



Mr. Fischer.
The F/C.O. have
ATC considered. I am
wrote.
Apr 24/2
Does this have
any significance beyond
Parliamentary thing?

Treasury Chambers, Parliament Street, SW1P 3AG

~~Miss Gowers~~

TJ

Be told to

that that is

24 February 1984

acceptance

PS/Prime Minister
10 Downing Street
LONDON
SW1

Dear Mr Fischer

JD
24/2

... I attach a draft of a White Paper on the 1984 Community Budget which, if you and other recipients of this letter agree, we should like to present and publish in the name of the Economic Secretary on 1 March. Treasury Ministers consider that this is the most suitable date in relation to ^{the} timing of future Community business.

The White Paper will be the fourth in a series of annual statements which the Government agreed to provide in response to a recommendation of the Public Accounts Committee. All the information has been taken from documents already published. This is the first White Paper which includes firm outturn information about Community expenditure and UK contributions to and receipts from the EC budget.

As the text of the Statement makes clear the treatment of refunds is different from that adopted in last year's White Paper. In this Statement a cash flow presentation is used rather than the budget based figures used in the 1983 Statement. This is covered in paragraph 7 of the draft and for further clarification a table showing the adjustments which have to be made to the refund figures in the 1983 Statement is included in the Annex.

We shall of course provide press briefing which will explain the differences between the calendar year figures in the Statement and the financial year figures in the PEWP. We considered this year, for the first time, publishing a reconcilliation between the figures in the two documents but decided against it as this ^{would} highlight the fact that the Community's 1984 published budget does not include provision for the balance of our 1982 'risk sharing' refund. As you know this money was included in the PEWP, but not explicitly mentioned.

I am copying this letter to Murdo Maclean (Chief Whip's Office), David Heyhoe (Privy Council Office) and David Wright (Cabinet Office) and Roger Bone (FCO).

Yours sincerely
Adrian Ellis

ADRIAN ELLIS
Private Secretary

THE 1984 BUDGET OF THE EUROPEAN COMMUNITIES

INTRODUCTION

1. Following a recommendation in the 28th Report (1979-80 session), by the Committee of Public Accounts (PAC), the Government agreed to present a statement giving details of each European Community Budget, both after its adoption and after the outturn is known. This White Paper is the fourth in the series. It provides details of the 1984 Community Budget as adopted, the 1983 Budget as amended by the two Supplementary and Amending Budgets and the outturn for 1982 and 1981. The Community's budgetary terminology is explained in the Annex to the White Paper.

2. In addition to providing a summary of the Community Budgets for 1981 to 1984 the Statement shows the implications of these budgets for the UK's gross and net contributions. These contributions are also shown in the Public Expenditure White Paper (see Cmnd 9143) but on a UK financial year basis.

Commitment and payment appropriations

3. Tables 1 and 1A show commitment and payment appropriations in the 1984 Budget as adopted, in European Currency Units (ecu) and sterling respectively. The table also shows the appropriations in the 1983 Budget taking account of the supplementary and amending budgets.

4. The outturn figures for 1981 and 1982 shown in tables 1 and 1A have been taken from the Court of Auditors' 1982 Annual Report and the Commission's accounts, which have been audited by the Court of Auditors. (See the Annex for the definition of outturn used in this White Paper.)

1984 Community Budget

5. The 1984 Community Budget as adopted provides for expenditure of about £14,700 million, 98 per cent of which is expenditure by the Commission. Agricultural spending accounts for slightly more than two-thirds of the total budget. Regional Development and Social Fund expenditure together make up a further 10 per

cent. The 1984 Budget as adopted also contains provision for the agreed basic refund to the United Kingdom in respect of 1983 of 991 million ecus gross (about £573 million).

Gross and net contributions by the UK

6. Table II shows gross contributions to and receipts from the Community Budgets for 1981 to 1983 and the resulting net contributions figures; the figures for 1984 are calculated on the basis of the published 1984 Budget. Our gross contribution for that year is put at some £3080m, and gross receipts (including the UK's refund in respect of 1983) at some £2360m. The estimated net contribution is therefore about £720 million.

7. The outturn figures for 1981 and 1982 differ from those shown in the Statement in the 1983 Community Budget (Cmd 9030) in part because firm information is now available and because in this White Paper the refunds are presented on a cash flow basis. In Cmd 9030 the 1981 and 1982 refunds figures were shown on a basis which attributed them to the budget from which they were financed irrespective of when they were paid over to the UK. The necessary adjustments are shown in more detail in the Annex.

