handling of SECRET documents, set out in paragraphs 42 to 103, the following special instructions apply to the handling of BUDGET SECRET: BUDGET LIST ONLY documents:

- (a) The title of the document must not give away any sensitive information as to its contents as it will be used on the label on the inner envelope and may therefore be seen by persons not authorised to handle the document. A code word should be used if necessary.
- (b) The document must be typed on plain paper. The security classification is not to be typed. Documents may be typed by a Personal Secretary if she is herself on the Budget list. The typist's initials should appear on each page of the document. The originator is responsible for the security of the typed master, which must be given a number in the sequential series used for copies.
- (c) Copies of the typed master must be made onto the special paper bearing printed 'BUDGET SECRET: BUDGET LIST ONLY' markings on one side of the paper only. Each copy of the document must be sequentially numbered.
- (d) The documents must always be enclosed in the special distinguishing folder marked "BUDGET SECRET: BUDGET LIST ONLY" for transmission. They must always be transmitted in double envelopes even if sent within the building. The inner envelope must bear the special "BUDGET SECRET: BUDGET LIST ONLY" label completed with the relevant details in full. If more than one document is sent in one envelope, details of each document must be shown on the label. If a BUDGET SECRET: BUDGET LIST ONLY document is to be sent or copied to a Minister, he should be sent two copies. A receipt must always be obtained for all copies of "BUDGET SECRET: BUDGET LIST ONLY" documents. It is the responsibility of the originator to ensure that a receipt is returned for each copy which has been sent out. These receipts must be retained until after Budget day.

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- (e) If they are being sent to other Departments, the documents must be sent by messenger or by the special van service which operates between the Treasury, the Revenue Departments and Parliamentary Counsel's Office. If these are not available, the documents may be sent by special signature service of the IDS. In every case receipts must be obtained for the documents. In no circumstances may the documents be sent by post or transmitted on facsimile equipment except for the secure facsimile link between the Treasury and the Revenue Departments.
- (f) Each Recipient is responsible for ensuring that every BUDGET SECRET: BUDGET LIST ONLY document is entered in the appropriate Security Register. He must do this himself if no-one else is available or authorised to do this - this applies particularly at Principal level. A document may be entered in the security register by the Personal Secretary or allocated Clerk from the information shown on the label, without opening the inner envelope. If this is done, the number of the security register entry is to be written on the label. The recipient of the document is to ensure that the security register number is shown and should copy it onto the document itself. In some areas, Personal Secretaries or Clerks may themselves be included on the Budget list authorised to handle BUDGET SECURITY: BUDGET LIST ONLY material. Only in such cases may they open the inner envelopes, in which case the security register number may be written on the document itself. BUDGET SECRET: BUDGET LIST ONLY documents may not be filed until after Budget Day except where the Clerk concerned is on the Budget List.
- (g) Each copy of a BUDGET SECRET: BUDGET LIST ONLY document is personal to its recipient. It may not be shown to any person not on the Budget list in any circumstances, and shown (but not copied) to a person who is on the Budget list only if there is a real operational need for him to see it. The fact that a person is on the Budget list does not mean that he must see all BUDGET LIST ONLY documents. It is the recipient's responsibility to ensure that the document is not seen by any person who is not authorised to have access to it. It can be kept in the recipient's own security cupboard only if all persons who are entitled to know the combination number have been specifically authorised to handle BUDGET SECRET: BUDGET LIST ONLY documents. Otherwise it will be necessary to store such documents in a separate document box or security cupboard whose combination number is known only to the recipient (and any

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authorized handler of such material). Officials who require additional security furniture for this purpose should requisition it as soon as possible from the Assistant Budget Security Officer in EOG2 (Ext 7861).

- (h) It is essential that BUDGET SECRET: BUDGET LIST ONLY documents are not left unattended by the person who is responsible for their custody - he must lock them away whenever he leaves his room.
- (i) BUDGET SECRET: BUDGET LIST ONLY documents may on no account be photocopied except by the originator (or his Personal Secretary, on his authority, if she has typed the document). If a person not on the original list of copy addressees is subsequently to be given a copy of such a document, it must be provided by the originator and the name of the recipient properly recorded. He may retain a small stock of additional numbered copies of the document for this purpose (which are to be treated as accountable documents). If he needs to take an additional copy of the document, it must be numbered in the original series. The above rules as to handling and control of the document apply to additional copies.
- (j) BUDGET SECRET: BUDGET LIST ONLY documents may only be taken out of the office to meetings if this is absolutely unavoidable. They may be taken home only if the Permanent Secretary has given his prior approval, either for a particular occasion or generally for a particular individual. Permission will only normally be given if the person concerned has a security container at his home. Any documents taken out of the office must be carried in a locked briefcase, box or pouch and kept securely at all times.
- (k) Where a person only needs to see a part of a BUDGET SECRET: BUDGET LIST ONLY document, he should be sent only a copy of the relevant extract. The copy extract should be given a number in the same series as the full copies. It should be given the security classification, appropriate to the sensitivity of the matter contained in it - the security classification at the top of the front page should be amended in manuscript if necessary. The recipient of the extract should treat it in accordance with the security classification shown on the document.
- (l) If a BUDGET SECRET: BUDGET LIST ONLY document is to be destroyed before the Budget, it is to be sent to the Budget Security Officer in double envelopes, the inner envelope bearing the appropriate label, and marked for destruction. The Budget Security Officer will carry out the destruction in accordance with the standing instructions.

