**14093/13**

**COM (2013) 669 FINAL**

**EXPLANATORY MEMORANDUM ON EUROPEAN UNION LEGISLATION**

**DRAFT AMENDING BUDGET NO.8 (DAB2 BIS) TO THE GENERAL BUDGET 2013 – GENERAL STATEMENT OF REVENUE- STATEMENT OF EXPENDITURE BY SECTION – SECTION III – COMMISSION**

October 2013

Submitted by HM Treasury

# SUBJECT MATTER

1. On 25 September 2013 the Commission presented a proposal for Draft Amending Budget No. 8 for the 2013 EU Budget (DAB 8/2013). This concerns an increase of payment appropriations of €3.9 billion (£3.3 billion[[1]](#footnote-1)) across Headings 1a, 1b, 2, 3a, 3b and 4 of the Multi-Annual Financial Framework (MFF). The majority (around 80%) of the requested additional payment appropriations by MFF heading are concentrated in Heading 1b.
2. The Commission asserts that this money is needed to meet the outstanding needs to the end of the year, to ensure that legal obligations stemming from past and current commitments can be honoured, financial penalties avoided, and beneficiaries can receive the funds envisaged by the agreed EU policies.
3. The Commission also claims that this DAB 8/2013 updates Draft Amending Budget No. 2 for the 2013 EU Budget (DAB 2/2013), presented in March 2013 for an amount of €11.2 billion (£9.4 billion) and only partially approved by the budgetary authority in September 2013 for an amount of €7.3 billion (£6.1 billion).

**MINISTERIAL RESPONSIBILITY**

1. The Chancellor of the Exchequer is responsible for United Kingdom policy on the EU Budget. The Foreign and Commonwealth Secretary is responsible for overall United Kingdom policy towards the European Union.

# INTEREST OF DEVOLVED ADMINISTRATIONS

1. Policy concerning the EU budget are reserved matters under the UK’s devolution settlements. The Devolved Administrations have not been consulted in the preparation of this Explanatory Memorandum.

# LEGAL AND PROCEDURAL ISSUES

1. Legal basis
2. Article 314 of the Treaty on the Functioning of the European Union, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106 (a) thereof, and Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the Financial Regulation applicable to the general budget of the Union (Article 41 of which makes provision for the Commission to present draft amending budgets).

ii. Legislative procedure

1. Special legislative procedure: joint decision of the European Parliament and the Council.

iii. Voting procedure

1. The Council will vote by Qualified Majority Voting (QMV) on this proposal.

iv. Impact on United Kingdom Law

1. None.

v. Application to Gibraltar

1. Not applicable.

vi. Analysis of Fundamental Rights Compliance

1. Not applicable.

**APPLICATION TO THE EUROPEAN ECONOMIC AREA**

1. Not applicable.

**SUBSIDIARITY**

1. The EU Budget is a matter of exclusive Union competence.

**POLICY IMPLICATIONS**

1. The Government has been clear that it wants to see real budgetary restraint in the EU over the coming years. Reform of EU spending is a long-term project, but recent action taken by the Government, including the European Council agreement on the 2014-2020 Financial Framework, delivers important progress. The Government is committed to continue to work hard to limit EU spending, reduce waste and inefficiency, and deliver the best possible deal for taxpayers.
2. As such, the Government believes this is a totally unacceptable request from the Commission at a time when most EU Member States are taking difficult decisions to reduce public spending. The Government will not support such a request for additional payments for the EU budget and recalls that it voted against the Council position on DAB 2 earlier this year. We will continue to work closely with our like-minded allies in the EU to restrain the EU budget.
3. A Presidecy proposal, of 4 October, presented DAB 8/2013 as part of a package of amending budgets, including DABs 6/2013 and 9/2013, on which separate EMs have been submitted. On DAB 8/2013, the Presidency continued to propose additional €3.9 billion (£3.3 billion) in payment appropriations. The UK will vote against any proposed increase, but the Government notes that this proposal is subject to QMV.

**REGULATORY IMPACT ASSESSMENT**

1. Not applicable.

**FINANCIAL IMPLICATIONS**

1. DAB 8/2013 proposes an increase of payment appropriations of €3.9 billion (£3.3 billion). As set out in the Commission’s proposal, this would take the 2013 budget, including amending budgets 1-5 and draft amending budgets 6 and 7, to €144.5 billion (£120.8 billion).
2. The UK’s post-abatement financing share of EU expenditure will be approximately 12.5%. It is not however possible to calculate the exact amount yet, as the abatement will depend on actual implementation and UK receipts.

**CONSULTATION**

1. Not applicable.

# TIMETABLE

1. The Commission issued its proposal for DAB 8/2013 on 25 September, and discussions begun in Council’s Budget Committee on 26 September. The Presidency proposal was discussed at Coreper on the 9 October where no agreement was reached. However, there was a qualified majority in favour at Coreper on 14 October. This now needs to be approved by Council. The Presidency has indicated the desire for Council to adopt a position on DAB No 8/2013 swiftly.

### NICKY MORGAN MP

### ECONOMIC Secretary

## HM Treasury

1. Conversions in this Explanatory Memorandum from Euro to Sterling have been converted at the exchange rate of 30 September 2013 (€1 = £0.8361) [↑](#footnote-ref-1)