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NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon John MacGregor MP
Chief Secretary to the Treasury
Treasury
Parliament Street
London
SW1P 3AG

*Await Chief
Secretary's reply.
CDP 5712*

5 December 1985

ANGLO-IRISH AGREEMENT

One of the central provisions of the Anglo-Irish Agreement (Cmnd 9657), which has now been approved by Parliament, is that there is to be an Intergovernmental Conference, chaired jointly by myself and the Irish Minister of Foreign Affairs, which will meet regularly at about monthly intervals and will be serviced by a Joint Secretariat. We have agreed that, subject to the current security situation, the Conference will normally meet in Belfast; and that the Secretariat will be located there. The Conference is to hold its first meeting on 11 December and the Secretariat needs to be functioning by then, which means that accommodation has had to be provided for it as a matter of urgency. Although the direct costs of the Conference itself will be small, the cost of the Secretariat in terms of staff, accommodation and security will be substantial. (There may be other extra costs arising from the Agreement - eg if there is a deterioration in the public order situation - but this letter is confined to the Secretariat).

At the time when Cabinet approved the Anglo-Irish Agreement in principle it was thought that the Secretariat might be accommodated at modest cost in a temporary building within the Stormont perimeter. But in the final stages of the negotiations it was decided, with the agreement of the Prime Minister, that this was unacceptable on both political and operational grounds. Alternative premises were found some two miles away, but this has meant purchasing a building and taking elaborate security precautions, since threats have been made by Loyalist paramilitaries both to attack the Secretariat building and to assassinate its staff.

My officials have been in touch with yours about the detailed costs of the Secretariat. It is difficult at this stage to be precise, since security measures are still being worked out; but the best estimates that we can make are that the setting-up costs to be met in the current financial year will be in the region of £2.5m and that

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the recurrent costs therefore will be of the order of £5m a year. The former figure includes staff costs and the costs of acquiring the property and installing the initial physical security measures required; the biggest element in the latter figure is the cost of the additional police manpower which will be necessitated by the very considerable guarding task. I must, however, emphasise that both figures are no more than very tentative estimates.

We shall, of course, be seeking to recover an appropriate proportion of these costs from the Irish Government. They have agreed in principle to make a proportionate contribution to the cost of the accommodation; but in accordance with the normal convention they will expect us to meet the cost of security arrangements (as we would for a foreign embassy). The security costs will represent by far the greater part of the bill.

My purpose in writing to you now is to seek your agreement in principle that our share of these costs be met from the Reserve this year and by means of a late Survey bid for subsequent years. This, I suggest, would be entirely in accord with established doctrine and precedent. The extra expenditure will be the direct and unavoidable consequence of a new departure in Government policy, the exact nature and timing of which was not, and could not have been foreseen at the time that the 1984 PES and the 1985-86 estimates were being prepared. I can see no difference of principle (but only of scale) between this case and the circumstances in which the cost of the Falklands operation was met from the Reserve.

I should have to resist most strongly any suggestion that these costs should be found from within the Northern Ireland Block, either in the current year or in the PES period. Leaving aside the severe practical difficulties, especially in the current year, which a call on the Block would cause me, there is a separate and very compelling political argument. In their current mood of hostility to the Agreement, the Unionist leadership will not hesitate to claim that costs of implementing it are being met at the expense of, and to the detriment of social and economic areas where progress needs to be made. They are already showing keen interest in how the costs are to be met, with a battery of questions from the Assembly and several PQs at Westminster. It would help a great deal in avoiding an extra bone of contention over the Agreement and its value to Northern Ireland if we could say that it was making no inroads into other spending programmes.

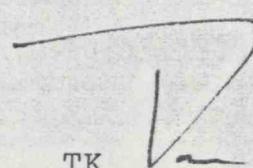
I very much hope, therefore, to have your agreement in principle to the funding arrangements proposed above to meet the direct costs of establishing and running the Secretariat. Once reliable estimates are available, the intention would be that the appropriate adjustments to cash limit and PES base-lines would follow. I shall, of course, be glad to discuss the matter with you if that will help.