COMMITMENTS AND PAYMENTS BY
INSTITUTION AND TYPE OF EXPENDITURE

TABLE 1

million ECUS

COMMISSION	COMMITMENTS				PAYMENTS			
	1981	1982	1983	1984	1981	1982	1983	1984
Administration	643.9	713.3	756.8	803.5	635.4	688.3	756.8	803.5
EAGGF - Guarantee	10980.2	12371.6	15811.0	16500.0	10960.2	12369.5	15811.0	16500.0
EAGGF - Guidance	695.1	733.6	782.2	723.5	566.5	638.2	597.1	595.6
Fisheries	39.9	68.8	107.2	159.1	49.9	54.8	84.4	112.4
Regional Fund	1636.8	1844.8	2010.0	2140.0	798.7	973.0	1259.0	1412.5
EMS interest rate subsidies	234.0	272.4	257.0	-	227.2	264.8	257.0	-
United Kingdom refunds	1248.4	1919.2	1399.6	991.0	1248.4	1819.2	1399.6	991.0
German refunds	-	-	272.5	211.0	-	-	272.5	211.0
Social fund	996.2	1510.2	1696.5	1846.0	745.8	905.6	1350.0	1220.0
Energy	64.1	83.9	111.6	209.7	63.1	44.0	99.5	156.8
Research and investment	356.8	443.1	446.1	740.1	295.6	367.6	428.0	475.8
Industry and transport	8.6	19.3	57.4	145.8	8.3	16.3	61.1	95.7
Own resources refund	814.0	907.6	966.9	1057.3	807.0	909.3	966.9	1057.3
Transitional refunds to Greece	111.6	98.0	65.1	46.2	110.4	91.2	65.1	46.2
Development aid	903.4	899.5	1124.2	1022.8	858.5	786.1	992.2	897.2
Miscellaneous	40.3	203.6	259.2	350.7	110.3	172.8	251.2	355.9
Reserves	-	-	5.0	5.0	-	-	5.0	5.0
Total Commission	19773.3	21988.9	26128.3	26951.7	17485.3	20100.7	24656.3	24935.9
OTHER INSTITUTIONS								
Parliament	171.3	199.0	228.0	239.1	168.0	173.3	228.0	239.1
Council	106.9	111.7	130.5	137.1	103.9	109.7	130.5	137.1
Court of Justice	23.2	25.8	29.1	31.3	23.1	25.4	29.1	31.3
Court of Auditors	12.8	14.1	17.2	18.1	12.5	13.6	17.2	18.1
Total Other Institutions	314.2	350.6	404.8	425.6	307.5	322.0	404.8	425.6
TOTAL BUDGET	19087.5	22339.5	26533.1	27377.3	17792.8	20422.7	25061.1	25361.5

COMMITMENTS AND PAYMENTS BY
INSTITUTION AND TYPE OF EXPENDITURE

TABLE 1A

£ million

COMMISSION	COMMITMENTS				PAYMENTS			
	1981	1982	1983	1984	1981	1982	1983	1984
Administration	355.8	399.6	444.0	464.5	351.1	385.6	444.0	464.5
EAGGF - Guarantee	6067.7	6930.5	9276.0	9537.6	6056.7	6929.3	9276.0	9537.6
EAGGF - Guidance	384.1	411.0	458.0	418.2	313.1	357.5	350.3	344.3
Fisheries	22.1	38.5	62.9	92.0	27.6	30.7	49.5	65.0
Regional Fund	904.5	1033.4	1179.2	1237.0	441.4	545.1	738.6	816.5
EMS interest rate subsidies	129.3	152.6	150.8	-	125.6	127.3	150.8	-
United Kingdom refunds	693.0	1019.4	807.2	572.8	693.0	1019.4	807.2	572.8
German refunds	-	-	159.9	122.0	-	-	159.9	122.0
Social fund	550.5	846.0	995.3	1067.1	412.1	507.3	792.0	705.2
Energy	35.4	47.0	65.5	121.2	34.9	24.6	58.4	90.6
Research and investment	197.2	248.2	261.7	427.8	163.4	205.9	251.1	275.0
Industry and transport	4.8	10.8	33.7	84.3	4.6	9.1	35.8	55.3
Own resources refund	449.8	508.4	567.3	611.2	445.9	509.4	567.3	611.2
Transitional refunds to Greece	61.7	54.9	38.2	26.7	61.0	51.1	38.2	26.7
Development aid	499.2	503.9	659.5	591.2	474.4	440.4	582.1	518.6
Miscellaneous	22.3	114.1	152.1	202.7	60.9	96.8	147.4	205.7
Reserves	-	-	2.9	2.9	-	-	2.9	2.9
Total Commission	10377.4	12318.3	15314.2	15579.2	9665.7	11239.5	14451.5	14413.9
OTHER INSTITUTIONS								
Parliament	94.7	111.5	133.8	138.2	92.8	97.1	133.8	138.2
Council	59.1	62.6	76.6	79.2	57.4	61.5	76.6	79.2
Court of Justice	12.8	14.5	17.1	18.1	12.8	14.2	17.1	18.1
Court of Auditors	7.1	7.9	10.1	10.5	6.9	7.6	10.1	10.5
Total Other Institutions	173.7	196.5	237.6	246.0	169.9	180.4	237.6	246.0
TOTAL BUDGET	10551.1	12514.8	15551.8	15825.2	9835.6	11419.9	14689.1	14659.9

