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Brexit: The Financial Settlement and the Withdrawal Agreement

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This SPICe briefing, prepared for the Scottish Parliament's Culture, Tourism, Europe and External Relations Committee, provides background information about the EU budget and the UK contributions to the budget along with the EU27's proposals for the financial settlement.

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Executive Summary

Agreement of a financial settlement between the European Union (EU) and the United Kingdom (UK) ahead of the UK's departure from the EU is one of the priority issues in the negotiations for a withdrawal agreement.

A key element of any financial settlement will relate to agreement about how to deal with issues arising from the EU budget set out in the Multi-annual Financial Framework (MFF). The EU sets out its spending plans in the MFF. The current framework is for the 2014-2020 period. The 2014-2020 framework makes funding commitments for areas such as the common agricultural policy and the structural funds.

The MFF is raised by EU Member States through a combination of total own resources (which are usually made up of customs duties and sugar levies), a small share of each Member State's VAT revenues and 0.73% of each Member State's Gross National Income, which makes up the largest share of the EU's budget.

During the 2014-2020 period, the UK is due to receive about €40 billion in funding - predominantly for the common agricultural policy and structural funds. This figure doesn't include funding received by private sector bodies from competitive funds such as Horizon 2020.

However, the UK is one of 10 net contributors to the EU budget, and of these, it is one of the largest net contributors. This means it pays more into the EU than it receives back in funding. The UK's net contribution was €9.7 billion in 2016 which illustrates that the UK's departure from the EU ahead of the end of the current MFF period might leave the EU budget facing a shortfall requiring increased contributions from Member States or a reduction in funding programmes.

The UK also contributes to the EU budget in other ways, including funding the European Investment Bank (EIB) and contributing towards the salaries, allowances and pensions of UK representatives in the EU (such as UK MEPs and UK officials working for the EU).

In its position paper outlining the Essential Principles on Financial Settlement, the European Commission has proposed that the UK should make a payment to the EU at the time of Brexit to settle the UK's share of the financial commitments made whilst the UK was a Member State. These commitments include paying a share towards the outstanding costs of the EU budget contained in the 2014-2020 MFF and continuing to honour commitments made when the UK was a Member State to the European Development Fund (EDF) as well as EU funding for Ukraine. The Commission's position paper also suggests the UK should pay towards the continuing costs of other EU bodies and financial obligations in relation to commitments made when the UK was a Member State.

The European Commission has suggested the UK should receive money back from the EU in relation to its investments in the EIB and the European Central Bank (ECB). In the case of the EIB, the Commission has suggested this should only be equivalent to the capital the UK has made available to the EIB and that it should continue to be liable for a share of the Bank's liabilities until those are paid off, at which point the UK would be reimbursed.

A number of studies have speculated on the UK's likely financial contribution upon leaving the EU, with estimates of net payments ranging from €10 billion to €75 billion, depending on what items are included and how they are shared.

Although the UK Government has yet to publish a position paper outlining its views on the financial settlement, it has suggested that there is no legal obligation upon the UK to make payments towards commitments which extend beyond the UK's membership of the EU.

The size of any financial settlement will be subject to further negotiations ahead of the UK's withdrawal from the EU. The House of Lords European Union Committee has concluded that whilst there is no legal obligation upon the UK to pay a financial settlement, a failure to reach agreement is likely to impact on the wider negotiations and affect future EU-UK relations post-Brexit.

Lexicon

EU's "own resources": this is the EU's revenue. Annual EU expenditure must be completely covered by annual EU revenue. The different types of "own resources" and the method for calculating them are set out in a European Council Decision on own resources. The EU has three types of "own resources":

- **Traditional own resources (TOR)**: mainly customs duties on imports from outside the EU and sugar levies.
- **Own resources based on value added tax (VAT)**: a uniform rate of 0.33% is levied on the harmonised VAT base (a theoretical construct) of each Member States.
- **Own resources based on Gross National Income (GNI)**: each Member State transfers a share of its GNI to the EU.

Financial settlement: term used by the European Commission to describe the single financial settlement which should cover all financial relations between the EU and the UK, and under which the UK must honour all the commitments it has undertaken as a Member State of the EU.

Multi-annual financial framework (MFF): multi-year spending plan that sets out the maximum annual amounts ("ceilings") which the EU may spend in different areas ("headings"). The current MFF covers seven years (2014 to 2020).

Own Resources Decision (ORD): part of the legislative package adopted in 2014 and implemented in 2016 (retrospectively back to 2014) by the European Council which sets out changes to the "own resources system" for the period 2014-20 i.e. how the EU's budget is funded. It also includes a formula setting out the UK's rebate.

"Reste à liquider" (RAL): financial amount made up of the outstanding commitments set of in multi-annual financial frameworks that have not yet been translated into payments.

Subscribed capital: The capital of some of the organisations discussed in the briefing (e.g. the European Investment Bank) is referred to as "subscribed capital" because Member States have "signed up" to it (this is separate for example from the maximum amount of capital that the organisation could seek to raise from Member States, known as "authorised" capital). Subscribed capital is made up of:

- "Paid-in" or "called" capital: this is what has actually been paid by Member States
- "Callable" or "uncalled" capital: this has not been paid but Member States have made a commitment to pay a certain amount of total callable capital if this is required by the organisation.

UK rebate: The UK's GNI-based contributions are "abated" (reduced) based on a formula set out in the ORD. This is explained in further detail in a European Parliament briefing The UK 'rebate' on the EU budget An explanation of the abatement and other correction mechanisms. [1]

Context

The negotiations between the United Kingdom (UK) and the European Union (EU) on the terms of the UK's exit from the EU are primarily focussed on three key issues: [2]

- Citizens' Rights
- Financial Settlement
- The island of Ireland

A key divergence between the EU and the UK on the negotiations has been the order of negotiations. The EU has insisted that the negotiations should first focus on agreement on the terms of withdrawal before negotiations on the future arrangement can begin. In contrast, the UK Government has suggested talks on the future agreement should run alongside discussions about the terms of withdrawal.

This SPICe briefing, prepared for the Scottish Parliament's Culture, Tourism, Europe and External Relations Committee examines the financial settlement element of the withdrawal negotiations. Initially, it sets out some background regarding the Article 50 negotiations on the financial settlement. It then provides background information about the EU budget including how it is raised and spent, the UK's contributions to and receipts from both the EU budget and other EU agencies along with the EU27's proposals for the financial settlement.

The negotiations so far

One of the key issues to be resolved during negotiations on the UK's withdrawal from the EU is the "financial settlement" between the UK Government and the European Commission. If an agreement is reached, it is likely to involve the UK Government making an upfront payment to the EU when it leaves to honour financial commitments it incurred as an EU Member State, potentially followed by further payments in the future. It is possible there would also be smaller payments over time from the EU to the UK.

Working out the size of the financial settlement, given the complex nature of EU budgeting, will depend on the outcome of political negotiations. As background to these calculations, this briefing outlines how the EU budget is raised and how it is spent and then looks at UK contributions to the EU budget.

On 12 June 2017, the European Commission published a position paper outlining the Essential Principles on Financial Settlement. [3] The paper outlines the Commission's proposed methodology for calculating the UK's financial settlement on leaving the EU. The contents of the Commission's position paper are discussed in more detail in the final part of the briefing.

One of the factors identified by the Commission in calculating the financial settlement relates to the UK's outstanding financial commitments during the 2014-2020 MFF. The Commission has argued that the UK, as a contributor to the EU budget, has an obligation to fulfil its financial commitments that were entered into when the 2014-2020 MFF was agreed.

