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(59) DA
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10 DOWNING STREET

From the Private Secretary

17 April 1986

1986 EC BUDGET

The Prime Minister has seen Mr. Brooke's minute of 16 April about the request from the European Commission to bring forward payments of non-VAT own resources which were due to be paid on 20 May.

The Prime Minister agrees that we should fall in with the Commission's request. She further agrees that Mr. Brooke need not bring any similar requests in the course of this year to her attention unless they raise wider issues.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food, the Chief Whip and Sir Robert Armstrong.

(Charles Powell)

Mike Norgrove, Esq.,
HM Treasury.

CJ

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Prime Minister ①

Agree that Minister of State can accept

FROM: Minister of State



DATE: 16th April 1986

Commission report for advances? No public expenditure implications.

Yes

CDP 16/4.

PRIME MINISTER

1986 EC BUDGET

You will wish to be aware that the European Commission have again found it necessary to resort to requests to bring forward payment of non-VAT own resources under Article 10(2) of Regulation 2891/77 (ie Customs duties, agricultural levies etc). This is the first request since November last year and the first to be dealt with in the 1986-87 financial year. The latest request is for the advance of the amount due to be paid on 20 May to 21 April. The sum involved is currently estimated to be some £132 million.

A major factor affecting the Commission's cash flow position this month has been the UK's successful application to the European Court of Justice for an interim order. This obliged the Commission to repay to member states at the beginning of April the excess amounts of earlier VAT contributions.

Until the European Court has ruled on the outstanding case brought by the Commission against the UK concerning Article 10(2), our legal advice remains that requests under the terms of this Article are not obligatory. We will therefore need Parliament's approval of a Supply Estimate if we are to make a payment, and, pending that approval, to finance the payment initially from the Contingencies Fund. As the Commission have provided a satisfactory explanation for its cash needs in April, I would however propose to agree to it - both on the grounds that there is a need to ensure that UK recipients of Community payments continue to receive this money without undue delay, and to avoid facing any risk of a claim for penal interest. An announcement of the Government's intentions to pay the advance would be made to the House by Written Answer in the usual manner. This latter would need to be done by Friday, 18 April.

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This is likely to be the first of several similar requests. Such advances only involve rescheduling payments and are now largely routine. They do not involve providing extra resources in a year, and they have no effect on public expenditure. In 1985 we made eleven such advances without raising any serious concern in Parliament. I would not therefore propose bringing further requests to your attention unless other issues are involved. We shall of course take into account the Commission's financial position at the time of each further request, and follow the appropriate Parliamentary procedure in making the payments.

Copies of this minute go to the Foreign Secretary, the Lord Privy Seal, Minister of Agriculture, Fisheries and Food, Chief Whip and Sir Robert Armstrong.

P.B.

PETER BROOKE

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