



*Prime Minister
Agree to early
publication?
(The White Paper will
show an
abnormally
large net
contribution for
1985).CDP 25/9.
to the electronic
media
net*

Treasury Chambers, Parliament Street, SW1P 3AG

25 September 1985

Charles Powell Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles,

*All of this will
need to be explained
to selected
correspondents*

1985 COMMUNITY BUDGET WHITE PAPER

The Treasury is committed by a past undertaking to the PAC to publish an annual White Paper summarising the Community budget, both after its adoption and after the outturn is known, together with an estimate of the UK's net contribution. Normally we publish such a White Paper in March. With the delay in adoption of the 1985 budget, however, we are only now in a position to publish this year's White Paper. A draft text, which takes account of comments from the FCO, is attached.

2. In most years publication of this White Paper is a routine matter. There has in the past been little press interest. This year, we have one unwelcome feature which could stimulate public comment: the White Paper includes the large figure of £1.2 billion for the estimate of the UK's net budgetary contribution during 1985.

3. My Minister is concerned to do all that he can to explain the special factors which are reflected in this figure, without however drawing undue attention to it. Paragraph 13 of the White Paper explains that the figure has been inflated to the extent of nearly £200 million by non-recurring factors - two years' worth of special contributions under the recent intergovernmental agreements and the change in our system for collecting VAT - and includes some £135 million for our contribution to the Community's aid programme, which is excluded from the more familiar total of "net payments to European Community institutions" in the Public Expenditure White Papers. The text explains in addition that our high net contribution this year will be reflected in a much higher UK abatement, and consequently a much lower net contribution next year. Paragraph 14 explains, similarly, why the £1.2 billion figure is some £300-£400 million higher than the corresponding figures in the latest Public Expenditure White Paper for the two financial years 1984-85 and 1985-86.

4. My Minister would like to publish the White Paper as soon as possible. He is anxious that the large net contribution figure should no longer be "news" on 22 October when the remaining stages of the European Communities (Finance) Bill are to be taken in the House of Commons. Subject to the Prime Minister's approval he would like to aim for publication on Tuesday 1 October.

5. I am copying this letter and the draft White Paper to the Private Secretaries to the Lord President of the Council, the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Chancellor of the Duchy, the Minister of Agriculture, Fisheries and Food, the Chief Whip and the Secretary to the Cabinet, and to the Chief Press Secretary at No 10.

Yours etc,
Mike Norgrove

M W NORGROVE
Private Secretary

THE 1985 BUDGET OF THE EUROPEAN COMMUNITIES

1. Introduction

1. Following a recommendation in the 28th Report (1979-80 session) by the Committee of Public Accounts (PAC), the Government agreed to present an annual statement giving details of each European Community Budget, both after its adoption and after the outturn is known. This White Paper, which is the fifth in the series, provides details of the 1985 Community Budget as adopted, the 1984 Budget as amended by the Supplementary and Amending Budget, and the outturn for 1982 and 1983. The Community's budgetary terminology is explained in the Annex.

2. In addition to providing a summary of the Community budgets for 1982 to 1985, the Statement provides information on the UK's gross and net contributions to the European Community Budget in these years. The latest Public Expenditure White Paper (Cmnd 9428-II pages 39 and 47-49) provides similar information, but on a UK financial year basis.

3. The 1985 Budget is the first to include an abatement of the UK's contributions as agreed by the European Council of June 1984 at Fontainebleau. Further details of the abatement are given in paragraph 12.

1985 Community Budget

4. The European Parliament rejected the 1985 draft Budget on 13 December 1984. From 1 January 1985 until the budget was finally adopted on 13 June 1985 the Community operated under the "provisional twelfths regime" of Article 204 of the Treaty of Rome. Under those arrangements, expenditure each month is, in general, constrained within one-twelfth of the corresponding expenditure in the budget for the previous year.

5. The 1985 Community Budget provides for expenditure of £16,778 million (28,433 million European Currency Units (ecu)), 98 per cent of which is expenditure by the Commission. Agricultural spending accounts for some £12,215 million (20,700 mecu), 73 per cent of the total budget. Regional Development Fund and Social Fund expenditure together make up a further £1,782 million (3020 mecu), 11 per cent of the total budget.