In addition to the financial settlement it is also possible that as a result of the negotiations on the future relationship between the UK and the EU, the UK Government might continue to make payments to the EU budget following the UK's departure from the EU. This possibility was raised in The United Kingdom’s exit from and new partnership with the European Union. [4] which stated:

> “ There may be European programmes in which we might want to participate. If so, it is reasonable that we should make an appropriate contribution. But this will be a decision for the UK as we negotiate the new arrangements.”

The European Commission has not made a statement on the UK's continued participation in EU programmes post-Brexit, focusing instead on the financial settlement at the time of withdrawal.

There have been three rounds of negotiations between the EU and UK since the EU referendum. After the third round on 30 August 2017, The Rt Hon David Davis MP, Secretary of State for Exiting the EU, told a press conference that the UK's legal interpretation of its financial obligations towards the EU was different to the European Commission's: [5]

> “ On the financial settlement - the central point, I think, of Michel [Barnier]’s comments - the Commission has set out its position and we have a duty to our taxpayers to interrogate it rigorously. At this round we presented our legal analyses. On on-budget issues, on off-budget issues and on the EIB (the European Investment Bank). It is fair to say, across the piece, we have a very different legal stance. But as we said in the Article 50 letter, the settlement should be in accordance with law and in the spirit of the UK’s continuing partnership with the EU, and I repeat the phrase, in accordance with the law and the spirit of the UK’s continuing partnership with the EU.”

The UK Government's position appears to be based on a belief that the financial obligations the European Commission has set out in its position paper on the financial settlement have no legal basis. [6]

The UK Government has yet to publish a position paper setting out principles for how a financial settlement should be concluded ahead of Brexit though it has acknowledged that it is likely the UK will make a payment to the EU. David Davis accepts that the UK has “obligations” from its 44 years of EU membership, but thus far the UK Government has refused to say what they are. An article published in the Guardian on 30 August set out the UK Government's position on the financial settlement: [6]

> “ The British team thinks the EU is trying to extract more than it is legally entitled to, on the basis of an “unsatisfactory” paper that runs to less than four sides of text and some tables. “The UK has made it clear that it finds the EU position paper on the money unsatisfactory and nobody would sign a cheque on the basis of the commission’s paper,” said a source familiar with the UK’s position. “It is also clear that they have an issue with the current view around town that ‘serious’ means agreeing with the commission. The UK doesn’t agree with it.” In particular, Britain is challenging the claim it should pay into the EU budget until the end of 2020. The EU has said the seven-year budget was agreed by David Cameron in 2013, while the UK counters there is no legal basis for the payments, and too many extras have been thrown in.”

The UK Government's reported position was also referred to by the European Commission's chief negotiator Michel Barnier in his press conference at the end of the third round of negotiations. Barnier referred to the UK Government's view that it shouldn't contribute to the 2014-2020 MFF after the UK had left the EU or towards commitments the EU has made whilst the UK is a Member State: [7]

> “ EU taxpayers should not pay at 27 for the obligations undertaken at 28. This would not be fair. In July, the UK recognised that it has obligations beyond the Brexit date. But this week the UK explained that these obligations will be limited to their last payment to the EU budget before departure. Yet we have joint obligations towards third countries. For example:
>
> - We have guaranteed long-term loans to Ukraine, together.”
>
> - We jointly support development in Africa, the Caribbean and Pacific countries through the European Development Fund.”
>
> After this week, it is clear that the UK does not feel legally obliged to honour these obligations after departure. We have also jointly committed to support innovative enterprises and green infrastructure in European regions until 2020. These are not recognised by the UK as legal obligations.”

The Commission position with regards to the UK's commitments is partly motivated by the fact the UK is one of the largest net contributors to the EU budget. If the UK was to leave without contributing to the outstanding costs the 2014-2020 MFF for instance, it would leave a huge hole in the budget requiring either other Member States to increase their payments to the EU or for cuts in EU funding programmes to be made.

The legal requirement upon the UK to make a financial settlement with the EU upon Brexit has been challenged by the House of Lords European Union Committee which concluded that: [8]

> “ The Government will have to consider its stance on continued budgetary contributions in the light of its impact on the wider negotiations, and the economic and political implications will need to be set against one another. The Government has stated that it is open to making payments towards specific programmes in order to cement a cooperative future relationship with the EU but there are already demands from the EU, for much wider contributions. However, the strictly legal position of the UK on this issue appears to be strong. Article 50 provides for a ‘guillotine’ after two years if a withdrawal agreement is not reached unless all Member States, including the UK, agree to extend negotiations. Although there are competing interpretations, we conclude that if agreement is not reached, all EU law—including provisions concerning ongoing financial contributions and machinery for adjudication—will cease to apply, and the UK would be subject to no enforceable obligation to make any financial contribution at all. This would be undesirable for the remaining Member States, who would have to decide how to plug the hole in the budget created by the UK’s exit without any kind of transition. It would also damage the prospects of reaching friendly agreement on other issues. Nonetheless, the ultimate possibility of the UK walking away from negotiations without incurring financial commitments provides an important context. Given the legal and political void that would be created by a disorderly exit, we share the Government’s view of the advantages of achieving a negotiated agreement. This is particularly the case given the provision in Article 50 for a withdrawal agreement to take account of the framework for an exiting state’s future relationship with the Union. If the Government wishes to include future market access on favourable terms as part of the discussions on the withdrawal agreement, it is likely to prove impossible to do so without also reaching agreement on the issue of the budget.”

The EU budget

This section of the briefing outlines how the EU budget is raised and how it is spent. It also sets out how the EU budget accrues assets and liabilities as a result of the differentiation between commitment to spend and actual spend. Finally the section looks at the EU's budget commitments for 2014-2020 outlined in the MFF.

Multi-annual Financial Frameworks and annual EU budgets

The European Union's budget is subject to limits which are set on a multi-year basis in the "Multi-annual Financial Framework" (MFF). The MFF is proposed by the European Commission and then has to be agreed unanimously by Member State Governments and also must receive the consent of the European Parliament. [9] The current MFF covers seven years: 2014 to 2020 (the EU financial year runs from 1 January to 31 December whereas the UK's runs from 1 April to 31 March). The MFF 2014-2020 includes planned commitments to be paid for up to about 2025. [10]

EU budgeting is different to the UK budgeting system which operates on an accruals or payments only basis, [11] whereas EU budgeting is done on a commitment/payment basis.

For each spending line, the MFF determines two numbers for each year and each category of expenditure ("heading"). These are:

- Commitment appropriations ("commitments") - these are mainly amounts that have been committed for specific actions (rather than general ceilings) in legal terms but not yet been committed in an annual budget.
- "Payment appropriations" ("payments") - this is actual expenditure due in the current year arising from commitments made in the current or previous years.

Multi-annual budgetary commitments in the MFF lead to the existence of outstanding commitments that have not at that point been translated into payments. These are known as "reste à liquider" (RAL). Since legal commitments are committed in the budget over a long period and are only gradually spent at a given point in time, they are not included in the EU's balance sheet or in the RAL. In later years, when spend is committed in an annual EU budget, this will either be either paid in the year in which it is committed, or become part of the RAL. At the end of 2016, total RAL amounted to €239 billion. [12] This includes both open commitments for which payments have not been made yet or outstanding commitments that have been annulled.