UNITED KINGDOM CONTRIBUTIONS TO AND RECEIPTS FROM THE COMMUNITY BUDGET

TABLE II

million ECUs

£ million

	1981	1982	1983	1984	1981	1982	1983	1984
GROSS CONTRIBUTION								
Agricultural and sugar levies	395.5	548.3	394.9	491.6	218.2	307.3	231.7	284.2
Customs duties	1550.9	1784.5	1832.5	1920.0	860.5	1001.0	1075.1	1109.8
VAT own resources	1930.8	2782.7	2844.6	2918.5	1095.2	1554.4	1668.9	1687.0
TOTAL	3877.2	5115.5	5072.0	5330.1	2173.9	2862.7	2975.7	3081.0
RECEIPTS								
Own resources refund	190.2	236.3	221.2	241.0	113.5	133.7	129.8	139.3
EMS interest rate subsidies compensation	39.3	48.2	36.6	-	21.2	32.5	21.5	-
United Kingdom refunds	1248.4	1819.2	1399.6	991.0	693.0	1019.4	807.2	572.8
Other receipts	1912.7	2057.9	2268.2	2855.0	1057.0	1152.8	1330.7	1650.3
TOTAL RECEIPTS	3390.6	4161.6	3925.6	4087.0	1884.7	2338.2	2289.2	2362.4
NET CONTRIBUTION	486.6	953.9	1146.4	1243.1	289.2	524.3	686.5	718.6

GROSS CONTRIBUTION BY MEMBER STATE

TABLE III

Million ECUS

	Agricultural and Sugar levies				Customs duties				VAT/FINANCIAL contribution				Total			
	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984
Belgium	206.2	283.0	349.1	385.2	408.4	403.7	435.0	451.0	375.9	461.6	432.9	302.5	990.5	1148.3	1217.0	1338.7
Denmark	29.4	32.8	45.6	51.6	135.2	142.6	160.0	166.0	189.8	226.8	274.3	290.2	354.4	402.2	479.9	507.8
Germany	306.8	392.1	485.8	558.4	1943.8	1966.5	2080.0	2180.0	2806.5	3339.9	4039.0	4187.8	5057.1	5698.5	6604.8	6926.2
Greece	18.4	76.6	60.0	116.5	84.6	108.7	120.0	130.0	151.5	196.3	214.9	230.8	254.5	381.6	394.9	477.1
France	257.6	281.9	371.9	464.5	977.3	1071.2	1105.0	1257.0	2256.2	2872.8	3088.0	3317.3	3491.1	4225.9	4564.9	5038.8
Ireland	8.9	13.0	18.9	20.2	81.9	87.8	100.0	105.0	68.1	107.7	147.1	125.6	158.9	208.5	266.0	250.8
Italy	310.1	368.6	451.2	529.2	633.0	660.8	690.0	800.0	1582.9	1457.8	1924.1	2231.5	2526.0	2487.2	3065.3	3560.7
Luxembourg	0.1	0.1	0.1	0.2	4.3	4.3	4.6	4.5	22.6	25.2	39.2	35.9	27.2	30.1	43.9	40.6
Netherlands	214.5	231.4	257.2	332.7	572.8	585.2	630.0	610.0	499.8	649.8	714.7	725.9	1287.1	1466.4	1601.9	1668.6
United Kingdom	395.5	548.3	394.9	491.6	1550.9	1784.5	14832.5	1920.0	1930.8	2782.7	2844.6	2918.5	3877.2	5115.5	5072.0	5330.1
Total	1747.5	2227.8	2434.7	2949.9	6392.4	6815.3	7157.1	7623.5	9884.1	12121.1	13718.8	14566.0	18024.0	21164.2	23330.6	25139.4