Commitment and Payment Appropriations

6. Tables 1 and 1A show commitment and payment appropriations in the 1985 Budget, in ecus and in sterling. The tables also show the final 1984 budget appropriations.

7. The outturn figures for 1982 and 1983 shown in tables 1 and 1A have been taken from the Court of Auditors' Annual Report and the Commission's audited accounts. The outturn figures for 1983 differ from the provisional figures shown in the Statement on the 1984 Community Budget (Cmnd 9174) because firm information is now available from the Commission.

Gross Contributions by Member States

8. Tables II and IIA show the estimated gross contributions by member states to the 1985 Budget under the Community's 'Own Resources' system. The UK's share of levies and duties is estimated to be some 24.5 per cent compared with some 15 per cent for France and 27.5 per cent for Germany. The corresponding figures for VAT shares after abatement are UK 15 per cent, France 25 per cent and Germany 31 per cent.

Inter Governmental Agreements

9. Expenditure provided for in the 1984 Budget exceeded the total own resources revenue available. Member states therefore undertook to make special contributions of 1003 mecu to the 1984 Budget under an Inter Governmental Agreement. The UK's contribution of some £119 million (201.65 mecu) was paid on 24 January 1985, following approval of an Estimate for this sum by Parliament.

10. Member states also concluded on 23 April 1985 a further Inter-Governmental Agreement to help finance the 1985 budget. The total amount was 1982 mecu of which the UK's share was 423.1 mecu (about £249.7 million converted at the average exchange rate over the calendar year 1985 to mid-August of £1 = 1.6947 ecu). Parliamentary authority for payment of this sum is being sought through the European Communities (Finance) Bill. That Bill also seeks Parliament's approval of the new Own Resources Decision, which provides for an increase in the VAT own resources ceiling from 1 per cent to 1.4 per cent, with effect from 1 January 1986, together with the VAT abatement system for the UK as agreed at Fontainebleau.

Gross and Net Contributions by the UK

11. Table III shows the UK's gross contributions and receipts in 1982, 1983 and 1984 and the resulting net contributions figures. Also shown are estimates of the corresponding amounts for 1985. These are based on the financial year forecasts given in the latest Public Expenditure White Paper, adapted to a calendar year basis, but take account of the 1985 Budget as now adopted and assume an average sterling/ecu exchange rate during 1985 of 1.6947. In contrast with the figures in tables I and II these estimates are based on sums actually contributed or received by the UK during the years in question, and not on contributions and receipts associated with particular Budgets. The receipts for each year include sums carried forward from the previous year's Budget and exclude sums carried forward into the following year.

12. It was agreed at Fontainebleau that the UK's VAT contributions for 1984 should be abated by a lump-sum of 1000 mecu. Table III assumes that this abatement will be made to our 1985 VAT contributions before the end of this year. For 1985 and later years, the new Own Resources Decision provides for the UK to receive an automatic abatement totalling 66 per cent of the difference between the UK's VAT and receipts shares of the allocated budget payable in equal monthly instalments over the following year.

13. Table III includes an estimate of some £1.2 billion for the UK's net contribution in 1985 (after allowing for the 1000 mecu lump-sum abatement for 1984 mentioned above). This figure has been inflated by two non-recurring factors. Firstly the payments under the 1984 and 1985 Inter Governmental Agreements will both be made in 1985. Some £119 million of the estimate therefore relates to the 1984 Budget. Secondly the change in 1984 in the UK's system for collecting VAT on imports led to an exceptional payment of some £75 million of VAT own resources to the Community, in 1985. These additional payments will increase the UK's entitlement to VAT abatement in 1986, as will most of the other factors which have inflated our net contribution during 1985: our abatement next year is expected accordingly to be much larger than this year's lump-sum, and our net contribution after abatement is expected, correspondingly, to be much smaller. The figure of £1.2 billion also includes some £135 million in respect of the UK's contribution to the Community's overseas aid expenditure which in the Public Expenditure White Paper is attributed to the Aid programme.