MFFs include planned payments up to the end of the MFF period, this includes commitments that are planned to be made by the end of the MFF but may be deferred for payment to later budgets. For instance, the MFF 2014-2020 includes commitments planned to be made by 2020 but that will probably be paid out of budgets after 2020. [10]

The MFF is not the budget; within the limits set in the MFF, it is for the Council of Ministers and the European Parliament to agree on the specifics of the annual budget for each year. This usually remains below the MFF expenditure ceilings in order to retain some margin to cope with unforeseen needs. The EU's annual spending must be completely covered by annual revenue.

Annual budgets also include both commitments and payments for each expenditure category. There can be a time lag before commitments become payments. Although some of the actual commitments are paid in the year in which the commitment is made, the majority of committed amounts are not paid out until future years. For example, EU funding operates on the basis of projects being able to spend a number of years after funding has been allocated (known as the N+2 or, more usually, the N+3 rule where N is the start year when the money is allocated plus the number of years in which the money must be spent). Further to this, some multi-annual commitments are likely to run beyond N+3.

EU revenue: where does it come from?

The MFF is funded by all the EU's Member States in three different ways:

- Traditional Own Resources (TOR) - this is revenue generated exclusively by the European Commission as a result of European regulations. TOR is made up of customs duties (including duties on agricultural products) and sugar levies. These are collected for the EU by Member States who retain a percentage of the TOR they collect to cover the costs of collection.

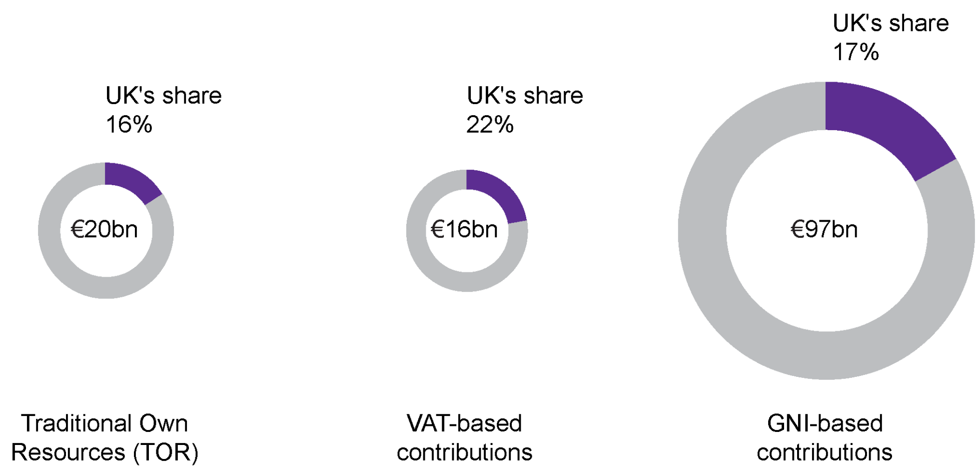
- A share of each Member State's VAT revenues, currently 0.33% of each Member State's adjusted VAT "tax base." This is a theoretical construct that compensates for the fact that neither the VAT rate nor the list of goods and services covered by VAT are harmonised at EU level.

- A share (currently 0.73%) of each Member State's Gross National Income (GNI). This was designed simply to cover the balance of total expenditure not covered by the other own resources but has become the largest source of revenue of the EU budget.

GNI-based contributions make up 73% of the EU's 2016 budget revenue while TOR makes up 15% and VAT-based contributions account for 12%. [13]

Figure 1 shows the UK's contribution to these funding lines in 2016 as a percentage of the overall EU total. [13]

Figure 1: EU revenue by category (€ billion) and UK share (%), 2016



TOR is not included in public sector receipts in the UK National Accounts because they are deemed to be collected on behalf of the EU. The portion of TOR that the UK keeps to cover the costs of collection reduces Total Managed Expenditure in the National Accounts. [14]

The EU budget also has other revenue sources, including fines on companies breaching EU competition law - these represent less than 10% of total revenue. [12] The total amount of resources needed to finance the budget is determined by total expenditure minus other revenue, and as a result of political agreement in the European Council, cannot exceed 1.23% of total EU GNI during the 2014-2020 MFF. [12]

In 1984 a "budgetary imbalance correction mechanism" (often referred to as a rebate) was put in place for the UK. This is deducted from the UK's GNI-based contribution a year in arrears. So for instance, the rebate in 2015 relates to UK payments and receipts in 2014. The UK is reimbursed at "roughly 66% of the difference between the UK's contributions to, and receipts from, the EU budget" - though some parts of the EU budget are excluded from the calculation. [1] Since 2011 the UK's contributions to non-agricultural expenditure in Member States that have acceded to the EU in or after 2004 are not abated. This reflects the agreement by the UK government in 2005 to "disapply" the UK rebate on non-agricultural expenditure in new Member States. [1] The rebate is explained in further detail in a European Parliament briefing The UK 'rebate' on the EU budget An explanation of the abatement and other correction mechanisms. [1] d

The cost of the UK's rebate is divided among the other EU Member States in proportion to the share they contribute to the EU's GNI. However, Germany, Austria, Sweden and the Netherlands benefit from a reduced financing of the UK correction (restricted to one fourth of their normal share). [12]

Some non-EU countries (Norway, Switzerland, Iceland and Liechtenstein) also contribute to the EU budget as a result of their membership of the single market or participation in EU funding programmes.

Finally, the EU and Member States make payments for activities not linked to the budget. Member States for instance provide capital to the European Investment Bank (EIB) and resource the European Development Fund (EDF) which provides international development aid but this is not linked to the EU budget.

EU expenditure: what is it spent on?

The EU provides funding to the Member States. The MFF allocates funding to a number of different expenditure areas. There are two broad types of funding:

- Pre-allocated funds – the formula for allocation of these funds to the Member States (including the large spending programmes such as the Common Agricultural Policy and the European Structural and Investment Funds) is agreed at the outset of the MFF

- Competitive funds - UK projects, or projects involving UK stakeholders need to bid for funding against other projects across the European Union. There is no preallocated share for Member States. There are many competitive programmes open to UK partners. Examples include Horizon 2020 (which supports research and innovation) or Erasmus+ (which supports education, training youth and sport).

The 2014-2020 MFF has five spending categories or "headings":

- Smart and inclusive growth
- Sustainable growth
- Security and citizenship
- Global Europe
- Administration.

The majority of EU budget spending is managed in partnership between the European Commission and Member States. Most EU funds must be co-financed by the beneficiary (though not Common Agricultural Policy direct payments). The National Audit Office states:

> "European Structural and Investment Funds resources are allocated among the Member States in accordance with a formula which takes into account population (and its density), regional prosperity, unemployment and levels of education; it is negotiated by Member States at the same time as the MFF for a given period. Horizon 2020 is distributed through open competitions. EAGF [European Agricultural Guarantee Fund] direct payments funding is calculated using historical data of land in agricultural use across each Member State." [11]

Multi-annual Financial Framework 2014-20

Figure 2 below shows the make-up of the MFF's commitments for the entire period 2014-2020 in the different headings. [15] Note Figure 1 excludes compensations worth €29 million over the period 2014 to 2020.

Figure 2: MFF 2014-2020 commitments, € billion

See Annex 1 for more detail on the figures.

Table 1 shows the Office for Budget Responsibility's (OBR) forecast of total EU budget spending across the MFF 2014-2020 based on various assumptions, for instance on how an underspend in one year will be carried forward in subsequent years. [14] Note Table 1 covers payments (not commitments). It goes up to 2022 as payments set out in the MFF 2014-2020 can actually be paid out a number of years after funding has been allocated. This offers an indication of the total size of the EU budget over the time period that the European Commission expects the UK to honour its MFF commitments made as a Member State of the EU.

