



Prime Minister.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

A.J.C. $\frac{29}{2}$

FOREIGN SECRETARY

*Amend
ms.*

COMMUNITY CASH POSITION 1984: 1983 REFUNDS

In my minute of 24 ~~February~~ ^{January}, I reported that we then thought the Commission would hold sufficient cash to pay up to 90 per cent of our refunds (some £515m) by the end of March.

2. The advice from Brussels has changed: it now seems that unless the Commission take action to reduce expenditure and increase their cash flow, this will not be the case.
3. The main reason for the disappearance of the "surplus" £700m, as calculated in my minute of 24 January, is that expenditure is running higher than expected. FEOGA expenditure is expected to be some £380m above forecast, while other expenditure, in particular that deferred from the 1983 budget, is likely to be up by some £240m. There has also been a shortfall against forecast of some £100m in own resources.
4. The Commission have three options. They can:-
 - a. reduce expenditure during March, principally by phasing the April advances, which the Commission have at present assumed will all be paid on or about 20 March. Advances in earlier months have been paid in tranches: they could be again. But this would only reduce, not eliminate, the problem;



b. once again invite member states to advance own resources payments by one month under Article 10(2) of the Own Resources Regulation. But time is short for this, and it would in any case be unwelcome to the UK, since we could not make the payments direct from the Consolidated Fund. Instead, it would be necessary to seek a supplementary estimate, followed by a special Consolidated Fund Bill. In the present circumstances, this would obviously be particularly embarrassing, and, given past TCSC concern, we would probably have to reckon with an estimates day Debate, which would be particularly unwelcome since it would presumably fall immediately after the European Council. A further potential cause of embarrassment is that we are still resisting a claim for interest for not making last May's advance;

c. seek overdraft facilities, under Article 12(2) of the regulation, up to April, when VAT own resources are paid. Our payment could be made direct from the Consolidated Fund.

5. (a) and (c) clearly suit us best. If you agree I propose, therefore, to ask Sir Michael Butler to see Christopher Tugendhat and press for other expenditure to be restrained, particularly by phasing FEOGA advances, and for any shortfall in cash requirements (including our refunds) to be covered by overdrafts under Article 12(2).

6. I am copying this minute to the Prime Minister, Michael Jopling and Sir Robert Armstrong.

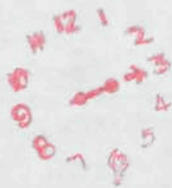
J. J. J.

PP. NL

28 February 1984

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10 DOWNING STREET

From the Private Secretary

1 March 1984

Community Cash Position 1984:
1983 Refunds

The Prime Minister has seen the minute of 28 February by the Chancellor of the Exchequer to the Foreign and Commonwealth Secretary.

Subject to the views of Sir Geoffrey Howe and Mr. Jopling, the Prime Minister agrees with the action proposed in paragraph 5. of Mr. Lawson's minute.

A. J. COLES

John Kerr, Esq.,
Foreign and Commonwealth Office

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