14. The estimate of the UK's net contribution for the Community's year ending 31 December 1985 is some £300 million larger than the figure for the UK financial year ending 31 March 1986 shown in the Public Expenditure White Paper (Cmnd 9428-II, page 48, Table 3.25). The main reason for the difference is that the 1985 calendar year figure includes the period 1 January to 31 March 1985 during which our net contribution was substantially greater than that expected for the first quarter of 1986 (which is included in the 1985-86 figure). The UK paid its contribution under the Inter Governmental Agreement for 1984 in the first quarter of 1985; in contrast we expect to receive a quarter of our abatement in respect of 1985 in the first three months of 1986. In addition the 1985 budget as adopted and the requirement for funding under the 1985 Inter Governmental Agreement were higher than assumed in Cmnd 9428; the UK's contribution under that agreement was consequently some £85 million higher.



Charles Power Esq



Charles

1985 COMMUNITY BUDGET WHITE PAPER

Please add the enclosed to my letter to you earlier today.

With the Compliments + Apologies

of the

Minister of State's

Private Secretary

Mike Maguire

25.9.

PS / Mr
Ian
Gow MP

Treasury Chambers,
Parliament Street,
SW1P 3AG

TABLE 1
EXPENDITURE FROM THE COMMUNITY BUDGET
COMMITMENTS AND PAYMENTS BY INSTITUTION AND TYPE OF EXPENDITURE

	MILLION ECUS							
	COMMITMENTS				PAYMENTS			
	1982	1983	1984	1985	1982	1983	1984	1985
COMMISSION								
ADMINISTRATION	713	743	811	885	688	736	811	885
EAGGF GUARANTEE	12372	15786	18333	19955	12370	15788	18333	19955
EAGGF GUIDANCE	734	866	724	656	638	720	596	632
FISHERIES	69	88	159	154	55	55	112	112
REGIONAL FUND	1845	2127	2140	2290	973	1276	1413	1610
EHS INTEREST RATE SUBSIDIES	272	257	0	0	265	311	0	0
UNITED KINGDOM REFUNDS	1804	1400	991	0	1819	1400	991	0
GERMAN REFUNDS	0	272	211	0	0	271	211	0
SOCIAL FUND	1510	1878	1846	2010	906	891	1220	1410
ENERGY	84	150	225	141	44	45	171	83
RESEARCH AND INVESTMENT	443	490	747	839	368	423	511	559
INDUSTRY AND TRANSPORT	19	96	151	130	16	45	98	80
OWN RESOURCES REFUNDS	908	928	1105	1070	909	922	1105	1070
TRANSITIONAL REFUNDS TO GREECE	98	64	45	24	90	59	45	24
DEVELOPMENT AID	899	1061	1023	1587	786	811	897	1044
MISCELLANEOUS	204	221	330	686	174	269	304	516
RESERVES	0	0	5	5	0	0	5	5
TOTAL COMMISSION	21974	26427	28846	30432	20101	24002	26823	27985
OTHER INSTITUTIONS								
PARLIAMENT	199	212	239	238	173	215	239	238
COUNCIL	112	121	137	158	110	117	137	158
COURT OF JUSTICE	26	28	32	33	25	27	32	33
COURT OF AUDITORS	14	15	18	19	14	15	18	19
TOTAL OTHER INSTITUTIONS	351	376	426	448	322	374	426	448
TOTAL BUDGET	22325	26803	29272	30880	20423	24376	27249	28433