Table 1: Total EU annual budget assumptions, € billion, 2014 to 2022

	MFF 2014-20								Forecast	
	Outturn			Forecast						
	2014	2015	2016	2017	2018	2019	2020	2014 - 2020 total	2021 (i)	2022(ii)
Original ceiling	135.9	141.9	144.7	142.8	149.1	153.4	156.3	1,024.0	-	-
Adjustment (iii)	3.2	0.1	0.0	-2.7	8.2	6.4	1.5	-	-	-
Adjusted ceiling	139.0	142.0	144.7	140.1	157.3	159.7	157.8	1,025.8	-	-
Initial budget	135.5	141.2	143.9	134.5	-	-	-	0.0	-	-
Final adopted budget	139.0	141.3	136.6	-	-	-	-	0.0	-	-
Assumed implementation rate (%) (iv)	99.6	97.0	94.4	93.1	95.1	96.6	99.7	97.9	-	-
Assumed implemented expenditure	138.4	137.8	136.6	130.5	149.7	154.3	157.4	1,004.7	163.2	168.7

i. Based on assumption that implemented spending will grow in line with EU GNI

ii. As above

iii. Adjustments under the flexibilities agreed as part of the 2014-2020 MFF. These include adjustments that transfer underspends against the ceiling in earlier years to later years of the MFF, and as such do not increase the total MFF ceiling.

iv. The implementation rate is calculated in relation to the 'adjusted ceiling' and is actual implementation for 2014 and 2015.

Table 1 shows for instance that the final adopted EU budget for 2016 was €8 billion lower than the original ceiling. That underspend can be carried forward to later years in the MFF 2014-2020. [14]

The initial EU budget for 2017 (adopted in December 2016) is €134.5 billion, lower than the OBR had previously forecast and well below the ceiling of €140.1 billion. This is partly due to the implementation of structural funds spending being slower than previously planned. [14]

More information on the MFF 2014-20 is available on the EU Commission's website.

Financial contributions between the UK and the EU

UK contribution to the EU budget

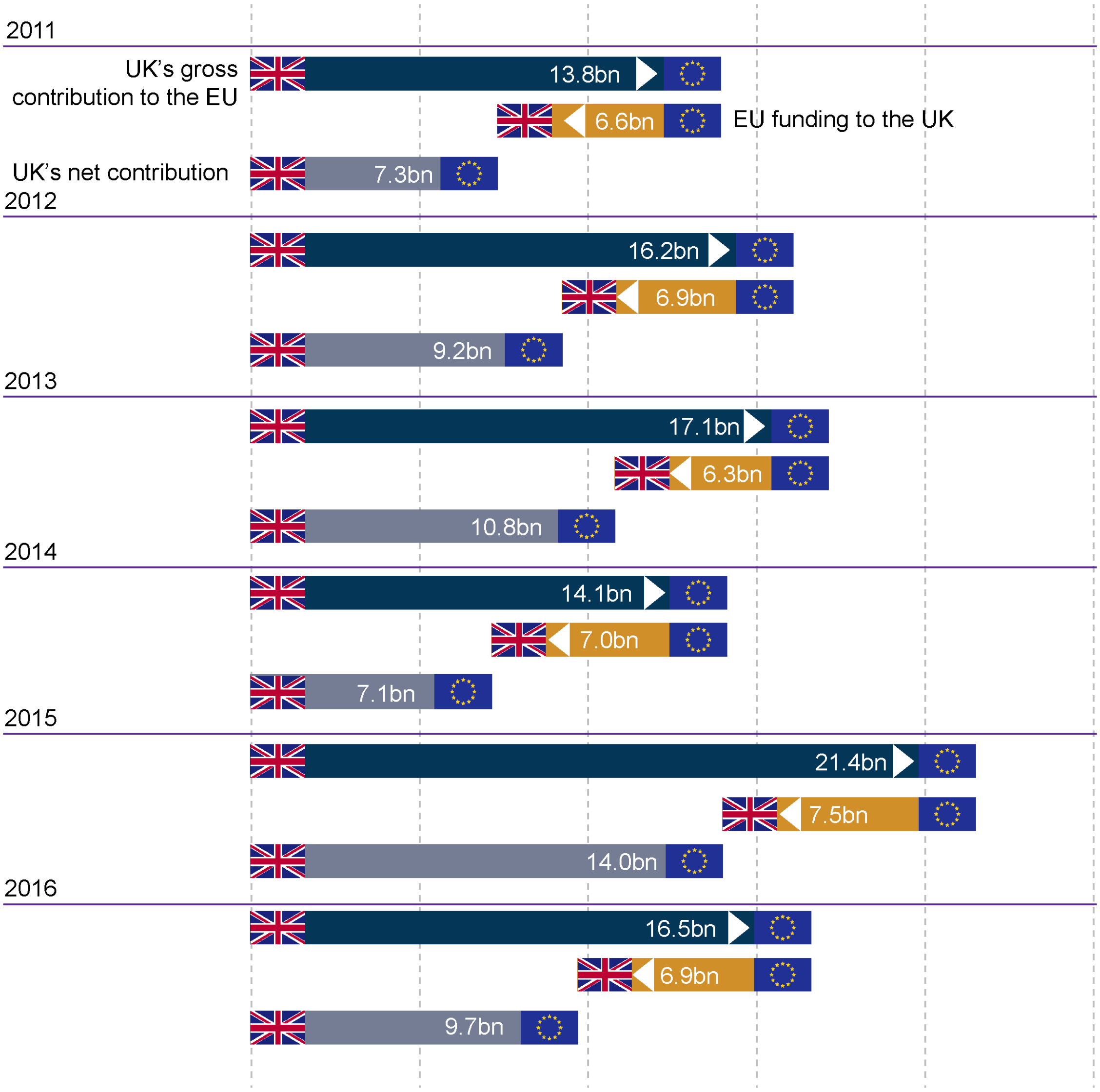
As explained in the EU budget section of the briefing, all 28 members of the EU make contributions to the EU budget and countries then receive money back in the form of payments for EU funding programmes. However, as the EU budget is redistributive, the richer EU Member States pay more to the budget than they receive in EU receipts. For instance, the UK was one of 10 net contributors to the EU budget in 2015. [16]

There are different estimates of the UK's net contribution to the EU budget. This briefing uses mainly figures from the European Commission presented in euros. The key difference between HM Treasury and European Commission figures is that HM Treasury only includes money that the UK Government manages directly. This means the EU receipts which are allocated by the European Commission directly to projects in the UK, for programmes such as Horizon 2020, are not recorded by HM Treasury.

As illustrated in the EU budget section of the briefing, the UK contributes to the EU budget and also receives a rebate. Figure 3 shows the UK's contributions to the EU budget from 2011 to 2015 as reported by the European Commission and published by HM Treasury. [13] Note:

- The "UK's gross contribution to the EU" is after the rebate. As an indication, the estimated value of the UK's rebate in 2016 was €6.5 billion (see Table 3)
- "EU funding to the UK" includes both public and private receipts

Figure 3: UK contribution to the EU, 2011 to 2016, € billion*



* Figures may not add up due to rounding.

Figure 3 shows for example that the UK made an estimated gross contribution post-rebate of €16.5 billion in 2016. This corresponds to 13.5% of the EU's total budget in 2016. [13] The UK received €6.9 billion of public and private sector receipts so the UK's net contribution to the EU was €9.7 billion in 2016.

