



European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

16 October 2019

Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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UK contributions to the EU budget after 31 October 2019

Thank you for your letter dated 30 September 2019 on the potential UK contributions to the EU budget beyond our scheduled exit from the EU on 31 October, which we received on 7 October. Given the lack of clarity about the Government's view of the UK's financial commitments to the EU, we are writing again for further information.

1. The financial settlement in the draft Withdrawal Agreement

As you are aware, the EU is pressing for a commitment from the UK that it will pay its contributions in full until the end of 2020 in any eventuality, even in a 'no deal' scenario.¹ On 25 September, the Prime Minister used the gross cost to the taxpayer of further EU contributions after 31 October – which he said would be “more than £1 billion a month” – as a reason to reject any further extension of the UK's EU membership under Article 50.²

We note that the Government's recent proposals for changes to the draft Withdrawal Agreement (WA) do not seek to alter the proposed post-Brexit financial settlement in any way.³ Implicitly it follows that the UK would, in line with that settlement, continue to make its normal budget payments to the

¹ EU documents (40348), 5933/19, COM(19) 64 and 40810), 11921/19, COM(19) 461.

² HC Deb (25 September 2019), vol. 664, col. 780.

³ UK proposals for a new Protocol on Ireland/Northern Ireland (HM Government, 2 October 2019).

EU beyond 31 October, either where Article 50 is extended or the WA is ratified by the House of Commons.

We would welcome explicit confirmation from you that the Government – as part of an overall Withdrawal Agreement - would accept the financial settlement negotiated by the previous Prime Minister; or, if not, what changes it is seeking to the relevant provisions of the Agreement as part of the Article 50 negotiations.

We also ask you to provide us with the Treasury's revised estimates of the total net cost of the financial settlement under the terms of the Withdrawal Agreement, if the UK were to leave the EU with a deal on 31 October 2019.

2. UK contributions to the EU budget in a 'no deal' scenario

Given that UK's immediate legal obligations to continue paying into the EU budget would be the same under an Article 50 extension and the Withdrawal Agreement, it seems to us the only scenario where the Treasury would *not* be under an obligation to make the UK's substantial contribution to the EU budget from 1 November would be the 'no deal' scenario. Logically, we would therefore have expected you to use your latest letter to us on this subject to explicitly rule out the EU's request to continue our contributions in such an eventuality.

We were disappointed, then, to see that you could not offer any assurance on Government policy on this important matter either way. By saying that "any decision" on continued EU budget payments "will be taken" only at the point of a 'no deal' exit, we can only conclude it is indeed a *possibility* that the Government will agree to continue making the UK's budget contributions even if we leave the EU without a deal on 31 October (or later, if there were to be a further extension of Article 50). Such a decision either way is likely to be driven as much by political as legal considerations.

Given that you have clearly not ruled out making such 'no deal' contributions, coupled with the fact that the EU is likely to require the UK to make a decision either way shortly after a 'no deal' withdrawal, the lack of clarity about Government policy on this matter remains highly problematic.

I would be grateful if you could confirm what the deadline would be for the UK to notify its agreement (or not) to the EU's request for continued budget contributions if we leave without an agreement on 31 October; and to explain when the Government intends to inform Parliament of its

decision with respect to continued EU contributions if a ‘no deal’ Brexit were to occur on that date.

It would also be helpful if you could clarify what would happen to the UK’s contributions to the European Development Fund (EDF) for assistance to developing countries in Africa, the Caribbean and the Pacific from 2014 to 2020 in a ‘no deal’ scenario, given that those financial commitments were made by the UK in a separate agreement outside the framework of the EU treaties⁴ and therefore not covered by any cessation of EU legal obligations on the UK if the time period under Article 50 TEU were to expire without a ratified Withdrawal Agreement; and explain what amount in UK contributions to the EDF would remain outstanding as of 31 October.

3. The Government’s position on the EU’s ‘no deal’ Regulation for the 2020 budget

As you are aware, the EU’s request for continued UK contributions even in a ‘no deal’ scenario has required the remaining Member States to put in place contingency legislation. This sets out under which conditions British organisations would remain eligible to receive EU funding even after they have formally become ‘third country’ entities under European law, provided the Treasury agrees to make continued UK payments into the EU budget. A proposal for a Regulation to that effect as regards the 2020 EU budget is currently being negotiated in Brussels and is under scrutiny by my Committee.

The terms of this new EU legislation are inextricably linked to the decision the Government would have to make about continued contributions in a ‘no deal’ scenario. We note your assertion in this respect that the legislation that would enable UK organisations to continue receiving EU funding through 2020 will only be voted on at “the end of the year, after the UK’s exit”. Your predecessor told us the same thing in relation to the EU’s ‘no deal’ proposal relating to the 2019 EU budget, only to override scrutiny in July when the vote did in fact take place before the EU had left.

Given the provisions of the European Union (Withdrawal) (No 2) Act 2019 a further extension of the Article 50 period is possible. I therefore ask you again to clarify how the Government would vote on the EU’s

⁴ The UK’s commitments to the EDF for 2014-2020 are set out in the 11th Internal Agreement between the Representatives of the Governments of the Member States of the European Union of 6 August 2013. Their exclusion from the scope of the Article 50 process was confirmed to this Committee by the Department for International Development on 6 April 2017.

Brexit proposal relating to the 2020 EU budget *if* the UK is still a Member State by the time the Regulation is presented to the Council for final approval.

4. Recommendation for a debate on the floor of the House

In light of the continued absence of a clear Government position on the UK's financial commitments to the EU post-exit in all scenarios, we have today recommended the latest Commission proposal for debate, preferably on the floor of the House. We hope you will honour this request without delay.

We look forward to receiving the other information we have asked for from you by 25 October. If no further clarity on the Government's position is forthcoming and we are not given the opportunity to debate these matters with the Government, we intend to invite you to give evidence to us in person so the Committee can put its questions to you directly.

I am copying this letter to Gosia McBride, Clerk of the Treasury Committee; Meg Hillier MP, Chair of the Public Accounts Committee and Richard Cooke, Clerk of that Committee; the Earl of Kinnoull and Christopher Johnson in the Lords; and to Les Saunders at the Department for Exiting the EU; and to Aidan Irwin-Singer at your Department.

CHAIR

*Yours truly,
Brie*