TABLE IA
EXPENDITURE FROM THE COMMUNITY BUDGET
COMMITMENTS AND PAYMENTS BY INSTITUTION AND TYPE OF EXPENDITURE

	£ MILLION							
	COMMITMENTS				PAYMENTS			
	1982	1983	1984	1985	1982	1983	1984	1985
COMMISSION								
ADMINISTRATION	397	436	477	522	386	432	477	522
EAGGF GUARANTEE	6931	9261	10832	11775	6929	9263	10832	11775
EAGGF GUIDANCE	411	508	428	387	358	422	352	373
FISHERIES	39	51	94	91	31	32	66	66
REGIONAL FUND	1033	1248	1264	1351	545	737	835	950
EMS INTEREST RATE SUBSIDIES	153	151	0	0	148	182	0	0
UNITED KINGDOM REFUNDS	1011	821	586	0	1019	821	585	0
GERMAN REFUNDS	0	160	125	0	0	159	125	0
SOCIAL FUND	846	1102	1071	1186	507	523	721	832
ENERGY	47	88	133	84	25	26	101	49
RESEARCH AND INVESTMENT	248	287	441	495	206	248	302	330
INDUSTRY AND TRANSPORT	11	57	89	77	9	26	58	47
OWN RESOURCES REFUNDS	508	545	653	632	509	541	653	632
TRANSITIONAL REFUND TO GREECE	55	38	26	14	50	35	26	14
DEVELOPMENT AID	504	622	604	736	440	476	530	616
MISCELLANEOUS	114	130	195	405	98	158	180	305
RESERVES	0	0	3	3	0	0	3	3
TOTAL COMMISSION	12310	15505	17043	17958	11260	14081	15848	16514
OTHER INSTITUTIONS								
PARLIAMENT	111	124	141	140	97	126	141	140
COUNCIL	63	71	81	94	62	69	81	94
COURT OF JUSTICE	14	16	19	19	14	16	19	19
COURT OF AUDITORS	8	9	11	11	8	9	11	11
TOTAL OTHER INSTITUTIONS	196	220	252	264	181	220	252	264
TOTAL BUDGET	12506	15725	17295	18222	11441	14301	16100	16778

TABLE II
COMMUNITY BUDGET REVENUES

	MILLION ECUS											
	AGRICULTURE AND SUGAR LEVIES				CUSTOMS DUTIES				VAT/FINANCIAL CONTRIBUTION			
	1982	1983	1984	1985	1982	1983	1984	1985	1982	1983	1984	1985
BELGIUM	283	360	403	235	404	424	467	493	461	432	473	555
DENMARK	33	46	57	50	142	160	195	218	227	274	289	343
GERMANY	392	---	626	430	1967	2020	2285	2500	3340	4039	4231	4694
GREECE	77	55	118	38	109	107	96	119	196	216	222	263
FRANCE	282	372	554	419	1071	1052	1083	1206	2873	3082	3198	3788
IRELAND	13	19	23	20	88	100	124	135	107	151	136	149
ITALY	369	418	536	346	660	657	716	860	1458	1924	2227	2502
LUXEMBOURG	0	0	0	0	4	5	6	5	26	39	46	44
NETHERLANDS	231	218	347	215	585	633	737	790	650	714	738	824
UNITED KINGDOM	548	394	394	354	1785	1831	2211	2270	2783	2859	2819	2300
TOTAL	2228	2295	3058	2107	6815	6989	7920	8596	12121	13730	14379	15462

	INTER GOVERNMENTAL AGREEMENT				TOTAL				1982	1983	1984	1985
	1982	1983	1984	1985	1982	1983	1984	1985				
BELGIUM	0	0	35	65	1148	1216	1378	1348	0	0	0	0
DENMARK	0	0	20	40	402	480	561	651	0	0	0	0
GERMANY	0	0	288	571	5699	6472	7430	8195	0	0	0	0
GREECE	0	0	15	31	382	378	451	451	0	0	0	0
FRANCE	0	0	229	442	4226	4506	5064	5855	0	0	0	0
IRELAND	0	0	9	17	208	270	292	321	0	0	0	0
ITALY	0	0	154	292	2487	2999	3633	4000	0	0	0	0
LUXEMBOURG	0	0	2	5	30	44	54	54	0	0	0	0
NETHERLANDS	0	0	50	96	1466	1565	1872	1925	0	0	0	0
UNITED KINGDOM	0	0	201	423	5116	5084	5625	5347	0	0	0	0
TOTAL	0	0	1003	1982	21164	23014	26360	28147	0	0	0	0