HM Treasury published a similar table to the European Commission's above in pounds sterling (see Annex 2) but only include public sector receipts from the EU to the UK, not payments made directly to the private sector. It is estimated that annual private sector receipts to the UK have been worth around £1-1.5 billion. [17]

Interpreting and comparing UK and EU data on the use of EU funding in the UK can be challenging because UK government public reporting of EU funds to the UK differ between funds. The National Audit Office (NAO) noted for instance that: "some information is based on the EU agricultural financial year (16 October to 15 October), some on the EU financial year (1 January to 31 December), and some on the UK financial year (1 April to 31 March)." [11]

UK public sector receipts consist mainly of the European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and the European Social and Regional Development Funds (ESF and ERDF). Most of these receipts are either paid to, or used in support of, the private sector but are channelled through government departments or agencies. [13]

EU funding payments to the UK

Table 2 shows UK allocations for the main EU funds. The largest source of EU receipts is payments through the Common Agricultural Policy (CAP) Pillar 1, funded through the European Agricultural Guarantee Fund (EAGF). The second largest source of payments to the UK from the EU is the European Structural Funds: the European Regional Development Fund (ERDF) and European Social Fund (ESF).

Table 2: UK allocations for key EU funds under "shared management", 2014-20

Fund	Value (€ billion)
European Agricultural Guarantee Fund (EAGF) or Pillar 1 of Common Agricultural Policy	22.7
European Regional Development Fund (ERDF) + European Social Fund (ESF)	11
European Agricultural Fund for Rural Development (EARDF)	5.2
European Maritime and Fisheries Fund (EMFF)	0.2

Other costs to the UK associated with being in the EU

The UK also additionally contributes to:

- Organisations and initiatives set out in the treaties but not funded by the EU budget such as the European Investment Bank (EIB).
- Salaries, allowances and pensions of UK representatives in the EU (such as UK MEPs and UK officials working for the EU).
- European Parliamentary elections - the 2014 elections cost £0.7m. [11]

The UK's forecast contribution to the EU until 2021

Table 3 shows the OBR's March 2017 forecast of annual UK transfers to the EU from 2016 to 2021 in a "no referendum" scenario. This is based on MFF 2014-20.

The table shows that the EU is a regular net contributor to the EU budget. It shows the UK made a gross contribution of €17.8 billion to the EU budget in 2016 and projected gross contributions of over €18 billion per year between 2018 and 2021 in the event the UK had not chosen to leave the EU. After public sector receipts from the EU to the UK (in the form of EU funding) are taken into account, the UK's net contribution was €12.3 billion in 2016 and was projected to continue at around €12 billion per year between 2018 and 2021 if the

UK had not chosen to leave the EU. This figure does not include private sector receipts for EU funding.

Table 3: UK transactions with the UK "no referendum" counterfactual basis, € billion

	Outturn	Forecast				
	2016	2017	2018	2019	2020	2021
GNI based contribution	17.5	14.0	16.6	17.0	17.3	18.0
VAT payments to the EU	3.6	3.3	3.4	3.5	3.6	3.7
Rebate	-6.7	-5.9	-4.6	-5.2	-5.4	-5.5
Receipts from the EU to cover the costs of collecting Traditional Own Resources	-0.4	-0.8	-0.8	-0.8	-0.8	-0.8
Total expenditure transfers included in national accounts	14.0	10.6	14.6	14.6	14.7	15.4
TOR	3.8	4.0	4.0	4.0	4.0	4.0
Public sector receipts from the EU (i)	-5.5	-5.4	-6.2	-6.5	-6.7	-7.0
Net contribution to the EU budget	12.3	9.1	12.3	12.1	12.0	12.4
Gross contribution to the EU budget	17.8	14.6	18.6	18.6	18.7	19.4

(i) This only includes EU receipts that are administered by UK government bodies. (Excludes other private sector receipts that are not administered by UK government bodies.) The EU receipts that are administered by UK government bodies are not netted off public sector current expenditure in the national accounts, because they are deemed to finance spending in the UK by the EU.

European Commission view on a financial settlement for UK withdrawal from the EU

Michel Barnier stated on 3 May 2017 that: "the United Kingdom must honour, under a single financial settlement covering all the financial relations between the EU and the UK, all the commitments undertaken by it as a Member State of the Union." [18]

The European Commission set out a proposed methodology for calculating the single financial settlement in its position paper "Essential Principles on Financial Settlement" which it published on 12 June 2017. The methodology is outlined in more detail below.

Principles of financial settlement

Following the first round of negotiations, the European Commission published a position paper on "Essential Principles on Financial Settlement". This states there should be a single financial settlement in relation to:

- The EU budget.
- The termination of UK membership from all the bodies or institutions established by the Treaties.
- The UK's participation in specific funds and facilities related to the EU's policies.

See Annex 3 for an indicative list of the bodies or funds that the EU Commission has stated should be included in the financial settlement. The European Commission notes this list should be updated at the time of withdrawal. [3]

The European Commission's position paper stated that the UK should continue to honour its financial commitments that were entered into when the 2014-2020 MFF was agreed. It also stated that the UK should honour its share of other financial obligations that the EU adopted whilst the UK was a Member State. The paper suggested the UK's financial obligations "should be fixed as a percentage of the EU obligations calculated at the date of withdrawal in accordance with a methodology to be agreed in the first phase of the negotiations".

The European Commission suggested that if the UK honoured its financial commitments, it should be able to participate in EU funding programmes up to the end of 2020 on the basis it abides by the EU's spending rules. The European Commission argued that the UK has an obligation to fulfil its financial commitments, then the UK would be required to take a share of the EU's liabilities at the time of Brexit whilst it would be entitled to receive a share of the EU's assets as and when they are realised.

The position paper also addressed the way in which the UK's agreed financial settlement should be spread over a number of payments to reduce the overall impact on the EU budget of the UK's departure from the EU:

“ Except for the payments linked to the EDF, the EU Trust Funds and the Facility for Refugees in Turkey, all other United Kingdom payments related to the financial settlement should follow a schedule of payments that should aim at mitigating the impact of the United Kingdom withdrawal on the budget for the Union and on its Member States. This schedule and practical modalities for these payments should be defined in phase 2 of the negotiations. For the EDF, the EU Trust Funds and the Facility for Refugees in Turkey, the payments should be made according to the specific rules and schedule applicable to each fund.”

Calculating the UK obligation in relation the EU budget

The European Commission states that through the MFF and the "Own Resource Decision" which set out how the EU budget is raised (comprised of traditional own resources generated by the European Commission, VAT revenues and a share of Member State GNI) [19] , the UK "committed to fund a share of the Union obligations" [3] The source of the UK's obligations as stated by the European Commission are shown in Table 4. [3]

Table 4: Where do the UK's obligations to the EU come from?

