



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

13 July 1983

A J Coles Esq.  
10 Downing Street  
LONDON  
SW1

Prime Minister

Agree with the Chancellor that we  
should make a further advance payment  
to the EC on 20 July?

Dear John,

AJC-13.7

#### **FURTHER ADVANCE PAYMENT TO THE EUROPEAN COMMISSION**

I wrote to you on 16 June about the Commission's request for an advance payment of 'own resources' on 20 June. The Prime Minister agreed, following the Stuttgart Council, that this request should be met. Accordingly payment was made from the Contingencies Fund, and a Supplementary Estimate to repay the Fund has been submitted to Parliament.

In view of their continuing cash flow problem, pending the passage of a Supplementary Budget, the Commission have now put to us a similar request for a further advance payment (in respect of traditional own resources for the month of June) on 20 July. This is necessary because under the terms of the Regulation the advance paid on 20 June must be deducted from the normal payment from the Consolidated Fund due on 20 July. Thus, to avoid having a month with virtually no payments of traditional own resources, the Commission are in effect asking us and other member states to 'recycle' our previous advances. The amount concerned for the UK will be between £110 and £120 million.

Since the Attorney General has advised that these advances cannot be paid direct from the Consolidated Fund we shall need to repeat the procedures for payment which operated in June. This will mean payment from the Contingencies Fund followed by a Supplementary Estimate, in this case a Winter Supplementary.

We expect other member states to agree to the Commission's request. The Chancellor suggests that we too should do so: he would be grateful to know if the Prime Minister is content.

The Chancellor has also asked me to say that, since the Commission's cash flow problem is unlikely to be resolved until their 1983 supplementary Budget has been approved (October at the earliest), we are likely to be faced with further requests for "recycling" monthly advance payments. He thinks that we shall probably want to accede to such requests, but he will want to judge them in the light of circumstances at the time and he would not propose at this stage to make advance provision for making such payments (eg by presenting a Supplementary Estimate which would cover more than one advance payment).

Will discuss. Mr  
Present - I am very  
reluctant - we  
need the money  
no

gc Sir AP ①



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I am copying this letter to Brian Fall at the FCO, to the Private Secretaries to other members of OD(E), to the Legal Secretary at the Attorney General's Chambers, and to Sir Robert Armstrong.

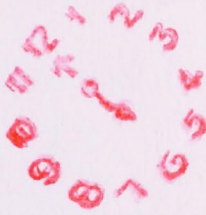
*Yours ever,  
J O Kerr*

J O KERR  
Principal Private Secretary

~~Econ Pol~~ Budget Pt 21  
Euro Pol :



13 JUL 1988



*[Faint signature]*  
J. D. KERR  
Principal Private Secretary



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HL



10 DOWNING STREET

OD(E): JTI  
LRS  
MAFF  
FCO

*From the Private Secretary*

14 July 1983

Further advance payment to the European Commission

Your letter of 13 July, about the Commission's request for a further advance payment by the UK of between £110 million and £120 million on 20 July, was discussed at the Chancellor of the Exchequer's meeting with the Prime Minister this morning.

The Prime Minister said that she was reluctant to make this payment, in present circumstances, unless it was absolutely essential. Following discussion, it was agreed that the Chancellor would consider deferring the payment to the point, within reasonable bounds, where it would be least to our disadvantage to make it. But on that understanding the payment could go ahead.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), the Private Secretaries to other members of OD(E), the Legal Secretary at the Attorney General's Chambers and Sir Robert Armstrong.

A. J. COLES

John Kerr, Esq.,  
H.M. Treasury.

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

Prime Minister

To note that the  
Chancellor intends to  
make this payment on  
20 July.

15 July 1983

A. & C. 15/7

A J Coles Esq  
10 Downing Street  
LONDON  
SW1

MS

Dear John,

#### FURTHER ADVANCE PAYMENT TO THE EUROPEAN COMMISSION

Thank you for your letter of 14 July.

attached

As agreed, the Chancellor has considered the matter again. He fully shares the Prime Minister's reluctance to make this "recycling" payment at a time when we face a difficult Budget Council on 20-21 July, and have a hard negotiating road ahead on the longer term Community financing issues. But he has concluded that it would not be to our advantage to defer meeting the Commission's request.

As you know, the payment is due on 20 July. Even if the outcome of the Budget Council on 20 and 21 July is unsatisfactory, we shall not be moving to "withholding", although the Financial Secretary would make it clear that we did not take no for an answer, and that we would be taking all steps open to us to put matters right in the remaining stages of the Budget procedure during the autumn. On the other hand, not to pay on 20 July would be seen as a declaration of hostilities before the Budget Council has begun; on top of which we should be liable to a claim by the Commission for interest at the rate of some £60,000 for each day's delay.

The Chancellor therefore intends to inform Parliament on 19 July, by an arranged Parliamentary Question, that the payment will be made on 20 July.

Copies of this letter go to the other recipients of yours.

Yours ever,  
J O Kerr.

J O KERR  
Principal Private Secretary



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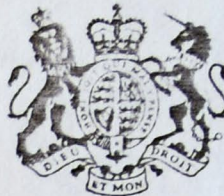
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FILE

OD(E):

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10 DOWNING STREET

*From the Private Secretary*

18 July 1983

Further advance payment to the European Commission

Thank you for your letter of 15 July.

The Prime Minister has noted that the Chancellor of the Exchequer intends to make the proposed advance payment to the European Commission on 20 July and to inform Parliament of his intention on 19 July.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), the Private Secretaries to other members of OD(E), the Legal Secretary at the Attorney General's Chambers and Sir Robert Armstrong.

A. J. COLES

John Kerr, Esq.,  
H.M. Treasury.

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Foreign and Commonwealth Office

London SW1A 2AH

18 July 1983

AN <sup>18</sup>/<sub>7</sub>

h-a.

Dear John,

Further Advance Payment to the European Commission

Sir Geoffrey Howe has seen the correspondence about the Commission's latest request for an advance on our financial contribution. While he thinks that it may indeed be necessary at some stage in the next few months to take action to protect our wider budgetary interests, he considers it would not be advantageous to us to refuse the Commission's request on this occasion. We will be liable to incur an interest rate penalty if we do not pay on 20 July, so financially the balance of advantage points to paying by that day. If we do not pay until after the Budget Council on 21 July, there would be a risk that other Member States would hold our failure to pay against us in the Budget Council. If problems do arise over our refunds at the Budget Council it could be particularly embarrassing to pay immediately thereafter.

in his view Sir Geoffrey Howe feels that we shall have to consider carefully what our response should be if things go wrong at the Budget Council and he understands that the Financial Secretary will be writing about this. But/to withhold the advance as deliberate retaliation would not be the best response.

I am copying this letter to John Coles at No 10.

Yours ever,  
John

(B J P Fall)  
Private Secretary

J O Kerr Esq  
HM Treasury



178 JUL 1993



Mike Ror! Burger  
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