1. UNITED KINGDOM REVENUE FIGURES FOR 1984 REFLECT ACTUAL PAYMENTS MADE TO THE COMMUNITY IN THAT YEAR.
OTHER MEMBER STATES CONTRIBUTIONS ARE DERIVED FROM THE SUPPLEMENTARY AND AMENDING BUDGET NUMBER 1, 1984

2. NATIONAL CONTRIBUTIONS ARE THE MAJOR PART OF THE COMMUNITY'S REVENUE, MISCELLANEOUS ^{revenue and expenditure} AND CARRY-FORWARDS ACCOUNT FOR THE DIFFERENCES BETWEEN THE TOTAL EXPENDITURE SHOWN IN TABLES I AND THE TOTAL REVENUE FROM OWN RESOURCES SHOWN IN TABLES II.

TABLE 11A

COMMUNITY BUDGET REVENUES

£ MILLION

	AGRICULTURE AND SUGAR LEVIES				CUSTOMS DUTIES				VAT/FINANCIAL CONTRIBUTION			
	1982	1983	1984	1985	1982	1983	1984	1985	1982	1983	1984	1985
BELGIUM	159	211	238	139	226	248	276	291	258	254	280	327
DENMARK	18	27	34	29	80	94	115	129	127	161	171	202
GERMANY	219	243	370	254	1102	1185	1350	1475	1871	2369	2497	2770
GREECE	43	32	69	22	61	63	57	70	110	127	131	156
FRANCE	158	219	327	247	600	617	640	712	1609	1808	1870	2235
IRELAND	8	11	14	12	49	59	73	80	60	88	80	88
ITALY	206	245	317	204	370	386	423	507	817	1128	1316	1477
LUXEMBOURG	0	0	0	0	2	3	4	3	15	23	27	26
NETHERLANDS	130	128	205	127	328	371	435	466	364	419	436	486
UNITED KINGDOM	307	231	233	209	1000	1074	1306	1339	1559	1678	1665	1357
TOTAL	1248	1347	1807	1243	3818	4100	4679	5072	6770	8055	8495	9124

INTER GOVERNMENTAL AGREEMENTS

TOTAL

	INTER GOVERNMENTAL AGREEMENTS				TOTAL				1982	1983	1984	1985
	1982	1983	1984	1985	1982	1983	1984	1985				
BELGIUM	0	0	20	39	643	713	814	796	0	0	0	0
DENMARK	0	0	12	24	225	282	332	384	0	0	0	0
GERMANY	0	0	171	336	3192	3797	4390	4835	0	0	0	0
GREECE	0	0	9	18	214	222	266	266	0	0	0	0
FRANCE	0	0	135	261	2367	2644	2992	3455	0	0	0	0
IRELAND	0	0	5	10	117	158	172	190	0	0	0	0
ITALY	0	0	91	172	1393	1759	2147	2360	0	0	0	0
LUXEMBOURG	0	0	1	3	17	26	32	32	0	0	0	0
NETHERLANDS	0	0	30	57	822	918	1106	1136	0	0	0	0
UNITED KINGDOM	0	0	119	250	2866	2983	3323	3155	0	0	0	0
TOTAL	0	0	593	1170	11856	13502	15574	16609	0	0	0	0

1. UNITED KINGDOM REVENUE FIGURES FOR 1984 REFLECT ACTUAL PAYMENTS MADE IN THE COMMUNITY IN THAT YEAR. OTHER MEMBER STATES' CONTRIBUTIONS ARE DERIVED FROM SUPPLEMENTARY AND AMENDING BUDGET NUMBER 1, 1984.

Revenue
and
expenditure

2. NATIONAL CONTRIBUTIONS ARE THE MAJOR PART OF THE COMMUNITY'S REVENUE. MISCELLANEOUS AND CARRY-FORWARDS ACCOUNT FOR THE DIFFERENCES BETWEEN THE TOTAL EXPENDITURE SHOWN IN TABLES I AND THE TOTAL REVENUE FROM OWN RESOURCES SHOWN IN TABLES II.