Category	Way to establish UK obligation	EU total
Reste à Liquider (RAL) - outstanding budgetary commitments that have not yet translated into payments	To be taken from EU consolidated accounts at the time of withdrawal and audited by the Court of Auditors	€239 billion end 2016 in EU annual accounts; [12] the Financial Times reported a value of €251 billion in June 2017 [20] and Dervas et al. projected that by end 2018 this would be €249 billion [10]
Financial programming for the period between the date of withdrawal of the United Kingdom and the end of the MFF 2014-2020	To be taken from the latest updated financial programming	Darvas et al. estimated a value of 182.5 billion [10]
Liabilities in consolidated accounts & not balanced by corresponding assets	To be taken from EU consolidated accounts at the time of withdrawal and audited by the Court of Auditors	€235 billion at end 2016 in EU annual accounts including €67 billion in pensions [12]
Pensions**		
Provisions such as nuclear decommissioning		
Financial liabilities not related to borrowings		
Payables and accrued charges other than RAL		
Contingent liabilities in consolidated annual accounts*	To be taken from EU consolidated accounts at the time of withdrawal and audited by the Court of Auditors	€28 billion at the end of 2015 as reported by the NAO [11]
Costs related to the withdrawal process (e.g. relocation of agencies)	To be covered in full by the UK. Should include the costs related to the termination of contracts for housing agencies that have to move as a consequence of the withdrawal, the costs related to the move itself and the costs related to installation in the new location.	

* Contingent liabilities are possible future payment obligations for the EU that may arise due to past events or legally binding commitments taken but which will depend on future events not wholly under the control of the EU. They relate mainly to financial guarantees given (on loans and financial assistance programmes) for instance by the and to legal risks. [12] All contingent liabilities, except those relating to fines and guarantees covered by funds, would be financed, should they fall due, by the EU budget (and thus the EU Member States) in the years to come. [12]

** Under Article 83 of the Staff Regulations (Council Regulation 259/68 of 29 February 1968 as amended), the Member States jointly guarantee the liability for pensions. [12]

The European Commission 's position paper states:

> “ Should the financial settlement include all the obligations mentioned above, the United Kingdom share of the Union obligations should be established as the ratio (in percentage) between all own resources transferred by the United Kingdom to the EU budget and the total own resources transferred by the Member States (EU28) over 2014-2017 . These amounts include all specific adjustments of national contributions as defined by the ORD [Own Resources Decision].”

As an indication of scale, the UK Government estimated that in 2016 the UK made a gross contribution post-rebate of €16.5 billion, equal to 13.5% of the EU's total budget in 2016 (see Figure 3). [13]

The UK's participation in specific funds and facilities

In addition to the UK's commitments to the EU budget, the Commission's position paper proposes that account is also taken of the bodies or institutions established by the Treaties and the UK's participation in specific funds and facilities related to the EU's policies.

These bodies include the European Investment Bank, the European Central Bank, and funds the UK contributes to, including the European Development Fund.

Financial settlement in relation to European Investment Bank (EIB)

The European Investment Bank (EIB) is the EU's own bank. Its purpose is to provide "finance and expertise for sustainable investment projects that contribute to EU policy objectives" [21] .

Note the EIB is part of the "EIB Group" which includes both the EIB and the European Investment Fund (EIF) - a specialist provider of risk finance for small and medium-sized enterprises across Europe. [22] The EU Commission in its position paper on the financial settlement includes the EIF in the list of bodies and funds that will have to be included in the financial settlement, but without providing any further detail.

More than 90% of the EIB's activity is in the European Union where the EIB states on its website it supports projects "that make a significant contribution to growth and employment in Europe". These include: [23]

- Innovation and skills
- Access to finance for smaller businesses
- Infrastructure
- Climate and environment

The EIB's capital is owned by the 28 EU Member States who are its shareholders. Each Member State's share in the Bank's capital is based on its economic weight within the EU (expressed in GDP) at the time of its accession. [24] This is known as "subscribed capital" and is made up of:

- Paid-in capital: this is money that Member States have actually paid in.
- Callable capital. This is capital that the EIB's Board of Directors can ask Member States to pay "to such extent as may be required for the Bank to meet its obligations." [25] This this has never happened so far. [11]

Table 5 shows the EIB's capital position as well as the UK's share. [25]

Table 5: UK capital in EIB, € billion, end 2016*

	Total EU	UK	%
Total subscribed capital	243.3	39.2	16.1
of which:			
Paid-in capital	21.7	3.5	16.1
Callable capital	221.6	35.7	16.1

* Figures may not add up due to rounding.

The Financial Times reported on 3 May 2017 that "the EU is insisting Britain would have a claim only on its paid-in capital, rather than a share of the bank's €63.5 billion in own funds that Britain will demand." [26] Note that this is the 2015 figure. At the end of 2016 the EIB's own funds were €66.2 billion. This includes total subscribed capital from the Member States and the EIB's reserves.

In June 2017 the European Parliament stated: [27]

> " The UK liability resulting from the guarantee for the financing made by the EIB should be maintained and progressively decreased in line with the amortisation of the EIB portfolio outstanding at the date of withdrawal (...) [The payment schedule should be] aimed at mitigating the impact of the UK withdrawal on the EU budget and on the EU-27. UK paid-in capital should be reimbursed once the amortisation of the EIB portfolio outstanding at the date of withdrawal is completed."

This implies that the UK's €3.5 billion of paid-in capital would be reimbursed once the amortisation of the EIB portfolio outstanding at the date of withdrawal is completed.

"Outstanding"means the amounts that have not been repaid yet either to, or by, an institution. "Amortisation" refers to distribution of loan repayments.

The EIB's "outstandings" are shown in Table 6. [25] They include loans that the EIB has made, financing from budgetary resources as well as "borrowings" which the EIB makes by issuing bonds.

Table 6: EIB outstandings, € billion, end 2016*

	Amount (€ b)illion
Loans disbursed	455
Loans to be disbursed	113
Financing from budgetary resources	14
Borrowings	471

* Figures may not add up due to rounding.

It is not clear from European Commission or the European Parliament which of the outstandings would and would not be taken into account in the financial settlement once the UK leaves the EU that would have to be amortized from the EU Commission's position paper.

Financial settlement in relation to the European Central Bank (ECB)

The capital of the ECB comes from the Member States' national central banks (NCBs). Euro area NCBs are required to contribute, as well as the EU’s nine non-euro area NCBs which are required to contribute to the operational costs incurred by the ECB in relation to their participation in the European System of Central Banks. Non-euro area NCBs are not entitled to receive any distributable profits of the ECB nor are they liable to fund any losses of the ECB.

The European Commission's position on the UK and the ECB is that: [3]

> “ As part of the financial settlement, the paid-in capital of the United Kingdom in the ECB should be reimbursed to the Bank of England.”

The subscribed capital of the ECB was €10.8 billion at the end of 2016, of which €7.74 billion was "paid up". Euro area NCBs have fully paid up their share of subscribed capital. The non-euro area NCBs are required to pay up 3.75% of their subscribed capital as a contribution to the operational costs of the ECB. This contribution amounted to a total of €120.2 million at the end of 2016. At that time, the Bank of England has paid-up capital in the ECB of €55.5 million. The European Commission's position paper implies that this would would be reimbursed to the Bank of England.

Financial settlement in relation to European Development Fund (EDF)

The European Development Fund (EDF) is the EU's main instrument for providing development aid to African, Caribbean and Pacific countries as well as EU overseas countries and territories [28] . It is financed by direct contributions from EU Member States.

The EDF operates on a multi-annual basis and is broken down over time into "EDF funds". Member States agree to contribute a certain amount of "fund capital" to each EDF fund. The current EDF fund will run from 2014-2020. Resources are allocated on a multi-annual basis so the allocated funds can be used over the period of the EDF. [29]

In addition to their contributions agreed for each EDF fund, Member States can also enter into additional co-financing agreements or make voluntary financial contributions to the EDF. [30]

A 2017 European Parliament paper on the possible impacts of the UK's withdrawal from the EU on the EU's development and humanitarian policies states: [31]

> “ In the case of the EDF, where the UK accounts for 15 % of resources, withdrawal before 2020 cannot be regarded as feasible, because contributions to [African, Caribbean and Pacific-EU] cooperation are underpinned by a binding system which includes joint institutions and its own international legal basis, the Cotonou Agreement. This agreement, does not forecast the withdrawal of a party (for instance, an EU MS) as a consequence of its withdrawal from the Treaty on European Union.”