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159. If a Budget sensitive document meets the criteria of paragraph 24 for classification as TOP SECRET it should be classified as "BUDGET TOP SECRET: BUDGET LIST ONLY". The distinguishing folder and address labels for "BUDGET SECRET: BUDGET LIST ONLY" documents are to be used amended accordingly in manuscript. The instructions of paragraph 158 are to be followed, except where the normal security instructions for TOP SECRET documents impose more stringent requirements, in which case those should be obeyed.

Handling of other Budget classified documents

160. The normal rules for the control and transmission of classified documents (paragraphs 42-103 of H M Treasury Security Instructions) must be applied to all other documents which carry the prefix: BUDGET, except as modified below:

- (a) BUDGET: TOP SECRET and BUDGET: SECRET documents must always be transmitted in double envelopes, even if only sent within the building and the inner envelope must bear a completed BUDGET: SECRET label. As the title will be shown on the label and may be seen by staff not authorised to handle the document, the title should be carefully chosen to avoid revealing any sensitive information. If two or more papers are included in one inner envelope, details of both must be shown on the label. BUDGET: TOP SECRET and BUDGET SECRET documents sent outside the building must be accompanied by receipts (but it should be noted that if a BUDGET SECRET document is received from Customs and Excise it will not necessarily be accompanied by a receipt when it reaches the recipient's office as bulk receipts are used for documents transmitted by document pouch to the Treasury).
- (b) BUDGET: TOP SECRET and BUDGET: SECRET documents should normally be sent by messenger to other departments. If no messenger is available, they should be sent by special signature service of the IDS, a receipt being obtained from the post room. BUDGET: CONFIDENTIAL documents should be sent either by messenger or the IDS. Budget classified documents must not, in any circumstances, be sent by post or transmitted on facsimile equipment, except for the secure facsimile link between the Treasury and the Revenue Departments.
- (c) Each recipient is responsible for ensuring that every document classified BUDGET SECRET and above is entered in the appropriate Security Register. He must do this himself if no-one else is available or authorised to do this -this applies particularly at Principal level. Staff who are not

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authorised to handle BUDGET SECRET documents may record them in the Security Register, provided that they have been received in double envelopes, using the information shown on the label. If this is done, the inner envelope must be passed to the recipient unopened, the number of the security register entry being shown on the label. If this procedure is followed it does not detract from the recipient's responsibility that receipt of the document has been recorded, so he should ensure that the security register number is shown on the label and copy it to the document itself.

- (d) BUDGET classified documents are not to be filed or otherwise handled by Divisional Clerks until after the Budget. Principals are personally responsible for all BUDGET classified documents passed to them, and for ensuring that no other person is able to obtain access to them. Principals who will require a combination lock document box or security cupboard for BUDGET classified material should requisition it as soon as possible from the Assistant Budget Security Officer in EOG2 (Ext 7861). It should be noted that this instruction applies to BUDGET CONFIDENTIAL as well as more highly classified material.
- (e) Personal secretaries may continue to handle papers classified BUDGET SECRET or BUDGET CONFIDENTIAL as may Divisional clerks working with the Principals CU and FP (Budget co-ordination branch). Files in those branches containing BUDGET classified papers must bear the appropriate classification on the outside.
- (f) All copies of documents of BUDGET SECRET classification or higher must be uniquely numbered in series, whatever the length of the circulation list. Copies of BUDGET CONFIDENTIAL documents need not be sequentially numbered. BUDGET classified material including BUDGET CONFIDENTIAL may only be copied on the authority of an SEO or above, or Personal Secretary acting on behalf of a higher grade officer, but recipients should as far as possible avoid making copies of Budget classified material. The making of copies must be carried out in accordance with paragraph 54.
- (g) The arrangements set out in paragraphs 68-75 for taking classified papers out of the office apply to BUDGET: SECRET and BUDGET: CONFIDENTIAL documents, but BUDGET: SECRET papers are subject to the overriding restriction that they must not be taken out of the office unless absolutely unavoidable. In such an event, they should be carried in a locked briefcase, box or pouch and kept securely at all times.

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- (h) BUDGET: SECRET or TOP SECRET waste should be destroyed by shredding; arrangements for this may be made with EOG (extension 7861). Recipients must keep a proper record of any such documents they destroy. Production of such a record is necessary to meet the requirements of the spot checks described in paragraph 161.

General points

161. To ensure that the required procedures are being adhered to, Budget classified documents will be subject to a series of spot checks. There will be random checks of individual copies of classified documents sent to named individuals. There will also be more systematic searches of complete circulation lists of particularly sensitive Budget classified papers. These checks will be carried out by FP and EOG.

162. Budget classified papers must not be typed in typing pools. Particular care should be taken about the custody of carbons, photocopies, dictating machine tapes, word-processing discs, shorthand notes etc containing classified information.

163. The disposal of any BUDGET SECRET or above document is to be recorded in the security register. Where a Principal wishes to dispose of a document he is to take care that this does not enable any unauthorised person to see its contents.

164. If BUDGET classified papers do not state the post-Budget classification, recipients should alter the classification as appropriate after Budget day. The 'BUDGET' prefix should always be deleted after Budget day, as it no longer has any significance. Papers which refer only to decisions which were announced in the Budget may be declassified. Papers containing advice or background to such decisions should generally be classified CONFIDENTIAL. Papers containing references to courses of action which were not pursued, which were classified BUDGET SECRET, should remain SECRET.

Queries

165. Any questions about the Budget Security instructions should be addressed to the Budget Security Officer, who is the Principal in FP Division (Indirect taxation branch) (extension 5237).