TABLE III

UNITED KINGDOM CONTRIBUTIONS TO AND RECEIPTS FROM THE COMMUNITY BUDGET

	BILLION ECUS				£ MILLION			
	1982	1983	1984	1985	1982	1983	1984	1985
GROSS CONTRIBUTION								
AGRICULTURAL AND SUGAR LEVIES	548	395	394	354	307	279	233	209
CUSTOMS DUTIES	1787	1829	2211	2270	1001	1073	1306	1339
VAT OWN RESOURCES INCLUDING VAT ADJUSTMENTS AND BEFORE ABATEMENTS	2775	2844	2818	3545	1555	1669	1665	2092
U.K. ABATEMENT OF VAT	0	0	0	-1000	0	0	0	-590
INTER GOVERNMENTAL AGREEMENT 1984	0	0	0	201	0	0	0	119
INTER GOVERNMENTAL AGREEMENT 1985	0	0	0	423	0	0	0	250
TOTAL CONTRIBUTIONS	5110	5068	5423	5793	2863	2974	3204	3419
RECEIPTS								
RECEIPTS OTHER THAN REFUNDS	1971	2372	3134	3375	1105	1392	1852	1991
OWN RESOURCES REFUNDS	239	221	280	262	134	130	165	155
UNITED KINGDOM NEGOTIATED REFUNDS	1820	1376	894	104	1019	807	528	61
TOTAL RECEIPTS	4030	3969	4308	3741	2258	2329	2545	2207
NET CONTRIBUTION	1080	1099	1115	2052	605	645	659	1212

FOR ALL YEARS FIGURES REFLECT PAYMENTS MADE DURING THE YEAR ,NOT PAYMENTS IN RESPECT OF PARTICULAR BUDGETS.
FROM 1985 REFUNDS ARE REPLACED BY ABATEMENT OF VAT CONTRIBUTIONS.

EUROPEAN COMMUNITY BUDGET

The detailed rules which define the structure and implementation of the Community Budget are mostly 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 that of the United Kingdom.

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 Community's financial year runs from 1 January to 31 December.

Commitment and Payment Appropriations

3. 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 future financial years. Payment appropriations are the amount of money which is available to be spent in that year arising from commitments entered into in the current or preceding years.

Sterling Figures

4. The sterling figures for 1982 to 1984 are based on actual

sterling cash receipts or payments where these took place and are known; elsewhere the appropriate average annual sterling/ecu exchange rate has been used¹ to convert ecu figures to sterling. The 1985 sterling figures have been constructed using the average sterling rate for the calendar year to mid-August 1985 (£1=1.6947 ecu).

Own Resources

5. The Community Budget is financed, apart from the exceptional Inter Governmental Agreements for 1984 and 1985, almost entirely by 'Own Resources'. These include agricultural levies and customs duties on imports into the Community from the rest of the world; sugar levies which are taxes on the production and storage of sugar; and VAT 'Own Resources' which are the product of a notional rate of VAT levied on a Community harmonised expenditure base. For all years covered by this White Paper this rate was subject to a 1 per cent ceiling; as from 1 January 1986 (subject to ratification by member states of the new Own Resources Decision) the ceiling will be 1.4 per cent.

¹ The annual average rate for 1982 is £1 = 1.7851 ecu
The annual average rate for 1983 is £1 = 1.7045 ecu
The annual average rate for 1984 is £1 = 1.6925 ecu

Extract from Hansard 2 July 1985

Vol. 52 No. 146 Cols. 140-141

New Clause 13

REPORT ON COMMISSION CALCULATIONS

'Within one calendar month of receipt of the calculations made by the Commission under section 5 of Article 3 of the Decision, a paper will be presented by Her Majesty's Government to both Houses of Parliament explaining the financial consequences of these calculations for the Consolidated Fund.'—[Mr. Teddy Taylor.]

Brought up, and read the First time.

Mr. Teddy Taylor: I beg to move, That the clause be read a Second time.