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I am sending copies of this letter to the Prime Minister and the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

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13/12

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP
 Secretary of State for Northern Ireland
 Northern Ireland Office
 Whitehall
 London
 SW1P 3AJ

13^m.
December 1985

Dec Tom,

ANGLO-IRISH AGREEMENT

Thank you for your letter of 5 December.

The immediate problem is how to deal with the costs of the Joint Secretariat in the current year (£2.5 million less any sums to be recovered from the Irish government).

Of this amount, I understand £1 million relates to policing costs. Given that redeployment of manpower rather than an addition to strength is involved, I would have thought these costs would be met from within the RUC's existing budget without therefore giving rise to the political difficulties you foresee in re-ordering priorities in the social and economic expenditure programmes.

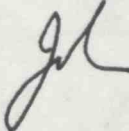
For the rest, you will recognise my reluctance to accept a claim on the Reserve given the exceptionally difficult position we face this year (which I outlined in my minute of 31 October to the Prime Minister). I would be similarly reluctant to accept now a claim on next year's Reserve while there is still the opportunity for you to consider how to reallocate resources within your approved total for that year. A claim on the Reserve in respect of expenditure which would normally be met from your Budget under the block arrangements would be wholly exceptional. My concern about the political argument you advance for nevertheless meeting this expenditure from the Reserve is that it is one which on the face of it applies to any expenditure arising out of the Anglo-Irish agreement. Do we know what further expenses will be incurred by the Secretariat or what proposals for expenditure they may advance? My officials tell me, for example, that further sums will be required for security works around the residence of Irish members of the Secretariat. How are we to deal with these or any other consequences of the Agreement? I think we need to be clearer on these points before we can reach a final decision about claims on the Reserve.

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For the years after 1986-87 you will recognise that the Survey is now complete and the results published. A "late bid" is not therefore a practical proposition. I think that, as with other expenditure proposals that arise between Surveys, we must defer a final decision on how provision should be made for this expenditure until the next Survey. I do not think that this will prejudice your position since the outcome of the next Survey cannot be foreseen. Given that the figures for the block are likely to change one way or the other, it seems to me unlikely that in the event it will be possible to discern whether the amounts involved here have been added to the block or found within it.

I am copying this letter to the Prime Minister, Geoffrey Howe and to Sir Robert Armstrong.

Yours ever,


JOHN MacGREGOR

Ireland: Taoiseach;

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SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon John MacGregor MP
Chief Secretary to the
Treasury
HM Treasury
Parliament Street
LONDON
SW1

*CDP
15/12*

18th December 1985

John John,

ANGLO-IRISH AGREEMENT

Thank you for your letter of 13 December.

I cannot accept your suggestions about how to treat the extra costs of the Anglo-Irish Agreement for this year and 1986/87.

You argue that the costs are not so large that they cannot be met either from the existing Law and Order budget or from rearranging the Northern Ireland Office allocation within the Northern Ireland Block. But money is already extremely tight and we have no means of determining accurately at this stage what the extra costs of implementing the Anglo-Irish Agreement are going to be. My earlier letter attempted to assess the bill for the Secretariat, but warned that there could be other costs - eg in the public order field. Since I wrote, we have had the first meeting of the Intergovernmental Conference which provoked large-scale demonstrations and meant that a major police operation had to be mounted, both at the Secretariat building and at Stormont Castle where the Conference itself was held. We do not know whether this sort of demonstration will be repeated every time the Conference meets; but in the light of this experience we must be prepared for further disorder, particularly when we move into the marching season next summer.

Public order events of this sort place a very heavy strain on police resources. Initially they have to be met by the use of overtime, which is expensive; but if substantial numbers of police officers have to be employed regularly on guarding the Secretariat and maintaining order when the Intergovernmental Conference meets, the Chief

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Constable is bound to press for an increase in establishment to enable him to carry out his other responsibilities, including the campaign against terrorism. It is not simply a matter of re-deploying an existing level of effort within the RUC, as the second paragraph of your letter suggests. The hostile reception of the Anglo-Irish Agreement has placed a substantial additional burden on the police at a time when there has been no diminution in their other responsibilities and when the anti-terrorist campaign in particular is continuing at a very high level of activity.

