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N. B. P. R.

A. S. C. 7/11.

FOREIGN AND COMMONWEALTH SECRETARY

NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS: PUBLIC
EXPENDITURE WHITE PAPER FIGURES

You wrote to me on 3 January about the basis for calculating the figures for net payments to the EC institutions which are to be published in the 1984-85 Public Expenditure White Paper.

2. Your first point concerned whether we should assume receipt of 80 per cent or 90 per cent of our Budget refunds for 1983 by the end of March this year. I remain convinced that 90 per cent is the right figure. It is, after all, the proportion that we are working to receive, and it is also the proportion that we actually received by end-March 1983 in respect of our 1982 Budget contributions. Moreover, you will recall that we used the 90 per cent assumption when calculating the figures for future years in the 1983 White Paper and I believe that as far as possible we should aim at consistency from one White Paper to the next.

3. I note your fear that the Commission will not have the money to pay us a 90 per cent refund by the end of March. My officials calculate that the money should in fact be available and I shall be circulating material on this shortly. The recent proposals for delaying certain agricultural payments should be helpful in this respect.

4. You also questioned the treatment of the disputed balance of our 1982 risk-sharing money (worth £42 million net). Again, my



view is that we should stick to the present assumption that payment will be made by the end of March. Although I agree that there is clearly a possibility that payment will not in fact be made by then, I think it would be tactically most unwise to publish a White Paper in mid-February which omits the payment from the projections and appears to assume that the money will not be received.

5. In paragraph 7 of your minute, you referred to the implications of the White Paper figures for our discussions in E(A) committee on how to avoid Community expenditure adding to domestic public expenditure. We shall have to return to this question soon in E(A) and our officials will shortly be discussing the "effective mechanism" for which E(A) called. One of the questions that we shall need to consider is how to keep our public expenditure within the projections in the White Paper, since they reflect a number of assumptions which will change as decisions are taken.

6. Paragraphs 5 and 6 of your minute refer to two drafting suggestions, which I am happy to accept.

7. Finally, I should like to clarify a few factual points. In paragraph 2 you stated that in 1980/81 we received only 54 per cent of the refund payable in respect of 1980 by the end of the financial year. Our own estimate is that, taking account of payments made under the Financial Mechanism (which were later repaid), some 80 per cent of the refund was paid by the end of the financial year. Second, your budget refund figures for 1983/84 appear to assume that we receive either 80 or 90 per cent of our net refund by the end of March. In fact, the assumption used in the White Paper is that 90 per cent of the gross refund is received by end-March. Finally, in paragraph 5 you suggested that our first refund was received in 1981 rather than 1980. In fact, our own records show we did receive an advance of supplementary measures in December 1980.

8. I am copying this minute to the Prime Minister and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N.L.' or similar initials.

Enron #1 : Budget #22

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