The Second Deputy Chairman: With this it will be convenient also to consider the following new clauses: No. 17—*Report on Operation of the Decision*—

'A Report shall be placed before each House of Parliament annually on the financial liability placed on the Consolidated Fund of the implementation of the Decision.'

No. 19—*Report on additional revenues*—

'A Report shall be submitted to both Houses of Parliament by Her Majesty's Government in the event of any additional revenues being agreed in terms of Article 2 of the Decision.'

Mr. Taylor: The new clause proposes annual reports. We have found to our distress previously that the High reports have not always been shown in what has happened. With regard to the Government's estimates on contributions and so on, it would be helpful to have a regular system of reporting back. I wonder whether my hon. Friend sees any scope for agreeing something along those lines.

Dr. McDonald: I shall be as brief as the hon. Member for Southend, East (Mr. Taylor). I have no doubt that the Economic Secretary will reply that the information is readily available, but such information should be clearly available so that we understand exactly what the abatement mechanism involves and the amounts of money that we pay in terms of the various articles and decisions to which the new clauses refer. Information should be less misleadingly available than is evidenced in the parliamentary replies which the Economic Secretary has given to the hon. Member for Southend, East.

Mr. Ian Stewart: The Government will endeavour to provide the necessary information in as clear a form as possible. Calculations relating to abatement will be included in the preliminary draft budget, the draft budget and the budget as adopted, all of which will be laid before the House with explanatory memorandums. I shall ensure, as I always try to do, that that information is made available as soon as possible after those documents are in our hands. There is further information in the public expenditure White Paper and in the Autumn Statement.

Those documents should provide the information that hon. Members need. It is especially difficult to deal with parliamentary questions about refunds and abatements at the moment, because we are at the point of transition from the old system to the new, so the manner of presentation is not always straightforward. I think, however, that I can respond favourably to the spirit of the remarks that have been made.

Mr. Teddy Taylor: In view of that answer, which I greatly appreciate, I beg to ask leave to withdraw the motion.



10 DOWNING STREET

26 September 1985

From the Private Secretary

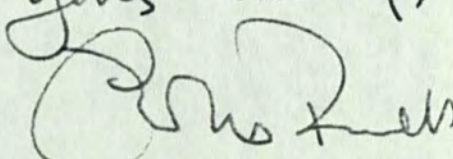
Dear Mike,

1985 COMMUNITY BUDGET WHITE PAPER

Thank you for your letter of 25 September pointing out some of the features in the 1985 Community Budget White Paper which might cause public comment.

The Prime Minister wants the difficult points to be explained carefully in advance of publication to selected newspaper correspondents as well as to television and to radio. I should be grateful if a special effort could be made to achieve this.

I am copying this letter to the recipients of yours.

Yours sincerely,

Charles Powell

Mike Norgrove Esq
HM Treasury

RESTRICTED

file



Foreign and Commonwealth Office

London SW1A 2AH

27 September 1985

Dear Mike,

1985 Community Budget White Paper

I have seen copies of your letter of 25 September to Charles Powell and of his reply.

We agree that the presentation of these figures is going to be extremely important. In answer to questions from the press and in Parliament, and in conducting the advance briefing asked for by the Prime Minister, we hope that the following points will be made:

- that this is the last year of a flat rate correction to our contribution. From next year the full automatic abatements to our VAT contribution, as agreed at Fontainebleau, will apply. The effect will be to give us back automatically approximately two-thirds of our net contribution.
- the Fontainebleau correction, together with our receipts under the agreements will reduce our contribution under the 1985 inter-governmental agreement from £252 million to about £39 millions net.
- As a result of the Fontainebleau mechanism we shall be making a much smaller net contribution in calendar year 1986.

On a separate point, Table III as currently presented gave the impression that in 1985 our negotiated refunds dropped from 894 to only 104 mecus. In fact of course the additional 1000 mecus negotiated for that year appears in the contribution section above. It would be useful presentationally to link these two figures so as to make it clear that our total refund/abatement in 1985 will be 1104 mecus, a substantial improvement on previous years.

I am copying this letter to the recipients of yours.

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

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