Following the Anglo-Irish Agreement the political atmosphere in Northern Ireland is now very highly charged and the question of meeting the costs of the Agreement has become a political issue. The Assembly has turned itself into a Grand Committee to examine the Agreement in all its aspects and is bound to focus on finance. MPs sympathetic to the Unionists are raising the issue in the House. They have already blamed the Government for the IRA attack on the police station at Tynan on the day when the Intergovernmental Conference met because, they allege, police had been taken away from the border areas to guard the Conference.

In theory of course I could pay for the police overtime and other extra costs by taking money away from other programmes in Northern Ireland; but this could not be concealed and would still further inflame Unionist resentment against the Agreement.

It is against this background that I must ask you to agree to meet from the Reserve the extra costs arising from the implementation of the Anglo-Irish Agreement in the current year and next year. As I said in my original letter the circumstances of the Anglo-Irish Agreement are exceptional and could not have been foreseen when earlier decisions were taken on PES. Consequently there seem to me nothing inappropriate in making a call on the Reserve. As regards the years after 1986/87, I am prepared, reluctantly, to wait for next year's Survey to settle the appropriate funding, provided it is understood that I shall wish to argue for raising the base line on this account.

Rhodes Boyson is due to make a public announcement on Thursday about the PES allocations for the Northern Ireland Block. He will undoubtedly be asked how the extra costs of implementing the Anglo-Irish Agreement are to be met. The Finance and Personnel Committee of the Assembly has already addressed this question to the Government. We shall be in serious trouble if we have to prevaricate and cannot give an outright assurance that the costs will not be met at the

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expense of other programmes in Northern Ireland. It is better to pre-empt the opposition than yield to pressure. I should be grateful, therefore, if you will urgently reconsider your position on this point.

I am copying this letter to the Prime Minister, the Foreign and Commonwealth Secretary and Sir Robert Armstrong.

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cc/pc



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP
 Secretary of State for Northern Ireland
 Northern Ireland Office
 Whitehall
 London SW1P 3AJ

MBPM

20 December 1985

Dear Secretary of State

ANGLO-IRISH AGREEMENT

Thank you for your letter of 18 December.

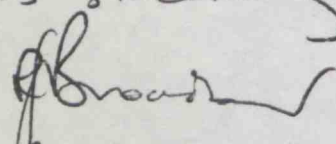
I understand the presentational problem you face in respect of 1985-86 and 1986-87. Because of the overriding political sensitivities at the present time I am prepared to agree that you should say that any extra costs in these years directly attributable to security, and other physical arrangements for the Intergovernmental Conference, should not be at the expense of economic and social programmes in Northern Ireland.

However, I think we can postpone a judgement as to whether this requires a call on the Reserve. For 1985-86, when the costs will be relatively small, I understand that there will be scope for meeting these costs from shortfall which accrues on your programmes.

For 1986-87 I think it would be right to postpone a view until later in the year when we have a better idea on the pattern of spending within your block. What I have in mind is that, if underspending emerges on any of your programmes, we should have the opportunity of discussing whether it should be allowed to emerge (so offsetting Anglo-Irish costs but without cutting existing programmes).

We are agreed that the funding problem in years after 1986-87 should be left over for the 1986 Survey.

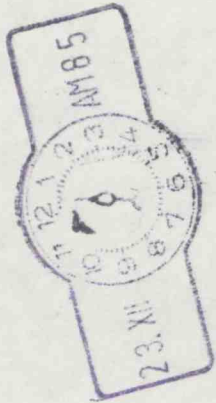
I am sending copies of this letter to the Prime Minister, Geoffrey Howe and Sir Robert Armstrong.

Yours sincerely

 JOHN MacGREGOR

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(Approved by the Chief Secretary)

IRELAND : Relations : Pt 13.





Charles Powell
for information.

WITH

THE COMPLIMENTS OF THE

PRIVATE SECRETARY

Neil Ward

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SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
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CDP
22/1

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1

22nd January 1986

Dear Chief Secretary,

COSTS OF ANGLO-IRISH AGREEMENT

Thank you for your letter of 20 December which has been the subject of discussion between our officials. I greatly appreciate the helpful approach which you are taking to this matter.

