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CCBI

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister

AS

*[Handwritten signature]*

This will be the first time that the post-Fontainebleau projections of our net payments have been published. There is bound to be interest in the House.

PRIME MINISTER

NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

*Geoffrey Howe's minutes (attached) has some useful ideas on presentation*

We have now completed our latest forecast of the net payments to EC institutions, which I propose should be published as part of the Autumn Statement.

*Agree to publication, taking account of CH's comments?*

2. The forecast takes account of the decisions at Fontainebleau and the recent Foreign Affairs Council agreements on the 1984 Draft Supplementary and Amending Budget and the 1985 Draft Budget. It assumes receipt of our 1983 refunds this year. The figures are as follows:

CDP 22/K

	1984-85	1985-86	1986-87	£million 1987-88
Latest forecast	725	750	640	830
PEWP 1984 (Cmnd 9143)	375	550	600	(615)*
Addition to Public Expenditure	+350	+200	+40	+215

\*Baseline Projection

3. In this forecast, the net payments figure is lower than the one made in June since later information leads us to believe that our share of receipts will be higher (particularly in Agriculture).



4. On the other hand, measured against the figures in Cmnd 9143, the latest forecast shows increases in public expenditure. But the last White Paper simply took the stylised assumption that the "UK refunds" would be two-thirds of our net contribution to the Allocated Budget. That is the main reason for the apparent increase. There are three other significant ones:

(a) Timing: Cmnd 9143 assumed that the bulk of our refunds would be received in the first quarter of the year after that in which they relate to. However the agreed abatements will be made by adjustment to our monthly VAT payments and will therefore be spread evenly across each year.

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 (b) VAT adjustment: we expect to make a significant VAT adjustment in August 1985 - around £140 million - due partly to exchange rate movements, and partly to changed accounting arrangements for VAT on imports. (We shall recover a large proportion of this, in due course, through the abatement arrangements).

(c) the earlier figure assumed that the 1 per cent Own Resources ceiling would hold for 1984 and 1985.

5. We have taken account of the 1984 budgetary agreement but the 1985 budgetary issues are still unresolved. The figures assume that the Own Resources ceiling will be increased in that year to allow only 1 billion ecu extra for agriculture, and for our 1984 abatement of 1 billion ecu.

6. We have not hitherto disclosed figures showing the effects of the European Council agreement. I have carefully considered whether we could continue to use a stylised assumption. I conclude that we should not. Such an agreement would become increasingly difficult to defend. In particular the House will be looking for a considered estimate when we present the new Own Resources Decision. The TCSC is holding an enquiry into



our membership of the Community. And there must be a general presumption in favour of using the best assessment which we can make for the Autumn Forecast.

7. In presenting the figures we can point out that:

(a) we are substantially better off than we should have been without an agreement;

(b) the Cmnd 9143 refund figures were purely a stylised assumption: some changes were inevitable when we moved to actual figures;

(c) we have a good and enduring system for our abatements - far better than anything the Opposition were able to achieve;

(d) the new system gives us automatic abatement - in future there will be no waiting for the release of refunds by the European Council, or the Parliament;

(e) the European Council agreed important guidelines on Budget Discipline - which we shall ensure are made effective;

(f) once we have finally resolved the budget contentions we will be able to concentrate on making the Community work - and in particular on opening up the market.

8. Copies of this minute go the Foreign Secretary, the Minister of Agriculture and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.' with a flourish.

N.L.

15 October 1984



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CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

22 October 1984

NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

The Prime Minister has noted the Chancellor's minute of 15 October in which he proposes publishing the latest forecast of the net payments to EC institutions as part of the Autumn Statement. She has also noted the Foreign Secretary's comments on the presentation of these in his minute of 21 October which seem to her helpful.

The Prime Minister agrees that it would be right to publish the forecast rather than continue to use a stylised assumption.

I am sending copies of this letter to Colin Budd (FCO), Ivor Llewelyn (MAFF), and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

David Peretz, Esq.,  
HM Treasury.