Note the ACP-EU Partnership Agreement, or "Cotonou Agreement" has since 2000 been the framework for EU's relations with countries from Africa, the Caribbean and the Pacific.

The paper also states: [31]

> “ for the EDF, the UK’s contribution can be found within the internal agreement on EU-African, Caribbean and Pacific Group of States (ACP) Treaty. Thereafter, in order to show figures upon a yearly basis, annual budgets and calls by the EC for disbursement of the EDF need to be consolidated. ”

The European Commission's position on UK withdrawal from the EDF is: [3]

> “ The United Kingdom should remain liable in full for the obligations of the successive European Development Funds and should therefore continue to contribute to the payments necessary to honour all commitments related to all unclosed Funds (8th , 9th , 10th and 11th EDF) in accordance with the specific financing keys of each EDF and their specific financing rules. ”

The European Parliament also stated: [27]

> “ The UK should continue to contribute according to the specific financing keys of all the unclosed EDFs (...) Specific rules and schedule of the EDFs should continue to apply.”

The capital of the 8th and 9th EDF has been called up and received in its entirety. No capital has yet been called from 11th EDF. The UK at the end of 2016 had €263 million of uncalled capital - this represents the initial allocation of an EDF Fund that has not yet called up by the EDF.

Financial settlement in relation to other EU bodies

The EU also operates a number of trust funds (see Annex 3 for the list). These include the Bêkou EU Trust Fund (the UK does not appear to have any direct commitments in the Bêkou EU Trust Fund [32]), the Madad Fund, Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa and the Trust Fund for Columbia.

The European Commission's position on the UK's withdrawal from EU Trust funds[i] and the Facility for Refugees in Turkey (FRT) is: "The United Kingdom should respect in full its undertaking for funding EU Trust Funds and the Facility for Refugees in Turkey." [29]

On the Facility for Refugees in Turkey, the then UK Minister for Europe, The Rt Hon David Lidington MP stated in March 2016: [33]

> “ In November 2015, the EU committed to provide €3 billion of resources over 2016 and 2017 for Turkey under the EU-Turkey Action Plan (...) Final arrangements for the €3 billion Turkey Refugee Facility have been agreed by all EU Member States. The €3 billion Turkey Refugee Facility will be funded by €1 billion from the EU budget and €2 billion bilateral contributions from Member States. Member States’ bilateral contributions are calculated according to their Gross National Income (GNI) share. The UK’s bilateral contribution will be €327m.”

Other bodies that the UK contributes funding for are listed in Annex 3. Under the heading "Other bodies", the European Commission in its position paper states only:

> “ Until the end of the academic year 2020-2021, the United Kingdom should continue to contribute to the funding of the teachers it seconded to the European schools in line with the cost sharing agreement related to the secondment of British and Irish teachers. For the agencies of the Council which are not financed by the General budget of the Union (European Defence Agency, European Union Institute for Security Studies, European Union Satellite Centre), the United Kingdom should assume its share of the financing of all obligations undertaken by these agencies before the withdrawal. ”

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i Bêkou EU Trust Fund (the UK does not appear to have any direct commitments in the Bêkou EU Trust Fund [32]), the Madad Fund, Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa and the Trust Fund for Columbia.

Estimates of the cost of leaving the EU

A number of studies have speculated on the UK's likely financial contribution upon leaving the EU, with estimates of net payments ranging from €10 billion to €75 billion, depending on what items are included and how they are shared. [33]

"Cancelling club membership" or "divorce"?

Using two different approaches, "cancelling club membership" and "divorce", Darvas et al. estimated in March 2017 the value of an upfront UK payment of €82 billion-€109 billion and a net bill of €42 billion-€65 billion over the long term following significant reimbursements by the EU. [10] This maximum figure, according to the authors, is "the most extensive possible liabilities for the net bill". [26] The analogy for "cancelling club membership" is a golf club (the EU) where payment has to be made until the end of the committed membership period even if the member (the UK) decides to leave, and the member has no claim on any of the club's assets. The analogy for "divorce" is one where the UK has to take on a share of EU liabilities but also receives a share of its assets.

Darvas et al. (2017) envisage the following scenarios to work out "membership fee commitment", listed from the largest possible "Brexit bill" to the smallest:

- All planned budgetary commitments up to the end of 2020 related to the 2014-20 MFF (these include planned payments up to about 2025);
- Actual legal and budgetary commitments made before the Brexit date (which include planned payments up to about 2023);
- Planned payments up to 2020;
- Only actual payments up to the Brexit date.

In the "divorce" scenario, the two parties divide their assets and liabilities. But which assets? and what about the assets with a degree of contingency?

The estimates were reached by:

- Calculating EU liabilities including:
    - Spending commitments related to the 2014-20 MFF, and some other similar items such as the EU budget’s contribution to the ‘Juncker investment plan’;
    - Pension/sickness insurance liabilities related to EU employees;
    - EU borrowing to finance financial assistance programmes; and
    - Contingent liabilities.
- Projecting the above EU spending commitments to end-2018.
- Estimating the planned spending in the UK as a portion of the EU’s spending liabilities at end-2018 - this is an "offsetting factor"

- Projecting the rebate.
- Assessing the other three main types of EU liabilities which may or may not be included (pensions, EU borrowing and contingent liabilities).
- Assessing EU assets and claims - some of which are included in the EU's balance sheets while others are not.
- UK's share of the EU's assets and liabilities
- UK's net liability to the EU when leaving the latter

Financial Times study

The Financial Times reported in May 2017, based on its own analysis of "new demands driven by France and Germany" that the financial settlement could be as high as an upfront gross payment of between €91 billion and €113 billion, corresponding to a net payment of €55 billion-€75 billion when considering the share of EU expenditure going back to the UK and repayments of EU loans in the long- term. [26] The article reported that "EU negotiators have revised their initial calculations to maximise the liabilities Britain is asked to cover, including post-Brexit farm payments and EU administration fees in 2019 and 2020" and that "Paris and Warsaw have pushed for the inclusion of post-Brexit annual farm payments, while Berlin is against granting Britain a share of EU assets." [26] The European Investment Bank is excluded from these calculations.

In June 2017 the Financial Times reported that previously undisclosed European Commission estimates provide a gross payment figure of €86.4 billion for the UK. The article states: "In addition, Brussels wants Britain to cover €11.5 billion of contingent liabilities, should for instance Ukraine or Ireland fail to repay loans (...) That takes the total gross liabilities the EU wants the UK to take on to €99.6 billion." [20] This includes:

- €251 billion in budget commitments approved by the UK before 2019.
- Pension promises and other long-term EU liabilities in total worth €83 billion.

It excludes the EIB however, and does not take into account annual CAP payments to farmers. The final net figure would be €60.2 billion according to the Financial Times. The article reports the Commission estimates the UK's share of EU liabilities at 13% (including the rebate) - but that "the EU side insists that applying the rebate to reduce the bill is conditional on the UK’s covering farm payments in 2019-20, since agricultural contributions made by Britain were the original reason for agreeing the rebate. Otherwise, the country's share rises to 15 per cent." [20]

Scotland and the EU budget

Relations with the EU are the responsibility of the UK Parliament and UK Government, as a Member State. However, the administration of EU funding programmes in Scotland is the responsibility of the Scottish Government. This section provides a brief overview of EU funding allocated specifically to Scotland in the period 2014-2020 for information.

