



A.J.C. 16/12

cc. Mr. Nicholl
Mr. Hyman

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

15 December 1982

John Coles, Esq.,
No.10 Downing Street

Dear John,

PUBLIC EXPENDITURE WHITE PAPER : NET PAYMENTS TO EUROPEAN
COMMUNITY INSTITUTIONS

The Chancellor has suggested that his colleagues might appreciate a short commentary on the figures for our net payments to EC institutions included in the draft of the Public Expenditure White Paper which is about to be circulated. For convenience, the relevant section of the draft White Paper is attached. The figures are summarised in the accompanying table.

	£ million				
	1981-82	1982-83	1983-84	1984-85	1985-86
Cmnd 8494	47	500	580	600	
Survey report		635	430	514	687
Latest estimate	153	580	380	450	530
Change since Cmnd 8494	+106	+80	-200	-150	
Change since survey report		-55	-50	-64	-157

As in other recent years, the projections depend crucially on the assumptions made about future budget refunds. We have assumed that the 1982 agreement will be implemented as intended by the Council, present problems in the European Parliament notwithstanding. The Financial Secretary has minuted separately about these problems. The figures for subsequent years assume that we shall be reimbursed 66 per cent of our net contribution before refunds, as was envisaged in the 30 May 1980 agreement, with no restitution of the alleged 'over-payments' for 1980 and 1981. These refunds are assumed to be paid at the end of the calendar year to which they relate, as under the 26 October 1982 agreement.

/The text



The text makes quite clear, as last year, that the 66 per cent is a 'stylised assumption', based on the May 1980 formula, and not a forecast or a negotiating objective. It does not explicitly say that we have assumed no further restitution of the 'overpayments'. But reference is made to the paragraph of the 1982 agreement relating to 'over-payments', and the assumption of no further restitution is implicit in the description of the 66 per cent refund assumption.

Other important assumptions, both mentioned in the text, are that the 1 per cent VAT ceiling will be maintained and that our share of CAP receipts, which has risen over the past three years from 5-6 per cent to a little over 10 per cent, will remain at the higher level.

The most striking feature of the new projections is the relatively high figure for the current financial year, followed by the relatively low figure for 1983-84 (see line 3 of table). This reflects the patterns of refunds and VAT payments. We are receiving a lower rate of refund for 1982 than assumed for the later years, and a significant part of it is projected to be paid to us in 1983-84 under the risk-sharing arrangements. As regards VAT, the interaction between movements in the sterling/ecu exchange rate and the Community's rules for calculating VAT liabilities has resulted in a heavy concentration of payments on 1982-83.

The changes compared with the previous White Paper shown in line 4 have resulted from a number of factors. The increase in the 1982-83 figure mainly reflects the lower level of refunds for the current year mentioned already. The reduction in the figures for the two subsequent years reflects partly the spillover of 1982 refunds into 1983-84 and more particularly the higher share of CAP receipts now assumed.

In contrast with previous White Papers, the new White Paper will include projections for receipts from the Community's individual funds, in particular the FEOGA, Regional Development and Social Funds. The text explains that the Government's plans for the areas of expenditure concerned have been influenced by the expectation of receipts from the Community. It is hoped that this change, which was agreed by OD(E) in the summer, will help to allay the anxieties of the Commission, the European Parliament and others who feel that the Community's grants have no effect whatever on domestic public expenditure programmes.

I am copying this letter to Roger Bone (FCO), Robert Lowson (MAFF), and Richard Hatfield (Cabinet Office).

Yours sincerely,

Jill Rutter

JILL RUTTER



10 DOWNING STREET

From the Private Secretary

20 December 1982

PUBLIC EXPENDITURE WHITE PAPER:
NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

The Prime Minister has noted, without comment, your letter of 15 December.

I am copying this letter to Roger Bone (FCO), Robert Lawson (MAFF) and Richard Hatfield (Cabinet Office).

A. J. COLES

Miss Jill Rutter,
HM Treasury.