GROSS CONTRIBUTION BY MEMBER STATE

TABLE IIIA

€ Million

	Agricultural & Sugar levies				Customs duties				VAT/FINANCIAL contributions				Total			
	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984
Belgium	113.9	158.5	204.8	222.7	225.7	226.1	255.2	260.7	207.7	258.6	254.0	290.5	547.3	643.3	714.0	773.9
Denmark	16.2	18.4	26.8	29.8	74.7	79.9	93.9	96.0	104.9	127.1	160.9	167.7	195.8	225.3	281.6	293.5
Germany	169.5	219.7	285.0	322.8	1074.2	1101.6	1220.3	1260.1	1550.9	1871.0	2369.6	2420.7	2794.6	3182.2	3874.9	4003.6
Greece	10.2	42.9	35.0	67.2	46.7	60.9	70.4	75.1	83.7	110.0	126.1	133.4	140.6	213.8	231.5	275.7
France	142.4	157.9	218.2	268.5	540.1	600.1	648.3	726.6	1246.8	1609.3	1811.7	1917.3	1929.3	2367.3	2678.2	2912.6
Ireland	4.9	7.3	11.1	11.7	45.3	49.2	58.7	60.7	37.6	60.3	86.3	72.6	87.8	116.8	156.1	145.0
Italy	171.4	206.5	264.7	305.9	349.8	370.2	404.8	467.4	874.7	816.6	1128.8	1289.9	1395.9	1393.3	1798.3	2058.2
Luxembourg	0.1	0.1	0.1	0.1	2.5	2.4	2.7	2.6	12.5	14.4	23.0	20.8	15.1	16.9	25.8	23.5
Netherlands	118.5	129.6	150.9	192.3	316.5	327.8	396.5	352.6	276.2	364.0	419.3	419.6	711.2	821.5	939.8	964.5
United Kingdom	218.2	307.3	231.7	284.2	860.5	1001.0	1075.1	1109.8	1095.2	1554.4	2668.9	1687.0	2173.9	2862.7	2975.7	3081.0
Total	965.3	1248.2	1428.3	1705.2	3536.0	3819.2	4199.0	4406.6	5490.2	6785.1	8048.6	8419.7	9991.5	11853.1	13675.9	14531.5

EUROPEAN COMMUNITY BUDGET

The detailed rules which define the structure and implementation of the Community Budget are to be found in part 5, Title II of the Treaty establishing the European Economic Community and in the Financial Regulation of 21 December 1977 as amended. There are several important differences between the Community's budgetary process and the UK's. In particular the Community's financial year runs from January to December.

Commitment and payment appropriations

2. The UK presents its Public Expenditure Plans in a multi-annual form: the Community presents its expenditure plans in its annual Budget proposals, together with the necessary revenue for the year. The Budget distinguishes between appropriations for commitments and appropriations for payments. Commitment appropriations are the total cost of legal obligations which can be entered into in the current financial year for activities which will lead to payments in the current and future financial years. Payment appropriations are the amount of money which is available to be spent in that year arising from commitments made in the current or preceding years.

Carry forwards and transfers

3. At the end of the year there may be appropriations which, for timing or other reasons, have not been used but are still needed. Such appropriations may be 'carried forward' to the following year. They remain, however, part of the budget in which they were originally entered. During the course of the year appropriations not needed in one part of the Budget may be transferred to another part where they are needed. Both of these operations are strictly controlled.

Outturn

4. The outturn of Community expenditure can be expressed in a number of ways. In this White Paper outturn means expenditure arising from commitments made in either the current year or from commitments made in previous years. This is similar to the cash flow presentation used in Government Public Expenditure plans (Cmd⁹¹⁴³). The sterling figures for 1981 to 1983 are actual cash receipts or payments where this is known, where the sterling outturn is not known the appropriate average annual sterling/ecu exchange rate has been used⁽¹⁾ to convert ecu figures to sterling. The 1984

- (1) The annual average rate for 1981 is £1 = 1.8096
 The annual average rate for 1982 is £1 = 1.7851
 The annual average rate for 1983 is £1 = 1.7045

sterling figures have been constructed using the average sterling rate for October 1983 (£1 = 1.73 ecu). This is consistent with the exchange rate used in Cmnd 9143.

5. In the statement on the 1983 Community Budget (Cmnd 9030) UK refunds were shown on a basis which scored them against the budget from which they were financed. The table below shows the adjustments necessary to translate the budget based figures in Cmnd 9030 into the cash flow figures in this statement (Cmnd 9174).

Reconciliation between UK refunds in Cmnd 9030 and Cmnd 9174

	1981	1982	million ecus
Cmnd 9030	1394.1	1654.2	
less carry-forwards to next year	165.0	-	
plus carry-forwards from previous year	19.3	165.0	
Cash flow figure in Cmnd 9174	1248.4	1819.2	

Own Resources

6. The Community Budget is almost entirely financed by 'Own Resources'. These comprise agricultural and sugar levies, customs duties and VAT 'Own Resources'. Broadly, agricultural levies and customs duties are taxes on trade between the Community and the rest of the world. Sugar levies are taxes on the production and storage of sugar. VAT 'Own Resources' are the product of a notional rate of VAT not exceeding 1 per cent levied on a Community harmonised expenditure base.