Table 7 shows the EU budget allocations to Scotland, 2014-2020 [11]

Table 7: EU budget allocations to Scotland, 2014-2020

	Scotland	Total UK	Scotland share of total in UK (excluding Gibraltar)
European Agricultural Guarantee Fund	4,096	25,061	16.3%
European Regional Development Fund	477	5,820	8.2%
European Agricultural Fund for Rural Development	845	5,184	16.3%
European Social Fund	418	4,938	8.5%
Youth Employment Initiative	46	206	22.3%
European Maritime and Fisheries Fund	108	244	44.3%
Total	5,989	41,453	14.4%

In total over the seven years of the programme period, Scotland expected to receive just over €5.6 billion from the four pre-allocated funds, with the CAP Pillar 1 payments accounting for the largest proportion of this total. It is not possible to provide a figure for the Competitive funds as they are distributed through a number of competitive funding rounds which take place throughout the seven year programming period. [34]

Annex 1: MFF 2014-2020 commitments including for the year 2017

Table 1: MFF 2014-2020, € billion

	2017	Total 2014-20
Smart and Inclusive Growth	73.5	513.6
Competitiveness for growth and jobs	19.9	142.1
Economic, social and territorial cohesion	53.6	371.4
Sustainable Growth: Natural Resources	60.2	420.0
Security and citizenship	2.6	17.7
Global Europe	9.4	66.3
Administration	9.9	69.6
Compensations	0.0	0.0
Total commitments	155.6	1,087.2
Total payments	142.9	1,026.3

Annex 2: HM Treasury's assessment of UK contributions to the budget, 2010 to 2016

Table 8: Gross payments, rebate and receipts, 2010 to 2016, £ millionUK Government, 2017

	2010	2011	2012	2013	2014	2015	2016 (OBR forecast)
Gross contribution[ii]	15,197	15,357	15,746	18,135	18,778	19,560	16,996
Less: UK rebate	-3,047	-3,143	-3,110	-3,674	-4,416	-4,914	-3,878
Less: payments to the UK public sector from the EU budget	-4,768	-4,132	-4,169	-3,996	-4,583	-3,883	-4,503
Net public sector contribution	7,382	8,082	8,467	10,465	9,779	10,763	8,616

Table 9 provides a more recent estimate of the UK's contributions to the the EU, in financial years.

Table 9: Transactions with the institutions of the EU, 2012-13 to 2019-20UK Government, 2017

			Outturn				Plans	
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GNI based contribution	12,303	13,845	14,154	12,570	11,440	14,565	14,483	14,872
UK abatement	-3,172	-4,130	-4,811	-4,068	-4,757	-5,587	-4,225	-4,581
VAT-based payments to the EU (included in the TME subtotal post-ESA 2010)	2,398	2,163	2,316	2,751	2,477	3,248	3,009	3,077
Net expenditure transfers to the EU	11,529	11,879	11,658	11,253	9,160	12,226	13,267	13,368
Receipts to cover collection costs in respect of collecting TOR	-720	-733	-743	-771	-357	-698	-694	-700
to give contribution to TME	10,809	11,146	10,915	10,482	8,803	11,528	12,573	12,669
TOR	2,891	2,933	3,006	3,085	3,377	3,489	3,470	3,498
Gross contribution to the EU budget	13,699	14,079	13,921	13,567	12,180	15,017	16,043	16,166
Public sector EU receipts (cash basis)	-4,022	-3,856	-4,690	-2,811	-4,079	-5,118	-5,563	-5,796
Net contributions to the EU budget	9,678	10,223	9,231	10,756	8,102	9,899	10,480	10,370
less Other attributed costs[iii]	82	79	-	-	-	-	-	-
Net payments to EU institutions	9,595	10,143	9,231	10,756	8,102	9,899	10,480	10,370

ii This includes TOR payments at 75% up to September 2016 and 80% thereafter. The remainder is retained by the UK.
iii The UK's contribution to the cost of EU aid to states outside the EU is attributed to departmental budgets.

Annex 3: Lists of bodies or funds included by the European Commission in the financial settlement

Table 10 shows the bodies and funds included in the indicative list provided by the European Commission . [29]

Table 10: Lists of bodies or funds included in the financial settlement

1. Entities in the consolidated accounts			
	1.1 Institutions and consultative bodies		
			European Parliament
			European Council
			Council of the European Union
			European Commission
			European Court of Auditors
			Court of Justice of the European Union
			Economic and Social Committee
			Committee of the Regions
			European Ombudsman
			European Data Protection
			European External Action Service
	1.2 EU agencies		
		1.2.1 Executive Agencies	
			Education, Audiovisual & Culture Executive Agency
			Executive Agency for Small and Medium-sized Enterprises
			Consumers, Health, Agriculture and Food Executive Agency
			Innovation & Networks Executive Agency
			Research Executive Agency
			European Research Council Executive Agency
		1.2.2 Decentralised Agencies	
			European Maritime Safety Agency
			European Food Safety Authority
			European Medicines Agency
			European Railway Agency
			European GNSS Supervisory Authority
			Community Plant Variety Office
			European Chemicals Agency
			European Fisheries Control Agency
			Fusion for Energy (European Joint Undertaking for ITER and the Development of Fusion Energy)
			European Monitoring Centre for Drugs and Drug Addiction
			Eurojust
			European Union Agency for Law Enforcement Training (CEPOL)
			European Institute for Gender Equality
			European Police Office (EUROPOL)
			European Agency for Safety and Health at Work
			European Aviation Safety Agency
			European Centre for Disease Prevention and Control
			European Network and Information Security Agency
			European Environment Agency
			European Union Agency for Fundamental Rights
			uropean Centre for the Development of Vocational training
			European Insurance and Occupational Pensions Authority
			European Agency for Cooperation of Energy Regulators
			Translation Centre for the Bodies of the European Union
			European Banking Authority

		European Securities and Markets Authority
		European Asylum Support Office
		European Training Foundation
		Office for the Body of European Regulators for Electronic Communication
		European Foundation for the Improvement of Living and Working Conditions
		European Border and Coast Guard Agency (Frontex)
		European Union Intellectual Property Office
		EU-LISA (European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice)
		The Single Resolution Board (SRB)
	1.3 Other entities	
		European Coal and Steel Community (in liquidation)
		European Institute of Innovation and Technology
2. Joint ventures		
		SESAR Joint Undertaking
		Innovative Medicines Initiative 2 Joint Undertaking
		Fuel Cells and Hydrogen Joint Undertaking
		ECSEL Joint undertaking
		Clean Sky 2 Joint Undertaking
		Bio-based Industries Joint Undertaking
		Shift2Rail
		Galileo Joint Undertaking in liquidation
3. Associate Funds in the accounts		
		European Investment Fund
4. Funds not in the consolidated accounts		
		European Development Fund
		Facility for Refugees in Turkey
5. Trust funds[iv]		
		European Union Trust Fund for Central African Republic “Bêkou EU Trust Fund”
		European Union Regional Trust Fund in response to the Syrian crisis, "the Madad Fund"
		Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa
		Trust Fund for Columbia
6. Bodies not in the consolidated accounts		
		European Central Bank
		European Investment Bank
		European Defence Agency
		European Union Institute for Security Studies
		European Union Satellite Centre
		European Schools

iv The "Madad" and Columbia Trust Funds are included in the EU consolidated accounts.

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