So far as 1985-86 is concerned, historical trends would suggest that in all likelihood there will be sufficient shortfall in the Northern Ireland Block as a whole, at the end of the year, to cover the costs this year of the Anglo-Irish Agreement. However, to facilitate Spring Supplementary Estimates procedures, it will be necessary to increase the NIO Cash Limit now by £2.5m from the Reserve; if we are to maximise the political benefit of this, it will be essential that we avoid making any statements regarding the covering of this amount out of shortfall elsewhere in the Block, since such a technical concept would be most difficult to explain satisfactorily to either the media or the public and would merely bring the issue back into contention instead of killing it stone dead, as we must.

For the costs of the Agreement in 1986-87 I would welcome your acceptance that the same arrangement will apply ie there will be no transfer of resources from the Northern Ireland Departments to the NIO on foot of Anglo-Irish costs. Again we would expect the likely additional requirements to be within the historic level of shortfall on the programme overall at the end of the year. It will be important, however, that there is no diminution of my flexibility in managing the NI Block during 1986-87; I will therefore continue, as in the past, to reallocate shortfall as it emerges within year. Exceedings in my Law and Order programme which relate to matters other than Anglo-Irish costs would of course continue to be handled under normal arrangements.

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I understand the Treasury's concern about the difficulty in identifying precisely what costs in my Law and Order programme are related to the Agreement. I would like to have an opportunity to consider this issue without the timing constraints imposed by the Spring Supplementary Estimates for 1985-86. I propose therefore that our officials should look at this aspect, following which I will write to you further.

Finally I agree that the funding of the Agreement in the years beyond 1986-87 should be considered as part of the 1986 PE Survey.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe and Sir Robert Armstrong.

*Yours Sincerely
Neil Ward
(Private Secretary)*

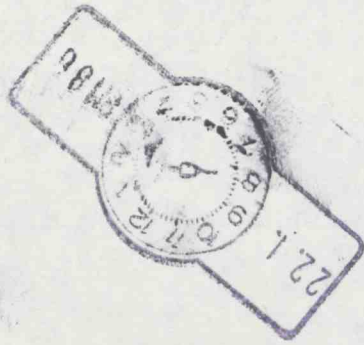
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(Approved by the Secretary of State
and signed in his absence in Belfast)

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
London
SW1P 3AJ

6th February 1986

Dear Tom,

COSTS OF THE ANGLO IRISH AGREEMENT

Thank you for your letter of 22 January.

I have accepted your case for a call on the Reserve of £2.5 million in respect of 1985-86 although I note that there is every reason to expect that this will be more than offset by shortfall so that outturn expenditure on the Northern Ireland block will remain within planned totals.

You are also proposing a call on the Reserve in respect of the costs of the Inter Governmental Conference in 1986-87. My officials have reported that an estimate of £5 million represents a reasonable definition of these costs. I have reluctantly accepted your view that the costs of the Conference should not be met at the expense of economic and social programmes in the Northern Ireland block. But as I said in my letter of 13 December I believe it is reasonable in principle to expect the police costs (which represent the majority of IGC costs) to be offset by efficiency savings within the RUC budget. However I am advised that it would not be feasible to press this since you already have a strategy for achieving reductions in police costs which might be put at risk if the RUC were required to contain or offset these additional costs. I am therefore prepared to agree to a bid on the Reserve of £5 million to cover the direct costs arising from the Inter Governmental Conference in 1986-87. I note that this is a broad estimate of costs which are difficult to forecast accurately. Should a prospect of exceeding it emerge you would need to look again at the scope for offsetting savings within the Law and Order programme to avoid a third claim on the Reserve.

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Relations: IRELAND DH13

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As is the case with 1985-86, I note that the sum of £5 million in 1986-87 is likely to be offset by shortfall which can be expected to emerge at end year and that this will not require you to earmark resources within year which you would normally reallocate between Northern Ireland Departments' programmes.

As to public presentation I see no need to draw attention to the call on the Reserve by making an announcement when the Estimate is presented but I am content that if asked you should say that provision for Inter Governmental Conference costs has been made from the Reserve.

I am copying this to the Prime Minister, Geoffrey Howe and Sir Robert Armstrong.

Yours,
JH

JOHN MacGREGOR



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